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Human Capital Metrics Trends 2008 Survey Report



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Executive Summary

This is the first time BC HRMA's membership has been surveyed on their usage of HR metrics in their work. The concept of measuring the effectiveness and efficiency of the HR function has been around for 30 years; however, only recently has the profession felt the urgency to start measuring the impact of their activities.

The survey responses presented some key themes and challenges that HR faces in measurement. Most importantly, the results confirm intuition that few organizations are measuring their human capital and, of those that are measuring, relatively few are doing so at a strategic level that demonstrates how well HR is impacting the bottom line. However, the future is promising with many HR departments in the planning and implementation phase.

Other key findings include:

- Despite the recognized importance of measuring, only one quarter of respondents have a dedicated HR metrics or analytics resource.
- When reporting metric results, HR primarily pushes their communications out as opposed to providing staff the means to pull the data they require.
- HR does well in keeping their senior management informed of HR's performance but tends to overlook communicating the results to their own staff.
- The most commonly reported metrics focus on cost, efficiency, attendance, turnover and employee demographics such as average age and length of service; generally, these measures do not show the added-value of the HR function.
- Conversely, HR is looking to start measuring how its human capital practices are impacting the bottom line by tracking learning and development, and productivity.
- Diversity and the retirement of baby boomers are much discussed workforce issues; however there appears to be little desire to monitor potential issues or the impact of HR programs developed to resolve these issues.
- The biggest challenge to measuring is the lack of resources, specifically budget or time (70.5%); other challenges centre on inefficient HR systems, the lack of measurement standards and skill capabilities (IT or analytical).
- HR tends not to measure its own efficiency or customer satisfaction, nor is there a desire to; however, HR is poised to start tracking the costs of labour, learning and development, recruitment, HR and benefit costs.
- While few members are benchmarking their metric results, there is a strong interest in doing so, as long as they can ensure they are comparing "apples to apples" and can find a cost efficient service provider.

What these survey results show is that BC HRMA members have thoughtfully considered applying HR measurement to their work and are actively looking for solutions to their challenges.

1. Introduction

In March of 2008, BC HRMA conducted its first survey of HR trends in B.C. Members stated that measurement and metrics had recently become part of their organization's HR agenda – 35% of respondents indicated that this was a new area of focus, above corporate social responsibility, emergency planning and risk management, corporate governance, and diversity. In the survey, it was also evident that HR groups are not seeing a significant increase in budget or staff.

To gain a better understanding of the current state of HR measurement and benchmarking, a member survey was sent in August 2008 with the aim of answering the following questions:

- Who is measuring?
- What are we measuring?
- What are the biggest challenges to measurement?
- Are we benchmarking the effectiveness and efficiency of HR?

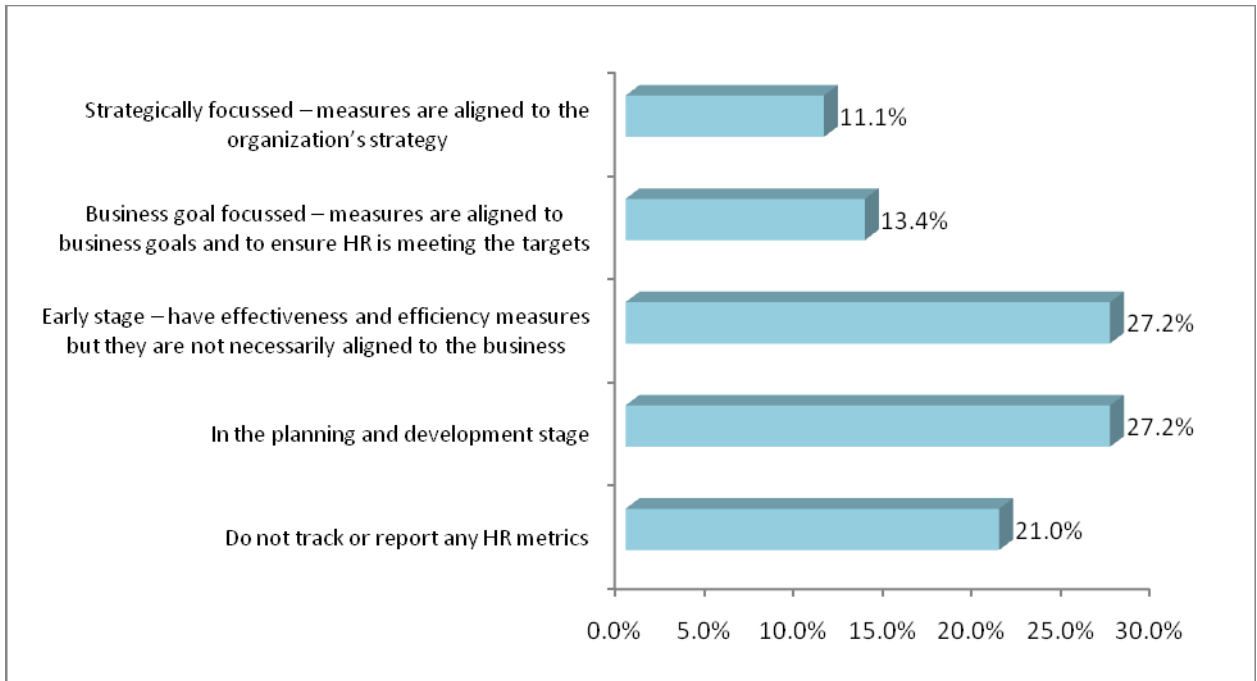
The data was gathered through an online survey distributed to BC HRMA members and associates which includes previous members and non-members connected to HR. The survey received 307 responses, with a completion rate of 71%, representing 6.8% of BC HRMA's membership. The sample group very closely matched the geographical distribution of BC HRMA's overall membership.

