



## Employee Training Pays for Itself

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Training managers often hear concerns over budget: “We didn’t set aside resources for this topic in the current fiscal year.” “We are still building our revenues back from the recession, so our training budgets haven’t been resorted yet.” Comments like these are typical.

While most training managers simply look at the ticket price for implementing a program, the purpose of this paper is to encourage a holistic analysis. The reality is that training costs are almost always recouped through monies saved in employee turnover, productivity per employee, workers compensation costs, sick time costs, and customer satisfaction costs. Companies usually analyze these criteria separately from training and development, but we encourage you to look at your company holistically, in order to fully see training’s reach and how the financial picture works out.

### **Retention and turnover**

The first place to look for training impact is within Human Resources, in your recruiting department. How many employees are you losing each year to disengagement, boredom, inability to perform the tasks needed, or poor supervision by untrained managers? People want to be able to use and develop new skills and abilities, thus organizations with fully engaged employees tend to demonstrate outstanding performance. The most recent WorkTrends survey asked 1,171 employees from 97 organizations to rate the training and development they received in 2012. The results show that the companies investing the most in training score the highest in employee engagement and lowest in turnover.<sup>1</sup>

Companies spend an average of 20% of an employee’s salary when he/she quits due to recruiting hours, new employee onboarding hours, and lost productivity during the onboarding period or position vacancy periods.<sup>2</sup> Multiply that by the 32% of your employees who claim they are actively looking for work *right now*,<sup>3</sup> and it equals a massive financial issue. Avoid this situation by implementing training programs allowing your employees to be competent at what they’re asked to do, enjoy what they do, and enjoy working for their managers. Happy employees stay longer.

### **Productivity**

Happy employees are also productive employees. Well-trained staff are more capable and willing to assume more responsibilities within their role. They use less sick time and incur fewer work related injuries. They need less supervision, which saves management time and builds trust between employees and managers. In fact, in a study of more than 3,100 U.S. workplaces, the National Center on the Educational Quality of the Workforce

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<sup>1</sup>Investment in training and development pays off, literally: <http://blog.kenexa.com/investing-in-training-and-development-pays-off-literally/>

<sup>2</sup>How much does it cost to replace employees: <http://www.cbsnews.com/news/how-much-does-it-cost-companies-to-lose-employees/>

<sup>3</sup>I’m outta here! Why 2 million Americans quit every month: <http://www.forbes.com/sites/alanhall/2013/03/11/im-outta-here-why-2-million-americans-quit-every-month-and-5-steps-to-turn-the-epidemic-around/>

(EQW) found that on average, a 10 percent increase in workforce education level led to an 8.6 percent gain in total productivity, whereas a 10 percent increase in updated technology increased productivity just 3.4 percent.<sup>4</sup>

### **Customer satisfaction**

Equally as important as happy employees are happy customers. In today's consumer-driven marketplace, it's crucial to the bottom line that employees of all rank and position contribute to customer satisfaction. Well-trained employees are more capable of answering the questions of customers, are more likely to have a positive attitude when interfacing with customers, and are more likely to care about the products and services they are recommending or selling to customers. A study by [DemandMetric](#) shows 50% of companies offering robust training options are able to retain 80% or more of their client base.<sup>5</sup>

### **Generational influences**

As Generation X and Y are starting to make up the majority of our workforce, it's important to look at their professional attitudes and motivations. These workers tend to view training and development as a critical, non-negotiable element when making employment choices. They value the opportunity to advance, take on leadership roles, and make more money. They are driven by a desire to make a sustainable contribution to their company and have a fear of falling behind in the competitive world of work. With these employees now making up the largest majority of the workforce as of 2015<sup>6</sup>, smart leaders will use training and development as a recruiting tool.

### **A few final statistics**

If you're not yet convinced that training benefits outweigh the costs, let the numbers speak:

Xerox Corp. reported that for every dollar spent on training, they get a return of \$22.

IBM Corp. reported they receive \$26 for every dollar they invest in training.

Motorola Corp. reported a ROI of \$33 for every dollar spent on training.<sup>7</sup>

Those are the kind of returns any stock broker would invest in!

### **Getting better results**

If your company is not seeing the kind of results discussed above, a common reaction is to quit doing training. "Training didn't work for our company." Instead, consider this – any well designed training program should pay for itself many times over. If yours is not, rather than discontinuing it, try redesigning it. A few changes to structure, delivery format, and content can make a world of difference.

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<sup>4</sup>Training and development leads to higher productivity and retention: <http://www.businessknowhow.com/manage/higherprod.htm>

<sup>5</sup>Leadership for happy staff and customers: <http://raconteur.net/business/leadership-for-happy-staff-and-customers>

<sup>6</sup>Millennials become the biggest generation in the U.S workforce: <http://blogs.wsj.com/economics/2015/05/11/millennials-become-the-biggest-generation-in-the-u-s-workforce/>

<sup>7</sup>Why staff training pays for itself: <http://www.corpmagazine.com/human-resources/why-staff-training-pays-for-itself/>