

100

HUMAN
RESOURCES
RATIOS

Preface by the author

Dear reader,

Employees make the difference. This is supported by several studies and is a much-quoted statement by companies about their employees. Nevertheless, practice shows that the companies and the respective Human Resources (HR) departments know relatively little about the so-called »human capital«.

Who are our performance bearers? Where are the most talented teams? How effective is our leadership guidance and teamwork in internal and external comparison? From where do we recruit future employees or where do our employees go when they leave the company? These are just some of the questions companies must repeatedly ask themselves or are confronted with.

The HR performance indicators in this manual are intended to give HR managers targeted information to optimize the performance of the organization using appropriate indicators. It's not only the established performance indicators as such, but in particular their development over time that provides the basis for conclusive evidence and enables further targeted measures within an organization. Priorities for human capital in the near and medium term future can be determined by the results. Instincts are backed with facts, investment or cuts can be credibly represented and targeted progress of the effectiveness within the company achieved and measured. The use of HR performance indicators will also facilitate transparency within the company and serve employees, investors and other stakeholders as a basis for improved assessment and analysis. The company will increasingly be accepted as being trustworthy in terms of human capital and as a genuine business partner. The book is therefore an ideal companion for HR managers, HR consultants and also for interested students.

Should your company only now be beginning to evaluate the performance capability of human resources, you should, to begin with, not measure too much all at once. Ten to fifteen key parameters can help you and your company obtain the first important cognition and as a result enable you to make purposeful and sound decisions in relation to your most important resource – your employees.

Urs Klingler

Please submit questions, suggestions and comments to: **HR@cometis.de**

Table of Contents

Preface by the Author	3
1. Exemplary HR Report	
1.1 Finance Data	11
1.2 HR Performance Indicators	12
2. Strategy and Process Planning (Performance Capability of the Organization)	
Yield	
2.1 Human Economic Value Added (HEVA)	19
2.2 Human Capital Return on Investment (HCROI)	20
2.3 Human Capital Value Added (HCVA)	21
2.4 Net Operating Profit after Taxes (NOPAT) per FTE	22
2.5 Net Profit per FTE	23
Costs	
2.6 Average Staff Expenditure	24
2.7 EBIT per FTE	25
2.8 Human Capital Cost Factor (HCCF) per FTE	26
2.9 Cash Flow per FTE	27
2.10 Sales Revenue per FTE	28
2.11 Overtime per FTE	29
2.12 Staff Working Intensity	30
2.13 Ratio of Net Profit/Staffing Expenditure	31
2.14 Return on Sales	32
2.15 Sales Revenue Through New Products per FTE	33
Performance Measurement	
2.16 Conducted Employee Evaluations	34
2.17 Succession Planning Factor	35
2.18 Spread of Performance Measurements	36
2.19 Spread of Performance Measurements with Respect to New Recruitments	37
Staffing Quality	
2.20 Staffing Expenditure Structure	38
2.21 Net Staff Requirement	39
2.22 Strategic Job Coverage Ratio	40
2.23 Expatriates Ratio	41
2.24 Average Length of Stay of Expatriates Abroad	42

Table of Contents

Structural Breakdown of the Organization

2.25	Age Structure	43
2.26	Proportion of Foreign Employees	44
2.27	Employment Structure	45
2.28	Tenure Seniority Structure	46
2.29	Average Age of Employees	47
2.30	Female/Male Proportions	48
2.31	Qualification Structure	49
2.32	Average Employment Level	50
2.33	Percentage with Respect to FTE	51
2.34	Ratio of Management Staff to Employees	52

HR Structural Breakdown

2.35	HR FTE Compensation Factor	53
2.36	HR Expense in Relation to Total Expenditure (HR Expense Percentage)	54
2.37	HR FTE Investment Factor	55
2.38	HR Outsourcing Percentage	56
2.39	HR Structural Breakdown	57
2.40	HR FTE Factor	58

3. Staff and Resource Planning

Recruitment

3.1	Initiative Application Indicator (Spontaneous Applications)	61
3.2	Total Costs for Staffing a Position (Internal and External Costs)	62
3.3	Number of Engagements per Recruiter	63
3.4	Average Vacancy Duration up to the Staffing of a Position	64
3.5	Advertisement Costs per Engagement	65
3.6	Number of Applicants per Advertisement	66
3.7	Efficiency of the Recruitment Interviews	67
3.8	Engagement Efficiency per Recruitment Channel	68
3.9	Engagement Factor	69