In reporting the results of this survey, we walk through the responses for each question, providing the detail, context and insight which emerged from the survey data and commentary provided by the members.

2. Survey Results

1. How would you describe your organization's use of Human Capital measures (aka HR metrics)?

Great news - 52% of members are using Human Capital metrics. Unfortunately, very few are measuring in a strategic way. However, it is promising that the use of metrics is growing as 27.2% are in the early development stages.



2. Who currently receives a report on your Human Capital measures?

NOTE: Responses will not add to 100% as multiple responses were allowed.

It is a positive trend that the executive teams are receiving the reports. However, it appears that most of our HR staff do not receive feedback on the impact of their activities.

Executive team	75.5%
HR management	67.1%
Organization's business managers	40.0%
All HR staff	33.5%
Board of directors	24.5%
External stakeholders (includes shareholders, customers, suppliers, government, etc.)	5.2%

3. Of the following list of metrics, please choose the measures that you are planning to or are currently reporting.

Of the measures listed, the 10 most commonly reported are:

Turnover	81.3%
Absenteeism Rate	68.8%
Average Length of Service	60.2%
HR FTE or Headcount Ratio	52.3%
Average Age	49.2%
Turnover by years of service (90 days, 1st year, 2-3 years, etc.)	45.3%
Benefits as Percentage of Total Compensation	44.5%
Overtime per Employee	43.0%
Time-to-Fill (all external positions)	42.2%
Labour Cost per FTE	39.8%

The 10 least reported metrics are:

Labour Cost Expense Percent	17.2%
Cost of Voluntary Turnover	15.6%
Succession Planning Rate	15.6%
Profit per FTE	12.5%
Promotion Rate	11.7%
Learning & Development Cost Revenue Percentage	9.4%
Learning & Development FTE Ratio	8.6%
Human Capital Return on Investment	7.8%
Career Path Ratio	7.8%
Management Span of Control	7.0%

The most frequently reported metrics tend to focus on cost, efficiency and attendance. As expected, the other most popular metrics include turnover, average age and length of service – all longstanding and commonly understood HR measures. Unfortunately, most of these metrics do not measure the impact or added-value of the HR department. Of the metrics that are not currently being reported, they primarily center on learning and development, leadership and bench strength, and employee productivity.

4. When reporting on Human Capital measures, how is information distributed?

NOTE: Responses will not add to 100% as multiple responses were allowed.

Email	66.9%
Paper-based	55.9%
Online via intranet or business intelligence tool	28.3%
Other	10.2%

Of the members that stated "Other", most reported metrics through presentation or informal discussions.

Communication of metric results focuses on "push" rather than the "pull" methodology. Since the majority of the survey respondents had fewer than 500 employees, it is likely that those organizations do not have the resources or do not feel the need to invest in technology like a corporate intranet or a business intelligence tool which would make information readily available at management's fingertips.

