

STAFF & CONTRACT INSTRUCTORS

*Costs, Comparisons & Considerations for
Strategic Decision Making*

Victor J. Melfa, CEO
The Training Associates

White Paper



FOREWORD

This white paper, “Staff & Contract Instructors, Costs, Comparison, & Considerations for Strategic Decision Making,” has been published and regularly updated since 1996. It is used by many training organizations as a methodology and strategic tool for re-evaluating and significantly changing organizations’ staff and contract trainer usage policies to reduce costs and risk, and to increase external and internal training offerings, sales, and profits. It has been presented by invitation at many public and private training conferences and thousands of copies have been requested and distributed.

This revision broadens its scope significantly to include all types of trainers and training organizations, further discussion on trainers as fixed or variable costs, costs and risks of managing independent contract trainers, and the costs, risks, and sales benefits of outsourcing to a specialized trainer staffing agency.

The author, Victor J. Melfa, is the Chief Executive Officer and co-founder of The Training Associates (TTA). Established in 1994, TTA is the largest trainer provider and only company specializing in recruiting, developing, and deploying high-quality trainers and instructional designers to businesses in all industries. As the world’s recognized leader in Training Delivery Solutions, TTA is relied upon by training organizations for a broad range of trainer staffing and trainer consulting services.

Questions or comments on this paper may be directed to the author at: Vic@TheTrainingAssociates.com or The Training Associates, 287 Turnpike Road, Westborough, MA 01581.

Table of Contents

FOREWORD.....	1
EXECUTIVE SUMMARY	2
1. STAFF TRAINER SALARIES.....	3
2. STAFF TRAINER OVERHEAD COSTS.....	3
2.1 General.....	3
2.2 Staff Trainer Direct Overhead Costs.....	3
a. Taxes and Statutory Costs.....	3
b. Benefits	4
c. Expenses and Materials.....	4
2.3 Staff Trainer Indirect Overhead Costs	4
3. RESULTANT STAFF TRAINER TOTAL COSTS.....	5
3.1 Estimated Cost Model for Trainer Overhead	5
3.2 Profit Based Model for Trainer Overhead	5
3.3 Resultant True Total Costs of Staff Trainers.....	6
4. TRAINERS – A FIXED OR VARIABLE COST?	6
5. TRUE STAFF TRAINER UTILIZATION	7
6. RESULTANT STAFF TRAINER DAILY COSTS	9
7. CONTRACT TRAINER DAILY RATES	10
7.1 Sources of Information.....	10
7.2 Contract Trainer Rate Variables	10
7.3 Contract Trainer Rate Trends	11
8. DIRECT CONTRACT TRAINER TOTAL COSTS	11
9. USING A STAFFING AGENCY FOR CONTRACT TRAINERS	12
9.1 Functions performed by a Trainer Staffing Agency (partial list)	13
9.2 Benefits of working with a Trainer Staffing Agency.....	13
10. SOME CONSIDERATIONS OF RELATIVE USAGE.....	14
11. STAFF AND CONTRACT TRAINER CONCLUSIONS	15
ABOUT THE AUTHOR	16
ABOUT THE TRAINING ASSOCIATES.....	16

EXECUTIVE SUMMARY

The largest single expense for training organizations is the cost of instructors, both full-time staff and contract instructors. Therefore, it is vital to thoroughly comprehend these instructors' true and complete costs, how to accurately compare staff and contract instructors, and when and how to use each of them effectively. The importance of this comprehension is heightened by the frequency of contractor use, and the numerous misconceptions about outsourcing contract trainers.

This white paper first addresses compensation of staff trainers. It details the many direct and indirect overhead costs associated with staff trainers that are needed to compute their true total costs. After testing these total costs with a "top down" or profit model, the concept of treating staffers as either fixed or variable costs is discussed. It then reviews the many factors that should be considered in the calculation of realistic instructor utilizations. Using these conclusions, the staff trainer's *true daily costs* are determined.

