March 8, 2010

To: Carol Carrier, Vice President, Office of Human Resources

From: Jan Batt, HR Director, College of Design
       Cathy Fejes, HR Consultant, Academic Health Center
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Subject: Final Report from Working Group on Metrics for HR Leadership

In December 2008, you commissioned our working group “Metrics for HR Leadership” on behalf of the HR Academy Advisory Board. Over the past year, we have gained an understanding of current HR metrics across the University; briefly examined HR metrics gathered at other institutions of higher education; conducted research on models, effective practices, and trends in collecting and analyzing HR metrics; and interviewed individuals within the University who are knowledgeable about metrics and the HR system. In August 2009, we discussed our findings and progress with the Advisory Board. Since that time, in November 2009, the University adopted an institutional performance indicators framework; we have incorporated those principles and aligned our work with that framework.

We are pleased at this time to present our group’s final report and look forward to seeing implementation of our recommendations in coordination with work of the other HR Academy project teams, “HR Roles and Responsibilities” and “Competencies for HR Leadership.”

Thank you for allowing us this opportunity to collaborate and contribute to strengthening the University’s HR system and practices.

Enclosure

c: HR Academy Advisory Board Members:
       Linda Bjornberg, HR Director, University Services
       Dee Anne Bonebright, Consultant, Organizational Effectiveness
       Mychal Coleman, HR Director, Carlson School of Management
       Linda DeBeau-Melting, HR Director, University Libraries
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       Laura Larson, HR Director, College of Veterinary Medicine
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       Ted Butler, Associate Analyst, Office of Human Resources
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Executive Summary

It is essential that HR leaders serve as business partners and business drivers answering core questions regarding the impact of human capital on overall business performance and providing direction to leverage talent to drive business success. As the University of Minnesota faces serious business challenges, a system-wide HR metrics practice that measures organizational effectiveness, identifies critical trends and patterns, provides analysis to support core decision making, and aligns HR initiatives with key institutional objectives will contribute significantly to the long-term success of the institution.

Our HR metrics model is anchored in the goals set forth in the September 2007 strategic positioning report *Transforming the U for the 21st Century* and is based on the Corporate Leadership Council’s extensive research and metrics model designed to measure organizational effectiveness. Our guiding principles for building and using Human Resource metrics are:

1) Measure important items reflective of our shared strategic goals and objectives;

2) Strive for data-based decision making in the management of our human resources;

3) Build measurement into the University’s human resources culture by establishing a foundation for measurement standards:
   a. Establish a common language for defining, measuring, and interpreting human resources metrics.
   b. Increase awareness of the need for and better ensure HRMS data integrity.
   c. Set expectations and empower human resources leaders in understanding and using metrics.

The Metrics for HR Leadership working group was charged with identifying metrics that contribute to HR leadership and inform strategy and planning in two primary HR areas:

- operational issues (i.e., measures of historic or current transactional activity); and
- strategic issues (such as the impact of performance management systems on organizational goals).

The group was also charged with researching HR metrics best practices; identifying metrics currently tracked within the University; and assessing needs and current practices of University HR leaders. The final deliverable is an implementation plan recommending:

- centrally maintained HR metrics,
- consistent metrics to be maintained at business unit and college levels,
- tools and strategies for HR leaders to collect and report metrics,
- additional measures for future integration, and
- an inventory of resources regarding HR metrics best practices.
We envision the HR metrics to be implemented in three stages. To that end, we identified initial, secondary and future measures, with ten priority measures for implementation in the initial stage:

1. Net hire ratio
2. Ability to finalize hire of top choice candidate
3. Forecasted turnover rate
4. New hire failure rate
5. Turnover rate by employee group
6. Performance appraisal participation rate
7. Employee turnaround rate
8. Absence rate
9. Age / ethnic / gender background staffing breakdown
10. Employee group staffing breakdown

It is essential that the measures recommended for implementation in the initial phase be applied across the University to ensure consistent data, access to comparative analysis, and a firm basis upon which to build further metrics. The surveys of HR leaders indicate a wide range of experience and practice utilizing HR metrics, and significant interest in gaining broader accessibility to data and building personal capacity in this area.
Introduction

Organizational analysis often overdoes data collection and underdoes analysis and action. Reams of data are collected, reports are generated, statistics are presented; but, because the data remains unfocused, little action follows. Data should be turned into action as the diagnosis process unfolds, that is, as common themes are identified, as managers with decision-making responsibility take ownership of the data, and as alternative actions are proposed.


The goals of the HR Metrics Committee are to ensure that the University’s human resources has access to select reliable data and develops stronger analytical skills to guide the organization’s workforce strategies and ensure employment of responsible HR practices. With these goals in mind, the HR Metrics Committee recommends that the HR Academy:

1) adopt **guiding principles** designed to bring our human resources community together to build a successful human resources measurement system;

2) establish a **human resources metrics model** based on sound research and enabling development of a common language for measurement;

3) incorporate the human resources metrics model with the University’s emerging **institutional indicators framework** to ensure alignment and strategic focus;

4) focus on a workable number of meaningful **initial HR metrics** so as to build a measurement system soundly and gradually; and

5) implement modest **infrastructure** to support this continued work to establish a common measurement system and change our HR culture to one of data-based decision making.
Guiding Principles

The committee recommends these principles guide further work to build a successful human resources measurement system at the University: (1) measure important items reflective of our shared strategic goals and objectives; (2) strive for data-based decision making in the management of our human resources; and (3) build measurement into the University’s human resources culture.

1. **Measure important items reflective of our shared strategic goals and objectives.**

To ensure they are not mere measurements or measurements of unimportant items, the human resources metrics must be tied to our shared strategic goals and objectives. As *Transforming the U for the 21st Century*, the September 2007 strategic positioning report from President Bruininks to the Board of Regents, indicates, there are two institutional strategic goals for our human resources practices: (1) exceptional faculty and staff and (2) exceptional organization.

First, the goal of exceptional faculty and staff requires that we recruit, mentor, reward, and retain world-class faculty and staff who are innovative, energetic, and dedicated to the highest standards of excellence. This goal is reached through these objectives: (a) recruit identify, support, and reward stars on the rise; (b) create a robust culture of collaboration that encourages and rewards boldness, imagination, and innovation; (c) hire, develop, and place diverse faculty and staff in positions that match their skills and abilities with organizational needs; (d) strengthen the performance evaluation and reward systems to fully engage, motivate, and challenge faculty and staff; and (e) significantly increase the number of faculty receiving awards of distinction.

Second, the goal of exceptional organization requires that we be responsible stewards of resources, focused on service, driven by performance, and known as the best among peers. This goal is reached through these objectives: (a) adopt best practices and embrace enterprise standard business practices, processes, and technology to achieve efficient, effective, and productive operations; (b) promote nimble decision-making using data, information, research, and analysis; (c) achieve a shared services administrative structure; (d) align resources to support strategic priorities; and (e) commit to service and results that are best among peers.

2. **Strive for data-based decision making in the management of our human resources.**

As the work of the two other committees commissioned by the HR Academy highlight, it is critical for human resources leadership both in the Office of Human Resources and at the campus, college, or administrative unit level realize its role as a strategic business partner. This requires continued evolution of the type and level of human resources services from HR leadership. Research from the CLC summarizes the evolution as focused on moving HR leadership activities out of the transactional realm and into the strategic and emphasizes that increasing sophistication of a measurement capability for easier and more frequent data-driven decision making is necessary.
Under the CLC model, the activities of HR leadership occur at four different levels: (1) service provider where HR builds data repositories and provides information to support the line as requested; (2) business enabler where HR provides tools and services that enable real-time, consistent support to line customers and, thus, increases the overall efficiency of the organization; (3) business partner where HR educates the organization regarding the impact of human capital on overall business performance and identifies opportunities for improvement; and (4) business driver where HR consults with the line, providing direction for how the talent within the organization is best managed and leveraged to drive business success.

