Talent ROI:
Essential HR Metrics
(and how you can improve them!)

It's said that "you can't change what you don't track."

In human resources, that means choosing which data points will provide insight into your staffing pain points and choosing the right ways to track them.

In this guide, you'll learn:

- the what, why and how of tracking HR metrics;
- which metrics to track; and
- how your recruiter can help you leverage the data you collect.

What's a "Metric"?

Human resources metrics are data. Specifically, they're data that help HR professionals and companies determine whether their recruiting, training, retention and engagement efforts are generating the results they want.

By tracking these metrics, companies improve their understanding of HR efforts. They find their strengths and weaknesses, and they empower their HR staff to improve hiring results.

Why Track Metrics?

HR metrics help companies determine how the HR department's activities contribute to the company's overall business performance.

By calculating various costs and benefits associated with hiring, these metrics can reveal:

- The number and quality of candidates in your pipeline.
- How well your business is finding and retaining top talent.
- How well your staff are performing.
- How engaged they are – and how it affects your bottom line.

Metrics can also be customized to track nearly any variable a company finds meaningful.
If you can imagine it, you can track it.

What Metrics Matter Most?

On the following pages, you'll learn which numbers can help ensure you maximize the value of your most important asset:

your people.

Revenue Per Employee

Do your employees contribute at least as much to the business as it costs to keep them working?

To calculate revenue per employee:

- Choose a time frame, such as a month, or year.
- Find the total revenue for that time frame.
- Divide by the number of employees you have.

Tracking this number over time can help you understand how productive employees are.

Profit Per Employee

Measuring profit per employee can help companies determine whether they are over- or understaffed. Calculate profit per employee the same way you calculate revenue per employee, using the business profit in a given time period (instead of the revenue) and dividing by number of employees.

When you track profit per employee over time, you can see whether new hires are pulling their weight or simply making it harder for the business to get ahead.

Overtime Percentage

Is it more efficient to schedule overtime or hire a new staff member? Tracking overtime percentage can help companies answer this question.

To find your overtime percentage:

- Determine how much overtime you paid in a given pay period.
- Divide by the total payroll paid in that pay period.

When you see how much of your payroll goes toward overtime, you can determine whether it would be more cost-effective to hire new staff or to seek temporary help.

Absenteeism

High absenteeism rates are a strong indicator of employee disengagement, so companies that track absenteeism can better understand how their employees are focusing on work.

To determine an employee's absenteeism rate, divide the number of missed workdays by the total number of workdays scheduled. For instance, if an employee has 20 work shifts scheduled and misses four of them, their absenteeism rate is 20 percent.

Tracking absenteeism can reveal other patterns as well, such as which managers have the highest absence rates – and may need management training.

Employee Turnover

High employee turnover can indicate high dissatisfaction with work. Turnover is also costly for employers, since it imposes additional hiring costs to replace the person who leaves.

To calculate employee turnover rate:

- Choose a time frame.
- Find the total number of employee terminations in that time frame.
- Divide by your average number of employees during that time.

While a **20** percent turnover rate is average across the workforce overall, your company's industry may have a higher or lower average rate. When you know where you stand, you can take steps to improve.

Length of Employment

Employee loyalty and retention leads to greater business stability and reduces hiring costs.

To measure length of service:

- Subtract today's date from the employee's hire date to determine how many days the employee has worked for the company.
- Divide this number by 365.

This number is each employee's length of service.

To find the average for all employees:

- Total all employees' results from the above calculation.
- Divide by the number of employees.

Comparing employees' length of service to the average for the company can help you see who has stayed longest – which can help you start to find out what keeps them loyal.

Time to Productivity

When you make a new hire, how long does it take them to get up to speed?

Find out by calculating time to productivity as follows:

- Determine at what date the employee reached "full productivity," as your company defines it.
- Find the new hire's start date.
- Count the days between these two dates.

Tracking time to productivity can help your organization spot weaknesses in training or onboarding practices.

Time to Hire

How long does it take you to find a new team member?

To find out:

- find the employee's start date;
- find the date of their first interview; then
- count the days between.

This metric can also be adjusted to find the length of time between a job posting and hiring, between interview and offer, and similar metrics. All these numbers provide insight into the length of the hiring process and ways to reduce that time spent.

Cost Per Hire

How much does it cost to bring a new person on board?

Start by adding up all your recruiting costs.

Include cost of:

- Developing job postings and paying for postings on job boards.
- HR and management's time to recruit, screen and interview.
- Position vacancy costs, including lost productivity and stress on other employees.
- Cost of replacing bad hires.

Then, divide by the number of new hires made.

When you track cost per hire, you can better understand true hiring costs and how they **impact the quality** of your workforce.

New Hire Fail Rate

Not all new hires stay. To determine your new hire fail rate, first choose a time frame, such as “the first 90 days,” “the completion of onboarding” or “until the first performance review.” Then, calculate how many new hires quit or were fired. Divide by the total number of new hires in that time frame.

This metric can reveal how many new hires don’t complete onboarding, or how many don’t survive their first year. Over time, it can tell you whether changes to your hiring process are helping you find better candidates.

Need Help?

Staffing firms specialize in analyzing human resources and recruiting metrics.

Your recruiter can help you:

- decide which numbers to track; and
- determine how to leverage the information you acquire.

What's more, staffing agencies can help you improve key hiring and performance metrics to build a healthier bottom line.

The right partner can design solutions to:

- lower cost per hire and time to hire;
- reduce turnover rates;
- increase time to productivity;
- minimize the costs of bad hires; and
- ensure optimum staff levels to improve employee satisfaction, engagement, performance and loyalty.

To find out how, contact your staffing partner today.

What Your Staffing Partner Can Do

Talk to your staffing partner for help with:

- improving the quality of your new hires;
- gauging candidate soft skills;
- using staff capabilities intelligently; and
- finding qualified temp or contract workers.

Your recruiter can help with all this and more.