

APPRENTICESHIP: THE BOTTOM LINE

Understanding Costs and Return on
Investment for Employers



BACKGROUND: A GROWING TREND IN TECH

- ✓ Recruiting tech talent is a challenge for **80% of employers in America**, as demand increasingly outpaces supply for workers with advanced tech skills.¹
- ✓ As a way to close this gap, large international companies like IBM, Bosch, and Barclays have expanded their apprenticeship programs – a popular employment model in Europe – to their American operations. Hiring workers as apprentices is both practical and cost-efficient for employers who need to fill high-skilled positions.
 - The model is hugely popular in Europe's free-market countries. For example, in Switzerland, one of the world's wealthiest and most advanced economies, **70% of young people enter the workforce through apprenticeship.**²
- ✓ The US Department of Labor is investing **hundreds of millions of dollars in apprenticeship**³ to give American businesses a competitive edge in the global marketplace and reduce reliance on foreign worker visas.³ States and local areas offer additional incentives to promote more apprenticeships.

International finance and technology companies recognize that apprenticeship saves money and strengthens their **#1 asset: their workforce.**

Training skilled workers on the job offers a much greater return on investment than “buying” top talent from elsewhere.

97%

The Bottom Line: Those that try it love it: **97% of American business that sponsor apprenticeships** recommend them to others.⁴ The reason? It's good for business.

“SO, WHAT’S THE CATCH?”

There are two major reasons many American companies haven't considered apprenticeship: they're unfamiliar with the model or are concerned about the up-front investment to start a program and train employees on the job. However, apprenticeship, once understood, is proven to have a positive return on investment (ROI) almost immediately.



Investments

- One-time startup costs to design a program
- Run costs to onboard and train new employees on the job

Returns

Direct Offsets

- Salary savings
- State Tax Credits
- State and Federal Grants

Major Savings

- Reduced turnover and vacancy costs
- Increased productivity, reduced waste
- Lower recruitment costs, including foreign visas

TURN OVER FOR MORE

CALCULATING COSTS AND BENEFITS



Investments

Employers control how much an apprenticeship program costs; program length, wages, training equipment, and other employer choices will have the biggest impact on price. Other costs include:

- ✓ **One-time start-up costs** to set requirements, design the curriculum, and establish new processes. These costs can be shared by co-investing in a program with other businesses interested in training workers for the same skills.
- ✓ **Ongoing (Run) Costs:** Like any learning and development initiative, there are ongoing costs in training time, mentorship time from other employees, and lower productivity during initial onboarding.

Return(\$)

Direct Offsets

- ✓ **Salary Savings:** Because apprentices are trained on the job, their base pay rates are 40-50% lower than a typical new hire. This difference is usually enough to offset program costs.
- ✓ **Tax Credits** for companies that hire apprentices. See what your state offers: apprenticeship.gov/employers/state-tax-credits
- ✓ **State and Federal funding** such as subsidies and grants for registered programs.
- ✓ **Training resources and program assistance**, which would otherwise have to be developed or purchased in-house, are available at no cost to employers register apprenticeships.

Major Savings:

- ✓ **Higher retention:** Turnover has a huge cost for employers: losing an employee costs the company 1-2x their salary. By contrast, 89% of apprentices stay for at least 3 years after completing their program, which translates to huge savings for their employers.⁵
- ✓ **Higher productivity:** 78% of employers see improved productivity after starting a program – not just for apprentices, but across the board.⁶ All employees benefit from a work environment focused on learning and professional development.
- ✓ **Lower recruitment costs:** By building a pipeline of skilled workers, apprenticeship saves companies 20% on recruitment costs alone.⁷

OTHER BENEFITS TO CONSIDER

- ✓ **Greater diversity, bigger profits:** Companies with high levels of racial or gender diversity bring in nearly 15x more sales revenue than those with low diversity.⁸
- ✓ **Company-wide savings** - Formal mentorship programs and other components of apprenticeship are shown to reduce overall turnover by more than 60%, which could save companies millions of dollars per year.⁹
- ✓ **Boost local economy** – Hiring workers in the local area can boost the economy through job creation, higher employment, tax revenues, and government savings. A recent study in Illinois found that every \$1 invested in registered apprenticeship returned \$11 for the state economy.¹⁰

To learn more about the benefits for your business, go to TQAClark.com or visit masshirecentral.com.

The Tech Quest Apprenticeship program is an equal opportunity program. This project is supported by the Employment and Training Administration of the U.S. Department of Labor as part of an award totaling \$11,999,771.00 and \$4,200,000 from non-governmental sources.

Sources

¹ WSJ, "Seeking Tech Talent, Companies Kickstart Apprenticeship Programs"

² U.S. Department of Labor, "Active Grants and Contracts". Apprenticeship.GOV.

³ Nearly 2/3 of requested H-1B visas for high-skilled foreign workers are for Science, Technology, Engineering, and Mathematic (STEM) occupations (American Immigration Council, "The H-1B Visa Program")

⁴ Urban Institute, "The Benefits and Challenges of Registered Apprenticeship: The Sponsor's Perspective"

⁵ Sources: LinkedIn Talent Blog, "These 3 Industries Have the Highest Talent Turnover Rates"; *Nelson Frank Salary Survey*; *Utah Department of Workforce Services, Apprenticeships*. jobs.utah.gov/apprenticeship/apprentirol.

⁶ GOV.UK Department for Education, "Apprenticeships evaluation 2017: learners survey"

⁷ Case Western Reserve University & U.S. Department of Commerce, Economics and Statistics Administration, "The Benefits and Costs of Apprenticeships: A Business Perspective"

⁸ American Sociological Review, April 2009

⁹ Financial Management, "Calculating a mentor's effect on salary and retention"

¹⁰ The Illinois Update, "Illinois' Construction Apprenticeship Programs Return \$11 in Total Benefits for Every Dollar Invested"