

HR metrics SERVICE™

HR Metrics Interpretation Guide

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**HUMAN RESOURCES
MANAGEMENT ASSOCIATION**

The Voice of the HR Profession

Welcome!

This Interpretation Guide is designed to give you the information you need to interpret your metric and benchmarking results. This guide was created for strategic HR professionals to provide guidelines and suggestions on how to analyze the HR metrics data.

Use this guide to first understand your HR metric scores and then provide gained insight to your organization. Ultimately, it is up to each practitioner and organization to critically analyze and question their metric results, use good judgement and make decisions using all information available both within and outside of the organization.

This guide should be used in conjunction with the HR Metrics Standards & Glossary. Where terminology or definition is unclear, please refer to the glossary for details.

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For more information about the service visit www.hrmetricsservice.org

Table of Contents

| | |
|--|----|
| Interpreting Your Results | 4 |
| Tips for Success | 4 |
| Quarterly vs. Annualized Results | 4 |
| Statistics Basics | 6 |
| Productivity Metrics | 7 |
| Revenue per FTE | 7 |
| Profit per FTE | 8 |
| Human Capital Return on Investment | 9 |
| Absenteeism Rate | 10 |
| Compensation Metrics | 11 |
| Labour Cost per FTE | 11 |
| Labour Cost Revenue Percent | 12 |
| Labour Cost Expense Percent | 13 |
| Recruitment Metrics | 14 |
| Vacancy Rate | 14 |
| 1st Year Resignation Rate | 15 |
| Retention Metrics | 16 |
| Turnover | 16 |
| Voluntary Turnover Rate | 17 |
| Cost of Voluntary Turnover | 18 |
| Involuntary Turnover Rate | 19 |
| Resignation Rate | 20 |
| Retirement Rate | 21 |
| Average Retirement Age | 22 |
| HR Efficiency Metrics | 23 |
| HR FTE Ratio | 23 |
| HR Costs per Employee | 24 |
| HR Costs per FTE | 25 |
| Workforce Demographics | 26 |
| Promotion Rate | 26 |
| Union Percentage | 27 |
| Average Age | 28 |
| Average Length of Service | 29 |

Interpreting Your Results

With HR metrics, you can turn your human resources data into meaningful information about your human capital. To glean true knowledge from metrics, you can:

- view your organization's trends over time with *internal* benchmarking;
- package your metrics with complementary metrics that will provide a more detailed picture and tell a more complete story, and;
- compare your organization's results to the rest of your industry, sector or organizations of like size and location, using *external* benchmarking.

Use this guide to help you analyze your internal and external HR metrics benchmarking results.

Tips for Success

Regardless of your organization's metrics results, the sky is not falling. If your metric benchmarking results are satisfactory or better than expected – celebrate. But, also plan for the future to keep up those results.

If your metric benchmarking results are less than satisfactory:

- **Gain context** – are you comparing your organization against the right group?
- **Ask questions** – what has been going on in your organization? What has been going on in the economy? In your industry? What else might be impacting your results?
- **Seek the whole story** – can you look at complementary metrics, do further analysis, or survey your employees to narrow down the issue?
- **Frame the results** – provide both the good *and* the bad news. Be open and honest to build credibility and gain support where you need it. Measurement throughout the organization is used to ensure the organization is on track to meet strategic goals, not for punishment.
- **Plan to do better** – create a plan to improve and create targets. Do not aim to tackle all issues at once. Determine which issues are causing the greatest pain or have the biggest opportunity and focus on those that will have the greatest impact.

Quarterly vs. Annualized Results

The HR metrics survey is completed on a quarterly basis. The quarterly timelines allow for more frequent data collection, better analysis to account for the varying business cycles throughout the year and can better account for any economic changes.

Any organization that tracks metrics on a quarterly basis is encouraged to annualize their results to forecast human capital performance for the remainder of the year. Annualizing a quarterly result is as simple as calculating the moving average of the previous quarter's results and multiplying it by four (representing the four quarters of the year).

