



# How to Maximize Your Employee Skills Training Budget and ROI

Whitepaper

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## WHITEPAPER

## Overview

Budget constraints and evaluating return on investment (ROI) pose significant challenges for learning and development (L&D) leaders striving to develop and maintain effective training programs – especially when the economic environment is unstable. Following significant increases in 2021 and 2022, training expenditures in the United States **remained flat in 2023**, while the United Kingdom experienced a decline in training expenditure, along with a decrease in the average number of training days per trainee from **6.8 to 6.0 annually**.

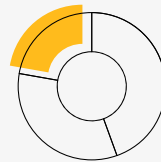
With relatively large budgets and the challenge of tying expenditures to business results, L&D can be an easy mark for corporate cost cutters. Even with the value workers put on L&D – **92% of employees** use learning and development opportunities as a deciding factor when choosing an employer – companies often target training budgets when seeking cost savings.

**Three-quarters of senior HR leaders** believe economic uncertainty is impacting their L&D strategy, leading many to consider cuts to training. In the UK, training expenditure has **declined by £200 per person in real terms**.

Faced with shrinking resources, many L&D leaders also faced difficulty measuring outcomes. In a **recent survey by D2L**, only 33% of organizations said they measure training's impact on financial outcomes.

*“The results of this survey are revealing in that they show how difficult organizations find it to quantify the benefits of employee training. The key to helping make this easier is to establish clear metrics and delineate closely the skills needed for success,”* **notes Dr. Sasha Thackaberry**, Senior Vice President of Wave at D2L.

When asked about challenges to developing effective corporate programs:



**46%** cited trouble demonstrating ROI.



**42%** said lack of leadership support.



**33%** identified problems defining training evaluation metrics.

Despite existing challenges, measuring training outcomes is crucial for organizations seeking **continuous improvement**. A data-driven approach ensures training programs evolve to meet business needs.

In this whitepaper, we address these challenges and explore actionable insights and strategies that enable organizations to optimize their budget allocation for high-impact skills transformation.

### Use this whitepaper to:

- » **Discover best practices for measuring employee learning.**
- » **Explore the significance of verified skills versus inferred skills.**
- » **Understand key metrics that resonate with leadership.**
- » **Gain insights into the available data on Credly digital badges.**

## The Importance of Measuring Training Outcomes

Organizations must consistently evaluate the success of their training programs to ensure they align with business goals and produce the desired outcomes. Here's why measuring training outcomes is a must:



### Benefits to the Organization:

- » **Evaluating performance:** Metrics like completion rates and assessment scores measure how well employees absorb content, identify areas where more support is needed and provide data that can be tied to positive business outcomes.

- » **Identifying skill gaps:** According to McKinsey, **87% of companies** are aware that they either already have a skills gap or will have one within a few years. Analysis highlights critical areas where the company may need to continue to upskill or reskill to meet business needs.
- » **Saving money:** Metrics quantify the impact of training and can help companies avoid wasting resources on programs that don't produce results.
- » **Aiding decision-making:** Like any business function, L&D can harness data to make better decisions. Data provides evidence of how programs benefit workers and the organization as a whole. It also enables L&D leaders to strengthen and optimize training initiatives to support business goals.



### Benefits to Employees:

- » **Personal development:** Tracking progress empowers employees to tailor their learning paths, aligning development with individual career goals.
- » **Career advancement:** Documenting training outcomes enhances employee credentials, potentially leading to promotions and new opportunities.
- » **Job satisfaction:** Seeing the tangible impact of training on their skills boosts employee satisfaction, engagement and commitment to the organization. Happy employees **are up to 20% more productive**.

Investing in employee development also increases employee productivity and retention rates, which are **top priorities for many L&D professionals**. For example, **research on adult care workers** showed that average turnover rates decreased from 40% among staff without training to 32% among those with qualifications.

