HR Metrics Tool Kit

"What gets measured gets improved."
- Peter Drucker

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Introduction

What are HR Metrics?

HR metrics – also known as key performance indicators (KPIs) – can be useful tools to help a company figure out strategies and goals for future business strategies. This in turn can be useful in helping to tackle employee turnover or retention issues, as it involves figuring out the root causes of these issues, as well as what employees want. Measuring this data helps organizations track their HR success and provides actionable data so you can make better decisions.

How do you use HR Metrics?

Here is the basic process of using HR metrics:

1. Capture data about your workforce
2. Analyze the data
3. Make changes to improve operations
4. Assess whether the changes were effective
5. Adjust as necessary

Using metrics is especially important when your company has made a change. Perhaps you just opened a new location or started offering a new product – or – you have been impacted by changes in local and state laws such as compulsory paid sick leave. These events require adjustments in how you manage employees.

What are the benefits of HR Metrics?

Using a scientific process to make business decisions is a best practice used by successful companies. HR metrics reveal trends on a very granular level. They show you what changes to make in how you manage employees. Using HR Metrics can help your company minimize compliance risks, improve the ROI on training, improvement management, optimize how you allocate your resources, and more.

Remember, every business has problems. Not every business takes a scientific approach to solving them. If you want your business to succeed, tracking HR metrics to continually improve human capital management is a step in the right direction.

What types of metrics are tracked by HR?

From an HR standpoint, KPIs are HR-related metrics that have been evaluated to show a link to measuring the success of an organization's long-term business goals. Metrics that are gathered and tracked by HR generally fall into four relevant categories.

1. Recruitment
2. Monetary
3. Performance
4. Engagement

Each category is ever changing and continues to expand every year. Here we will highlight the top 11 HR metrics that we believe are important to track for your business.

Recruitment Metrics

Candidates per Hire

The candidate per hire metric is one of the key measurements of how effective your recruitment process is. It's calculated by looking at how many candidates had to be interviewed before one was finally hired for a position. Improving this metric can help you save time on interviews and better align hiring criteria with potential candidates. Candidates per hire also measures how well your recruiters and hiring managers are performing.

This metric can be calculated by noting how many interviews a recruiter or manager had to conduct before they could hire someone. Ideally, it should be no more than four or five.

Fill Rate

The fill rate is a ratio of the number of hires during the month to the number of job openings at the beginning of the month. This is a good metric to use to decide whether you should be recruiting using your internal resources or use an external agency. A high fill rate of 80% or more is good sign that your organization has been successful in filling open positions. When the fill rate begins to decline it is time to think about whether you should look at other recruitment options including using an external agency.

FILL RATE - CALCULATE IT

Total # of jobs filled during the month divided by
Total # of jobs open = Fill rate (%)

EX: 17 filled jobs / 20 open jobs = 85% Fill Rate

Time to Fill

This is an important metric as it captures the time for the entire hiring process from job requisition to job acceptance. HR should be tracking and monitoring how quickly and efficiently an empty job is filled so that it can evaluate its process and recruitment sources, particularly in times of a changing labor market. Additionally, monitoring the time to fill over time is extremely helpful in forecasting expectations as part of its recruitment strategies.

Time to fill is expressed as an average number of days when divided by the total number of hires or positions filled. To calculate this, you must first have the number of calendar days from the date an open position was posted to when an offer was accepted for each filled position during a given month. Taking the total number of days, it took to fill each position and dividing the sum by the number of positions filled, you will be able to calculate the Time to Fill.

Depending on the source you use when obtaining HR benchmark information, Time to Fill can average between 36 and 45 days.

TIME TO FILL - CALCULATE IT

4 positions were filled which took 45 days, 18 days, 32 days and 26 days respectively. Sum of days = 121 Total Days

EX: 121 recruitment days / 4 filled positions = 30.25 Days to Fill

Headcount Metrics

Total headcount is a snapshot of your total number of employees The benefits of having this metric is helpful in many areas including: budgeting, planning and execution of company events, determining what rules and regulations must be followed, and workforce planning. You will also need to know the company's total headcount when you track other metrics such as Revenue per Employee or Turnover. Calculating headcount is as simple as counting and adding up the total number of employees over a set period of time (monthly, quarterly, annually).. Tracking your total headcount by month is advisable to ensure that you are always aware of changes in your staffing levels. To ensure consistency it is recommended that you track your headcount on the same date each month.

Monetary Metrics

Cost per Hire

For most businesses, their biggest expense is staffing followed by benefits, taxes and training. However, the costs don't stop there. Hiring employees can be very expensive as well. Understanding the expenses involved in the hiring process can help you lower your average cost of hiring.

