

# Compensation-Tied Apprenticeships and Agreement Defrayments in Developing Economy

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**Abstract**— This paper examined the defrayment of agreement on compensation-tied apprenticeships with a view to encourage propagation of more vocation and crafts to grow the economy and reduce unemployment palavers in developing Nations. Both primary and secondary data were sourced through administration of structured questionnaire to six hundred respondents selected from one thousand respondents where more than 70% operators of compensation-tied apprenticeships and their apprentices resides in the south-East geo-political zones of Nigeria with particular focus on electrical appliances, automobile parts, building materials, textiles and iron-rods retailing. Simple random sampling technique was used to select respondents from each of the 5 randomly selected locations with a sample fraction of 50% and the ratio of apprentices to business owners studied of 4:1. The study revealed 60 (12%) apprentices under settlement with cash agreement, 20 (33.3%) defrayment while 40 (67.7%) records of declension were recorded and only 4 (20%) of those that were settled eventually continued in the business whereas apprentices that were settled with pre-settlement business 412 (93.6%) are settled and only few 28 (6.4%) declension were recorded while 402 (98.7%) of those that are settled comfortably continued with the business learnt while only 5 (1.3%) records of declensions were recorded. Also the computed  $x^2 = 22$  is greater than 3.84 which shows that defrayment declension would aggravate the problem of unemployment and other economic cum social vices in developing countries. The study therefore concludes that the rate of continuity of apprentice settled with cash payment is highly susceptible to declension and that declension of defrayment of agreed settlement is generally detrimental to continuation of apprentices in the vocation or craft learnt and thereby adding to problems of social vices. It is therefore clear that the approach used in settling the agreed settlement obligations is a sine-qua-non to effective development and unemployment reduction in a developing economy when the practitioners defaults at any rate.

**Keywords**— Apprenticeships, Defrayment, Sinking fund, Pre-settlement, Declension.

## I. INTRODUCTION

Apprenticeship is a practice of understudying someone who is an expert or had already established a craft, vocation or a business for an agreed number of years with the utmost aim of continuing in the business when the apprentice gain freedom as an independent person. There are two major types of apprenticeships namely non-compensation and compensation-tied apprenticeships.

Compensation-tied apprenticeship is a type of apprenticeship arrangement whereby the entrepreneur (Master) agrees with an apprentice to settle him with cash or pre-settlement business on completion of his learning period for

servicing meritoriously in a craft, vocation or retailing businesses of the master. It is a practice that utilizes the wealth and experience of the master at any rate to assist and bring up a new breed of entrepreneurs which is a necessity and a condition of creating a viable economic prowess of a nation. The practice in most cases followed the basic principles and standards of SMEs on finance, time of operation as an independent business and size attained. Its practice is an option of getting young school leavers established in small and medium scale businesses for survival and future prosperity presented as a source of economic empowerment; hence bringing its system of operations to the awareness of the teeming population of unemployed youths and families will invariably emancipate many people from the shackles of poverty.

Defrayment is the process of paying the amount involved in money or other means of settlement agreed upon by two or more parties in a legally binding transactions as at when the time of settlement is ripe. It is a sine-qua-non to compensation-tied apprenticeships arrangement of any form but more often than not, the defrayments are often declined and turned down which invariably has been a serious cause of time wastage on the part of the apprentices and a causal-factor of serious vices and crimes in developing nations. It is expedient to pay attention to salient factors in the apprenticeship option of financing SMEs using the approach of Sinking Fund accounting (cash settlements) and pre-settlement business for defraying long term obligation in crafts and merchandise businesses so that its usefulness in reducing poverty and unemployment at a very large rate could be appreciated.

The dearth of academic data in the area of business agreement declension shows that little work has been done on settlement problems in apprenticeships and as such the benefit from this practice using the inherent principles to plan adequately for apprenticeship schemes in the formal sectors especially as part of the on -going poverty reduction campaigns of the present administration in Nigeria may enhance economic developments of the nation.

