

A JUMP START

# Training Budget Guide

By SolidProfessor





# Introduction

**Most companies spend some amount of time and resources on training their employees, but many don't have a good idea of what they're putting into it, or getting out of it.**

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In fact, only about 20% of organizations<sup>1</sup> put any significant effort into evaluating their spending on training and development. Hardly any measure the ROI — only one in 20 managers<sup>2</sup> calculate the financial returns of their training dollars. There are many ways to determine the business impact of investing in learning, but the best way to get into a data-driven mindset is to start from the beginning and set up a dedicated training budget.

We created this guide as a jump start for planning your annual training budget. We'll show you a few **ways to calculate how much to spend, what to spend it on, and tips for using your budget wisely** throughout the year. Hopefully, you'll feel prepared to invest in training in a way that's organized and measurable!

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<sup>1</sup> OnTrack. [Measuring the value of Learning and Development activity.](#)

<sup>2</sup> Growth Engineering. [How to Win Your Training Budget.](#)



# How Much to Spend on Training

## The Big Picture

The big picture for the training industry is indeed **big**. In 2018, the entire training industry was worth \$87.6 billion<sup>3</sup>. This encompasses traditional classroom training, learning technologies and tools, conferences, seminars, systems, training staff, etc. Here's a breakdown of how much organizations spent by size<sup>4</sup>:

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	Average Total Annual Training Budget	Average Training Expense per Learner
<b>Large Companies</b> (10,000+ employees)	\$19,681,100	\$1,046
<b>Midsize Companies</b> (1,000-9,999 employees)	\$2,107,800	\$858
<b>Small Companies</b> (100-999 employees)	\$355,800	\$1,096
<b>Average Across Sizes</b>	<b>\$4,963,700</b>	<b>\$986</b>

These figures are broad, but they'll give you a good starting point. Try multiplying the **average training expense per learner for your company size** shown above by the **total number of employees at your own company** to estimate your total training budget. How does that compare to what you're currently spending? If the number looks intimidating, don't panic — we'll help you calculate the right budget for your team.



### Choose your company size!

Average Training Expense per Learner x Total Number of Employees = Estimated Training Budget

<sup>3</sup> Training magazine. [2018 Training Industry Report](#). 2018.

<sup>4</sup> Training magazine. [2018 Training Industry Report](#). 2018.

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## Calculating Your Training Budget

There are several different ways you can look at calculating your budget. Using industry averages is one way to get a quick and dirty budget benchmark.

Another simple way to get a reliable estimate for your budget is by basing it on total salary cost. In general, you'll want to allocate training costs equal to 1-5% of an employee's salary. This can result in quite a wide range, so typically **2-2.5% is the standard**<sup>5</sup>. This method ensures that employees get the appropriate amount of training and professional development for their seniority and responsibility.



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**Employee Annual Salary x 0.02 =  
Estimated Training Budget for Employee**  
Add this up for each employee to get your total budget!

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If you want to get more granular with your budget calculations, you can do a cost-benefit analysis<sup>6</sup> based on your current training expenses (or your best guesses). Start by looking at all of your training costs. Then, try to determine the potential benefits and/or savings generated from your training. This can be a little tricky, especially if you haven't looked at the ROI of training before, but try your best!

### Examples of training costs:

- Training staff (in-house or outsourced)
- Course, seminar, and conference attendee fees
- Travel and lodging for off-site training
- Training content and material development
- Facility rentals
- Online learning tools and systems
- Equipment, software, and technology
- Production downtime
- Certification and exam fees

### Examples of potential benefits and savings:

- Fewer design and production errors
- Increased customer satisfaction and retention
- Reduced employee turnover
- Faster go-to-market time
- Smaller skill gaps across teams
- Higher workplace morale
- Less time spent "reverse engineering" or searching for information
- Maximized productivity of new employees
- Increased revenue

<sup>5</sup>Efront Learning. [Training Budget 101: How to effectively manage your training costs](#). 2017.

