The most important

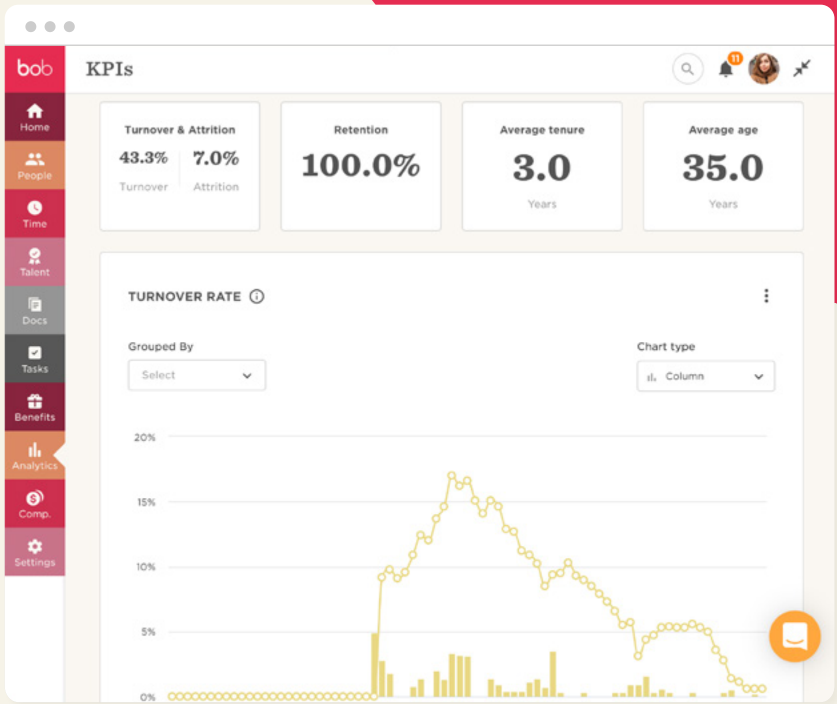
HR METRICS FOR 2021

Why do HR challenges need a data driven approach?

Want to get a seat at the table? You need data by your side.

To prove effective and get stakeholder buy-in, HR professionals will have to rely on data and analytics to understand what's been working and where to invest future efforts.

Understanding key HR metrics will help HR locate problem areas and form strategic solutions before they cost the company money or talent.



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, Absenteeism rates	Time-to-fill and time-to-hire, Quality of hire, Employee growth rate	Pay gap, Diversity ratio, Salary range penetration

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 three 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:

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

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

It's estimated that absenteeism costs businesses $2,660 annually for every salaried employee.

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.

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

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

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

One way to address this is by emphasizing wellbeing. Companies should make their offices somewhere employees enjoy being. Consider the "usual" perks (lunch, fancy coffee, game room), but also think outside the box—pilates classes, book clubs, and occasional lunchtime speakers, for example. Even if people are forced to be away from the office, classes and clubs can be hosted online.

Recruitment

By smoothing out recruitment processes with different stakeholders—finance, hiring managers, and legal, for example—HR can build strong processes that will help 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.

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

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 are bringing in good people, managers are supporting retention efforts, and new hires are thriving 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.

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

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.

Employee growth rate is calculated as follows:

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

Employee growth rate can be calculated per team, department, or period.

Especially as we begin to recover from COVID's impact on the economy, we can use employee growth rate as a signal for understanding overall organizational health and progress.

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 to 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. HR does have the power to shift the conversation and make closing the pay gap a priority.

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.

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:

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

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

In the United States, the gender pay gap between men and women currently stands at 16%—meaning women earn 84 cents for every dollar. This is influenced by many factors but, at the end of the day, women earn significantly less than men for the same output.

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 build a system that not only addresses existing inequities but also prevents future missteps.

2. Diversity ratio

Diverse teams—across age, gender, race, and basically every other factor you can imagine—work better. To improve teams performance, productivity, and culture, HR can start by creating a diversity-first recruiting culture.

To calculate a company's gender diversity ratio, first divide employees into groups based on declared gender and then divide down to the smallest numbers.

For a teams' diverse makeup to matter, companies need to foster an inclusive culture: one that celebrates diversity and gives people from underrepresented populations a chance to succeed.

$$\frac{\text{Number of minority employees}}{\text{Total number of employees}}$$

3. 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.

Two similar metrics used to spot pay gaps are salary average and salary change. These can be measured at the team level, department level, and employee demographic, or the organization as a whole.

By tracking and reviewing these metrics, HR can make sure people, from all teams and walks of life, are being paid what they deserve.

People analytics: growing stronger with data on your side

Today, successful HR leaders are increasingly taking a data-driven approach to making 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 affect 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 new people analytics solutions, such as Hibob's cloud-based HRIS, are easy to implement and use. And provide the data HR leaders need to monitor

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.

bobs focuses on the metrics that matter

Growth

Map out your teams and organization in a visual, transparent way. Our dynamic org chart provides a complete picture of the relationships between people, teams, and departments so everyone can see how they fit in.

People

Improve satisfaction and employee engagement with a 360 approach to employee experience. Use real-time analytics to understand employees' attitudes and perceptions.

Analytics

Your most valuable company insights available at the click of a button. Easily review data and generate reports so you can make the right 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

contact@hibob.com

SCHEDULE A DEMO

bob

Hibob.com

NEW YORK
205 Hudson St.
New York, NY 10013

T: (+1) 855 426 6627

LONDON
Boundary House
91-93 Charterhouse St.
London EC1M 6HR, UK
T: (+44) 0203 006 2303

TEL AVIV
28 Ben Avigdor St.
Tel Aviv 6721848

T: (+972) 73 265 2595