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2016 INDUSTRY REPORT &
\$ALARY \$URVEY RESULTS

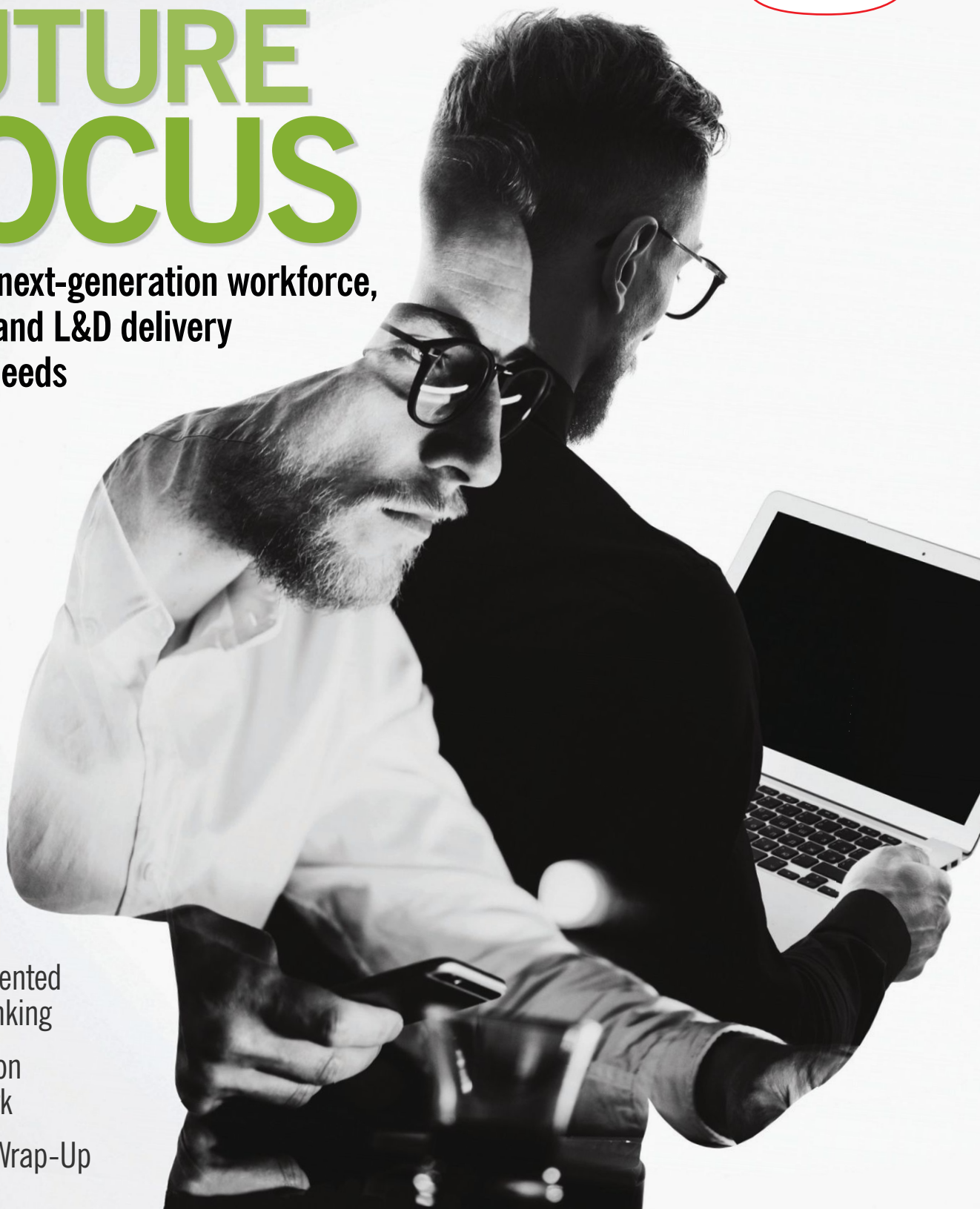
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2016 TRAINING INDUSTRY REPORT

ABOUT THIS STUDY

Now in its 35th year, The Industry Report is recognized as the training industry's most trusted source of data on budgets, staffing, and programs. This year, the study was conducted by an outside research firm May-July 2016, when members from the *Training* magazine database were e-mailed an invitation to participate in an online survey. Only U.S.-based corporations and educational institutions with 100 or more employees were included in the analysis.

The data represents a cross-section of industries and company sizes.

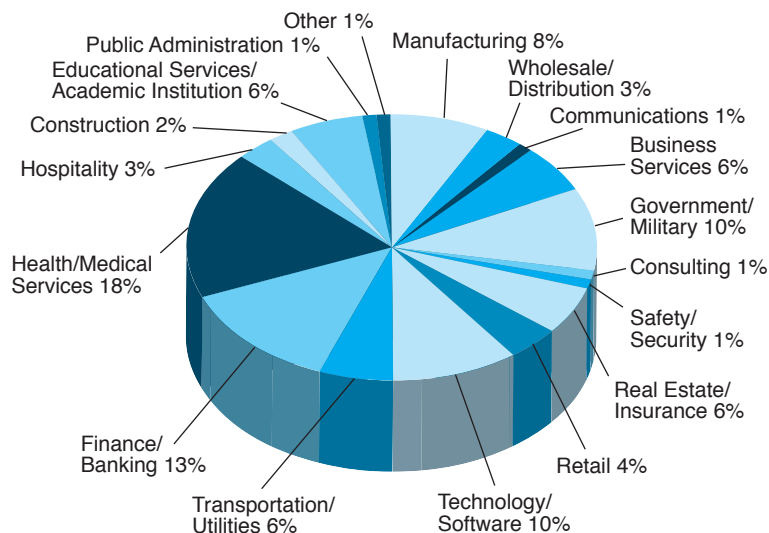
SURVEY RESPONDENTS

Small companies (100-999 employees)	30%
Midsize (1,000-9,999 employees)	40%
Large (10,000 or more employees)	30%
Total respondents	644

Note that the figures in this report are weighted by company size and industry according to a Dun & Bradstreet database available through Hoovers of U.S. companies. Since small companies dominate the U.S. market, in terms of sheer numbers, these organizations receive a heavier weighting, so that the data accurately reflects the U.S. market.

Industrial Classifications

Respondent profile by industry (weighted per Dun & Bradstreet).



About Survey Respondents:

- 43% are managers or above in the organization
- 31% are developers or instructional designers
- 22% are mid- to low-level (based on title selection) associates
- 57% determine the need for purchasing products and services
- 18% set the budget
- 27% manage requests for proposals/bids
- 67% recommend the purchase
- 19% have the final purchase decision

