A Dictionary of People Metrics

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How to Use the People Metrics Dictionary

Sector organisations are at different stages of development in their use of metrics and collection of data. Some have well developed systems and reporting in place, while others are commencing or consolidating their expertise.

Organisations across the sector do not use common Human Resource Information Systems (HRIS) and may, particularly in small organisations, be dealing with basic systems for collecting data.

Faced with these challenges, we have developed a metrics dictionary from which the user can pick and choose, depending on their needs and priorities.

The metrics dictionary is not intended to be a prescription for data collection and reporting. Nor is it an exhaustive list of measures that HR functions can use to support the achievement of business goals; it does not, for example, prescribe a list of data fields to be collected.

Instead, the dictionary is intended to assist organisations develop strategic people reporting measures that can help them to identify trends within their workforce which can directly impact the achievement of organisational goals.

The dictionary provides 47 measures, each accompanied by an information sheet. These information sheets describe the measures in detail and provide a formula from which they can be derived. Each sheet contains technical discussion of their application, interpretation, analysis, data sourcing, limitations and targets, which may be best used by experienced HR practitioners.

The dictionary is supported by a measurement menu that provides a list of the included metrics grouped under five management areas that are impacted by the workforce.

This menu was designed to contribute to developing an organisation's understanding of its achievement and activity in these areas. These areas are:

1. **Organisational culture**: shaping and influencing the guiding principles that influence the way people in the agency behave.

2. **Succession planning:** designing and delivering processes and systems to identify and develop key individuals and roles to ensure strong succession plans are in place.

3. **Leadership development:** designing, delivering and evaluating programs and products to develop leaders.

4. **Recruitment and resourcing:** getting the right number of people, with the right skills, at the right time, to meet agency needs.

5. **Talent management:** identifying, developing and retaining talent in the agency.

The information sheets have been customised and reproduced from *Corporate Leadership Council 2005, The Metrics Standard: Establishing Standards for 200 Core Human Capital Measures* with the permission of the Corporate Leadership Council.

Formula Abbreviations

Formulas in the dictionary include abbreviations that follow the common mathematical conventions:

/ divide

* multiply

. indicates a sub-section or category of data. For example, Terminations. Involuntary indicates that this formula only requires data related to involuntary terminations.

( ) parenthesis – perform the operations inside the parenthesis first.

Measurement Menu

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#	Measure	OC	SP	LD	R&R	TM
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OC=Organisational Culture; SP=Succession Planning; LD=Leadership Development; R&R=Recruitment and Resourcing; TM=Talent Management

1. Employment Brand Strength

Applications

This measure will be especially useful for those organisations that have high turnover, low levels of employee commitment or low offer acceptance ratios.

Description

It is a relative measure of the attractiveness of the organisation's employment value proposition.

Formula

Survey results.

Interpretation

Employment Brand Strength represents an index of survey questions and/or quantitative metrics designed to represent the employment value proposition of the organisation.

The employment brand can help an organisation attract and retain the talent it needs to achieve its strategic goals. Components of the employment brand include remuneration and benefits, work environment, work-life balance, organisational culture and environment, and brand strength.

An index of Employment Brand Strength is likely to incorporate assessments of three perspectives of these components.

First, organisations can assess internal perception of the employment offer and, where appropriate, can measure the closeness of those perceptions to reality.

Second, organisations can assess external perception of the employment offer. Such perceptions are often solicited from applicants, potentially including applicants who are hired, those who are passed over and those who reject employment offers.

Third, employers may also assess media coverage or other external distribution of information about the organisation and its employees.

In general, new employees tend to be less aware of organisational characteristics than of the specific requirements and characteristics of the job for which they are hired. Applicants' awareness of the organisation during the recruitment process may impact performance once hired, especially awareness of the organisation's level of risk-taking and development opportunities.

Data Sourcing

Typically, data for this measure is sourced from the responses to one or more questions from employee and applicant surveys, as well as from externally produced documents.

Analysis

Employment Brand Strength may be analysed by function, business unit and location to identify areas of high and low results for targeted interventions and best practice benchmarking. The measure can be analysed by characteristics of employees and applicants completing surveys to determine how satisfaction levels vary.

Such dimensions for analysis could include employment level, pay grade, gender, ethnic background, age, tenure and job title.

Limitations

The value provided by this measure depends heavily on the effectiveness of indexing methods and

survey design and delivery in accurately reporting employees' opinions. It does not reveal anything about the productivity of the workforce or any link between employment brand and organisational performance.

Additionally, all survey measures represent employee perceptions at a point in time and can reflect recent events.

Targets

Targets for this measure will depend on the scale used for the index or survey question responses. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable metrics, survey questions and survey methodology.

Organisations would aim for as high a level of employment brand strength as reasonably achievable, given the organisational context.

2. External Hire Rate

Application

This measure will be most useful for organisations wishing to monitor renewal of their workforce, the rate at which new employees are entering the organisation and hiring volume as a result of recruitment activities.

Description

External hires as a percentage of average headcount during the reporting period.

Formula

External hires I Average headcount * 100

Interpretation

External Hire Rate measures the percentage of the current workforce hired from external sources (may include recruits from outside the public service as well as from other public service agencies) within the reported period, indicating both the relative newness of an organisation's workforce and the relative volume of recruiting activity of the staffing function.

When paired in analysis with the termination rate, an organisation can monitor the renewal of the workforce or the extent to which certain populations are passing through a revolving door of employment with the organisation.

A very low figure may indicate low turnover or contraction of the workforce. A very low level of new entrants into the employer 's workforce can also potentially foster insularity, thereby inhibiting innovation and creating a stagnancy of skills and ideas.

A very high External Hire Rate may indicate expansion of the workforce or high turnover. Generally, organisations will always have some external recruitment activity, which is beneficial for the fostering and growth of new ideas.

However, high levels of external recruitment reflect large costs to the organisation, including the direct costs of hiring as well as the indirect costs of productivity ramp-up and

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dilution of organisation culture.

Data Sourcing

Organisations typically source data related to hires from payroll systems, but information may also be sourced from thee-recruitment system.

Analysis

It is helpful to analyse this measure by the employee populations for which the employer wishes to monitor churn and growth. Such dimensions often include age, ethnic background, employment level, job family and organisational unit.

Limitations

External Hire Rate does not indicate the extent to which external hires serve as replacements for separated employees or those moving to new positions. The measure does not indicate how long new hires remain with the organisation or how many external hires were previously employed.

While the measure broadly indicates the relative hiring activities of the staffing function, it does not measure any of the activities involved in filling vacancies efficiently and effectively.

Targets

For most organisations, the majority of external hires are brought in to replace separated workers. For these organisations, hire rates are correlated with separation rates; therefore, a common target is to move results toward the 25th percentile of a relevant benchmark group.

However, organisations that are growing rapidly, launching new businesses or locations, or fundamentally changing the workforce through external hiring, are likely to set a higher target to move results toward the 50th percentile or higher.

Where absolute targets are set, such targets are typically based on consideration of Separation Rate targets as well as growth or contraction strategies.

3. Recruitment Source Breakdown

Application

This measure will be most useful for organisations that use multiple channels to publicise employment opportunities and attract candidates.

Description

Distribution of hires by recruitment source, including referral, rehire, agency, etc.

Formula

Hires . [Source group] / Hires * 100

Interpretation

Recruitment Source Breakdown presents the composition of hires by the recruitment channel through which those hires first learned of the job opportunity. Note that the channel through which an employee first learned of the opportunity is not necessarily the same channel through which that employee submitted an application.

Graphically, the data is presented as a percentage of total hires, i.e. a stacked bar graph.

Candidates may hear about job opportunities from a variety of sources, including:

- current or former employee

- career centre

- contacted by someone

- informational interviews

- recruiting event

- newspaper ad

- employment website

- recruiting agency or headhunter

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- third-party employment website.

While a sourcing channel may not have a significant impact on the performance of new staff, certain channels may be leveraged to increase retention.

The channels most likely to impact an employee's intent to stay with the organisation are current or former employees, informational interviews, contact from someone at the organisation, the organisation's website and a recruiting agency or headhunter.

Therefore, organisations may wish to monitor Recruitment Source Breakdown to ensure leverage of sources that can impact retention. Organisations can also track this measure to help monitor vendor relationships and technology investments.

For example, if an organisation sees a growing proportion of hires sourced from its own website, it may wish to invest more resources in posting timely and accurate information to the site and investigate whether its website technology is sufficient to handle increasing traffic.

Recruitment Source Breakdown can also help organisations to monitor recruitment costs, as costs can vary widely across channels.

Data Sourcing

Organisations typically source data related to recruitment sources-that is, the source from which a hire first heard about the job opportunity – from a recruiting system (such as http://careers.vic.gov.au/). The information might be gathered from the employment application or from orientation or onboarding surveys of hires. If an organisation does not capture the source from which the employee first learned of the job opportunity, it may instead track the channel of application to implement the variation measure Recruitment Source Breakdown – Applications.

Analysis

Organisations can analyse Recruitment Source Breakdown by various job characteristics to assess how channel sourcing varies among job type. Dimensions for such analysis include occupation, employment level, job function, job family, job title and pay grade.

Organisations can analyse the measure by organisational unit or location to determine how sourcing differs across talent pools or across decentralised recruitment functions.

Limitations

Recruitment Source Breakdown only indicates the sourcing of hired applicants; it does not indicate the applicant volume from any channel. While various sources will tend to incur higher operational expenses than others, this measure does not provide actual recruitment cost data. Recruitment Source Breakdown does not indicate the recruitment cycle time of any channel or the satisfaction of hires with the recruitment process.

Targets

As this is a breakdown measure, targets for Recruitment Source Breakdown would be necessary for the individual channel components.

In setting targets for those components, organisations are likely to consider the relative costs of operating through various channels, including vendor fees, commissions, technology expenses and the productivity costs of internal support of the channels.

Organisations should also consider the historical yield of hires from each channel, as well as the performance and retention experience of hires from those channels.

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4. Rehire Rate

Application

This measure will be useful for organisations that find there are productivity and cost advantages to hiring former employees. It will be especially useful for organisations that have specific initiatives around rehires, such as an alumni tracking process or alumni networks.

Description

Rehires as a percentage of total hires.

Formula

Rehires / Hires * 100

Interpretation

Rehire Rate indicates the percentage of external hires during the period who are former employees of the organisation. Rehires are seen as desirable by many organisations because they typically require less investment in recruiting and onboarding.

Their productivity ramp-up time is typically less than that of employees new to the organisation and they may already have a strong understanding of organisational history, processes and culture.

Organisations generally make offers to alumni who performed well during their former period of tenure, reducing the uncertainty of future performance inherent in the hiring process.

An employer who actively recruits former employees, through alumni tracking tools or other initiatives, can use this measure to gauge the success of those initiatives. The measure can also be broadly useful as a lagging indicator of labour market changes and as a potential leading indicator of onboarding and productivity costs.

For example, an increasing Rehire Rate with steady hiring volume and without increased focus on a rehire program may indicate an improvement in the organisation's employment

offer relative to talent competitors.

Higher relative volume of rehires means that today 's hires are likely to require less training and ramp-up effort in the immediate future.

Data Sourcing

Organisations typically source data for this measure from a job table in an HRIS, where rehires are typically flagged by different action codes than other hires.

Analysis

It is helpful to analyse this measure to isolate any populations targeted by rehire initiatives, such as by occupation, job function, job family, age or location. It is also helpful to analyse Rehire Rate by other dimensions for which recruiting strategies are likely to vary, such as by organisational unit and employment level.

Limitations

Rehire Rate measures the level of rehires relative to the magnitude of total hires and does not indicate hiring volume relative to the size of the workforce. It does not indicate the level of tenure the employee previously had with the organisation prior to terminating. It also does not indicate the duration of an employee's time away from the organisation.

Targets

Targets for Rehire Rate may be most useful when set on an absolute basis rather than relative to a benchmark group, due to variation in organisations' hiring volumes and the potential for inconsistency in quality of rehire across organisations (e.g. an organisation seeking to rehire only high-performers versus one seeking to rehire both high- and mid-performers).

However, organisations that find advantages to hiring former employees and that are comfortable with the appropriateness of the benchmark group would target moving results toward the 751 percentile.

Absolute targets will depend heavily on the overall hiring activity of the organisation and the intensiveness of rehire initiatives. Employers especially focused on rehires as a

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recruitment source are likely to target moving results toward 10 to 20 per cent per year.

5. Career Path Ratio (Promotion Rate)

Application

This measure will be most useful for organisations that regard internal movement of employees as strong developmental opportunities, or that focus on promotions to gauge success of internal grooming of managers, performance management process of controls or compensation cost management.

Description

Number of employees internally promoted for every employee internally transferred to a new position.

Formula

Promotions / Transfers

Interpretation

Career Path Ratio indicates the ratio of promotions to transfers occurring within a given period. A Career Path Ratio of .5 (i.e. a ratio of 1:2) means that there were two transfers for each promotion that occurred within the period.

Promotions, or upward movements, can occur either when someone is promoted through the performance management process or when someone assumes a position that is at a higher level than their current one. Such events ideally signify strong individual performance and readiness to assume higher levels of responsibility. Promotions can be viewed as an essential component of the organisation's recognition of and reward for strong performance.

Transfers, or lateral movements, are considered by many organisations to be a positive contributor to development, where employees are gaining additional experience from new functional areas or business units.

This new experience broadens employees' skill sets, exposes them to a wider scope of activities performed by the business and expands their personal networks throughout the

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organisation.

However, excessive employee movement can result in productivity losses from vacancies and ramp-up time in employees' new roles. Therefore, organisations must balance the development opportunities and organisational agility benefits of movement with the risk of fostering identity crises among employees.

Comparing upward to lateral movements helps organisations understand the employee experience in terms of the movement opportunities available and the mix of movement they see happening for others.

The mix of movements is part of the organisation's 'offer' to employees, helping to drive engagement and retention as well as employment brand strength.

High results signal that promotions are a frequent occurrence and there is formidable opportunity to move up through the ranks, or that lateral moves are rare.

Low results may mean that promotions are more tightly controlled or that vast opportunities exist for lateral movement.

Data Sourcing

Organisations typically source data related to transfers and promotions from the job table of an HRIS. An alternative method of capturing transfer data is to use only those transfers that are documented as filling a requisition in a recruitment system.

This is a more difficult method of capturing and benchmarking transfers, but it might suit certain organisations for the particular information they seek from this measure.

Analysis

Career Path Ratio is commonly analysed across a broad range of analysis dimensions aimed at understanding how various populations gain new experience within the organisation. Such dimensions include tenure, ethnic background, gender, employment level, occupation, job function and pay grade.

To identify the potential issue of performance management process controls, it is helpful to analyse by organisational unit, manager and performance rating.

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Limitations

This measure does not indicate the volume of transfers or promotions relative to the size of the workforce. It does not differentiate among transfers between highly-related cost centres, transfers between functions and transfers between diverse business units or divisions.

It does not address whether promotions occur in the normal course of performance reviews or as movements into higher- level positions in other units. Nor does it indicate at what hierarchical level promotions take place. The measure does not represent the productivity costs of employee movement and resulting vacancies.

Targets

Targets will vary based on employers' performance management strategies and policies as well as individual employee performance.

For example, employers aiming to make fairly liberal use of promotions in the movement mix would likely target moving results toward the 75th percentile of a benchmark group, as might high-growth organisations wishing to groom internal managers. Employers aiming for limited awarding of promotions or focused on developing cross-functional expertise might target moving results toward the 25th percentile.

Benchmark data must be used with the understanding that other employers' strategies and policies around transfers and other movements may differ substantially.

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6. Internal Movement Rate

Application

This measure will be most useful for organisations that have established strategies around use of internal talent for reducing turnover and improving development opportunities.

Description

Percentage of employees that moved internally during the reporting period, including transfers, promotions and demotions.

Formula

Internal movements / Average headcount * 100

Interpretation

Internal Movement Rate indicates the percentage of the workforce that has moved internally during the period. Internal movements are those resulting from employees' internal job changes within the organisation, whether through actions of transfer, promotion or demotion.

