10 vital HR metrics to track for your business

Human resources analytics, a relatively new discipline, is growing at an extraordinary rate and is quickly becoming an essential competency for HR professionals, according to Dr. Michele Rigolizzo, an assistant professor at the Feliciano School of Business at Montclair State University. She teaches human resources courses and a new STEM-designated Master of Science in Human Resources Analytics online business program. She is a former HR professional, which means she knows first-hand how critical it is to have a deeper understanding of HR analytics. *The HR Specialist* spoke to Dr. Rigolizzo about what HR professionals need to know about this vital tool.

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Why HR needs data analytics

Why is data analytics crucial to HR's role in the organization?

Dr. Rigolizzo: Particularly within HR, data analytics is essential and not something HR has traditionally used as a key tool, but the use of data to make decisions is becoming commonplace, and therefore HR data analytics careers are in high demand. Professionals need a deep understanding of what we can and can't do with data.

In your estimation, do employers see the value in this?

Dr. Rigolizzo: This is one of the biggest trends in HR, and it's not going away. As organizations become more complex, data helps clarify the picture of what's going on as it relates to employee engagement and retention. It also helps companies spot and anticipate trends across the field of HR to know what to do in the future. It's important in many ways. Savvy organizations have already delved into this area. Organizations that already look at data have a better view and can be more innovative in their approaches.

Robust data collection and analysis helps companies see if a particular change impacts employee morale, for example. It allows companies to examine what they have tried and what differences it has made. Not only is it uncovering trends, but it's also a way to determine whether a certain initiative is working. It's hard to know what success looks like, but this is a way to discover what's happening—and what could happen—in organizations.

Can organizations of all sizes employ analytics to their advantage?

Dr. Rigolizzo: The larger and more complex a company is, the more important this will be. But smaller companies are the ones facing severe labor shortages, so for them to have a sense of the trends and attract and retain employees will give them an edge. No matter the size, it's not possible to make informed decisions without the proper use of data. That said, medium and large companies will benefit most.

How are organizations using HR analytics to increase employee recruitment and retention?

Dr. Rigolizzo: Regarding recruitment, thoughtful data can reveal built-in biases that keep you away from qualified candidates. There are many ways to use it down to where recruitment dollars should go. We can see which method is worth putting resources toward.

With employee engagement, it is interesting to see how the script has flipped. It is now as much about whether the employee wants to work at a company as opposed to whether the employer wants to hire them. And what an engaged employee looks like is changing. It's a new area to explore, and we need data. Let's not pretend that we know what works best for all employees.

Which hiring metrics are most important to track?

Dr. Rigolizzo: Data shows that interviews aren't a great way to hire someone. But every manager thinks they know how to do it. The best thing to look at is the variables making a difference. For example, does it matter who conducts the interview? Does it matter if we do an interview? Are we getting better performers when we hire in these different ways? It will be interesting to evaluate these traditional ways of hiring, which are quite fraught and not as effective as we believe. We need to figure out what makes an employee thrive.

10 HR metrics to track

Knowing the value of data analytics for HR is one thing, applying them is another. Now, let's look at the 10 top HR Metrics you should be looking at, according to Visier, a people analytics software provider.

1. Headcount

The total number of people who are doing work for the company at any given time, including all permanent, temporary, contingent and gig workers. Track each of those worker categories separately, but also be sure to track the salary band headcount, which determines the upper and lower salary limit for workers within a type of role.

Why track it: When you're not on top of headcount or how it's changing, confidence in HR's ability to effectively manage one of its core responsibilities dissolves. Demonstrating the ability to consistently measure, report, explain and forecast how many people are or will be working for the company is at the core of all HR strategy.

2. Turnover

The number of employees who leave a company over a certain period of time. Track predicted resignations, resignation trends, estimated replacement costs and resignation drivers, often measured through exit surveys.

Why track it: It's especially important to pay attention to voluntary turnover rates, which can lead to turnover contagion. Knowing your turnover allows you to accurately plan for future workforce needs and identify high areas and drivers of turnover.

3. Diversity

The range of differences within a company or workforce, particularly related to the categories of gender, race, ethnicity, age and other factors. Tracking gender can include male, female, nonbinary or other more detailed designations. Location details impact diversity scores because some locations will have different ethnic makeups than others; a person who is a minority in one location may be in the majority in another.

Why track it: Tracking diversity becomes increasingly important to establish your baseline and gauge the progress of DEIA initiatives. Organizations with poor records of employee diversity or opportunities for women are less likely to attract and keep top talent.

4. Compensation

Compensation is the monetary benefit provided by employers to attract and retain qualified workers. Compensation can include salary, bonuses, health insurance benefits, paid time off, retirement plans, tuition reimbursement programs and more.

