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Can Apprenticeship Programs Provide a Good Return on Investment?

People often ask me why the MACNY Registered Apprenticeship program is a good investment for their company. I know that it is – I have seen the successes first hand; however, when real examples back it up it's even better. The Advanced Manufacturing Industry Partnership (AMIP) division of Partners for a Competitive Workforce (PCW), recently published a case study concerning Richards Industries. Richards Industries, a high tech industrial valve manufacturer located in Cincinnati, OH, is a multimillion dollar company with a global presence. They employ 145 people in their Cincinnati location and service customers in the chemical, pharmaceutical, and food processing industries just to name a few.

Richards Industries had a need for additional skilled workers on their production line and without them, both productivity and efficiency were being effected negatively. The cost of recruiting and hiring a new employee impacted their bottom line by \$1,889/new hire, and that did not include any training. The total on the job training costs of getting a new employee fully train was calculated as \$91,000 per employee.

These costs caused Richards Industries to look for other solutions, and to partner with the AMIP to “utilize employer leadership to align education with industry, design career pathways with portable and stackable credentials that meet industry needs, engage education and workforce stakeholders to train the workforce, and utilize industry intelligence to develop long term strategies to improve the talent pipeline.” In layman’s terms, AMIP helped Richards Industries build a cost-effective way to train employees and solve their advanced manufacturing training needs.

The Richards Industries use case enabled AMIP to develop a Return on Investment (ROI) tool for quantifying the impact of industry and education partnering to do training of employees as compared to companies doing it on their own.

The case study showed that Richards Industries reported a reduction of time spent in on-the-job training for their incumbent workers who participated in the training by approximately 30 percent when compared to employees who did not participate in this project. This reduction in on-the-job training saved the company \$27,300 per employee. By creating an industrial-academic partnership and employing a structured plan for training, the AMIP program’s cost to produce the same level of skill in the employee was \$2,800, yielding an ROI of about 875 percent. WOW!

Closer to home, the anticipated cost associated with training an apprentice in the CNY area via the MACNY Registered Apprenticeship Program is approximately \$4,500.

That \$4,500 out of pocket cost can also often be reduced to close to zero by utilizing currently available funding sources including the following:

- American Apprenticeship Initiatives \$3,000/apprentice for related instruction
- The Empire Sate Apprenticeship Program tax credit of \$2,000 - \$5,000
- MACNY identified state and federal funding sources

Please contact me at mponge@macny.org for more information on these programs.

For more information on the Richard Industries case study, see article at: <http://www.competitiveworkforce.com/Richards-Industries-Case-Study.html>