For example, an Internal Movement Rate of 40 per cent means that 40 per cent of employees in the organisation have experienced one of these movements within the period.

Many organisations consider internal movement to be a positive contributor to employee development, where employees are either moving upward into positions of greater responsibility or moving laterally to gain additional, beneficial functional or business unit experience.

Internal movements also improve organisational costs and efficiencies in instances where employees who would have otherwise sought a new position externally instead find new roles internally that suit them. While demotions would not likely signify positive employee development, most organisations very rarely demote employees.

Organisations that experience excessive internal movement of employees risk productivity losses resulting from high vacancies and ramp-up time in new roles. Therefore,

organisations must balance the development opportunities and organisational agility benefits of movement with the risk of fostering identity crises among employees.

Data Sourcing

Organisations typically source data related to internal movements from the job table of an HRIS.

Analysis

As this measure focuses on movement as a development opportunity, analysis is commonly performed by demographic or positional characteristics by which employers monitor development, such as tenure, age, ethnic background, gender, supervisor, organisational unit, occupation and job family.

Limitations

This measure does not indicate the extent to which an employer fills roles using internal movement

as opposed to external hires. Internal Movement Rate looks at all internal movements and does not differentiate between upward, lateral and downward movements. The measure does not indicate which internal movement opportunities might have prevented a likely termination.

Targets

Targets will vary based on organisations' strategies and policies around internal movement. Organisations wishing to make heavy use of internal movement for employee development opportunities will likely target moving results toward the 751 percentile of a benchmark group, or an absolute result of approximately 30 to 50 per cent per year (assuming all transfers, promotions and demotions are included).

7. Promotion Speed Ratio

Application

This measure will be most useful for organisations that operate in fast paced industries subject to rapid turnover of high-performing employees, and for organisations that are concerned about promotion speed as a possible driver of undesirable turnover.

Description

Average position tenure, in years, prior to promotion.

Formula

Total position tenure prior to promotion / Promotions

Interpretation

Promotion Speed Ratio indicates, for employees that were promoted during the period, their average tenure in position prior to promotion.

For example, an employee promoted two years after being hired into a position has Promotion Speed Ratio equal to two years. An employee who is hired, then transfers to a new unit after one year, and then gets promoted after one more year, has Promotion Speed Ratio equal to one year.

Promotions ideally signify strong individual performance and readiness to assume higher levels of responsibility.

Additionally, promotions are often viewed as an essential component of the organisation's recognition of and reward for strong performance. The speed at which promotions occur is often quite telling about an organisation's internal movement strategies and norms.

Many organisations operate under norms in which employees are generally expected to be in position for a couple of years before they are seriously considered for promotions.

A growing number of organisations, especially those in industries that are rapidly changing or that average consistently low tenure, operate under much faster-paced promotion

cycles.

For these organisations, high-performing talent can be fickle and may quickly seek new job opportunities if upward development is not readily available. Even more traditional organisations are likely to have pockets of talent in particular functions or age groups that expect faster promotion cycles.

This measure can help organisations monitor promotion speed to ensure it is fast enough to keep high-performing employees engaged to moderate the risk of termination if promotion opportunities are rare.

Alternatively, this measure can be used to ensure that employees spend sufficient time in their role prior to promotion to ensure adequate understanding of the role and preparation for the responsibility commensurate with the promotion.

Data Sourcing

Data related to promotions are typically sourced from the job table of an HRIS. Populating this measure also requires identification of employees' movement into positions in order to calculate tenure in position.

Analysis

Promotion Speed Ratio is commonly analysed across a broad range of analysis dimensions aimed at understanding the organisation's rising managers and high-performing workforce. Such dimensions include age, tenure, employment level, occupation, job function and pay grade.

To identify potential issues of performance management process controls, it is helpful to analyse by organisational unit, manager and performance rating.

Limitations

One important consideration for Promotion Speed Ratio is that it measures the speed for the promotions that occur; employees never promoted will never enter into this measure.

Also, it does not address whether promotions occur in the normal course of performance reviews or as movements into higher-level positions in other units. Without further analysis, it does not indicate at what hierarchical level promotions take place.

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Targets

Targets will vary based on organisations' promotion strategies and norms.

Employers operating in talent markets that expect fast promotion cycles, or that wish to leverage fast promotion cycles as a differentiator of the employment brand, are likely to target a Promotion Speed Ratio to move toward the 25th percentile of the benchmark.

Other organisations are likely to target moving results toward the median of the benchmark group.

8. Average Time to Fill

Application

This measure will be most useful for organisations that wish to measure the efficiency and timeliness of their recruiting process. It will be more useful for those with a high proportion of hires that they need to fill near term as opposed to long-term requisitions.

Description

Average number of days elapsed between requisition date and offer acceptance for internal and external hires.

Formula

Total days to fill / Offers / Accepted

Interpretation

Average Time to Fill measures the average length of time that elapses from the date a job vacancy is opened to the date a candidate accepts an offer to fill the position. In many cases, organisations use this measure as an indicator of the efficiency of the recruiting process. Most requisitions, when opened, represent a current or impending vacancy or a newly created position.

To minimise productivity losses and other organisational costs, employers aim to shorten the duration of these position gaps. When hires are needed as soon as possible ('asap' hires), Average Time to Fill can be an appropriate measure of the timeliness and efficiency of the recruiting process.

However, employers may also have requisitions that are created many weeks or months in advance of when the hire is actually needed (long-term hires). Recruiters may have flexibility to either reprioritise these requisitions or simply take a greater amount of time and care in developing advertising,

screening applicants and performing other pieces of the recruiting process, as long as that does not hamper the organisation's prospects for securing top candidates.

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Average Time to Fill may be greatly impacted by the effectiveness of processes that take place even before a requisition is opened, such as planning and needs definition processes, as well as the requisition design process.

Organisations with high results for Average Time to Fill may wish to investigate these preparatory process steps in addition to those constituting the days to fill a requisition.

Other recruitment activities that may impact cycle times include resume collection, selection of candidates to interview and selection of candidates to hire.

Average Time to Fill is very similar to Average Time to Start, which measures elapsed time from the date the requisition is opened to the actual start date of the hire.

Average Time to Start will be a more useful measure in assessing how quickly hires are in seat for positions that were vacant, while Average Time to Fill does not factor in the delay between offer acceptance and actual start date, which can vary from one day to several months.

Data Sourcing

Organisations typically source requisition dates and offer acceptance information from an e -recruitment system or from the recruiting table in an HRIS.

Analysis

This measure may be analysed by organisational unit, location job function, pay grade, employment level, occupation or job family to determine how process efficiency varies across job requisition types and organisational areas. Also, organisations may wish to break down the Average Time to Fill into component pieces of the recruiting process, such as advertising, screening, interviewing, etc.

Limitations

Average Time to Fill, as mentioned, does not take into account the requisitions that need to be filled short term versus long term.

Average Time to Fill ignores possible delays in the full recruiting cycle caused by the elapsed time between offer acceptance and actual start date. It does not speak to the quality of hires or the cost of the recruitment process. Also, it does not measure any aspect

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of the volume of candidates flowing through the recruitment process.

Targets

In setting targets, organisations may consider the typical composition of requisitions and the processes and challenges that accompany that composition. This composition can include requisitions at various employment levels and pay grades, various job skills sought and the proportion of 'asap' hires needed versus long-term hires.

Targets relative to a benchmark group for Average Time to Fill will only be relevant to the extent that organisations have similar hiring needs (e.g. types of positions, advance notice of vacancies) and similar patterns for near- and long-term requisitioning.

Within a relevant benchmark group, an organisation would wish to target moving results toward the 25th percentile to achieve high efficiency, assuming quality of new hire fit and performance can be maintained at this level.

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9. New Hire Failure Factor

Application

This measure will be most useful for organisations that are focused on the effectiveness of the recruiting function in hiring employees who will not separate within a very short time frame.

Description

Separations of low-tenure employees as a percentage of total hires during the reporting period.

Formula

Separations . Short tenure / External hires * 100

Interpretation

New Hire Failure Factor represents one perspective on turnover levels within new external hire populations. As an alternative to viewing separation rates within various tenure levels, New Hire Failure Factor instead compares 'short tenure' separations to the number of external hires made within the period.

The turnover of a very short tenured employee may be due to any number of factors, such as poor organisational fit, poor understanding of the position, poor onboarding or inadequate qualifications to perform the job duties.

While some of these factors manifest themselves post-hire, many of these factors are seen as at least somewhat controllable within the recruiting process.

For example, while it may be the employee's own misunderstanding of the position that caused a separation, an organisation might determine that the recruiting process did not properly describe the position for the applicant. In this way, New Hire Failure Factor can be used as an indication of recruiting effectiveness.

A similar, commonly used metric is Separation Rate- < 1 Year , and many variations on this metric are possible. While separation rates compare short tenure separations to average

headcount, New Hire Failure Factor compares them to hires made during the period.

Data Sourcing

Organisations may calculate tenure using a hire date, though many calculate tenure using an adjusted hire date that may include tenure from previous periods of employment with the organisation.

For this measure, however, tenure of current employment is preferable to adjusted service tenure. Organisations typically source hire and separation data from job tables within an HRIS.

This measure requires the organisation to define 'short tenure'. Employers implementing this and other measures may think of short tenure as a tenure level at which employee contributions have not exceeded the organisation's investment in hiring and training.

Most organisations define short tenure as a period of three to 12 months' duration, depending on context or the level of the job. Other permutations may be used based on the organisation's own context.

Analysis

Organisations may analyse New Hire Failure Factor by a number of subgroups and characteristics

to identify high- or low-result pockets within the organisation and further investigate recruiting and onboarding process gaps. Some dimensions used for such analysis include age, occupation, job family, job function, organisational unit, employment level, ethnic background and gender.

Limitations

One important limitation of New Hire Failure Factor is that, from time period to time period, the separations considered in this measure may not be part of the same group of hires considered by this measure. In other words, the numerator and denominator of this measure are not perfectly temporally matched.

There is also no easy way to perfectly differentiate failures in the recruitment process from failures in onboarding or other factors controlled more by the management of the

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organisational unit rather than the recruiting process. Finally, this measure does not, without further analysis, distinguish among the various reasons employees separate.

Targets

Because New Hire Failure Factor represents organisational costs of turnover and, to some extent, a failure in the recruiting process, most organisations will target moving New Hire Failure Factor results toward the 25th percentile or lower within a relevant benchmark group.

Certainly, organisations might have higher targets if they expect temporary fluctuations (e.g. reorganisations) or if they are working from a very high result gradually to a lower level over a period of years.

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10. New Hire Performance Satisfaction (Progression)

Application

This measure will be most useful for organisations with relatively high turnover among low-tenure employees or that will incorporate feedback on hiring processes to improve future recruiting effectiveness.

Description

An indication of how well recent hires are performing within their positions.

Formula

Survey results.

Interpretation

New Hire Performance Satisfaction represents a survey index or set of questions posed to the managers of recent hires to determine the performance levels of those recent hires.

Organisations can use a gauge of new hire performance to assess the effectiveness of the recruiting process in delivering high-quality, well fitting candidates. Employers may choose to wait until employees receive their first performance appraisal and use the appraisal rating as an indication of new hire performance.

However, the recruiting function may find it more useful in modifying processes to receive feedback closer in time to the actual hiring decision.

Early feedback on performance three to six months post-hire may be considered more directly telling of recruiting effectiveness, while a performance rating a year into the employee's tenure may be influenced by many other factors.

Survey questions for the managers of recent hires typically assess how well new employees are meeting expectations, how well they are adapting to the organisation's culture, whether their skills and experience match what was described in the interview process, and their

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likelihood of success.

Data Sourcing

Organisations typically source data for this measure from performance reviews or responses to one or more questions from surveys for managers of new employees. The survey data is most useful if it is delivered consistently at a certain point of tenure, e.g. within three to six months.

Analysis

Employers may analyse this measure by organisational unit, location, occupation, job function, pay grade, employment level or job family to assess recruiting process effectiveness among various job categories.

Limitations

As a subjective measure of performance, New Hire Performance Satisfaction will only be as accurate as the perceptions of surveyed managers elicited by the survey.

Since true performance or fit with a role is sometimes not apparent for months or even years, the recruiting function should also solicit feedback from separation data at all tenure levels to evaluate recruiting effectiveness.

Targets

The scale used for the index or survey question responses will influence targets for this measure. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable survey questions and survey methodology.

Organisations would aim for as high a level of manager satisfaction with new employee performance as is reasonably achievable given the organisational context.

11. Recruitment Cost per Hire

Application

This measure will be most useful for organisations that have a centralised or easily identifiable recruiting function and have experienced recruiting process inefficiencies.

Description

Recruitment expense per hire, including internal and external hires.

Formula

Recruitment expense / Hires

Interpretation

Recruitment Cost per Hire indicates the organisational costs of filling a position with either an internal or an external candidate.

Recruitment costs include direct costs of filling positions, such as advertising costs, agency fees, travel reimbursement of candidates or interviewers, screening tests and relocation allowances.

Recruitment expenses are also likely to include the overhead costs of operating the recruiting function, such as the salaries of recruiters, the costs of maintaining a resume bank, the costs of sending communications and printing collateral, etc.

In addition, recruitment expenses can include indirect productivity costs of hiring managers and others called on to interview candidates, though such costs are difficult to quantify.

High Recruitment Cost per Hire may be driven by process inefficiencies, poor technology, ineffective advertising, excessive relocation allowances or travel expenses, or other inefficiencies.

However, recruitment costs must be considered in light of the potential costs and benefits of acquiring desired candidates. A high result for this measure may represent a worthwhile investment if costly recruitment attracts high-value employees or drives extremely high

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retention. Conversely, low recruitment costs may be undesirable if the process results in candidates that poorly fit the employer 's need.

Organisation results for this measure might also vary based on relative hiring volume, as many overhead costs are fixed costs. When spread across a high number of hires, a recruiting function may achieve some economies of scale that it would not achieve in periods with little hiring activity.

Other expense types are variable based on applicant or hiring volume and are not conducive to achieving any economies of scale, such as screening tests, interviewer productivity losses and travel reimbursements.

Data Sourcing

Information may be obtained from e-recruitment systems. Organisations may also source recruitment expenses from financial ledgers. Some organisations add a flat cost or percentage mark-up to include an estimate of lost interviewer productivity in addition to the direct costs that would be represented in ledger items.

Organisations may wish to source the number of hires for this measure from a recruiting database if all jobs are filled (both internally and externally) using job requisitions. Otherwise, hire and internal movement actions from an HRIS job table may be used to source hire data.

Analysis

Organisations may analyse this measure by organisational unit or location to identify areas of strength or concern among a decentralised recruiting function. Within these areas, or for the full organisation, it will be useful to analyse this measure according to various job-related dimensions to understand the differing costs of recruiting for various positions.

Common dimensions for such analysis include occupation, job family, job function, pay grade and employment type. Where possible, it may also be helpful to analyse this measure by recruitment source, such as referral, internet, agency, internal etc., and by recruitment expense type.

Limitations

Recruitment cost per hire does not indicate the quality of hire recruited, and it provides only

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an indirect indication of the timeliness of the recruiting process. It does not indicate the relative volume of hires, which might impact on the organisation's ability to achieve economies of scale from the recruiting function. Also, it does not provide any indication of participants' satisfaction with recruitment processes.

Targets

Targets for Recruitment Cost per Hire will depend on several factors including the volume of expected hiring, the nature of the candidates recruited, the positions they will fill and the channels used for recruiting.

Many organisations choose to set relative targets between the 25th percentile and the median of a relevant benchmark group. Organisations targeting a low result for this measure must also consider the impact of a low result on quality of hire and long-term prospects for employee retention.

12. Involuntary Termination Rate

Application

This measure is broadly applicable across a wide range of organisations. It will be especially useful for organisations that regularly terminate poor performers or that initiate occasional layoff actions.

Description

Involuntary terminations as a percentage of average headcount.