In addition to salary, there are some additional data points to track. Compa-ratio divides an individual's pay rate by the midpoint of a predetermined salary range. Track how close a person's salary is to the midpoint.

Also track the range minimum, midpoint and maximum salaries. Related to salary band or grade, these give an estimation of whether the employee is overpaid or underpaid compared to others in similar positions. Range penetration compares the employee's salary to the total pay range for their position or similar positions within other companies. Finally, grade or band is the minimum and maximum salary range offered for an employee within a position.

Why track it: Compensation consistently ranks in the top five reasons employees join or leave an organization. Analyzing this data allows you to ensure that pay scales align with the market demand for those roles so you can competitively hire and retain qualified employees. Ensuring your organization pays equitably based on age, gender, ethnicity or other factors also matters for ethical and legal compliance reasons.

5. Total cost of workforce

This measures the full cost of people who contribute work to the organization, including all the labor costs and the workforce overhead costs, and all the costs that roll up into those two categories, such as employer taxes, facilities and other overhead costs.

Metrics to track include the following:

- People: Pay, recruitment, onboarding, training, retirement and other costs such as insurance
- Overhead: The cost the company incurs per employee
- Facilities: The cost of office space, utilities and IT.

Why track it: TCOW is essential to building an efficient workforce plan and staying competitive. Knowing this number helps companies understand and communicate how potential decisions could impact your organization in the future. It also allows companies to respond to tight labor markets strategically and calibrate workforce costs to the current economic climate.

6. Spans and layers

These are used to assess the width and depth of an organization. Span measures the number of direct reports for each manager. Layer measures the number of supervisory levels.

Items to track within this metric are diverse and include types of work, standardization of responsibilities, productivity, performance, contingent labor and interdependency. The latter measures how members of different teams and different job types work together.

Why track it: Optimizing spans and layers increases the ability of people in your organization to take action and make decisions. By optimizing spans and layers, your organization becomes one that can work together more effectively while reducing costs. Knowing this metric enables you to realize efficiencies and opportunities related to salary grades and promotions, and the optimal span of control for each line of business.

7. Employee engagement

This is a concept related to the extent to which employees are positively connected with their employers, their colleagues and the work that they do. The metric shows employees' level of connection and involvement with the organization and tells how they feel about the company.

Metrics to track include voluntary turnover, absenteeism, employee performance and Glassdoor reviews. Another is the Net Promoter Score, a numerical value on a scale of 1-10 measuring employee sentiment towards their employer.

Why track it: The data gives insights on burnout, manager effectiveness, workload, safety and other variables. Often this metric directly correlates with voluntary turnover, and higher employee engagement scores correlate with higher productivity.

8. Talent acquisition

This is the process companies use to find, hire and onboard employees. It's often also the name of the department that fulfills this function. Recruitment and talent acquisition are often used interchangeably, but recruitment is just one part of talent acquisition.

Metrics to keep track of include revenue per employee, quality of hire (improvement in performance), performance turnover in key jobs, dollars of revenue lost due to position vacancies, new hire failure rate (number who fail to make it to the 90-day mark), applications per role and diversity hires.

Why track it: Talent acquisition metrics track how people move through the entire hiring process from posting a job description to accepting an offer and beyond. These metrics give you the information you need to make the right hiring decisions and avoid the troubles of gut-based hiring, according to the report. It can also help companies maintain adequate staffing levels and help meet diversity and inclusion goals.

9. Learning and development

Learning and development metrics track the career progression of individuals, as well as training of employees, and the impacts of training on the business within an organization.

Metrics to know include what skills will be needed in the future, trajectory of the current learning path (whether the current pipeline is sufficient to meet the skills required in the future, internal hires/promotions (how many employees are progressing to hire roles within the company) and baseline of skills present in the organization.

Why track it: Career development and learning new skills are important factors to employee development, retention and turnover. Learning new skills and better training opportunities are cited as a reason employees change jobs. Having employees feel comfortable using learning and development resources to develop their skills is a trademark of a high-performance organization.

10. Workforce planning

This refers to figuring out how many and what kind of workers your organization needs during a given period to support growth and ensure profitability. Calculating this number involves determining the number of staff members needed for each department.

Metrics to know include absenteeism, attrition and turnover rates, time to proficiency for new hires, tenure, seniority, experience levels and skills coverage.

Why track it: Workforce planning allows companies to identify and fill the gaps between today and what your business will need in the future. This can be used as a forecasting strategy to identify and analyze business needs in terms of the qualifications, experience, knowledge and skills needed.