3. Build measurement into the University’s human resources culture.

In order to achieve our strategic goals and promote data-driven decision making, we must establish a foundation for measurement standards. Where there is no agreement on how human capital items will be defined, measured, and interpreted, the reporting, analysis, forecasting, and strategic decision-making are more difficult and less reliable. The CLC identifies root issues as the inconsistent application of formulas or reporting rules and inappropriate interpretation of results. These root issues result in inactionable analysis and lack of data credibility and often are observed in conflicting reports generated by different offices, debates over how data was derived, and misinterpretation of results.

a. Establish a common language for defining, measuring, and interpreting human resources metrics.

b. Increase awareness of the need for and better ensure HRMS data integrity.

c. Establish expectations and empower human resources leaders in understanding and using metrics.
HR Metrics Model

Our work uses the model set forth in the Corporate Leadership Council’s 2005 research, “The Metrics Standard: Establishing Standards for 200 Core Human Capital Measures.” While we specifically rely on that study’s eight major categories and many subcategories of human resources measurements, we have begun to customize the metrics and formulas to reflect our University culture, priorities, and reality. Subcategories that seem to pertain only to private/for-profit organizations have been eliminated.
# HR Metrics Model: Categories and Sub-categories

## 1. **Staffing:** The movement of people into faculty and staff roles, from internal or external sources
- Recruitment
- Internal Movement
- Staffing Effectiveness

## 2. **Retention:** The internal engagement and satisfaction of faculty and staff members and their eventual termination of employment
- Turnover
- Employee Engagement
- Cost of Turnover

## 3. **Capability:** The skills of faculty and staff members and the performance of job roles, as well as the process of developing those skills and performance levels
- Performance Management
- Education and Development
- Management and Leadership
- Training

## 4. **Compensation and Benefits:** The payment of compensation to faculty and staff members, including cash and benefits
- Compensation
- Benefits

## 5. **Environment:** The maintenance of a working environment for faculty and staff members to perform their duties
- Absence/Attendance
- Employee Relations
- Health and Safety

## 6. **HR Service Delivery:** The transactional business of human resources that directly touches faculty and staff members and enables their ongoing employment
- HR Profile
- HR Expense
- HRIS
- Contact Center
- Payroll

## 7. **Workforce:** Who we employ and the makeup of the workforce
- Demographics
- Structural
- Tenure of Service

## 8. **Organizational Effectiveness:** The outcomes of faculty and staff members acting as an organization in a competitive higher education marketplace
- Productivity
- Innovation

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1 Corporate Leadership Council: The Metrics Standard
Recommended Initial HR Metrics

This following listing represents our committee’s initial assessment of which metrics the University’s human resources community should begin routinely utilizing to further data-based employment decisions and HR system assessment. These initial metrics, together with current metrics such as from the PULSE Survey, are meant to spark a gradual growth in the number of meaningful items that are routinely measured and reported.

Note that underlying definitions for several of these metrics, such as “FTE” and “headcount,” have not been established yet, and that detailed work is a next step for implementation ensuring coordination with units responsible for maintaining data and/or creating reports. Furthermore, recommendations on using averages, rates, or specific numbers still need to be formulated in a definitive way; this also is part of the implementation. The focus of these recommended initial metrics should be the concepts behind WHAT is to be measured rather than on the details of HOW it is to be measured. Our implementation recommendations later in this report help define the next steps of figuring out the hows in accomplishing this work.

Together with the guiding principles we established for building and using human resources metrics, the following ideals guided our selection and prioritization of these specific metrics:

1) Recognition that we cannot track everything but must identify a *workable* number of metrics;
2) Emphasis on employment metrics that are “high value/high impact” - - - meaning that they help inform future decisions, assist in assessing prior key decisions, and/or otherwise facilitate external and internal comparison for evaluation of effectiveness and efficiency of employment systems, services, or processes; and
3) Awareness of the critical employment issues facing our organization in today’s embattled economy contrasted with tomorrow’s reality of decreased workforce supply and shifting workforce demands.

One of these initial metrics, net hire ratio, stands out as particularly relevant to the challenges facing our human resources community today, i.e. ensuring no overall growth in the workforce given the current economic conditions.

Another of the initial metrics, absence rate, was selected because it assists in assessing the time our workforce has to be productive and understanding the types and rates of faculty and staff absences our organization is experiencing. This data can help in workforce planning, leave management, and review of leave policies.

Two other metrics, performance appraisal participation rate and employee turnaround rate, seem particularly relevant today given each faculty and staff member must be performing optimally so that continued and improved organizational performance can occur in spite of zero growth in resources. Performance appraisals are an important tool to ensure that each faculty and staff member is being held accountable for his/her performance. In turn, measuring the employee turnaround rate will help ensure that underperforming employees are either improving their performances to at least satisfactory or are no longer part of the organization.

The remaining six metrics largely focus on furthering effective workforce planning and quality hiring. While this focus may seem unusual given the current organizational hiring pause and immediate economic forecast, these metrics were selected because the demographic reality of
this institution and the nation is for a large number of employees from the baby boomer generation to be retiring from the traditional workforce in the near future. Concentrating on establishing these metrics now will help our organization ensure having the best processes and programs to attract and retain a world-class workforce when the economy improves and more faculty and staff members retire.
**Staffing**: The movement of people into faculty and staff roles, from internal or external sources

### Staffing Effectiveness

<table>
<thead>
<tr>
<th><strong>Metric:</strong></th>
<th>Net hire ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formula:</strong></td>
<td>Hires/terminations</td>
</tr>
<tr>
<td><strong>Definition:</strong></td>
<td>Number of hires for every termination during a specified reporting period</td>
</tr>
<tr>
<td><strong>Purpose:</strong></td>
<td>Monitors adherence to headcount growth; can examine by employee group, job class, etc. May need to exclude temporary or short-term employees</td>
</tr>
<tr>
<td><strong>Why Selected:</strong></td>
<td>Particularly relevant given the current and near-term economy and the need to look at the overall workforce numbers</td>
</tr>
<tr>
<td><strong>Data Source:</strong></td>
<td>HRMS</td>
</tr>
<tr>
<td><strong>Primary User:</strong></td>
<td>OHR, Individual Units</td>
</tr>
<tr>
<td><strong>Timing:</strong></td>
<td>Quarterly, individual units</td>
</tr>
<tr>
<td></td>
<td>Available as a report accessible on an ongoing basis</td>
</tr>
<tr>
<td></td>
<td>Monthly, OHR</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- Strategist: Ensures Alignment; Demonstrates Operational and Financial Acumen

**Input and Observations:**
1. Tie metric to organizational objectives. Some units will need to analyze by employee group or job class, rather than by total numbers of hires and terminations.
2. This can be a powerful metric for workforce planning.
3. PeopleSoft action/reason codes need redefining and payroll staff greater clarity about when to use codes, as currently changes in appointment result in “hires” or “terminations”, for example, when adding or ending a summer appointment for a B-term faculty member.
**Staffing:** The movement of people into faculty and staff roles, from internal or external sources

<table>
<thead>
<tr>
<th>Recruitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metric:</strong> Ability to finalize hire of top choice candidate</td>
</tr>
<tr>
<td><strong>Formula:</strong> Top candidates hired/total hires * 100</td>
</tr>
<tr>
<td><strong>Definition:</strong> Percentage of hires of top candidates during a specified reporting period</td>
</tr>
<tr>
<td><strong>Purpose:</strong> Analyzes University and unit capacity as an employer of choice; can examine by employee group, job class, etc.</td>
</tr>
<tr>
<td><strong>Why Selected:</strong> Given likely number of hires with the change of senior administration cabinet in 2011 and the retirement of baby boomer generation faculty and staff members thereafter, quality hires will be an important focus</td>
</tr>
<tr>
<td><strong>Data Source:</strong> People Admin</td>
</tr>
<tr>
<td><strong>Primary User:</strong> OHR, Individual Units</td>
</tr>
<tr>
<td><strong>Timing:</strong> Quarterly</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- HR Proficiency: Recruiting