In a like manner, independent contract trainer rates are examined. Results show that independent contract trainer base *rates are much lower than the adjusted true staff trainer costs*. However, contrary to the supposition of many, *fully "marked-up"* independent contract trainer rates are approximately equivalent to fully marked-up staff trainer daily costs when all the overhead costs of using independent contract trainers are added to their base daily rates. This is ultimately due to the economic laws of supply and demand in an open and elastic marketplace.

The third consideration presented is how *outsourcing* the development, management, and deployment of contract trainers to a specialized trainer staffing agency can afford significant advantages to the training organization, including, but not limited to: reducing a contract trainer's rates to below staff trainer *total* costs, increasing utilization rates, and mitigating risks.

Fully comprehending all these factors can result in important strategic decisions that cannot only considerably reduce a training organization's costs and risks, but also provide increased opportunities for more and varied training events, improve the organization's consultative sales capabilities, and enhance levels of customer service.

This whitepaper concludes with specific considerations organizations should examine in order to make strategic and tactical decisions on why, when, how, and how much to use staff or contract trainers most judiciously and effectively.

To arrive at a total staff trainer's salary, it is necessary to include all forms of monetary compensation paid over the term of employment.

1. STAFF TRAINER SALARIES

Staff trainer *base* salaries vary widely and each organization should use its own data. To arrive at a *total* staff trainer's salary, it is necessary to include all forms of monetary compensation paid over the term of employment including: bonuses, commissions, hiring and severance pay, liquid stock, and all other financial incentives. These are roughly estimated to average between \$2,000 and \$10,000 per year.

For the purposes of this whitepaper, we will use the example of a technical staff trainer with a \$70,000 average total salary.¹

2. STAFF TRAINER OVERHEAD COSTS

2.1 General

All direct and indirect overhead costs attributable to the trainer must be added to obtain his/her true total cost. This is necessary for budgeting and planning purposes, as it helps determine the proper usage and mix of contract and staff trainers. It is also necessary for hiring decisions, for historical, competitive, merger or acquisition analyses, and for comparisons between various branch locations or operations.

Trainer overhead costs may be estimated in two basic ways. The next section will use a "top down" approach. However, to fully appreciate individual cost elements, you should consider reviewing these items from the "bottom up" using consistently recorded expenses in a chart of accounts.

2.2 Staff Trainer Direct Overhead Costs

a. Taxes and Statutory Costs

These include various federal, state, county, and city taxes, and other statutory requirements. They are conservatively estimated to total **between 10 and 15 percent of total salary**. They include: FICA, Medicare, FUTA, SUTA and other payroll taxes, workers compensation insurance, required health insurance, etc.

¹ \$70,000 is the estimated 'average' salary of a technical staff trainer in the United States. Source: Indeed.com, February 9, 2011.

Indirect costs increase as the number of staff trainers on the payroll increase.

b. Benefits

Benefits are estimated between **5 and 25 percent**. These costs have risen significantly over the last few years with ever-increasing healthcare costs a primary contributing factor.

Benefits include:

- Medical, dental, and optical insurance programs
- Life Insurance, and long and short-term disability insurance
- Payments made by company to employees beyond above coverages
- 401k, pension contributions, and non-liquid stock or options
- Education and professional development expenses
- Hiring, severance, and relocation expenses
- Snacks, meals, parties, picnics, gifts, rewards, etc.

c. Expenses and Materials

Expenses and materials vary widely and are estimated between 5 and 35 percent of salary. These costs may include:

- Travel expenses not reimbursed by clients, e.g., mileage, tolls, parking, rentals, airfare, per diem, telephone, fax, hotel, taxi, tips, agencies, etc.
- Copying, printing, slides, transparencies, and shipping
- Trainer training and test costs, including travel and other expenses
- Local and remote meetings, conferences, and show costs
- Trainer manuals, books, software, services, computers, phones, etc.
- Fees for technical and trainer certification and re-certification

