

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 borderplexjobs.com.

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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"