What gets MEASURED, Gets done.

Better Yet: Managed

HR Metrics and Workforce Analytics

No Balance NO ROI – The Rise of BIG Data
Program Description

Regardless of the size of the organization, HR metrics and workforce analytics are becoming increasingly beneficial. With the transition of HR metrics and analytics over the past 30 years, managers are now finding it easier to balance the costs and benefits of decisions due to improved HR infrastructures.

However, HR metrics and workforce analytics are not a guarantee return on investment. You need to be able to decipher what data is appropriate to collect. Learn how to use this information to increase managerial decision-making efficiency.

This program will help you align workforce and HR metrics with HR objectives, business strategies, and organizational goals. It will also teach you how to implement HR metrics and workforce analytics to improve organizational results.
Workplace Application

Learn basic **concepts** related to the topic and **best practices** for successful implementation as well as **where to find calculators, spreadsheets, and software** to ease the complications related to strategic management incorporation.
This is an HR Skill That Seems to Need Developing

<table>
<thead>
<tr>
<th>Relative Strengths of HR Skills and Capabilities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting and selecting the right talent</td>
<td>17%</td>
</tr>
<tr>
<td>Promoting health and wellness</td>
<td>15%</td>
</tr>
<tr>
<td>Onboarding new talent</td>
<td>7%</td>
</tr>
<tr>
<td>Fairly allocating compensation</td>
<td>6%</td>
</tr>
<tr>
<td>Understanding skills needed by role</td>
<td>4%</td>
</tr>
<tr>
<td>Encouraging innovation and collaboration</td>
<td>1%</td>
</tr>
<tr>
<td>Creating a high-performance culture</td>
<td>-4%</td>
</tr>
<tr>
<td>Enabling a learning organization</td>
<td>-5%</td>
</tr>
<tr>
<td>Identifying and developing future leaders</td>
<td>-6%</td>
</tr>
<tr>
<td>Driving internal mobility</td>
<td>-11%</td>
</tr>
<tr>
<td>Developing workforce analytics for management</td>
<td>-12%</td>
</tr>
<tr>
<td>Measuring HR program effectiveness</td>
<td>-18%</td>
</tr>
</tbody>
</table>

Measurement, analytics, and segmentation are the lowest rated skills in HR teams today.
Learning Objectives

1. How to develop and implement HR metrics and workforce analytics to measure organizational results vs. its goals and objectives (*SPHR Functional Area 01-06*).

2. When and how to align and incorporate metrics into business plans to achieve growth and improve revenue (*SPHR Functional Area 01-12*).

3. How to use metrics to conduct cost/benefit analyses and increase managerial decision-making capacity (*SPHR Functional Area 01-12*).

4. How to select the important and appropriate data to collect and analyze.

SHRM CP & SCP BOC: Functional Area #15: Business & HR Strategy
SHRM BOC DOMAIN 4: Strategy
Functional Area #15: Business & HR Strategy

**Definition:** Business & HR Strategy involves organizational planning to achieve success and create value for stakeholders. HR demonstrates value by contributing its perspective and expertise to development of the enterprise strategy, and by developing, implementing, and evaluating an *HR strategy aligned with the organization’s goals, values, and tactics*, as defined in the enterprise strategy.

**Responsibility Statements:** *Key responsibilities for all HR professionals include:* • Developing results-oriented metrics and scorecards that contribute to organizational success. • Using knowledge of business and metrics to make workforce and business decisions. • Ensuring that all HR initiatives demonstrate measurable value to the organization. • Demonstrating a working knowledge of the labor market and its relation to organizational success. • Benchmarking the competition and other relevant comparison groups, to better understand market position and competitive advantage. • Creating an action plan for managing talent within the confines of the labor market. • Maintaining advanced knowledge of key industry metrics and how the organization compares to the standard. • In conjunction with other leaders, establishing measurable goals and objectives that create a culture of accountability, and regularly monitoring results against goals in support of business strategy. • Evaluating critical activities in terms of value added, impact, and utility derived from cost-benefit analyses, revenue, profit-and-loss estimates, and other leading or lagging indicators. • Applying consistently to internal HR processes and policies the principles of finance, marketing, economics, sales, technology, and business systems. • Maintaining a systems-wide perspective when making business decisions.

