

HR Metrics Toolkit

The HR Metrics Toolkit provides a number of factors that can be measured to show how HR contributes to the business. Measures such as absence rate, health cost per employee, and HR expense factor show that HR has a sense of the importance of human capital measurement in supporting business objectives.

For sample spreadsheet templates for many of these metric formulas [click here](#).

HR Metrics		
Absence Rate	$\frac{[(\# \text{ days absent in month})]}{(\text{Ave. \# of employees during mo.}) \times (\# \text{ of workdays})} \times 100$	Measures absenteeism. Determine if your company has an absenteeism problem. Analyze why and how to address issue. Analyze further for effectiveness of attendance policy and effectiveness of management in applying policy.
Cost per Hire	$\frac{(\text{Advertising} + \text{Agency Fees} + \text{Employee Referrals} + \text{Travel cost of applicants and staff} + \text{Relocation costs} + \text{Recruiter pay and benefits})}{\text{Number of Hires}}$	Costs involved with a new hire. Can be used as a measurement to show any substantial improvements to savings in recruitment/retention costs. Determine what your recruiting function can do to increase savings/reduce costs, etc.
Health Care Costs per Employee	$\frac{\text{Total cost of health care}}{\text{Total Employees}}$	Per capita cost of employee benefits. Indicates cost of health care per employee. Click here for benefit data from the Bureau of Labor Statistics (BLS). See BLS's publications entitled Employer Costs for Employee Compensation .
HR expense factor	$\frac{\text{HR expense}}{\text{Total operating expense}}$	HR expenses in relation to the total operating expenses of organization. In addition, determine if expenditures exceeded, met or fell below budget. Analyze HR practices that contributed to savings, if any.
Human Capital ROI	$\frac{\text{Revenue} - (\text{Operating Expense} - [\text{Compensation cost} + \text{Benefit cost}])}{(\text{Compensation cost} + \text{Benefit cost})}$	Return on investment ratio for employees. Did organization get a return on their investment? Analyze causes of positive/negative ROI metric. Use analysis as opportunity to optimize investment with HR practices such as recruitment, motivation, training and development. Evaluate if HR practices are having a causal relationship in positive changes to improving metric.
Human Capital Value Added	$\frac{\text{Revenue} - (\text{Operating Expense} - [\text{Compensation cost} + \text{Benefit Cost}])}{\text{Total Number of FTE}}$	Value of workforce's knowledge, skill, and performance. This measurement illustrates how employees add value to organization.

Prorating Merit Increases	$\frac{\text{Number of months actually worked}}{\text{number of months under the current increase policy}} \times \text{increase percentage the person would otherwise be entitled to}$	The basic steps to calculating an employees' pay increase appropriate to the period of time worked.
Revenue Factor	$\frac{\text{Revenue}}{\text{Total Number of FTE}}$	Benchmark to indicate effectiveness of company and to show employees as capital rather than as an expense. Human Capital can be viewed as an investment.
Time to fill	$\frac{\text{Total days elapsed to fill requisitions}}{\text{Number hired}}$	Number of days from which job requisition was approved to new hire start date. How efficient/productive is recruiting function? This is also a process measurement.
Training Investment Factor	$\frac{\text{Total training cost}}{\text{Headcount}}$	Training cost per employee. Analyze training function further for effectiveness of training (i.e. Has productivity increased as a result of acquiring new skills and knowledge? Have accidents decreased?). If not, evaluate causes.
Training (ROI)	$\frac{\text{Total benefit} - \text{Total costs}}{\text{Total costs}} \times 100$	The total financial gain/benefit an organization realizes from a particular training program, less the total direct and indirect costs incurred to develop, produce, and deliver the training program.
Turnover Costs	Total of the costs of separation + vacancy + replacement + training	The separation, vacancy, replacement and training costs resulting from employee turnover. This formula can be used to calculate the turnover cost for one position, a class code, a division or the entire organization. Exit interviews are a useful tool in determining why employees are leaving your organization (see white paper Employee Turnover Hurts Small And Large Company Profitability for more information on this topic). Implement retention efforts. Evaluate if HR practices are having a causal relationship in positive changes to improving cost of turnover.
Turnover Rate (Monthly)	$\frac{\text{\# of separations during mo.}}{\text{Avg. \# of employees during mo.}} \times 100$	Calculate and compare metric to national average using Business and Legal Reports at www.bls.gov/jlt/home.htm . This measures the rate for which employees leave a company. Is there a trend? Has metric increased/decreased? Analyze what has caused increase/decrease to metric. Determine what organization can do to improve retention efforts. Evaluate if HR practices

