



*The HR Playbook:*  
**10 METRICS THAT PROVE  
THE VALUE OF HR**





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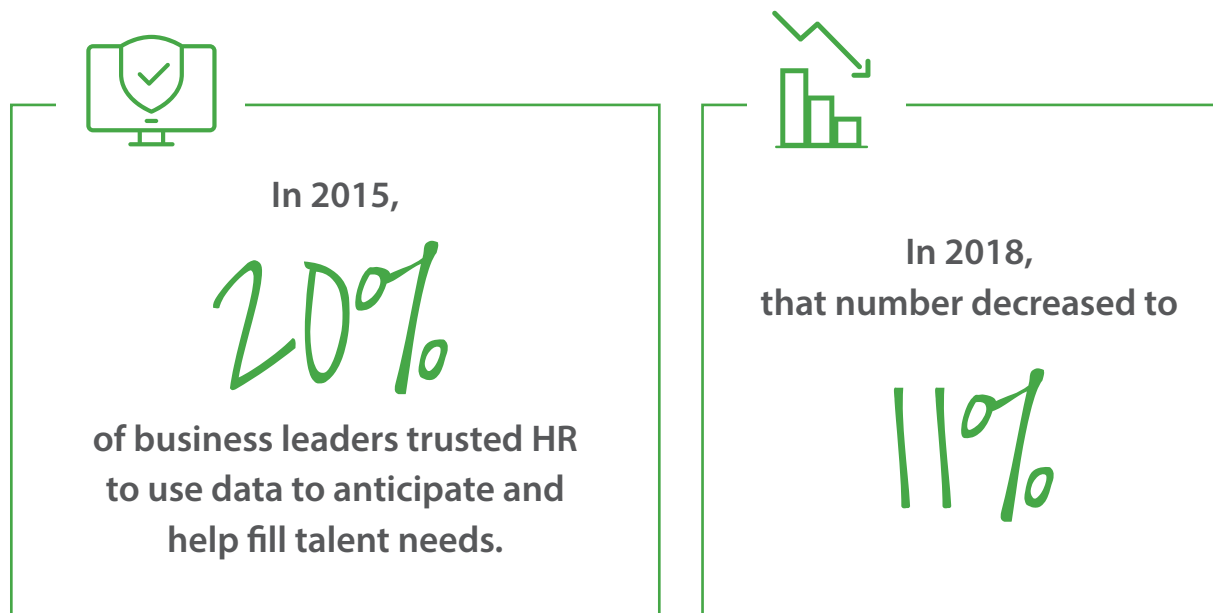


This is your guide to understanding the critical metrics that matter to your C-suite so they can see HR in a brand new light.

# HR is sitting on a goldmine of data. Learn how to use it!

The answers to your most pressing business problems—everything from troubleshooting your recruiting pipeline to predicting labor costs, overtime and turnover—are in your company’s HR, payroll, ATS and time systems. But there’s a disconnect—**HR professionals are constantly fighting an uphill battle**. They aren’t data scientists and they often lack the support, resources and budget needed to make sense of the data, let alone measure its financial impact.

The Harvard Business Review<sup>1</sup> (HBR) found that **HR leaders are behind other professionals in their ability to use data to guide business decisions**. HBR also found that the C-suite lacks confidence in HR’s data ability.







# The ONE THING

*high-performing HR teams do differently.*

Paycor reviewed proprietary data from nearly 3,000 customers and here's what we've found: many standard HR and recruiting metrics are tactical, in that they track project management, or, at most, basic dollar-in, dollar-out cost analysis.



**The most successful HR teams map people management metrics to business outcomes. And that gets the C-suite to pay attention.**



# RECRUITING

*What keeps your C-suite up at night:*



Can we fill key roles fast enough?



Can we find good, quality people?



How much is it going to cost to recruit and hire them?