Formula

Terminations. Involuntary / Average headcount * 100

Interpretation

Involuntary Termination Rate measures employer initiated terminations relative to the size of the workforce. It reflects the extent to which the organisation has intentionally terminated employees through performance management outcomes, organisational skill adjustment or downsizing efforts.

A result of 15 per cent means that involuntary terminations equated to 15 per cent of the workforce.

Involuntary turnover can have negative consequences on an organisation, related to cost, efficiency, productivity and customer service. Involuntary terminations resulting from layoffs or other organisational shifts are not likely to require replacements and therefore do not create significant productivity or recruiting costs.

However, such terminations can have a significant impact on the morale and productivity of remaining employees. Ongoing terminations of this kind can also signal greater strategic and financial concerns for the organisation or poor workforce planning practices.

Involuntary terminations of other types, such as termination for performance reasons, carry different but also significant organisational impact. Employees involuntarily terminated for these reasons must typically be replaced, resulting in productivity losses, recruiting costs

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and onboarding costs.

Effects may also be seen in morale, workload and stress levels of existing employees. These terminations often indicate failures within the recruiting process (e.g. the hiring of unqualified applicants), the onboarding process (e.g. the failure to properly train in procedures) or the performance management process (e.g. the failure to turn around poor performance or follow progressive disciplinary procedures).

Investigating involuntary terminations can help an organisation pinpoint process failure and target improvements to reduce costs and productivity losses.

Organisations use Involuntary Termination Rate to help approximate the costs of replacements and productivity losses. Beyond this, however, Involuntary Termination Rate can be a lagging indicator of recruiting, onboarding and performance management effectiveness.

Use of action reason codes (e.g. violation of policy, poor performance) and manager interviews can help pinpoint problem areas for the organisation that are driving unwanted involuntary turnover.

Data Sourcing

Organisations typically source termination actions from a separation reason in a job table. Involuntary terminations are typically mapped to include layoffs, terminations for cause and other employer initiated terminations.

Analysis

Employers can analyse Involuntary Termination Rate by a large number of subgroups and characteristics to identify high- or low-result pockets within the organisation for best practice sharing or corrective action.

Common dimensions used for analysis on this measure include organisational unit, tenure, performance rating, occupation, job family, job function, employment level, ethnic background, age and gender.

Limitations

Without additional analysis, Involuntary Termination Rate does not indicate the specific reasons for terminations or whether certain terminations were considered preventable. This

measure provides only an indirect indication of the process failures and organisational costs of involuntary terminations. Specific or estimated expenses and productivity losses must be taken into account to assess turnover costs.

Targets

Most organisations target moving their Involuntary Termination Rate results toward the 25th percentile or below of a relevant benchmark group of similar talent pools or industry conditions.

Certainly, organisations might have higher targets if they expect temporary fluctuations (e.g. layoffs) or if they are working from a very high result gradually to a lower level over a period of years.

13. Retention Rate

Application

This measure will be most useful for organisations that employ turnover targets which are based on retention of existing employees rather than reduced turnover of existing employees.

Description

Percentage of all headcount during the period that did not terminate.

Formula

(Start of period headcount + External hires Terminations) / (Start of period headcount + External hires) * 100

Interpretation

Retention Rate for a specified period measures the percentage of all employees present at any point during the period that are still with the organisation at the end of the period.

In a yearly view, this measure answers the question, 'What percentage of all the people who have walked through our doors this year are still here?' A result of 80 per cent indicates that 80 per cent of employees who were with the organisation at the start of the period, or were hired during the period, are still employed at the end of the period.

High turnover can have negative consequences on an organisation related to cost, efficiency, productivity and customer service. Many separated employees are replaced by external hires.

Separation and replacement can create not only departure costs (e.g. accrued vacation) but also vacancy costs (e.g. lost productivity, recruitment advertising) and new hire costs (e.g. screening, relocation, ramp-up productivity losses).

Turnover often represents lost organisational knowledge of history, culture and process. Depending on the calibre of replacement, turnover may also carry a net loss of skills and knowledge among the workforce. Finally, turnover can negatively impact the morale,

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workload and stress levels of remaining employees.

Excessively low turnover, however, can also negatively impact the organisation. Low turnover might foster insularity, potentially inhibiting innovation and creating a stagnancy of skills and ideas. Low turnover may also reflect ineffective performance management programs that encourage career complacency or fail to manage out poor performers.

Some organisations prefer to track Retention Rate as a more positive view on the turnover issue than is provided by Separation Rate. Note that organisations may instead use variations of this Retention Rate formula that use only average headcount or start of period headcount as a denominator.

Data Sourcing

Organisations typically source separation actions from either a separation reason or separation date field in an HRIS job table. Climate and opinion survey results relating to intention to leave or job search activity may also be applied as lead indicators.

Analysis

Employers can analyse Retention Rate by a large number of subgroups and characteristics to identify high- or low-result pockets for best practice sharing or corrective action.

Understanding retention within these populations can also help organisations monitor potential skill gaps, diversity issues or threats to business strategy success.

Common dimensions used for analysis on the measure include organisational unit, tenure, performance rating, grade, occupation, job family, job function, employment level, ethnic background, age and gender.

Limitations

Retention Rate does not indicate what level of turnover is the result of employee initiated or organisation initiated actions, or the specific reasons for separations. Retention Rate does not fully measure turnover, as it does not account for the level of separations replaced with new staff. This measure provides only a very indirect notion of the organisational costs of turnover.

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Targets

Most organisations target moving their Retention Rate results toward the 75th percentile or above within a relevant benchmark group. Depending on industry and labour market conditions, this often translates to an absolute target of between 90 and 95 per cent at the total organisational level.

Organisations might have lower targets if they expect temporary fluctuations (e.g. reorganisations) or if they are working from a very low result gradually to a higher level over a period of years.

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14. Separation Rate

Application

This measure is broadly useful for all organisations monitoring the adequacy of their employment offering and the strain of turnover on the organisation.

Description

Separations during the reporting period as a percentage of average headcount.

Formula

Separations / Average headcount * 100

Interpretation

Separation Rate measures the percentage of employees who left the organisation during the reporting period. It reflects both voluntary and involuntary separation reasons.

For example, a result of 20 per cent indicates that separations equated to 20 per cent of the average size of the workforce. A result of greater than 100 per cent indicates that separations exceeded the average size of the workforce during the period.

High separation rates can have negative consequences for an organisation related to cost, efficiency, productivity and customer service.

Separation and replacement can create not only departure costs (e.g. accrued vacation) but also vacancy costs (e.g. lost productivity, recruitment advertising) and new hire costs (e.g. screening, relocation, ramp-up productivity losses).

Separations often represent lost knowledge of organisational history, culture and processes. Depending on the calibre of replacement, separations may also carry a net loss of skills and knowledge among the workforce. Lastly, separations may negatively impact the morale, workload and stress levels of remaining employees.

Excessively low separation rates, however, can also negatively impact the organisation.

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Low separation rates might foster insularity, potentially inhibiting innovation and creating a stagnancy of skills and ideas.

Low separation rates may also reflect ineffective performance management programs that encourage career complacency or fail to manage out poor performers.

Separation Rate can be useful in understanding the overall rate at which employees are leaving the organisation and can thus provide an indirect indication of turnover costs, demands on the staffing function and impact on culture and employment brand.

However, analysis that is oriented toward action planning and improvement must disaggregate Separation Rate into its voluntary and involuntary components. Voluntary Separation Rate can help to identify gaps in the organisation's 'offer' of employment, while Involuntary Termination Rate can help identify gaps in hiring and onboarding as well as performance management processes.

Data Sourcing

Organisations typically source termination actions from either a separation reason or date field in an HRIS job table.

Analysis

Employers can analyse this measure by a large number of subgroups and characteristics to identify high- or low-result pockets for best practice sharing or corrective action. Understanding turnover within these populations can also help organisations to monitor potential skill gaps, diversity issues or threats to business strategy success. Common dimensions used for analysis on this measure include organisational unit, tenure, performance rating, grade, job family, job function, employment level, ethnic background, age and gender.

Limitations

Separation Rate does not indicate what level of separations is the result of employee-initiated versus organisation-initiated actions. Without additional analysis, this measure also does not indicate the specific reasons for separations (e.g. poor manager, compensation, returning to school). Separation Rate does not fully measure turnover, as it does not account for the level of separations replaced with new hires. The measure provides only a very indirect notion of the organisational costs of turnover. Specific or estimated

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expenses and productivity losses must be taken into account to assess turnover costs.

Targets

Targets related to separation rates are most useful when devised for related measures Voluntary Separation Rate and Involuntary Termination Rate, separating issues of firings and layoffs from resignations and retirements. However, a target for Separation Rate as the sum of targets for these two other measures can also be useful for monitoring and influencing the impact of turnover on organisational resources, productivity and employment brand strength.

Most organisations target moving their Separation Rate results toward the 25th percentile or lower within a relevant benchmark group. Depending on industry and labour market conditions, this often translates to an absolute target of between 5 and 10 per cent. Certainly, organisations might have higher targets if they expect temporary fluctuations (e.g. reorganisations) or if they are working from a very high result gradually to a lower level over a period of years.

15. Separation Reason Breakdown

Application

This measure will be most useful for organisations wishing to track reasons for employee departures.

Description

Distribution of separations during a reporting period by type of separation.

Formula

Separations. [Separation reason] / Separations* 100

Interpretation

Separation Reason Breakdown measures the composition of separations by type of separation, including voluntary and involuntary separation reasons. Graphically, the data are presented as a percentage of the total separations, i.e. a stacked bar graph of voluntary and involuntary separations.

While Separation Reason Breakdown does not indicate the volume of any type of separation, it can help an organisation understand the mix of circumstances by which employees leave the organisation.

Voluntary and involuntary separations may carry different direct and productivity costs, may require varying levels of managerial and HR involvement, and may have varying impacts on the rest of the workforce.

An organisation with relatively high levels of involuntary separations might examine where process failures are occurring to require those levels of firings or layoffs. An organisation with relatively high levels of voluntary separations might examine employee engagement and commitment to identify weak areas that are driving employees toward talent competitors.

Variations of this measure for only voluntary or only involuntary separations can also be useful in understanding the mix of voluntary reasons or involuntary reasons surrounding

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employee departures.

The mix of voluntary reasons for separations may help organisations to direct retention efforts and interventions in recruiting and onboarding. The mix of involuntary reasons may also have a significant impact on future recruiting efforts, performance management and disciplinary programs, or workforce planning models.

Data Sourcing

Organisations typically source separation actions from either an action reason or separation date field in a job table. Voluntary separations are typically mapped to include retirements, resignations and other employee-initiated separations. Involuntary separations are typically mapped to include layoffs, terminations for cause and other employer-initiated terminations.

Analysis

Organisations can analyse Separation Reason Breakdown by a large number of subgroups and characteristics to understand the differing separation patterns of employee segments and tailor any interventions to those segments. Common dimensions used for analysis on this measure include tenure, performance rating, occupation, job family, job function, organisational unit, employment level, age, ethnic background and gender.

Limitations

Separation Reason Breakdown does not measure the volume of any type of separation relative to workforce size, only relative to other separation types.

It does not differentiate between desirable and undesirable turnover, unless action reasons capture this information. This measure provides only a very indirect notion of the organisational costs of turnover. Specific or estimated expenses and productivity losses must be taken into account to assess these costs.

Targets

As this measure is a breakdown measure, targets would be necessary for the individual components of the breakdown, including voluntary and involuntary reasons.

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Within voluntary reasons, an organisation might set targets for the percentage of separations due to retirement, dissatisfaction with managers, returns to school, etc. Within involuntary reasons, an organisation might set targets for violation of policies, layoffs, failure to meet performance expectations, etc.

16. Voluntary Separation Rate

Application

This measure is broadly applicable across a wide range of organisations. It will be specifically useful for organisations that have significant workforce in high-turnover positions (e.g. call centre operators) or that recruit from talent markets highly susceptible to cyclical shifts.

Description

Voluntary separations during the reporting period as a percentage of average headcount.

Formula

Separations . Voluntary / Average headcount * 100

Interpretation

Voluntary Separation Rate measures the percentage of employees who left the organisation on their own initiation during the reporting period, for reasons such as resignation or retirement. Voluntary separations are thus different from involuntary or employer-initiated separations such as firings or layoffs. A result of 15 per cent means that voluntary separations equated to 15 per cent of the workforce.

Many employees who voluntarily terminate their employment are replaced in their positions, creating not only departure costs (e.g.,accrued vacation) but also vacancy costs (e.g.,lost productivity, recruiting advertising) and new hire costs (e.g.,screening, relocation, ramp-up productivity losses).

Voluntary turnover often represents lost organisational knowledge of history, culture and process. Depending on the calibre of replacement, this turnover may also carry a net loss of skills and knowledge among the workforce. Lastly, voluntary turnover may negatively impact the morale, workload and stress levels of remaining employees.

Excessively low voluntary turnover can have a negative impact on the organisation as well. Low turnover can encourage insularity, potentially inhibiting innovation and creating a

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stagnancy of skills and ideas.

Low turnover may also be the result of ineffective performance management programs that fail to manage poor performers to improve or find a better employment fit elsewhere.

Organisations use Voluntary Separation Rate to help approximate the costs of replacements and productivity losses. The measure can provide a lagging indicator of employment brand and the fit of the employment 'offer'.

Use of separation reason codes (e.g. poor manager, dissatisfied with compensation, returning to school) and post-exit surveys can help pinpoint problem areas for the organisation that are driving undesirable voluntary turnover.

Another important reason for the HR function to monitor this measure is that it is an informative statistic for the workforce planning process.

While many employers monitor voluntary turnover trends to plan for future recruitment needs, organisations might overlook natural attrition as a means of reducing staff numbers when needed.

Data Sourcing

Organisations typically source separation actions from either separation reason or date field in a job table. Voluntary separations are typically mapped to include retirements, resignations and other employee- initiated separations. Information may also be gathered from cross-referencing climate and opinion survey results on satisfaction indicators and intention to leave.

Analysis

Employers may analyse Voluntary Separation Rate by a large number of subgroups and characteristics to identify high- or low-result pockets within the organisation for best practice sharing or corrective action.

Understanding voluntary turnover within these populations can also help organisations to monitor potential skill gaps, diversity issues or threats to business strategy success.

Common dimensions used for analysis on this measure include organisational unit, tenure, performance rating, grade, occupation, job family, job function, employment level, ethnic background, age and gender.

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Limitations

Without additional analysis, Voluntary Separation Rate does not indicate the specific reasons for separations or whether certain separations were considered desirable or undesirable. Also, this measure provides only an indirect indication of the offer fit with employees and the organisational costs of turnover.

Specific or estimated expenses and productivity losses must be taken into account to assess turnover costs.

Targets

Most organisations target moving their Voluntary Separation Rate results toward the 25th percentile or lower within a relevant benchmark group of similar talent pools. Organisations might have higher targets if they expect temporary fluctuations (e.g. early retirement options) or if they are working from a very high result gradually to a lower level over a period of years.

17. Employee Commitment Index

Application

This measure is broadly applicable across all organisations, though it will be most useful for organisations that perform periodic employee surveys or plan to perform such surveys.

Description

Relative measure of employees' commitment to the organisation.

Formula

Survey results.

Interpretation

Organisations typically measure employee commitment using survey results. Each survey will likely have a different set of questions or methodologies for measuring employee commitment.

The Employee Commitment Index measures an employee's attachment and commitment to the organisation. It is based on a number of survey questions that measure employees' commitment, such as their desire to spend their career with the organisation or sector and their views on the firm as a great place to work.

Employee commitment is thus distinct from employee retention, which measures intention to leave and job search behaviour. Commitment is also distinct from employee engagement, which measures the effort and enthusiasm employees put into their daily work.

Commitment is partly influenced by employees' perceived external market opportunity and offer fit, and commitment directly impacts their likelihood of staying with or leaving the firm. Thus, declining Employee Commitment Index results are likely to drive eventual turnover, especially if employees perceive labour market opportunities to be favourable.