Example of how to annualize/forecast the Turnover Rate

| | Q1 |
|----------------------------|--------------|
| Terminations | 10 |
| Headcount | 100 |
| Quarterly Turnover | 10.0% |
| Annualized Turnover | 40.0% |

| | Q1 | Q2 |
|----------------------------|--------------|-------|
| Terminations | 10 | 15 |
| Headcount | 100 | 102 |
| Quarterly Turnover | 10.0% | 14.7% |
| Annualized Turnover | 49.4% | |

| | Q1 | Q2 | Q3 |
|----------------------------|--------------|-------|-------|
| Terminations | 10 | 15 | 20 |
| Headcount | 100 | 102 | 105 |
| Quarterly Turnover | 10.0% | 14.7% | 19.0% |
| Annualized Turnover | 58.3% | | |

| | Q1 | Q2 | Q3 | Q4 | 2008 |
|--------------------------|--------------|-------|-------|------|------|
| Terminations | 10 | 15 | 20 | 5 | 50 |
| Headcount | 100 | 102 | 105 | 101 | 102 |
| Quarterly Turnover | 10.0% | 14.7% | 19.0% | 5.0% | |
| * Annual Turnover | 48.7% | | | | |

**No Annualized Turnover Required*

Statistics Basics

Average

Also known as “mean” or “arithmetic mean”. It describes the central location of the data.

The average is obtained by taking the sum of a group of values and dividing by the number of values.

The mean or average may be different than the median.

The Median

The median in a finite list of numbers can be found by arranging all the observations from lowest value to highest value and picking the middle number.

For an odd number of data points arranged in ascending order, the median is actually the middle value, and for an even number of data points it is the value halfway between the two middle data points.

The median may be very different to the mean as it is found through a different calculation.

Percentile

A percentile is the value of a variable below which a certain percentage of observations fall. So the 10th percentile is the value (or score) below which 10 percent of the observations may be found. For example, if there are 20 numbers in a range, the first two numbers are considered to be in the 10th percentile. The first five numbers form the 25th percentile, etc.

The 25th percentile is also known as the first quartile; the 50th percentile as the median or second quartile; the 75th percentile as the third quartile.

Why mean, median and percentiles are represented

Mean and *median* are two types of "averages" or measures of central tendency. For a given set of data, these measures may be very close or may be quite different, depending on how the data is distributed.

The mean should be treated with care as its value can be greatly influenced by outliers. In other words, the mean is affected by a few extremely large or extremely small values outside the range of the rest of the data, but the median is not. The median shows the middle value of the range and ignores the outliers.

Used together, the mean and median give the full picture allowing you to fully compare your organization to the data collected.

Productivity Metrics

Revenue per FTE

What this metric means

The number of dollars of revenue from operations generated per Full-Time Equivalent (FTE).

The volume of dollars brought directly into the organization through operations based on the FTE calculation of employees who are revenue or non-revenue generating.

How this metric should be used

This is one of the most commonly used and understood measure of productivity by business leaders.

This figure is best used to measure productivity by non-profit generating organizations (Government or Other Public Sector organizations) or by organizations that are starting, or growing and not yet generating a profit.

This is a very powerful metric in determining if an organization is scaling itself successfully or not. For example, this metric can be used to determine if a growing organization should hire. Or, provide a warning when revenue is steady, but the staff required to bring in this revenue is growing at a faster rate.

Complementary metrics

Within the HR function, it is useful to build a more detailed picture of how results are being created through reviewing this measure alongside the following:

- Human Capital Return on Investment
- Profit per FTE
- Labour Cost Revenue Percent
- Labour Cost Expense Percent

Cautionary notes

The metric may monitor the volume of *revenue* generated for each FTE but does not address the ultimate *value* generated by each FTE.

It is possible for Revenue per FTE to increase but for expenses to outpace the revenue growth.

Productivity Metrics

Profit per FTE

What this metric means

The number of dollars of profit generated per Full-Time Equivalent (FTE), based on pre-tax profit.

The total number of pre-tax dollars generated by each FTE during the given time period or the profit created by employees who hold either revenue or non-revenue generating roles.

How this metric should be used

Use this metric to quantify employee output and measure the effectiveness of HR programs. Metric results can be further analyzed by observing the increase/decrease in revenue and expenses.

This is a very valuable metric for mature organizations that are focused on maximizing the overall contribution of their workforce. Combined with Labour Cost per FTE and Labour Cost Expense Percent it can give an indication if an organization has the right people, in the right place, at the right price to meet its strategic objectives.

