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MPH_AHMR Human Resource Management

Measuring HRM: 25 HR Metrics

Presentation Summary

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Why to measure?

Management by measurement is being implemented using the system of key performance indicators or metrics that "provide a means of 'distilling' the larger volume of data collected by organizations" (Franceschini et al., 2007). Indicators are being used for three main purposes. Firstly, they "enable managers and workers to evaluate and control the performance of the resources which they are responsible". Secondly, indicators are used to clearly communicate performance to internal and external stakeholders (e.g., shareholders). Finally, indicators identify gaps (between performance and expectation) that ideally point the way for intervention and improvement.

What to measure?

Human Resource Management can be divided into five main functions as follows:

1. Recruitment
2. Maintaining a Safe Environment
3. Employee Relations
4. Compensation and Benefits
5. Learning and Development

Five metrics per each function will be shown further to demonstrate how these functions can be measured in order to control, communicate, and improve its results.

Recruitment metrics

Recruitment is the process of finding and engaging the people the organization needs (Armstrong, 2014). The success of recruiters and employment specialists generally is measured by the number of positions they fill and the time it takes to fill those positions (Mayhew, 2019).

1 Time to Fill

Time to fill refers to the time it takes to find and hire a new candidate, often measured by the number of days between publishing a job opening and hiring the candidate (Vulpen, 2019). Time to fill is influenced by supply and demand ratios for specific jobs as well as the speed at which the recruitment department operates.

2 Time to Hire

Time to hire is a measure of the number of days between the moments an applicant makes contact with the employment authorization to the point when this individual is hired (Vulpen, 2019). A shorter time to hire often enables the company to hire better candidates, preventing the best candidates from being snatched up by a company that does have a short time to hire.

3 Cost per Hire

The cost per hire is the total cost invested in hiring divided by the number of hires. Cost per hire consists of multiple cost structures which can be divided by internal and external cost (Vulpen, 2019). The metric should decrease overtime indicating increasing efficiency of the recruitment process.

4 Recruitment Funnel Effectiveness

Recruitment process can be seen as "a funnel which begins with sourcing and ends with a signed contract" (Vulpen, 2019). A yield ratio per step can be specified by measuring the

effectiveness of all the different steps in the funnel. The effectiveness should increase overtime indicating raising efficiency of the recruitment process.

5 Percentage of Open Positions

The Percentage of Open Positions compared to the total number of positions can be applied to specific departments or to the entire organization (Vulpen, 2019). A high percentage can be indicative of high demand (for example due to fast growth) or low labor market supply, while low percentage signalizes high labor market supply.

Maintaining a Safe Environment metrics

Under the Occupational Safety and Health Act of 1970, employers have an obligation to provide a safe working environment for employees (Mayhew, 2019). Several metrics can be used to assess how efficiently maintaining a safe environment function is being implemented in the organization.

6 Reported Accidents Per Employee

Accidents that take place in the organization should be constantly monitored and reported. In order to estimate the efficiency of accidents prevention measures, reported accidents per employee ratio can be calculated by dividing total number of accidents per total number of employees (Lea, 2017). Since the number of accidents should strive to 0, then the decrease in this metric will communicate increasing efficiency measures undertaken by Health & Safety department.

7 Lost Time Injury Frequency Rate (LTIFR)

Lost Time Injury Frequency Rate (LTIFR) refers to the number of lost time injuries that happen per million hours worked. For instance, if the value of LTIFR equals to 8, it would mean that 8 lost time injuries take place every million hours worked (Lea, 2017). Like in the case of Reported Accidents Per Employee ratio, LTIFR should decrease over time signaling about increasing efficiency of Health & Safety measures.

8 Lost Time Injury Incidence Rate (LTIIR)

Lost Time Injury Incidence Rate (LTIIR) "measures the events that occur over a standard period of time by a standard number of people" (Lea, 2017). In case if Health & Safety department wants to calculate the LTIIR for 100 employees, it multiplies the number of incidents by 100, then divides it by the total number of employees. Decreasing LTIIR signalizes increasing efficiency of measures implemented by Health & Safety department.