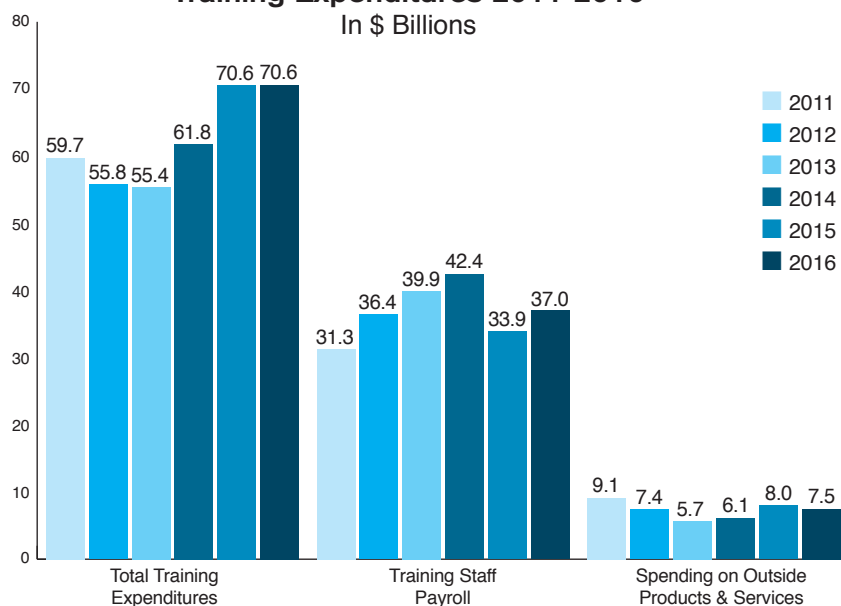
TRAINING EXPENDITURES

Total 2016 U.S. training expenditures—including payroll and spending on external products and services—remained flat, increasing only .05 percent to \$70.65 billion, essentially matching last year's budget of \$70.6 billion. Spending on outside products and services decreased 6 percent from \$8 billion to \$7.5 billion, while other training expenditures (i.e., travel, facilities, equipment) dipped to \$26.1 billion from \$28.7 billion. Meanwhile, training payroll increased 9 percent to \$37 billion.

The training expenditure figures were calculated by projecting the average training budget to a weighted universe of 126,403 companies, using a Dun & Bradstreet database available through Hoovers of U.S. organizations with more than 100 employees.

Note: Although small companies have the smallest annual budgets, there are so many of them (99,250), that they account for one-third of the total budget for training expenditures.

Training Expenditures 2011-2016
In \$ Billions



DEFINITIONS

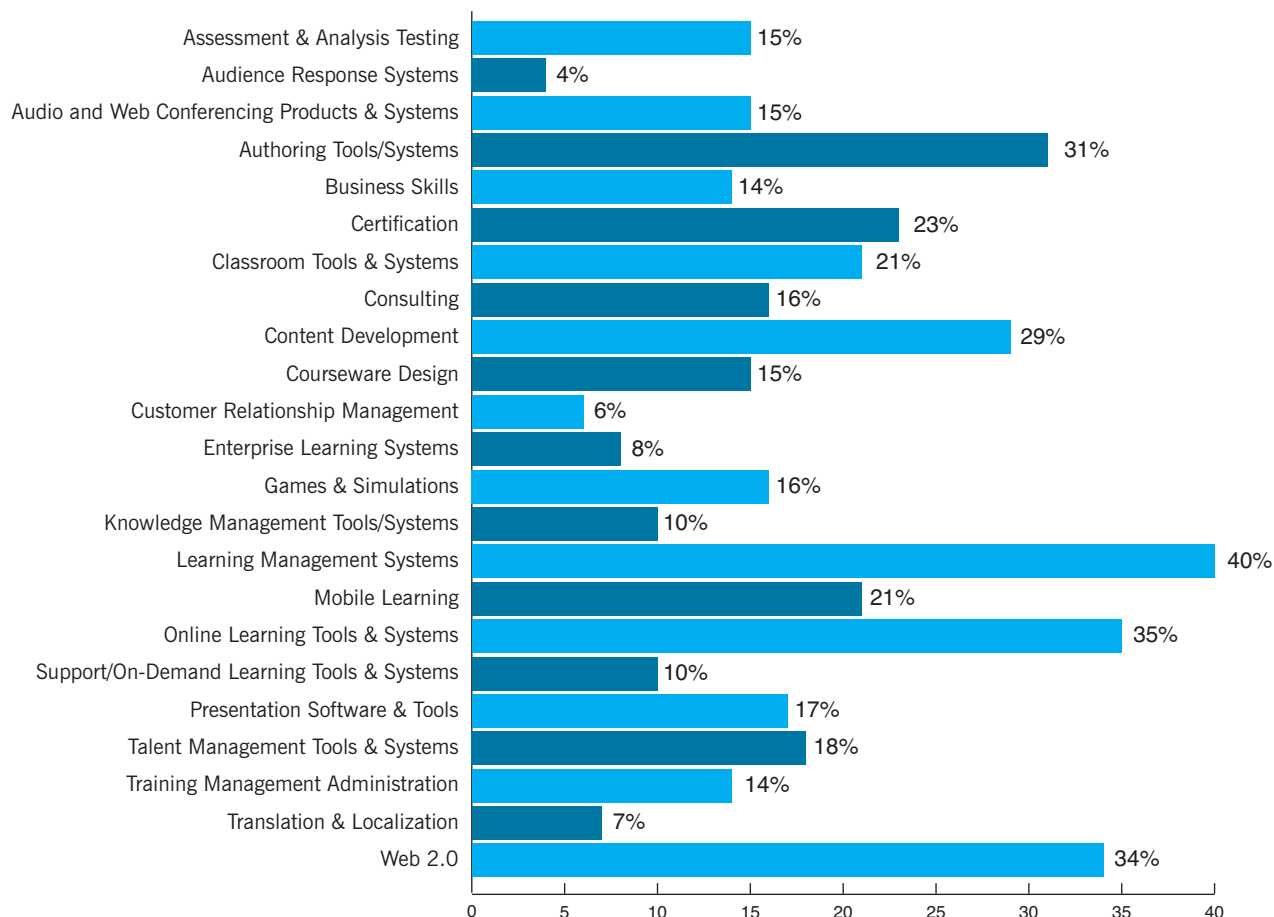
- ▶ **Total training spending:** All training-related expenditures for the year, including training budgets, technology spending, and staff salaries.
- ▶ **Training staff payroll:** The annual payroll for all staff personnel assigned to the training function.
- ▶ **Outside products and services:** Annual spending on external vendors and consultants, including all products, services, technologies, off-the-shelf and custom content, and consulting services.

Average of Total Annual Budget

Organization Type	Large	Midsize	Small	Average
Education	\$2,166,333	\$520,556	\$567,385	\$742,400
Government/Military	\$16,480,000	\$950,044	\$191,500	\$5,562,409
Manufacturer/Distributor	\$20,223,176	\$1,289,636	\$250,357	\$5,043,103
Nonprofit	\$2,682,000	\$368,000	\$907,771	\$1,232,174
Association	N/A	\$1,250,000	\$492,000	\$871,000
Retail/Wholesale	\$5,315,625	\$237,000	\$208,500	\$1,991,087
Services	\$16,460,729	\$1,831,798	\$300,257	\$4,657,747
Avg. Across Sizes	\$14,282,589	\$1,368,788	\$376,251	\$4,122,002

TRAINING EXPENDITURES

Types of Training Products and Services Intended to Purchase Next Year



Average training expenditures for large companies increased from \$12.9 million in 2015 to \$14.3 million in 2016. Likewise, the number for small companies rose to \$376,251 from \$350,301 in 2015. But midsize companies remained flat at \$1.4 million.