*Key responsibilities for advanced HR professionals include:* • In conjunction with other leaders, developing a business strategy aligned to the organization’s goals and objectives. • Aligning HR strategy, goals, and objectives with overall business strategy and objectives, to drive business results. • Developing and evaluating business cases proposed for HR and other functional projects and initiatives. • Developing strategies for employment branding and marketing communications that will reach internal and external audiences. • Identifying key talent requirements to successfully execute the business strategy. • Developing and implementing an action plan for capturing, developing, and managing the talent needed to execute the business strategy, including the effective management of a global workforce.

**Sample Application of Competencies:** • Business Acumen—The ability to understand and apply information to develop the organization’s strategic plan. • Critical Evaluation—The ability to interpret information and data to make business decisions and recommendations. • Leadership & Navigation—The ability to direct and contribute to initiatives and processes within the organization. • Consultation—The ability to provide guidance to organizational stakeholders. • Communication—The ability to effectively exchange information with stakeholders. • Relationship Management—The ability to manage interactions to provide service and support to the organization.

**Knowledge Topics:** • Approaches for linking organizational and HR strategies • Balanced scorecard utilization • Business intelligence factors • Change management techniques • Competitive analysis techniques • Conflict management techniques • Due diligence techniques • Effective communication techniques • Ethical decision-making framework • Goal-setting approaches • HR systems integration approaches • Labor market analysis • Leadership theories, approaches, and evaluation • Leading and lagging indicators • Mission, vision, and values creation • Organizational growth strategies, evolution stages, and success factors • Project management methods • Quality assurance techniques • Strategic management considerations • Strategic planning stages (i.e., strategy formulation, development, implementation, and evaluation) • PEST factors • SWOT and environmental scanning techniques
Begin with the end in mind?
What is: ROI (aka Return on Investment)

- Demonstrates efficiency with which resources are used.
- “Hurdle rate” is minimum ROI organization requires from project investments.
- Presents data as a percentage.

\[
\text{ROI} = \frac{\text{Value received from investment} \cdot \text{Cost of investment}}{\text{Cost of investment}} \times 100
\]
ROI on Absenteeism as Example

ABSENTEEISM
STRONG INDICATOR
ROI in Human Capital

Does your Human Capital ROI come in at 19.8%?

Researchers for the report found that from 2002 to 2006, the return on investment for human capital rose by 8.3 percent in Western Europe and 4.6 percent in the United Kingdom. During the same period, the return on investment increased 19.8 percent in the United States.

Is this real?

BALANCED MEASURES...
You say Ugh!

WHEN I SAY METRICS, DO YOU...
Not Numbers!

HAVE YOU SAID? “I JOINED HR BECAUSE I LIKE WORKING WITH PEOPLE...
Measure or...Consider This!

To admit to clients and senior managers that the impact of human resources cannot be measured is to admit

1. that HR programs do not add value
2. or that the HR department should not be held accountable for its impact--positive or negative--on the organization's bottom line.
What big data is and what it isn’t

Magnitude of size

<table>
<thead>
<tr>
<th>Traditional Research Paradigm</th>
<th>Big Data Research Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Empirically inductive.</strong> Assume the answer and use data to find what you are looking for.</td>
<td><strong>Empirically deductive.</strong> Make no assumptions and deduce answers from data.</td>
</tr>
<tr>
<td><strong>Synchronous.</strong> Data comes from one point in time.</td>
<td><strong>Diachronic.</strong> Data is not linked to just one point in time; in fact, data can flow in on a real time basis.</td>
</tr>
<tr>
<td><strong>Limited dataset.</strong> The amount of data used for analysis is limited.</td>
<td><strong>Unlimited datastream.</strong> Those conducting analysis no longer collect data; they extract data.</td>
</tr>
<tr>
<td><strong>Survey bias.</strong> The way questions are asked can bias the data and the analysis.</td>
<td><strong>Selection bias.</strong> Results can be affected by the data that is selected.</td>
</tr>
</tbody>
</table>

Source: Patel, 2013

Why Should You Invest in HR Metrics

Benefits seen regardless of company size

Not a guarantee return on investment.
- Must determine what data is appropriate to collect.
- Learn how to use this information to increase managerial decision-making efficiency.

Remember the Hawthorne Theory?

