

Do firms benefit from apprenticeship investments?

Why spending on occupational skills can yield economic returns to employers

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ELEVATOR PITCH

Economists once believed firms do not pay to develop occupational skills that workers could use in other, often competing, firms. Researchers now recognize that most firms benefit from investing in apprenticeship training. Evidence indicates that financial returns to firms vary. Some recoup their investment within the apprenticeship period, while others see their investment pay off only after accounting for reduced turnover, recruitment, and initial training costs. Generally, the first year of apprenticeships involves significant costs, but subsequently, the apprentice's contributions exceed his/her wages and supervisory costs. Most participating firms view apprenticeships as offering certainty that all workers have the same high level of expertise and ensuring a supply of well-trained workers during sudden increases in demand and to fill leadership positions.

KEY FINDINGS

Pros

- + The apprentice's contribution to production is large enough to offset most costs to firms.
- + By retaining most apprentices, firms benefit substantially from low recruitment and training costs.
- + Knowing that all trained apprentices have mastered a common set of skills is valuable to firms.
- + Apprenticeship training enhances subsequent innovation within the training firm.
- + Treating apprenticeship expenses as capital investments would improve measured gains.

Cons

- Most firms in advanced economies do not offer apprenticeships.
- Firms perceive weak returns because they fear trained apprentices will be hired away by other firms.
- Some estimates show firms recover only modest parts of their investment during the training period.
- Quantitative estimates of gains for employers are uncertain, based on only a few studies.
- It is difficult for firms to assess the long-term benefits of apprenticeship investments.

AUTHOR'S MAIN MESSAGE

Apprenticeship training is usually a profitable investment for firms as well as workers. Often, firms can recoup all or most of their costs within the apprenticeship period. By providing firms with information on economic returns, by helping them set up apprenticeships, and by funding off-site training, policymakers can promote the expansion of effective career training and increased worker earnings with only modest public expenditures.