<sup>6</sup>Workforce. [TOOL: Calculate the Costs and Benefits of Training](#). 2005.

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From here, you can quantify the benefits and compare them to your costs. The numbers will vary, but **here's a breakdown of the process for an engineering design team:**

- 1 Assess your current level of performance. (e.g. How many design errors does your engineering team make each month?)
- 2 Assign a monetary value to current performance. (e.g. How long does it take to correct design errors in hourly wages?)
- 3 Determine the expected improvements from training. (e.g. How many fewer design errors will you have each month?)
- 4 Calculate the savings that the improvements will generate. (e.g. How much time and money (in hourly wages) can you save by making fewer design errors?)
- 5 Extrapolate the monthly savings amount to your annual training timeline. (e.g. What are your total annual savings?)
- 6 Identify the number of employees in the target training group. (e.g. How many engineers are on your design team?)
- 7 Divide the potential annual savings by the number of employees in your training group to identify the **savings per employee**.
- 8 Add up all your annual training costs and divide by the same number of employees to identify your **costs per employee**.
- 9 Compare the training costs per employee to the potential savings per employee. This will give you a good idea of what you can afford to spend on each employee to achieve an ROI!

**Reminder:** This jump start guide is less about calculating a perfect number for your budget, and more about setting yourself up for success with dedicated resources throughout the year.

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## Tailoring Your Budget

The methods we've reviewed will give an overarching view of how much to spend on training, but you'll need to take those figures with a grain of salt: no two company's training needs are the same. There are a number of ways you can tailor your training budget to get the most value — even with limited resources. Here are some things to consider when tailoring your training budget for your specific needs and requirements.

- Sometimes your number of employees can fluctuate. If you are in any sort of transition period as a company, experiencing high turnover, or hiring seasonally, this will affect your expenses per employee.
- If you use traditional training methods with expensive facilities, travel, and in-person sessions, consider updating your training programs with more online, mobile, and social learning systems that are more affordable.
- Determine which types of training are the most important to your team's success. Something like safety training is a must, while teamwork training can boost morale but may not be the best use of time to start. Keep in mind, role-specific or industry-related training can be one of the best ways to boost productivity.
- Identify which roles and teams are most critical to the company's growth and goals<sup>7</sup> and ensure these employees are equipped with training to succeed. Along with this, pay attention to your valuable, seasoned employees that may be nearing retirement. Make sure the rest of your team is trained to carry on after they leave!

**Related:** Learn how to incorporate tribal knowledge into your training programs with [Knowledge Capture](#).

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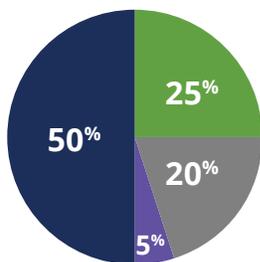
<sup>7</sup> Adobe Captivate Prime. [How to Spend Your Training Budget](#). 2018.



# How to Spend Your Training Budget

Once you've gone through the exercises to calculate your baseline training budget, you'll need to figure out what to spend it on! This next part of the guide will help you determine how to best spend your training budget.

**Ideally, here's what your training budget should look like<sup>8</sup>:**



**Training staff (~50%):** It may surprise you that this is the biggest part of the budget, but it encompasses a wider range of items than you might think. This piece could be used for consulting and traditional, in-person classroom training. Or, it could be used for in-house team members and leadership (as salary or time) dedicated to pushing training initiatives, such as HR managers or even Chief Learning Officers.

**Related:** [Learn how full participation is key for continuous learning.](#)

**Training tools and technologies (~25%):** Whether it's video conferencing software or a Learning Management System, training tools and tech are essential investments. 68% of profession or industry-specific training was offered partially or fully online in 2018. These tools enable you to track progress and manage your training from anywhere.

**Training content (~20%):** You can't create a training budget without including training material! In some cases, you'll need to develop this content yourself (e.g. training on processes for new hires). Otherwise, you can look externally for expert-developed courses. Bonus points if your online training tools come equipped with content!

