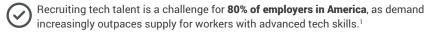
# APPRENTICESHIP: THE BOTTOM LINE

Understanding Costs and Return on Investment for Employers





#### **BACKGROUND: A GROWING TREND IN TECH**



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.<sup>2</sup>

The US Department of Labor is investing **hundreds of millions of dollars in apprenticeship**<sup>2</sup> to give American businesses a competitive edge in the global marketplace and reduce reliance on foreign worker visas.<sup>3</sup> 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.<sup>4</sup> 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

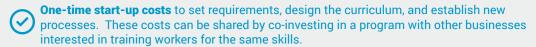
#### **Major Savings**

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

#### 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:



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**

	<b>Salary Savings:</b> 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.
٧	lower than a typical new hire. This difference is usually enough to offset program costs.

$\bigcirc$	Tax Credits for	companies that	hire apprentices.	See what your	state offers:
	annrenticeshin	gov/employers/	state-tay-credite		

Ŏ	<b>Training resources and program assistance</b> , which would otherwise have to be developed or purchased in-house, are available at no cost to employers register apprenticeships.
$ \bigcirc $	purchased in-house, are available at no cost to employers register apprenticeships.

### **Major Savings:**

	<b>Higher retention:</b> 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
W)	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. <sup>5</sup>

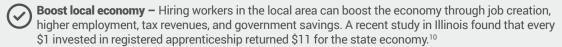
	<b>Higher productivity:</b> 78% of employers see improved productivity after starting a program – not just for apprentices, but across the board. <sup>6</sup> All employees benefit from a work environment
W	not just for apprentices, but across the board. <sup>6</sup> All employees benefit from a work environment
	focused on learning and professional development.

	<b>Lower recruitment costs:</b> By building a pipeline of skilled workers, apprenticeship saves compact 20% on recruitment costs alone. <sup>7</sup>	anies
W	20% on recruitment costs alone. <sup>7</sup>	

#### OTHER BENEFITS TO CONSIDER

	Greater diversity, bigger profits: Companies with high levels of racial or gender diversity brinearly 15x more sales revenue than those with low diversity.8	ng ir
W	nearly 15x more sales revenue than those with low diversity.8	

$\odot$	<b>Company-wide savings -</b> Formal mentorship programs and other components of apprenticeship are shown to reduce overall turnover by more than 60%, which could save companies millions of
	are shown to reduce overall turnover by more than 60%, which could save companies millions of
	dollars per year. <sup>9</sup>



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

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

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- <sup>2</sup> U.S. Department of Labor, "Active Grants and Contracts". Apprenticeship.GOV.
- <sup>3</sup> 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")
- <sup>4</sup> Urban Institute, "The Benefits and Challenges of Registered Apprenticeship: The Sponsor's Perspective"
- 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/apprentiroi.
- <sup>6</sup> GOV.UK Department for Education, "Apprenticeships evaluation 2017: learners survey"
- <sup>7</sup> Case Western Reserve University & U.S. Department of Commerce, Economics and Statistics Administration, "The Benefits and Costs of Apprenticeships: A Business Perspective"
- <sup>7</sup> American Sociological Review, April 2009
- <sup>9</sup> Financial Management, "Calculating a mentor's effect on salary and retention"
- The Illinois Update, "Illinois' Construction Apprenticeship Programs Return \$11 in Total Benefits for Every Dollar Invested"