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The True Cost of Not Providing Employee Training

CORPORATE TRAINING

When a lightbulb burns out, do you throw away the lamp? If you do, then you are either incredibly rich or possibly have a weird thing for new lamps I guess. But, if you're like the majority of the lamp-owning world then you likely just replace the bulb, which allows you to save money and enjoy a brighter room too.

Unfortunately, when it comes to "fixing" an existing employee, over hiring a new one, managers often throw out the lamp, so to speak. While companies have a pretty clear idea of what it costs to train an employee they ignore the real question: what is the cost not training an employee?

Michael Leboeuf in his book "The great principle of management" warns of the dangers of ignoring training:

"If you believe that training is expensive, it is because you do not know what ignorance costs. Companies that have the loyalty of their employees invest heavily in permanent training programs and promotion systems. "

The problem is that training is seen as an expense and not as an investment. Untrained employees will, inevitably, lack the knowledge to use company resources properly, which will lead to waste, in a service industry; lack of knowledge about procedures will affect customer interaction and retention. Because of this, your employees, your company, and your clients will all suffer.

Still not convinced that employee training is the way to go? Read on for five reasons untrained employees can lead to a weakened bottom line and inferior company.



COST OF NOT PROVIDING TRAINING

Money spent on training your staff will save you far more in the future

35%



35% of millennials consider **comprehensive training and development programs** as the top benefit they would want from a company.

12x



Employees who feel they cannot develop in the company and fulfill their career goals are **12 times more likely to leave the company**.

70%



Nearly 70% of organizations say that staff turnover has a negative financial impact.

24%



Companies that invest \$1,500 on training per employee can see an average of **24% more profit** than companies who invest less.

8.6%



In a study of more than 3,100 U.S. workplaces, a 10% increase in educational development produced an **8.6% gain in productivity**.

SOURCES:

1. Millennials at work Reshaping the workplace. PwC Report
<https://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/assets/reshaping-the-workplace.pdf>
2. IBM The Value of Training
<https://www-304.ibm.com/services/learning/pdfs/IBMTraining-TheValueofTraining.pdf>
3. Right Management
<https://hr.blr.com/whitepapers/Staffing-Training/Employee-Turnover/Strategies-for-Retaining-Employees-and-Minimizing->
4. HR Magazine http://www.huffingtonpost.com/emad-rizkalla/not-investing-in-employee_b_5545222.html
5. The National Center on the Educational Quality of the Workforce (EQW)
<http://www.businessknowhow.com/manage/higherprod.htm>

SHIFT
DISRUPTIVE LEARNING

1) It's Worth it to Make Your Employees Happy... Yes, Really

The benefits, praise and training that successful companies give their employees are not out of pure goodness of heart. There is an actual correlation between happy employees and a successful business.

The current and up and coming workforce believes in the value of training and the opportunity to advance in a position. Because they are aware of the competitive world they live in, a job that provides training opportunities satisfies their need to stay ahead of the curve.

[A survey conducted by PwC](#) asked Millennials, "Which of the following characteristics make an organization compelling to work for?" This is what they answered:



Base: All

Conversely, untrained and unhappy employees who feel that they are being underutilized are more apt to become frustrated with their job and be less loyal to their company meaning they will make more mistakes and fail to meet even minimum standards. Management often assumes that providing training will lead to employees moving on to other companies, but this simply isn't true. With proper training, employees feel like they are valued and are happier in their jobs plus a job that comes with training will attract a higher class of candidate.

An IBM study revealed that employees who feel they cannot develop in the company and fulfill their career goals are 12 times more likely to leave the company.

Additionally, training helps in a more short-term way by helping employees to be more efficient in their interaction with customers. A trained employee can answer questions without having to go to a manager and with training comes a greater understanding of the job, which leads to more efficient work and ability to get along with management.