2.3 Staff Trainer Indirect Overhead Costs

Indirect costs are those not charged to a specific individual but often to general and administrative accounts and then allocated over various “cost centers.” Indirect costs increase as the number of staff trainers on the payroll increase. They are estimated to be between 20 and 75 percent of salaries and include:

- Training, human resources, accounting, legal, and management time
- Hiring, recruiting, and supervision time
- Telephone, fax, computer services
- Cost of allocated space including: utilities, cleaning, and maintenance
- Supplies, furniture, and non-computer equipment
- Clerical, secretarial, and support services

3. RESULTANT STAFF TRAINER TOTAL COSTS

The total cost for a \$70,000 trainer can range from \$105, 000 to \$175,000, depending upon the mark-up used.

3.1 Estimated Cost Model for Trainer Overhead

Using the above estimates, one can now add the direct overhead costs, which total 20 to 75 percent of the trainer's salary, to the indirect overhead costs of 20 to 75 percent. **This results in total overhead costs on trainer salaries ranging from a conservative 40 percent, to 150 percent of salary, or additional costs of 1.4 times to 2.5 times total salary.**

These total overhead costs have been derived from a "*bottom-up*" methodology based upon estimates of specific overhead costs. Overhead costs are invariably underestimated. Just like the common household situation of finding it hard to believe "where all the money went" until one looks at all of the checkbook entries, a "top-down" or profit based analysis will more accurately identify overlooked costs.

3.2 Profit Based Model for Trainer Overhead

Many training and consulting organizations know the mark-up, often referred to as additional cost multiplier (ACM); they must apply to their trainer or consultant salaries in order to accurately price their services. The selling price is established to cover all direct and indirect costs and desired profits. In this "*top down*" approach, it is not uncommon for these companies to use a mark-up of 3 to 5 times their trainer or consultant salaries to arrive at their desired selling price. These correspond to overhead rates of 200 to 400 percent of total salaries.

By removing the portion of these mark-ups needed to cover profit, the overall mark-up that covers *just* trainer costs above salaries is obtained. You can then compare these costs with those calculated in the previous "*bottom-up*" approach. Reducing the mark-up by an estimated 20 percent profit margin **yields 2.8 to 4 times mark-ups to, or overhead costs of 140 to 300 percent on, trainer salaries.** This is much higher than the conservative "*bottom-up*" approach. Larger companies often use this "*top-down*" model, not because their costs of doing business are greater, but because of more sophisticated financial resources and analyses. As a matter of fact, their larger size usually results in greater economies of scale.

To be able to treat trainers as a variable cost, it is necessary to understand their true utilization so that a realistic trainer cost rate can be calculated.

3.3 Resultant True Total Costs of Staff Trainers

The actual mark-up used depends on the type of organization, the business model chosen, and its actual costs. Though it is important to periodically go through a detailed “bottom-up” analysis to properly understand your company’s expenses, it is more accurate and safer to use the “top-down” profit model.

Realistic mark-ups can now be applied to trainer salaries to obtain their true total costs. Applying very low (usually unrealistic), medium, and higher mark-ups of 1.5, 2.0 and 2.5 (or overheads of 50%, 100%, and 150%), results in the following total cost matrix:

Salary	Very Low 1.5 mark-up	Medium 2.0 mark-up	High 2.5 mark-up
\$32,000	\$48,000	\$64,000	\$80,000
\$45,000	\$67,500	\$90,000	\$112,500
\$60,000	\$90,000	\$120,000	\$150,000
\$70,000	\$105,000	\$140,000	\$175,000
\$80,000	\$120,000	\$160,000	\$200,000
\$90,000	\$135,000	\$180,000	\$225,000

The total cost for a \$70,000 trainer can range from \$105,000 to \$175,000 depending on the mark-up used.

4. TRAINERS – A FIXED OR VARIABLE COST?

Many organizations still treat their trainers as fixed costs, incurred whether or not the trainer is actually instructing a class, rather than as a variable cost for each class taught. These companies are often the same ones that seriously underestimate their mark-ups and true total trainer costs, even going through the “bottom up” methodology.