Complementary metrics

Within the HR function, it is useful to build a more detailed picture of how results are being created through reviewing this measure alongside the following:

- Revenue per FTE
- Human Capital Return on Investment
- HR Costs per FTE / HR Costs per Employee
- Labour Cost Revenue Percent
- Learning & Development Investment per FTE

Cautionary notes

This metric is not for every organization. Many start-ups have yet to hit profitability and therefore cannot use this measure.

Organizations that generally do not produce a profit (Government Sector and Other Public Sector organizations) should look at alternate mechanism to measure productivity, such as Revenue per FTE or Labour Cost Expense Percent.

Productivity Metrics

Human Capital Return on Investment

What this metric means

The rate of return for each dollar invested in employee pay and benefits, based on pre-tax profit.

The levels of staff productivity (output) as a result of the investment in people (input).

How this metric should be used

Any figure greater than zero indicates there is a return on investment. The figure is reported as a percentage. For example, a 50% return is equivalent to a profit of 50 cents for every dollar spent on compensation.

Human Capital ROI can be used to indicate the effectiveness of people practices and the HR function, as well as the overall effectiveness of the business in deploying and supporting its people to create value.

This metric should be tracked in tandem with HR efficiency metrics to indicate which HR programs have the greatest impact on productivity.

Alternately, Human Capital ROI can be calculated as:

$(\text{Revenue} - (\text{Operating Cost} - \text{Labour Cost})) / \text{Labour Cost}$

The results indicate the amount of profit generated for each dollar of compensation. However, by this method, success is any number bigger than 1 as the calculation includes the original compensation dollar invested.

Complementary metrics

For a more detailed understanding of how the return is being achieved or impacted, you should review this measure alongside:

- Revenue per FTE
- Profit per FTE
- HR Costs per FTE / HR Costs per Employee
- Labour Cost Revenue Percent

Cautionary notes

Organizations that are not profit-oriented, such as Government and Other Public Sector organizations, should look at alternate mechanism to measure productivity, such as Revenue per FTE or Labour Cost Expense Percent.

Productivity Metrics

Absenteeism Rate

What this metric means

The average number of work days missed due to illness for Full-Time Equivalent (FTE). Illness will include days taken on a short-term disability but not on a long-term disability.

This metric measures the relative health of your organization or alternatively, workforce attendance issues.

How this metric should be used

For organizations concerned about their Absenteeism Rate, further analysis can be done by exploring the reasons for absenteeism, patterns of frequency between various employee groups, observing the most common days of absence.

An increase in absenteeism may also indicate a disengaged workforce and can be considered a leading indicator of future employee turnover.

Absenteeism has also been correlated with engagement suggesting that a higher level of absenteeism indicates a workforce with a low level of engagement.

Absenteeism will also increase when people in the organization are being over-stressed through workload, change issues or uncertainty about their future.

Complementary metrics

Benefits as Percentage of Total Compensation – if your benefits percentage is low compared to the benchmark, your organization may consider ways to support employees and encourage them to take care of their health. Calculating the cost of absenteeism may demonstrate the value to be gained through introducing wellness programs or increasing certain levels of benefits.

Overtime per Individual Contributor Headcount – if overtime hours and Absenteeism Rates are increasing, this trend may indicate work overload and burn-out. Use these two metrics to determine if there is a need to hire or improve work processes.

Cautionary notes

There are several reasons why employees may be absent and further analysis, such as through focus groups, may be required.

Compensation Metrics

Labour Cost per FTE

What this metric means

The average labour cost to the organization for each Full-Time Equivalent (FTE).

How this metric should be used

To better understand the impact that labour costs have on total expenditures, and to monitor how these costs change overtime.

To better monitor increases in overall labour costs – not just salary – through combining, payroll, benefit and other taxable compensation-related expenses.

Complementary metrics

Perform further analysis with: Benefits as Percentage of Total Compensation, Overtime per Individual Contributor.

Use in conjunction with Resignation Rate to monitor if the person leaving has a higher Labour Cost per FTE than the new person and hence determine whether your total labour costs will be positively or negatively impacted

If your organization is experiencing high resignation rates, consider comparing this metric together with your resignation rate, along with the Labour Cost per FTE and resignation rates of your competitors. If your Labour Cost per FTE is too low this may be part of what is causing your turnover.