5. Do you currently benchmark your Human Capital metric results?

No, but I would like to start benchmarking	69.0%
Yes	23.8%
No, not interested in benchmarking	7.1%

6. Please tell us why you are currently not benchmarking. Choose all that apply.

Not convinced you will be comparing apples to apples	53.8%
Do not have the budget; cost is prohibitive	41.3%
Not aware of any service available	37.5%
Do not believe in benchmarking	0.0%

7. When benchmarking, who would you prefer to compare your organization's results against?

1	Industry
2	Sector (tie)
3	Organization Size (tie)
4	Location

8. Which service(s) do you use to obtain your HR metric benchmarks.

This was a free-form text answer.

The most popular benchmarking service providers were: Saratoga, Conference Board of Canada, Society of Human Resource Management (SHRM) and industry associations. Other survey responses referred to benchmark service providers such as Mercer, Hay Group, WCBC, and Hewitt; in these responses it is unclear if members are referring to HR metric or salary benchmarks.

9. What are the biggest challenges in developing and reporting your organization's Human Capital measures?

NOTE: Responses will not add to 100% as multiple responses were allowed.

Lack of resources (budget or time)	70.5%
HR system doesn't track and report data efficiently, or not at all	48.1%
Lack of consistent HR metric definitions, standards, and formulas	45.6%
Unavailable technical capabilities (IT, analytical)	39.0%
Do not have access to HR metrics and formulas	33.2%
HR system doesn't contain reliable data	20.7%
No buy-in from executives	18.3%
Other	6.6%
Do not believe HR can be quantified	5.8%
No buy-in from HR staff	5.4%
No buy-in from HR management	4.1%

Of the members who responded "Other", they said their challenges were:

- multiple systems, such as time and attendance systems
- no HRIS or manual data tracking required; too time consuming
- lack of time
- the organization is too small
- as a government, no incentive to measure
- private companies do not disclose financials such as revenues
- not all data resides in HR, some of it resides in Finance
- no strategic direction, and
- don't know what to measure or what to do with measures once they are collected.

10. Does your organization use any of the following surveys to diagnose organizational issues?

Exit interview/survey	85.3%
Employee engagement/satisfaction survey	75.6%
Onboarding survey	16.6%
HR service satisfaction	15.2%

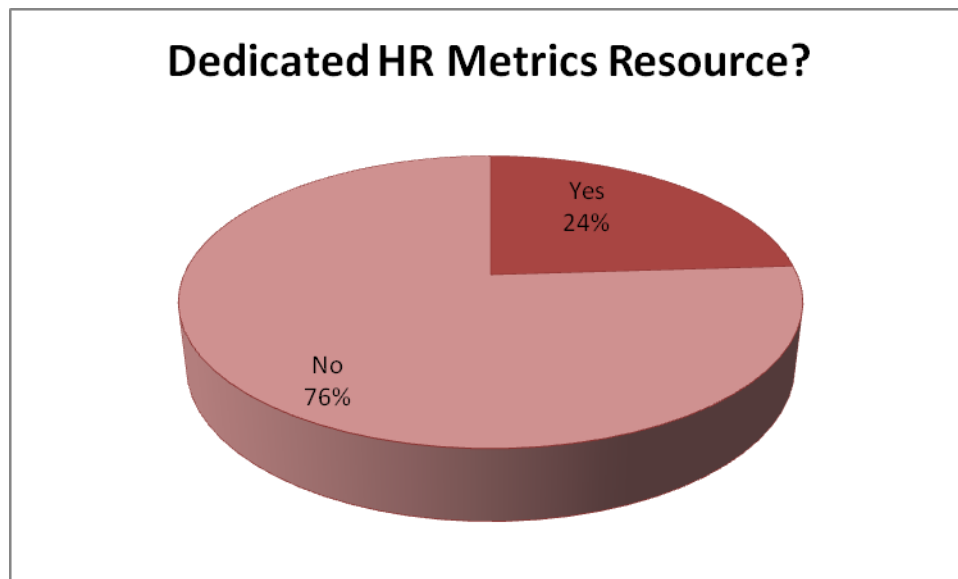
In the past several years, there has been wide adoption of exit surveying and monitoring employee engagement as part of the retention strategy. However, it appears that onboarding surveys are not as common of a diagnostic tool to improve the retention and productivity of new hires. As a service provider, HR is generally not assessing whether or not their clients are satisfied with their work.