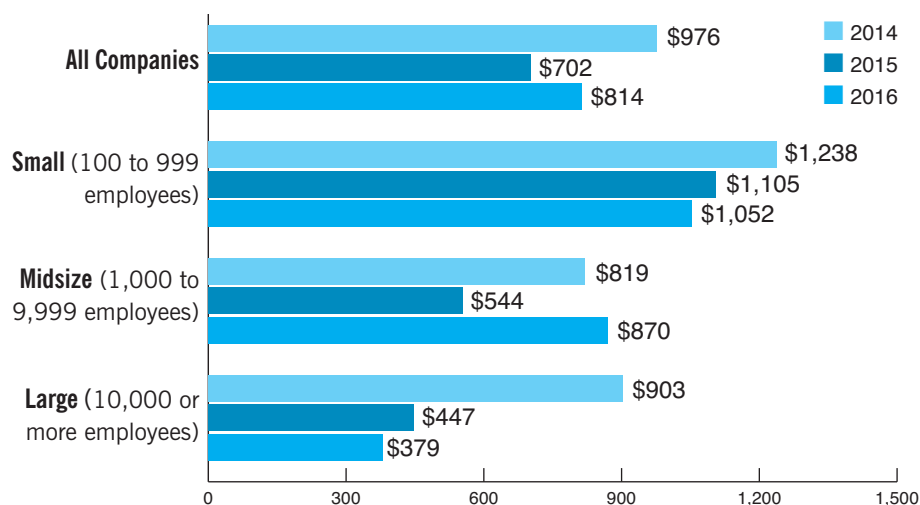
Some 33 percent of organizations said they increased staff from the year before (down from 37 percent in 2015), while 51 percent said the level remained the same (up from 50 percent in 2015). Some 16 percent said it was lower vs. 13 percent in 2015. Large government/military organizations and nonprofits had the largest personnel costs. Across all organization types, larger companies spent about six times as much as midsize, and midsize companies spent about three times as much as small ones. The average payroll figure for large companies was \$4.5 million; for midsize organizations,

it was \$733,151; for small companies, it was \$236,270.

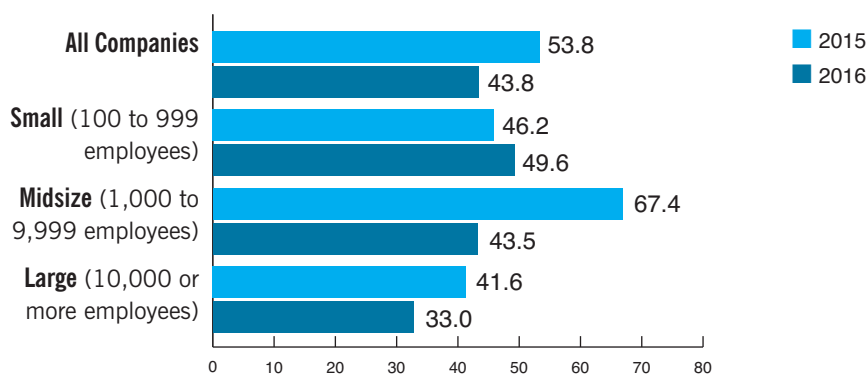
For those who reported an increase in their training staff, the average increase was 13 people, four more than in 2015. For those who reported a decrease in their staff, the average decrease was nine people—down from 17 last year.

Other training expenditures decreased this year to \$26.1 billion from \$28.7 billion in 2015. Such expenditures can include travel, training facilities, and equipment. On average, organizations spent 10 percent of their budget or \$143,414 (down considerably from \$602,306 last year) on learning tools and technologies. Services organizations at all size ranges have the largest budgets for learning tools. Midsize associations and large education organizations spent the highest portion of their budgets on tools and technologies (35 and 30 percent, respectively). Midsize nonprofits spent

Training Expenditures per Learner 2014-2016



Hours of Training per Employee 2015-2016



the smallest percentage of their training budgets on tools and technologies (5 percent). Looking ahead, the most frequently anticipated purchases are learning management systems (40 percent vs. 38 percent last year), online learning tools and systems (35 percent vs. 37 percent last year), and Web 2.0 (which leaped into No. 3 with 34 percent vs. only 5 percent last year). This is followed by authoring tools/systems (31 percent vs. 33 percent last year), content development (29 percent vs. 36 percent last year), and classroom tools and systems and mobile learning (both with 21 percent vs. 29 and 25 percent, respectively, last year). Several items received 10 percent or less of hits, including audience response systems, customer relationship management, translation and localization, and enterprise learning systems.

Overall, on average, companies spent \$814 per learner this

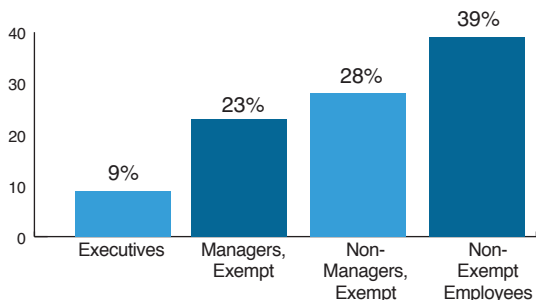
year compared with \$702 per learner in 2015. Nonprofit organizations, overall, spent the most per learner this year (\$1,076), followed by services organizations (\$932). Larger companies continue to operate on an economy of scale as they spent less (\$379) than midsize (\$870) and small (\$1,052) companies.

While they spent more per learner, companies provided fewer hours of training this year. On average, employees received 43.8 hours of training per year, 10 hours less than last year. Small companies provided the most hours of training this year at 49.6. Manufacturers/distributors had the highest average number of hours overall (69.6).

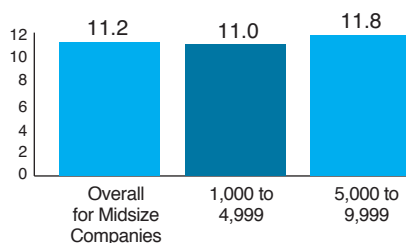
Companies continued to devote the bulk of their training expenditures to training non-exempt employees (39 percent, the same as last year).

TRAINING EXPENDITURES

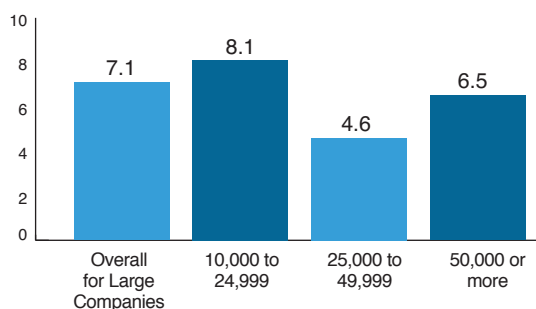
**Training Expenditure Allocations—
Who Gets Trained?**



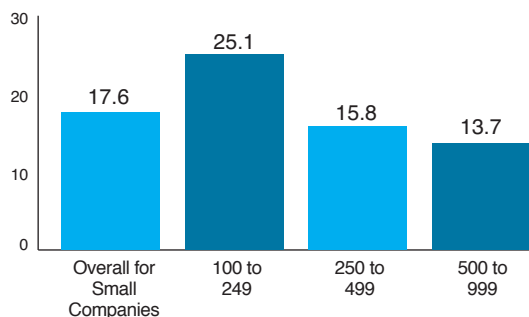
**Staff per 1,000 Learners
Midsize Companies**



**Staff per 1,000 Learners
Large Companies**

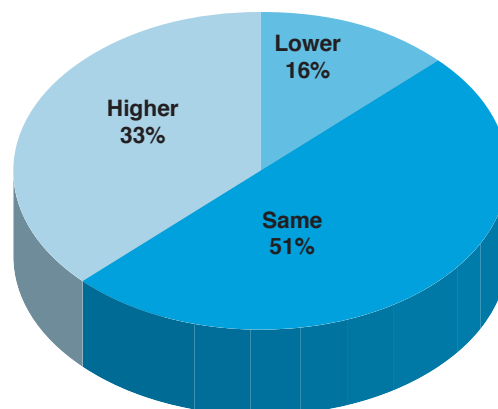


**Staff per 1,000 Learners
Small Companies**



The average training budget for large companies was \$14.3 million, while midsize companies allocated an average of \$1.4 million, and small companies dedicated an average of \$376,251.