The Hawthorne effect (also referred to as the observer effect) refers to a phenomenon whereby workers improve or modify an aspect of their behavior in response to the fact of change in their environment, rather than in response to the nature of the change itself. The "Hawthorne effect" study suggested that the novelty of having research conducted and the increased attention from such could lead to temporary increases in productivity.
Making Big Data Small, Manageable, & Actionable

Focus on a small number of specific HR measures that are clearly linked to business strategy.

- Don’t attempt to track all HR benchmark measures listed as “best practices”.
- Identify the goal of collecting data.
- Determine who will collect the data and how often.
- Locate relevant and trusted sources of data.
- Make basic calculations.
- Compare results to external and internal benchmarks.
Why is this a #HR HOT TOPIC?

Implementation of integrated HRIS has increased the capacity accessing and examining data

Real time analysis & distribution of information - Growing interest in evidence based mgmt.

Functionality of HR Software Applications

- Benefits Administration
- Time & Attendance
- Applicant Tracking System (ATS)
- Personnel Tracking
- Performance Review
- Payroll
- Employee Scheduling
- Learning Management
- Core HR
- Workforce Management
- Strategic HR

http://www.softwareadvice.com/hr/
#HRTech is Here & Now

OCTOBER 18 - 21, 2015
MANDALAY BAY | LAS VEGAS

#HRTechConf
So..What are HR Metrics?

Way to quantify the cost and the impact of employee programs

- Can quantify the cost of HR processes and measure the success of HR initiatives.
- Measures time of the money spent
- Allows you to track yearly trends

EXAMPLE: Cost Per Hire

(CPH) = the sum of external costs (recruiting) and internal costs (training new employees) divided by the total number of starts in a time period.
Modern HR Metrics and Analytics

Transition period

- More organizations are now reporting a larger number of metrics more consistently
- Most organizations use metrics to audit their HR activities
Emphasis on Improving Managerial Decision Making

HR metrics and analytics can only impact the organization

if and only if:

◦ Managers are given adequate information
◦ Managers make better decisions
◦ Managers make different decisions
Common Activities Used in HR Metrics and Analytics

- Reporting
- Dashboards
- Benchmarking
- Data Mining
- Predictive Analyses
- Operational Experiments
- Workforce Modeling
Balanced Scorecard

1. Aligns business function measures with organizational strategies.
2. Measures the effectiveness of a department or the entire company.
3. Considers perspective of all stakeholders.
# Primary and Secondary Research

<table>
<thead>
<tr>
<th>Primary (data gathered firsthand)</th>
<th>Secondary (data gathered by others)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiments</td>
<td>Historical data</td>
</tr>
<tr>
<td>Pilot projects</td>
<td>Benchmarking and best-practices reports</td>
</tr>
<tr>
<td>Surveys/questionnaires</td>
<td>Purchased data</td>
</tr>
<tr>
<td>Interviews</td>
<td>Professional publications</td>
</tr>
<tr>
<td>Focus groups</td>
<td>Secondhand reports</td>
</tr>
<tr>
<td>Direct observation</td>
<td></td>
</tr>
<tr>
<td>Testing</td>
<td></td>
</tr>
</tbody>
</table>
Quantitative v. Qualitative Research

Quantitative

- Collects and analyzes numerical data in a descriptive or inferential manner.
- **Uses**: Describe groups, compare results, identify trends or commonalities.
- **Examples**: Charts and graphs, statistical measures, regression analysis.

Qualitative

- Collects attitudes, opinions, and feelings.
- **Uses**: Identify strengths and weaknesses, generate ideas, determine preferences.
- **Examples**: Focus groups, in-depth interviews, questionnaires.
Qualitative Analysis: Interviews

Benefits
• Yield insightful information.
• Provide opinions and reactions to events.
• Allow for personal connection to interviewee.
• Are flexible.

Cautions
• Interviewer’s nonverbal actions can influence responses.
• Interviewers should be careful not to ask leading questions.
• Interviewees may answer with what they think is “right.”
Qualitative Analysis: Surveys and Questionnaires

Benefits
• Ensure interviewee anonymity.
• Are efficient; can gather data from many respondents.
• Standardize data collection.

Cautions
• Less flexible than interviews.
• Can produce low response rate, which yields little data and impairs analysis.
Reliability

- Ability of an instrument to measure consistently.
- Parallel form method compares results of similar tests administered to same group at two times.
- Here Test A shows less variability and is therefore considered more reliable.
Validity

• Ability of an instrument to measure what it is intended to measure.