Other organizations have become more realistic about total employee costs and prefer to **treat trainers as variable costs, to be expensed for each job**, rather than as permanent fixed costs. They classify their fixed costs as their infrastructure of marketing, sales, finance, space, and equipment. A growing number of training organizations even classify classroom space as a variable cost because they can either sell more on-site classes or rent classrooms from third parties.

To be able to treat trainers as a variable cost, it is necessary to understand their true utilization so that a realistic trainer cost rate can be calculated.

5. TRUE STAFF TRAINER UTILIZATION

In order to compute profit margins on individual classes or jobs, as well as to compare staff trainers' fixed costs to the variable costs of the contract trainer alternative, it is necessary to calculate the *daily cost* of a staff trainer when actually engaged in teaching activities. To do so, **you must first calculate actual billable time or utilization by totaling the number of days per year the instructor is not teaching at the standard full "billable" rate.**

The following chart illustrates 'typical' types of activities that technical and professional business skills instructors participate in throughout the year (time spent not teaching) and the average number of days spent per year for each.²

Holidays	Various religious, national, local	10
Vacations	Varies depending on company, tenure, etc.	10
Other days off including:	Sick, personal, weather, bereavement	10
Training and Development, Classes, Shows, Seminars	Company, technical, professional development, and instructional skills including travel and administration	10
Training Preparation	Hands-on learning, courseware, labs, set-up, class prep, etc.	30
Make work³	Varied to fill idle time due to classes being cancelled, not sold, or scheduled during holiday weeks.	10
Other	Meetings, co-teaching, travel, parties, admin., etc.	24
Average total of non-teaching days		104

While using exact data is always recommended, the above numbers may be used if an organization's actual numbers are not readily available.

After identifying days the staff trainer spends in non-teaching activities, subtract them from the total number of available days for which the trainer is paid to determine his or her true utilization. With few exceptions, an employed instructor is paid for 260 days/year or 5 days a week X 52 weeks.

² These represent 'averages' based on information gathered from numerous sources and surveys. While using exact data is always recommended, these numbers may be used if actual numbers are not readily available.

³ *Make-Work* is work of little value assigned or taken on only to keep someone from being idle.

As more choices of alternative activities are considered, survey respondents estimate less time in actual teaching.

Finally, divide the total number of non-billable days by the total number of available paid days to determine the total utilization percentage of the instructor.

Example:

260 total available paid days
-104 non-billable time/days
=156 days per year OR 13 days per month of utilization

$156 \div 260 =$ Total instructor utilization rate of 60%

At first glance this utilization might appear low, but it is similar to the calculation of instructor costs in that all non-teaching days must be identified and factored into the total utilization of an instructor.

In trainer salary and utilization surveys conducted by the CompTIA Learning Group over a period of time, the question “*How do your trainers spend their time?*” revealed that as more choices of alternative activities were added, survey respondents estimated *less* time actually teaching. In fact, the time spent teaching declined from more than 15 days per month to less than 13 days per month. Therefore, in any analysis of trainer utilization, it is important to generate an extensive and exhaustive list of ‘non-teaching’ activities that the trainer may participate in. These additional activities should be included in any utilization computation.

Training organizations often incur instructor burnout, increased management time, and high turnover by being overly aggressive in trainer utilization. This may *temporarily* increase utilization, but the true *total* mark-up of trainers also increases. This conclusion has been extensively presented by Bob Mosher, former Director of Learning Evangelism at Microsoft, in “*Burnout: The 7 Letter Word of Training.*”

Also, holidays, certain events, and changing customer requirements can seriously impact both the length and number of classes that *can* be taught at certain times of the year. This is especially true during holiday weeks, summer months, and at the end of the year. When calculating utilization, many organizations’ ad hoc estimates don’t consider an entire year. This is absolutely necessary to determine *actual* trainer usage.