**Is the Number of
Training-Related Staff Higher
or Lower Than Last Year?**



TRAINING BUDGET

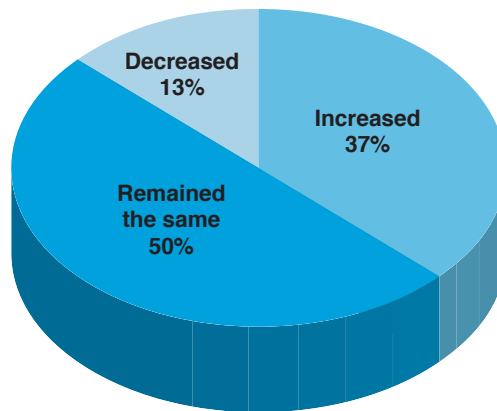
Budget status changed a bit from last year, with 37 percent saying their training budget increased and 50 percent saying it remained the same. Some 13 percent reported a decrease in budget. Last year, 42 percent said their budget went up; 43 percent said it remained the same; and 15 percent said it went down. Like last year, government/military organizations showed the greatest tendency for training budget cuts. Services companies, associations, and nonprofits all showed large gains. Increases were not evenly distributed across organization sizes. Small companies showed fewer decreases (8 percent) than midsize (16 percent) and large companies (18 percent) and more increases than large companies (38 percent vs. 23 percent).

Most of the budget increases were modest—less than 16 percent. Some 34 percent saw increases in the 6 to 15 percent range, while 32 percent of organizations reported increases in the 1 to 5 percent range. Most respondents who reported an increase in their training budgets attributed it to the following reasons:

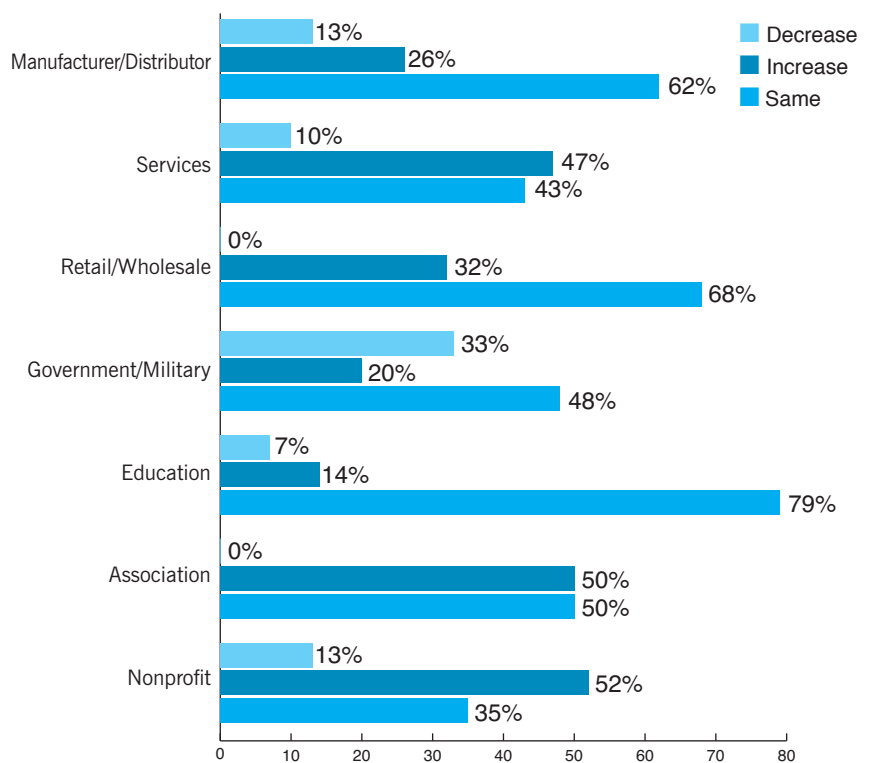
- Increase in the scope of their training programs and added training staff (both at 57 percent vs. 63 and 56 percent, respectively, last year)
- Increased number of learners served (52 percent vs. 55 percent last year)
- Purchased new technologies/equipment (41 percent vs. 40 percent last year)

This year, more respondents (47 percent) reported budget decreases between 6 and 15 percent vs. 18 percent for 1 to 5 percent decreases and 35 percent for more than 16 percent decreases. The majority of respondents (40 percent this year vs. 31 percent last year) cited budget adjusted to reflect lower costs as the main reason for the budget decrease. This was followed by:

What Happened to Your Training Budget This Year?



Budget Change by Industry



2016 TRAINING INDUSTRY REPORT

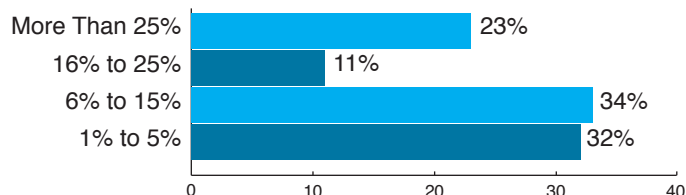
TRAINING BUDGETS

- Reduced training staff (29 percent vs. 31 percent last year)
- Some 37 percent (vs. 30 percent last year) chose “other” as the reason for the decrease, citing “acquisition costs,” “legislative cuts,” and “new director does not see the importance,” among others.
- Attended fewer outside learning events (moving up to No. 4 with 23 percent vs. 13 percent last year)
- Decreased scope of training (increasing from 19 percent last year to 20 percent this year)

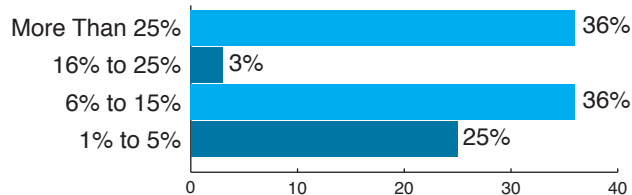
Like the last four years, the highest percentage of organizations (26 percent) said management/supervisory training will receive more funding than the year before. On average, organizations plan to allocate the most funding to professional/industry-specific training at \$1.3 million; mandatory compliance training at \$608,820; sales training at \$547,551; and management/supervisory training at \$405,549.

The highest priorities for training in terms of allocating resources in 2016 are: increasing the effectiveness of training programs (33 percent vs. 29 percent last year), followed by reducing costs/improving efficiency (17 percent vs. 19 percent last year), and increasing learner usage of training programs (13 percent vs. 15 percent last year). Integration with performance/talent/competency management initiatives and obtaining revenue through external training are the lowest priorities at 5 and 2 percent, respectively.

