ROI Calculator Read-Me

In honor of National Apprenticeship Week, and to help businesses understand the benefits from apprenticeship, the U.S. Department of Commerce is releasing a beta version of a [return-on-investment (ROI) calculator](http://www.esa.gov/sites/default/files/apprenticeship-roi-calculator-2017.xlsx). Apprenticeships allows workers to learn skills on-the-job while earning a paycheck and graduating with an industry-recognized credential, and often an academic degree or credits as well. Registered apprenticeships have an 80-year history in the United States, dating from the [National Apprenticeship Act](https://doleta.gov/OA/history.cfm). Since then apprenticeships have been focused on preparing workers for critical construction jobs in our economy. As outlined in the [Executive Order Expanding Apprenticeships in America](https://www.whitehouse.gov/the-press-office/2017/06/15/presidential-executive-order-expanding-apprenticeships-america), our country needs to apply lessons learned from that tradition to develop skilled workers for many other sectors where apprenticeship is well suited but only in its infancy.

Apprenticeships are a business investment.  Businesses pay apprentices' wages and typically their training expenses as well as costs for starting-up and managing their programs.  U.S. businesses are increasingly turning to apprenticeship to train, or re-train, existing or new employees and to find the skilled workers that they need to stay competitive and more than half a million apprentices today are benefiting from these investments as they progress through registered training programs in the United States.  Until recently however, surprisingly little was known about the payoff to U.S. businesses from these investments. To help remedy this, in 2016, the U.S. Department of Commerce and Case Western University jointly produced a report titled "[The Benefits and Costs of Apprentices: A Business Perspective](http://www.esa.gov/reports/benefits-and-costs-apprenticeships-business-perspective)."1

In our study, we provided new insights about apprenticeship by examining 13 businesses and intermediaries covering a variety of occupations, industries, and regions and asked: What motivated them to create apprenticeships? What are the costs and benefits? And if not apprenticeships, how else would they fill their workforce needs? In our study, we found that firms' cost for administering programs ranged from $250,000 per apprentice to less than $25,000. Apprentices' compensation costs over the duration of the program along with the length of the program were the major cost for all companies. Other important costs were program start-up, tuition and educational materials, mentors' time, and overhead. In addition, we profiled two firms in great detail and estimated an ROI from apprenticeship of at least 40 percent relative to filling the jobs by some other means—or being forced to leave them unfilled because of labor shortages.

To help firms crunch the numbers related to their investment in apprenticeship, the ROI calculator helps to draw upon the lessons learned in our study and mirrors the calculations we did to study firms' ROI. This tool will allow firms to explore how various decisions they make about the features of their programs affect their overall benefits, costs, and resulting ROI over any given number of years, as specified by the user.

We consider the calculator to be a tool to guide companies as they explore apprenticeships program options. It can help translate ideas into dollars and cents and can be a precursor to, but not a substitute for, more detailed financial analyses.  We also encourage and look forward to [feedback on the calculator](mailto:DLangdon@doc.gov?subject=Feedback%20from%20Blog) from the business community and other members of the broad and growing apprenticeship community.

National Apprenticeship Week highlights grassroots efforts across the United States to create apprenticeship programs across industries and occupations.  Many of today's 6.1 million advertised job openings would be easier to fill if the benefits to companies of apprenticeship programs were more widely known.  The Department of Commerce hopes that its new ROI calculator will help more companies discover that apprenticeships can pay off for them too.

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