11. Please rate which categories of metrics are of most value to your organization.

1	Retention
2	Compensation & Benefits
3	Recruitment
4	Productivity
5	Learning & Development
6	Workforce Demographics
7	HR Efficiency

The most pressing HR issue, according to the 2008 HR trends survey is recruitment and retention, and that is reflected in the above ranking. Measuring the efficiency of the HR function is deemed to offer the least value to the organization. However, all of the other metric categories (save for Workforce Demographics) speak to the effectiveness of the HR function.

12. Do you have a dedicated resource(s) for HR metrics and analytics?



It is unclear why most HR functions do not have a dedicated metrics and analytics resource – is it because of lack of budget, inability to find staff with the required skill set or if such a role has yet to be clearly defined in HR?

13. Of the following list of metrics, please choose the measures that you are currently NOT reporting but would like to start:

Human Capital Return on Investment	43.1%
External Cost per Hire	37.3%
Cost of Voluntary Turnover	36.9%
Benefits as Percentage of Total Compensation	36.4%
Learning & Development Investment per FTE	36.4%
Succession Planning Rate	35.6%
Learning & Development Cost Payroll Percentage	34.2%
Labour Cost per FTE	33.8%
HR Costs per FTE or Employee	33.8%
Learning & Development Hours per FTE	32.9%

Management Span of Control	18.2%
HR FTE or Headcount Ratio	16.4%
Diversity Hire Ratio	16.0%
Average Length of Service	16.0%
External Hire Rate	15.6%
Retirement Rate	12.0%
Percentage of females (by job level, i.e. executive positions vs entry-level)	11.6%
Percentage of females	9.8%
Average Age	9.3%
Average Retirement Age	8.4%

It is promising that most members would like to start reporting on learning and development, return on investment, and cost of turnover. The difference between what is being measured and what people would like to measure leads to a question of why the gap. Linking this information to other parts of the survey our view is that HR has lacked the resources to develop this more complicated area and that as a field HR metrics is moving from being an operationally focused output to being more focused on strategic and impact measures. We encourage our member organizations to keep their focus and resources on developing these next level measures as we know the impact of the results is far higher than for the operational measures.

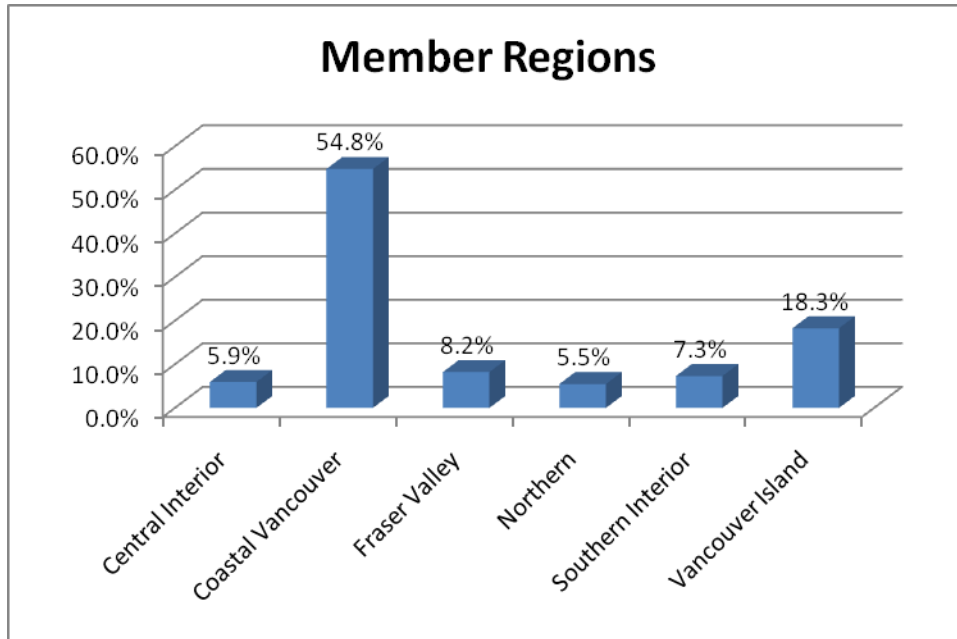
However, members also indicated that they would like to start measuring the cost of Talent, such as: salary, benefits, costs to recruit, HR costs. It's unclear why HR isn't currently measuring this as cost measures are relatively easy to define.

