

Apprenticeships: Nobility and Necessity

Chemical Heritage Foundation
Philadelphia, PA

July 11, 2017

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President and Chief Executive Officer
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The views expressed today are my own and not necessarily those of the Federal Reserve System or the Federal Open Market Committee (FOMC).

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Good morning. It's truly a pleasure to be here, and I want to extend my sincerest thanks to everyone who made today possible. This is an incredibly important topic, and the more people we can bring to the table, the better. There's been a growing interest in apprenticeships in the area — in everything from IT to health care to financial services — and their success is a testament to the power of public-private partnerships.

I'm going to do something a bit different today. Normally, the policymaker would get up and recite key statistics, which, frankly, is our comfort zone. You notice no one ever calls a monetary policymaker to host the Tonys.

And while it's not quite a Broadway number — the only one I'm qualified for is *Hamilton*, and believe me, you don't want to hear me in a rap battle over central banking — I'm going to leave the heavy data to today's expert presenters. I will, of course, address workforce development from a policy perspective, but I'm also going to add a bit of the personal. Which counts as really shaking things up in Fed world.

That's the segue to the reason I'm here: Why, exactly, does the Fed care about workforce development?

I should note that the answer to that question — along with everything else I say today — reflects my thoughts alone and not necessarily anyone else's in the Federal Reserve System, including my colleagues on the Federal Open Market Committee (FOMC).

With that duly noted, there are actually a few reasons I care about workforce development. For one, it helps the Fed meet one of the goals set for us by Congress: maximum employment. For another, a better educated and more skilled workforce benefits us all, whether it's more

innovation, better goods and services, or additional revenue flowing into the economy. But there's also my sincere belief that everyone should have a fair shot at success. That means developing skills that can help them get there, and apprenticeships are a critical tool.

I think all areas of training are important, but I'm especially focused on how we address the changing landscape of the American workforce at a pivotal time in history. Now, to be fair, "pivotal time in history" is probably one of the most overused speech lines out there. But I honestly believe we're experiencing a confluence of events that makes the needs and challenges of the labor market unique to our time. We've endured the biggest crisis since the Great Depression, and we're finally emerging from its shadow. We're seeing demographic changes — like the first wave of baby boom retirements — that are fundamentally altering the composition of the labor force. We're in the midst of sustained technological change that has indeed disrupted many industries, with apologies for using a buzzword. And we're seeing a skills gap that's affecting employers and job seekers alike.

While there's some debate over the extent of the gap, research by my staff shows it is a real issue, even in a labor market with very little slack left. And while data are not, I admit, the plural of anecdote, I've been hearing it from employers across the region as well. They have jobs but can't find people with the skills to fill them. Meanwhile, there are people who'd love the work but don't have the training to qualify.

Skills training in general, and apprenticeships in particular, can help to address this gap. We need more investment, and more involvement, to truly make a difference. And we need a cultural shift as well. That won't necessarily be easy — as someone who spent a lifetime in academia, I can attest to the difficulty of cultural change — but it is definitely necessary.

Something that's characterized America since our inception is that we're incredibly creative. We excel at industries as varied as the physical landscape of the country. We've revolutionized so many sectors, and every day we see more examples of how we're adapting our ways and methods of working to keep up with that change. Yet at the same time, we've become more and more rigid about the paths to success. We seem to be locked into the idea that the only way to access and advance in a career is through a four-year degree.

That has to change.

There are many ways to acquire skills. We know now more than ever that people learn in different ways. Not everyone is programmed to pick up information in a classroom setting. Not everyone wants or needs or *should* get a traditional bachelor's degree. And not everyone who wants one needs to do so immediately.

And that's OK. That's *good*. We need to stack our workforce with people who think and solve and learn differently. Apprenticeships aren't just an alternative; they're a smart, first-choice path, and we should view them that way. They've stood the test of time for a reason.

Apprenticeships go back to ancient Egypt and Babylon; they were so important they were enshrined in the Code of Hammurabi back in the 18th century BC.

From the late middle ages, apprenticeships guaranteed a path to employment and maintenance or rise in social status. They were a hallmark of the Renaissance and made an important economic contribution during one of the great periods in human history.

Leonardo da Vinci was an apprentice; so were George Washington, Benjamin Franklin, and Paul Revere. There is incredible nobility and history there, and we should celebrate that.

Apprenticeships have changed and adapted to the needs of shifting economic landscapes over time. But some things have persisted, and they are important. First, apprenticeships can be a path to economic mobility. The road from apprenticeship to journeyman to artisan is as viable today as it was in da Vinci's time. Second, the required concentration on skill not only maintains the quality of a trade, it fosters the kind of expertise that can lead to innovation.

The change in attitudes I'd like to see was evident when I visited Roxborough High School last year. They have an Academies program that allows students to pick a course of concentration while they study the regular curriculum. It's not an apprenticeship program but shares some of the characteristics, including setting the students up to enter the workforce directly from high school. They can earn a good salary if they want to work for a few years before returning to school, they can work part-time while continuing their education, or they can just start their climb up the professional ladder immediately. Programs like this are a great entryway to what my staff has termed "opportunity occupations": jobs that pay at or above the median wage but

don't require a college degree. They did research with the Cleveland and Atlanta Feds to identify not just where this work is in terms of sector but actually where they are geographically.

The students at Roxborough know that the skills they're getting give them a leg up in the job market, and I hope that their attitudes toward creative paths to education and training will soon be the prevailing ones. We all have our own ways of getting to the endpoint, and, if we want our labor market running on all cylinders, we need a workforce that is as innovative and creative as the sectors they represent.

One of the great things about apprenticeships is that they're useful at any stage in life. I visited Philly Shipyard a few weeks ago, which has one of the most well-established programs in the region, and met apprentices in their 20s and 30s. One of them was Samantha, who went to art school and has a B.F.A. But she decided she wanted to go down a different path and joined the apprenticeship program. She's now one of the top welders. Her creative and innovative talents as an artist translated into incredible skill at welding. She loves what she does and, almost as importantly, sees real growth potential and opportunity in the company.

She and the rest of the apprentices aren't just getting the skills to become masters of their trade; they're getting the sanctuary of seeing a solid path to not just stability but success.

I grew up in a blue-collar neighborhood in New Jersey, where my sister and I were the first in our family to go to college. I could tell you that back then, you could get a high school diploma, or go to community college, and still live a comfortable, middle-class life — and that was definitely true for some people. But it wasn't true for everyone; some people never had the access to that security or had to work twice as hard. And it's frankly less achievable for most people now. But I still think it should be a path available to everyone.

It's probably more resonant coming off the July 4 holiday, but the core ethos of the American dream — that if you work hard, you can get ahead — is still something quite profound. We just need better ways for people to get there. Skills training and apprenticeships can help.

Here's where I go back to being a typical policymaker by plugging my staff's work: If anyone here wants more information, the Philadelphia Fed has recently published a guide to apprenticeships in our area to provide private sector organizations with information on how you

can get involved. Copies are available to everyone, and, since Keith Rolland is responsible, you can corner him and ask him all the questions you want in person. It's good for the workforce, and it's good for business.

Thank you.