

11 Feb 2019

Costing and benchmarking learning and development

Looks at assessing the costs and total spend on learning and development activities, and the issues involved in benchmarking

Introduction

Learning and development incurs direct and indirect costs for employers. The costing and benchmarking process seeks to calculate these costs, comparing and ranking the different metrics associated with learning and training provision. Benchmarking, in the case of learning and development, involves comparisons and rankings of measures associated with learning and training provision.

The factsheet examines the relationship between costing and benchmarking and learning and development, looking at the value of learning and development; the challenges of measuring informal learning; and the reasons for costing and benchmarking learning and training, including the specific objectives involved. It provides guidance on how to cost learning and development activities (whether provided externally or internally), focusing especially on the latter, which involves development and delivery costs. The factsheet looks at informal learning interventions and the costs of learners' time, providing information on how to benchmark learning and development activities and concluding with a brief discussion on the strengths and weaknesses of benchmarking.

CIPD viewpoint

Calculating and benchmarking the cost of learning and training activities is not always a complex process. Indeed, it's relatively straightforward to measure the costs involved in the participation of company delegates on external training courses. However, when informal, learner-focused techniques such as on the job training or coaching are factored

in, information may be less easy to capture.

In addition to cost measurement, it is also important to record the benefits and returns on expectations so that learning professionals can evaluate and illustrate the effectiveness of their activities in supporting business objectives. We must also be aware that the nature of information is changing. The era of 'big data' means there's more information out there to make sense of.

It's important to stress that each organisation has its own unique set up and history, which makes comparing learning spend with other organisations, even in the same sector, a challenge. While on the surface it may appear that a comparison is like for like, this may not always be the case.

The CIPD is at the heart of change happening across L&D, supporting practitioners in providing insights and resources. We are proud to be at the 'epicentre' of this changing world of L&D.

What are costing and benchmarking in relation to learning and development?

What is costing learning and development?

Costing learning and development (L&D) is based on a calculation of the direct financial costs incurred (for example, course fees or content production), sometimes together with an assessment or estimate of the indirect costs involved (such as management time spent on coaching or mentoring, or employee time participating in learning or training).

What is benchmarking learning and development?

Benchmarking L&D involves comparisons and rankings of various measures, or metrics, associated with learning and training provision - typically including the financial costs incurred but also other measurable aspects (such as the benefits/outputs gained as a result of learning interventions). Towards Maturity (our strategic research partner) specialise in benchmarking learning and development via research across the industry.

The value of learning and development

The development of employees' skills is essential for organisational success. Together with any costing exercise, it's vital to ensure that learning interventions are aligned with strategic business objectives, and are evaluated accordingly.

There's more information in our factsheets on learning and development

strategy, identifying learning and development needs, evaluating learning and development and human capital measurement and reporting.

Challenges of measuring informal learning

One consequence of changing business and learning delivery models has been a shift in focus from training to learning, from formal to informal, and embracing a wider understanding of those terms to include social and digital learning. This variety brings challenges around cost, benchmarking, measurement and progress, as it's often more difficult to measure or estimate these costs using traditional key performance indicators or other methods.

Reasons for costing and benchmarking learning and training

Costing and benchmarking L&D activity may be undertaken for a range of specific objectives, including:

- preparing learning plans and budgets
- re-prioritising when budgets are tight
- assessing whether a particular learning intervention provides value for money
- choosing to outsource or buy in coaching, learning or content services, or provide them in-house
- comparing the costs of achieving the same outcomes via different methods
- calculating the return on investment on specific learning and development interventions
- investing in new learning technologies
- providing evidence to support a move away from courses towards curated resources for learning.

How to cost learning and development activities

While a wide range of definitions and interpretations exist around learning and training interventions, one key distinction in respect of costing is whether provision is external or internal.

External provision

Training is supplied by an out-of-house provider at a geographically separate location to the organisation. It is generally attended by participants from a range of employing organisations or where learning content is provided by an external digital provider

(sometimes called 'open programmes').

