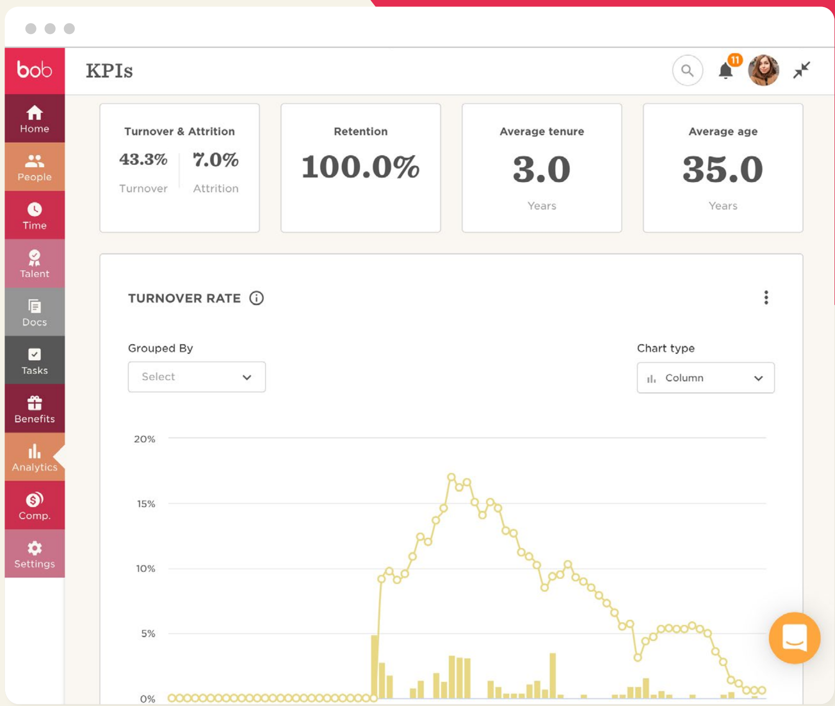
The most important

HR METRICS FOR 2022

Why should HR use a data-driven approach?

In today's world of work, HR professionals are involved in strategic decisions about their company's growth and success—what is working, what isn't working, and where to invest future efforts. It is employee data that provides the facts and figures to support these conversations, helping HR to have a deep understanding of their companies and locate any problem areas before they cost the company money or talent.

In this guide, we'll focus on three key areas that help to define a company's success:



3 key areas of focus:

1	2	3
Retention	**Recruitment**	**DE&I**
Keep your best employees	Hire better talent faster	Create a culture of fairness
eNPS, career path ratio, salary change, absenteeism rates	time-to-fill and time to hire, quality of hire, employee growth	pay gap, salary range penetration, salary average, gender diversity ratio

Retention

Employee retention will always be a top concern for HR, recruiters, and management. Keeping retention rates high helps companies save on recruiting and onboarding costs while increasing employee loyalty and trust.

Here are four key metrics to help measure retention:

1. eNPS (employee net promoter score)

eNPS is a metric that assesses employee job satisfaction by measuring their willingness to recommend their current company to others. If employees want their friends to get on board, it's safe to say they're reasonably satisfied. If they're telling their pals to stay away, it's a sign of bigger problems.

Of all the HR metrics, eNPS is the easiest to measure. Send employees a survey, asking, "On a scale from 0-10, how likely are you to recommend this company as a place to work?"

Employees will be divided into "promoters" (9-10), "passives" (7-8), and "detractors" (0-6).

The formula for eNPS is:

$$\frac{(\text{number of promoters} - \text{number of detractors})}{(\text{number of respondents})} \times 100$$

A score between 10-20 is reasonable, 20-30 is good, and 40-50 is outstanding. In designing the survey, it's best to include room for open-ended answers to help define areas for improvement.

For a more thorough analysis, organize results in a variety of ways, such as by department, role, length of employment, or even gender, age, and race. This can help determine if any issues that come up are company-wide or related to specific groups.

Companies usually run eNPS surveys every three to six months. This continuous process is an opportunity for employees to offer constructive feedback, collaborate with managers, and share in the collective responsibility.

2. Career Path Ratio

Employees should feel empowered to move in all directions.

Using the career path ratio, HR can keep track of both promotions and lateral moves to see how employees are growing, changing, and adapting within the organization.