• Answers the questions:
  ◦ What does the instrument measure?
  ◦ How well does the instrument measure it?

A reliable instrument is not always valid.
A valid instrument is always reliable.
Choosing Proper Metrics to Measure

Must have the 3 A’s.

- Accessible
- Auditable
- Actionable

*Metrics should include a people component and directly influence the business.*
5 tips for developing and managing HR metrics

KEY TO SUCCESS
Know and show why an HR metric matters

Why are you keeping track of the metric?

Why is it important?

If a metric’s connection to a business priority is not apparent, don’t track it.

**HR to Staff Ratio** = Employees / HR Team Members. This ratio is important since during the recession HR departments have reduced in number dramatically. HR serves as the internal customer support staff just like call center customer service employees serve as external facing.

KISS: Keep it Simple

The metric will no be used if the information is not clear or it is complicated to gather and calculate.

Sophisticated calculations are time consuming, so keep it simple!

Employee Absence Rate = \( \frac{\text{number of days in month}}{\text{(average number of employees during month} \times \text{number of days)}} \). I have used this analysis to look at employee absence rates for different departments and managers. Sometimes the best way to determine if there is a culture or manager opportunity is through evaluating the percentage of absences by department or manager.

Read more at [http://www.blogging4jobs.com/hr/best-hr-metrics-human-resources-examples/#msEPPpZOOTdsZMoq.99](http://www.blogging4jobs.com/hr/best-hr-metrics-human-resources-examples/#msEPPpZOOTdsZMoq.99)
Keep your Managers in Mind

High level managers may not be interested in the same metrics as HR. Create some metrics that tracks HR efficiency and gather other reports for executives.

**Average Employee Age** = Total Age of Employees / Headcount. This is an important metric in my mind when looking at succession planning and forecasting staffing areas of opportunity as older workers begin to consider retirement. Also an important metric when calculating benefits cost for your organization.

Connect HR Metrics to Business Metrics

HR metrics should always be connected to strategic objectives!

- Start with understanding the organizational strategy
- Create a strategy map
- Ready to create HR metrics

MATCHING
Don’t know what they are?

Ask: “What are the business Metrics”
### FIGURE 2.11

**Strategic Theme: “The Third Place”**

<table>
<thead>
<tr>
<th><strong>Financial</strong></th>
<th><strong>Objectives</strong></th>
<th><strong>Measures</strong></th>
<th><strong>Targets</strong></th>
<th><strong>Initiatives</strong></th>
</tr>
</thead>
</table>
| Grow Revenues | - Profitability  
- Grow Revenues  
- Improve Cost Structure | - Market value  
- Revenue  
- G&A as % of Sales | - 20% CAGR  
- 30% CAGR  
- 5% CAGR | - Intl. growth  
- U.S. growth  
- Corp. layoffs |
| Asset Utilization | | | | |

<table>
<thead>
<tr>
<th><strong>Customer</strong></th>
<th><strong>Objectives</strong></th>
<th><strong>Measures</strong></th>
<th><strong>Targets</strong></th>
<th><strong>Initiatives</strong></th>
</tr>
</thead>
</table>
| Attract & Retain Customers | - New Customers  
- More value to current (now) customers | - # Customers  
- New stores  
- Repeat customers  
- Same store sales | - 20 mill/week  
- 1500/yr  
- 15% 2/wk  
- 13% growth | - Store Develop  
- New Products  
- Customer loyalty program  
- New partners |
| Premium Coffee | | | | |
| The “3rd” Place | | | | |

<table>
<thead>
<tr>
<th><strong>Internal</strong></th>
<th><strong>Objectives</strong></th>
<th><strong>Measures</strong></th>
<th><strong>Targets</strong></th>
<th><strong>Initiatives</strong></th>
</tr>
</thead>
</table>
| Engage Cust | - Friendly Service  
- Accurate orders  
- Fast fulfillment | - Customer FB  
- First time right  
- Order fulfillment | - 90+ satisf.  
- 99+% acc.  
- <3 minutes | - Customer engagement  
- Automation  
- Cycle time opt. |
| Fill Orders | | | | |