Cost per hire helps measure the total amount spent associated with recruiting to fill an open position. It is based on the total recruiting costs invested in finding and hiring candidates. Simply, the cost to hire equals the sum of internal and external recruiting costs divided by the total number of hires.

Internal costs in the recruitment process may include: wages of those on the recruitment team, reimbursable expenses for the recruiters (i.e., travel, meals, etc.), and training needed to perform the recruitment functions. External costs may include: Job board postings, job advertising, external agency fees, drug testing, background checks, career fairs, relocation expenses, and applicant tracking system fees. Other costs may factor in as well such as additional furniture, equipment and supplies.

When calculating and tracking the cost per hire, it is important to determine how often you will track the metric (i.e., monthly, quarterly, annually) as well as commit to measuring this over a long period of time to ensure that you are getting a true cost of your recruitment costs.

According to the Society for Human Resource Management the average cost per hire was $4,700 in 2023. Keep in mind that the geographic location of your business may affect what you spend as well as the type of position that you are filling.

COST PER HIRE - CALCULATE IT

3 employees are hired during the month of August. Recruiting costs were $12,500, $2,600 and $3,200 respectively. Sum of costs = $18,300

EX: $18,300 costs / 3 filled positions = $6,100 cost per hire

HR to Employee Ratio

HR to Employee Ratio indicates the number of HR professionals in an organization relative to the total number of employees. It can also be used to analyze and validate the financial investment of HR staff to effectively support the organization and its workforce.

Research has shown that the typical HR to employee ratio is around 1:50 or 2%. However, the ideal HR-to-employee ratio can vary significantly depending on the industry, the complexity of HR needs, the level of automation in HR processes, and the specific responsibilities handled by the HR department. Although not an exhaustive list, it does touch on the major points that influence the HR to employee ratio.

HR TO EMPLOYEE RATIO - CALCULATE IT

Company with 300 employees has 5 HR employees.

EX: 5 HR EE / 300 EE = 1.67% HR to Employee Ratio

Performance Metrics

Employee Promotion Rate

The promotion rate is a key metric that helps HR and business leaders understand how many employees are promoted internally within the company. Knowing how to calculate the promotion rate and benchmark your internal promotion rate against competitors allows businesses to understand how well they are promoting from within and pinpoint areas where promotion policies and practices could be improved.

A high promotion rate suggests that employees are being promoted based on performance and that the business provides ample opportunities for development and growth. It also indicates that the company is experiencing a high level of change. However, a low promotion rate suggests a potential issue with promotion practices and a lack of development opportunities for employees. Also, it is important to determine whether the promotions happening in your organization are effective and contribute to the organization's long-term goals.

For example, a low performance rate of promoted employees suggests that the company might be promoting the wrong people into the wrong roles, which is costly to the business.

As with the HR to Employee Ratio, the ideal Employee Promotion Rate will vary depending on the industry, size of the organization and location. Depending on the rate of growth for your organization as well as factoring in turnover, benchmarking a Promotion Rate can be anywhere from 5% to 10%.

EMPLOYEE PROMOTION RATE - CALCULATE IT

Company headcount at end of 2023 was 135. During the year there were 3 promotions.

EX: (3 promotions / 2023 headcount) x 100 = 2.22% Promotion Rate

Time to Promotion

Time to Promotion is a key metric that measures the average time it takes for employees to receive a promotion within the organization. It is an important metric as it indicates the effectiveness of the organization's talent management and career development strategies. A shorter time to promotion can signify a culture of growth, development, and recognition, which can lead to higher employee motivation, engagement, and retention. On the other hand, a longer time to promotion may indicate a lack of career progression opportunities or a slow advancement process, which can negatively impact employee morale and satisfaction.

Many sources in the HR industry benchmark the expected time to promotion as 2 years or sometime during the employee's 3rd year of employment in their current position.

Calculating the Time to Promotion is taking the total time spent by employees in their current position divided by the number of employees promoted.

Example

An organization has 100 employees and the total time spent by employees in their current position is 1170 months. In the given time period, a total of 16 employees were promoted to higher positions. Using this formula:

TIME TO PROMOTION - CALCULATE IT

EX: 700 months / 16 employees = 43.75 months to promotion

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Employee Engagement Metrics

Employee engagement tracking allows you to understand how your people feel about their role, their working environment, their leadership, and the company's mission. This way, you can make intentional, data-driven changes when necessary. In fact, there is a return on investment (ROI) when engagement levels increase. In 2020 Gallup conducted an engagement assessment and found that companies who have higher engagement levels also experienced:

- 81% fewer occurrences of absenteeism
- 23% higher profitability
- 18% higher productivity
- 10% higher customer engagement

Tracking the effects of engagement is a good tool to demonstrate if this is an area that your organization need to focus on improvement.