**Miscellaneous (~5%):** Save some room for any extra training costs that come up, such as travel costs or certification fees.

## Budgeting for Online Learning

In practice, you may find that you need to invest more in some training areas and less in others. Regardless, one area that should be a piece of your budget breakdown is **online learning tools and technologies**.

For certain types of training, online learning offers a simple, cost-effective alternative to the traditional classroom environment. It's also a better choice for knowledge retention: your employees can learn online at their own pace and revisit courses to refresh skills as needed. Nowadays, you can find almost any kind of training online, even role-specific training!

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<sup>8</sup> Capterra. [Training Budget Calculator: Here's What You Should Spend on Employee Training in 2019](#). 2018.

<sup>9</sup> Training magazine. [2018 Training Industry Report](#). 2018.

# How to Spend Your Training Budget

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Let's take a closer look at a cost-comparison between in-person and online training. Say you have a team of 10 mechanical engineers who need training in SOLIDWORKS design software, so you plan to send them to a training session.

You want the whole team to take a SOLIDWORKS Essentials course so newer employees can get on the fast track and more experienced employees can refresh their skills.

The main costs to consider for classroom training are the cost of the course, opportunity costs (i.e. what is potentially lost by spending time on training, such as productivity downtime) and travel costs. **Here's an estimate of what that could look like for a 10-person team:**

Based on averages from leading classroom training providers specializing in SOLIDWORKS

Mechanical engineers in the US make an hourly wage of \$32/hour<sup>10</sup> on average. We'll calculate opportunity cost as **\$32 x # of hours to complete the course.**

Course	Avg. Course Cost	Duration	Opportunity Cost per person	Travel Cost per person	Total Per Person	Total for Team (10 people)
SOLIDWORKS Essentials	\$1,500	4 Days	\$1,024	\$1,300	\$3,824	<b>\$38,240</b>

The 2018 Corporate Travel Index<sup>11</sup> estimates that business travel per diems were at \$325/day in 2018. We'll calculate the travel cost as **\$325 x course duration.**

After everyone has completed SOLIDWORKS Essentials, perhaps you want seven of your team members to continue their training with a specialized course in SOLIDWORKS Sheet Metal, while the other three will move on to an expert-level session in Advanced Surface Modeling.

Course	Avg. Course Cost	Duration	Opportunity Cost per person	Travel Cost per person	Total Per Person	Total for Team (10 people)
SOLIDWORKS Sheet Metal	\$1,030	3 Days	\$768	\$975	\$2,773	<b>\$19,411</b> (7 people)
Advanced Surface Modeling	\$1,000	2 Days	\$512	\$650	\$2,162	<b>\$6,486</b> (3 people)

<sup>10</sup>Salary.com. [Hourly Wage for Mechanical Engineer in the US](#). 2018.

<sup>11</sup>Business Travel News. [2018 Corporate Travel Index](#). 2018.

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Altogether, a few in-person courses will run you **\$64,137** (a little more than \$6,000 per person). Even if you eliminate training costs and bring training in-house, you'll still be shelling out about \$42,000. If you decide to do training twice a year or more, you can expect to spend upwards of \$100,000.

You might be sweating a little at those figures, or you might be shrugging and thinking: "Yeah, sounds about right! Training is expensive." Now, let's take a look at online learning costs for the same team and the same training material.

Most online learning platforms are available as a monthly or annual subscription which provides access to all courses and learning materials.

This fee goes towards things like reporting dashboards, customizable lesson plans, and hosting your team's data.

Course	Cost per user (annual subscription)	Duration	Opportunity Cost per person	Admin Access, Reporting, and Hosting Fees	Total for Team (10 people)
SOLIDWORKS Essentials	\$550	6 Hours	\$192	\$1,500	
SOLIDWORKS Sheet Metal	--	1 Hour	\$32	--	
Advanced Surface Modeling	--	4 Hours	\$128	--	<b>\$9,016</b>

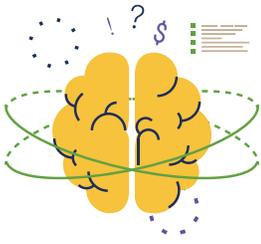
**You won't see travel costs on here:** you can access online learning from anywhere, anytime!

