Benchmarking training activity and spend (Jul 08)

July 2008

This factsheet gives introductory guidance. It:

- considers the practical issues involved in benchmarking an organisation’s training
- defines the term ‘benchmarking’ and its potential use in training
- looks at some of the published information that is available in the UK
- explores the advantages and disadvantages of undertaking a benchmarking exercise
- includes the CIPD viewpoint.

Background

At its simplest a benchmark can be defined as something used as a point of reference or comparison, a standard or criterion. In HR terms, benchmarking can be seen as a process where practitioners assemble information on important activities, and compare this information against data obtained from inside or outside their organisation. The use of inside data can be termed ‘internal benchmarking’ and the use of outside data ‘external benchmarking’.

Undertaking a benchmarking exercise on training activity and spend can sharpen the focus of an organisation’s training and learning effort by highlighting areas where resources are not deployed cost-effectively. To achieve this aim, the information collected and compared must be appropriate to the organisational needs – collecting information for its own sake is counterproductive.

Another of our factsheets looks at the issues of costs of training and training budgets.

- Go to our factsheet on Costing your spend on training

What sort of information?

In the broad terms there are two main sorts of training metrics: incidence and costs.

Incidence metrics could include:

- how many employees receive training?
- how much training (expressed in terms of hours or day) did they receive?
- what sort of training did they receive (management/inter-personal skills training, technical, health and safety etc.)?
- how much, and for how long, did people access e-learning?

Cost metrics could include:

- what is the training budget (per employee)?
- what is the actual spend (per employee)?
- how does the budget or spend breakdown by category (wage costs of internal training staff, hire of rooms and accommodation, costs of external trainers etc.)

Obviously there is a whole range of other possible metrics. For example, popular measures include:
- the number of training staff employed compared to the organisation as a whole
- the proportion of courses where evaluation at different hierarchical levels is applied. Our factsheet on evaluating training has more information on this topic.

- [Go to our factsheet on Evaluating learning and training](#)

In considering a choice of metrics, the following research may be of interest.

**CIPD value of learning research**

In 2007, we published the results of research which explored how organisations are measuring and reporting on the contribution of learning to strategic value\(^1\). The report drew on data gathered from learning, training and development (LTD) practitioners and senior operational managers in 12 UK-based organisations.

- [Find out more about the research report](#)

The research indicated that most organisations still have some way to go with the development of appropriate measures. However, four main approaches to measuring and reporting on value were identified:

- learning function efficiency measures
- key performance indicators and benchmark measures
- return on investment measures
- return on expectation measures.

It is the first of these that are of most relevance to a discussion on benchmarking. To quote from the research report: ‘Such information is useful to LTD practitioners and addresses important questions such as:

- Is the LTD function delivering operational effectiveness?
- How effectively is the functional capability of the workforce being developed?
- How well are learning interventions supporting critical success factors?
- How do learning operations compare with those of other relevant organisations?’

Illustrative measures taken from the research report are set out in the table below.
### Learning function efficiency measures

<table>
<thead>
<tr>
<th>What matters to the organisation?</th>
<th>Measurement option(s) (for different staff groups)</th>
</tr>
</thead>
</table>
| Is the learning function delivering operational effectiveness? | Training days per employee  
Off-the-job training days (FTE)  
Training spend as a % of salary bill  
Proportion of staff with personal development plans |
| How effectively is the functional capability of the workforce being developed? | Organisational skills profile  
Organisational qualifications profile  
Proportion of staff deemed at acceptable level of competence or above  
Proportion of hires from within compared with externally sourced |
| How well are learning interventions supporting our critical success factors? | Types of learning and development available  
- take-up of opportunities  
- comparison of types of training and development available against organisational key performance indicators |
| How does our investment in learning compare with that of other relevant organisations? | Spend on learning and training compared with relevant benchmark data about spending patterns |
| To what extent is learning contributing to the organisation’s flexibility and ‘change agility’? | Qualitative assessment data (e.g. focus groups; feedback from managers)  
Succession planning or career planning data – how many people prepared for next career move? |

#### Institute for Employment Studies report on measuring the contribution of skills to business performance

This report was produced by Institute for Employment Studies (IES) in 2005 and was jointly sponsored by the CIPD, Department for Education and Skills, Investors in People and Skills for Business. It summarised the array of studies which have tried to unpick the relationship between skills acquisition and organizational performance and developed an explanatory framework which helped present and make sense of the research. The final stage of the project was to use the various measures and the model
developed in the course of the research to highlight a range of indicators which could be used by organisations to help improve business performance.