### *Theoretical Framework*

Apprenticeship started as a contractual agreement to prepare the youths for labour in crafts and small scale businesses through young ones understudying an already established craft-man, or in retailing businesses. It is viewed as not only training a person to acquire skills but as part of the larger process of socialization in which responsibility is transferred from the master to the young ones Liprot, (2000). According to Karen, (2004), traditional apprenticeship help the

economy of England to grow in 1970, by that time, training programmes were rare and people who were apprentices learnt mainly by example. In 1986, National Vocation Qualification were introduced and by 1990 apprenticeships have taken up to two third of total employment creation in Britain. In France, the practice of apprenticeships continued until 1851 when the first law was passed that young people had to take 150 hours of theory and general lessons in crafts every year, thus, minimum training time rose to 360 hours yearly in 1986.

According to Callaway (1993), in Nigeria, the characteristic of economic unit of traditional farming is learned through individual family - the genesis of apprenticeships. Also in traditional works like blacksmiths, tailoring and other small trades, the young learned from adults who may or may not be their close relative; some enterprises have only apprentices; a number engaged journey men, while some intermittently employed labour or sub-contractors. This process of young people learning a technical or marketing vocation on the job from older generation is a familiar scene in most of the major cities in Nigeria but with a proviso that agreement are never declined hence the smooth operationalization. According to Hunting (1986), the effectiveness of operation of apprentice programme can only be measured if there is a regulating legal basis which will guide the right skill, attitude of learners, knowledge acquisitions and settlement of the agreed obligations in generally. Apprenticeship emergence differs from country to country, thus, during eighteen century, in Europe, many occupations began the process of training a new-practitioner in their "art and mystery" through some form of apprenticeships. Most craft men like painters, carpenters, blacksmiths and farmers began as apprentices and the arrangement is usually being guided by European medieval guilds.

#### *Legal basis of Apprenticeships*

Craft/trade apprenticeships began as a practice of European medieval guilds in Europe in the sixteen century. The guild is a law which controlled prices and guaranteed the quality of product of apprenticeship schemes. Also, England's statute of artificers made some guilds practice national law so as to ensure continuity of crafts apprenticeships. The statute also required all parents to apprentice, their children to a craft or to agriculture if they did not have the resources to bind their children to a profession. The English Poor Law further bolstered craft apprenticeship by requiring local authorities to bind children of those parents that will not bind theirs. These laws also expanded the practice of indentured apprenticeship to agriculture partly as a response to the thousands of desperate commoners as created by the elimination of traditional land rights, an early stage of capitalism. As a result, craft and agricultural apprenticeships were both common during the seventeenth and eighteenth centuries, but the practice of apprenticeship survived in England but failed in the North America because of incidence of declension of agreement defrayment. Thus, consequently craft apprenticeship indentures were widely used, but the laws governing them had to be enacted locally and updated to assure the participants receive the associated benefits

as at when due. Each colony had its own enforcement codes based on the English model. Craft apprenticeship was common in early American cities prior to industrialization, though less in the South, where enslaved African Americans worked without compensation in the crafts more frequently Wilfred, (2004). Smith (2003) opined that the craft apprentice's indenture bound master and apprentice to specific obligations and entitlements. Parents, guardians, the courts, and orphanages negotiated indentures on behalf of children but the documents typically mandated the master and the apprentice to sign the document to avoid declension. The agreements entitled the master to full authority over the youth until he or she attains maturity age, usually the teens for girls and age twenty-one for boys.

In compensation-tied apprenticeships, the master promises to teach their trades and to provide shelter, food, clothing, and basic education for their apprentices. The contract stipulates that the child was bound to obey his or her master in all legal circumstances hence apprenticeship was meant to transform the apprentice by masters who introduced cash wages and disciplinary measures therefore, the practices had succeeded in becoming popular means of starting a viable business. Also, Adam Smith (1776) in his *Inquiry into the Nature and Causes of the wealth of Nations*, extolled the virtue of the division of labour as the greatest source of "improvement in the productive powers". He acknowledged a process of apprenticeships which was already in motion in Great Britain and North America (Wealth of Nations, page 7), and proclaimed that "long apprenticeships are altogether unnecessary," Smith evoked the emerging capitalist which is established by paying wages to apprentice instead of settling him for future prosperity. According to him, apprenticeships need to be regulated by many labour agreements as well as by laws to ensure prompt fulfillment of the agreed settlements.