Review this metric against employee engagement and exit survey data with respect to satisfaction rates with pay and benefits.

Consider monitoring the Labour Cost per FTE of a resigned employee and the Labour Cost per FTE of the incumbent to manage this additional cost of turnover.

Monitor this metric with Human Capital Return on Investment and Profit per FTE to determine if your Labour Costs are impacting your overall profitability and return.

Cautionary notes

Labour Cost per FTE can be skewed if there are a few employees earning substantially higher pay compared to the rest of the organization.

Compensation Metrics

Labour Cost Revenue Percent

What this metric means

The total labour costs as a percentage of organizational revenue, or, how much you spend on salary and benefits as a percentage of the revenue generated. The metric result can be translated as the amount of investment in your employees required to generate each dollar of revenue.

This metric can show how well your pay for performance system is working.

How this metric should be used

As an organization grows, it should gain economies of scale in physical and human capital. Revenue should grow faster than expenses, such as Labour Cost. Hence, if you are looking to improve your organizational profitability you should be looking to reduce your Labour Cost Revenue Percent.

Labour Cost Revenue Percent is also a measure of the efficiency with which you are generating revenue from the people in your organization. An increase in this figure or a figure which is higher than your benchmark group suggests your employees are being less efficient and may benefit from further training, improved processes or better technological support. A higher figure may also suggest that the pay for performance system may not be effective.

Complementary metrics

Monitor Labour Cost Revenue Percent with Labour Cost per FTE to determine if your average price for people or reduced revenues is the causal factor.

Monitor this metric with Human Capital Return on Investment and Profit per FTE to determine if your Labour Costs are impacting your overall profitability and return.

Cautionary notes

Metric may be more volatile when an organization is in start-up or growth mode, where there is no revenue or revenue is generated by investments.

Compensation Metrics

Labour Cost Expense Percent

What this metric means

The total labour costs as a percentage of total expenses. This metrics tells you the percentage of your total operating expenses that are spent on compensating your employees.

Labour cost can be a significant operating expense, in particular in an organization that relies on human capital to generate value.

How this metric should be used

This metric highlights the proportion of expenses that go towards labour costs and the need to monitor and invest in human capital like other capital expenditures.

This metric can show how your spend on people is varying relative to your total expenditures.

It can show when increases in staffing or Labour costs may have an impact on overall profitability or organizational sustainability.

If profitability is being impacted then it may be relevant to try and reduce this figure to monitor your progress in this area. In this circumstance it will be important to include Revenue per FTE to ensure that revenues are not being sacrificed through a reduction in Labour Costs.

Complementary metrics

Labour Cost per FTE can assist with monitoring the rate at which your labour costs are growing relative to your expenses to determine whether the impact to your Labour Cost Expense Percent is through more people or through more cost for the same people.

Cautionary notes

Labour Cost Expense Percent can appear to be a reasonable figure even if both operating costs and labour costs are inflated.

This figure should be benchmarked with care as it varies significantly by industry and the nature of different organizations business models. For example, in labour-intensive service firms this figure can be higher than in manufacturing organizations. This figure can also be higher in firms with a highly skilled workforce.

Recruitment Metrics

Vacancy Rate

What this metric means

The percentage of positions being actively recruited for at the end of the reporting period.

The metric conveys the amount of recruitment requisitions that have been approved and where the recruitment process is currently underway.

The metric measures both recruitment volumes and the demand for labour.

How this metric should be used

A higher vacancy rate, combined with a higher External Time-to-Fill rate, can signify a labour supply issue. It could be that the organization has a problem attracting good candidates; review the competitiveness of the compensation package or the reputation of the organization. On the other hand, if the unemployment rate is near or below the 5% mark, then this is likely to be the issue and will require you to invest more heavily in attracting good candidates.

Organizations and sectors that see higher turnover rates could also experience high vacancy rates.