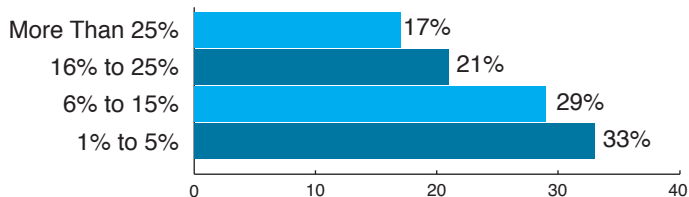
How Much Did Your Training Budget Increase? All Companies



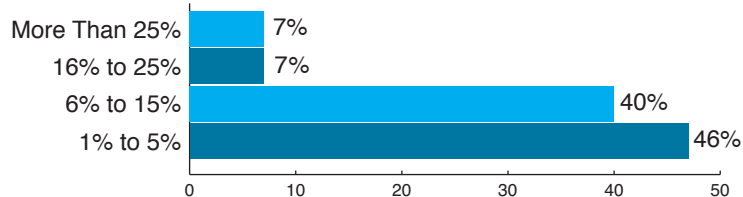
Small Companies



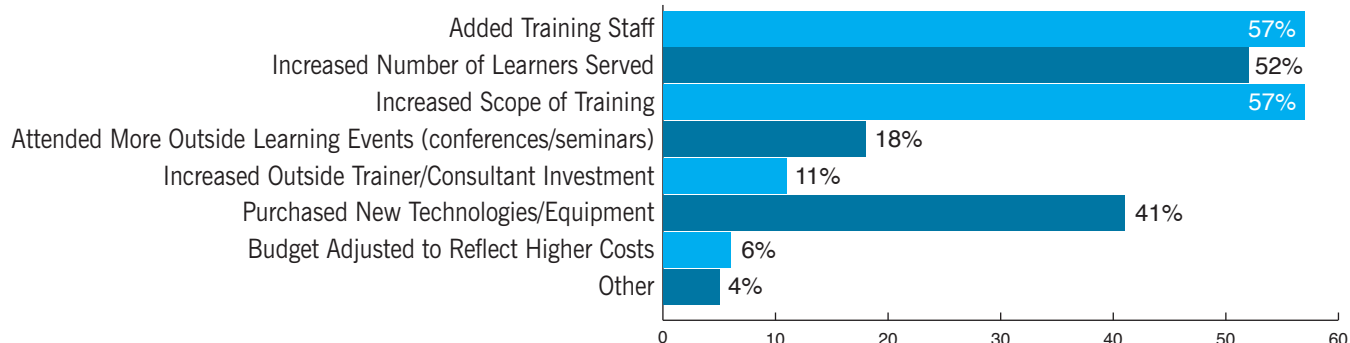
Midsized Companies



Large Companies

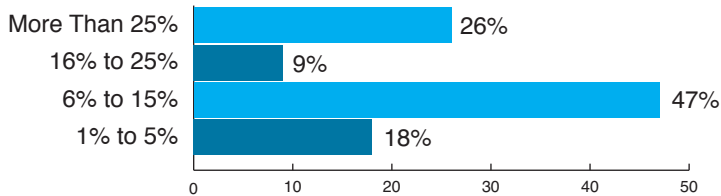


Why Did Your Budget Increase?

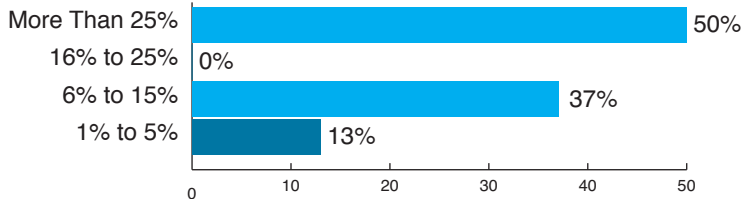


How Much Did Your Training Budget Decrease?

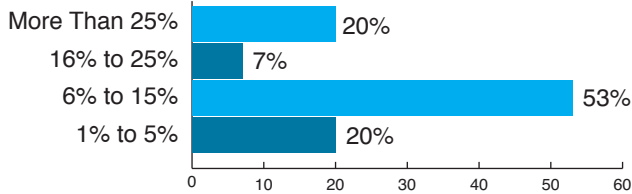
All Companies



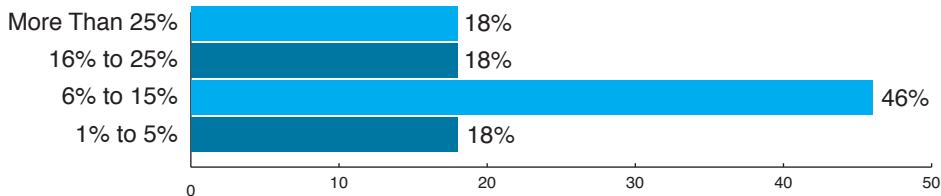
Small Companies



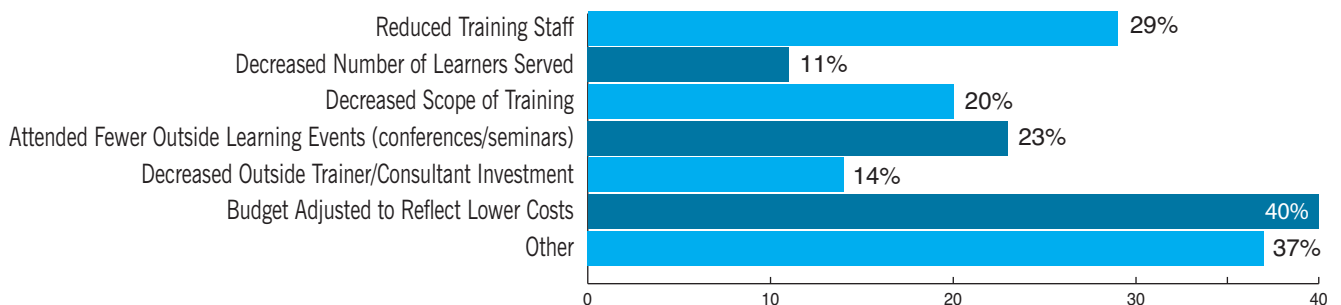
Midsized Companies



Large Companies



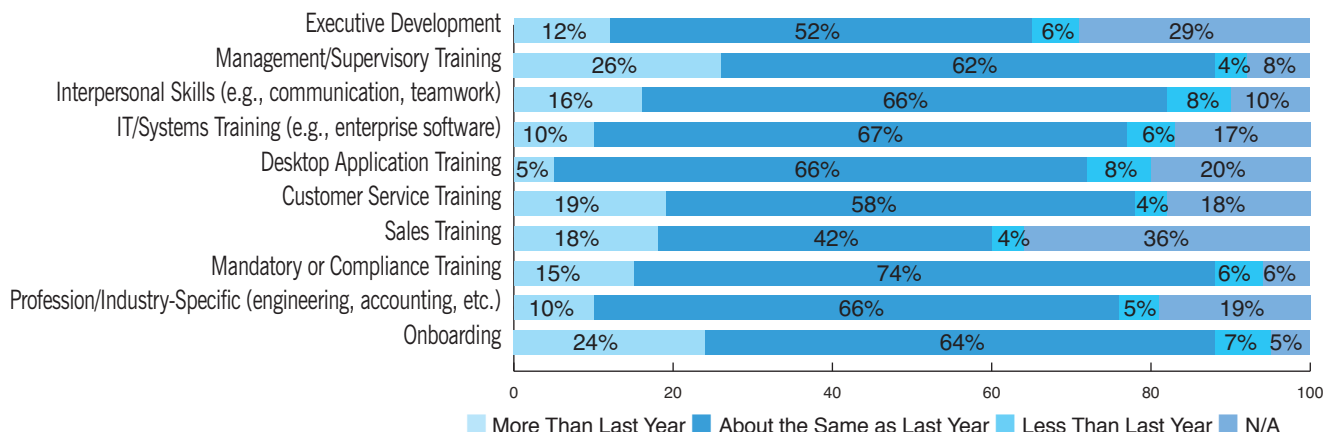
Why Did Your Budget Decrease?



