

How Governments Can Help Small and Medium-Sized Businesses Adopt Apprenticeship Programs

Andrew Campbell

May 2026

Registered Apprenticeship programs are a proven solution¹ for helping employers meet their talent needs and workers gain the skills to access high-quality career pathways (Kuehn et al. 2022). However, the relative size and level of investment in the United States' Registered Apprenticeship system lags behind many peer countries.² Proponents of expanding the US apprenticeship system often focus on the number of apprentices and the public dollars invested, and less often on how many employers actively engage in the Registered Apprenticeship system. According to the US Department of Labor, approximately 150,000 employers sponsored or participated in the roughly 27,000 active apprenticeship programs in the US.³ This estimate shows that only a small fraction of the 6.3 million US employers with paid employees⁴ use apprenticeship programs to hire and train their workers.

There is no data distinguishing how many apprenticeship sponsors are small or medium-sized businesses, with less than 500 employees. However, given the low estimated share of US employers overall participating in the apprenticeship system and the fact that small and medium-sized businesses (SMBs) account for 99.9 percent of all US businesses⁵ in 2022, SMBs represent a large group of untapped employers that could benefit from Registered Apprenticeship programs. This is compounded by evidence from evaluations (Sattar et al. 2020) and case studies (Arabandi, Boren, and Campbell 2021), which found extra barriers that small and medium-sized businesses face when launching and implementing apprenticeship programs.

To help SMBs engage and participate in the Registered Apprenticeship system, state and federal governments should strategically target investments and supports that enable SMBs to access and benefit from Registered Apprenticeships. Taking lessons from partnerships with 15 SMBs in North and South Carolina over the past three years, this brief offers insights into the types of policies that most directly address the needs of SMBs.

This brief recommends several strategies for removing barriers and boosting participation in apprenticeship among SMBs: targeted tax credits, new grant opportunities, focused technical assistance, modernizing the registration process, and facilitating greater awareness and participation in group programs.

Supporting Program Costs

Launching and running an apprenticeship program can be a heavy lift for any employer. Although apprenticeships have a positive return on investment for most employers (Kuehn et al. 2022), employers first must bear the upfront costs of program design and then invest in ongoing program costs, including focusing supervisor time on training and mentorship. These costs can be particularly difficult for SMBs to overcome, because they have less bandwidth to engage in all elements of the apprenticeship process. States currently address this challenge through two primary avenues: discretionary grants and tax credits.

Grant Programs

Discretionary grant programs support apprenticeship programs directly with cash incentives and subsidies to offset specific training, education, wage or other qualifying costs of an apprenticeship program. These programs are time-

limited and generally intended to spur apprenticeship growth in strategic ways, such as for emerging industries, geographies, or apprentices from specific communities. Grant programs are generally not designed to be sustainable sources of funding for employers to operate apprenticeships but can help overcome the initial barriers of designing and piloting these programs.

Because grant programs are administered by apprenticeship registration agencies or through third party intermediaries, the administrative burden of educating and connecting eligible employers with the available resources shifts from the employer to government staff and their partners. Grant programs can also fund other key apprenticeship partners, including intermediary organizations that take on the roles of providing technical assistance to employers (Arabandi and Marotta 2024), the administrative burden of disbursing grant funds directly to employers, and adding capacity to the support system that connects employers with the education and resources they need to successfully launch and sustain an apprenticeship program.

Currently, grant programs are not typically designed to reach employers based on their size. But, just as states and the federal government have used grants to advance other strategies for apprenticeship growth, grant programs targeted to SMBs have the potential to help reshape the priorities of registration agencies to expanding among SMBs. This has the added benefit that SMBs can often avoid the administrative burdens that can deter SMBs from obtaining tax credits (described below).