Additional Read: [Make More Money by Making your Employees Happy](#)

2) Training and Retaining Current Employees is Cheaper Than Hiring New

Ones

Lack of training leads to employees who feel unappreciated in their job and a general sense their job not really mattering. At this point, employees either leave or get fired for poor performance. While it may seem simple just to replace one worker with another, consider this: hiring someone can cost up to 30% of the job's salary which for an employee that makes \$40,000 a year that could equal around \$12,000 to hire someone new. [1]

However, training an existing employee might only cost a few hundred and take far less time. Even if replacing one employee doesn't sound that bad, consider that for every three employees that need to be replaced that will equal an entire salary with no real gains.

The training and recruitment costs of new hires are far more than what it would take to train an existing employee as well when you factor in the time and money it takes to hire along with time spent as a new employee acclimates to the company. Rehiring costs represent around 12% of a company's expenses with up to 40% for businesses that have a high turnover rate. [2]

These stats prove that turnover is costly. A study conducted by Right Management also confirmed this, as nearly 70% of organizations say that staff turnover has a negative financial impact due to the cost of recruiting, hiring, and training a replacement employee and the overtime work of current employees that's required until the organization can fill the vacant position [3].

Additional Read: [The Cost of Hiring the Perfect Candidate vs. Training an Existing Employee](#)

3) Trained Employees Work Smarter

A company is only as good as its employees, and those employees are really only as good as the resources put into them. When workers perform poorly, it reflects badly on the business and affects the bottom line, but when you have a high turnover rate with dozens or hundreds of employees making the same mistakes, then it's time to look at the training provided, not the employees themselves.

Proper training will make workers better and more capable of their jobs, which will reduce the time it takes to search for information as they are working. This also helps

to quell redundancy of effort where multiple employees are attempting to perform the same task, not realizing whose job it really is because they have never been trained otherwise. The time and money it takes to correct mistakes are also lessened greatly when employees have the tools to do the task right the first time.

It may seem overwhelming to provide a weeklong training course to employees, but there is a better alternative. With our technology-driven world and on-demand culture, the best and most cost effective way to offer training is with online courses that can be taken at an employee's own pace and schedule.

Cold Hard Cash Fact: Companies that put a priority on employee development make median revenue of \$169,100 per employee while companies that don't make \$82,800, which is less than half. [4]

More Numbers to Know

According to *HR Magazine* companies that invest \$1,500 on training per employee can see an average of 24% more profit than companies who invest less.

Additionally, a study of 2500 businesses done by ATD, found that companies that offer thorough training had more than twice the amount of income per employee over firms that offered less training. They also create a 6% higher return for shareholders when training per employee is increased by \$680. [5]

4) Effective Training Equals Increased Productivity

Training is no longer about sending all managers away for a weekend conference or sending anyone to an 8 hour-long lecture in a hotel. Effective training needs to be tailored to employee and business needs and to be an ongoing venture.

Competition from around the globe and ever-changing technology means that skills need to be regularly updated to keep your workforce ready and able to support your company. Your Human Resources Department should make it a priority to integrate processes to encourage and promote employee education and skill development while also keeping the amount of time spent away from work to a minimum.

This is where eLearning courses come to the rescue. A single 8-hour training course can be condensed into a 3-hour eLearning course that students will be able to access

on their own time and terms. Generally speaking, eLearning courses offer a great chance for retention as well because students can go back and look at sections they didn't understand and the information is broken down into more manageable bites.

Productivity is also increased because effective training makes employees feel valued and empowered, which fosters loyalty and engagement with the company that provides that training. A study by the National Center on the Educational Quality of the Workforce (EQW) supports this with its finding that a 10% increase in educational development produced an 8.6% gain in productivity. [6]

Before forgoing training always consider how much more expensive it is not to train. Consider productivity loss, the cost of employee turnover and lost customers due to mistakes made by improperly trained employees. Your employees' training and happiness is just as much an asset as the workers themselves.

REFERENCES:

- [1] [Why Retraining Staff is better than Hiring New](#)
- [2] [Employee Retention: The Real Cost of Losing an Employee](#)
- [3] [The Value of Training](#)
- [4] [Why Your Nonexistent Talent Management Strategy is Costing You Money – And How to Fix It Now](#)
- [5] [Not Investing in Employees](#)
- [6] [Training and Development Leads to Higher Productivity and Retention](#)
- [7] [Strategies for Retaining Employees and Minimizing Turnover](#)