**Input and Observations:**
1. Begin with Tenured/Tenure-track faculty and top-level P&A.
2. PeopleSoft action/reason codes need redefining so actions to current appointments don’t result in “hires”. For example, adding a summer appointment for a T/TT faculty member results in a “hire” in UMReports.
3. May need additional codes in People Admin to identify reasons offer wasn’t accepted; for example, not wanting to relocate to Minnesota; inability to obtain a spousal hire; lack of cultural fit; etc.
4. Allowing for multiple reason codes in People Admin would enable greater discernment regarding reasons offers are turned down, tracking trends, determining emerging patterns, etc.
5. Need to allow access to People Admin reports for unit staff.
**Staffing**: The movement of people into faculty and staff roles, from internal or external sources

## Staffing Effectiveness

<table>
<thead>
<tr>
<th>Metric:</th>
<th>New hire failure factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula:</td>
<td>Terminations short tenure / hires * 100</td>
</tr>
<tr>
<td>Definition:</td>
<td>Terminations of short tenure employees as a percentage of total hires during a reporting period</td>
</tr>
<tr>
<td>Purpose:</td>
<td>Reflects effectiveness of recruitment process (also onboarding); likely start with one-year tenure and must exclude positions not intended to be continuing beyond one-year tenure</td>
</tr>
<tr>
<td>Why Selected:</td>
<td>Given likely number of hires with the change of senior administration cabinet in 2011 and the retirement of baby boomer generation faculty and staff members thereafter, quality hires, effective onboarding and retention of quality hires will all be important</td>
</tr>
<tr>
<td>Data Source:</td>
<td>HRMS</td>
</tr>
<tr>
<td>Primary User:</td>
<td>OHR, overall trends; Individual Units, specific job families, units, etc.</td>
</tr>
<tr>
<td>Timing:</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- Human Capital Development
- Executor

**Input and Observations:**
1. Unit objectives may necessitate analyzing this metric by employee group or job class.
2. Temporary and other positions not intended to be continuing should be excluded.
3. “Termination” needs to be defined relative to internal movement.
4. Secondary goal is to build capability to drill down to reasons for leaving within this metric.
# Workforce: Who we employ and the makeup of the workforce

## Demographics

<table>
<thead>
<tr>
<th>Metric: Forecasted turnover rate (retirement)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formula:</strong></td>
<td>initial formula: Typical turnover rate or retirement eligibility / average employees in employee group during reporting period * 100</td>
</tr>
<tr>
<td></td>
<td>secondary formula: Design more detailed statistic to include typical turnover rate, average retirement rate in specific employee category, field or discipline, plus labor market data, economic forecasts, etc.</td>
</tr>
<tr>
<td><strong>Definition:</strong></td>
<td>Anticipated employee turnover during a specified period of time</td>
</tr>
<tr>
<td><strong>Purpose:</strong></td>
<td>Identifies need for workforce planning, succession planning, training and development, and recruiting; can examine by employee group, employee function, etc.</td>
</tr>
<tr>
<td><strong>Why Selected:</strong></td>
<td>Anticipated large number of retirements of baby boomer generation faculty and staff members from the traditional workforce after the economy recovers</td>
</tr>
<tr>
<td><strong>Data Source:</strong></td>
<td>initial data: HRMS</td>
</tr>
<tr>
<td></td>
<td>secondary data: HRMS and additional sources</td>
</tr>
<tr>
<td><strong>Primary User:</strong></td>
<td>OHR, Individual Units</td>
</tr>
<tr>
<td><strong>Timing:</strong></td>
<td>initial strategy: Annually, with the fiscal year</td>
</tr>
<tr>
<td></td>
<td>secondary strategy: Goal of monthly report</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- Human Capital Development: Builds Talent
- Strategist: Shapes Strategic Focus; Ensures Alignment
- Executor: Leads Change

**Input and Observations:**
1. Overarching data should be provided at the University and campus-wide levels.
2. Ability to drill down to specific employee groups, areas of expertise should be developed.
3. Start with typical turnover rate in T/TT faculty and positions owned by a unit, such as by Facilities Management, Academic Health Center, etc.
4. Start with retirement eligibility data initially; build reports with additional recommended data in the secondary phase.
<table>
<thead>
<tr>
<th><strong>Retention</strong>: The internal engagement and satisfaction of faculty and staff members and their eventual termination of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
</tr>
<tr>
<td><strong>Metric</strong>: Turnover rate (by employee group)</td>
</tr>
<tr>
<td><strong>Formula</strong>: Total terminations by employee group/average headcount * 100</td>
</tr>
<tr>
<td><strong>Definition</strong>: Total terminations as a percentage of headcount in a particular employee group (could also analyze by FTEs)</td>
</tr>
<tr>
<td><strong>Purpose</strong>: Shows overall trends in voluntary and involuntary terminations in specific employee group</td>
</tr>
<tr>
<td><strong>Why Selected</strong>: While employee movement is not great right now, given anticipated retirements of baby boomer generation employees and the increased importance there will be on retaining employees, the organization will want to be looking at turnover more closely</td>
</tr>
<tr>
<td><strong>Data Source</strong>: HRMS</td>
</tr>
<tr>
<td><strong>Primary User</strong>: OHR, Individual Units</td>
</tr>
<tr>
<td><strong>Timing</strong>: Quarterly</td>
</tr>
<tr>
<td>Available as a report accessible on an ongoing basis</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- Human Capital Development
- Strategist: Ensures Alignment

**Input and Observations:**
1. Temporary and other positions not intended to be continuing should be excluded.
2. PeopleSoft action/reason codes need revising so changes to appointments aren’t considered “terminations.”
3. Secondary phase should include the capacity to drill down to more detailed metrics.
**Capability:** The skills of faculty and staff members and the performance of job roles, as well as the process of developing those skills and performance levels

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**Metric:** Performance appraisal participation rate

**Formula:** End of period headcount appraisal eligible performance appraisal/ end of period headcount appraisal eligible * 100

**Definition:** Percentage of eligible employees who have received a performance appraisal during a reporting period

**Purpose:** Monitors that all eligible employees receive performance appraisals

**Why Selected:** Given each employee’s performance is so critical especially now, performance appraisals are an important tool to ensure that each faculty and staff member is being held accountable for his/her performance. It seems to be time to utilize an available function of HRMS to track performance appraisal participation.

**Data Source** HRMS

**Primary User:** OHR, Individual Units

**Timing:** Annually on the fiscal year; quarterly for probationary CS/BU employees

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**HR Leadership Competencies:**
- Human Capital Development
- Strategist: Ensures Alignment

**Input and Observations:**
1. Temporary and other positions not intended to be continuing should be excluded.
2. Entry of performance appraisal participation rate into the PeopleSoft module should be required.
3. A report in UMReport should be developed for this metric.
**Capability:** The skills of faculty and staff members and the performance of job roles, as well as the process of developing those skills and performance levels

<table>
<thead>
<tr>
<th>Performance Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metric:</strong> Employee turnaround rate</td>
</tr>
<tr>
<td><strong>Formula:</strong> Performance appraisal participants previous rating low rating increase/ performance appraisal participants previous rating low * 100</td>
</tr>
<tr>
<td><strong>Definition:</strong> Percentage of employees receiving a poor performance rating at their preceding review whose rating increased during a reporting period</td>
</tr>
<tr>
<td><strong>Purpose:</strong> Gauges success of performance improvement efforts</td>
</tr>
<tr>
<td><strong>Why Selected:</strong> Measuring the employee turnaround rate will help ensure that underperforming employees are either improving their performances to at least satisfactory or are no longer part of the organization</td>
</tr>
<tr>
<td><strong>Data Source:</strong> At present: from unit database; recommend requiring data be in HRMS</td>
</tr>
<tr>
<td><strong>Primary User:</strong> OHR, Individual Unit</td>
</tr>
<tr>
<td><strong>Timing:</strong> Annually</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- Human Capital Development: Builds Talent
- Executor: Leads Change; Ensures Execution
- HR Proficiency: Performance Management