Still, many organizations lack the time and budget for program evaluations. In a **survey of L&D leaders** on measuring learning impact:

- » 99% of respondents want to measure the business impact of learning, but only 28% set aside budget for their measurement efforts.
- » Nearly 40% cited “competing priorities” as the biggest barrier to measuring impact, which report authors suggest are primarily limited resources and time.

## Best Practices for Measuring Employee Learning

Here’s how to kickstart the employee learning evaluation effectively:

- » **Start with clarity:** Define exact objectives for your training. What specific skills and competencies do employees need to learn?
- » **Choose your metrics:** Select quantifiable key performance indicators (KPIs) that reflect the objectives. These metrics will later indicate if training hits the mark.
- » **Conduct pre-assessments:** It’s critical to establish baseline measures of current employee skills. Later, you’ll have data for comparison to prove success.
- » **Leverage digital credentials:** Celebrate and validate employee achievements with digital badges. According to **research by Pearson VUE**,

credentialed employees feel empowered, with 92% of credential earners saying they felt more confident in their abilities. **Learn more about choosing the right credentialing platform.**

- » **Gather feedback:** Survey employees to gauge training’s relevance and usefulness and to identify areas for improvement.
- » **Track and analyze:** Use metrics from your credentialing platform, such as badge acceptance or share rates, to gain insights into program popularity, practicality and overall effectiveness.
- » **Combine with other data:** Combine credentials data with relevant statistics to gain insights into the program’s impact. For example, by correlating digital credentialing data with business outcomes such as increased productivity or improved customer satisfaction, you can demonstrate ROI and justify continued investment in employee development initiatives.
- » **Continuously improve:** Use your insights to continuously fine-tune so future training programs remain effective and aligned with business needs.



## Collecting Meaningful Skills Data: Rely on Verified Skills

With a framework for measurement in place, organizations should focus on data from multiple credible sources to assemble useful and actionable insights. Relying solely on inferred skills, such as an employee's self-report of skills they've learned, leads to unreliable data. Even among workers, only 39% strongly agree that they fully understand their own skills.

Using the data about subjective inferred skills to make workforce decisions can produce problems:

- » **Misguided resource allocation:** Projects and tasks may be assigned to employees who have overestimated their skills, leading to delays, errors and reduced productivity.
- » **Hidden skill gaps:** Misidentified skill deficiencies across the organization can mask problems when assessing what skills the organization needs to develop in upskilling initiatives.
- » **Ineffective training programs:** Employees with unrealistic skill perceptions may resist or disengage from training if they think it's redundant, reducing the ROI of such programs.

Compared to inferred skills, verified skills, like those represented by digital badges, offer clear advantages for workforce decision-making:

- » **Objectivity:** Digital badges are awarded based on clear criteria and assessments, removing guesswork from skill evaluation.
- » **Standardized language:** Badges create a transparent, common vocabulary for describing skills, making it easier to compare employee skills.
- » **Rich information:** Metadata within badges detail the specific skills earned and how they

were demonstrated, leading to a fuller picture of what competencies a digital badge represents.

- » **Skill tagging:** Badges often include skill tags for a quick, at-a-glance understanding of an employee's proficiency.
- » **Expiration dates:** Expiration dates on badges help ensure decision-makers aren't relying on outdated information.

Discover more about why inferred skills are not enough in today's job market in our blog.

Additionally, digital badges integrate with existing HR and analytics platforms for easy aggregation that benefits talent management practices. For example, badge data plus other information, such as performance evaluations, can demonstrate the ROI of training. Learn more about calculating the ROI of digital credentials.



## Making Informed Decisions with Data-driven Insights

**Credly's analytics** provide organizations with insights to confidently assess a training program's effectiveness.

Here is some of the data Credly's analytics tool provides:

- » **Total Badges Earned:** Higher numbers of issued badges measure program uptake and reveal the extent of employee participation and engagement in learning initiatives.
- » **Acceptance Rate:** A high acceptance rate demonstrates that employees value the recognition their badges provide and measures employee satisfaction with the program.
- » **Badge Shares:** Increased badge sharing indicates that learners are engaged and excited to showcase their achievements, extending the program's reach into their networks.
- » **Website Tracking:** Higher click-through rates suggest active interest from learners in exploring additional opportunities offered by the organization, indicating positive engagement and acceptance.
- » **Benchmarking Data:** By benchmarking against peers or best practices, you can compare your program's performance against industry norms, highlighting successes and areas for improvement.