		has a causal relationship in positive changes to improving metric (See white paper entitled Employee Turnover: Analyzing Employee Movement Out of the Organization).
Turnover Rate (Annual)	$\frac{\# \text{ of employees exiting the job}}{\text{avg. actual \# of employees during the period}} \times 12 \div \# \text{ mos. in period}$	Calculate and compare metric to national average using Business and Legal Reports at www.bls.gov/jlt/home.htm . This measures the rate for which employees leave a company. Is there a trend? Has metric increased/decreased? Analyze what has caused increase/decrease to metric. Determine what organization can do to improve retention efforts. Evaluate if HR practices has a causal relationship in positive changes to improving metric (See white paper entitled Employee Turnover: Analyzing Employee Movement Out of the Organization).
Vacancy Costs	Total of the costs of temporary workers + independent contractors + other outsourcing + overtime - wages and benefits not paid to vacant position(s)	The cost for having work completed that would have been performed by the former employee or employees less the wages and benefits that would have been paid to the vacant position(s). This formula may be used to calculate the vacancy cost for one position, a group, a division or the entire organization.
Vacancy Rate	$\frac{\text{Total number of Vacant positions as of today}}{\text{Total number of positions as of today}} \times 100$	Measures the organizations vacancy rates resulting from employee turnover. This formula can be used to calculate the vacancy rate for one position, a class code, a division or the entire organization
Workers' Compensation Cost per Employee	$\frac{\text{Total WC cost for Year}}{\text{Average number of employees}}$	Analyze and compare (i.e. year 1 to year 2, etc.) on a regular basis. You can also analyze workers compensation further to determine trends in types of injuries, injuries by department, jobs, etc. HR practices such as safety training, disability management, and incentives can reduce costs. Use metric as benchmark to show causal relationship between HR practices and reduced workers compensation accidents/costs.
Workers' Compensation Incident rate	$\frac{\text{(Number of injuries and/or illnesses per 100 FTE / Total hours worked by all employees during the calendar year)}}{200,000} \times$	The "incident rate" is the number of injuries and/or illnesses per 100 full-time workers. 200,000 is the base for 100 full-time equivalent workers (working 40 hours per week, 50 weeks per year.) The calculated rate can be modified depending on the <i>nature</i> of the injuries and/or illnesses. For example, if you wished to determine the lost workday case rate, you would include only the cases that involved days away from work.
Workers' Compensation Severity rate	$\frac{\text{(The number of days away from work per 100 FTE/ Total hours worked by all employees during the calendar year)}}{200,000} \times$	The "severity rate" is the number of days away from work per 100 FTE. To calculate the severity rate, replace the number of injuries and/or illnesses per 100 FTE from the incident rate calculation with the number of days away from work per 100 FTE. More information is available regarding the types of injuries,

		incident rates, and comparison to other SIC codes are available at the following website: http://www.bls.gov/iif/oshdef.htm#incidence
Yield Ratio	Percentage of applicants from a recruitment source that make it to the next stage of the selection process. (<i>i.e. 100 resumes received, 50 found acceptable = 50% yield.</i>)	A comparison of the number of applicants at one stage of the recruiting process to the number at the next stage. (Note: Success ratio is the proportion of selected applicants who are later judged as being successful on-the-job.)

Compare your metrics against other organization's metric, survey data, etc. to evaluate your performance. Metrics can show the benefit of your HR practices and it's contribution to your organization's profit.

Benchmark data and designate time frame (plan year, fiscal year, etc.). Compare data going forward using same time frame (year 1, year 2, year 3, etc.) to show improvement/decline.

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