**Input and Observations:**
1. Working group feels very strongly that this is an important metric to implement in the first stage of a comprehensive metrics rollout. However, there would need to be groundwork to capture this information in HRMS. Module needs to be activated; at present only date of completion information and supervisor are active.
2. Recommend that entering performance ratings into HRMS be a requirement.
3. Recognize units are at varying stages of performance management and training and development would be required for managers and supervisors.
4. Caveat would be different definitions of performance ratings and different rating scales used across campus.
5. Secondary phase: Need to factor terminations due to performance management into this metric.
**Environment**: The maintenance of a working environment for faculty and staff members to perform their duties

<table>
<thead>
<tr>
<th>Absence/Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metric</strong>: Absence rate</td>
</tr>
<tr>
<td><strong>Formula</strong>: Absence days/ workdays * 100</td>
</tr>
<tr>
<td><strong>Definition</strong>: Total days of employee absence as a percentage of total expected workdays during a reporting period</td>
</tr>
<tr>
<td><strong>Purpose</strong>: Measures absence volume allowing for analysis of excessive undesired absences; examine by absence reason, unit, employee group, etc.</td>
</tr>
<tr>
<td><strong>Why Selected</strong>: Optimal employee performance in these times. Utilizing the ability to measure the absence rate will enable assessment of employee productivity and inform workforce planning.</td>
</tr>
<tr>
<td><strong>Data Source</strong>: HRMS</td>
</tr>
<tr>
<td><strong>Primary User</strong>: OHR; Individual Units</td>
</tr>
<tr>
<td><strong>Timing</strong>: Monthly</td>
</tr>
</tbody>
</table>

**HR Leadership Competencies:**
- Human Capital Development
- Strategist: Demonstrates Organizational and Financial Acumen; Ensures Alignment
- Executor: Leads Change; Ensures Execution
- HR Proficiency

**Input and Observations:**
1. Need to revise leave reports in UMReports, so can pull by broader units, not only by individual dept ids.
2. Initial phase: build in capacity to drill down for reason of absence.
4. Explore possibility of entering in PeopleSoft short-term medical leaves for academic employees; such as absences of one to three days; thereby enabling tracking of that data.
### Workforce: Who we employ and the makeup of the workforce

<table>
<thead>
<tr>
<th>Metric:</th>
<th>Age staffing breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula:</td>
<td>End of period headcount (age)/end of period headcount *100</td>
</tr>
<tr>
<td>Definition:</td>
<td>Distribution of headcount by age at the end of a reporting period</td>
</tr>
<tr>
<td>Purpose:</td>
<td>Provides age profile of workforce; examine by employee group, job class, etc; may help plan rewards, development, and succession planning strategies</td>
</tr>
<tr>
<td>Why Selected:</td>
<td>This data will help in workforce planning given the likely number of retirements of employees in the baby boomer generation after the economy recovers</td>
</tr>
<tr>
<td>Data Source:</td>
<td>HRMS (Work with EOAA regarding fit with current reporting)</td>
</tr>
<tr>
<td>Primary User:</td>
<td>OHR, Individual Units</td>
</tr>
<tr>
<td>Timing:</td>
<td>Available as a current report accessible on demand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metric:</th>
<th>Ethnic background staffing breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula:</td>
<td>End of period headcount (ethnic group)/end of period headcount *100</td>
</tr>
<tr>
<td>Definition:</td>
<td>Distribution of headcount by ethnic group at the end of a reporting period</td>
</tr>
<tr>
<td>Purpose:</td>
<td>Provides ethnic profile of workforce; examine by employee group, job class, etc; allows for promotion of diverse workforce</td>
</tr>
<tr>
<td>Why Selected:</td>
<td>Given the likely number of retirements, it will be important to focus on the ethnic make-up of our workforce during this period of retirements and hirings</td>
</tr>
<tr>
<td>Data Source:</td>
<td>HRMS (Work with EOAA regarding fit with current reporting)</td>
</tr>
<tr>
<td>Primary User:</td>
<td>OHR, Individual Units</td>
</tr>
<tr>
<td>Timing:</td>
<td>Available as a current report accessible on demand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metric:</th>
<th>Gender staffing breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula:</td>
<td>End of period headcount (gender)/end of period headcount *100</td>
</tr>
<tr>
<td>Definition:</td>
<td>Distribution of headcount by gender at the end of a reporting period</td>
</tr>
<tr>
<td>Purpose:</td>
<td>Provides gender profile of workforce; examine by employee group, job class, etc; allows for promotion of diverse workforce</td>
</tr>
<tr>
<td>Why Selected:</td>
<td>Given the likely number of retirements, it will be important to focus on the gender make-up of our workforce during this period of retirements and hirings</td>
</tr>
<tr>
<td>Data Source:</td>
<td>HRMS (Work with EOAA regarding fit with current reporting)</td>
</tr>
<tr>
<td>Primary User:</td>
<td>OHR, Individual Units</td>
</tr>
<tr>
<td>Timing:</td>
<td>Available as a current report accessible on demand</td>
</tr>
</tbody>
</table>

HR Leadership Competencies:
- Human Capital Development: Builds Talent
- Strategist: Shapes Strategic Focus; Ensures Alignment
- Executor: Leads Change

Input and Observations:
1. Recommend revising definitions of employee groups or building capacity to drill down to different employee groups, to meet the needs of individual units. For example, to differentiate data relative to adjunct faculty from T/TT faculty; etc.
### Recommended Secondary HR Metrics

#### Retention: The internal engagement and satisfaction of faculty and staff members and their eventual termination of employment

<table>
<thead>
<tr>
<th>Metric</th>
<th>Formula</th>
<th>Definition</th>
<th>Purpose</th>
<th>Source of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involuntary termination rate</td>
<td>Terminations involuntary/average headcount</td>
<td>Involuntary terminations as a percentage of headcount</td>
<td>Shows employer-initiated terminations; can also examine by employee group, job class, etc.</td>
<td>HRMS</td>
</tr>
<tr>
<td>Voluntary termination rate</td>
<td>Terminations voluntary/average headcount</td>
<td>Voluntary terminations during a reporting period as a percentage of average headcount</td>
<td>Shows employee-initiated terminations for resignations and retirements; can examine by employee group, job class, etc.</td>
<td>HRMS</td>
</tr>
<tr>
<td>Termination reason breakdown</td>
<td>Terminations (termination reason)/terminations * 100</td>
<td>Distribution of terminations during a reporting period by type of termination</td>
<td>Reflects mix of reasons why employees exit the organization; can examine by employee group, job class, etc.</td>
<td>HRMS</td>
</tr>
<tr>
<td>Career Advancement Measure</td>
<td>Promotions/average headcount * 100</td>
<td>Percentage of employees who were promoted during a reporting period</td>
<td>Reflects upward mobility in the workforce; can examine by employee group, job class, etc.</td>
<td>HRMS</td>
</tr>
</tbody>
</table>

### Organizational Effectiveness: The outcomes of faculty and staff members acting as an organization in a competitive higher education marketplace

<table>
<thead>
<tr>
<th>Metric</th>
<th>Formula</th>
<th>Definition</th>
<th>Purpose</th>
<th>Source of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Productivity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average span of control</td>
<td>Total span of control all supervisors/end of period headcount supervisors</td>
<td>Average number of direct reports for each supervisor</td>
<td>Can address inefficiencies if too low or infeasibility if too high</td>
<td>HRMS – Position Mngmt</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Metrics for HR Leadership working group feels that the productivity and innovation metrics are important metrics for the secondary phase. At this time, we have not identified additional substantive measures in these areas.
Implementation Recommendations

This committee does not simply recommend adoption of HR metrics but, instead, envisions a transformation of the human resources culture towards one of data-based decision making. Accordingly, implementation cannot be accomplished through a simple project plan but, instead, must be a long-term commitment to change. How to fully realize this cultural transformation is a daunting question and must be addressed by the HR Academy Steering Committee and human resources leadership in a holistic manner. While recognizing this greater connection, the committee makes specific implementation recommendations regarding human resources metrics.