Organisations can study undesirable results further to understand whether lack of commitment is driven by employment brand issues, leadership issues, internal process

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issues or other factors.

Survey results can often be difficult to interpret if they are presented as question-by-question detail without aggregated indices. An index measure such as Employee Commitment Index can provide a more strategic view of one major aspect of employee perceptions.

Most employers find that there is no one overall 'satisfaction' figure that can take the pulse of the workforce in a way that is actionable by the organisation. Rather, the organisation needs a collection of these aggregations or indices to grasp a holistic perspective of employee opinions and take action to improve the weakest areas.

Data Sourcing

Organisations typically source data for this measure from the responses to one or more questions from employee surveys.

Analysis

Where possible from data sets, this measure can be analysed by a wide variety of dimensions, including demographic, structural, geographic and others. Such analysis is necessary if the employer wishes to make decisions or take action to better understand and improve the commitment of low result employee groups. Note, however, that analysis by employee characteristics is only possible when those fields are captured within the survey itself or when an individual's responses can be linked back to characteristics in other data sources through an employee identifier.

Limitations

As with all survey related metrics, the value provided by this measure depends heavily on the effectiveness of survey design and delivery in accurately reporting employees' opinions. Additionally, all survey measures represent employee perceptions at a point in time and can reflect temporal events (e.g. a recent layoff).

Commitment is one aspect of the employee's relationship with and opinions about the organisation. Engagement, likelihood of retention, perceived market opportunity, offer fit and perceived manager quality are also important dimensions not represented by this measure.

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18. Employee Engagement Index

Application

This measure is broadly applicable across all organisations, though it will be most useful for organisations that perform periodic employee surveys or plan to perform such surveys.

Description

Relative measure of employees' engagement at work.

Formula

Survey results.

Interpretation

Organisations typically measure employee engagement using survey results. Each survey will likely have a different set of questions or methodologies for measuring employee engagement.

The Employee Engagement Index measures employees' engagement with their jobs or day-to-day work. It is based on survey questions that assess factors such as the effort and enthusiasm they put into their daily activities. It is designed to measure the extent to which employees contribute their discretionary effort to the firm.

Employee engagement is thus distinct from employee retention, which measures intent to leave and job search behaviour. This measure is also distinct from employee commitment, which measures attachment to the firm and views of the firm as a great place work.

Engagement is influenced by employees' perceived offer fit and directly impacts their likelihood to stay with or leave the firm. Thus, declining Employee Engagement Index results are likely to drive eventual turnover, especially if employees perceive a disconnect between the organisation's employment offer and their own needs.

Organisations can study undesirable results further to understand whether lack of engagement is driven by issues with reward systems, expectation setting, personnel management, cultural environment or other aspects of employment.

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Survey results can often be difficult to interpret if they are presented as question-by-question detail without aggregated indices. An index measure such as Employee Engagement Index can provide a more strategic view of one major aspect of employee perceptions.

Most employers find that there is no one overall 'satisfaction' figure that can take the pulse of the workforce in a way that is actionable by the organisation. Rather, the organisation needs a collection of these aggregations or indices to grasp a holistic perspective of employee opinions and take action to improve the weakest areas.

Data Sourcing

Organisations typically source data for this measure from the responses to one or more questions from employee surveys.

Analysis

Where possible from data sets, this measure can be analysed by a wide variety of dimensions, including demographic, structural, geographic and others. Such analysis is necessary if the employer wishes to make decisions or take action to better understand and improve the engagement of low result employee groups.

Note, however, that analysis by employee characteristics is only possible when those fields are captured within the survey itself or when an individual's responses can be linked back to characteristics in other data sources through an employee identifier.

Limitations

As with all survey-related metrics, the value provided by this measure depends heavily on the effectiveness of survey design and delivery in accurately reporting employees' opinions. Additionally, all survey measures represent employee perceptions at a point in time and can reflect temporal events (e.g. a recent unsuccessful project).

Engagement is but one aspect of the employee's relationship with and opinions about the organisation. Commitment, likelihood of retention, perceived market opportunity, offer fit and perceived manager quality are also important dimensions not represented by this measure.

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Targets

Targets for this measure will depend on the scale used for the index or survey question responses. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable survey questions and survey methodology. Organisations would aim for as high a level of employee engagement as is reasonably achievable given the organisational context.

19. Employee Retention Index

Application

This measure is broadly applicable across all organisations, though it will be most useful for organisations that conduct periodic employee surveys or plan to perform such surveys.

Description

Relative measure of the likelihood that employees will stay in the organisation.

Formula

Survey results.

Interpretation

Organisations typically measure likelihood of employee retention using survey results. Each survey will usually have a different set of questions or methodologies for measuring likelihood of employee retention.

The Employee Retention Index measures the extent to which employees intend to leave the organisation. It is based on survey questions assessing an employee's intent to leave in the next year as well as actual job search behaviour.

Employee retention is thus distinct from employee commitment, which measures attachment to the firm and views of the firm as a great place to work. It is also distinct from employee engagement, which measures the effort and enthusiasm employees put into their daily work.

Employee Retention Index is the predictive metric of future employee separation behaviour, influenced by their commitment, engagement, offer fit and perceived external market opportunities. Thus, declining Employee Retention Index results are likely to drive increased turnover.

Organisations can study undesirable results further to understand whether an employee's likelihood to leave is driven by issues with offer fit, engagement, etc., and then investigate problem areas further to understand root causes.

Survey results can often be difficult to interpret if they are presented as question-by-question detail without aggregated indices. An index measure such as Employee Retention Index can provide a more strategic view of one major aspect of employee perceptions.

Most employers find that there is no one overall 'satisfaction' figure that can take the pulse of the workforce in a way that is actionable by the organisation. Rather, the organisation needs a collection of these aggregations or indices to grasp a holistic perspective of employee opinions and take action to improve the weakest areas.

Data Sourcing

Organisations typically source data for this measure from the responses to one or more questions from employee surveys.

Analysis

Where possible from data sets, this measure can be analysed by a wide variety of dimensions, including demographic, structural, geographic and others. Such analysis is necessary if the employer wishes to make decisions or take action to better understand and improve the likelihood of retention of low-result employee groups.

Note, however, that analysis by employee characteristics is only possible when those fields are captured within the survey itself or when an individual's responses can be linked back to characteristics in other data sources through an employee identifier.

Limitations

As with all survey-related metrics, the value provided by this measure depends heavily on the effectiveness of survey design and delivery in accurately reporting employees' opinions. Additionally, all survey measures represent employee perceptions at a point in time and can reflect temporal events (e.g. the receipt of pointed developmental feedback).

Likelihood of retention is but one aspect of the employee's relationship with and opinions about the organisation. Engagement, commitment, perceived market opportunity, offer fit and perceived manager quality are also important dimensions not represented by this measure.

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Targets

Targets for this measure will depend on the scale used for the index or survey question responses. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable survey questions and survey methodology. Organisations would aim for a level of employee retention consistent with its targets for Separation Rate and related measures.

20. Average Separation Value

Application

This measure is broadly applicable to all organisations for monitoring the strain of turnover on the organisation.

Description

The average value of each separation during the reporting period.

Formula

Total separation value / Separation

Interpretation

Average Separation Value represents the average cost of an individual separation to the organisation. Employee separations can carry direct costs to an organisation, as well as efficiency and productivity costs or customer service deterioration.

Direct costs generally include departure costs (e.g. accrued vacation), vacancy costs (e.g. temporary replacement help, recruiting advertising) and new hire costs (e.g. screening, relocation, increased salary over previous employee).

Other costs can include decreased morale, lost productivity while peers 'cover' the vacancy, the lost productivity of recruiters and hiring managers for recruiting a replacement, and the ramp-up time to productivity required for the replacement employee.

True organisational costs may vary by separation because of the employee involved, the position vacated or the organisational context for the separation.

For example, many organisations employ the assumption that voluntary separations are more costly to the organisation than involuntary separations. Within voluntary separations, those of high-tenured or high-performing employees may be more costly than others. Within involuntary separations, those from firings (to be replaced) may be more costly than those from layoffs (not to be replaced).

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Because turnover cost data items may be difficult to isolate, these costs can be extremely difficult to pinpoint with great accuracy. As a result, organisations often develop their own models for calculating Total Separation Value.

One common model is to use a multiple of the annual salary of each separated employee. Many organisations estimate that separation value is equal to one times annual salary.

However where an organisation chooses to calculate Average Separation Value, this measure can provide valuable information to help an employer identify pockets of the organisation where reducing turnover may drive substantial cost reductions.

While turnover will not be eliminated, even very small reductions in turnover may save millions of dollars in costs.

Data Sourcing

Data sourcing for this measure will depend on the formula or approach used. Organisations typically source separation actions from either separation reason or date field in an HRIS job table. If using a multiple of annual salary in the turnover cost formula, salary data are typically sourced from an annual/monthly salary field within an HRIS job table.

Other turnover cost models might employ expense data from financial ledgers. The most common sourcing challenge for this measure is not the data sourcing itself but establishing organisational consensus around any one turnover cost approach.

Analysis

Organisations will likely want to understand their turnover costs from both voluntary and involuntary separation, so analysis by separation reason will be helpful.

Organisations may also analyse average separation value by employee characteristics to understand which populations may offer the greatest opportunity for cost reduction.

Commonly used dimensions for such analysis include age, tenure, ethnic background, gender, performance rating, employment level, occupation, job function, pay grade, organisational unit and location.

Limitations

Average Separation Value may be calculated with varying degrees of sophistication. However, this measure still represents an estimation of turnover costs, not a direct amount.

The more any turnover cost approach can differentiate among terminations (e.g. voluntary versus involuntary, replaced versus not replaced), the more accurate this estimation is likely to be. This measure also does not indicate the volume of turnover relative to workforce size.

Targets

Organisations generally base targets for Average Separation Value on their targets for Separation Rate, along with some estimate as to the relative cost of various types of turnover expected (e.g. voluntary versus involuntary, layoff versus firing, etc.).Because turnover will never be eliminated and because some level of turnover is usually considered desirable, targets for Average Separation Value will never reach zero.

Employers setting targets relative to a benchmark group typically aim to move results toward the 25th percentile, representing low costs to the organisation as compared to peers. Such benchmark comparisons are only truly valid if other employers are using a similar approach to assessing turnover costs.

21. Development Program Saturation Rate

Application

This measure will be most useful for organisations with performance philosophies that focus on development and maintain specific development programs.

Description

Percentage of eligible employees participating in development programs.

Formula

Development program participants / End of period headcount . Eligible for development programs * 100

Interpretation

Development Program Saturation Rate measures the percentage of employees involved in development programs. Attention may be focused on flagship programs such as the Australia and New Zealand School of Government masters programs in public administration or specific skill development programs such as supervisory skills, policy skills or writing skills.

Programs may involve acquiring multifunctional skills through rotations, participating in mentoring or networking, or other developmental activities. This measure provides an organisation with a report of how extensively the eligible workforce participates in such programs.

Theoretically, all employees would benefit from developmental focus. Such programs can provide personalised management focus and can help to prepare the future leaders of the organisation.

Development programs can also help engage and retain high-potential employees at risk for turnover. However, few organisations have the resources to place all employees in

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formal programs; limiting access to developmental programs can be more cost effective.

Additionally, limiting access to some extent may reinforce the desirability of the programs and the nature of development programs as a reward for strong performance or high potential.

Thus, an organisation should evaluate its saturation results in light of organisational resources and the use of development programs as a tool for all employees or for only high-potential employees.

Data Sourcing

Organisations might capture development program data within a performance management, learning management or succession management database. Otherwise, this information may be tracked manually by supervisors or by HR in a development program database.

Analysis

Organisations are likely to analyse these data across the particular populations for which it desires development program participation, using dimensions such as management designation (e.g. Team Leader, Manager, Director), pay grade, high potential designation, organisation tenure, position tenure, number of direct reports, performance rating, organisational unit or location.

To monitor the diversity of future leaders, organisations might also analyse this measure by gender, ethnic background and age. Additionally, organisations may break down this measure by type of development program to understand which programs are the most popular throughout the organisation.

Limitations

Development Program Saturation Rate speaks to the level of enrolment in such programs but not their adequacy, their depth or the extent to which they succeed in retaining and/or furthering the career of employees.

Targets

Employers may base targets for this measure on the organisational resources available for developmental programs, the nature of the programs employed and the extent to which the organisation wishes to create exclusivity around the programs.

Targets relative to a benchmark group will be less accurate for direct comparison because of the vast differences in development programs across organisations, though benchmark data could be informative on the talent management practices of talent competitors and industry peers.

22. Staffing Rate – High Potential

Application

This measure will be most useful for organisations focused on improving the overall value of their current workforce or that target the number of high potential employees to grow and contract with the size of the workforce.

Description

Percentage of workforce designated as high potential.

Formula

End of period headcount . High potential / End of period headcount * 100

Interpretation

Staffing Rate – High Potential indicates the percentage of the workforce that is classified as high potential (HIPO).

A high-potential designation will likely have different connotations across different organisations. For some, the high-potential workforce is simply defined as the likely future leaders of the organisation as identified by direct managers. Other organisations may have specific criteria around competencies and promotability that define high potential.

Some organisations also restrict the job levels at which an employee may be deemed high potential. Despite the various methods for identifying high-potential staff, for virtually all employers, this group becomes a population to monitor for development and retention.

Staffing Rate – High Potential enables employers to monitor the size of this population relative to the size of the workforce. Especially as organisations grow, use of this measure can help to ensure that there is an appropriately sized group of potential future leaders being groomed and developed for that purpose.

High results for this measure may signify high calibre of hires, highly successful employee development or broad criteria for HIPO designation. High results should also be matched to high levels of dedicated development resources to ensure that high-potential employees

are adequately nurtured and engaged.

Low results for this measure may indicate strict criteria for HIPO designation, or they may signal that an organisation needs to review its recruitment adequacy or that employee development is lacking.

Data Sourcing

Organisations sometimes capture a high-potential flag within the personal characteristics table of an HRIS. Otherwise, such data might be stored in a separate spreadsheet list, or in a succession management or development database.

Analysis

Organisations frequently analyse the high-potential workforce by demographic characteristics to monitor the diversity of current and future leaders, using dimensions such as gender, ethnic background and age.

Additionally, organisations can analyse this measure by organisational unit, location, organisation tenure, pay grade, occupation, job function and job family to monitor both the potential succession gaps and the pockets of high employee development within certain areas.

Limitations

The value of this measure is directly linked to the accuracy with which the high-potential designation is given. This measure does not indicate, without added analysis, the volume of high-potential staff within key skill areas or at key job levels. It does not indicate the turnover of this workforce or their level of engagement.

Also, measuring the size of the high-potential workforce does not in itself ensure the appropriate development of this group.

Targets

Because different organisations have widely varying guidelines for who are considered to be high- potential employees, targets are rarely set on a relative basis against a benchmark group.

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Instead, organisations frequently set absolute targets based largely on their appetite and capacity for monitoring and developing the high-potential population.

Targets may also be informed by the forward-looking succession management needs of the organisation based on the expected turnover, including retirement, of the organisation's leaders. Such targets are likely to fall anywhere from 1 to 10 per cent of the workforce as a whole, or up to 20 per cent or more of a specific job level.

23. Cross-Function Mobility

Application

This measure will be most useful for organisations that regard internal cross-function movement of staff as strong opportunities for development or that place a premium on cross-functional skill development.

Description

Internal movements of staff between functions as a percentage of total internal movement of staff.

Formula

Internal movements. Staff. Cross-function / Internal movements. Staff * 100

Interpretation

Cross-Function Mobility indicates the percentage of internal staff movements that involve staff moving from one functional area to another, such as from finance to marketing or from call centre to sales. Internal movements are those resulting from employees' internal job changes within the organisation, whether through actions of transfer, promotion or demotion.

A Cross-Function Mobility result of 40 per cent means that 40 per cent of internal movements by staff for the period involved moves from one function to another, while the other 60 per cent were movements within a function.