9 Average Overtime Hours Per Employee

Average Overtime Hours Per Employee ratio is "a great KPI to help measure the average time worked by someone beyond their normal working hours" (Lea, 2017). When the value of the ratio is low it means that "an organization is successfully managing workload and reducing the chance of fatigue in the workplace" (Lea, 2017). Thus, if this metric is decreasing over time, it can be concluded that Health & Safety department operates with the raising efficiently.

10 Productive Days Ratio

Productive Days Ratio measures "the number of days of productive work that were successfully delivered as a percentage of the total available working time" (Lea, 2017). For example, if the organization had 10 employees and there were only 5 days lost due to health and safety issues, the value of Productive Days ratio would be equal to 99.86% ((3645 days / 3650

available days) x 100 = 99.86%) (Lea, 2017). Therefore, increase in this ratio over time signalizes about increasing quality of Health & Safety department performance.

Employee Relations metrics

According to Sullivan (2004), the metrics focused on the employee relations area analyze whether poor performing employees rapidly improve their performance or are terminated within a year.

11 Employee Satisfaction Index (ESI)

Employee Satisfaction Index (ESI) is the key metric underlying talent retention and measures the link between employee satisfaction and the customer experience (Jessee, 2018). The ESI is calculated using three following questions (Jessee, 2018):

- How satisfied are you with your current workplace?
- How well does your current workplace meet your expectations?
- How close is your current workplace to the ideal one?

The questions are answered on a scale from 1 to 10. The score is calculated by dividing the question mean value by 3 and multiplying it by 100. The results vary from 0 to 100 where a higher score indicates a more satisfied employee, which means that the HR department should strive to increase this metric overtime.

12 Percentage of Employees' Complaints

Employees need to feel good about how they are treated. A strong employee relations strategy has little to do with managing complaints but more about everything you are doing to create a positive work environment (Muller, 2014). This is measured by percentage of employees who report that they have a bad manager (based on an employee survey, comparing this year's percentage to last years) and this metrics should decrease over time signalizing increasing efficiency of employee relations measures.

13 Percentage of Low-performing Employees on a Performance Management Program

From a talent management perspective, if the "performance differential" between the average employee and the worst employee is small (less than 5 percent), it does not make much sense to spend a lot of money on performance management programs (Sullivan, 2014). Percentage of low-performing employees who are on a performance management program is used and HR department should strive to decrease this percentage overtime.

14 Low-Performing Managers Turnover

Functional turnover occurs when low-performing employees leave the organization, so it can save the organization from having to make tough decisions and, often, improves productivity levels (Itagroup, 2018). This is measured by turnover percentage of low-performing managers and employees within one year of receiving the low rating. This metrics should increase indicating raising efficiency of employee relations measures.

15 Percentage of Employees Who Improved level of Performance

Stronger executive support for performance management and increased employee participation in development activities is needed in order for performance management systems to truly become a tool to help attract and retain talents (Pontefract, 2015). Percentage of employees who are in any performance management program who improved at least one level on performance appraisal ratings within one year is used to analyze the performance of the

employees and this indicator should increase over time signalizing about raising efficiency of employee relations measures.

Compensation and Benefits metrics

Compensation and benefits practices define the relationship between the organization and the individual member by specifying the terms of exchange (Madhani, 2019). These practices are concerned with defining the basic salary, merit-bonus plan, and benefits package in order to motivate employees to perform better and stay in the organization (Armstrong, 2014).

16 Market Index

Market Index shows how company internal jobs are paid relative to market paid rates for external benchmark jobs (Weaver, 2014). Internal salaries should be equal or above the industry average in order to retain the best people in the organization. Thus, market index should decrease overtime.