To calculate this metric, divide the total number of promotions by the sum of all role changes, both upward and lateral. Start with a lookback period of at least a year to ensure there's enough data.

$$\frac{\text{(total number of promotions)}}{\text{(all role changes: promotions + lateral movement)}}$$

This number is easy to calculate for companies with clear org charts and distinct job titles and tiers. The trickier part is understanding where and how to improve. Providing a number of growth tracks, and encouraging promotion from within is key. When movement is strictly vertical, employees who have reached their promotional ceiling can feel "stuck." An organization that is too "top-heavy" might unintentionally push great people away. And companies that discourage lateral moves altogether can find people growing bored and leaving.

To understand the cause of a retention issue, examining the career path ratio is a great place to start.

3. Salary change

Employees want to feel that they are growing within their companies; both in their career path and salary. A company that doesn't increase salaries over time is more likely to see a higher rate of attrition as employees leave for companies that will pay them more.

The salary change KPI presents your company's base salary changes over time and helps you to make informed salary cost estimates and projections.

To calculate salary change, you measure the difference between the sum of base salary values over two periods of time and divide by the sum of base salaries in the previous time interval. You then multiply this number by 100 for a percentage salary change.

$$\frac{\text{(sum of base salaries in current time interval - sum of base salaries in previous interval)}}{\text{(sum of base salaries in previous time interval)}} \times 100 = \text{\% Salary Change}$$

You can calculate salary change across the entire company, or filter by team, department, or a specific segment or group. A low percentage indicates that there were few salary increases among this group, and can impact employee retention.

4. Absenteeism rates

When absences become habitual or are taken without good reason, they can cause a drag on productivity. If one person is unreliable, the whole team feels it. That's why when we talk about absenteeism, we make the distinction between excused and unexcused absences. Excused absences are scheduled in advance and leave the rest of the team with enough time to shift the workload. Unexcused absences arrive without warning and leave teams in the weeds. Sick days and other unplanned absences will happen, but when it keeps happening, and for no excusable reason, it needs to be addressed.

According to a study from the Integrated Benefits Institute, absenteeism cost employers in the US $575 billion in 2019.

To calculate a company's absenteeism rate, take the number of unexcused absences, divide it by the amount of time being measured, and multiply the result by 100.

$$\frac{\text{(average number of employees x missed workdays)}}{\text{(average number of employees x total workdays)}} \text{ x 100}$$

Ideally, a company's absenteeism rate should be as close to zero as possible.

There are many causes of absenteeism, such as bad management, workplace stress, burnout, and general feelings associated with disengaged employees, such as feeling undervalued or that their work has no impact.

However, there may also be other reasons. The Bradford Factor is a specific type of absenteeism measurement which measures individuals and the duration and frequency of the absenteeism.

To measure an employee's Bradford Factor you use the Bradford formula:

$$S^2 \times D = B$$

Here, “S” is for “spells”, meaning the number of absences over a set period of time. You’ll square this number and then multiply it by “D” for “days”, meaning the total number of days an employee was absent.

The Bradford Factor doesn’t just measure the number of days off but focuses on the number of absences. It is based on the theory that shorter, more frequent absences are more detrimental to the organization than longer, less frequent ones. When you use the Bradford Factor, a higher score reflects a greater negative impact on the business. A score of less than 50 should not merit concern. This is the one HR metric where a lower score is better.

If you see that an employee is routinely taking short absences it could be a warning sign about their health and/or wellbeing and not necessarily about their attitude to work. In this case, scheduling a 1:1 with the employee to discuss their personal situation may help to bring any personal issues to light.

In general, companies should focus on creating an inclusive company culture that is warm and welcoming. It’s not just about providing company perks such as well-stocked kitchens and pool tables. Rather, providing an environment where employees feel that they belong, and can bring their best selves to work.

Recruitment

Creating a smooth recruitment process involving all of the different stakeholders—finance, hiring managers, and legal, for example—helps HR to build strong processes that will hire better talent faster.

Here are three key metrics to help measure recruitment:

1. Time-to-fill and time-to-hire

Time-to-fill and time-to-hire are two of the most important recruitment metrics—but they're not the same. The difference is small but meaningful.

> Time-to-fill measures the time for the entire hiring process, from when a job request is made to when an offer is accepted.

Your formula would be: **The number of days between the starting point (when the role is approved or advertised) and the endpoint (the date that the candidate accepts the job.)**

> Time-to-hire measures the time from when the eventual hire begins the recruitment process to when the offer is accepted.

Your formula would be: **The number of days between the starting point (when the new hire starts the recruitment process) to the endpoint (the date that the candidate accepts the job.)**

The Society for Human Resource Management (SHRM) set the benchmark for time-to-fill at 42 days, and an average cost at $4,129.