Many organisations consider internal movements to be a positive contributor to employee development through which staff gain additional experience from diverse areas of the organisation. This new experience broadens employees' skill sets, exposes them to a wider scope of activities performed by the business and expands their personal networks throughout the organisation.

Such movement opportunities may also serve in some cases to improve retention or engagement of staff who might feel stymied without such diversity of experience.

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Cross-function moves are highly conducive to broadening skill sets because new functional areas typically involve new processes, new networks and a new perspective on the employer's operation.

Additionally, cross-function moves require building new knowledge areas more than do many other internal movements.

The building of multiple knowledge areas, such as understanding accounting regulations within a finance function and understanding marketing analysis techniques within a sales function, builds better leadership qualities and opens additional career path opportunities, all else being equal.

Working in new functional areas and new lines of business has been identified by leaders as an important development mechanism.

The Cross-Function Mobility measure can be applied to specific subgroups of employees, such as managers or high-potential staff, where organisations are seeking to broaden future leaders by exposing them to multiple functions within the organisation. In the public service context, the measure may also be applied to movement between departments.

Data Sourcing

Organisations typically source data related to internal movements from the job table of an HRIS. Functional information is ideally stored as a field in the job table as well. Otherwise, it may be possible to derive function based on job families or organisational structure assignments, though this method is typically less accurate.

Analysis

Cross-Function Mobility is commonly analysed across a broad range of analysis dimensions aimed at how various populations gain new experiences within an organisation. Such dimensions include tenure, performance rating, ethnic background, gender, manager level, occupation, job function and pay grade. As well, examining this measure by organisation unit can identify managers who encourage and support this type of development.

Limitations

This measure does not indicate whether cross- function transfers occur as promotions, transfers or demotions. It does not measure the volume of the cross-function moves relative

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to the size of the managerial population, only to the volume of all internal movements for managers.

Results for Cross-Function Mobility do not indicate the success of the move or whether the move was employee or organisation driven. Also, the measure does not represent the productivity costs of employee movement and resulting vacancies.

Targets

Targets will vary based on employers' strategies and policies around internal movement. An organisation may develop absolute targets based on succession risks and the need to ensure coverage of key skill areas.

Organisations that see cross-function moves as highly desirable and relatively broadly applicable will target moving results toward the 75th percentile of a relevant benchmark group.

The applicability of benchmarks may be limited by the variability among organisations of functional area categorisations and the potential for inaccurate functional assignments within employers' systems.

24. Employee Satisfaction with Leadership

Application

This measure is broadly applicable across all organisations, though it will be most useful for organisations that perform periodic employee surveys or plan to perform such surveys.

Description

Gauge of employee satisfaction with leadership.

Formula

Survey results.

Interpretation

Employee Satisfaction with Leadership represents a survey index or set of questions for employees to express their satisfaction with the organisation's leadership. Such a measure or index may be titled differently, depending on the survey used.

While the Manager Quality Index measure relates to employees' opinions of their direct managers, Employee Satisfaction with Leadership looks more broadly at employees' opinions about the leadership of their business line, function and area, as well as the leadership of the organisation as a whole.

The opinions solicited from relevant survey questions typically relate to leaders' competencies and skills (e.g. communication, subject mastery, employee development, personality, decision making), their ability to inspire confidence and trust and motivate performance, and the appropriateness of the business strategy being pursued.

Such opinions have an impact on the employment brand, the offer fit to employees and employees' commitment to the organisation. These factors in turn influence productivity, morale and turnover, representing potentially significant organisational gains or losses.

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Data Sourcing

Organisations typically source data for this measure from the responses to one or more questions from employee surveys.

Analysis

Organisations should analyse this measure in aggregate, as well as by the individual leadership characteristics assessed by the survey questions. Organisations can also analyse the measure by employee characteristics to determine how employees' satisfaction with leadership differs among various populations.

Such dimensions could include performance rating, pay grade, tenure, age, employment level, gender, ethnic background, occupation, job family and job function.

Limitations

As with all survey-related metrics, the value provided by this measure depends heavily on the effectiveness of survey design and delivery in accurately reporting employees' opinions.

Additionally, all survey measures represent employee perceptions at a point in time and can reflect temporal events (e.g. termination of a senior official for fraud).

Satisfaction with leadership is one aspect of the employee's relationship with and opinions about the organisation. Commitment, engagement and other factors are also important in understanding employees' relationship with their employer.

Targets

Targets for this measure will depend on the scale used for the index or survey question responses. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable survey questions and survey methodology.

Organisations would aim for as high a level of employee satisfaction with leadership as is reasonably achievable given the organisational context.

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25. Leadership Development Plan Prevalence Rate

Application

This measure will be most useful for organisations that are focused on the development of future leaders and that have leadership development plans (LOPs) available for implementation.

Description

Percentage of managers with leadership development plans in place.

Formula

End of period headcount. Manager. LOP / End of period headcount. Manager * 100

Interpretation

LOPs are a key component of the successful development and performance of an organisation's leaders. Simply having such a plan in place was deemed by surveyed leaders to be one of the most important factors in ensuring development.

LOP Prevalence Rate indicates the percentage of managers who have LOPs established.

LOPs might contain planned or recommended steps for a leader related to executive coaching, training courses, supervisory experience, experience in new functions or business lines, mentoring and other key developmental areas.

The plan is targeted toward the leadership competencies or personal skills that have been identified as in need of improvement or generally beneficial to all leaders.

An LOP is most beneficial when it is pursued and closely monitored by the individual, the supervisor and perhaps a leadership coach.

High results for this measure may indicate that LOP requirements have been strongly enforced or that leaders have taken an active interest in managerial development.

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Low results may indicate that the programs are not widely understood or enforced or that leaders take a passive interest in managerial development.

Data Sourcing

Organisations may capture LOP data within a performance management, development or succession management database. Otherwise, this information may be tracked manually by managers or by HR. To be considered 'in place', an LOP should be updated at least annually.

Analysis

One meaningful way organisations may wish to work through this data is among the particular populations for which an organisation is likely to desire LOPs, using dimensions management designation (e.g. Team Leader, Manager, Director), pay grade, high-potential designation, number of direct reports, performance rating, organisational unit or location.

To monitor the diversity of current or future leaders, organisations might analyse this measure by gender, ethnic background, age and job function.

Limitations

LOP Prevalence Rate speaks to the existence of development plans but not to their adequacy, depth or the extent to which they are perused and maintained. LOPs are just one of the many development tools necessary in developing an organisation's future leaders.

Targets

Targets for LOP Prevalence Rate will be most useful when set within the particular populations for which LOPs are most relevant. For example, an organisation might target a result of 100 per cent among all employees at the Vice President level and above, 80 per cent at the Director level, etc.

Besides title, organisations might set these population-based targets by pay grade, high-potential designation, number of direct reports, performance ratings, organisational unit, location or some combination of these characteristics.

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26. Manager Quality Index

Application

This measure is broadly applicable across all organisations, but will be most useful for organisations that perform periodic employee surveys or plan to perform such surveys.

Description

A relative measure of employees' perception of manager quality.

Formula

Survey results.

Interpretation

Manager quality is often measured using survey results. Each survey will likely have a different set of questions or methodologies for measuring manager quality. Organisations may choose to measure manager quality using performance management tools or a combination of performance and survey data.

The Manager Quality Index measures aggregate employee satisfaction with direct managers. The index is based on employee satisfaction with managers, including factors such as knowledge, skill and personality.

Although it provides an aggregate measure of manager quality, the index can also be disaggregated to dimensions (i.e. those specific factors used in the survey to measure satisfaction) along which managers are particularly strong or weak.

Manager quality has a strong influence on an organisation's offer fit with employees' preferences. This offer fit equates to the degree of alignment between the employer's value proposition (in terms of compensation and benefits, work-life balance, work environment, etc.) and the specific preferences of employees.

This level of offer fit impacts employees' commitment to the organisation, engagement on the job and likelihood of staying with or leaving the organisation.

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Data Sourcing

Organisations typically source data for this measure from the responses to one or more questions from employee surveys. If some or all data used for this measure are sourced from performance management data, organisations typically store such data within performance management tables or systems. Some organisations might need to manually retrieve data from 360-degree tools or other tools that are not electronically stored.

Analysis

This measure should be measured in aggregate, as well as by the individual managerial characteristics assessed by the survey questions. It can also be analysed by various manager characteristics, such as pay grade or seniority, to determine how manager quality may differ by hierarchical level. This analysis can be instrumental in an assessment of managerial bench strength.

Lastly, the measure can be analysed by employee characteristics to determine how employee satisfaction with managers differs among various populations. Such dimensions could include tenure, age, employment level, gender, ethnic background, occupation, job family and job function.

Limitations

As with all survey related metrics, the value provided by this measure depends heavily on the effectiveness of survey design and delivery in accurately reporting employees' opinions. Additionally, all survey measures represent employees' perceptions at a point in time and can reflect temporal events (e.g. the receipt of pointed developmental feedback).

Manager quality is but one aspect of the employees' relationship with and opinions about the organisation. Commitment, engagement, likelihood of retention, perceived market opportunity and overall offer fit are also important dimensions not offered by this measure.

Targets

Targets for this measure will depend on the scale used for the index or survey question responses. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable survey questions and survey methodology.

Organisations would aim for as high a level of manager quality as is reasonably achievable

given the organisational context.

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27. Positions without Ready Candidates Rate

Application

This measure will be most useful for organisations that identify potential successors for managerial positions.

Description

Percentage of managerial positions that do not have 'ready' candidates identified for potential succession.

Formula

End of period headcount. Manager. Succession – Applicable. No ready candidate / End of period headcount. Manager. Succession – Applicable * 100

Interpretation

Positions Without Ready Candidates Rate indicates the percentage of managerial positions that require succession management focus but do not have a 'ready ' candidate identified.

A result of 20 per cent means that 20 per cent of succession-applicable managerial positions do not have successor candidates identified who are ready to assume the position immediately if needed.

One important component of succession management is the identification of potential managerial successors. If a key position does not have ready candidates available and that position suddenly becomes vacant, the organisation will either need to fill the position with a non-ready candidate or search externally for a replacement.

While external hires can be quite beneficial in senior positions, they can also take significant time to recruit, drive high recruitment costs, turnover quickly, and lack corporate history and understanding.

Not all managerial positions may necessitate a successor pool. For example, low-level

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managers or managers with common skill sets may not require succession forethought prior to a vacancy.

However, managerial positions involving skills that are critical to the business or hard to replace, or key positions of authority, scope or market accountability, are positions for which the organisation should develop a ready successor pool.

Data Sourcing

Organisations typically identify potential successors and the positions for which they are identified as being 'ready' from a succession management table or system.

Analysis

Employers may find it useful to analyse Positions Without Ready Candidates Rate across various management designations (e.g. Team Leader, Manager, Director), functions, job families, organisational units and geographies to understand how well key positions are covered and to anticipate or overcome succession pool gaps.

Limitations

The usefulness of Positions Without Ready Candidates Rate as a measure of the effectiveness of succession management processes depends on the appropriate identification of successors and their readiness to assume positions.

Targets

Targets for this measure are likely to be near zero. While an organisation may choose to fill some key positions externally, they are likely to wish to have an internal candidate to consider for vacancies. Having ready internal candidates available helps to ensure a sound selection process when filling key positions.

Relative targets against a benchmark group are not likely to be useful for this measure due to the differences in managerial populations and succession management practices across organisations.

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28. Successor Pool Coverage

Application

This measure will be most useful for organisations that identify potential successors for managerial positions.

Description

Average number of employees in the managerial succession pool per manager.

Formula

End of period headcount. Successor pool / End of period headcount. Manager. Succession – Applicable* 100

Interpretation

Successor Pool Coverage measures the number of successors in the successor pool compared to the number of managers in the organisation whose positions require succession management focus.

A result of 100 per cent indicates that there are as many potential successors as there are managerial positions in need of potential successors.

One important component of succession management is the identification of potential managerial successors. A small successor pool likely indicates that the workforce lacks sufficient skills and experience to fill leadership positions.

Organisations in this position may need to look externally to fill many of their managerial positions, which might drive excessive costs and result in a lack of corporate history in key positions or a significant shift in organisational culture.

Once the succession pool is identified, employees in the pool can be continually developed to successfully assume the next generation of leadership within the organisation.

Not all managerial positions may necessitate a successor pool. For example, low-level managers or managers with common skill sets may not require succession forethought

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prior to a vacancy.

However, managerial positions involving skills that are critical to the business or hard to replace, or key positions of authority, scope or market accountability, are positions for which the organisation should develop a successor pool.

Data Sourcing

Organisations typically identify potential successors from a succession management table or system. Such a system may also identify the managerial positions applicable for succession planning.

Analysis

Employers may find it useful to analyse Successor Pool Coverage across various management designations (e.g. Team Leader, Manager, Director), functions, job families, organisational units and geographies to understand how well key positions are covered and to anticipate or overcome succession pool gaps.

Limitations

The usefulness of Successor Pool Coverage as a measure of the effectiveness of succession management processes depends on the appropriate identification of successors. Having a broad succession pool does not necessarily guarantee that successors will be ready to assume key positions when needed. It is important to note that this measure does not indicate whether potential successors have a broad range of skills or are all ready to assume the same position and thus it is a measure of breadth, not depth.

Targets

Targets for this measure will be based on the organisation's estimation of how many ready successors are necessary for each position, the readiness level of those employees identified as potential successors and the anticipated turnover of both the employees in the successor pool and the managers to be succeeded.

Relative targets against a benchmark group are not likely to be useful for this measure because of the differences in managerial populations and succession management practices across organisations.

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29. Successor Pool Growth Rate

Application

This measure will be most useful for organisations that identify potential successors for managerial positions.

Description

Relative measure of the growth rate of the succession pool.

Formula

(Headcount. Successor pool −Headcount. Successor pool. Prior year) / Headcount. Successor pool. Prior year * 100

Interpretation

The Successor Pool Growth Rate establishes the percentage increase in headcount of the succession pool over the previous year. A result of 5 per cent indicates that the current successor pool is 5 per cent larger in size than it was last year.

One important component of succession management is the identification of potential managerial successors. A small successor pool likely indicates that the workforce lacks sufficient skills and experience to fill leadership positions.

Organisations in this position may need to look externally to fill many of its managerial positions, which might create excessive costs and result in a lack of corporate history in key positions or a significant shift in organisational culture.

Once the succession pool is identified, employees in the pool can be continually developed to successfully assume the next generation of leadership within the organisation.

Successor Pool Growth Rate provides organisations with an indication of their success in the past year at developing future leaders to the point where they could be named as potential successors.

The measure also takes into account turnover from the successor pool; for the growth rate

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to be positive, new additions to the successor pool must exceed the terminations (or removals) from that pool.

Data Sourcing

Organisations typically identify potential successors from a succession management table or system.

Analysis

Employers may find it useful to analyse Successor Pool Growth Rate across various management designations (e.g. Team Leader, Manager, Director), functions, job families, organisational units and geographies to understand the ongoing development of the successor pool among these areas.

Limitations

The usefulness of Successor Pool Growth Rate as a measure of employee development and the effectiveness of succession management processes depends on the appropriate identification of successors.

Additionally, this measure does not indicate whether potential successors have a broad range of skills or are ready to assume the same position and, thus, it is a measure of breadth and depth.

Targets

Organisations base targets for this measure on their estimation of how many ready successors are necessary for each position, the readiness level of those employees identified as potential successors and the expected turnover of both the employees in the successor pool and the managers to be succeeded.

Relative targets against a benchmark group are not likely to be useful for this measure because of the differences in managerial populations and succession management practices across organisations.

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30. Average Annual Salary Per FTE

Application

This measure will be most useful for organisations for which compensation is a primary operating expense, that are implementing cost containment initiatives or that monitor salary levels by job families for recruitment or other purposes.

Description

Average annual salary, excluding bonuses and other non-wage compensation, per full time equivalent employee (FTE).

Formula

Total annual salary / FTE

Interpretation

Average Annual Salary per FTE indicates the average base salary of a full-time equivalent employee, not including bonuses or commissions. While not a measure of the total dollars paid to employees, this measure provides a general indication of salary levels and trends.