The goal of the human resources metrics initiative is to transform the human resources culture to one of data-based decision making where HR leaders act as strategic organizational partners. The following implementation actions will further this goal:

1. **Lead and enable change.**
   a. Have the Vice President of Human Resources establish the vision, communicate commitment, engage key stakeholders, and dedicate resources to attain this goal.
   b. Designate specific individual(s) within the Office of Human Resources to be accountable for this initiative on a continuing basis.
   c. Establish a standing **Human Resources Metrics Team** populated mainly by employees of OHR to have responsibility for converting data into the metrics and reporting on it at a central level; serve as consultants to local HR leaders regarding routine and special metrics; coordinate collection of local data to enable internal comparisons; and plan and deliver development opportunities for the human resources community (with the HR Academy as the sponsor). We suggest that this team have representatives from OHR divisions similar to the OHR Dashboard work group but view inclusion of representatives from offices such as Institutional Reporting and Equal Opportunity/Affirmative Action as critical in furthering work on common language and definitions.

2. **Tie to strategy.**
   a. Continue to map the HR metrics to the organizational and human resources strategies especially as these strategies change and evolve.
   b. Establish a **Human Resources Metrics Advisory Council** to advise on the selection of HR metrics to ensure they are tied to the University and HR strategies and needs. This council could provide counsel to the Human Resources Metrics Team especially initially. We suggest that an advisory council meet monthly for approximately the first year in order for momentum to continue in that critical time period.
3. **Build capacity.**
   a. Assess the measurements competencies of HR leaders and develop and deliver on **annual development plans** to support the growth in knowledge and capabilities of members of the human resources community to make data-based decisions and otherwise access, utilize, and analyze HR metrics. Further ideas on working with individual HR leaders to grow these skills probably will flow from the work of the Human Resources Leadership Competencies Committee also sponsored by the HR Academy.
   b. Establish **Metrics Champions**, a “super users” group where HR leaders interested in metrics can support and learn from each other about use and analysis of metrics in an informal setting with a teleconferencing option for HR leaders on coordinate campuses. Perhaps a forum for this group could be created through moodle or similar technology.
   c. Showcase excellence through various communication methods and meetings to highlight best practices and recognize strong performance in HR metrics.

4. **Monitor progress.**
   a. At the outset, create specific goals/expectations and timeframes for the HR metrics work so that progress can be monitored. This committee has recommended several initial HR metrics for the first year of work, but feasibility of accomplishing these measurements in one year and specific prioritization of these metrics must be examined more closely. While these economic times highlight the need for reliable data for decision making, the resources necessary for underlying HRMS modifications and establishment of a measurement system may not be available to accomplish this work precisely as the committee proposes.
   b. Document when and how data is informing human resources-related decisions. Capturing and sharing instances of good use of HR metrics will be a simple but important way of promoting the evolution to a more data-based decision making culture.
Appendix A: Charge Letter to Working Group on Metrics for HR Leadership

December 23, 2008

To: Jan Batt, HR Director, College of Design  
   Cathy Fejes, HR Consultant, Academic Health Center  
   Leslee Mason, Assistant Director, MN Extension Service  
   Susan Rafferty, Director, Office of Human Resources  
   Dee Reinking, HR Director, School of Nursing  
   Shane Stennes, HR Consultant, University Services

From: Carol Carrier, Vice President

Subject: Working Group on Metrics for HR Leadership

Thank you for your willingness to serve on the Metrics for HR Leadership Work Group which was established by the Advisory Board, a steering committee for the HR Academy.

I established the HR Academy to promote a strong HR system at the University of Minnesota through professional development and enrichment of HR personnel, strengthening of HR practices, and strategic use of HR tools. An Advisory Board, serving as a steering committee for the Academy, has created several working groups to closely examine ideas, suggestions and sponsorship for programming, tools, and resources to support the continuing development of the University HR community.

The Advisory Board has created three project teams: “HR Roles and Responsibilities”, “Competencies for HR Leadership”, and “Metrics for HR Leadership”. After completion of the work of the three project teams, two additional project teams, “Performance Feedback for HR Leadership”, and “Continuous Skills Enhancement of HR Leaders” will be formed.

The HR Metrics Work Group will be led by Jan Batt, Director of Human Resources in the College of Design. You will be invited to an orientation meeting attended by members of all work groups to discuss how the work of your group intersects with the other work groups.

The scope, deliverables and timeline for this project are attached.

I thank you again for your contribution to this important effort.

CAC/kl
Enclosure

c: Linda Bjornberg, HR Director, University Services  
   Dee Anne Bonebright, Consultant, Organizational Effectiveness  
   Mychal Coleman, HR Director, Carlson School of Management  
   Linda DeBeau-Melting, HR Director, University Libraries  
   Patti Dion, Director, Employee Relations and Compensation
Project Scope

The work group will identify metrics that contribute to HR leadership and that inform strategy and planning in two primary Human Resources areas: operational issues (i.e., measures of historic or current transactional activity, such as open positions filled; or diversity data or turnover rates); and strategic issues (such as impact of performance management systems on organizational goals). The group will research best practices in HR metrics; metrics currently tracked within the University; and assess needs and current practices of HR leaders within the University community. The work group will develop an implementation plan that will include recommendations regarding centrally maintained HR metrics; recommendations for consistent metrics maintained at business unit and college levels; tools and strategies for HR leaders to collect and report metrics; and an inventory of resources regarding HR metrics best practices.

Project Deliverables

Research HR metrics, identify core metrics to be tracked on a regular University-wide basis, and recommend tools for use by HR leaders. Recommend a plan for ongoing evaluation and assessment of evolving needs.

Project Outcome

Support the development and recognition of HR leadership talent and practice throughout the University.

Project Timeline

January 2009
- Convene, charge and orient work group
- Identify resources available to research HR metrics, including other higher education institutions.
- Identify areas within the University to audit regarding currently tracked metrics.
- Check in with other working groups to ensure alignment with other projects.

February 2009
• Research the field of HR metrics, types of metrics, and best practices in public and private sector.
• Conduct needs assessment and survey current practices of HR leaders.
• Research what measures are currently tracked in different units, including centrally within the University and reporting practices.
• Research what is available via the HR Dashboard and other sources; i.e., Pulse, etc.
• Check in with other project teams re: dependencies.

March – April 2009
• Identify core HR measures that will support the University Scorecard and would be best maintained centrally.
• Identify HR metrics aligned to University and unit goals, and recommend systems and tools to track and report these measures.
• Assess model and connections with other aspects of the HR Academy.

April – May, 2009
• Develop inventory of HR metrics resources.
• Review recommendations with HR Competencies work group and HR Academy Advisory Board; review and obtain feedback from HR / OHR director group.
• Revise plan as needed.