Most apprentices aspired to become master craftsmen themselves on completion of their contract (usually a term of seven years), but some would spend time as a journeyman and a significant proportion would never acquire their own workshop if the master declines from fulfilling the payment of the agreed obligations. Subsequently governmental regulation and the licensing of polytechnics and vocational education formalized and bureaucratized the details of apprenticeship. In UK, apprenticeships have a long tradition in her educational system which is been borrowed by most of the nation's economy.

#### *Defrayment of Agreement and its Enabling Laws*

In early modern England 'parish' apprenticeships under the Poor Law came to be used as a way of providing for poor children of both sexes alongside the regular system of apprenticeships. In Nigeria, there is no noticeable regulation/laws from government to guide the operation of most crafts and trades. And as such an individual get involved in trade learning through a relation who signs the agreement with the master (Okunola, 1993). The need for enabling law is highly emphasized as it practicable in the developed countries to forestall any of form of defrayment default. The local laws oversees the operation of apprenticeships in Nigeria are necessary so that the court, law enforcement agents, the master

unions and the apprentice will be adequately informed to forestall unnecessary breach of contract.

According to (Dave, 2003), there is employment contract that bound the relationship of apprenticeship with specific obligations such as education and provision of initial capital rather than serving the master for stipends called wages. Wage paid by industries to labourers and unskilled workers has affected the multiplier effect of apprenticeships which indirectly affects the country’s economic growth. Also in the University set up, the production of scholars follow the principles of apprenticeship. This can be found in promotion of bachelors to masters, from masters (under the oversight of a supervisor) to produce thesis which will be presented and approved before the corporate body of the University before the student will be certified as meeting the standard of doctorate degree. Similarly, we have the professional development of a new graduate in professions like law, accounting and medicine even in Britain, there is what we called article of clerkship. Premise on the above, there is original motive of becoming independent after going through series of learning from someone who is skilled and experienced and as such, the practices have the basic peculiarity of solving employment problem in any nation with people of poor background and the affluent having the same access to learning and becoming independent when he/she successfully completed the term of serving as apprentices.

*Apprentice Performance Appraisal*

Only a minority of activities in personnel management are concerned with evaluating individuals on activities that are primarily selection and appraisal, but most of them include grievance and disciplinary matters. In all other cases, the focus of attention is not on individuals but on jobs, structure, procedures, or people in groups. Thus, for easy inspiration of knowledge and skills with settlement of the agreed amount to the apprentice, each Masters, should carry out a clear appraisal of the performances of each of their apprentices. Apprentice performance appraisal as the evaluation of individuals in terms of their job performance places a considerable responsibility but must be judiciously done for appropriate settlement.

Performance Appraisal: At its simplest the appraisal process can be depicted as follows

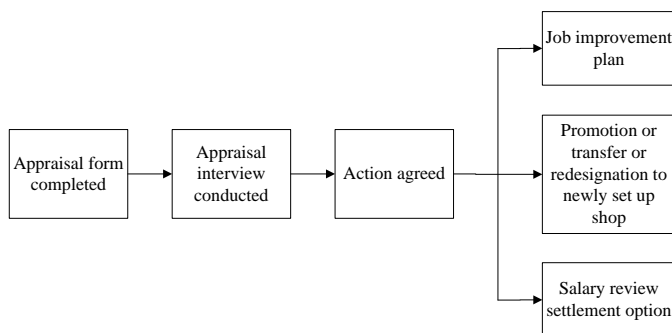


Figure 1: Performance Appraisals Process

*Data Analysis and Findings.*

Data were collected from practitioners of compensation-tied apprenticeships in 5 selected vocations, crafts/businesses-

in electrical appliances, automobile parts, building materials, textiles and iron-rods retailing in the south East geo-political zone of Nigeria. Respondents totaling 1000 were the population of the study.