Compensation expenses represent an investment in the organisation's human capital, and Average Annual Salary per FTE measures a significant piece of that investment.

Compensation is usually a major, if not the largest, operating expense item in an organisation's income statement.

However, it is often difficult to assess an appropriate market value for human capital despite its importance to business operations. In addition to its importance to the bottom line, employees

consider base pay to be the principal attribute of an organisation's employment offer. In general, employees consider compensation and benefits to be a more important component of the employment offer than development and work environment, work-life balance and company environment.

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For these reasons, most employers keep a close watch on salaries and other compensation expenses to monitor trends and ensure that those trends comport with competitive labour market realities and desired labour shifts but do not represent 'expense creep'.

For example, an employer might expect salaries to rise if it aims to attract more experienced or more highly skilled employees or if the labour market is becoming more competitive. Absent these drivers, increasing results for this measure might simply indicate the organisation is poorly managing this expense.

Average salary can sometimes serve as a more useful and practical representation of compensation costs for managers than Total Compensation Expense per FTE or a similar measure, for two reasons.

First, employees value base pay over bonus or other compensation types.

Second, base salary is universally understood because of its personal importance to employees, while metrics consumers may find it more difficult to develop a reference point for total compensation.

Data Sourcing

Organisations typically source annual salary data from an HRIS field listing employees' base salaries. Alternatively, organisations may source this data from payroll tables by identifying the compensation codes for salary payments.

Analysis

Organisations frequently analyse Average Annual Salary per FTE by job family or job type to monitor trends in key skill areas, areas of severe talent competition and highly-paid job areas. Analysis may also be useful by organisational unit to help monitor units' compliance with compensation philosophies and policies.

Additionally, organisations may analyse by characteristics such as organisation tenure, performance rating, age, gender and ethnic background to understand salary variations among employee groups and monitor compliance with diversity initiatives.

Limitations

This measure does not indicate how closely compensation matches market compensation

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or how satisfied employees are with their salaries.

While it does offer opportunities to view salary trends over time, the measure does not provide a relative view of how compensation relates to other operating expenditures.

Targets

In setting targets related to salaries, organisations must consider their own compensation philosophies, labour market trends, workforce composition and skill mix, and workforce planning to meet future business needs.

An organisation might set relative targets for Average Annual Salary per FTE based on how they expect these factors differ for other employers.

For example, an employer aiming to provide much higher salaries than its talent competitors to better attract and retain talent might target moving results toward the 75th percentile among those talent competitors. An employer aiming to shift offices to low-cost locations over time may aim to move results below the median as compared to industry competitors.

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31. Compensation Satisfaction Index

Application

This measure will be most useful for organisations experiencing shifting or competitive labour markets or that have found compensation to be a major source of dissatisfaction among employees.

Description

A relative measure of employees' satisfaction with compensation.

Formula

Survey results

Interpretation

Compensation Satisfaction Index is a subjective measure of employees' satisfaction with wage packages, usually including base, variable and overtime compensation, as well as other cash compensation such as sign-on bonuses and relocation allowances.

Employees typically place the highest importance on base pay among compensation types, followed by external compensation equity, bonuses and internal compensation equity.

Among employee survey results, many organisations find that employees report low satisfaction with compensation. These survey results can help employers understand and target specific employee populations by division, location, job family, age group, etc., that are most and least satisfied with wages.

Also, though employers may not expect high results, the measure can be tracked over time to monitor in which populations, divisions or geographies employees' satisfaction is increasing or decreasing.

For employee groups that are especially satisfied or dissatisfied, breaking the index into individual component questions can help determine whether satisfaction levels stem from base salary, bonus eligibility, merit raises, pay frequency, etc.

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Incorporating such analysis, interventions can more accurately target the drivers of dissatisfaction.

Data Sourcing

Compensation Satisfaction Index is most often based on survey results. However, organisations that do not conduct employee surveys related to compensation might create an index similar to Compensation Satisfaction Index based on data such as Market Compensation Ratio and exit interview results.

Analysis

Organisations may analyse Compensation Satisfaction Index by various personal and job characteristics to gauge how well compensation suits various employee groups. Dimensions for such analysis may include age, gender, tenure, pay grade, employment type and employment level.

Additionally, organisations may analyse results by compensation type or by location, business unit, union agreement or any other structural dimension for which wage structures are designed separately.

Limitations

As a subjective measure of satisfaction, Compensation Satisfaction Index will only be as accurate as the perceptions of surveyed employees as elicited by the survey. This measure does not provide information regarding the nature or cost of compensation programs or their effectiveness in driving the achievement of organisational goals.

Targets

Targets for Compensation Satisfaction Index will depend on the indexing method used and the underlying survey questions that compose the index. Targets based on benchmark groups will only apply if other organisations use sufficiently comparable survey questions and survey methodology.

Most organisations target their compensation levels to be slightly below, equal to or slightly above market comparable compensation. Depending on compensation strategies, targets for Compensation Satisfaction Index often follow these general compensation targets.

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Organisations generally aim f or as high a level of employee satisfaction with wages as is reasonably achievable given the organisational context and compensation strategies.

32. Direct Compensation Cost Operating Expense Rate

Application

This measure will be most useful for organisations for which compensation costs are a significant operating expense, and it will be especially useful for organisations with loose control over wage structures.

Description

Direct organisation expenses as a percentage of operating expense.

Formula

Direct compensation cost / Operating expense * 100

Interpretation

Direct Compensation Cost Operating Expense Rate measures direct compensation costs (wages and other taxable benefits) as compared to total operating expenses. A result of 40 per cent means that direct wage costs make up 40 per cent of the organisation's total operating expenses.

Compensation costs are usually a major, if not the largest, operating expense item in an organisation's income statement. However, it is often difficult to assess an appropriate market value for human capital, despite its importance to business operations and to employees.

For these reasons, most employers keep a close watch on compensation costs to monitor trends and ensure those trends are consistent with competitive labour market realities and desired labour shifts.

By comparing the line item of compensation costs to the whole of operating expenses, organisations can monitor for expense creep in which wage costs slowly but consistently increase over time relative to other operating expenses.

Such a trend, when intentional, can represent an upskilling of the workforce, overall labour inflation or an improvement in market comparison ratios. When unintentional, an upward trend may simply represent loose managerial controls on wage programs.

However, trends must be analysed closely to understand root causes for results, as upward or downward trends may also be caused by changes in other operating expenses. For example, if wage costs are decreasing but other expenses are decreasing at a faster rate, then this measure will experience an upward trend.

Data Sourcing

For greatest accuracy, organisations should source compensation data from payroll data tables, categorising pay codes into base, variable, overtime and other wage components. If these data are not available, an approximation can be made from financial ledger items or job table fields related to salaries and bonuses. Operating expense is typically derived from such financial ledgers.

Analysis

Employers often analyse Direct Compensation Cost Operating Expense Rate by organisational unit and location to help monitor wage trends within various areas of the organisation. This measure is also useful when disaggregated into subcomponents of base pay, variable pay, etc.

Limitations

This measure does not provide an indication of how closely an employer 's compensation costs match the external labour market or how satisfied employees are with compensation. It also does not indicate the actual magnitude of compensation costs or how absolute compensation costs change over time.

Targets

Organisations may set relative targets for Direct Compensation Cost Operating Expense Rate based on their benefits, philosophies and strategies, labour market trends, workforce wage and skill mix, and workforce planning needs.

For example, an employer aiming to provide compensation on par with talent competitors

might target the median among talent competitors with similar cost structures, while an employer aiming to manage wage dollars tightly might target the 251h percentile.

Organisations are also likely to set absolute targets based on common-sized historical income statements and financial budgets and forecasts. The ranges for such absolute targets vary widely based on industry cost structure norms.

33. Total Compensation Expense Per FTE

Application

This measure will be most useful for organisations for which wages are a primary operating expense, that are implementing cost-containment initiatives or that monitor wage levels by job families for recruitment or other purposes.

Description

Average total wage expense, including benefits, per full-time equivalent employee.

Formula

Total compensation expense / FTE

Interpretation

Total Compensation Expense per FTE indicates the average total cash and benefits paid to a full time equivalent employee over the reporting period. Wage expenses represent an investment in the organisation's human capital. Productivity is expected as an output for that investment.

Wage expense is usually a major, if not the largest, operating expense item in an organisation's income statement. However, it is often difficult to assess an appropriate market value for human capital, despite its importance to business operations.

In addition to its importance to the bottom line, employees generally consider wage and benefits to be the most important component of the employment offer, followed by development and work environment, work-life balance and organisation environment. Five of the most important attributes of employment, as perceived by employees, are related to wage and benefits.

For these reasons, most employers keep a close watch on wage expenses to monitor trends and ensure that those trends are consistent with competitive labour market realities and

desired labour shifts but do not represent 'expense creep'.

For example, an employer might expect wage expenses to rise if aiming to attract more experienced or more highly skilled employees, or if the labour market is becoming more competitive. In the absence of these driver s, increasing results for this measure might simply indicate the organisation is poorly managing this expense.

Data Sourcing

For greatest accuracy, organisations should source wage data from payroll data tables, categorising pay codes into base, variable, overtime and other benefits. If necessary, organisations may approximate some direct wage types using salary fields and bonus potential fields within employee job records.

Analysis

Employers often analyse Total Compensation Expense per FTE by location, job family and occupation to monitor trends in key skill areas, areas of severe talent competition and highly-paid job areas. Organisations may also analyse this measure by organisational unit to help monitor units' operating expenses and compliance with wage fixing philosophies and policies.

Limitations

This measure does not indicate how closely wages match market wages or how satisfied employees are with wages. While it does offer opportunities to view trends over time in wage spending, it does not provide a relative view of how wage compares to other operating expenditures.

Targets

In setting targets related to wage expenses, organisations must consider their own wage fixing philosophies, labour market trends, workforce composition and skill mix, and future workforce planning to meet future business needs. An organisation might set relative targets for Total Compensation Expense per FTE based on how they expect these factors differ for other employers.

For example, an employer aiming to provide much higher wages than its talent competitors

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to better attract and retain talent might target moving results toward the 75th percentile among those talent competitors. An employer aiming to shift offices to low-cost locations over time may aim to move results below the median as compared to industry competitor s.

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34. Absence Rate

Application

This measure will be most useful for organisations whose staffing and operations may be significantly impacted by employee absences.

Description

Total days of employee absenteeism as a percentage of total expected workdays during the reporting period.

Formula

Absence days / Workdays* 100

Interpretation

For the purposes of this measure absenteeism means absences that are beyond the capacity of the employer to control, including are sick leave, carers leave, compassionate leave, parental (maternity) leave, jury duty, no-shows or other reasons. Leave for these reasons is often characterised as unscheduled but, on occasions, an employee may advise of a need to take leave in advance.

Absence Rate indicates the percentage of work time, expressed as workdays, that the average employee is absent for unavoidable reasons during a period. A result of 3 per cent means that absenteeism represents a total 3 per cent of all workdays. Or, put differently, on an average day, three of every 100 employees are absent for uncontrollable reasons.

Organisations may be interested specifically in absenteeism as a target for intervention for improved costs and productivity.

While absences are a necessary part of operations and many absence types are considered to be important benefits for employees, absences do result in direct costs and productivity losses for the organisation. Direct financial consequences may include such items as overtime wages and temporary worker pay.

Productivity losses can include the time used to find replacements, disruption to the

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delivery of services, training and onboarding of replacements, and the lost productivity of peers who may step in to cover the absent employee's duties.

Measuring absence volume through Absence Rate, combined with further analysis of absence types, can help an organisation to identify undesirable absences and create appropriate policies or programs.

Data Sourcing

Organisations typically source data related to absences from absence tables that are part of timekeeping systems or payroll systems, or exist as separate databases.

Analysis

Employers may find it useful to analyse Absence Rate across various employee populations to identify areas of concern and targeted interventions, using such dimensions as age, tenure, employment level, pay grade, occupation, job family, performance rating, location and organisational unit. Organisations may also analyse this measure by absence type to understand which absences occur most frequently.

Limitations

Absence Rate does not directly indicate the costs of absences. It does not measure the average length of absences or the reasons for those absences, without further analysis. Additionally, this measure does not differentiate between absences for uncontrollable illnesses, injuries, etc., versus absences in which employees simply did not feel like attending work.

Targets

Absolute targets for Absence Rate are likely to consider a reasonable level of scheduled absences (based on expected utilisation of certain leave types) and a minimal level of unscheduled absences.

Relative to a benchmark group, organisations would typically aim to move results toward the 251h percentile, representing lower levels of unscheduled absences and higher levels of productivity.

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35. Compensation Value of Unscheduled Absences per FTE

Application

This measure will be most useful for organisations with populations that can be disrupted by absenteeism or that tend to experience significant organisational costs due to absenteeism.

Description

Average wage cost of absenteeism per full-time equivalent employee.

Formula

Absence days * Direct wage daily / FTE

Interpretation

Compensation Value of Unscheduled Absences per FTE serves as a proxy for the financial cost of unscheduled absences. The measure totals the daily wages for employees who were absent, multiplied by the number of days they were absent for unavoidable reasons.

For example, a result of $500 means that the wage costs of employees' absenteeism, spread across all employees, averaged $500 per employee. Put differently, a result of $500 means that during the period, the organisation paid $500 per FTE in wages for absenteeism.

For the purposes of this measure unscheduled absences means absences that are beyond the capacity of the employer to control, including sick leave, carers leave, compassionate leave, parental (maternity) leave, jury duty, no-shows or other reasons. Leave for these reasons is often characterised as unscheduled, but on occasions an employee may advise of a need to take leave in advance.

In some positions, such absences may cause very little disruption. However, in other positions, unscheduled absences may drive extensive direct costs and productivity losses

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for the organisation.Direct financial consequences may include such costs as overtime wages and temporary worker pay.

Productivity losses can include the time used to find replacements, disruption to the delivery of services, training and onboarding of replacements, and the lost productivity of peers who may step in to cover the absent employee's duties.

Because there are multiple types of costs that may result from absenteeism, this measure offers only an approximate indication of cost. It is difficult to quantify the lost productivity costs of managers, co-workers and replacement staff, and this measure can provide a more easily measurable indication of costs than totalling actual costs.

Another limitation of this measure as a proxy for the cost of absenteeism is that financial and productivity costs of absence are not necessarily positively correlated with wage costs.

On the contrary, many highly paid employees are those whose work will 'wait for them' and do not require much replacement labour or peer coverage.

Severe absence disruptions may be more likely to be driven by manufacturing line positions, call centre positions or other operational employees whose absence is more immediately felt by peers or customers.

Data Sourcing

Organisations typically source data related to absenteeism from absence tables that are part of timekeeping or payroll systems, or that exist as separate databases. Wage information may be sourced from payroll tables for greatest accuracy.

As an alternative, an employer could approximate wage information from an annual salary or hourly wage field within an HRIS job table.

Analysis

Employers may find it useful to analyse Compensation Value of Unscheduled Absences per FTE across various employee populations to identify areas of concern and targeted interventions, using such dimensions as age, tenure, employment level, pay grade, job family, performance rating, location and organisational unit.

Limitations

Compensation Value of Unscheduled Absences per FTE is only an approximate measure of the cost of absences to organisations, as described more fully in the Interpretation section. Also, the measure does not indicate the average length of absences or the reasons for those absences.

Targets

Employers are likely to set absolute targets for this measure near zero, though zero itself is not a realistic target. Despite an organisation's best efforts to reduce absenteeism, sick leave and some other leave types will never be eliminated.

Certainly, health and safety efforts may aim to improve employees' health and minimise sick time, and employers should aim to minimise or eliminate no-shows and false illnesses. However, targets should be set based on a realistic expectation of such absences.

Relative to a benchmark group, organisations would typically aim to move results toward the 25th percentile, representing lower levels of absenteeism costs, assuming the measure provides an adequate proxy for absence costs.

