



CareerWise Colorado
Tomorrow's Talent Today

Financial Model
April 2018



Financial Model Overview

- This financial model will help businesses understand CareerWise program costs and benefits.
- This financial model will help businesses make informed decisions regarding the structure of their apprenticeships.
- This financial model uses conservative assumptions. Therefore, it depicts the lower end of the spectrum for program return on investment.
- This financial model is not intended to constrain or limit your options. If the assumptions that follow are not applicable to your business, we can run the model with a different set of assumptions.
- We have created an web-based Apprenticeship ROI calculator that allows you to input figures that are tailored to your business. Click on the following link to access this tool.
 - Link: <http://www.careerwisecolorado.org/roi>
 - Password: roi

Financial Model Assumptions

Assumptions Affecting Your Costs

- Apprentice starting pay: \$11.10
- Apprentice ending pay: \$13.00
- Apprentices do not receive benefits for Years 1 & 2. They receive benefits for Year 3.¹
- Average annual training center contribution²: \$1,500
- Annual CareerWise business participation fee: \$1,000

Assumptions Affecting Your Benefits

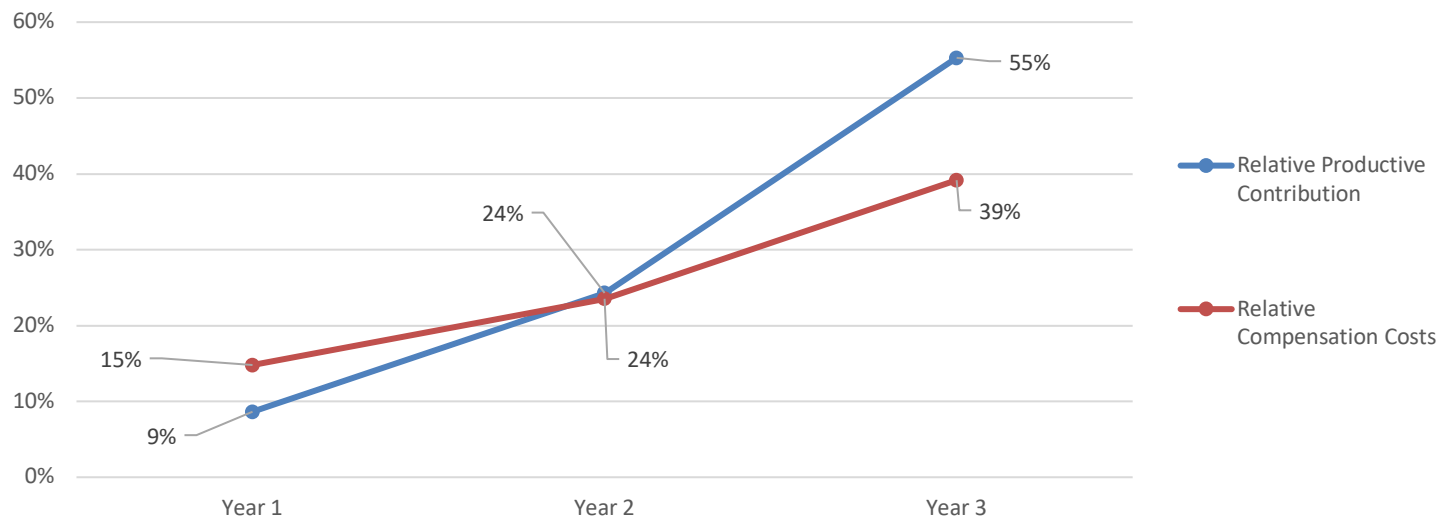
- The productive value of an apprentice can be expressed as a percentage of the productive value of a skilled worker in the same occupation.
- The productivity curves of Colorado youth apprentices approximate the productivity curves of Swiss youth apprentices
- Skilled worker annual salary: \$50,000
- Skilled worker annual benefits: \$7,500
- Skilled worker productivity multiplier³: 1.25

¹ We don't expect apprentices to receive employer provided benefits (such as health insurance, life insurance, and retirement savings plans) in Year 1 or 2 of the apprenticeships. In Year 3, we assume that apprentices will be working full time or nearly full time and will receive benefits.

² The training center contribution will vary based on the pathway and education provider. The \$1,500 per apprentice per year figure is the average annual training center contribution across our four pathways.

³ The productivity multiplier assumes that the cost to employ an individual is exceeded by the value of their work. A 1.25 productivity multiplier posits that an employee who costs \$60,000 to employ annually provides \$75,000 in value annually.

Apprentice Relative Compensation Costs & Apprentice Relative Productivity



Year 1: Net Costs. Apprentice 9% as productive as full-time employee; Apprentice paid 15% as much as full-time employee.

Year 2: Break Even. Apprentice 24% as productive as full-time employee; Apprentice paid 24% as much as full-time employee.

Year 3: Net Benefits. Apprentice 55% as productive as full-time employee; Apprentice paid 39% as much as full-time employee.

Costs and Benefits (cont.)

	Year 1	Year 2	Year 3	Totals
Wages	(\$8,323)	(\$13,236)	(\$19,587)	(\$41,143)
Other Compensation Costs (payroll taxes, workers compensation costs, benefits)	(\$1,665)	(\$2,647)	(\$6,854)	(\$11,166)
Out-of-Pocket Training Costs	(\$1,500)	(\$1,500)	(\$1,500)	(\$4,500)
Training Opportunity Costs	(\$5,400)	(\$3,375)	(\$960)	(\$9,735)
Planning Opportunity Costs	(\$3,000)			(\$3,000)
CareerWise Business Participation Fees	(\$1,000)	(\$1,000)	(\$1,000)	(\$3,000)
Productive Work	\$7,290	\$20,503	\$46,656	\$74,449
Recruiting Savings			\$3,000	\$3,000
Net Benefit or Cost	(\$10,598)	(\$1,255)	\$16,758	\$4,905

Program Return on Investment: 7%