The Table below presents the order of distribution and retrieval of questionnaires.

TABLE 1: Order of distribution and retrievals of questionnaire

States in South-East Geo-political Zone government	Selected business	No of questionnaires	%	No returned	%
Abia State	Electrical parts	200	20	122	20.3
Ebonyi State	Automobile parts	200	20	118	19.7
Imo State	Textile materials	200	20	120	20
Enugu State	Building materials	200	20	112	18.7
Anambra State	Iron-rods	200	20	128	21.3
Total		1000	100	600	100

Source: Field Report, 2020.

Table 1 Shows that 1000 set of questionnaires were evenly distributed in the selected businesses in the five states of the selected geo-political zones in Nigeria. Out of the 1000, only 600 (60%) were retrieved. It was clearly established that 100 (16.67%) fall below the required age of business while 50 (8.33%), 200 (33.33%), 150 (25%) and 150(25%) meet the required age of the required apprentices. This invariably showed that 500 (83.33%) meet the required age of above 5 years. The researcher therefore retained 500 (83.33%) as the real population of the study. Also, 10 (5.56%) were into electrical parts business, 20(11.11%) were into automobile parts, 60 (33.3%) were into textiles, 60 (33.3%) were into building materials while 30(16.67%) were iron-ore retailing business. The study therefore hold that the ratio of business owners to apprentices is 1:4 in electrical, 1:2 in automobile,3:2 in textiles, 1:1 in building materials and 3:11 in iron-ore business respectively. Also, only 60 (12%) of the respondents picked cash – through sinking fund system as the mode of settlement while 440 (88%) response were for pre-settlement businesses.

TABLE 2.1: Defrayment with cash cum continuity in the vocation learnt?

Cash Defrayment cum continuity	Respondents	%	Respondents	%
Cash Defrayed Cum Continuation	20	33.3	4	20
Declension cum continuity	40	67.7	0	0
<b>Total</b>	<b>60</b>	<b>100</b>	<b>4</b>	<b>20</b>

Source: Field Study, 2020

TABLE 2.2: Defrayment with pre- settlement business cum continuity in the vocation learnt?

Pre- settlement business cum continuity	Respondents	%	Respondents	%
Defrayment Cum Continuity	412	93.6	402	98.7
Declension cum Continuity	28	6.4	5	1.3
<b>Total</b>	<b>440</b>	<b>100</b>	<b>407</b>	<b>100</b>

Source: Field Study, 2020

Table 2.1 shows that out of 60 (12%) apprentices under settlement with cash agreement, only 20 (33.3%) were defrayed while 40 (67.7%) records of declension were recorded and only 4 (20%) of those that were settled eventually continued in the business whereas apprentices that were settled with pre-settlement business 412 (93.6%) are settled and only few 28 (6.4%) declension were recorded while 402 (98.7%) of those that are settled comfortably continued with the business learnt while only 5 (1.3%) records of declensions were recorded.

TABLE 3: Influence of declension of settlement defrayments

(Yes/No)	Number of Respondents	Percentage (%)
Yes	120	100
No	00	00
<b>Total</b>	120	100

Source: Field Study, 2020.

Table 3 above shows that 120(100%) of the business owners that were settled with pre-settlement business continued in the business they learnt while cash settlement is often declined hence the study concludes that apprentices settlement with pre-settlement business will continues with the business after graduation than those promised to be settled with cash.

*The approach that minimized declension problems in compensation-tied apprenticeships.*

The response of business owners who have been operating for not less than 7 years, and who are in the position to settle one apprentice or the other in their businesses are analysed for the stated objective.

TABLE 4: Type of agreement versus respondents

Agreement type	Respondents	Percentage (%)
Written agreement	80	40
Verbal agreement	60	30
No agreement	60	30
<b>Total</b>	200	100

Source: Field study, 2020.