## FINDING SKILLED TALENT HAS NEVER BEEN HARDER.

The CFO's toughest challenge in 2019 is finding and hiring talent, according to a survey by Robert Half International Inc.<sup>2</sup> Based on responses from 1,600 financial executives, the study found that **hiring skilled professionals is an even bigger challenge for CFOs than retention and engagement.**




RECRUITING




To help,  
HR needs these metrics:

1.



Can we fill key roles fast enough?  
Time-to-Fill

2.



Can we find good, quality people?  
Referral Rate

3.



How much is it going to cost to recruit and hire them?  
Cost-per-Hire



# 1. Time-to-fill



## WHAT IS IT?

A metric that tracks the number of days it takes to fill a job, from job req to offer accepted.



## HOW TO CALCULATE IT:

$$\frac{\# \text{ of days to fill}}{\# \text{ of roles available}}$$



## WHY IT MATTERS:

Time-to-fill can reveal important things about the effectiveness of recruiters and your overall recruiting process, including:

- if the hiring process is taking too long
- if you need to plan your hiring needs further in advance
- if you're using the right channels to advertise the position.

## How do you stack up?

The average time-to-fill is down from 42 days in 2016.<sup>3</sup>

*36 days,*

*(However, it takes only 29 days on average to hire a referred candidate. More on that on next page.)*



# 2. Referral Rate



### WHAT IS IT?

Employee referrals occur when current employees refer candidates for job opportunities at a company.



### HOW TO CALCULATE IT:

$$\frac{\% \text{ of referred employees hired}}{\# \text{ of total candidates hired}}$$



### WHY IT MATTERS:

According to SHRM, employee referrals continue to be employers' top source of hires, delivering more than 30% of all hires overall in 2016. **Employee referral programs can reduce the time it takes to fill open positions** and yield higher quality candidates who stay longer.

How do you **stack up?** **48%** of businesses say their high-quality hires come from employee referrals.<sup>4</sup>





# 3. Cost-per-Hire



## WHAT IS IT?

A measure of the total recruiting costs of finding and hiring candidates.



## HOW TO CALCULATE IT:

$$\frac{\text{total hiring costs}}{\text{total \# of hires}}$$



## WHY IT MATTERS:

**Cost-per-hire identifies how much you're spending to find talent.** Everything from recruiting software to onboarding costs go into this metric.

How do you stack up?

The average cost-per-hire is **\$4,425** in 2016, up nearly \$300 from 2015.<sup>5</sup>



# LABOR COSTS

What keeps your C-suite up at night:



Are employees engaged and productive?



How much are employee absences costing us?



Are we overspending on labor?



Are we compensating employees correctly based on market rates?



LABOR COSTS



## THE BIGGEST COST OF DOING BUSINESS.


**Paycor** found that 47% of HR teams don't regularly meet with finance.

That's a problem. Labor costs are far and away the biggest expense for most companies. Historically, HR was removed from labor costs, but today the C-suite is desperate for HR's expertise to help them figure out how to optimize labor costs.




To help,  
HR needs these metrics:

4.



**Are employees engaged and productive?**  
Absenteeism Rate

5.




**How much are employee absences costing us?**  
Total Financial Impact of Absences

6.



**Are we overspending on labor?**  
Total Labor Costs

7.



**Are we compensating employees correctly based on market rates?**  
Actual Total Compensation vs. Budget



# 4.

## Absenteeism Rate



### WHAT IS IT?

The percentage of days an employee misses unexpectedly during a specific measurement period.



### HOW TO CALCULATE IT:

$$\frac{\text{unexpected absences}}{\text{total period}} \times 100$$



### WHY IT MATTERS:

Employees miss work on any given day for a variety of reasons, but **unexpected absences add up, impacting productivity, team morale and overall performance.** Drilling down into why employees are absent can identify if internal problems within the organization are to blame.

## How do you stack up?

The absence rate from work for full-time employees is 2.9%.  
Overtime is used to cover 47% of absences. Coworkers are perceived to be 29.5% less productive when covering for absent colleagues.<sup>7</sup>



# 5. Total Financial Impact of Absences x



## WHAT IS IT?

The compensation value of the total number of days employees are absent during a given period.



