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**Wednesday, November 16, 2016**

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## **DEPARTMENT OF COMMERCE REPORT SHOWS BUSINESS CASE FOR APPRENTICESHIPS**

Washington, D.C. – U.S. Secretary of Commerce Penny Pritzker today announced the release of a Department of Commerce report, “The Benefits and Costs of Apprenticeships: A Business Perspective.” This report, authored by the Economics and Statistics Administration in partnership with Case Western Reserve University, is among the first of its kind in the U.S. that captures the employer perspective on the value of the apprenticeship model.

As part of President Obama’s goal of doubling the number of registered apprenticeships in the U.S. by the end of 2018, this report provides companies with hard data and compelling case studies to make the business case for the expansion of apprenticeship models within their own organizations.

“Through our Skills for Business agenda, the Department of Commerce has strongly supported the Obama Administration’s efforts to prepare America’s workers for the in-demand jobs of the 21<sup>st</sup> century. Expanding apprenticeships has been a significant part of our efforts,” said Secretary Pritzker. “This first-of-its kind report clearly demonstrates the value apprenticeships deliver to companies by helping fill jobs left empty, creating a more productive work force, reducing turnover and lowering recruiting costs. The earn-and-learn model is one that we can and should continue to expand across a more diversified set of industries to help meet the challenges faced by America’s workers and employers.”

This report contains findings from 13 case studies of businesses and intermediaries that have experience and success in implementing registered apprenticeships. The programs varied in structure and cost from company to company, but all found that an investment in apprenticeship pays off.

### **Key Findings Include**

- Across industries from manufacturing to construction, healthcare, retail, and IT, the single most common benefit of apprenticeships was filling jobs that otherwise sat vacant.

- Apprenticeships broadened companies' recruiting pool by opening doors to less-skilled candidates from more diverse backgrounds who would otherwise not be recruited.
- Internal production data from two companies helped put a dollar value on some of the benefits:
  - Dartmouth-Hitchcock Medical Center found that its Medical Assistant apprenticeship program nearly paid for itself within the first year.
    - The program had an internal rate of return of 40 percent compared to using overtime with existing medical staff, and it was essential to a major expansion and re-organization of its provision of medical services.
    - Reducing the long-term use of overtime also helped relieve staff burnout and turnover, while quality of care remained high after the MA apprentices were introduced.
  - Siemens USA obtains at least a 50 percent rate of return on its apprenticeship program, compared to hiring machinists off the street.
    - Most of the gains stem from how apprenticeship allows Siemens to more flexibly fill its capacity in Charlotte, NC, which makes generators for electric utilities. Apprentice grads' flexibility helps the plant make full use of spare capacity, when available, such that the plant can seek and take generator repair work.
    - Siemens' apprentice graduates are well suited for tasks like repair work, which involve more judgment than standard projects. One year of this additional capacity is worth an amount similar to the cost of a worker's apprenticeship program.
    - Apprentices also were more likely to finish their work on time, and were slightly more productive, compared to machinists hired off the street.
- Costs for firms varied widely, from less than \$25,000 to \$250,000 per apprentice, and benefits were diverse, but the companies studied were unanimous and enthusiastic in finding the benefits to outweigh the costs and their commitments.
- Surprisingly few companies calculated an internal return on investment (ROI) for their apprenticeship programs.
- Because there is little guidance on how to capture the return on investment and few firms explicitly collect the data to do so, this report provides a roadmap to help employers measure the costs and benefits of apprenticeships.

The full report is available here: <http://www.esa.gov/reports/benefits-and-costs-apprenticeships-business-perspective>

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