2016 TRAINING INDUSTRY REPORT

TRAINING BUDGETS

Projected Funding for Learning Areas Next Year



TRAINING DELIVERY

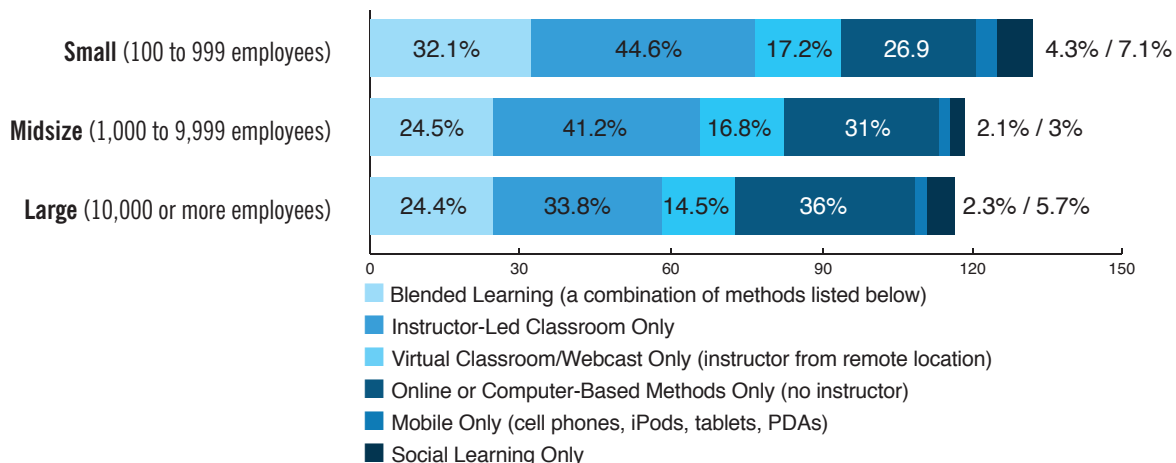
Some 41 percent of training hours were delivered by a stand-and-deliver instructor in a classroom setting—down from the 46 percent reported last year.

- 30.4 percent of hours were delivered via online or computer-based technologies, up from 26.4 percent last year. Virtual classroom/Webcast accounted for 16.4 percent of hours delivered, up slightly from 16 percent last year.
- 27.5 percent of hours were delivered with blended learning techniques, down a bit from 31.9 percent last year.
- 2.9 percent of training hours were delivered via mobile devices, up from 1.8 percent in 2015, while social learning

accounted for 5 percent of hours, the same as last year. Some 24 percent of companies said they are using social learning to some extent.

Small (44.6 percent) and midsize (41.2 percent) companies continue to rely on instructor-led delivery methods more so than large companies (33.8 percent). Blended learning was fairly even across companies of all sizes, ranging between 24.4 percent for large companies and 32.1 percent for small ones. Large companies appeared to be focusing on online or computer-based methods (36 percent vs. 26.9 and 31 percent, respectively, for small and midsize companies).

Training Delivery Methods by Company Size 2016



TRAINING DELIVERY

Mandatory or compliance training continued to be done mostly online, with 81 percent of organizations doing at least some of it online and 31 percent entirely online (up from 26 percent last year). Online training also often is used for sales training (80 percent vs. 64 percent last year) and profession/industry-specific training (77 percent vs. 61 percent last year). Online delivery for desktop application training and IT/systems application training was at 74 percent vs. 70 and 67 percent, respectively, last year. Online training was least used for onboarding (46 percent), interpersonal skills training (50 percent), and management/supervisory training (57 percent).

Technology use overall is higher than last year. Of the learning technologies presented, the most often used included:

- Learning management systems (LMS) at 74 percent, followed by virtual classroom/Webcasting/video

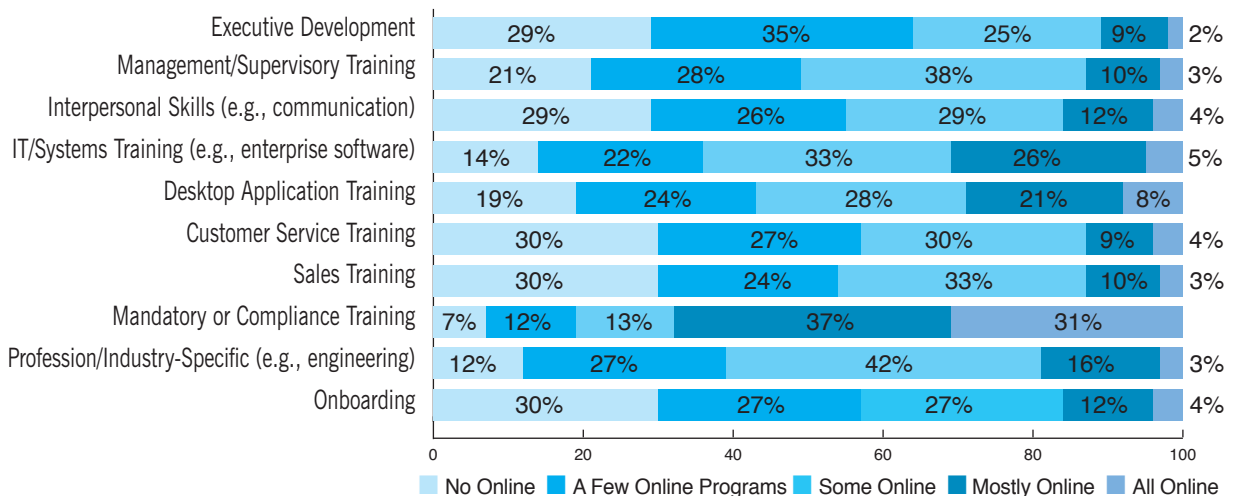
broadcasting at 73 percent (both up just a bit from 73 and 72 percent, respectively last year)

- Rapid e-learning tools (47 percent, down from 51 percent last year)
- Application simulation tools (34 percent, down from 40 percent last year)

The delivery methods least often used for training remained the same as last year:

- Podcasting at 19 percent (up from 16 percent last year)
- Mobile and online performance support (EPSS) or knowledge management system, both at 33 percent (up from 25 and 23 percent, respectively)
- Learning content management system (LCMS) at 34 percent (up from 20 percent)

Online Method Use for Types of Training

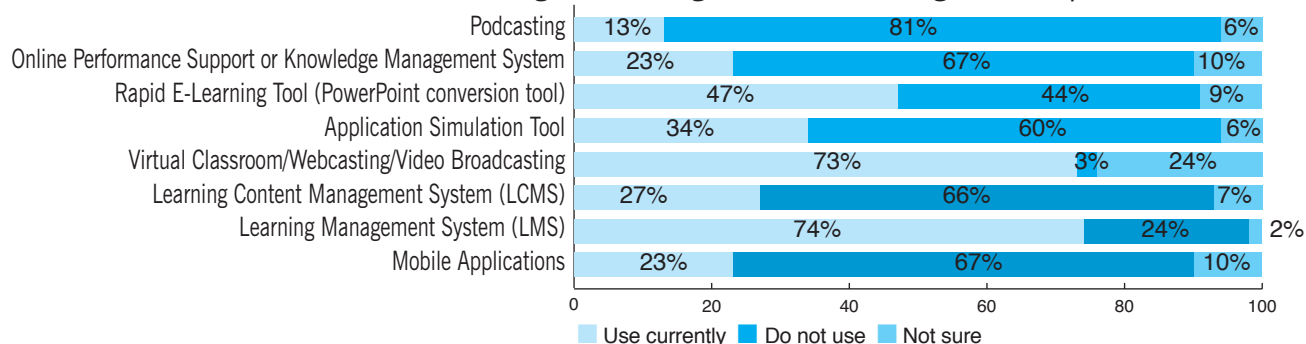


Some 41 percent of training hours were delivered by a stand-and-deliver instructor in a classroom setting. That figure is down slightly from the 46 percent reported last year. Some 24 percent of companies are using social learning to some extent.