## HOW TO CALCULATE IT:

$$\begin{array}{c}
 \text{annual salary} \\
 \div \\
 \text{expected annual workdays} \\
 = \\
 \text{salary per workday}
 \end{array}$$



## WHY IT MATTERS:

**Absenteeism can stall productivity, limit team performance and impact profit margins.** Whether managers are forced to rearrange schedules or employees work overtime to fill the gaps, the effects are felt across the organization.

How do you stack up?

On average, unplanned absences cost employers **8.7%** of payroll.<sup>8</sup>





# 6. Total Labor Costs



## WHAT IS IT?

The aggregate cost of all hours worked by employees, plus payroll taxes and benefits.



## HOW TO CALCULATE IT:

$$\frac{\text{total sales revenue}}{\text{total payroll}}$$



## WHY IT MATTERS:

**Accurate labor costs allow you to identify trends.** If your overtime costs have been unusually high lately, you'll only be able to uncover the cause with accurate, easily accessible payroll data. From there, you can derive insights into:

- when the most overtime hours are logged
- which departments or employees are working overtime
- whether a similar peak occurred in the past

How do you **stack up?**

Typically, labor costs account for **20-30%** of gross sales, but percentages vary by industry.



# 7. Actual Total Compensation vs. Budget



## WHAT IS IT?

The total amount of compensation and benefits awarded to employees as part of their employment relationship compared to the budgeted amount over a given year.



## HOW TO ANALYZE THE DATA:

Take your actual total rewards and compare them against the budgeted amount to help with forecasting and future proofing.



## WHY IT MATTERS:

Is your spending on par or over the budgeted amount for total compensation? **High margins could indicate that you failed to account for a specific benefit, reward or merit increase.** If you're under budget, look for creative ways to improve your complete benefits offering to attract new talent and retain your top performers.

## How do you stack up?

U.S. salary budgets are expected to rise by **3.3%** in 2020, up from **3.1%** in 2019.<sup>9</sup>



# TURNOVER

What keeps your C-suite up at night:



Is our turnover rate higher than the industry average?



Are we hiring the right employees?



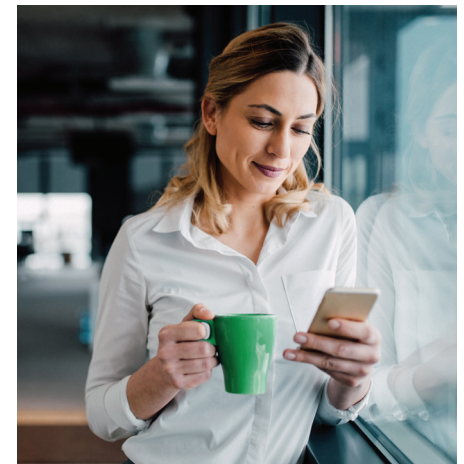
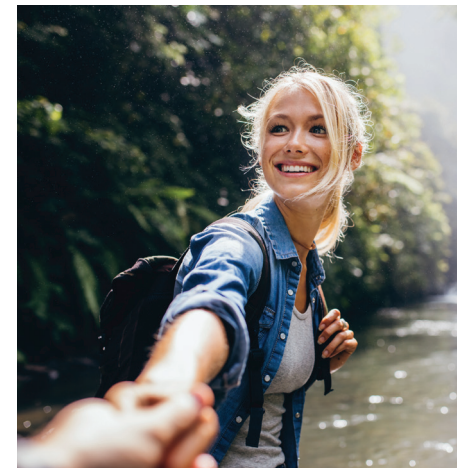
Where are we losing the most employees?

## THE TURNOVER CRISIS IN AMERICA.

The labor market is tight and [turnover reached record highs in 2018](#), but you might be surprised to learn that **voluntary resignations are also at an all-time high**. You need to know the why behind the what: when are employees leaving and what's causing it?