<table>
<thead>
<tr>
<th><strong>People</strong></th>
<th><strong>Objectives</strong></th>
<th><strong>Measures</strong></th>
<th><strong>Targets</strong></th>
<th><strong>Initiatives</strong></th>
</tr>
</thead>
</table>
| Baristas  
Store Manager | - Store Manager stability  
- Barista engagement | - Average tenure  
- Voluntary turnover  
- Engagement survey | - Mgr >3 yrs  
- Barista 80%  
- 85% rating | - 40 hrs. training  
- MUG Awards  
- Beanstock |

---

*Note: The diagram and table outline strategies and initiatives for achieving the Strategic Theme of “The Third Place.”*
<table>
<thead>
<tr>
<th>Metric/Tool</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surveys</strong></td>
<td>Smile Sheets, 30 Day Behavior Change, Annual Corporate Employee Satisfaction Survey</td>
</tr>
</tbody>
</table>
| **Comparisons**     | • Performance Mgmt System  
                      • Competency/Behavior Change  
                      • Performance of Direct Reports  
                      • Promotion Rates  
                      • 360 Assessments  
                      • LDP vs. Everyone else |
| **Mentoring Relationship** | Mentoring Surveys + involvement across the business  
                      View from Mentee / Mentor |
| **Business Metrics**| • Individual and Group contribution to Business Goals  
                      • Business Case Results  
                      • Performance and Annual Reviews  
                      • Delivery on Change Management  
                      • Increase Coaching and Business Contribution |
Promote, communicate and share metrics widely

• Be sure to promote metrics that demonstrate a positive impact of people on the bottom line
• Should be presented in the proper context to show the strategic impact of what is being measured.

Promotion Rate = Promotions / Headcount.
3 Basic HR Metrics

#1 Staff Absentee Rate
Formula: $\frac{\text{# of days in month}}{\left(\text{# of employees} \times \text{# of days}\right)}$

#2 Monthly Turnover Rate
Formula: $\frac{\text{# of separations in month}}{\text{# of employees}}$

#3 Recruiting Source Yield
Formula: $\frac{\text{# of applicants hired}}{\text{# of applicants from recruiting source}}$
### Other Measurement Methods

<table>
<thead>
<tr>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization’s most important issues (e.g., dollar sales per employee)</td>
</tr>
<tr>
<td>Human capital ROI</td>
</tr>
<tr>
<td>Turnover cost</td>
</tr>
<tr>
<td>Compensation as a percentage of operating expense</td>
</tr>
<tr>
<td>Training investment factor</td>
</tr>
<tr>
<td>Time to start</td>
</tr>
<tr>
<td>Cost per hire</td>
</tr>
</tbody>
</table>
Metric “Don’ts”

• Always be willing to learn!
• Bigger is not better
• Don’t neglect the organizational strategy – THIS IS THE MOST COMMON MISTAKE
  o The organizational strategy is key to determining what measure matters most.
  o Essential in determining which people metrics will measure human capital impact.

• Remember to include information that interests top executives and not just HR

• Not every HR function that can be measured should be.
## Know Where Your Org Is

<table>
<thead>
<tr>
<th>Stage</th>
<th>HR Focus: Staffing</th>
<th>Staffing and training</th>
<th>Compensation, HR planning, training</th>
<th>Change management, outplacement, cross-training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Challenge: Leadership</td>
<td>Need: Creativity</td>
<td>Challenge: Delegation</td>
<td>Need: Formal systems</td>
</tr>
<tr>
<td>Growth</td>
<td>Need: Clear direction</td>
<td></td>
<td></td>
<td>Need:</td>
</tr>
<tr>
<td>Maturity</td>
<td></td>
<td>Challenge: Bureaucracy</td>
<td>Need: Flexibility</td>
<td></td>
</tr>
<tr>
<td>Decline</td>
<td></td>
<td></td>
<td>Need: Change resistance</td>
<td></td>
</tr>
</tbody>
</table>

- **HR Focus:**
  - Staffing
  - Staffing and training
  - Compensation, HR planning, training
  - Change management, outplacement, cross-training

- **Needs:**
  - Formally systems
  - Streamlined decision making
  - Flexibility
  - Small-company thinking
COMPETITIVE Comparisons
Published Standards

**ANSI/SHRM 09001.2012, Performance Management**

Designed as a proposed set of minimum elements of a performance management system in three areas - goal setting, performance review and performance improvement plans.