Finally, in an effort to maximize a staff trainer’s utility, it is very tempting to assign them non-training tasks, or have them teach classes below their competency. Termed “Parkinson’s Law,”⁴ training centers are perhaps the most vulnerable to this because work assigned during periods when no classes are planned, if not tightly scheduled and monitored, has a tendency to fill all available time.

⁴ The Economist, 1955, Parkinson’s Law is the adage that work expands so as to fill the time available for its completion.

For comparison, some other commonly used trainer utilization rates are:

The daily billable costs cited for staff trainers are much higher than most organizations estimate.

Utilization Rate	Days per year	Days per month	Likelihood of Occurrence
100%	260	21.7	Highly unlikely, very unrealistic
80%	208	17.3	Unlikely, would be a real stretch
69%	180	15	A common goal - not often realized
60%	156	13	A common and highly realistic goal

6. RESULTANT STAFF TRAINER DAILY COSTS

To calculate the average cost per billable day for a staff trainer, **divide the trainer’s true total annual cost by the number of days spent in actual training assignments during the year.**

For example, by applying the average yearly utilization rate of 60% (156 days/year or 13 days/mo) to the sample trainer earning an annual salary of \$70,000 with a medium mark-up of 2, the *average staff trainer total cost is \$897 per billable day.*

Alternatively, using the “very low” mark-up of 1.5, the cost is \$673 per billable day, and the higher mark-up of 2.5 yields a cost of \$1,121 per billable day. Even using the higher utilization rate of 180 days/year, the average billable daily costs vary from \$583 per billable day to \$972 per billable day. Note: All the daily billable costs cited for staff trainers are much higher than most organizations estimate.⁵

Please see the accompanying table on page 13 for Examples of Costs/Day for a Staff Trainer. The values in this table are obtained by applying the above commonly used utilization rates and billable days per year to **various salaries with very low (50%), medium (100%), and higher (150%) mark-ups.**

Each organization should calculate its own average billable daily rates using company data for utilizations as well as each *unique* trainer’s total costs. Only when this has been accomplished will the organization know its exact costs. A comparison can then be made between the calculated staff trainer daily billable costs and that of a contract trainer’s daily fees.

⁵ Based on The Training Associates client data

Examples of costs/day for a staff trainer with different mark-ups

Contract trainer rates vary greatly from as low as \$200 to over \$2,000 per day...

Salary (\$K/Yr)	Very Low mark-up 1.5X (\$K/Yr)	Medium mark-up 2.0X (\$K/Yr)	Higher mark-up 2.5X (\$K/Yr)	Divided by Billable Days (Utilization)	Equals (\$ Cost Per Billable Day)		
					Very Low	Med	Higher
32	48	64	80	208 (80%)	231	308	385
				180 (69%)	267	356	444
				156 (60%)	308	410	513
45	68	90	113	208 (80%)	327	433	543
				180 (69%)	378	500	628
				156 (60%)	436	577	724
60	90	120	150	208 (80%)	433	576	721
				180 (69%)	500	667	833
				156 (60%)	577	769	962
70	105	140	175	208 (80%)	505	673	841
				180 (69%)	583	778	972
				156 (60%)	673	897	1121
80	120	160	200	208 (80%)	577	769	961
				180 (69%)	667	889	1111
				156 (60%)	769	1025	1282
90	135	180	225	208 (80%)	649	865	1081
				180 (69%)	750	1000	1250
				156 (60%)	865	1154	1442

7. CONTRACT TRAINER DAILY RATES

7.1 Sources of Information

There are no good consolidated sources of data for accurate contract trainer rates. Some surveys mix staff and contract rates that cannot be used for comparison. The Training Associates, a trainer staffing and consulting specialist, has rate data based upon a database of over 25,000 contract trainers, instructing over 15,000 different subjects, and deployed to instruct thousands of classes each year. Based upon this market data, contract trainer rates vary greatly from as low as \$200 to over \$2,000 per day depending on several factors as outlined below.