This can be measured company-wide or by department or role. Recruiting costs are significant, and the more time spent on interviews, the more expensive the process becomes. Diving into these two metrics can help HR find lags in both the recruitment processes (such as posting jobs on the wrong channels, or too few recruiters dealing with too many applicants or open roles) and interview processes (hiring managers who are slow to respond, overly complicated tasks, or involving too many people in the decision.)

2. Quality of hire

Quality of hire, the "holy grail" of HR metrics, gauges the value a new hire adds to an organization.

A healthy quality of hire score shows that recruiters bring in good people, managers support retention efforts, and new hires thrive in their new roles.

This score is measured by taking a few key HR metrics into consideration, based on a company's goals and priorities.

Companies need to first determine which metrics they want to focus on, assign a number from 1-5 to measure an employee's effectiveness in regards to the metric, and then calculate as follows:

$$\frac{(\text{Metric 1} + \text{Metric 2} + \text{Metric 3})}{(\text{Number of metrics})}$$

Bonus insight:

An SHRM study found that the top three metrics for quality-of-hire are performance appraisal score, retention rate, and 360-degree feedback. The list of measurable metrics is long and varied:

Quality of hire can be measured continuously throughout an employee's time at the company—and even before.

Pre-hire quality is a predictive measure based on interviewer impressions, referrals, scores on aptitude tests, and performance on assignments/assessments. An accurate pre-hire quality measurement can help predict a candidate's future success at a company.

Quality of hire can be measured at the end of the 90-day onboarding period as well by looking at a new hire's success in their role, social acclimation, and day-to-day performance. Manager reviews and 360-degree feedback can help measure quality-of-hire at this early stage as well.

"Organizations that invest in a strong candidate experience improve their quality of hires by 70%."

3. Employee growth rate

A health company that is positioned to succeed, is one that is growing and adding new employees. Company growth rate measures how much a company has grown or receded over a specific period of time. A positive number shows a positive growth rate, i.e., that the company is growing. A negative number reveals a negative growth rate, that the number of employees leaving is greater than those joining the company.

Measuring employee growth rate can help HR understand growth patterns in an organization and better plan for the future. The more a company grows, the more complicated its needs will be.

To calculate the growth rate in your company, you compare the number of employees at two different points in time and divide that number by the number of employees at the second time interval. The growth rate is usually expressed as a percentage.

The formula for calculating growth rate is as follows:

$$\frac{\text{(number of employees in current period - number of employees in previous interval)}}{\text{(average number of employees x total workdays)}} \times 100$$

You can also calculate employee growth rate among a specific group in your organization, such as per team, department, or using any other metric.

Other KPIs associated with company growth are headcount, which refers to the number of employees in your company, the number of new hires over a specified timeframe, and the number of terminated employees over a specified timeframe.

Diversity, equity, and inclusion

It’s no secret that diverse teams work better. They’re a must-have—but they don’t build themselves. Here are three metrics to objectively measure a company’s diversity efforts and locate areas of improvement.

1. Pay gap

No single compensation leader or HR professional can solve the gender pay gap, which is a global issue. However, HR does have the power to shift the conversation and make closing the pay gap in their company a priority.

In the United States, the gender pay gap between men and women currently stands at 18%—meaning women earn 82 cents for every dollar, but this pay gap also varies by race and ethnicity. According to the Bureau of Labor Statistics, white women earned 82% as much as white men, black women earned 85% as much as black men, while Asian women earned just 70% as much as Asian men.

To calculate the pay gap, compare the salary averages of two different groups. For example, to measure the pay gap between men and women, first, find the salary averages for each gender. Next, subtract the female salary average from the male salary average. Take this number and divide it by the male average and multiply by 100 to get the percentage difference between the two groups. Salary medians can similarly be used to measure the pay gap (median compares the midpoint salary of each group.)

Step 1:

$$\frac{\text{Total female salaries}}{\text{number of women}} = \text{Average female salary}$$

$$\frac{\text{Total male salaries}}{\text{number of men}} = \text{Average male salary}$$

Step 2:

$$\frac{\text{Average male salary} - \text{Average female salary}}{\text{Average male salary}} \times 100$$

Seeing these gaps represented by percentage will help HR professionals understand implicit and explicit differences in how their organization's culture and policies apply to different gender groups.