**ANSI/SHRM 06001.2012, Cost-per-Hire**

Designed as a tool to allow an organization to determine accurate and comparable costs of recruitment through a standard algorithm to calculate the recruiting costs to be incorporated into cost-per-hire. Standard is structured at a high level. Specific consideration and responses are also addressed for consideration by individual organizations based on specific hiring environments and requirements. Errata: On page 16 of the standard, in Table 4, the first column should be labeled "Internal Costs", not "External Costs".

**ASIS/SHRM WPVI.1-2011, Workplace Violence Prevention and Intervention Standard (In conjunction with ASIS)**

Provides an overview of general security policies, processes, and protocols that organizations can adopt to help prevent threatening behavior and violence affecting the workplace and better respond to and resolve security incidents involving threats and episodes of actual violence.

- See more at: http://www.shrm.org/hrstandards/publishedstandards/pages/default.aspx#sthash.uRgtwOmx.dpuf
For a full discussion of metrics and measurement of HR, see SHRM’s book, Proving the Value of HR: How and Why to Measure ROI. The book teaches how to calculate return on investment in a step-by-step, logical way and explains how to use ROI as a tool to strengthen the relationship with senior management and to improve HR’s contribution.

For assistance in determining preliminary estimates of any penalties your company may face under the Patient Protection and Affordable Care Act (ACA), see the Little Health Care Reform Advisor.

### BENEFITS

<table>
<thead>
<tr>
<th>Cost Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits Cost Factor</td>
<td>The average cost for all benefits per employee.</td>
</tr>
<tr>
<td>Benefits as a Percentage of Total Compensation</td>
<td>The total cost of benefits as a percentage of the total cost of compensation.</td>
</tr>
<tr>
<td>Benefits as a Percentage of Operating Expenses</td>
<td>Employee benefit costs as a percentage of operating expenses.</td>
</tr>
<tr>
<td>Benefits As a Percentage of Revenue</td>
<td>The cost of employee benefits as a percentage of revenue.</td>
</tr>
<tr>
<td>Health Care Costs per Employee</td>
<td>Per capita cost of employee benefits.</td>
</tr>
<tr>
<td>Workers’ Compensation Cost per Employee</td>
<td>Analyze and compare (i.e., year 1 to year 2, etc.) on a regular basis.</td>
</tr>
<tr>
<td>Workers’ Compensation Incident rate</td>
<td>The “incident rate” is the number of injuries and/or illnesses per 100 full-time workers.</td>
</tr>
<tr>
<td>Workers’ Compensation Severity rate</td>
<td>The “severity rate” is the number of days away from work per 100 full-time equivalent workers.</td>
</tr>
</tbody>
</table>

### CALCULATORS

Metrics provide a number of factors that can be measured to show how HR contributes to the business. Measures such as absence rate, health costs per employee, and HR expense factors show that HR has a role in the importance of human capital measurement in supporting business objectives. The following calculators are basic HR and business metrics to help measure your company’s absence rate, cost per hire, the value of your human capital and human capital return on investment.

These calculators are not meant to be an all-inclusive listing of HR or general business metrics, only a listing of most commonly used metrics. More comprehensive guides, titled *How to Measure Human Resource Management*, by Jac Fitz-enz and Barbara Davison, and “Investing In People: Financial Impact Of Human Resource Initiatives” are available for purchase at the SHRM Store.
Calculators

Metrics Calculators

Spreadsheet Templates
The sample spreadsheet templates in this database provide tools to calculate and compile HR metrics and various types of HR and other business reports.

General Business | General Human Resources

For a full discussion of metrics and measurement of HR, see SHRM's book, *Proving the Value of HR: How and Why to Measure ROI*. The book teaches how to calculate return on investment in a step-by-step, logical way and explains how to use ROI as a tool to strengthen the relationship with senior management and to improve HR's contribution.

For assistance in determining preliminary estimates of any penalties your company may face under the Patient Protection and Affordable Care Act (ACA), see the *Litter Health Care Reform Advisor*.

CALCULATORS
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http://www.shrm.org/templatestools/samples/metrics/pages/default.aspx
Human Capital Standards and Analytics

A view on 'Workforce Planning', one of the key beneficiaries of HR analytics and how it is embraced by the fraternity.

- Linkages exist between HR analytics & precise action plans
- Perspectives on Human Capital Analytics – Technology and use of metrics
- FAQs on how to build an HR Scorecard
- How to measure training effectiveness
- Human Capital Analytics as a decision imperative

Training Cost per Employee

- How do I calculate retention? Is retention related to turnover?
- Critical success factors in the use of talent analytics

Winning the people strategy through talent analytics

Transitioning from transactional HR to transformational HR using HR analytics

Sunil K. P.