7.2 Contract Trainer Rate Variables

Contract trainer rates are not static and are generally negotiated on a per case basis because of many variables. *Short-term* variations depend primarily on course subject matter and instructor level. However, they are also influenced by several other factors including: the supply of available trainers at the exact time of the class, the level of students to be taught, the lead time of an order before a class (from long range planned classes to last minute emergencies); the time of year due to holidays and competing industry events; and specific class requirements such as setup, customized content, and volume commitments. *Long-term* variations depend upon the change in demand during different economic cycles. These changes affect the available supply of trainers as they migrate between contract and staff positions and to different jobs and careers.

When contracting directly with a trainer, training organizations incur many costs beyond the base rate.

7.3 Contract Trainer Rate Trends

In contrast to the fluctuation of rates due to economic cycles, The Training Associates believes it has influenced a downward trend in the cycle of IT contract trainer rates. Personnel and staffing agencies, as any wholesaler of goods or services, tend to economically “commoditize” their candidates. This is because of their constant communications about prices and qualifications with large numbers of different candidates and prospective clients. This downward effect took time to develop in the IT training industry primarily due to the long term relationships between contract trainers and their previous employers.

8. DIRECT CONTRACT TRAINER TOTAL COSTS

Although the *base* cost of a contract trainer may appear to be lower than that of a staff trainer’s true daily rate, by contracting directly with trainers, training organizations incur many costs beyond the contract trainer’s daily billable rate. Costs incurred include, but aren’t limited to: the need for dedicated personnel, increased management time, and the development of special systems and procedures. These considerations add to the contract trainer’s costs and are usually diversions from the organization’s core competency. Functions that need to be performed include: searching, qualifying, negotiating, contracting, scheduling, booking and processing travel, outlining class details, evaluating and managing trainer performance, resolving quality issues, and processing and paying invoices. Travel expenses can be a financial burden if contractors are not available locally, and for some higher-level trainers where fewer specialists exist. Travel costs may include: mileage, tolls, parking, car rental, airfare, hotel, and a per diem. Often a trainer or staffing agency may bundle these costs in a “flat rate” total cost.

Finally, and quite possibly the most important cost considerations of contracting directly with independent trainers are the increased legal and liability risks.

Employee / contractor misclassification, potential claims due to workmen’s compensation, unemployment, discrimination, benefits, wrongful termination, and state and federal tax non-withholding are all legal considerations and potential pitfalls to the company. These considerations might result in lawsuits, back tax payments, interest, penalties, potential contractor reclassification to employee status, reporting to other agencies and insurance companies, and the placement of the company on permanent watch by various government agencies.

When all these overhead costs are added to the contract trainer’s base daily rate, the true total cost of the contract trainer’s daily rate is approximately equal to the true total cost of the staff trainer’s daily billable cost.

The financial equivalency is due to the laws of supply and demand. Over a period of time, trainers migrate from staff to independent status depending on the total net equivalent income afforded by each. This movement exists because of the openness and elasticity of the marketplace and is facilitated by brokers and staffing agencies engaged in the contract and full-time placement of trainers.

9. USING A STAFFING AGENCY FOR CONTRACT TRAINERS

Outsourcing
[trainers]
enables the
training
organization to
satisfy a far
broader range
of its clients'
many and
diverse trainer
needs...

Instead of contracting directly with independent trainers, training organizations can contract with a professional staffing agency which, as part of their normal operations, can perform all of the overhead functions listed, and more, including absorbing most of the risks involved. In general, such business process outsourcing is much less expensive because the work is outsourced to a single entity possessing specialized expertise and resources that enable it to perform more efficiently. This is especially true if *providing trainers* is a staffing agency's core competency and it can exercise economies of scale. This allows the training organization to concentrate on its core competencies of training development and management, marketing, consultative selling, customer service, and infrastructure, while the staffing agency takes care of the complete trainer recruitment, development, management, quality assurance, and deployment functions.