This is relatively easy to cost as there will be a cost per person charge plus any associated travel, accommodation and subsistence costs. Similarly, when digital content is created or provided externally, the costs are clearly per project or per licence/user. When using external consultants, costs are easily identified from their fee. However, sometimes internal teams of learning professionals and specialist managers design the programmes and in these cases it's important that development costs are fully recorded by noting all the time spent on design.

Internal provision

Dedicated training or learning is provided solely for the benefit of the organisation's own employees, often at an on-site location, although the provider may either be in-house (for example, the specialist in-house training function or a group of senior managers engaged in mentoring) or an external consultant or organisation, and additionally digital learning content provided by in house production teams.

Costing tends to be rather more complex in the case of internal provisions, with a number of factors to be considered. These could be one-off costs that include:

- designing the best methods and materials to meet learning objectives
- curating content, including hosting costs
- preparing evaluation tools.

The internal route is often assumed to be the low-cost option, although a clear cost analysis is needed as consultants may in certain circumstances be more cost-effective because of their experience in development work, their existing portfolios, speed of production, availability and contacts.

For formal face-to-face programmes, the cost of a pilot course may be considered as a development cost, although if it's successful, the organisation has the benefit of one group of trained delegates.

Delivery costs

The costs of delivering a developed course are compiled per programme, and include (for a blended learning example):

- Costs of facilitator(s) - these may be consultant fees or the costs of using internal training staff.
- Venue costs - charges from a hotel or training centre, or the costs for using internal facilities:

- training rooms
 - equipment
 - accommodation, if relevant
 - catering.
- Printing costs of all learning materials and handouts, plus any takeaways such as USB memory sticks.
 - Hosting costs for a platform for online content, forums or community, plus costs and time to facilitate an online learning community.
 - Administrative costs involved with making the arrangements for the programme and the delegates.

Informal learning interventions

Providing informal learning also incurs cost. For example, running an in-house coaching programme with line managers can incur significant costs including:

- initial coaching programmes for manager coaches to learn how to coach
- managers' time in going to sessions
- providing supervision to the manager coaches.

Technology-based learning

E-learning is often introduced for cost-saving purposes, although it can be a false economy if the learning is not effective. It's also necessary to calculate the initial cost of buying or designing any technology-based learning, plus the cost of maintaining content and facilities.

It's essential to measure the take up of such provision to ensure that the costs are being spread over actual learners rather than the predicted take up. The [2017 Towards Maturity benchmark report](#) discusses the impact of technology on learning. They quote the link with performance increase and technology enabled learning. See also our [digital learning factsheet](#).

Costs of learners' time

Regardless of the type of learning intervention, there are costs associated with delegates' time away from work. It may be straightforward to identify the costs if temporary staff are brought in or if overtime payments are made. While it is less easy to calculate the cost of losing employees' time on day-to-day work duties, these costs are usually estimated as:

Cost/day = (salary ÷ number of working days) + overheads. 'Working days' is often taken as 228 per year.

Overheads are often calculated as between 30% and 50% of salary costs. In some organisations a loss of profit is included, making the calculation complex.

The cost of delegates' time away from work will not usually enter into any calculations for comparing different types of training intervention (unless the options are of different durations), but they need to form part of any assessment of the overall cost. The increased productivity for that employee as a result of taking time out for learning could also be factored in to overall cost/benefit analysis, as could employee engagement 'feel good' factors resulting from feeling more equipped and competent.

As learning moves to becoming an everyday event with knowledge sharing, informal and regular short learning interventions such as podcasts or "lunch & learn's", any calculations need to reflect this. Bite size learning, which an employee can undertake when needed, means workflow is not interrupted and their productivity remains, thus removing the need to factor in the learner's time.

Benchmarking learning and development activities

A benchmark can be defined as a point of reference or comparison, a standard or criterion. In this context, benchmarking is about comparing the costs and benefits of activities against data obtained from inside or outside the organisation.

Undertaking a benchmarking exercise on training activity and spend can sharpen the focus of an organisation's L&D effort by highlighting areas where resources are deployed cost-effectively and to the greatest business benefit.