Anurag Banerjee

Pradeep Mukherjee

Benchmarking Human Capital Metrics

- How to create an HR Scorecard?
- How to conduct an ethics audit

- Analyze that!
- How do HR metrics relate to HR strategy?
- How can HR contain costs or generate profits to contribute financially to the organization?
- How can HR improve employee productivity in order to contribute to the company’s bottom line?
- What is an HR dashboard?

Scorecards Series Part I: The Balanced Scorecard - An Overview
Scorecards Series Part II: The HR and Leadership Scorecards

Human Capital Standards and Analytics
Spreadsheet Templates

General Human Resources

- Absenteeism Combined Calculation
- Absenteeism - Percentage of Employees
- Absenteeism Rate Per Employee
- Above Average Performer Yield Ratio
- Applicant Flow Log II
- Applicant Flow Log AAP Compliant #2 (using OFCCP categories)
- Applicant Flow Log - EEO-1 Compliant #1 (using EEO-1 categories)
- Applicant Interview Log
- Applicant Tracking Log for Veteran Status
- Applicant Tracking Log for Veteran Status #2
- Benefits Statement
- Calculating 4/5ths Rule for New Hires
- Calculation to Determine if Health Insurance is “Affordable” Under the PPACA
- Compa-Ratio Calculation
- Daily Time Log
- FMLA Absence Calendar
- FMLA Absence Tracking
- FTE Calculation for PPACA Employer Coverage
- Full Time Equivalent (FTE) Calculation
- Health Care Costs Per Employee
- Hire Yield Ratio
- HR Department Budget
- Human Capital ROI
- Human Resource Expense Factor
- Human Resource Ratio
- Interview Acceptance Yield Ratio
- Interview Offer Yield Ratio
- Interview Offer Yield Ratio
- Job Group Analysis
- Job Offer Yield Ratio
- Labor Costs as Percentage of Revenue
- Minimum Wage 2007-2009 Cost Calculation
- Overtime Calculation
**Absenteism, Average Rate per Employee**

(Formulas are included.)

<table>
<thead>
<tr>
<th></th>
<th>No. of Absences</th>
<th>No. of Employees</th>
<th>Average Absence Rate Per Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>4</td>
<td>88</td>
<td>4.55%</td>
</tr>
<tr>
<td>February</td>
<td>1</td>
<td>88</td>
<td>1.14%</td>
</tr>
<tr>
<td>March</td>
<td>4</td>
<td>88</td>
<td>4.55%</td>
</tr>
<tr>
<td>April</td>
<td>6</td>
<td>83</td>
<td>7.23%</td>
</tr>
<tr>
<td>May</td>
<td>2</td>
<td>84</td>
<td>2.38%</td>
</tr>
<tr>
<td>June</td>
<td>1</td>
<td>85</td>
<td>1.18%</td>
</tr>
<tr>
<td>July</td>
<td>4</td>
<td>87</td>
<td>4.60%</td>
</tr>
<tr>
<td>August</td>
<td>6</td>
<td>88</td>
<td>6.82%</td>
</tr>
<tr>
<td>September</td>
<td>3</td>
<td>88</td>
<td>3.41%</td>
</tr>
<tr>
<td>October</td>
<td>7</td>
<td>88</td>
<td>7.95%</td>
</tr>
<tr>
<td>November</td>
<td>3</td>
<td>86</td>
<td>3.49%</td>
</tr>
<tr>
<td>December</td>
<td>2</td>
<td>85</td>
<td>2.35%</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>43</strong></td>
<td><strong>85</strong></td>
<td><strong>4.14%</strong></td>
</tr>
</tbody>
</table>

Note: The formula for average absence rate per employee is the number of absences divided by the total number of employees on payroll during the period.