- [Go to the IES report](#)

One section of these measures concerned ‘ability’. This was defined as: the skills of the workforce (generally proxied by qualifications), the provision of ongoing training and development opportunities including: on and off-the-job training; coaching and mentoring.

The report identified a set of ‘core’ measures on activity shown in the following table.

<table>
<thead>
<tr>
<th>Core measure</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of non-managerial employees receiving training</td>
<td>Total number of non-managerial employees receiving formal off-the-job training/total number of non-managerial employees × 100</td>
</tr>
<tr>
<td>Average training days per employee</td>
<td>Total training days provided per annum for non-managerial employees / total number of non-managerial employees</td>
</tr>
<tr>
<td>Average training spend per non-managerial employee</td>
<td>Training expenditure per annum on non-managerial employees / total number of non-managerial employee</td>
</tr>
<tr>
<td>Average training days per manager</td>
<td>Total management training days per annum / total number of managerial employees</td>
</tr>
<tr>
<td>Average training spend per managerial employee</td>
<td>Expenditure on management training per annum / total number of managerial employees</td>
</tr>
<tr>
<td>Proportion of the workforce with current personal development plan (pdp) or development objectives</td>
<td>Total number of employees with current pdp / total workforce × 100</td>
</tr>
</tbody>
</table>

The report also identified a set of ‘desirable’ measures on quality which are outlined in the table below.

<table>
<thead>
<tr>
<th>Desired measure</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of training expenditure on accredited training, i.e. resulting in a qualification</td>
<td>Spend on accredited training / total training spend × 100</td>
</tr>
<tr>
<td>Proportion of training which is general</td>
<td>Days training provided which provides ‘broad skills and knowledge’ / total number of training days × 100</td>
</tr>
<tr>
<td>Proportion which is firm-specific</td>
<td>Days training provided which provides ‘directly related to the operation of the company’ / total number of training days × 100</td>
</tr>
<tr>
<td>Proportion of training days directly linked to the business strategy</td>
<td>Number of training days directly linked to business strategy / total training days × 100</td>
</tr>
</tbody>
</table>
It also suggested core measures on ability ‘stock’ and on the other model dimensions of attitude, access and application.

External benchmarking - sources of information

By definition, if external benchmarking is the chosen option, comparator data must be sought outside the organisation. 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, some freely available and some on a subscription basis.

Workforce Training in England survey

In 2006, the government commissioned an extensive survey of workforce training across England. The research involved telephone interviews with nearly 4000 employers and collected information about the volume, type and pattern of employer-provided training,

Key findings from the survey include:

- 61% of employers had provided training to employees in the previous 12 months and the main reason for providing training was to increase productivity.
- Business size is a key determinant of the likelihood of training being provided. A minority of establishments with fewer than five staff had provided any training in the previous 12 months (42%), rising to four in five (79%) among those with 5 to 24 staff, and nearly all (over 95%) where more than 100 staff are employed.
- Health and safety and job specific skills training were the most likely types of training to be provided by employers that train.
- Managers, professionals and associate professionals were more likely to have been provided with training by their employer than other occupational groups.

This survey offers some scope for comparison with the much larger scale National Employer Skills Survey.

The National Employers Skills Survey (NESS)

This 2007 government sponsored survey was published in May 2008 and provides detailed information on the ‘incidence, extent and nature of skills problems in terms of both recruitment and skills gaps within their existing workforce. It explores employer’s activities and expenditures in relation to training’. It is a most comprehensive survey and incorporates responses from just over 79,000 employers. The NESS series has been undertaken in its present form since 2003 and builds on earlier surveys dating back to 1999.

Key findings from the 2007 survey were:

- The proportion of the workforce receiving training increased from 61% in 2005 and 2004 to 63% in 2007.
- A total of 218 million days of training were arranged of funded by employers in the previous twelve months – equivalent to 9.8 days per annum for every worker in England, or 15.6 days for trainees.
- The cost to employers of providing training totalled £38.6 billion for the previous year. The largest share of this total is due to the labour costs of those receiving training (47% of the
total) and those delivering on-the-job training (37%). Providing training is estimated to cost an average of £1725 per employee.