To paint a full picture of training's business impact, organizations must go beyond data collection – it's essential to integrate it with other insights from across the business to truly understand and showcase the influence of the training programs.

## 6 Common Metrics for Demonstrating L&D Value

Other common metrics that organizations can track to gain insight into the popularity, acceptance and engagement of their training programs:

- 1 Attendance Rates:** The total percentage of employees who attend training sessions shows interest levels in the training programs offered.
- 2 Completion Rates:** The percentage of employees who finish the training indicates overall engagement.
- 3 Time to Competency:** Evaluates how quickly employees become proficient in new skills, gauging training efficiency.
- 4 Performance Improvement:** Tracks changes in employees' on-the-job performance post-training to measure program effectiveness.
- 5 Cost per Employee:** Calculates the investment made per employee for training, helping to evaluate cost-effectiveness.
- 6 Feedback and Satisfaction:** Employee feedback provides insights into the training experience and highlights areas for improvement.

According to **Valamis**, an enterprise online learning company, a more comprehensive metrics approach requires gathering information from other systems, such as employee performance metrics before and after training. Successful integration provides management insights into:

- » **Knowledge gained:** What employees learned and retained.
- » **Practical application:** How well new skills are used on the job.
- » **Business alignment:** How training maps to organizational goals.
- » **Comparative analysis:** How different learning approaches perform.
- » **ROI:** How training spend translates to outcomes.

## Elevate Training Programs with Credly Analytics

With **70% of L&D professionals** saying they are feeling pressure to measure the business impact of learning, having the right metrics for analysis is crucial.

By leveraging Credly's digital credentials, organizations gain confidence in the credibility of their employees' skills data and gain insights into program engagement and acceptance. This data empowers organizations to directly connect training investment to tangible business results and optimize programs for maximum effectiveness. In addition to ROI measurement, **digital badges boost employee motivation** by recognizing achievement and cultivating a culture of continuous skill development within the organization.

### SNAPSHOT:

## Pearson Demonstrating a \$14.5M ROI Fueled by Digital Credentials

In the competitive realm of global sales, Pearson introduced dynamic learning opportunities for their sales team with the **iSell L&D** initiative. Motivated by the chance to upskill and enticed by digital credentials, the team embraced the initiative, seeing the following positive results:

- » **95% acceptance rate** for iSell badges, compared to the average rate of 67%.
- » **71% share rate** on the badges, compared to the average rate of 47%.
- » **\$14.5 million self-reported ROI** attributed to the acquired skills.

Pearson then used credentials data to gain valuable insights into learner engagement and motivation, laying the foundation for measuring ROI:

### **Engagement and acceptance rate analysis:**

Pearson closely monitored the uptake of iSell digital badges, allowing them to gauge the level of engagement from employees.

### **Correlation with confidence and sales**

**skills:** Pearson reported a high engagement rate, increased confidence and enhanced sales skills among sales teams.

### **Self-reported deal attribution:**

By correlating self-reported deals with engagement metrics and confidence levels, Pearson demonstrated the impact of training effectiveness on actual sales outcomes.



Speak to our team today to learn how digital credentials can demonstrate your program's impact.

### **About Pearson Workforce Skills**

Pearson is the world's leading learning company. We have a simple mission: to help people make more of their lives through learning. We know the world of work is changing fast. We help workers gain the skills they need to boost their employability and unlock new job and career opportunities. We also help employers understand, maintain, and enhance the value of their most important asset – their people. We're helping companies by offering talent solutions to address global skills gaps and evolving business demands. Empower your workforce and unlock your organization's true potential with Pearson.

**Contact us to get started.**