What sort of information?

Using a range of measures enables comparisons across different organisations or within parts of the same organisation.

While some traditional cost activities are listed below, there's growing debate on the relevance of this type of data used in isolation, as it takes no account of any performance improvement. Neither does it mean that every employee has received some formal development.

- **Business benefits**
 - Impact on business metrics, such as staff retention, profit, sales, or

productivity.

- Returns on investment and returns on expectation.

- **Costs**

- What is the L&D budget (per employee)? Does each person 'receive' this?
- What is the actual spend (per employee)? Does each person 'receive' this?
- Costs of different types of activity.

- **Incidence/nature**

- How many employees attend training or engage with other L&D initiatives?
- What is the content of the activity (management/inter-personal skills training, technical, health and safety etc)?
- The number of L&D staff employed compared to the organisation as a whole.
- The range of learning methods used.

More information on the importance of using metrics to measure business impact can be found through our [Valuing your Talent](#) research and engagement programme and in the [Towards Maturity annual benchmark reports](#). Our research report [Professionalising learning and development](#) highlights that 96% of learning practitioners identified analytics as a priority development area. The research shows a direct link to positive organisational performance when practitioners have a detailed understanding of analytics.

Internal benchmarking

Metrics can be compared across operating units of the business to assess the value and contribution of learning to different units. The advent of 'big data' is enabling greater access to information, leading to more potential for internal analysis and insight. Find out more in our research report [Talent analytics and big data](#).

Sources of information for external benchmarking

Some organisations participate in sector-specific initiatives where there is an agreement between participants to collect data using agreed definitions and to share results on a confidential basis.

In addition, there are a number of sources of published data. Our report [The future of technology and learning](#) survey report provides data on current and emerging digital and learning trends and critical considerations for learning and development practitioners in the changing learning landscape. It provides figures for the:

- proportion of budget dedicated to learning technology (18% in 2016).
- proportion of formal learning that is digitally enabled (26% in 2016).
- planned and current uptake of digital tools, highlighting collaborative and mobile

learning as key emerging tools.

A number of government publications also provide figures on the proportion of employers that offer training to their employees, the overall cost of training and how they use government or other providers of training and qualifications.

The Towards Maturity report [The transformation journey](#) gives L&D professionals a measure of the maturity of their L&D provision in comparison to 'top learning organisations'.

Strengths and weaknesses of benchmarking

It's important to be careful in how terms are used when using external benchmarking tools. For example, 'costs of training' measures often tend to report on readily available information rather than more difficult-to-measure aspects such as the costs of employee time. Figures on the incidence or extent of L&D may also take a very narrow definition, and often only cover off-the job training, ignoring less formal methods. It's important to factor in real costs and the costs of benefits.

Further reading

Books and reports

HOGARTH, T., GAMBIN, L. and WINTERBOTHAM, M.(2012) *[Employer investment in apprenticeships and workplace learning: the fifth Net Benefits of Training to Employers study](#)*. Research paper. London: Department for Business Innovation and Skills.

PHILLIPS, P.P. (2002) *Understanding the basics of return on investment in training: assessing the tangible and intangible benefits*. London: Kogan Page.

TALBOT, J. (2011) *Training in organisations: a cost-benefit analysis*. Farnham: Gower

Visit the [CIPD and Kogan Page Bookshop](#) to see all our priced publications currently in print.

Journal articles

MILLER, L. (2014) 2014 State of the Industry report: spending on employee training remains a priority. *T+D*. Vol 68, No 11, November. pp30-35.

ROSSETT, A. (2010) Metrics matters. *T+D*. Vol.64, No.3, March. pp65-69.

WOLFF, C. (2012) Balancing cost and efficiency in learning and development budgets: the

2012 XpertHR survey. *IRS Employment Review*. 2 May. 8pp.

CIPD members can use our [online journals](#) to find articles from over 300 journal titles relevant to HR.

Members and *People Management* subscribers can see articles on the [*People Management*](#) website.

This factsheet was last updated by David Hayden.