June 2009
• Submit final recommendation to HR Academy Advisory Board

Project Team Members
Cathy Fejes, Academic Health Center
Leslee Mason, MN Extension Service
Susan Rafferty, Office of Human Resources
Dee Reinking, School of Nursing
Shane Stennes, University Services

Consultants
Ted Butler, Office of Human Resources
Michael O’Day, Office of Equal Opportunity and Affirmative Action

Twice monthly project group meetings are anticipated through June 2009.
### Appendix B: HR Metrics Resources

<table>
<thead>
<tr>
<th>Articles/Reports/Analyses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Consultative Committee Metrics and Measurement Subcommittee Report,</td>
<td><a href="http://www1.umn.edu/use">http://www1.umn.edu/use</a> Senate/fcc/metricsreport.pdf</td>
</tr>
<tr>
<td>Lawler, Levenson, and Boudreau, <em>HR Metrics and Analytics: Use and Impact,</em> Human Resource Planning vol. 27, issue 4, pp. 27 (2004).</td>
<td><a href="http://web.ebscohost.com/ehost/detail?vid=1&amp;amp;hid=78&amp;amp;sid=a3b20c77-f027-49d0-a77f-aa4d581c03cd%40SRCSM2%40bdata=JnNpdGU9ZWwhc3QtGjI2ZQ%3d%3d#db">http://web.ebscohost.com/ehost/detail?vid=1&amp;amp;hid=78&amp;amp;sid=a3b20c77-f027-49d0-a77f-aa4d581c03cd%40SRCSM2%40bdata=JnNpdGU9ZWwhc3QtGjI2ZQ%3d%3d#db</a></td>
</tr>
<tr>
<td>Sullivan, John. <em>What are the Best Metrics for a Large Organization?</em> <a href="http://www.drjohnsullivan.com/content/category/6/19/27/">http://www.drjohnsullivan.com/content/category/6/19/27/</a></td>
<td></td>
</tr>
<tr>
<td>Society for Human Resource Management: Applying the Balanced Scorecard Approach to Human Resources Functions</td>
<td></td>
</tr>
<tr>
<td>U of M President’s Emerging Leaders Program: Academic Analytics (project overview)</td>
<td><a href="http://www1.umn.edu/ohr/pel/projects/academicanalytics/index.html">http://www1.umn.edu/ohr/pel/projects/academicanalytics/index.html</a></td>
</tr>
</tbody>
</table>

### Examples of HR Metrics and Formulas


### HR Metrics Models

| International Public Management Association for Human Resources – definitions (benchmark & best practices) http://www.ipma-hr.org/content.cfm?pageid=42 |
| Saratoga Institute – model and services to measure manage, and maximize value of workforce http://www.pwc.com/extweb/service.nsf/docid/623831686DE2BC6A85255EBA0058B5C4 |
| Dr. John Sullivan & Associates – research papers, http://www.drjohnsullivan.com/content/category/6/19/27/ |

### Sample Reports and Analyses

Appendix C: HR Measurement and Metrics Definitions
Compiled verbatim from hr.toolbox.com/wiki (visited 21 May 2009)

Absenteeism: Absenteeism is defined as an employee being absent from work for any reason on a scheduled day. Some absences are justified, however many are not. Large business costs are associated with absenteeism giving rise to a need for management of absenteeism.

Some companies use disciplinary actions to help stem absenteeism, others may use incentives to reward those who are always there. A combination approach may be used as well. Some companies choose to use a “No-Fault” policy which allows employees to manage their own absences, but exceeding a preset limit results in disciplinary action or termination, and is growing in popularity because it releases HR departments from responsibilities regarding absenteeism.

Benchmarking: Benchmarking in human resources involves the identification of baseline performance levels, both internally and amongst peers in the greater HR community. This process allows an HR department to rate itself against top performers at other companies as well as identify areas needing improvement within their own organization.

Bench Strength Metrics: Bench strength analysis is a metric used to gauge the number of successors are possible for any given position. It also helps keep a good view of how the company’s talent pipeline looks. In a given succession plan, each position may have a number associated with each position indicating how many candidates are possible to fill that position. This can be used to fill vacancies as well as identify areas to train employees. In larger organizations, the bench strength of a position may have a high value, whereas a smaller company might have a low number for bench strength.

Benefits Metrics: Benefits metrics is the way in which businesses measure the cost of benefits in relation to their total revenue. There are many reportable points necessary for business management and human resources, as well as employee attraction and retention. These measurement points can show a business how they are performing in relation to their internal hiring and benefits practices, giving management a window into how a business is performing against set standards as well as in comparison to other companies.

A few common Benefits Metrics are as follows:

- cost of healthcare per employee
- cost of benefits as a percentage of total employee salary
- benefits percentage of total revenue

Candidate Acceptance Rate: Acceptance rate determines how successful a company or an organization is at hiring candidates. This can be determined by alignment of salary offer, benefits, job location, overall hiring process, and overall feeling of fitting within a company for the prospective employee. Dissatisfaction of any one of these factors can affect the acceptance rate bottom line.

Calculation of the acceptance rate is the percent of the total number of applicants hired divided by the number of applicants to a given position. If the acceptance rate is low it would be advantageous for the company to investigate the low hire rate with a simple survey to the declining applicants to determine the company’s competitiveness in the job market.
Compensation Metrics: Compensation metrics are statistics and hard data used to measure particular facets of compensation within an organization. Metrics can vary greatly based on reporting cycle and industry. However, common compensation metrics include salary levels, benefits usage, overall organizational compensation costs, revenue per employee, and cost per employee.

Cost per Hire: Cost per hire is the expenditure outlaid in order to bring a candidate on board. There are many factors affecting the total cost per hire including recruiting expenses, relocation expenses, agency and search fees, advertising, travel costs, employee referral bonuses, etc. Cost per hire can be a vital metric of reporting to prove the value of the HR department and their processes, as well as allowing for reduction in total HR cost and improve the overall recruitment process.

Dashboard: A dashboard is a graphical display within software (or a browser interface) that compiles data such as key performance metrics and displays the data for a real-time view into what is happening in the workplace. The dashboard is usually customizable to display only what needs to be displayed as selected from a whole host of metrics.

Management can utilize these tools to get a window on current business performance, view workplace trends, predict future needs, adjust focus to accommodate those needs, and much more.

HR Function Metrics: HR function metrics are used to measure the effectiveness of the HR department as a whole. These metrics measure each individual area within the HR department, unlike organizational effectiveness metrics that measures the HR department as a whole as it relates to the entire organization.

Metrics included in HR function metrics can include:

- Turnover
- Retention
- Compensation
- Training and development
- Payroll efficiency

Human Capital Strategy: Human capital strategy is a plan for management of employee resources, including recruitment, training, hiring, and retention of quality employees. This also includes forecasting of staffing needs in the future for key competencies, tracking of employment life cycles, and development of succession plans.

Human capital strategy also encompasses planning for maintenance of a flexible workforce by utilizing employees, contractors, seasonal workers, and on-demand workers to fill the work needs of an organization.

Individual Performance Metrics: Individual performance metrics are measurement points designed to give management a view into an employee’s job performance. The metrics outline many key competencies pertaining to an employee’s job and show how well they perform the tasks associated with the job.
Management can view individual performance metrics to determine how well an employee is performing in relation to others. Additional benefits include the ability to generate a performance appraisal of an individual, prepare reports, look at future trends, and create training options for the employee.

Key Performance Indicator: A key performance indicator (KPI) is a set of metrics designed to measure a company’s progress towards its goals. These metrics can be financial, non-financial, or a combination of both. These metrics are always quantifiable and set ahead of time. When KPI are set, the measurements decided on should accurately reflect the company’s goals, be specifically measurable, and should be long term factors.

KPI can include items such as:

- Repeat customers
- Program enrollment growth
- Average handle time (Call center)

Learning and Development Metrics: Learning and development metrics are used to measure the impact of an organization's development programs. Organizations need to measure the outcome of the training that is provided to employees to ensure that the development training is not a waste of time and money. In many cases, learning and development metrics are also used to track the rate at which employees have completed required training programs.

Measurement and Metrics: Measurements and metrics are used across HR function areas to evaluate performance in relationship to specific goals and to identify organizational patterns and trends. Once data has been gathered for a certain area being measured, the organization must then put this data into a usable format and compare it to other data sources in order to quantify results. In general, measurements and metrics are employed by organizations as they engage in data-driven decision making that may be part of a broader strategic planning or design process.