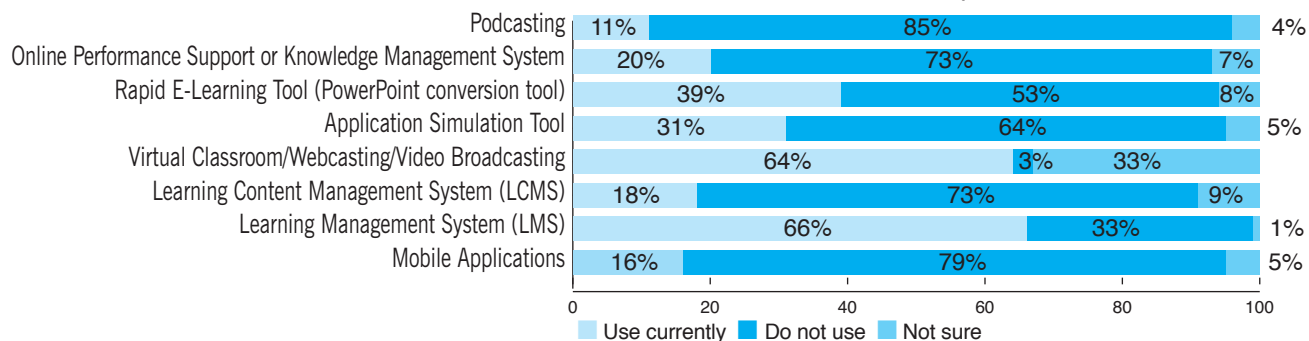
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TRAINING DELIVERY

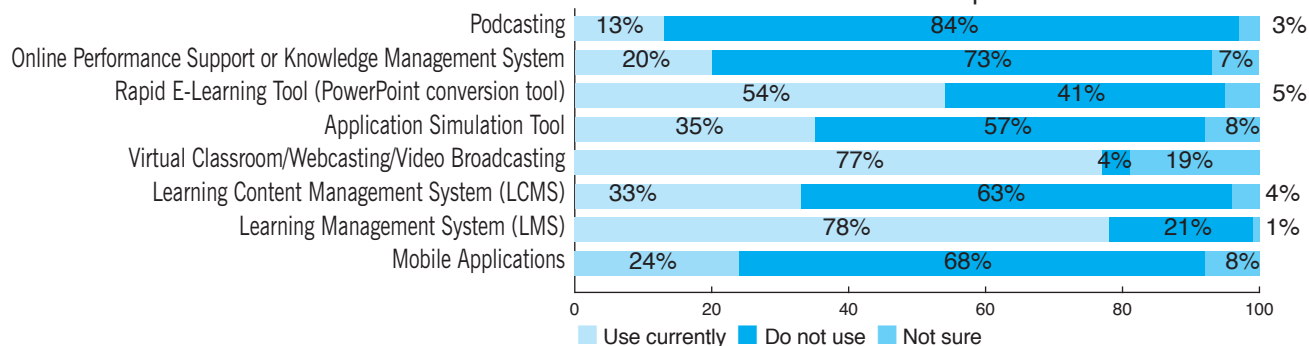
Learning Technologies Current Usage All Companies



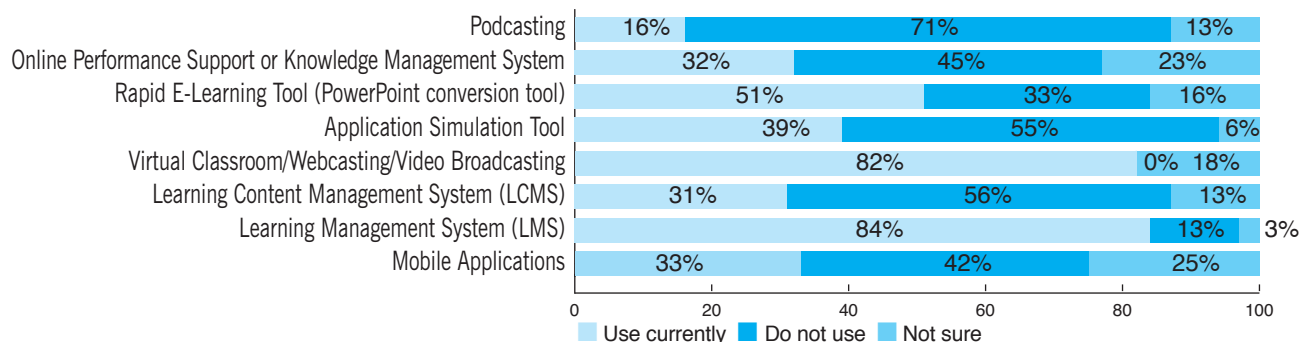
Small Companies



Midsize Companies



Large Companies



TRAINING OUTSOURCING

2016 saw a slight decrease in the average expenditure for training outsourcing: \$284,457, down from \$306,683 in 2015. Large companies on average spent \$1 million vs. \$173,019 for midsize companies and \$42,297 for small ones. An average of 5 percent of the total training budget was spent on outsourcing in 2016, down from 6 percent in 2015.

On average, 28 percent of companies mostly or completely outsourced LMS operations/hosting (vs. 26 percent last year), while LMS administration and learner support (83 and 80 percent, respectively) largely were handled in-house.

Instruction/facilitation was handled about equally in-house (44 percent) and outsourced (56 percent). Across all the topic areas, large companies outsourced slightly more than midsize ones, and midsize organizations outsourced more than small companies. This effect was most striking for custom content development (59 percent some or completely outsourced for

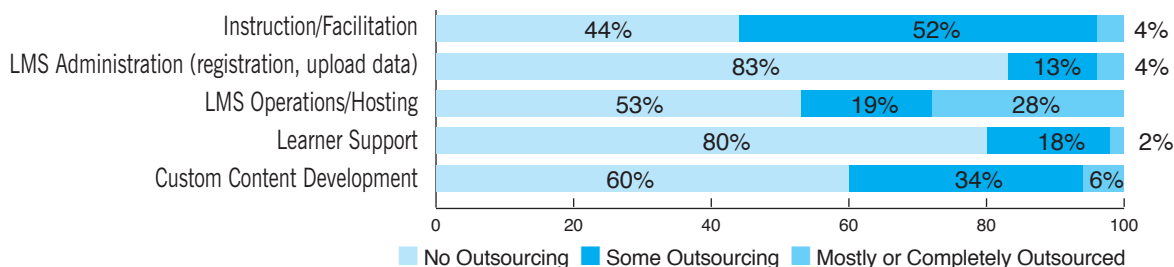
large companies; 38 percent for midsize ones; and 31 percent for small organizations).