Tax Credits

Tax credits, which offer employers credit to offset taxable income for hiring or retaining apprentices, are a popular approach states and the federal government use to offset the costs of administering an apprenticeship and incentivize employer participation in the Registered Apprenticeship system. As of 2025, twenty-eight US states and one US territory utilize tax credits⁶ to offset the costs of launching or expanding apprenticeship programs. Tax credits can be used to offset a wide range of training and related technical instruction costs of operating a program (Galeano 2021). These programs range from general tax credits programs,⁷ with broad eligibility criteria simply focused on a per apprentice credit, to more targeted tax credits⁸ that are designed to incentivize employers in specific industries or geographies to expand apprenticeship programs and hire more apprentices. Tax credits can also be designed to incentivize employers to hire apprentices from targeted populations, such as young people, veterans, and individuals who are currently unemployed. Tax credits can also be targeted to offset specific training, education, and wage costs incurred by the employer. One advantage of tax credits is that they offer a steady and predictable source of funding for employers, which is important for sustaining programs over time.

One challenge with tax credits is that they require employers to know about and apply for the credits, and evidence shows that putting the administrative burden on employers to access the benefits of tax credit programs has limited their success and impact (Spaulding and Petrov 2023). The administrative components may be especially burdensome for SMBs who have fewer staff resources and limited staff bandwidth to identify and pursue tax credit opportunities. The lack of staff resources represents an extra barrier for SMBs and compounds the existing barriers limiting the utilization of programs across all employers, including a lack of awareness about tax credits, complex eligibility requirements, and an onerous application process.

One example of underutilization is the \$50 million dollar “Empire State Apprenticeship Tax Credit” (ESATC),⁹ launched in 2018, which is designed to provide progressive tax incentives to certified New York State (NYS) Registered Apprenticeship (RA) program sponsors for every year they have an active apprentice (or apprentices), with additional supports for hiring “disadvantaged youth apprentices” and supplementary tax credits to offset mentorship costs. According to the May 2025 NY Apprenticeship & Training Council Quarterly Meeting notes,¹⁰ only 144 Empire State tax credits have been issued so far to 81 unique businesses in support of 329 qualified apprentices, totaling \$1,130,000. While we don’t have a breakdown of the size of businesses that did take advantage

of the ESATC program, what we know about the extra limitations that SMBs face in navigating administrative processes hints at the likelihood that that tax credit programs are particularly underutilized by SMBs.

Despite the prevalence of apprenticeship tax credit programs, catalogued by the US Department of Labor,¹¹ none provide tax credits specifically for small and medium-sized businesses. This is a missed opportunity to provide targeted support to SMBs to help them meet their talent needs while also helping SMBs play a larger role in the workforce development of their local communities.

Tax credits can be powerful tools for helping SMBs participate in the apprenticeship system because they are designed to provide predictable support, per active apprentice, for the duration of a tax credit program. This offsets the upfront costs of launching an apprenticeship program, where the greatest ROI is often not experienced until years later, once an individual has completed their training and transitioned into a skilled employee (Kuehn et al. 2022). The annual support a tax credit provides can help, in particular, resource-constrained SMBs that need support covering initial costs of training apprentices.

Recommendations

Targeting apprenticeship expansion resources through discretionary grant programs and tax credits on SMBs, either with added benefits for eligible SMBs within a larger investment or by creating separate grant and tax programs for SMBs, best enables SMBs to get the attention and resources they need.

Grant programs are an important short-term tool to help SMBs engage with the Registered Apprenticeship system. They are powerful because of the simplicity of their design to deliver cash incentives and subsidies directly to employers, and because the responsibility of delivering assistance to SMBs rests with government staff and their partners, improving the likelihood of resource uptake.

Tax credits, despite the administrative burdens that limit their uptake, are a regularly used tool to offset ongoing training and education costs and support employer participation in the apprenticeship system. With better targeting and technical assistance to support SMB uptake of tax credit programs, SMBs would benefit from tax credits to grow and sustain their investments in Registered Apprenticeship programs.

Navigating Apprenticeship Requirements

In addition to the costs of launching and administering apprenticeship programs, many employers struggle with navigating the requirements of the programs. Apprenticeships bring together structured on-the-job learning, related technical instruction, and progressive wage increases in a coordinated program design that is recognized through a state or federal registration agency. Achieving all of this requires training knowledge, administrative capacity, and connections to partners who can support different elements of program delivery. This can be especially challenging for SMBs, which often lack the dedicated training departments of larger companies that can focus on this kind of talent development. Local organizations, including community colleges, workforce boards, and nonprofits, that can support delivery are also less likely to have conducted partnership outreach to SMBs.