Complementary metrics

This metric is very helpful in understanding talent supply side and can be used in conjunction with the following metrics to develop a clearer picture:

- External Time-to-Fill
- External Offer Acceptance Rate
- Turnover Rate

Cautionary notes

The vacancy rate is calculated at a point in time so may not reflect a peak or quiet recruiting period. However, tracking and benchmarking vacancy rates over time will provide important information on trends within your organization and the market in general.

Recruitment Metrics

1st Year Resignation Rate

What this metric means

Percentage of employees with less than one year of service who resigned.

How this metric should be used

This metric is one indicator of quality of hire. If this resignation rate is higher for the first year of employment than for employees with a greater length of service, it could be an indicator of a larger issue.

This metric may be an indicator of an ineffective recruitment process, on-boarding process or employer branding misalignment. Further analysis should be completed with an on-boarding and exit survey.

Also, this metric should be complemented with other quality of hire and recruitment efficiency metrics to provide a complete picture of the effectiveness of the recruitment process.

Complementary metrics

This metric is very helpful in understanding hiring effectiveness and can be used in conjunction with the following metrics to develop a clearer picture:

- Resignation Rate
- Resignation Rate by length of service
- Resignation Rate by age group
- Cost of Voluntary Turnover
- 90 Day Voluntary Turnover Rate
- External Cost per Hire

Cautionary notes

If your sector or industry typically experiences a higher turnover rate than others, monitoring the 90 Day Voluntary Turnover Rate may provide a more accurate assessment of quality of hire.

Retention Metrics

Turnover

What this metric means

Employees who left the organization, either voluntarily or involuntarily, as a percentage of headcount.

How this metric should be used

Some level of turnover is ideal; external hires may bring in new ideas and perspectives and it's a sign that non-performing employees may be leaving the organization.

Do further analysis on the turnover rate by calculating the Resignation Rate, Retirement Rate and Involuntary Turnover.

However, turnover ultimately costs money in lost productivity, recruitment and training costs, customer satisfaction levels and sometimes employee morale. Translate the turnover rate into dollar costs to communicate the impact on the bottom line.

Complementary metrics

This metric is key to understanding all aspects of the talent cycle within your organization. On its own, it may indicate that the retention processes of the business are not working. Review this metric alongside the following to develop a clearer picture of your retention effectiveness:

- Cost of Voluntary Turnover
- Resignation Rate
- Retirement Rate
- Involuntary Turnover Rate
- Voluntary Turnover Rate by Job Level
Involuntary Turnover Rate by Job Level
1st year Turnover Rate

Cautionary notes

High turnover rates can cause alarm. Ensure that you benchmark against like organizations, in sector and industry. Assess the state of labour supply and demand in your region. Perform further analysis on the turnover rate to determine the real issues.

The term “turnover” is frequently confused with other terms such as: “attrition” or “churnover”. Ensure your audience is aware of the definition and formula calculation.

Retention Metrics

Voluntary Turnover Rate

What this metric means

Employees who left the organization voluntarily as a percentage of headcount.

How this metric should be used

Use this metric to determine the volume of employees that are opting to leave the organization.

Some level of voluntary turnover is ideal; external hires may bring in new ideas and perspectives and it's a sign that non-performing employees may be leaving the organization.

Turnover ultimately costs money in lost productivity, recruitment and training costs, customer satisfaction levels and sometimes employee morale. Translate the voluntary turnover rate into dollar costs to communicate the impact on the bottom line.

Complement the Voluntary Turnover Rate with analysis from an employee exit survey.

An increase in voluntary turnover can point to a lack of competitiveness in salary, a drop in leadership credibility, poor retention practices or an improved job market.

Complementary metrics

A certain level of voluntary turnover is to be expected but an increase is likely to be linked to some form of organizational problem or issue. Review this metric alongside the following to develop a more detailed and clearer picture of your hiring and retention effectiveness:

- Cost of Voluntary Turnover
- Resignation Rate
- Retirement Rate
- Involuntary Turnover Rate
- Voluntary Turnover Rate by Job Level 1st year Turnover Rate

Cautionary notes

High turnover rates can cause alarm. Ensure that you benchmark against like organizations, in sector and industry. Assess the state of labour supply and demand in your region. Perform further analysis on the turnover rate to determine the real issues.

The term “turnover” is frequently confused with other terms such as: “attrition” or “churnover”. Ensure your audience is aware of the definition and formula calculation.