**Turnover Calculation**

(Formulas are included)

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Employees Separated During</th>
<th>Average Number Employees During</th>
<th>Turnover Rate (Monthly)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>1</td>
<td>100</td>
<td>0.01</td>
</tr>
<tr>
<td>February</td>
<td>4</td>
<td>98</td>
<td>0.040816327</td>
</tr>
<tr>
<td>March</td>
<td>3</td>
<td>98</td>
<td>0.030612245</td>
</tr>
<tr>
<td>1st Quarter</td>
<td>8</td>
<td></td>
<td>0.081428571</td>
</tr>
<tr>
<td>April</td>
<td>0</td>
<td>94</td>
<td>0</td>
</tr>
<tr>
<td>May</td>
<td>2</td>
<td>95</td>
<td>0.021052632</td>
</tr>
<tr>
<td>June</td>
<td>4</td>
<td>96</td>
<td>0.041666667</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>6</td>
<td></td>
<td>0.062719298</td>
</tr>
<tr>
<td>July</td>
<td>1</td>
<td>98</td>
<td>0.010204082</td>
</tr>
<tr>
<td>August</td>
<td>2</td>
<td>98</td>
<td>0.020408163</td>
</tr>
<tr>
<td>September</td>
<td>3</td>
<td>97</td>
<td>0.030927383</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>6</td>
<td></td>
<td>0.06154008</td>
</tr>
<tr>
<td>October</td>
<td>2</td>
<td>98</td>
<td>0.020408163</td>
</tr>
<tr>
<td>November</td>
<td>1</td>
<td>99</td>
<td>0.01010101</td>
</tr>
<tr>
<td>December</td>
<td>3</td>
<td>100</td>
<td>0.03</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>6</td>
<td></td>
<td>0.0060509173</td>
</tr>
<tr>
<td><strong>Annual</strong></td>
<td></td>
<td></td>
<td>0.266197123</td>
</tr>
</tbody>
</table>

Note: Formula for monthly turnover rate is the number of employees separated during the month divided by the average number of employees in the month multiplied by 100.
Case Study
What is the value of computing Turnover?
Employee Turnover Rates

Computing Turnover Rates:

- The U.S. Department of Labor suggests the following formula for computing turnover rates:

\[
\text{Number of separations during the month} \times 100 \div \text{Total number of employees at mid month}
\]

- Thus, if there were 25 separations during a month and the total number of employees at mid month was 500, the turnover rate would be:

\[
\frac{25}{100} \times 100 = 5 \text{ percent}
\]
Employee Turnover Rates (cont’d)

Computing Turnover Rates (cont’d):

- Another method of computing the turnover rate is one that reflects only the avoidable separations (S). This rate is computed by subtracting unavoidable separations (US) from all separations. The formula for this method is as follows:

\[
\frac{S - US}{M} \times 100 = T \text{ (turnover rate)}
\]

- where M represents the total number of employees at mid month. For example, if there were 25 separations during a month, 5 of which were US, and the total number of employees at mid month (M) was 500, the turnover rate would be:

\[
\frac{25 - 5}{500} \times 100 = 4 \text{ percent}
\]
Costs Associated with the Turnover of One Computer Programmer

(Turnover costs = Separation costs + Replacement costs + Training costs)

Separation costs
1. Exit interview cost for salary and benefits of both interviewer and departing employee during the exit interview = $30 + $30 = $60
2. Administrative and record-keeping action = $30
   Total separation costs = $60 + $30 = $90

Replacement costs
1. Advertising for job opening = $2,500
2. Preemployment administrative functions and record-keeping action = $100
3. Selection interview = $250
4. Employment tests = $40
5. Meetings to discuss candidates (salary and benefits of managers while participating in meetings) = $250
   Total replacement costs = $2,500 + $100 + $250 + $40 + $250 = $3,140

Training costs
1. Booklets, manuals, and reports = $50
2. Education = $240/day for new employee’s salary and benefits x 10 days of workshops, seminars, or courses = $2,400
3. One-to-one coaching = ($240/day/new employee + $240/day/staff coach or job expert) x 20 days of one-to-one coaching = $9,600
4. Salary and benefits of new employee until he or she gets “up to par” = $240/day for salary and benefits x 20 days = $4,800
   Training costs = $50 + $2,400 + $9,600 + $4,800 = $16,850

Total turnover costs = $90 + $3,140 + $16,850 = $20,080
Books

Second Edition
Proving the Value of HR
How and Why to Measure ROI

Jack J. Phillips, Ph.D.
and Patricia Pulliam Phillips, Ph.D.

The Human Resources Scorecard
Measuring the Return on Investment

How to Measure Human Resources Management
Third Edition

Jac Fitz-Enz
What Questions Do you Have?

Donna Rogers, Med., SPHR

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Thank You!

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