Technical Assistance

State and federal apprenticeship agencies help employers understand and adopt apprenticeship programs through dedicated apprenticeship support staff, often called apprenticeship training representatives (ATRs).¹² ATRs play a critical support role educating employers about the apprenticeship system, overseeing and mobilizing grant resources, and supporting employers to successfully navigate regulations and the administrative process of developing, registering, and launching an apprenticeship program. This support is even more crucial for helping SMBs because of their limited capacity to navigate the process on their own (Spaulding and Petrov 2023).

However, the capacity of state teams to deliver technical assistance is not evenly spread across communities or states. Each state has different levels of funding and staffing, driving different conditions and outcomes between states (Gunn and de Silva 2008). Additionally, apprenticeship expansion grants appropriated by the state legislature, or granted by the US Department of Labor, can drive the delivery of technical assistance to focus on specific industry or geographic priorities. These funding pressures and constraints, often focused on maximizing the growth of active programs and apprentices, can lead to SMBs being overlooked or de-prioritized by both government providers of technical assistance and the intermediaries' state and federal governments to deliver TA on their behalf.

These gaps in technical assistance create challenges for SMBs whose bandwidth is often limited and therefore lack the human capital needed to navigate the development, registration, and implementation process of a Registered Apprenticeship. Providing support helps address these barriers and can be the determining factor for SMBs in their decision to engage with the Registered Apprenticeship system, which has motivated some states to increase investments in their own technical assistance capacity.¹³ One example of this is South Carolina's investment in implementation specialists, an additional layer of direct technical assistance beyond that of the ATRs to help sponsors navigate the implementation and resources available.

Modernizing the Apprenticeship System

Launching an apprenticeship program can be difficult not only because of the inherent complexities of the model but also because the process to design, register, and manage a program is not as streamlined as it could be. For example, in some states, the administrative process of registering a program and reporting on the progress of apprentices still happens on paper. Improving the system's accessibility and reducing friction and pain points could benefit SMBs that have less experience accessing government funding and less capacity to work through the multiple phases of development.

Another way to reduce burdens on SMBs is for them to join a group program sponsored by an intermediary nonprofit, industry association, consortium of businesses, school or other entity. This model is growing in popularity; the share of group program sponsors with active apprentices has gone up from 11 percent in 2015 to 19 percent in 2025.¹⁴ The group program model works especially well for SMBs because it allows them to give up a portion of control over the program in return for sharing the burdens of managing a program with others. The SMB employer consortium model is particularly prevalent in North Carolina, where there are 205 active group-sponsored programs.¹⁵ States can do more to promote this approach as an option for SMBs that are considering starting an apprenticeship program (Arabandi, Boren, and Campbell 2021).

States are making progress to modernize the apprenticeship system by investing in digital platforms¹⁶ to streamline the administrative elements, as well as by supporting innovative group program models¹⁷ that reduce the burdens on any one employer. The federal government is also contributing to modernizing the system through investments in new resources that simplify the process of developing a program, such as the apprenticeship standards library,¹⁸ which contains over 2,000 apprenticeship program standards that sponsors can reference when designing new programs. However, these solutions are still limited in their impact because they often require the capacity of technical assistance providers to inform employers about the resources and how to leverage them.

Recommendations

Many employers, especially SMBs, do not know where to get started when it comes to understanding and navigating the apprenticeship system. To help ensure SMBs aren't left out of the apprenticeship system, government providers and intermediaries should target technical assistance for SMBs in the same way targeting grants and tax credits for SMB employers was recommended above. State governments can do this by creating targets for newly registered programs among SMBs and by assigning staff to focus on engaging with SMB employers, as they already do with employers from priority industries and localities.

Governments also should do more to modernize the apprenticeship system and make it more accessible. Creating digital platforms and resources for employers to learn about and manage all aspects of design, registration, and administration of an apprenticeship platform is a commonsense solution that could benefit all employers, but especially SMBs.