The term “voluntary turnover” is frequently confused for the volume of resignations. Voluntary turnover includes both the volume of resignations and retirements.

Retention Metrics

Cost of Voluntary Turnover

What this metric means

The average cost to replace each employee who left your organization voluntarily.

This metric can be used to calculate the impact of turnover on the organization's overall costs.

How this metric should be used

Voluntary turnover has an associated cost: lost productivity, recruitment and training costs, customer satisfaction levels and sometimes employee morale. Use this metric to describe the impact of turnover to the organization's productivity, costs and, in turn, profits, either from increased expenditures, decreased revenues, or both.

Complementary metrics

The number is the average cost of voluntary turnover, per employee. To calculate the total cost of voluntary turnover, multiply this figure by the number of people who left your organization on a voluntary basis. In order to understand where this cost is coming from and how to reduce it, use the metrics below to understand the broader picture of both where your turnover is coming from and the impact on the organization.

- Voluntary Turnover Rate
- 1st Year Resignation Rate
- Resignation Rate by length of service
- Resignation Rate by age group
- Human Capital Return on Investment
- Profit per FTE
- Revenue per FTE

Cautionary notes

Based on several research studies, this metric assumes that the cost of turnover for salaried employees is 1.5x their salary and 0.5x the calculated salary for hourly paid employees.

The true cost of each organization's voluntary turnover could be less or more than this estimate, depending on the sector or industry. Organizations are encouraged to further analyze their cost of voluntary turnover with a customized study.

Retention Metrics

Involuntary Turnover Rate

What this metric means

Employees who left the organization involuntarily as a percentage of headcount.

How this metric should be used

Use this metric to determine the volume of employees that are being asked to leave the organization.

Some level of involuntary turnover is ideal to ensure the performance management process is effective.

An involuntary turnover rate that is trending higher or that is significantly greater than other like organizations could be an indicator of an ineffective recruitment process or a fundamental shift in the organizational structure.

Complementary metrics

- 90 Day Involuntary Turnover Rate
- 1st Year Involuntary Turnover Rate
- Involuntary Turnover Rate by Job Level (i.e. Individual Contributor, Management, and Executive Level)

Cautionary notes

The Involuntary Turnover Rate includes employees who have been dismissed, laid off, have declared Long-term Disability or have passed away.

Unlike other metrics, organizations should not set targets for involuntary turnover rates.

Retention Metrics

Resignation Rate

What this metric means

Employees who resigned from the organization as a percentage of headcount.

How this metric should be used

Use this metric to determine the rate at which employees are choosing to leave the organization.

Resignations are generally the most preventable of all employee turnover. Perform further analysis by asking the employee why they are leaving with an exit survey.

Complementary metrics

Your overall resignation rate is an important metric for tracking the overall effectiveness of your retention programs and compensation strategy. However, it does not provide sufficient detail to be able to determine where problems may exist and therefore how correct them. The metrics below should be used in conjunction with your overall resignation rate to create a clearer picture:

- 1st Year Resignation Rate
- Resignation Rate by length of service
- Resignation Rate by age group
- Cost of Voluntary Turnover
- 90 Day Voluntary Turnover Rate

Retention Metrics

Retirement Rate

What this metric means

Employees who retired as a percentage of headcount.

How this metric should be used

Observe trending in retirement rates, such as specific times of the year, or whether the retirement rate is increasing or decreasing over time.

Forecast future Retirement Rates with other demographic information, such as Average Age, historical Retirement Rates and Average Retirement Age Rates, and demographic information from Statistics Canada. A rising retirement rate in the economic region could indicate a future labour supply issue. This metric is particularly important for any organization developing a strategic workforce plan.

Complementary metrics

Retirement rate is a key workforce planning metric. It can determine how quickly the talent pipeline will need to be re-supplied and how much development the organization will need to undertake to replace the knowledge and experience that leaves when people retire. Other metrics which can provide the complete picture are:

- Average Retirement Age
- Average Age
- Vacancy Rate
- External Time-to-Fill
- Succession Planning Rate

Cautionary notes

While an employee may qualify to retire from the organization, this does not indicate that the employee has left the workforce. Many people who have retired continue to work on contract, casual or a part-time basis.