Besides the benefits of reduced costs, outsourcing to a trainer staffing agency can significantly increase the sales of a "for profit" training organization. Outsourcing enables the training organization to satisfy a far broader range of its clients' many and diverse trainer needs with more consultative solutions, rather than being restricted by the limited subject matter expertise of its own staff. In addition, having the on-demand resources of a trainer staffing agency reduces the training organization's opportunity costs of not having a trainer available when needed. It also affords scalability; the capability to increase or decrease the number of trainers to accommodate client needs. This is especially important in order to satisfy clients' large product or process roll-outs that may require many trainers in multiple locations. Lastly, using a full-service trainer provider that offers *turnkey* training solutions (trainers, courseware, equipment, sales material, etc.) enables the training organization to easily offer new technology or soft-skills classes without any upfront investment.

Finally, a strategy employed by many training organizations is to turn over their contract trainers to a professional trainer staffing agency and still utilize this known commodity, often at the same rates they were paying. This is possible because the agency can obtain lower prices from its trainers due to its volume, variety of commitments, and prompt payment terms. The advantage of this strategy is the ability to continue to use certain known and qualified trainers, but avoiding the costs and risks associated with contracting with them directly.

Therefore, by enlisting the capabilities of a trainer staffing specialist, rather than contracting with trainers directly, an organization can significantly increase utilization, reduce both costs and risks, and increase sales.

9.1 Functions performed by a Trainer Staffing Agency (partial list)

- Comprehensive recruiting and vetting process of trainer candidates
- Qualifying trainer candidates for potential and actual assignments
- Performing necessary background and security checks
- Providing career guidance on new and in-demand technologies
- Managing trainer schedules, skills, quality, and performance
- Matching trainers to specific subject and client requirements
- Administering all class details & order processing
- Negotiating the best trainer rates and terms
- Processing trainer agreements and orders
- Trainer logistics including: travel, accommodations, car rental, and processing documentation
- Evaluating and managing trainer class performance
- Examination and approval of trainer invoices, expenses and special requirements
- Trainer compensation (prompt payment, various terms)
- Legal and liability insurance and defense

9.2 Benefits of working with a Trainer Staffing Agency

- Lower total costs of acquiring and managing trainers
- Time and supervision greatly reduced with one point of contact
- Enablement of the training organization's core competency concentration
- Increased sales by satisfying more customer needs
- Enablement of consultative selling with unlimited trainer "inventory"
- More trainers available to satisfy large or urgent requirements
- Mitigated risk of reclassification of contractors as employees
- Significantly reduced liabilities and risks of suits, penalties, back taxes, etc.
- Quality guarantees and the ability to substitute trainers quickly
- Single vendor reduction of administrative requirements
- Access to leading edge technologies without upfront investment

10.SOME CONSIDERATIONS OF RELATIVE USAGE

As the preceding analyses demonstrated, an independent contract trainer's *true* total daily rate is in the same range as staff trainer's average daily cost per actual days of training (billable days). However, contract trainers obtained through a professional trainer staffing agency cost significantly less. **Each organization should examine its specific circumstances and opportunities to determine if, and to what extent, it should convert its staff trainers to contract trainers provided by a trainer staffing agency.**

The following table offers some of the factors to be considered and weighed when making strategic decisions regarding the costs and use of staff and/or contract trainers.

FACTORS & CONSIDERATIONS	Staff Trainers	Contract Trainers
Fixed Costs	High	None
Overhead Costs	High	None
Utilization	60% ⁶	100%
Management and Supervision	Required	Minimal to none
Training and Development	Ongoing	Very limited, if any
Company/Industry Knowledge	Strong	Orientation may be required
Subject Matter Expertise	Limited to staff	Broadest solution
Cancellation Charges	None	Possible
Availability	Immediate	Possible lead time
Employee Classification Risks	None	Highly possible
Training Model	Typically transactional	Consultative
Profitability	None, Low, Limited	Variable, High
Loyalty and Commitment To Company	Strong	Varies
Company Control	Total	Minimal
Misuse Of Resource	Frequent	Never
Employee Liabilities and Risks	High	None