On the flip side, members indicated that they are not reporting and have no desire to start reporting on employment equity demographics, such as Diversity Hire Ratio (where diversity is defined as aboriginal persons, members of a visible minority, or persons with a disability) and Percentage of Females. Average Retirement Age was also an unpopular pick. These responses deserve further exploration as workforce diversity and the retiring workforce have been hot topics of discussion in the recent years.

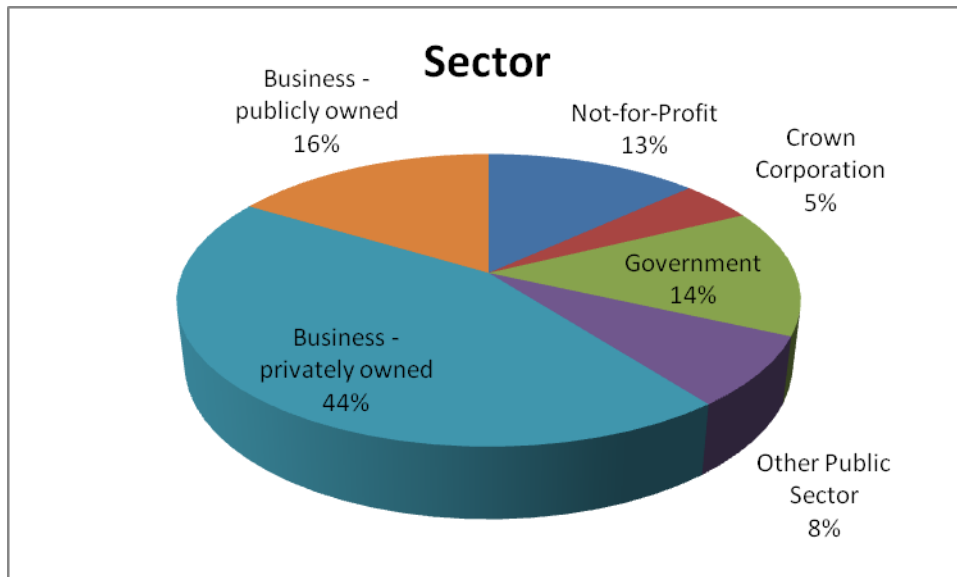
Average Age and Average Length of Service were top picks for the most commonly reported metrics, so they are receiving a low score here only because most are already reporting them.

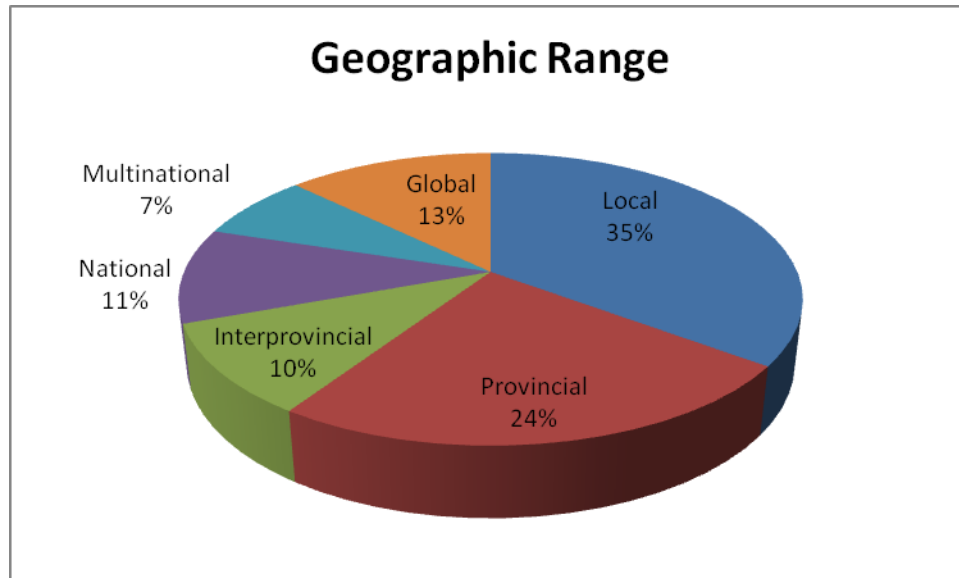
3. Sample Information

The member demographic information was requested at the end of the survey. Due to the natural survey drop-off rate, approximately 30% of survey respondents did not complete this section.