Conclusion

Despite a decade of strategic investments to grow the US apprenticeship system as a workforce development strategy that benefits both employers and workers (Arabandi and Haisma 2025), there is still significant room for growth. SMBs, which employ nearly half of the US workforce and represent a vast majority of businesses across every community in the US,¹⁹ are an underrepresented and under-supported set of employers in the apprenticeship system that stand to benefit greatly from apprenticeships as a workforce development solution.

Research shows that SMBs face extra barriers to launching and participating in a Registered Apprenticeship program (Sattar et al. 2020), but when they do, SMBs experience greater ROI benefits from the program than larger employers (Mills de la Rosa et al. 2022).

To help SMBs access and benefit from the Registered Apprenticeship system, state and federal governments need to strategically target apprenticeship expansion investments and technical assistance to SMBs, just as they do with employers in priority industries and geographies. In addition, to target resources to SMBs to help them overcome barriers, more can be done to reduce burdens on all employers by modernizing administrative platforms, developing accessible tools and resources, and promoting innovative apprenticeship models.

Notes

- ¹ Learn more the benefits of Registered Apprenticeship programs for employers and apprentices at <https://www.apprenticeship.gov>.
- ² “Apprenticeships Around the World: How Does the U.S. Compare Globally?” Apprenticeships For America, accessed December 16, 2025, <https://apprenticeshipsforamerica.org/news/afa-publications/40/40-AFA-Briefing-Apprenticeships-International-Comparisons>.
- ³ “What Are the Benefits of Apprenticeships for Employers?” ApprenticeshipUSA, accessed January 14, 2026, <https://www.apprenticeship.gov/help/what-are-benefits-apprenticeships-employers.7070>.
- ⁴ “2022 SUSB Annual Data Tables by Establishment Industry,” US Census Bureau, April 2025, accessed January 14, 2026, <https://www.census.gov/data/tables/2022/econ/susb/2022-susb-annual.html>.
- ⁵ “2025 Small Business Profile,” US Small Business Administration Office of Advocacy, accessed January 14, 2026, https://advocacy.sba.gov/wp-content/uploads/2025/06/United_States_2025-State-Profile.pdf.
- ⁶ “State Tax Credits and Tuition Support: States That Offer Tax Credits for Hiring Apprentices and Tuition Support for Registered Apprentices,” Apprenticeship.gov, accessed January 15, 2026, <https://www.apprenticeship.gov/investments-tax-credits-and-tuition-support/state-tax-credits-and-tuition-support>.
- ⁷ Example of a general tax credit program is the South Carolina Apprenticeship Tax Credit, which provides eligible businesses with \$1,000 for each registered apprentice employed for at least seven months during each year of apprenticeship for up to four years. Learn more at <https://scworks.org/employer/business-services/business-tax-credits/apprenticeship-tax-credit>.
- ⁸ An example of a targeted tax credit program is the Connecticut tax credit for manufacturing trades apprentices, which offers eligible manufacturers 50 percent of wages paid to the apprentice up to \$7,500 per apprentice. Learn more here: https://portal.ct.gov/dol/knowledge-base/articles/employment-and-training/apprenticeship/manufacturing-tax-credit?language=en_US.
- ⁹ “Options for Apprenticeship Program Sponsors,” New York State Department of Labor, accessed January 15, 2026, <https://dol.ny.gov/apprenticeship/options-apprenticeship-program-sponsors>.