⁶ 60% is an 'average' utilization rate

11. STAFF AND CONTRACT TRAINER CONCLUSIONS

- When all the overhead costs and “non-billable” time of staff trainers are considered, on average their *true* total daily costs are generally *higher* than the daily base rates of contract trainers, and, in fact, much greater than most would suspect.
- Contracting directly with independent trainers adds significant, and often *hidden*, costs and risks that, when added to their quoted daily rate, actually increases their true total costs to be *approximately equivalent* to the *true* total costs of staff trainers.
- Outsourcing the development, management, and deployment of trainers to a lower costing, specialized professional trainer staffing agency increases utilization to 100%, lowers overall training delivery costs, and transfers most of the risks associated with contracting trainers directly to the agency.
- Outsourcing to a specialized trainer staffing agency allows training organizations to concentrate on, and excel in, their core competencies as “consultative” sales and marketing organizations. With a vast, just-in-time inventory of trainers available to instruct virtually limitless subjects, these organizations can confidently satisfy most, if not all, of their clients’ and students’ training needs.
- The specific business and training objectives, circumstances, and opportunities of each organization should be considered in order to determine the best mix of contract and staff trainers.

###

ABOUT THE AUTHOR

Victor J. Melfa is the Chief Executive Officer and co-founder of The Training Associates (TTA), the largest worldwide provider of training talent and training delivery solutions.

Previously, Mr. Melfa was the co-founder and CEO of a major value-added IT distributor that was one of the first chains of authorized commercial education centers for Microsoft, Oracle, Novell, IBM, and Sun and which he sold to a NYSE company in 1993. He has been the CEO of an "Inc. 500" Fastest Growing Company and an Entrepreneur of the Year Finalist several times, and is the recipient of many industry awards. He has been a management consultant specializing in emerging businesses, has founded over ten high-growth companies, and has taught management and entrepreneurship courses at Boston University and technical courses at Boston College.

Melfa was a founder of both CompTIA (Computer Technology Industry Association) and the ITTA (Information Technology Training Association), which is now the CompTIA Technology Learning Group. With these leading international associations, he led important committees conducting detailed training organization surveys on operating ratios and trainer salaries.

ABOUT THE TRAINING ASSOCIATES

Established in 1994, The Training Associates (TTA) is the largest trainer provider and *only* company *specializing* in recruiting, developing, and deploying high-quality trainers and instructional designers to businesses in all industries.

For learning initiatives requiring a single trainer to conduct short-term classes, to large scale product or process roll-outs requiring many trainers in multiple locations, TTA has the flexible, scalable, results-oriented training delivery solutions businesses need to greatly minimize their time to competency, and achieve their desired learning results with ease.

TTA's variable cost model makes it possible for organizations to quickly plan, manage, and deliver instructor-led or on-line training for *any* size learning project, in any standard, custom, or proprietary subject, with minimal lead time, and without high staff overhead costs. Working with a trainer staffing and consulting specialist, also mitigates the risk, management, and quality control issues associated with contracting instructors directly. For organizations seeking to onboard full-time learning professionals, TTA also offers *direct-hire* placement options.

TTA's proprietary systems, focused efficiencies, economies of scale, and comprehensive suite of training delivery solutions enable it to offer clients guaranteed high quality learning solutions at the greatest value in the industry. By working with TTA, training organizations can readily and significantly increase their training events and sales by relying on a virtually unlimited bench of expert training talent.

TTA clients and partners include: training and outsourcing companies, corporations in all industries, solution providers, IT manufacturers (OEMs) and their channel partners (LARs, VARs, Distributors), academia (colleges and universities), staffing and consulting companies, all branches of the U.S. Military, and all government agencies.

The company offers 15,000+ technology and professional business skills courses and has delivered more than 200,000 classes to over 1,300,000 students. Over 25,000 training professionals are presently registered.



THE TRAINING ASSOCIATES
287 Turnpike Road, Westborough, MA 01581
Phone: 800-241-8868 | 508-890-8500 | Fax: 508-890-8658
www.TheTrainingAssociates.com | Info@TheTrainingAssociates.com

41513-1