17 Bonus Pay Percent

Bonus Pay Percent shows the share of annual bonuses relative to the annual base salaries. In order to reward employees for their efforts it is essential to provide them with bonuses. Thus, this metric may increase overtime indicating raising efforts of HR department to reward employees' performance.

18 Benefits Satisfaction

Benefits Satisfaction should be tracked to see how satisfied employees are with specific benefits they are offered. The metric can be determined through employees' surveys and used to break down each benefit individually. Marginal benefit could be calculated by dividing change in total benefit by change in quantity of benefits provided. The metric should increase overtime signalizing about raising employees' satisfaction with benefits package offered to them by the company.

19 Salary Range Penetration

Salary Range penetration expresses the job holder's rate of pay in reference to the entire pay/salary grade. It's calculated by subtracting the range minimum from the employee's salary and dividing the result by the difference between the range maximum and the range minimum. There is the negative correlation between this metric and perceived justice. Thus, the metric should decrease overtime.

20 Health Care Expense per Current Employee

Health Care Expenses per Current Employee metric measures the average health insurance costs (to the company) paid by the company for each individual working for the company, regardless of their level of coverage under the company's plan. This metric should increase overtime to push the growth of employees' satisfaction with benefits they receive.

Learning and Development metrics

Learning and development aims to improve group and individual performance by increasing and honing skills and knowledge (Armstrong, 2014). Learning and development, often called training and development, forms part of an organization's talent management strategy and is designed to align group and individual goals and performance with the organization's overall vision and goals.

21 Training spend per employee

Training spend per employee determines the amount of money spent on employee training. This is calculated by determining the cost of employee training, and some businesses include the labor cost of employee hours spent in training classes as well (Handrick, 2019). The metric should decrease overtime indicating the raising effectiveness of learning and development.

22 Innovation Success Rate

If the company wants to develop new products, new ways to excite customers, or better ways to manage internal processes, you'll want to measure your innovation pipeline in terms of the number and quality of ideas. Innovation Success Rate is measured by determining how many successful product or market launches you had last year based out of all the product ideas that were sourced and evaluated in your pipeline (Handrick, 2019). The metric should increase overtime signalizing about the raising efficiency of learning and development activities.

23 Training Participation Rate

Training Participation Rate (Percentage of employees participating in development opportunities). Training participation rate is calculated by dividing the number of employees who participated in a training opportunity by the number of employees who were eligible, and then multiplying by 100 (Kerr, 2018). Results will help you determine if you're offering the "right" type of training, if you're using the best delivery medium, or if you've effectively communicated the opportunity. Learning and Development department should strive to increase this metric overtime.

24 Training Efficiency

Training Efficiency is calculated by dividing training effectiveness by expense per employee. This metric indicates how much additional effects is being bring per one unit of currency (e.g., euro). This metric should increase over time and Learning and Development department may influence the increase by either decreasing the cost or increasing the effectiveness of training activities.

25 Readiness

Readiness is calculated by taking the total number of vacant positions divided by the total number of approved positions and then multiplying that number by the total number of employees with desired competency ratings divided by the total number of employees who have received a competency assessment (Kerr, 2018). Then multiplying the answer by 100. SHRM recommends you only perform this calculation for key roles. It's a vital metric for determining whether your workforce is aligned with your business trajectory. The metric should increase overtime indicating raising efficiency of Learning and Development activities.

Conclusion

To conclude, there are several ways to measure the performance of main HR functions. The largest share of the observed metrics are ratios that measure absolute value per number of employees (e.g., Training spend per employee), or time (e.g., LTIFR). It is also worth to mention that there are two general types of metrics. The first type is positive metrics indicating how fast the organization is striving to achieve its goals (e.g., Training Efficiency, Productive Days %). The second type is negative metrics that should strive to 0 indicating efficiency of organization's activities (e.g., Reported Accidents Per Employee). These metrics are mainly used to control, communicate, and improve results of Health & Safety department.

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