The implications of the gender pay gap are immediate (current salary), cumulative (total lifelong losses), and benefits-related (non-monetary differences). With this data in hand, HR can work to build a system that not only addresses existing inequities but also prevents future missteps.

2. Salary range penetration

Every job description in an organization should come with an estimated salary range. While there may be occasional deviations from this range for exceptional candidates, the range should reflect the standard pay for this position.

Using this assigned range, HR can calculate an employee's salary range penetration—meaning, how far they are into their range.

The formula is:

$$\frac{\text{(salary) - (range minimum)}}{\text{(range maximum) - (range minimum)}} \times 100$$

Examining differences in salary range penetration can help reveal pay gap issues. Conduct regular compensation audits to compare compensation for employees in similar roles with similar amounts of experience.

3. Salary average

A similar metric used to spot pay gaps is salary average. Salary average can be measured by team, department, employee demographic, or the organization as a whole.

To calculate salary average, you simply add up all the salaries in your chosen group and divide by the people in that group.

The calculation looks like this:

$$\frac{\text{(sum of base salaries in specified group)}}{\text{(amount of employees)}} = \text{salary average}$$

Salary average is an important HR metric for understanding diversity, equity, and inclusion in your organization. By breaking down your salary averages by demographic (age, race, gender, ethnicity, sexual orientation, etc.), you'll be able to identify any existing parities in your organization that go beyond roles and their differences.

4. Gender diversity ratio

To understand the gender breakdown of your teams, it's easiest to measure in ratio form. Using ratios will help you understand how diverse your organization is as a whole, within teams and within other groups.

The gender diversity ratio is used for viewing whether there is an equitable or fair representation of people of different genders within your organization. It is most commonly used to measure the ratio of men and women, but can also include people of non-binary genders.

To calculate your company's gender diversity ratio, you'll need to divide your people up into groups based on declared gender and then divide down to the smallest numbers.

men employees : # women employees :
non-binary employees : # other employees

The diversity ratio can also be used to measure the representation of different types of groups within your organization such as race, ethnicity, or age.

For a company to show that it cares about DE&I, it must put its money where its mouth is: To foster an inclusive culture that celebrates diversity and gives people from underrepresented populations a chance to succeed.

By tracking and reviewing these metrics, HR can make sure that people from all teams and walks of life are well represented among their teams and receive fair pay.

People analytics: growing stronger with data on your side

Today, successful HR leaders are increasingly taking a data-driven approach to make the best choices for their organizations. The metrics outlined in this guide can be used by HR teams to proactively address employee concerns before they start to impact recruitment, retention, and engagement rates.

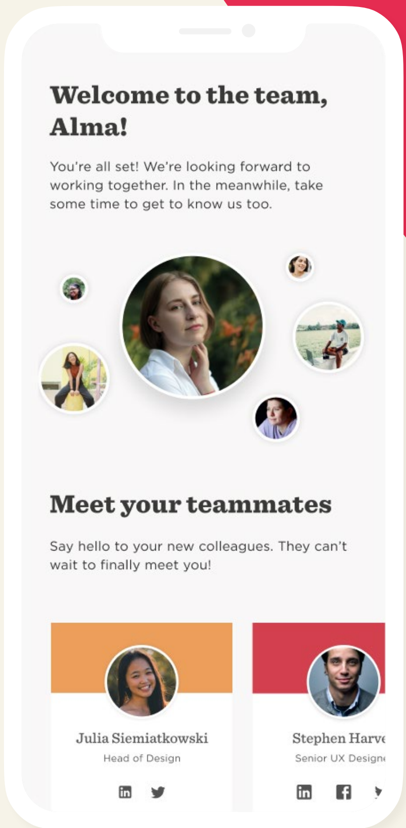
In the past, only large organizations were able to employ such data-driven HR strategies. But this is changing rapidly. Many HR platforms such as bob are easy to implement and use and provide the data HR leaders need to lead their companies to success.

The knowledge being gleaned by HR about people is impacting entire organizational structures and strategies. To maximize effectiveness, these HR metrics should be combined with other business data, such as financial statistics and compensation packages.

Meet bob

We know how important it is to make holistic, data-driven decisions about your people, especially in light of today's modern workplace changes. That's why we built bob, an employee experience platform that provides valuable and personalized insights to grow your company's relationships, productivity, and retention.

bob harnesses the powerful combination of data and human factors to give HR professionals the predictive and analytical understanding they need to make better people decisions.



Now is the time to make smarter decisions when it comes to your people and organization.

To learn more about Hibob and our data-driven tools, get in touch with us at

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