The table shows that 80(40%) of the business owners had written agreement with their apprentice on settlement, 60 (30%) had verbal agreement while 60(30%) had no agreement at all with their apprentices.

TABLE 4.1

Approach of settlement	Respondents	Percentage (%)
Cash settlement Declension	120	60
Pre-settlement business Declension	80	40
<b>Total</b>	200	100

Source: Field study 2020.

From the table 120 (60%) declined agreed settlement with cash, while 80 (40%) declined agreed settlement with pre-settlement business. The pre-settlement business settlement approach minimize the declension of agreement in compensation-tied apprenticeship practices in SMEs. Out of 60 respondents on mode of settlement and the rate at which apprentices continued in the learnt vocation, only 20 (33.33%) were settled with cash and only 4 (20%) of them eventually

continued in the business learnt while 45 (75%) were settled with pre-settlement business and 42(93.3%) were in the business with 5 (33.3) though not settled but one way or the other find their way back into the business learnt.

Contingency Table

	Business Owners	Apprentice	Total
Yes	40	120	160
No	160	180	340
<b>Total</b>	200	300	500

Calculation of Computed Chi-Square

Cell	Fo	Fe	Fo-Fe	(Fo-Fe) <sup>2</sup>	$\frac{(Fo-Fe)^2}{Fe}$
Aa	40	64	-24	576	9
Ab	120	96	24	576	6
Ba	160	136	24	576	4.2
Bb	180	204	-24	576	2.8
<b>Total</b>	500	500	0	2304	22

Computed chi-square(x<sup>2</sup>) = 22

Degree of freedom = (r-1)(c-1) = (2-1)(2-1) = 1

Level of significance is 5% (0.05)

The computed x<sup>2</sup> = 22 is greater than 3.84 which shows that settlement declension would aggravate the problem of defrayment of agreement in compensation-tied apprenticeships in SMEs and also that generally, declension of any form of settlement of agreement will create more hazard since the young ones that participated would have wasted their time and eventually joined bad gangs to commit crimes of any form..

## II. CONCLUSION AND RECOMMENDATIONS

Small and medium scale Enterprises are usually the best point of joining the business world in any developing economy. The process of joining become much-easier when one goes through compensation-tied apprenticeship in any of the business existing within the context of SMEs to engender accelerated economic development in various developing economies. The success of the method depends solely on the approach adopted by the practitioners, in order to settle the apprentices, the Master must be ready to settle the apprentice according to the terms in the agreement, this explains why some young and willing ones offered themselves to learning a skill, vocation or business and at the end of the programme they continued with it. The agreement reached at the beginning of the apprenticeship programme goes a long way to influence the success of the apprentices on one hand and the attitude of the master in honouring the agreement on the other hand. These are two factors that everyone coming into such scheme should consider properly before putting their hand on the deed of agreement. The object of consideration is often precluded by the approach the master will use in settling the apprentice at the completion of the programme to guide against defrayment of settlements when the time ripe.

The study concludes that at any rate, two popular methods -- the Pre-settlement business method-which is a method whereby a business is set up for the apprentice who served meritoriously and have spent the agreed period with his master for the master to plan a form of transfer a new shop that must have been opened for the purpose may not find it difficult to

remove his hand from the new shop for his/her apprenticeship to continued in the business as he/she obtained freedom. And, on the other hand, the entrepreneur (master) may keep his apprentice in his shop and beginning to count years, and at the completion of the programme he will remove part of his savings and settle the apprentice. But more often than not apprentice settled in this form often diverts the cash to other business where he did not have the skills, experience and business acumen, most of them often failed and they turn out to be a problem to the society. Thus, small and medium scale enterprises need young and able minds with clear intention to practice so that the economy will be less reliable on conglomerate businesses and public sectors only in solving unemployment problem in the country. It is therefore clear that the approach used in settling the agreed settlement obligations is a *sine-qua-non* for effective development and unemployment reduction in a developing economy when the practitioners do not defaults at any rate.

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