Common measurement and metrics tools include dashboards, surveys, diagnostics, scorecards, calculators, and benchmarking data.

Metrics Calculator: A metrics calculator is used for calculating various frequently used functions in HR. Metrics calculators are available within software packages and on the Web. These enable an HR employee to perform a needed calculation on the fly and present usable data when it is needed instead of taking time to look up the data, performing a manual calculation and then getting back to whoever needed the information. These save time and money in day-to-day operations.

Some available calculators are:

- Wage rate calculators
- New hire cost calculators
- Bad-hire cost calculators
- Turnover rate calculators
- Labor cost per employee calculators
- Performance appraisal and salary adjustment calculators
- Many others designed for organizational needs
**Metrics Technology:** Metrics help describe key performance indicators in the workforce and metrics technology is a software solution able to give functionality to the data collected as a result of metrics. Metrics technology may be a stand-alone application integrated into other systems, a stand-alone application by itself, or a web-browser based solution designed to track and maintain data from various metrics that are set for different jobs or tasks.

Metrics technology assists management in making key decisions regarding workforce, the workplace, HR, and many other functions within a given business.

**Organizational Effectiveness Metrics:** Organizational effectiveness metrics are the factors used to define a company’s achievements towards their goals. The organizational effectiveness of the HR unit within an organization measures the effectiveness of the HR unit as it pertains to the company’s overall mission. This differs from HR function Metrics in that it is a measure of the HR unit as a whole, and not how individual parts affect the HR unit’s performance.

**Payroll Metrics:** Payroll metrics measure specific statistics within an organization’s payroll system in order to track progress of the company and/or department. These measures can determine the effectiveness of the payroll department and indicate areas for growth and process improvement.

Some common payroll metrics include:

- Payroll Department Budgets
- Training Costs
- Tax Filing & Reporting
- Cost Per Payroll Payment
- Error Rates
- Days to Process New Hires
- Cost Per Payroll Inquiry
- Days to Resolve Payroll Inquiries

**Production and Operations Performance Metrics:** Production and operations metrics provide data to management regarding productivity of the staff in production and operations. This data shows key performance indicators related to various functions performed by the production and operations staff.

Management is able to use this data to provide reports, evaluate employee performance, set goals, recognize trends, project future metrics, and much more.

**Recruiting Metrics:** Recruiting metrics measure the performance of a recruitment strategy and its success in attracting, retaining, and engaging employees. Based on recruiting metrics, organizations can evaluate their recruitment processes and teams and modify their strategies to improve recruiter success and productivity.

Various metrics can be monitored in order to ensure a recruitment strategy is providing optimal results. These metrics may focus on time-to-hire, candidates contacted, candidates interviewed, candidates interviewed per hire, candidate quality, turnover, and initial performance.

**Retention Metrics:** Retention metrics are used to measure the retention in a company. This metric can gauge overall companywide retention, departmental retention, or even positional retention. Some of the metrics that may be gathered are average time in position, positive
retention, negative retention, salary ranges, and position title changes. Once a company can
determine the level of retention, they can address any potential issues with personnel turnover.

**Succession Management Metrics:** Succession management metrics are what measures the
talent pool and help define qualifications for future possible promotions. Succession
management metrics may be what management uses to determine the candidates for positions
as well as what skills are needed for a given position.

**Team Performance Metrics:** Team performance metrics are defined measures of progress
associated with a team’s performance. As opposed to measuring an individual employee, this
measures the team’s performance as a whole. Team performance metrics may also be used to
measure the progress and success of similar teams in an effort to create a benchmarking
system.

This kind of metric can indicate to management areas for improvement, as well as strengths of
the team. It can also show when individuals are not performing up to standards and are
negatively impacting the overall performance of the team.

**Time to Fill:** Time to fill is a metric reporting the average amount of time it takes to hire a
candidate from the time the HR recruitment staff receives a job requisition order for a specific
reporting period.

This metric aids HR and hiring managers in determining lead-time on bringing in a new
employee, provides a performance benchmark for HR recruiting departments, and helps to
increase productivity. This will also allow for the generation of trends in time to fill when a
department is hiring a number of applicants.

**Workforce Planning:** Workforce planning involves forecasting and planning for changes that
will affect an organization’s workforce. Organizational direction and changes to strategic
business goals may dictate that a workplace will require development and recruitment of
additional skill sets, job requirement adjustments, and increases or decreases in the staffing
levels of various business units.

Workforce planning activities aim to align employee management and recruitment with business
plans and objectives. Workforce planning should enable an organization to be fully prepared for
workplace changes and needs, as it takes into account both the current position of the
workforce and the strategic aims that will impact that position.
## Appendix D: HR Metrics Toolkit

**HR Metrics Toolkit**

**11/15/2007**

The HR Metrics Toolkit provides a number of factors that can be measured to show how HR contributes to the business. Measures such as absence rate, health cost per employee, and HR expense factor show that HR has a sense of the importance of human capital measurement in supporting business objectives.

For sample spreadsheet templates for many of these metric formulas click here.

<table>
<thead>
<tr>
<th>HR Metrics</th>
<th>Formula</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence Rate</td>
<td>([\frac{\text{# days absent in month}}{\text{(Ave. # of employees during mo.) x (# of workdays)}}] \times 100)</td>
<td>Measures absenteeism. Determine if your company has an absenteeism problem. Analyze why and how to address issue. Analyze further for effectiveness of attendance policy and effectiveness of management in applying policy. See white paper entitled Absenteeism: Analyzing Work Absences.</td>
</tr>
<tr>
<td>Cost per Hire</td>
<td>(\frac{\text{(Advertising + Agency Fees + Employee Referrals + Travel cost of applicants and staff + Relocation costs + Recruiter pay and benefits)}}{\text{Number of Hires}})</td>
<td>Costs involved with a new hire. Use EMA/Cost per Hire Staffing Metrics Survey as a benchmark for your organization. Can be used as a measurement to show any substantial improvements to savings in recruitment/retention costs. Determine what your recruiting function can do to increase savings/reduce costs, etc.</td>
</tr>
<tr>
<td>Health Care Costs per Employee</td>
<td>(\frac{\text{Total cost of health care}}{\text{Total Employees}})</td>
<td>Per capita cost of employee benefits. Indicates cost of health care per employee. Click here for benefit data from the Bureau of Labor Statistics (BLS). See BLS's publications entitled Employer Costs for Employee Compensation and Measuring trends in the structure and levels of employer costs for employee compensation for additional information on this topic.</td>
</tr>
<tr>
<td>HR expense factor</td>
<td>(\frac{\text{HR expense}}{\text{Total operating expenses}})</td>
<td>HR expenses in relation to the total operating expenses of organization. In addition, determine if expenditures exceeded, met or fell below budget. Analyze HR practices that contributed to savings, if any.</td>
</tr>
<tr>
<td>Human Revenue</td>
<td>(\text{Revenue - (Operating costs)})</td>
<td>Return on investment ratio for employees.</td>
</tr>
</tbody>
</table>