The distribution of responses by member region parallels the normal membership breakdown.





The Geographic Range describes the geographic area covered by an organization's operations. Organizations can operate in six possible geographic ranges:

Local: Within a city, town or distinct urban area, i.e. Metro Vancouver, Greater Toronto Area or Calgary

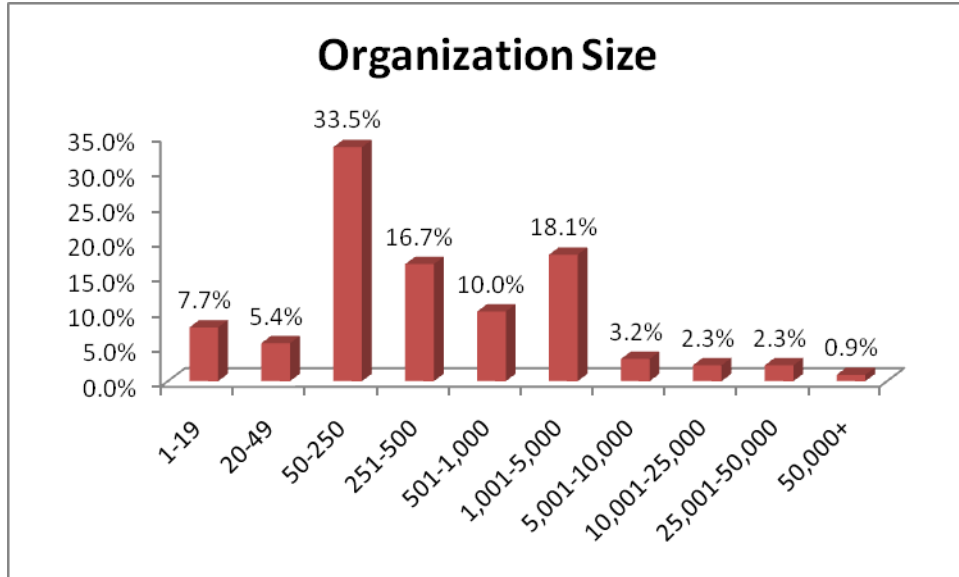
Provincial: Throughout the province where the organization is based

Interprovincial: Operates in up to 3 provinces

National: Operates in 4 or more provinces

Multinational: Operates in up to 4 countries

Global: Operates within 5 or more countries on at least 2 continents



Industry	Response %
Government/Government Affiliate	15.1%
Finance/Insurance	9.6%
Manufacturing	9.1%
Other	9.1%
Educational Service	7.8%
Healthcare	4.6%
Business Service Industries	4.1%
Technology Services	4.1%
Retail Trade	3.7%
Charitable Public Service Organization	3.2%
Other Service Industries	3.2%
Transportation	3.2%
Accommodation/Food & Beverage	2.7%
Employment/Personnel Agencies	2.7%
Engineering	2.3%
Construction	1.8%
Mining, Oil & Gas	1.8%
Advertising/Marketing	1.4%
Association/Professional Organization	1.4%
Logging & Forestry	1.4%
Management Consulting Services	1.4%
Real Estate	1.4%
Wholesale Trade	1.4%
Communication/Public Relations	0.9%
Law/Legal Services	0.9%
Accounting/Bookkeeping	0.5%
Computer Sales & Service	0.5%
Fishing & Trapping	0.5%
Utilities	0.5%
Natural Resources	0.0%

4. Summary

When asked if they would like to learn more about HR metrics, 91% of BC HRMA members stated they would participate in webinars, workshops, roundtables, or forums. HR metrics are now at the forefront of discussion as members are realizing how vital it is to measure the impact of HR practices and policies on the human capital function. The survey responses show that HR is starting to think about HR metrics but has some significant challenges to overcome.

It is one thing to say, another thing to do. In the next year, it will be of great interest to see how far HR has come along in implementing a measurement system, how many have started benchmarking their results and the resolutions to the issues of resourcing, systems, and executive buy-in.

About the Author:

Helen Luketic is the HR Knowledge and Research Associate at BC HRMA. She is the winner of the 2007/2008 Rising Star award for her significant contribution to the developing field of HR measurement. Helen is focused on sharing this knowledge with HRMA members through a range of activities and services.

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