TURNOVER




To help,  
HR needs these metrics:

8.




**Is our turnover rate higher than the industry average?**  
Turnover Rate

9.



**Do we have hiring issues or managing issues?**  
Voluntary Turnover Rate

10.



**Where are we losing the most employees?**  
Turnover by Segment



8.

# Turnover Rate



## WHAT IS IT?

The percentage of employees leaving a company within a certain measurement period.



## HOW TO CALCULATE IT:

$$\frac{\text{\# of turnover employees}}{\text{total \# of employees}}$$

*(During a given period.)*



## WHY IT MATTERS:

If your turnover rate is higher than industry average, it can indicate deeper issues within your organization or within specific departments or locations. But before you panic, remember that **turnover depends on a variety factors** including seasonality and industry.

## How do you stack up?

The average overall turnover rate in 2016 was 18%<sup>10</sup>





# 9. Voluntary Turnover Rate |



## WHAT IS IT?

The percentage of employees that voluntarily leave a company within a certain measurement period.



## HOW TO CALCULATE IT:

$$\frac{\text{\# of employees who voluntarily left}}{\text{total \# of employees}}$$

*(During a given period.)*



## WHY IT MATTERS:

People quit all the time. It's just part of doing business. But if you **take a closer look at turnover patterns you'll be able to determine if it's a hiring or a managing issue.**

How do you **stack up?**

The average annual voluntary turnover rate is **13%.**"



# 10. Turnover Rate by Segments



## WHAT IS IT?

The percentage of employees that voluntarily leave a company within a certain measurement period and analyzed by specific factors like turnover by department, location or manager.



## HOW TO ANALYZE THE DATA:

Take your turnover rate and drill down into trends by locations, departments or managers.



## WHY IT MATTERS:

**Drilling down into why employees leave can help you identify problem areas** like bad managers or burnout before they become real issues.

How do you stack up?

79% of workers quit their jobs due to a lack of appreciation.<sup>12</sup>



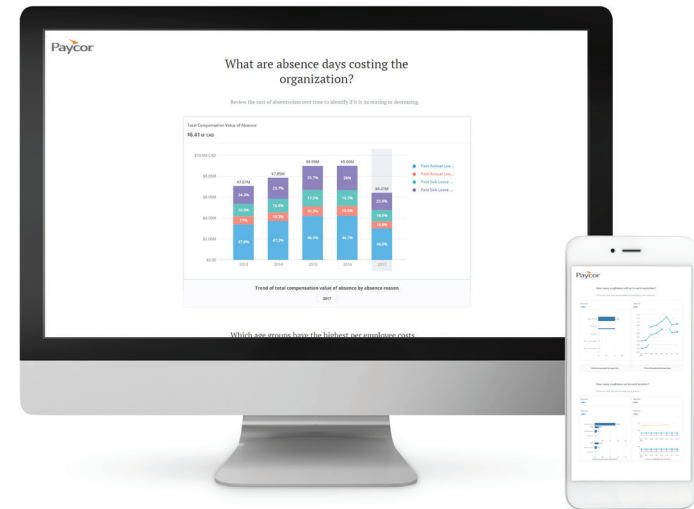
# How Paycor Helps



## TECHNOLOGY

Paycor Analytics takes the complexity out of workforce analysis and planning by empowering HR leaders with high-impact, easy-to-consume, real-time data insights at your fingertips. We provide answers to a host of pre-built questions about your workforce and displays trends and predictions, so you can take action by making complex, business-critical decisions every day.