Retention Rate

A company's overall retention rate refers to its ability to keep employees over a period of time. A good overall retention rate generally levels out at 90%. This acknowledges that there will always be some turnover due to retirement or moving. Also, remember that some turnover can also be healthy for your business and allow you to hire new employees who have desirable skillsets which helps elevate your business.

To calculate your employee retention, you will need to pick a defined period of time such as a month or a year. You will need to have a headcount of the total number of employees who were employed at the beginning of the period of time and of those, who was still employed at the end of the period of time. For this calculation you will *not include* anyone who was hired during the defined period of time.

EMPLOYEE RETENTION RATE - CALCULATE IT

PERIOD OF TIME MEASURED JAN 1ST TO JUNE 30TH

Company headcount on January 1st is 135. Of these 135 the number who were still employed on June 30th is 120.

EX: (120 EE / 135 EE) x 100 = 88.88% Retention Rate

Absenteeism Rate

The absenteeism rate is the rate of unplanned absences due to sickness or other causes. The absenteeism rate can be measured for an individual, team, or the organization as a whole.

Each number gives important information about the productivity and dynamics of individual teams and the entire organization. Before calculating the absenteeism rate, you first must understand what an absence is and how if figures into the calculation.

An absence in the workplace is an occasion or period of being away from work when it was expected that the employee would be at work. Absence in the workplace can be caused by physical illness, family illness, an accident or absence due to other reasons. Tardiness is *not included* in the absence rate. Other times away from work are also *not included* such as approved vacation or personal time off, approved leave of absence or company holidays. In essence, absences are linked to days off from work that are unplanned and not approved ahead of time.

As mentioned above, absenteeism can be calculated for one individual, for a department or for the entire company. The calculation for each one will vary slightly to account for the number of employees involved.
The following is an example of how to calculate the absenteeism rate for an individual employee for a one-month period of time.

ABSENTEEISM - CALCULATE IT

Jane was absent 3 days during the month of March. During March there were a total of 21 available workdays.

EX: (3 absences / 21 workdays) x 100 = 14.28% Absenteeism

The following is an example of how to calculate the absenteeism rate for the entire company for a one-month period of time.

ABSENTEEISM - CALCULATE IT

80 average # of employees. 21 workdays during the month of March.
23 total absences.

EX: 80 employees x 21 workdays = 1680 total workdays

(23 absences / 1680 workdays) x 100 = 1.36% Absenteeism

Determining the benchmark for your company's absenteeism rate will depend on the type of industry and the work environment. A typical benchmark for HR Metrics is to shoot for an absenteeism rate of 1.5% or less.

While some absenteeism is normal for an organization, high levels of absence can indicate problems in the organization.

Employee Turnover

The employee turnover rate measures the number of employees who leave an organization over a set period. Although turnover usually measures the total number of workers who leave a company, you can also use it to measure other categories such as demographic groups, voluntary or involuntary separations, departments and more.

Although some turnover is inevitable, high turnover rates can have greater consequences and implications for your company. The costs associated with losing an employee and replacing them sometimes reaches as high as 60% of the position's annual salary. That cost does not include the indirect costs such as lost revenue, reduction in employee morale, reduced production or negative customer experiences. By tracking turnover on a regular basis this will give HR an opportunity to gain insight into the root causes of why employees are leaving. In doing this you will be able to reveal information to improve your recruiting strategies, identify problem areas that need attention, or better understand the needs of your workforce.

Turnover rates are generally calculated for monthly, quarterly and annual periods to show different trends. You can also categorize and analyze turnover rates to examine different departments, voluntary vs. involuntary turnover or specific demographics. To calculate turnover, you will need to determine the period of time you wish to examine, know the average number of employees who were working during that period of time and the number of employees who left the company during that period.

TURNOVER RATE - CALCULATE IT

30 average # of employees. 21 workdays during the month of March.   23 total absences.

EX: (2 employees left company / 30 employees employed) x 100 = 6.67% Turnover Rate

Conclusion

In summary, tracking HR metrics enables organizations to make informed decisions, improve efficiency, and create a positive and productive workplace. It also helps align HR practices with the broader goals of the organization, ultimately contributing to long-term success.

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