Retention Metrics

Average Retirement Age

What this metric means

Average age of employees who retired.

How this metric should be used

Observe long term trends, such as whether the retirement rate is increasing or decreasing over time and during specific economic cycles.

The Average Retirement Age is useful in forecasting when and at what rate your workforce may retire in the future. If your average retirement age starts to reduce then you may need to speed up your succession planning and development activities to cover for the loss of knowledge and experience.

The Average Retirement Age is traditionally lower in the public sector, in unionized work environments, in organizations with employer-sponsored pension plans, or among employees with longer job tenures. Workers who are self-employed tend to retire beyond the traditional retirement age of 65.

Source: <http://www.statcan.gc.ca/pub/11-008-x/2008002/article/10666-eng.htm>

Complementary metrics

Average Retirement Age is a key workforce planning metric. Together with the Retirement Rate, it can help better forecast future recruitment needs. Other metrics that can provide the complete picture are:

- Retirement Rate
- Average Age
- Vacancy Rate
- External Time-to-Fill

HR Efficiency Metrics

HR FTE Ratio

What this metric means

The ratio of HR staff to each Full-Time Equivalent (FTE).

Shows the ratio of HR staff supporting the organization's employee base.

How this metric should be used

Consider how important it is to have HR staff supporting the managers and employees.

Gives a benchmark and a way to monitor how many HR people are deployed to manage all of the various activities and functions that live within HR. Can lead to insight and decisions on whether the level of support to managers and employees is sufficient or whether technology, outsourcing or process improvements could improve the overall efficiency with which HR is delivered to the business

Consider the proportion of staff dedicated to administrative or strategic functions.

Consider the calibre and volumes of HR programs the function supports.

A low ratio (e.g. several FTE are covered by HR FTE) without effective technology, efficient processes or outsourcing is not necessarily a good thing as you may be under-servicing key employee or manager needs. Review this metric against Productivity, Recruitment and Retention metrics to get a clearer picture. Low productivity or poor results on recruitment or retention metrics may suggest that HR is either ineffective or is under-resourced.

Complementary metrics

The HR FTE Ratio doesn't tell the whole story. Balance the results with HR Headcount Ratio and HR Costs per FTE.

Also look at Productivity, Recruitment, and Retention metrics to determine if the function is effective and therefore appropriately staffed.

Cautionary notes

The definition of HR excludes functions that may or may not reside within the walls of HR, such as payroll and training. Be aware of benchmarks which do not clearly define the HR count.

HR Costs per Employee

What this metric means

The cost of creating, implementing and administering HR programs for each employee, including benefits, compensation, employee relations, employee call centre, HRIS, employee data and personnel records, organization development, recruitment and retention.

How much money your company spends per quarter for each employee during the various stages of the employment lifecycle (attract > hire > retain > terminate).

How this metric should be used

This metric should be presented as part of the discussion of HR efficiency and should be balanced with a discussion on HR effectiveness.

This metric can be used to determine the *efficiency* of the HR function. Be aware that this is not the same as determining the *effectiveness*. For example, a higher HR Cost per Employee combined with positive Productivity, Recruitment, and Retention metrics would indicate an effective HR function.

When interpreting the metric, consideration should be given to the organization's emphasis on its commitment to its employees. It is likely that the higher the organization's focus on the value of their employees, the higher HR Costs per Employee.

Complementary metrics

HR Costs per FTE.

Any metric that measures an outcome of HR program (or "HR effectiveness"), such as Productivity, Recruitment and Retention metrics.

Learning & Development metrics may complement the discussions of HR effectiveness and efficiency.

Cautionary notes

The definition of HR excludes functions that may or may not reside within the walls of HR, such as payroll and training.

HR Costs do not include labour costs for the entire organization, but will include the labour costs for HR staff who administer the functions.

Be aware of benchmarks which do not clearly define the HR count or HR costs as the benchmarks may not be comparable.

HR Costs per FTE

What this metric means

The cost of creating, implementing and administering HR programs for each Full-Time Equivalent (FTE), including benefits, compensation, employee relations, employee call centre, HRIS, employee data and personnel records, organization development, recruitment and retention.

How much money your company spends per quarter on each FTE during the various stages of the employment lifecycle (attract > hire > retain > terminate).