NESS contains further breakdowns by categories of training and by cost components. It also has a table of training activity and expenditure by sector.

**CIPD’s Learning and development survey**

Our annual survey provides data on current and emerging trends and issues in learning and development. The 2008 findings were based on over 700 completed survey forms.

- Go to our latest survey report

Key findings were:

- The number of training days remains fairly constant, with an average of five days per employee. The highest figure reported was 6.1 for organisations with 5,000 or more employees and the lowest 4.7 for organisations with 250 -1000.
- The median training spend per employee is £300, up from both last year (£272) and the previous year (£278). The voluntary sector continues to spend far more on training per employee than other sectors, with a figure of £375 per employee compared with £296 in the private sector and £222 in the public sector.
- As in previous years, there continues to be marked differences between the training spend of the different sizes of organisation. The smallest companies tend to have smaller budgets but spend more per employee (£375), while the larger companies (those employing more than 5,000 employees) spend the smallest amount per employee (£108).

**The ASTD WLP scorecard**

The American Society for Training and Development (ASTD) has introduced a WLP (Workplace Learning and Performance) scorecard. There is some free level of access but the WLP mainly operates it as a subscription service. ASTD describe the WLP scorecard as:

‘an online real-time benchmarking and decision support tool that allows organizations to:

- monitor and benchmark a broad range of learning function financial, operations, customer, and innovation indicators
- customize reports with subsets of organizations and indicators
- compare the alignment, efficiency, effectiveness, and sustainability of an enterprise learning function, as well as the overall quality of the learning function, with hundreds of other organizations
- diagnose strengths and weaknesses in variables that affect alignment, efficiency, effectiveness, and sustainability
- perform sensitivity analysis to see potential effects of adjustments to multiple variables on alignment, efficiency, effectiveness, and sustainability
- make decisions about all aspects of learning, including investments, staffing, processes, and the type and amount of formal and work-based learning opportunities to provide.’

**Internal benchmarking – sources of information**

For internal benchmarking, the emphasis is on the collection of metrics across the various operating units of the business rather than looking outside the organisation. This approach was echoed in the CIPD value of learning research (see above) where key performance indicators (KPIs) and benchmark measures emerged as one of the four main approaches to measuring and reporting on value. To quote from the
'Regular measurement to indicate performance against organisational targets, KPIs or benchmarks was frequently highlighted in the semi-structured interviews. This was seen as a way of assessing the overall contribution of learning to the organisation. Almost all of the senior management interviewees discussed the use of information related to internal targets or key performance indicators and in half of these cases their views were also shared by the LTD executive for that organisation'.

Our Helping people learn web area includes a relevant case study on implementing and reporting on basic skills training at Hilton International.

- Go to the Hilton case study links

Strengths and weaknesses of benchmarking

It is clear that that, in using external benchmarking, care must be exercised over the definitions of terms. Take, for example, the ‘costs of training’. In most surveys there is a tendency to report on the information that is readily available – the costs that go through the books or into the budgets. Most organisations would not record the wage costs of trainee time, for example. Some surveys request this information; others do not.

In almost all surveys published, figures on the incidence or extent of training relate almost entirely to class-room or off-the job training. Less formal methods used to support learning – for example one-to-one coaching by line managers – will not be recorded. Information on these informal methods will only be uncovered as a result of a detailed and extended study in an organisation. Published surveys do not investigate to this extent.

Moreover there is danger of focussing over-much on the activities that are captured by the information that is available and neglecting other potentially more important issues.

CIPD viewpoint

In a service-led and knowledge-driven economy, emphasis is shifting from training (a top-down instructor-led activity instigated by the organisation) to learning (a process which lies in the domain of the learner). Learning, training and development become less trainer-driven and trainer-centred, and cost and information measures are less easy to capture.

Nevertheless, benchmarking is still used by many organisations and found to be of value. The important thing is to assemble the information with thought and use it with care.

References

3. LEARNING AND SKILLS COUNCIL. National employer skills survey. Coventry: LSC. Available at: http://research.lsc.gov.uk/LSC+Research/published/ness/
4. AMERICAN SOCIETY FOR TRAINING AND DEVELOPMENT. WLP Scorecard overview. Alexandria, VA: ASTD. Available at: http://wlpscorecard.astd.org/

Further reading
For additional data on training costs, CIPD members can contact the Library Enquiries Team, tel: +44 (0)20 8612 6210.

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