- ¹⁰ “Apprenticeship & Training Council: Quarterly Meeting,” May 13, 2025, Apprenticeship & Training Council, https://dol.ny.gov/system/files/documents/2025/05/atc_presentation-5-13-25-003.pdf.
- ¹¹ “States That Offer Tax Credits for Hiring Apprentices and Tuition Support for Registered Apprentices,” Apprenticeship.gov, accessed January 15, 2026, <https://www.apprenticeship.gov/investments-tax-credits-and-tuition-support/state-tax-credits-and-tuition-support>.
- ¹² Patrick Cushing, “Know Your ATR, ie, Apprenticeship Training Representative,” WorkHands, February 25, 2025, <https://workhands.com/blog/know-your-atr-apprenticeship-training-representative>.
- ¹³ “How States are Driving the Expansion of Apprenticeships: State Apprenticeship Policy Scan,” Apprenticeships for America, accessed January 16, 2026, <https://apprenticeshipsforamerica.org/resources/afa-publications/25/how-states-are-driving-the-expansion-of-apprenticeships-state-apprenticeship-policy-scan>.
- ¹⁴ Author analysis of RAPIDS data from 2015 to 2025. RAPIDS datasets can be found at <https://catalog.data.gov/dataset/registered-apprenticeship-partners-information-database-system-rapids-dataset>.
- ¹⁵ ApprenticeshipNC created an online directory to help employers connect with the 2025 active group sponsored programs. See <https://www.nccommunitycolleges.edu/businesses/apprenticeships/group-programs-overview/>, accessed May 12, 2026.
- ¹⁶ “New York State Registered Apprenticeship Online Portal,” New York State Department of Labor, accessed January 14, 2026, <https://dol.ny.gov/apprenticeship-portal>.
- ¹⁷ “Streamline Registered Apprenticeship with Group Sponsored Programs,” ApprenticeshipNC, accessed January 15, 2026, <https://www.nccommunitycolleges.edu/businesses/apprenticeships/group-programs-overview>.
- ¹⁸ Search the Registered Apprenticeship Standards Library at ApprenticeshipStandards.org.
- ¹⁹ Stephanie Ferguson Melhorn, Makinizi Hoover, and Isabella Lucy, “Small Business Data Center,” US Chamber of Commerce, May 20, 2024, <https://www.uschamber.com/small-business/small-business-data-center>.

References

- Arabandi, Bhavani, Zach Boren, and Andrew Campbell. 2021. “[Building Sustainable Apprenticeships: The Case of Apprenticeship 2000](#).” Washington, DC: Urban Institute.
- Arabandi, Bhavani, and Leslee Haisma. 2025. “[Strategic Investments to Advance Apprenticeships in the US](#).” Washington, DC: Urban Institute.
- Arabandi, Bhavani, and John Marotta. 2024. “[How Intermediaries Can Promote Youth Apprenticeship](#).” Washington, DC: Urban Institute.
- Galeano, Sergio. 2021. [How to Use the Tax Code to Boost Equity in Apprenticeships](#). Washington, DC: Third Way.
- Gunn, Paul, Lalith De Silva. 2008. [Registered Apprenticeship: Findings from Site Visits to Five States](#). Rockville, MD: Planmatics Inc.
- Kuehn, Daniel, Siobhan Mills De La Rosa, Robert Lerman, and Kevin Hollenbeck. 2022. [Do Employers Earn Positive Returns to Investments in Apprenticeship? Evidence from Registered Programs under the American Apprenticeship Initiative](#). Report prepared for US Department of Labor, Employment and Training Administration. Rockville, MD: Abt Associates; and Washington, DC: Urban Institute.
- Sattar, Samina, Jacqueline Kauff, Daniel Kuehn, Veronica Sotela Munoz, Amanda Reiter, and Kristin Wolff. 2020. [State Experiences Expanding Registered Apprenticeship: Findings from a Federal Grant Program](#). Washington, DC: US Department of Labor; and Princeton, NJ: Mathematica.
- Spaulding, Shayne, and Stephanie Petrov. 2023. “[State Incentives to Promote and Support Apprenticeship: Takeaways from Eight States](#).” Washington, DC: Urban Institute; and Princeton, NJ: Mathematica.

About the Authors

Andrew Campbell is a policy program manager in the Research to Action Lab at the Urban Institute, where he provides project leadership and subject-matter expertise across research, technical assistance, and philanthropic advising initiatives focused on workforce development and inclusive economic mobility. He is a core contributor to Urban’s Registered Apprenticeship portfolio, leading research, policy analysis, and program implementation efforts that support employer adoption of apprenticeship models and expand access to high-quality pathways to upwardly

mobile careers. Campbell earned an MPP from the University of Edinburgh and a BA in political science from the College of Wooster.

Acknowledgments

This brief was funded by the Google.org Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission. The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at urban.org/fundingprinciples. Copyright © May 2026. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.