http://moss07.shrm.org/hrdisciplines/Pages/CMS_005910.aspx

2/11/2009
<table>
<thead>
<tr>
<th>Metric</th>
<th>Formula</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital ROI</td>
<td>Expense - (Compensation cost + Benefit cost) ÷ (Compensation cost + Benefit cost)</td>
<td>Did organization get a return on their investment? Analyze causes of positive/negative ROI metric. Use analysis as opportunity to optimize investment with HR practices such as recruitment, motivation, training and development. Evaluate if HR practices are having a causal relationship in positive changes to improving metric.</td>
</tr>
<tr>
<td>Human Capital Value Added</td>
<td>Revenue - (Operating Expense - [Compensation cost + Benefit Cost]) ÷ Total Number of FTE</td>
<td>Value of workforce's knowledge, skill, and performance. This measurement illustrates how employees add value to organization.</td>
</tr>
<tr>
<td>Prorating Merit Increases</td>
<td>Number of months actually worked ÷ number of months under the current increase policy × increase percentage the person would otherwise be entitled to</td>
<td>The basic steps to calculating an employees' pay increase appropriate to the period of time worked.</td>
</tr>
<tr>
<td>Revenue Factor</td>
<td>Revenue ÷ Total Number of FTE</td>
<td>Benchmark to indicate effectiveness of company and to show employees as capital rather than as an expense. Human Capital can be viewed as an investment.</td>
</tr>
<tr>
<td>Time to fill</td>
<td>Total days elapsed to fill requisitions ÷ Number hired</td>
<td>Number of days from which job requisition was approved to new hire start date. How efficient/productive is recruiting function? This is also a process measurement. See EMA/Cost per Hire Staffing Metrics Survey for more information.</td>
</tr>
<tr>
<td>Training Investment Factor</td>
<td>Total training cost ÷ Headcount</td>
<td>Training cost per employee. Analyze training function further for effectiveness of training (i.e., Has productivity increased as a result of acquiring new skills and knowledge? Have accidents decreased?). If not, evaluate causes.</td>
</tr>
</tbody>
</table>
| Training (ROI)               | Total benefit ÷ Total costs                                            | The total financial gain/benefit an organization realizes from a particular training program, less the total direct and indirect costs incurred to develop, produce, and deliver the training program (see white paper Training ROI: Answering the Return-
<table>
<thead>
<tr>
<th>Metric</th>
<th>Formula/Description</th>
<th>Calculation details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Costs</td>
<td>Total of the costs of separation + vacancy + replacement + training x 100</td>
<td>The separation, vacancy, replacement and training costs resulting from employee turnover. This formula can be used to calculate the turnover cost for one position, a class code, a division or the entire organization. Exit interviews are a useful tool in determining why employees are leaving your organization (see white paper Employee Turnover Hurts Small And Large Company Profitability for more information on this topic). Implement retention efforts. Evaluate if HR practices are having a causal relationship in positive changes to improving cost of turnover.</td>
</tr>
<tr>
<td>Turnover Rate (Monthly)</td>
<td># of separations during mo. + Avg. # of employees during mo. x 100</td>
<td>Calculate and compare metric to national average using Business and Legal Reports at <a href="http://www.bls.gov/jlt/home.htm">www.bls.gov/jlt/home.htm</a>. This measures the rate for which employees leave a company. Is there a trend? Has metric increased/decreased? Analyze what has caused increase/decrease to metric. Determine what organization can do to improve retention efforts. Evaluate if HR practices has a causal relationship in positive changes to improving metric. (See white paper entitled Employee Turnover: Analyzing Employee Movement Out of the Organization).</td>
</tr>
<tr>
<td>Turnover Rate (Annual)</td>
<td># of employees exiting the job + avg. actual # of employees during the period x 12 + # mos. in period</td>
<td>Calculate and compare metric to national average using Business and Legal Reports at <a href="http://www.bls.gov/jlt/home.htm">www.bls.gov/jlt/home.htm</a>. This measures the rate for which employees leave a company. Is there a trend? Has metric increased/decreased? Analyze what has caused increase/decrease to metric. Determine what organization can do to improve retention efforts. Evaluate if HR practices has a causal relationship in positive changes to improving metric. (See white paper entitled Employee Turnover: Analyzing Employee Movement Out of the Organization).</td>
</tr>
<tr>
<td>Vacancy Costs</td>
<td>Total of the costs of temporary workers + independent contractors + other outsourcing + overtime - wages and benefits not paid to vacant position(s)</td>
<td>The cost for having work completed that would have been performed by the former employee or employees less the wages and benefits that would have been paid to the vacant position(s). This formula may be used to calculate the vacancy cost for one position, a group, a division or the entire organization.</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>Total number of Vacant positions as of today</td>
<td>Measures the organizations vacancy rates resulting from employee turnover. This</td>
</tr>
<tr>
<td>Metric</td>
<td>Formula</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>Workers' Compensation Cost per Employee</td>
<td>Total WC cost for Year + Average number of employees x 100</td>
<td>Analyze and compare (i.e. year 1 to year 2, etc.) on a regular basis. You can also analyze trends in types of injuries, injuries by department, jobs, etc. HR practices such as safety training, disability management, and incentives can reduce costs. Use metric as benchmark to show causal relationship between HR practices and reduced workers compensation accidents/costs.</td>
</tr>
<tr>
<td>Workers' Compensation Incident rate</td>
<td>(Number of injuries and/or illnesses per 100 FTE / Total hours worked by all employees during the calendar year) x 200,000</td>
<td>The &quot;incident rate&quot; is the number of injuries and/or illnesses per 100 full-time workers. 200,000 is the base for 100 full-time equivalent workers (working 40 hours per week, 50 weeks per year.) The calculated rate can be modified depending on the nature of the injuries and/or illnesses. For example, if you wished to determine the lost workday case rate, you would include only the cases that involved days away from work.</td>
</tr>
<tr>
<td>Workers' Compensation Severity rate</td>
<td>(The number of days away from work per 100 FTE / Total hours worked by all employees during the calendar year) x 200,000</td>
<td>The &quot;severity rate&quot; is the number of days away from work per 100 FTE. To calculate the severity rate, replace the number of injuries and/or illnesses per 100 FTE from the incident rate calculation with the number of days away from work per 100 FTE. More information is available regarding the types of injuries, incident rates, and comparison to other SIC codes are available at the following website: <a href="http://www.bls.gov/iif/oshdef.htm#incidence">http://www.bls.gov/iif/oshdef.htm#incidence</a></td>
</tr>
<tr>
<td>Yield Ratio</td>
<td>Percentage of applicants from a recruitment source that make it to the next stage of the selection process. (i.e. 100 resumes received, 50 found acceptable = 50% yield.)</td>
<td>A comparison of the number of applicants at one stage of the recruiting process to the number at the next stage. (Note: Success ratio is the proportion of selected applicants who are later judged as being successful on-the-job.)</td>
</tr>
</tbody>
</table>

Compare your metrics against other organization's metric, survey data, etc. to evaluate your performance. Metrics can show the benefit of your HR practices.
and it's contribution to your organization's profit.

Benchmark data and designate time frame (plan year, fiscal year, etc.).
Compare data going forward using same time frame (year 1, year 2, year 3, etc.)
to show improvement/decline.

Acknowledgements

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HR Metrics toolkit.

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HR Planning CCH Incorporated July 17, 1996
SHRM / EMA 2000 Cost Per Hire and Staffing Metrics Survey

White Papers
Balanced Scorecard Basics on Implementation
Benchmarking in Human Resources

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http://moss07.shrm.org/hrdisciplines/Pages/CMS_005910.aspx
2/11/2009
Appendix E: University Individuals Interviewed

College of Food, Agricultural and Natural Resource Sciences
Steve Gillard: Info Tech Supervisor, College of Food, Agricultural and Natural Resource Sciences

EOAA Cube/OED Dashboard/EOAA Reporting:
Michael O’Day: Assistant Director, Office of Equal Opportunity and Affirmative Action

HRMS:
Diane Kistler: Information Technology Professional, HRMS, Office of Human Resources
Kelly Krattiger: Director, HRMS, Office of Human Resources
C.J. Madsen: Product Support Manager, HRMS, Office of Human Resources

Institutional Research:
Len Goldfine: Assistant Department Director, Office of Institutional Research

Office of Human Resources Dashboard:
Ted Butler: Associate Analyst, Human Resources/Employee Benefits, Office of Human Resources

Planning and Analysis
Peter Radcliffe: Director of Planning and Analysis, Office Planning and Analysis