That looks better, doesn't it? All in all, switching to online training courses with the same material for the same number of employees will save you:

**\$21,771 in travel costs** **\$55,021 in total training costs** **5+ days of productivity**

That doesn't even take into account the fact that you could have your team do additional online courses without incurring any other costs besides opportunity costs. When you begin to add this up, the savings increase exponentially.

**Reminder:** Online learning won't be a complete substitute for all of your training needs, but it can provide tremendous cost savings and boost both employee and knowledge retention.



# Training Budget Tips

Good news — you're almost there! We've made it through the difficult parts of building a training budget. This last section is full of tips, tricks, and considerations to make sure you implement your training budget strategically and successfully, and to help guide you in measuring the results.

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- 1. Give your employees the training they want, not just what they need.**  
Some training will be necessary for company goals, but be sure to consider individual goals as well, especially for younger employees. One survey<sup>12</sup> found that the majority (66%) of employees aged 18-34 are interested in strengthening their personal skills. Giving your team these opportunities to pursue individual accomplishments will empower them and encourage them to stay with your company.
- 2. Standardize onboarding training, and customize continuous learning<sup>13</sup>.**  
Providing consistent, standardized training for all new employees ensures everyone starts on the same page and completes onboarding at a rapid pace. Further training should be offered on a more individualized basis. This will help close skills gaps by letting each employee focus more time on their weakest areas and excel faster in their strongest. With some online learning systems, you can monitor each team member's progress and assign tailored training programs.
- 3. Everyone learns differently.** The same learning methods don't work for everyone. It will take some practice and research to determine what works best for your team. Do your employees learn better with visual, audio, or kinetic methods? Do they learn better individually or in a team environment? This is especially important for teams with large generational gaps.
- 4. Training should be continuous.** There's another reason we're building an annual budget: training should happen all year long! In fact, you should really be building a 2-5 year training plan. Ongoing training provides a better ROI and better job satisfaction. Make sure to allow room in your budget for this and don't spend too much on short-term training.
- 5. Identify monthly and/or quarterly goals to help you stay on track.** Unfortunately, it can be easy for your training budget to end up on the chopping block if you aren't using it to the full extent. Identify some monthly and/or quarterly goals to help make sure your training budget is going according to plan. This could be as simple as scheduling the time for training in your team's calendar. You could even set up training as a category for billable hours, so your team feels justified in spending the time on learning.

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<sup>12</sup> L&D Daily Advisor. [Employees Want More Training - What are You Offering?](#) 2018.

<sup>13</sup> Panopto blog. [The Great Training Budget Boom of 2017.](#) 2017.



# YOU DID IT!

## Great work! You've made it through our jump start Training Budget guide!

Now, you're ready to take charge of your training initiatives. You should have a clear picture of what you can and should spend on learning and development for your team — plus, how to spend it! By this time next year, hopefully you'll be seeing the benefits and improvements that come from a dedicated training budget!

Related: Learn more about calculating the [true ROI of continuous learning](#).

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## About SolidProfessor

SolidProfessor is an online learning platform for engineering teams. We're helping engineers design the future by providing on-demand video courses so you can learn when and where you need it. Our Library includes 5,000+ lessons in CAD, CAM, BIM, engineering theory, and more. Our Learning Paths and skills gap assessments will help your team get where they need to be — whether it's preparing to pass SOLIDWORKS Certification exams or becoming experts in 3D printing for additive manufacturing.

### In addition to full Library access, SolidProfessor Team memberships include:

- Dedicated onboarding support,
- The ability to build your own custom training programs
- An admin dashboard with reporting and progress tracking
- The opportunity to preserve your team's tribal wisdom with knowledge capture services.

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## Contact us to get started

Find out how SolidProfessor's online learning platform can work with your training budget. Visit our website to schedule a demo and learn more.

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