[Learn more >](#)





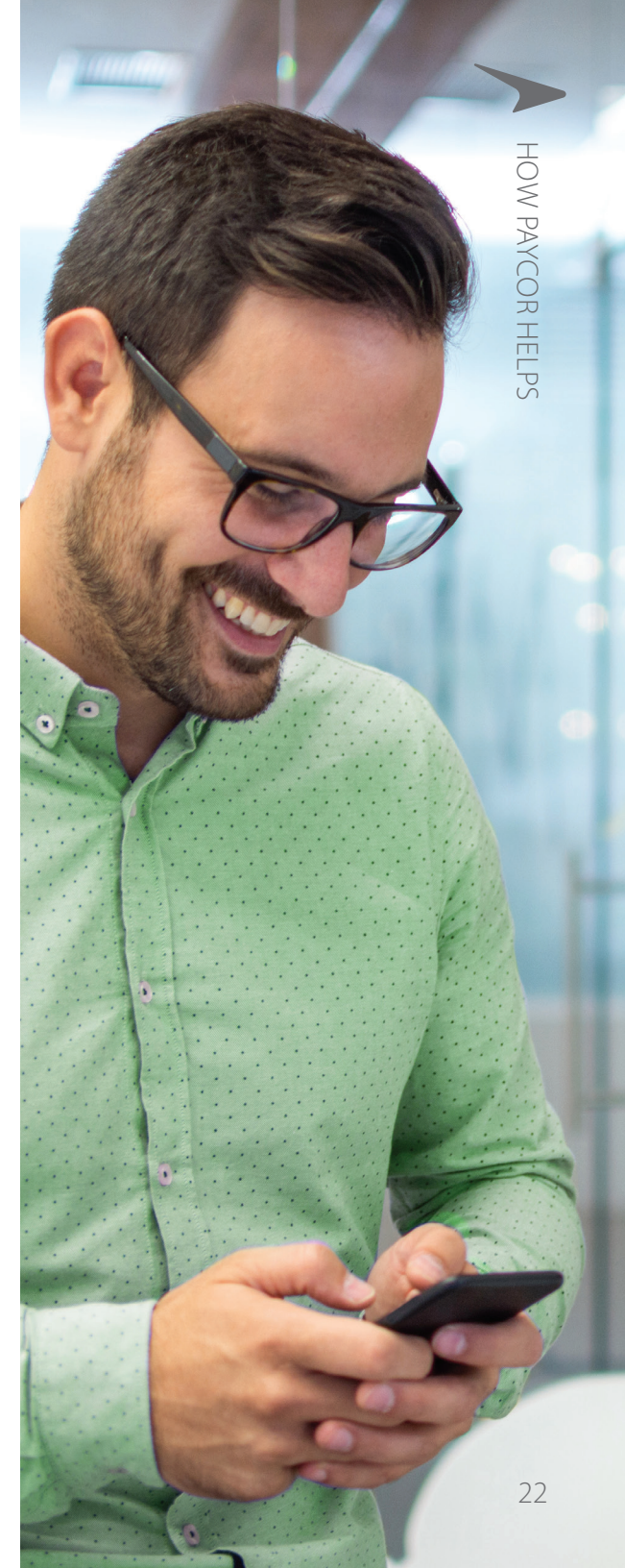
## EXPERTISE

**People** | Though you may not have the budget you'd like, and you don't have limitless time, you still have big plans. Read our guide to understand where to invest resources as you look to build out an HR team or find the right technology to support your business.

[Get guide >](#)

**Process** | You need a process for regularly sharing these metrics and the results. HR should be proactively communicating impact and improvements to these key metrics. For more inspiration and action plans, sign up for Paycor's HR Center of Excellence Newsletter.

[Sign up >](#)





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*1 Harvard Business Review: HR Leaders Need Stronger Data Skills*

*2 Wall Street Journal: Finance Chiefs Still Struggling to Hire Skilled Personnel*

*3,5 SHRM's Talent Acquisition Benchmarking Report 2017*

*4 LinkedIn's Global Talent Study*

*6 Bureau of Labor Statistics*

*7, 8 SHRM's Total Financial Impact of Employee Absences in the U.S.*

*9 SHRM: Salary Increase Projections 2020*

*10, 11 SHRM's Human Capital Benchmarking Report 2017*

*12 O.C. Tanner Employee Engagement Report*