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36. Flexible Work Hours Rate (Flexible Work Practices)

Application

This measure will be most useful for organisations that allow flexible work arrangements such as flexitime, rostered days off, purchased leave or telecommuting.

Description

Employees with a flexible work schedule as a percentage of total employees.

Formula

End of period headcount . Flexible work schedule / End of period headcount * 100

Interpretation

Flexible Work Hours Rate indicates the percentage of the workforce that participates in flexible work arrangements and may not work the standard operating hours of the organisation.

Many organisations offer some employees options to work hours that are more convenient for them than standard office hours. Employees may work ten hours four days a week with the fifth day off , or nine hours a day for nine days with the tenth day off.

Other employees may start work at 6:00a.m. and leave at 3:00p.m. for traffic or day care reasons. Regular telecommuting part or full time may also be considered a flexible work arrangement.

These and other flexible work arrangements are often seen as a desirable work-life benefit and can be beneficial to employers for multiple reasons.

Employees who might otherwise leave the organisation may stay because of the personal flexibility of their work hours. Such work arrangements might attract or retain working parents who otherwise might not work outside the home.

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For some organisations, it may be useful to have employees working odd hours to provide coverage of systems or client work that spans more than a typical workday.

However, flexible work arrangements may also present some limitations, primarily related to productivity interruptions, increased operational costs and personnel processing costs.

Therefore, it is useful to monitor an or ganisation's Flexible Work Hour s Rate, understand which employee populations have high or low percent ages of flex workers, and then assess the related impact.

Data Sourcing

Organisations may source fields capturing flexible work arrangements from payroll tables, timekeeping databases or HRIS tables of jobs or personal characteristics.

Analysis

Employers may find it useful to measure Flexible Work Hours Rate by certain job characteristics to understand which populations are availing themselves of flex-time offerings.

Dimensions for such analysis include job family, job function, occupation, pay grade, employment level and performance rating. It may also be useful to analyse this measure by organisational unit and location to understand where flexible arrangements are more practical, more accepted or more likely to be allowed.

Limitations

Flexible Work Hours Rate, without further analysis, does not indicate the types of flexible arrangements under which employees work.

It also does not directly measure the impact of those arrangements on employee commitment, employee engagement or workforce productivity.

Additionally, it does not measure the cost of flexible work arrangements.

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Targets

Targets for this measure will depend in part on the percentage of the employee population that is eligible to elect such arrangements. Targets must also consider any potential negative impact on client relationships, customer service and work unit productivity.

Targets relative to a benchmark group are not likely to be useful because of the wide variation of work policies across organisations, though general benchmark information may be useful to understand how other employers have structured their work hours for their own employment brands.

37. Unscheduled Absence Days per Employee

Application

This measure will be most useful for organisations with populations that can be disrupted by absenteeism or that tend to experience significant organisational costs due to absenteeism.

Description

Average number of unscheduled absence days per FTE employees during the reporting period.

Formula

Unscheduled absence days / Average FTE employee

Interpretation

Unscheduled Absence Days per Employee indicates the average number of days of absences per FTE during the period. A result of 1.5 means that, on average, each FTE employee missed one and a half days of work during the period for unavoidable reasons. This measure is an alternative measure of absence volume to Absence Rate, providing a perspective by employee rather than by days worked.

For the purposes of this measure unscheduled absence means absences that are beyond the capacity of the employer to control, including sick leave, carers leave, compassionate leave, parental (maternity) leave, jury duty, no-shows or other reasons.

Leave for these reasons is often characterised as unscheduled but, on occasions, an employee may advise of a need to take leave in advance.

In some positions, such absences may cause very little disruption. However, in other positions, absenteeism may drive extensive direct costs and productivity losses for the organisation. Direct financial consequences may include such costs as overtime wages and

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temporary worker pay.

Productivity losses can include the time used to find replacements, disruption to the delivery of services, training and onboarding of replacements, and the lost productivity of peers who may step in to cover the absent employee's duties.

Unscheduled Absence Days per Employee can thus indicate, directly or indirectly, the level of workplace disruption and organisational cost associated with some absences.

Some absences may also signal issues with workforce health and safety, leave policy compliance, labour relations, and employee engagement and morale. Additionally, as absenteeism can also negatively impact overall employee morale and commitment to the organisation, Unscheduled Absence Days per Employee might serve as a leading indicator of morale and turnover concerns.

An alternative is to measure the percentage of FTE employees by the number of days taken, e.g. less than one week, one to two weeks, three to four weeks, etc. This analysis will inform organisations on concentrations of absenteeism among staff.

Data Sourcing

Organisations typically source data related to absenteeism from absence tables that are part of timekeeping systems, part of payroll systems or exist as separate databases.

Analysis

Employers may find it useful to analyse Unscheduled Absence Days per Employee across various employee populations to identify areas of concern and targeted interventions, using such dimensions as age, tenure, employment level, pay grade, occupation, job family, performance rating, location and organisational unit.

Organisations may also analyse this measure by absence type to understand which unscheduled absences occur most frequently.

Limitations

Unscheduled Absence Days per Employee does not directly indicate the costs of absenteeism. It does not measure the average length of an absence occurrence or the reasons for those absences, without further analysis.

Additionally, the core formula for this measure does not differentiate between absences for uncontrollable illnesses, injuries, etc., versus absences in which employees simply did not feel like attending work.

Targets

Employers are likely to set absolute targets for this measure near zero, though zero is not a realistic target for Unscheduled Absence Days per Employee.

Despite an organisation's best efforts to reduce unscheduled absences, sick leave and some other leave types will never be eliminated. Certainly, health and safety efforts may aim to improve employees' health and minimise sick time, and employers should aim to minimise or eliminate no-shows and false illnesses.

However, targets should be set based on a realistic expectation of such absences.

Relative to a benchmark group, organisations would typically aim to move results toward the 25th percentile, representing lower levels of unscheduled absences and higher levels of productivity, all else being equal.

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38. Unscheduled Absence Rate

Application

This measure will be most useful for organisations whose staffing and operations may be significantly impacted by employee absences.

Description

Total days of employee unscheduled absence as a percentage of total expected workdays during the reporting period.

Formula

Unscheduled absence days / Workdays * 100

Interpretation

Unscheduled Absence Rate indicates the percentage of work time, expressed as workdays, that the average employee is absent for unplanned reasons during a period. A result of 3 per cent means that unscheduled absences total 3 per cent of all workdays. Or, put differently, on an average day, three of every 100 employees are absent.

Unscheduled absences may occur due to illnesses, carers leave, compassionate leave, parental leave, no-shows, jury duty or other reasons. Organisations may be interested specifically in unscheduled absences as a target for intervention for improved costs and productivity.

While absences are a necessary part of operations and many absence types are considered to be important benefits for employees, absences do result in direct costs and productivity losses for the organisation. Direct financial consequences may include such items as overtime wages and temporary worker pay.

Productivity losses can include the time used to find replacements, disruption to the delivery of services, training and onboarding of replacements, and the lost productivity of peers who may step in to cover the absent employee's duties.

Measuring absence volume through Unscheduled Absence Rate, combined with further

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analysis of absence types, can help an organisation to identify undesirable absences and create appropriate policies or programs.

Data Sourcing

Organisations typically source data related to absences from absence tables that are part of timekeeping systems, part of payroll systems or exist as separate databases.

Analysis

Employers may find it useful to analyse Unscheduled Absence Rate across various employee populations to identify areas of concern and targeted interventions, using such dimensions as age, tenure, employment level, pay grade, occupation, job family, performance rating, location and organisational unit. Organisations may also analyse this measure by absence type to understand which absences occur most frequently.

Limitations

Unscheduled Absence Rate does not directly indicate the costs of absences. It does not measure the average length of absences or the reasons for those absences, without further analysis. Additionally, this measure does not differentiate between absences for uncontrollable illnesses, injuries, etc., versus absences in which employees simply did not feel like attending work.

Targets

Absolute targets for Unscheduled Absence Rate are likely to consider a reasonable level of scheduled absences (based on expected utilisation of certain leave types) and a minimal level of unscheduled absences.

Relative to a benchmark group, organisations would typically target between the 251 percentile and the median, representing lower levels of unscheduled absences. Relative targets are likely to be more useful for Unscheduled Absence Rate than for this measure, due to variances in leave policies across organisations.

39. Age Staffing Breakdown

Application

This measure will be most useful for organisations that expect to experience significant knowledge drain from retirements in future periods or those that believe their labour flow dynamics are changing the age composition of their workforce.

Description

Distribution of headcount by age at the end of reporting period.

Formula

End of period headcount. [Age] / End of period headcount * 100

Interpretation

Age Staffing Breakdown indicates the percentages of the workforce that fall within various age groupings. Graphically, the data are presented as a percentage of the total workforce, i.e. a stacked bar graph.

Organisations are generally interested in the age profile of their workforces for three significant reasons. First, employee preferences and behaviours tend to vary with age. For example, the benefits desired by 25-year-old employees are likely to differ from those valued by 45-year-olds.

The reasons that employees enter and leave an organisation are also likely to differ across age groups. Given these variances, it is important for an organisation to understand how its employment offer appeals to employees at various ages and what behaviours are likely from various age groups.

Second, experience levels are likely to vary with age, either industry-specific experience or professional working experience. While age is certainly not a predictor of performance, the experience levels of various age groups may necessitate different development strategies.

Employers with very young workforces may focus development on basic professional skills or basic managerial development, while those with more experienced workforces may focus

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development energies on emerging technologies, high-level managerial skills or other areas.

Recruiting practices are also likely to differ based on the age profile of existing employees and new hires, helping to determine whether recruiting efforts are focused on university recruiting programs, industry networking, etc.

Third, organisations must understand their age profiles to gauge potential exposure to retirement costs and knowledge drain from employees nearing retirement age.

Australia faces a future labour shortage created by the impending retirement of the baby boomer population. Organisations must understand their potential for loss of knowledge and experience through a baby boomer retirement wave and plan in advance for the back-filling of those retirements.

Age Staffing Breakdown, while somewhat more complex than the other measures related to age, provides the most detailed view of age across the organisation by indicating the relative percentage of all age groups in the workforce.

Data Sourcing

Organisations typically calculate age of employees based on their date of birth, as captured in a personal data table in an HRIS.

Analysis

Employers may find it useful to analyse Age Staffing Breakdown by various organisational groups and units to understand differing employee preferences among those groups and to understand any potential retiree knowledge loss issues in key areas. Dimensions for such analysis may include organisational unit, occupation, job function, location, job family, managerial level and employment level.

Limitations

Age Staffing Breakdown does not indicate the age profile of those leaving and entering the organisation; it indicates only the resulting age composition of the workforce.

The measure does not provide information about the cost of past or future retirements to the organisation, and it does not directly indicate the skill, knowledge or tenure levels of

employees in various age groups.

Any interventions designed to address an organisation's age profile must not have a discriminatory impact on protected age groups.

Targets

As this measure is a breakdown measure, any targets would need to be set for the individual components of the breakdown. Generally, many organisations desire to target a relatively even age distribution that is not very heavily weighted toward any one age group.

However, targets must be set with care to avoid creating any discriminatory impact on protected age classes.

40. Gender Staffing Breakdown

Application

This measure will be most useful for organisations that track the gender diversity of their workforce.

Description

Distribution of headcount by gender at the end of reporting period.

Formula

End of period headcount. [Gender] / End of period headcount * 100

Interpretation

Gender Staffing Breakdown indicates the percentages of the workforce represented by each gender. Graphically, the data are presented as a percentage of the total workforce, i.e. a stacked bar graph.

This measure enables an organisation to monitor the gender balance of its workforce, to promote diversity among staff and to help ensure the lack of gender bias in the workplace. The HR function can play a critical role in guiding line managers to hire and retain the best available mix of high-performing employees regardless of gender.

HR can also help ensure respect for diversity through employee training initiatives, enforcement of diversity-sensitive work environment policies and adherence to established grievance procedures.

In addition to gender staffing mix, organisations tracking workforce diversity are likely to also monitor the hiring and turnover trends among males and females to understand which units or functions within the organisation may have difficulty attracting or retaining a particular gender.

To achieve a targeted gender composition in certain functions or areas, organisations may consider implementing gender-specific attraction and retention strategies, taking into account any established differences in benefits or other preferences among employees.

Data Sourcing

Organisations typically source gender from a personal data table within an HRIS.

Analysis

Employers may find it useful to analyse gender composition by business unit and job function to help assess any variations or gaps that might exist within organisational subsegments.

Organisations may also analyse gender by location and job family to determine the extent to which its gender composition mirrors the local labour market. Viewing gender breakdowns by hierarchical level and promotion rates can also help detect any 'glass ceilings' that might exist.

Limitations

Gender Staffing Breakdown does not, without further analysis, indicate how the organisation's gender mix compares with that of the labour market for relevant locations and positions. While this measure may help to identify gender imbalances in the workforce, it will not by itself explain why such imbalances exist. Analysis of hiring, internal movement, termination, wage and other patterns and behaviours would be necessary to understand any root causes for different behaviours between males and females.

Targets

As this measure is a breakdown measure, any targets would need to be set for the individual components of the breakdown. Most organisations target a gender mix that is comparable to the labour market(s) from which employees are sourced, by geographical area as well as by trade or skill area.

When compared to a relevant benchmark group, organisations typically target the median so as not to differ widely from the practices and environments of talent or industry competitors. Any interventions designed to address an organisation's gender profile must not have a discriminatory impact on protected groups.

41. Staffing Rate – 50+ Years Old

Application

This measure will be most useful for organisations that have a moderate or heavy proportion of employees nearing retirement age in their workforces, either within the organisation as a whole or within key functions or skill groups. This measure will also be useful to organisations that carry heavy retirement cost burdens in defined benefit superannuation or unused accrued leave entitlements.

Description

Percentage of employees at the end of the period that are 50 years old or older.

Formula

End of period headcount . 50+ age / End of period headcount * 100

Interpretation

Staffing Rate – 50+ Years Old indicates the percentage of the organisation's employees who are 50 years of age or older. A result of 20 per cent means that one out of every five employees is age 50 or older.

Organisations can use this measure to help understand their potential exposure to employees nearing retirement age.

Australia faces a future labour shortage created by the impending retirement of the baby boomer population. This retirement wave over the next 10 to 15 years is likely to bring with it significant retirement costs, such as payments on defined benefits superannuation schemes and accrued long service leave credits.

It is also likely to cause a drain of important knowledge, skill and experience held by older workers. Organisations must understand this knowledge drain exposure to plan in advance for the back-filling of those retirements.

This measure should also be considered in conjunction with an analysis of the organisation's leadership ranks and succession pool. Because managers and executives

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tend to be older than other employees, the leadership strength of an organisation may be especially susceptible to retirement drains.

Other metrics are also available to measure the age of the workforce, including Age Staffing Breakdown and Average Workforce Age.

Age Staffing Breakdown would also reveal the percentage of the workforce 50 and older through components of the breakdown. However, Staffing Rate – 50+ Years Old is best suited among these three measures to specifically and simply measure retirement exposure by totalling all age groups 50 and older and indicating that result in a single percentage.

Data Sourcing

Organisations typically calculate age of employees based on their date of birth, as captured in a personal data table in an HRIS.

Analysis

Employers may wish to further break down the 50+ age grouping to assess the proportion of employees within one year, three years, five years, etc., of normal retirement age.

Additionally, employers are likely to analyse this measure by managerial level, organisational unit, organisation tenure, job function, job family and other analysis dimensions to identify pockets within the organisation that are most susceptible to the negative impact of a large wave of retirements.

Limitations

Staffing Rate—50+ Years Old does not indicate the age profile of those leaving and entering the organisation; it indicates only the relative level in the workforce of older workers. It does not indicate the average retirement age or the number of years until retirement for 50+ employees.

Also, the measure does not provide information about the cost of past or future retirements to the organisation, and it does not directly indicate the skill, knowledge or tenure levels of employees in the 50+ age group. Any interventions designed to address an organisation's age profile must not have a discriminatory impact on protected age groups.

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Targets

Organisations are likely to target results for Staffing Rate – 50+ Years Old at the median of a relevant benchmark group of industry or talent competitors.