The level of outsourcing is expected to stay relatively steady in 2017—some 81 percent of organizations said they expect to stay the same in the outsourcing area. The percentage of companies expecting to decrease use (7 percent) is slightly lower than those expecting to use outsourcing more (9 percent). There are exceptions for individual functions, though. In learner support, twice as many companies said they will be doing less than those that said they will be doing more.

While there aren't many differences between the outsourcing changes by company size, large companies will outsource less custom content development, while midsize and small companies indicate they will increase LMS operations/hosting outsourcing.

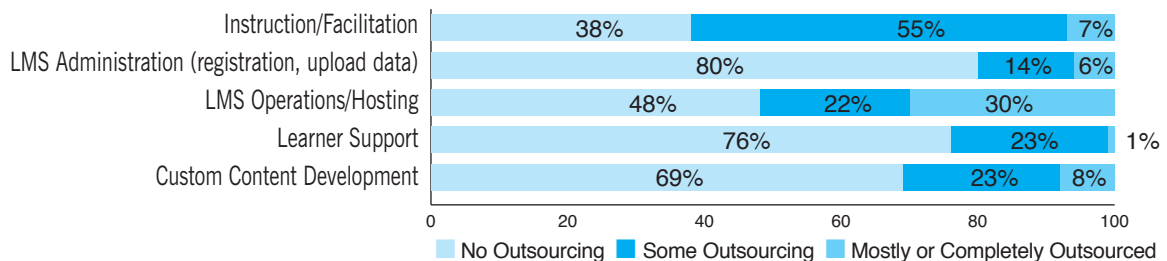
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Extent of Outsourcing All Companies

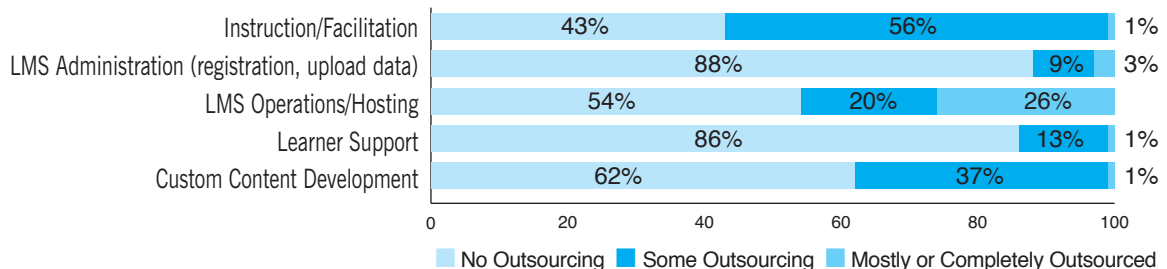


TRAINING OUTSOURCING

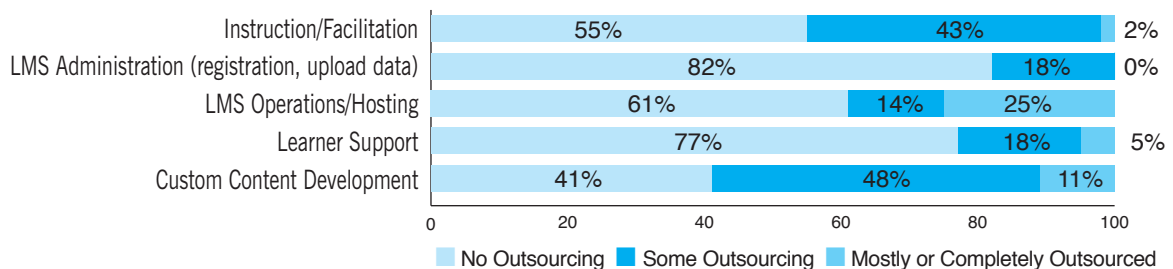
Extent of Outsourcing Small Companies



Midsize Companies

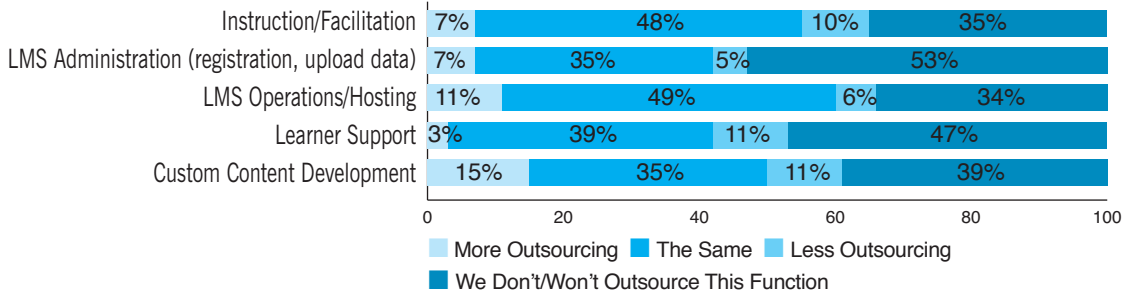


Large Companies

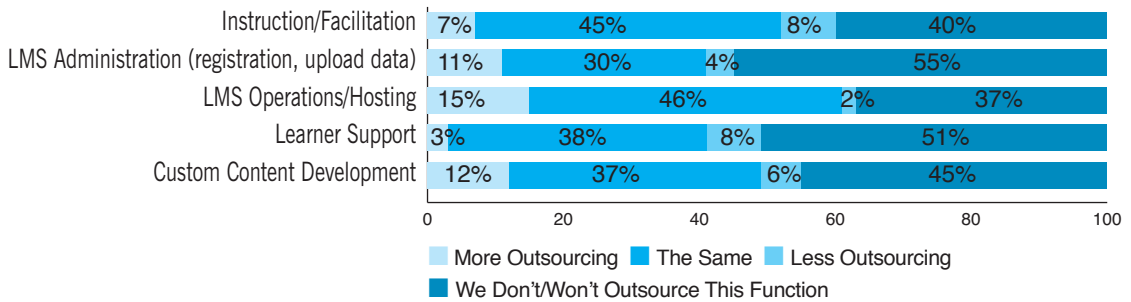


Looking ahead to 2017, large companies likely will outsource less custom content development, while midsize and small companies indicate they will increase LMS operations/hosting outsourcing.

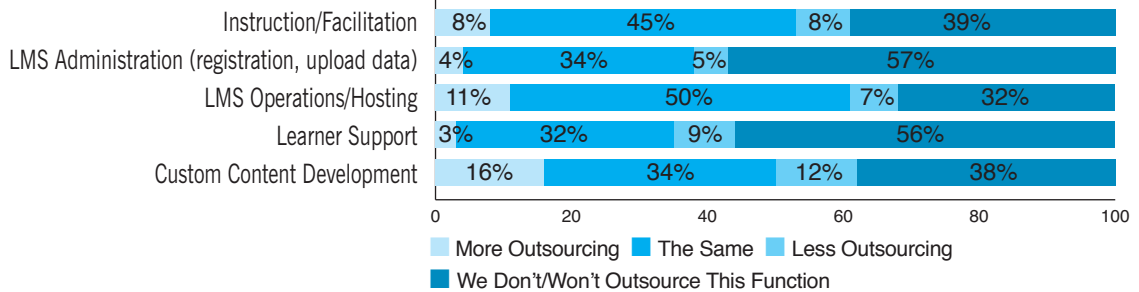
Projected Use of Outsourcing All Companies



Small Companies



Midsized Companies



Large Companies