How this metric should be used

This metric should be presented as part of the discussion of HR efficiency and should be balanced with a discussion on HR effectiveness.

This metric can be used as to determine the *efficiency* of the HR function. Be aware that this is not the same as determining the *effectiveness*. For example, a higher HR Cost per FTE combined with positive Productivity, Recruitment, and Retention metrics would indicate an effective HR function.

When interpreting the metric, consideration should be given to the organization's emphasis on its commitment to its employees. It is likely that the higher the organization's focus on the value of their employees, the higher HR Costs per FTE.

Complementary metrics

HR Costs per Employee - it is possible for employee headcount to reduce and FTE to stay the same or vice versa depending on the make-up of your workforce. Combining these two metrics allows you to determine which is the most relevant measure for your organization.

Any metric that measures an outcome of HR program (aka "HR effectiveness"), such as Productivity, Recruitment and Retention metrics.

Learning & Development metrics may complement the discussions of HR effectiveness and efficiency.

Cautionary notes

The definition of HR excludes functions that may or may not reside within the walls of HR, such as payroll and training.

HR Costs do not include labour costs for the entire organization, but will include the labour costs for HR staff who administer the functions.

Be aware of benchmarks which do not clearly define FTE, HR FTE or HR costs as the benchmarks may not be comparable.

Promotion Rate

What this metric means

Employees promoted as a percentage of headcount.

How this metric should be used

The results of this metric are a point of discussion for organizations regarding whether or not they are providing opportunities for development and advancement.

Organizations should compare their Promotion Rate with their competitor's to determine whether or not they appear to offer a better career opportunity for employees.

Track the promotion rate to determine whether overall staff development work is creating a pipeline of capable talent which can sustain the organization over time.

If your promotion rate into Management or Executive Level positions is low and External Hire for those positions is high, consider investing more in learning and development.

Complementary metrics

- Career Path Ratio
- Churnover
- External Hire Rate
- External Hire Rate by job level
- Turnover
- Learning and Development Hours per FTE
- Learning and Development Investment per FTE

Cautionary notes

Promotion Rates do not always indicate a better or worse opportunity for employee growth and advancement. Employee development and recognition opportunities may exist outside of a formal promotion.

Union Percentage

What this metric means

Employees belonging to a union as a percentage of headcount.

How this metric should be used

This metric should be used as information on workplace demographics and when comparing benchmarks from one organization to another.

Average Age

What this metric means

Average age of organizations' total employee population.

How this metric should be used

Use this metric as part of overall workforce planning.

The average age of employees could speak to the years of experience, skills and knowledge required to be employed by the organization.

Complementary metrics

It is recommended that Average Age be sliced by job level to observe a more complete demographic picture of the organization. Other recommended metrics are:

- Average Retirement Age
- Retirement Rate

Average Length of Service

What this metric means

Average length of employee service based on headcount.

How this metric should be used

Include this metric as a part of the discussion on employee retention. Each individual employee may vary in their length or service but this metric can tell you if the characteristics of your overall employee base are static or changing.

This metric can help with workforce planning and also in ensuring that your retention practices are working.

Complementary metrics

Average Length of Service is an important metric to monitor for the purposes of workforce planning. The metrics below can help to determine what might be impacting the Average Length of Service:

- Turnover Rate
- Average Retirement Age
- Average Age
- Vacancy Rate
- Voluntary Turnover Rate
- 1st Year Resignation Rate
- Resignation Rate by length of service
- Resignation Rate by age group

Cautionary notes

Quote with caution - a high average length of service does not always indicate employee engagement, satisfaction, loyalty, or productivity.

If an organization is new or in growth mode it is likely that this metric will be lower than the benchmark.

The HR Metrics Interpretation Guide was written and published by the research team at the Human Resources Management Association (HRMA).

This document is free for anyone to use. We ask that you do not change the content and reference HRMA as the source.

This document is recognized by Human Resources Management Association (HRMA), the Human Resource Institute of Alberta (HRIA), the Human Resources Management Association of Manitoba (HRMAM), the Saskatchewan Association of Human Resource Professionals (SAHRP), and the Human Resource Association of Nova Scotia (HRANS) (+PEI) as the single source of truth for HR metrics standards.