At the median, it is assumed the organisation is not likely to be significantly more susceptible to retirement costs or 'brain drains' than competitors.

However, targets must be set with care to avoid creating any discriminatory impact on protected age classes.

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42. Employment Level Staffing Breakdown (Classification)

Application

This measure will be most useful for organisations that are experiencing a shift over time, whether intentional or not, in the classification or salary level mix of positions within the workforce.

Description

Distribution of headcount by employment level (e.g. classification or salary level) at the end of reporting period.

Formula

End of period headcount [Employment level] / End of period headcount * 100

Interpretation

Employment Level Staffing Breakdown provides the percentages of the workforce within each employment level, typically classification level or grouping the workforce into salary cohorts such as $5000 or $10,000 bands. Graphically, the data are presented as a percentage of the total workforce, i.e. a stacked bar graph.

Expectations and goals regarding career paths, wage and benefits, desired work environment and other aspects of the organisation's employment offer may differ according to classification I salary level.

If an organisation understands each population's values regarding the employment brand, it can use Employment Level Staffing Breakdown to inform the design of wage and benefit programs, training programs, engagement strategies and other HR programs and interventions.

Some organisations may also wish to track Employment Level Staffing Breakdown to monitor the progress of initiatives designed to alter the basic makeup of the workforce.

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For example, an organisation aiming to reduce the number of clerical positions and increase the number of highly-skilled positions in order to support its business strategy may expect employment level composition to shift to higher classification grades and higher salary levels.

Data Sourcing

Organisations typically flag employment level in a job-related HRIS table.

Analysis

Within broad classifications, many opportunities for more granular workforce analysis exist. Occupations or job families might provide a richer analysis for program design and decision making.

Limitations

While Employment Level Staffing Breakdown provides a snapshot view of workforce composition, it does not indicate the actual number of employees or the hiring and turnover trends within each level.

Also, it does not directly indicate the appropriateness of level composition for an organisation's strategy, nor does it indicate the level of skill or performance for each employment level.

Targets

As this is a breakdown measure, any targets would need to be set for the individual components of the breakdown. Any targets related to employment level would be highly dependent on industry norms and organisational strategy.

43. Staffing Rate – Managerial

Application

This measure will be most useful for organisations that are concerned about their hierarchical balance, for reasons of cost containment, personnel management or career path development.

Description

Managers as a percentage of total headcount at the end of the reporting period.

Formula

End of period headcount. Manager I End of period headcount * 100

Interpretation

Staffing Rate – Managerial indicates the percentage of the organisation's workforce employed in managerial positions. Managerial positions, for this measure, typically refer to positions with managerial titles, regardless of whether those positions involve supervisory responsibility. A result of 14 per cent means that 14 per cent of all employees occupy managerial positions.

A high proportion of managers in the workforce may indicate that the organisation has a relatively tall structure with many hierarchical levels.

As compared to flatter organisations, some employers with tall hierarchies experience higher salary costs, more difficult top-down communication and a loss of responsiveness in decision making due to bureaucratic procedures.

A low proportion of managers, on the other hand, tend to indicate a flat organisation structure with fewer hierarchical levels. Organisations with flat structures can risk stretching managers too thinly, potentially diluting personnel management, project management and senior-level planning.

In addition, maintaining a low number of managerial positions long term may result in a smaller pool of internal talent from which to draw for succession planning purposes when

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needed.

Results for Staffing Rate – Managerial tend to be lower in labour-intensive industries such as manufacturing, while results tend to be higher in professional industries such as financial services, information technology and professional services.

Data Sourcing

Organisations may identify managers using any of several data sources, including a managerial/non managerial column in an HRIS table, job title or a supervisory organisational hierarchy.

Analysis

As Staffing Rate-Managerial is likely to vary across functions, employers may wish to analyse this measure among functions or organisational units. It may also be helpful to analyse this measure by tenure, gender, ethnic background and other personal characteristics to better understand the diversity and career path implications of hierarchy in the organisation.

Limitations

Staffing Rate – Managerial does not differentiate on span of control or number of reports at various hierarchical levels or titles, so it provides only a two-dimensional view of hierarchical structure. This measure does not directly indicate the number of hierarchical levels in the organisation or the nature of career paths leading to managerial positions.

Also, the measure cannot indicate the quality, experience or stability of managerial staff.

Targets

Targets for the proportion of managers in an organisation are likely to depend on organisation design, industry, job function mix and career path strategies.

Within a benchmark group of organisations in similar industries or with similar job functions, an organisation aiming to minimise salary costs or hierarchical levels may target moving results toward the 25th percentile.

Organisations aiming to provide a plethora of managerial positions for career path or

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employee retention purposes may instead target moving results toward the 75th percentile of a relevant benchmark group.

44. Staffing Rate – Part Time

Application

This measure will be most useful for organisations that make use of part-time work arrangements with relative frequency or that actively manage part-time arrangements as part of a portfolio of flexible work arrangements.

Description

Part-time employees as a percentage of the total workforce.

Formula

End of period headcount. Part time / End of period headcount * 100

Interpretation

Staffing Rate – Part Time indicates the percentage of the workforce that is classified as part time. The remainder of the workforce consists of full-time employees. A result of 3 per cent means that three of every one hundred employees are classified as part time.

Part-time work arrangements are often seen as desirable work-life benefits and can be beneficial to employers in many circumstances. Employees who are not able to devote full-time hours to a job but have an important skill set or valuable experience may still be retained by an employer on a part-time basis.

Employees who wish to retire gradually over a period of time might move to a part-time status, allowing the organisation to continue to benefit from their knowledge. Part-time employees often receive fewer benefits than full-time employees, which might represent cost savings to the employer.

Part-time staff may also present some limitations for employers. If staff members are only available to perform certain activities during certain hours, other staff or processes may experience productivity interruptions. Also, part-time employees may represent additional payroll or other processing costs to the organisation.

Organisations with very low results for this measure may wish to assess whether more

pervasive part time arrangements might positively impact retention and knowledge management across the workforce.

Employers with high results for Staffing Rate-Part Time may instead wish to analyse the productivity and processing costs of part-time workers to ensure costs and efficiencies are being managed appropriately relative to the organisational benefits of part-time arrangements.

Data Sourcing

Organisations typically identify part-time and full time status from a full time/part-time indicator within an HRIS job table.

Analysis

Employers may find it useful to analyse this measure by employee and organisational characteristics to understand where part-time arrangements are common. Dimensions for such analysis may include organisational unit, occupation, job family, job function, tenure, age, gender, pay grade, employment level and performance rating.

If an organisation uses part-time arrangements to address the needs of certain employee populations such as working parents or working students, it may also wish to analyse by demographic characteristics that will enable it to gauge the success of these strategies.

Limitations

Staffing Rate – Part Time does not provide any indication of the number of hours worked by part-time employees, nor does it measure the productivity of part-time workers. It does not indicate the costs or the cost savings of offering part-time arrangements.

Additionally, the measure does not indicate the impact of part-time arrangements on employee retention, engagement or productivity.

Targets

Organisations must consider their stated goals for part-time resources in setting targets for this measure, such as an accommodation of exceptional employees, a common flexible work arrangement, a vehicle for gradual retirement, etc.

Targets should also incorporate some understanding of the costs and benefits of part-time versus full-time resources for relevant positions, including such factors as wage, benefits, productivity and cultural impact.

Employers that encourage part-time arrangements as a differentiating strategy may target moving results toward the 75th percentile of a relevant benchmark group. Organisations not employing such a strategy are likely to target the median.

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45. Staffing Rate – Temporary

Application

This measure will be most useful for organisations that currently use temporary resources with relative frequency or that expect use of temporary resources in future periods.

Description

Temporary employees as a percentage of the total full-time equivalent workforce.

Formula

FTE temporary / FTE * 100

Interpretation

Staffing Rate – Temporary indicates the percentage of the organisation's full-time equivalent workforce that is classified as temporary, as opposed to ongoing. Temporary employees are those who may be employed for a fixed term or on a casual basis. In certain circumstances, contractors and temporary employment agency staff may also be measured separately or included when considering all temporary workers.

Organisations can use temporary employees to fill short-term recruitment vacancies or the temporary absences of regular employees, or to meet short-term skill requirements.

In some cases, organisations can come to rely on temporary employees during hiring freezes, or they may use a temporary employment relationship as a trial to determine whether a candidate is appropriate to hire on a regular basis. High results for Staffing Rate – Temporary may indicate that an organisation relies heavily on such trial relationships to make effective hiring decisions.

However, high results could instead indicate that managers are using temporaries excessively to avoid restrictive hiring policies or that recruiting capabilities are ineffective in planning for and filling vacancies.

Temporary employees are also used by many organisations as a contingent workforce to allow for workload peaks or seasonal swings in resource requirements. Employers can track

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this measure monthly and quarterly to better plan for or mitigate their monthly, yearly or cyclical swings in labour demand and their resultant use of temporary resources.

Acquiring temporary resources can often be less costly than hiring ongoing workers who may receive benefits or demand higher wages. Practically speaking, organisations might also find that temporary workers can be released more quickly than permanent workers when necessary. Thus, high results for this measure might indicate that an organisation uses temporary employment as a cost cutting measure.

However, organisations adopting such workforce strategies must also weigh the productivity costs associated with cycling through temporary employees, as new temporaries require time to understand the organisation's processes, rules and culture to be effective.

Data Sourcing

Organisations can track temporary employees through HRIS or payroll tables, or through third-party employment agencies. Most organisations find it difficult to accurately capture temporary resources not tracked within the organisation's payroll system.

Analysis

Employers may find it useful to analyse this measure by organisational unit, function or location to understand where temporary employees are most heavily used. When possible, organisations can also analyse results by job family or occupation to understand which positions are most commonly occupied by temporary resources. Such analysis might be helpful for exposing gaps in recruitment practices.

Limitations

Staffing Rate – Temporary does not, without further analysis, indicate for what purpose temporary staff are employed, e.g. temporary vacancies, temp-to-hire practices, seasonal fluctuations, etc.

Nor does the measure indicate the cost of using temporary workers versus ongoing workers, or the impact of temporary employees on workforce productivity.

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Targets

Organisations set targets for this measure within the context of their stated goals for temporary resources, e.g. short-term coverage of vacant administrative positions, seasonal coverage of unskilled labour, etc.

Targets should also incorporate some understanding of the costs and benefits of temporary versus regular resources for relevant positions, including such factors as wage, benefits, productivity and cultural impact.

Employers who leverage temporary employment as a differentiating strategy may target moving results toward the 75th percentile of a relevant benchmark group. Organisations not employing such a strategy are likely to target the median.

46. Organisation Tenure Staffing Breakdown

Application

This measure will be most useful for organisations experiencing significant tenure imbalances within the workforce or experiencing shifts in tenure due to high turnover, reorganisation or a retiring workforce.

Description

Distribution of headcount by organisational tenure at the end of the reporting period.

Formula

End of period headcount [Tenure] / End of period headcount * 100

Interpretation

Organisation Tenure Staffing Breakdown indicates the percentages of the workforce falling within various tenure groupings. Graphically, the data are presented as a percentage of the total workforce, i.e. a stacked bar graph.

High levels of tenure tend to mean that many employees have a significant experience and significant knowledge of organisational processes and history. Such employees are likely to be considered highly valuable and can help sustain organisational culture. However, very high tenure among the workforce can also lead to stagnation of culture and innovation.

Low levels of tenure may be driven by high turnover levels (i.e. new employees have been hired to fill vacancies) or fast growth (i.e. new additions to the workforce bring down the overall average).

Low tenure may or may not carry with it low levels of work experience, but low tenure will carry with it limited organisational context and limited knowledge of processes and history.

Employers are likely to monitor tenure levels to track the impact of turnover and growth or contraction strategies on organisational knowledge and culture. Tenure levels are also

likely to inform workforce strategies.

For example, development needs of a low-tenured workforce may centre on onboarding and process knowledge, while those of a high tenured workforce are more likely to revolve around career development, leadership development or continuing technical education.

Other metrics are available to measure the tenure of the workforce, including Average Workforce Tenure and Staffing Rate – < 1 Year. Organisation Tenure Staffing Breakdown, while more complex than the others, provides the most detailed view of tenure across the organisation by indicating the relative percentage of all tenure groups in the workforce.

Data Sourcing

Tenure may be calculated using a hire date, though most organisations calculate tenure using an adjusted hire date that may include tenure from previous periods of employment with the organisation.

Analysis

Employers commonly analyse tenure within key skill areas, occupations, job functions and managerial groups to understand the experience levels within the jobs that are likely to have the greatest impact on organisational performance.

For diversity monitoring, organisations may also wish to analyse tenure by gender and ethnic background.

Limitations

Organisation Tenure Staffing Breakdown does not indicate the tenure profile of those leaving the organisation; it indicates only the resulting tenure composition of the workforce.

While tenure is a measure of experience within the organisation, it is not a direct indicator of general work experience, skill levels or functional knowledge. This measure also indicates only tenure with the organisation, not the tenure of employees within their current positions, tenure as managers, etc.

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Targets

As this measure is a breakdown measure, organisations would need to set targets for the individual components of the breakdown.

Employers are most likely to set targets for a percentage of very low-tenured employees (e.g. less than one year of tenure) or for larger groups of tenure bands (e.g. more than three years of tenure, more than five years of tenure).

Targets for these percentages, whether relative or absolute, typically aim to strike a balance between retention of knowledge and skills and injection of new ideas from external sources.

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47. Staffing Rate – <1 Year

Application

This measure will be most useful for organisations that have a low-tenured workforce, have set specific targets around increasing or decreasing their tenure levels over time or are concerned about the implications of high turnover.

Description

Percentage of employees at the end of the period who have less than one year of tenure.

Formula

End of period headcount . <1-year tenure / End of period headcount * 100

Interpretation

This measure indicates the percentage of the workforce who have less than one year of tenure. High levels of low tenure are often associated with high turnover. An organisation with 20 per cent annual turnover that aims to maintain static headcount is likely to have a Staffing Rate – < 1 Year of around 20 per cent as well.

Another way organisations like to frame this measure is, 'As I'm walking the halls of my organisation, what percentage of the people that I pass are relatively new?'

While new entrants to the organisation can bring with them fresh perspectives, new skills, and new ideas and practices from other organisations, they typically have little knowledge of organisational history, culture, relationships and processes. Onboarding time is required to bring these new employees to 'full productivity'.

This measure, therefore, can help indicate turnover problems and inform onboarding and training strategies. Low tenure within some occupations or job families (e.g. call centre operators) may be expected and acceptable, while low tenure within other areas (e.g. engineering, policy officers) may be cause for greater concern to an organisation.

Other metrics are also available to measure the tenure of the workforce, including Average Workforce Tenure and Organisation Tenure Staffing Breakdown. However, Staffing

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Rate – < 1 Year is best suited among these measures to specifically and simply measure the level of newer employees in the workforce.

Data Sourcing

Tenure may be calculated using a hire date, though most organisations calculate tenure using an adjusted hire date that may include tenure from previous periods of employment with the organisation.

Analysis

Employers commonly analyse this measure across key skill areas, occupations, job functions, customer-facing roles and managerial groups to understand which areas key to organisational performance have the greatest levels of low tenure. For diversity monitoring, organisations may also wish to analyse tenure by gender and ethnic background.

Limitations

Staffing Rate – < 1 Year does not indicate the tenure levels of employees who have greater than one year of tenure.

While tenure is a measure of experience within the organisation, it is not a direct indicator of general work experience, skill levels or functional knowledge. This measure indicates only tenure with the organisation, not the tenure of employees within their current positions, tenure as managers, etc.

Targets

Targets set related to specific tenure groups are usually set on an absolute basis, e.g. 20 per cent of the workforce. If set relative to benchmark group, most organisations would aim to move results between the 25'h and 50'h percentiles, viewing low tenure as a negative consequence of employee turnover.

Newer organisations, or those that place a higher value on newer employees and the outside perspectives they off er, might target the 50'h percentile or higher.

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