Table of Contents

3.10	External New-Recruitment Factor	70
3.11	Internal New-Recruitment Factor	71
3.12	External Staffing Acquisition Costs	72
3.13	Employment Rate of University Graduates	73
Departures		
3.14	Fluctuation Rate	74
3.15	Early Fluctuation Rate	75
3.16	Ordinary Scheduled Departure Rate	76
3.17	Ordinary Scheduled Departure Rate According to Length of Employment	77
3.18	Extraordinary Non-Scheduled Departure Rate	78
3.19	Early Retirements in Proportion to Ordinary Scheduled Retirements	79
3.20	Average Early Retirement Costs per Case	80
3.21	Average Outplacement Costs per Case	81
3.22	Fluctuation Costs (Direct and Indirect Costs) per Employee	82
3.23	Fluctuation Costs in Relation to Personnel Costs	83
3.24	Proportion of Resignations/Dismissals of Top Performance Bearers	84
4. Compensation and Non-Wage Labor Costs		
4.1	Annual Costs per Payslip	87
4.2	Average Compensation per FTE	88
4.3	Sales Revenue/Personnel Costs Comparison (Work Intensity)	89
4.4	Total Compensation Development	90
4.5	Wage Structure	91
4.6	Proportion of Variable Compensation	92
4.7	Proportion of Non-Wage Labor Costs	93
4.8	Executive Compensation Factor	94
4.9	Management Compensation Factor	95
4.10	Average Personnel Costs per Man-Hour	96
4.11	Average Costs per Freelancer and Day	97
4.12	Intra-Operational Wage Factor	98

Table of Contents

5. Insurance and Occupational Pension

Absenteeism / Sicknesses / Accidents

5.1	Sick Rate	101
5.2	Accident Rate	102
5.3	Absenteeism Time Costs per FTE and Day	103
5.4	Rate of Burnout Cases per Year	104

Pension Fund

5.5	Percentage of Ordinary Scheduled Retirements per Year	105
5.6	Percentage of Early Retirements per Year	106
5.7	Percentage of Retirements Due to Health Reasons per Year	107

6. Administration and Support

6.1	Intra-Year Absenteeism Structure	111
6.2	Average Number of Overtime Hours	112
6.3	Average Remaining Annual Leave	113
6.4	Termination Rate	114
6.5	Termination Rate of Employees Hired within the Last Five Years	115
6.6	Employee Engagement Index	116
6.7	Level of Utilization of Operational Social Facilities	117
6.8	Overtime Hourly Costs per Employee	118
6.9	Costs for Remaining Leave per Employee	119
6.10	Mobbing Rate	120

7. Corporate Development

7.1	Proportion of Trained Employees per Year	123
7.2	Training Compensation Ratio	124
7.3	Number of Days for Training and Further Education per FTE and Year	125
7.4	Training Investment Factor per FTE	126
7.5	Training Investment Factor incl. Trainees	127
7.6	Costs per Training Day Conducted Internally	128
7.7	Costs per Training Day Conducted Externally	129

2.20 Staffing Expenditure Structure

Formula

$$\frac{\text{Staffing expenditure per group}}{\text{Staffing expenditure}} \times 100\%$$

Sample calculation

$$\frac{\text{€ 124 million}^*}{\text{€ 2,453 million}} \times 100\% = 5.1\%$$

* Example with salaries of management board

Explanation

The staffing expenditure structure gives the percentage of a subgroup in the total staffing expenditure (e. g. management, executives, qualified employees, clerks, workers).

Staffing expenditure structures vary widely depending on the industry and corporate culture. A thorough analysis may reveal decisive perceptions on the actual corporate structures. Analyses and interpretations are to be approached with reasonable care and professionalism as different views are held on the question of wage.

Advantages

- Provides indication of corporate personnel cost structure
- Hints on staffing expenditure in heterogeneous structures

Disadvantages

- Often hard to collect data due to missing internal structures and correlation
- Often only available company-specific

2.32 Average Employment Level

Formula

$$\frac{\text{Number of full-time equivalents}}{\text{Number of employees}} \times 100\%$$

Sample calculation

$$\frac{46,000}{52,100} \times 100\% = 88.3\%$$

Explanation

The average employment level is calculated by dividing the number of full-time equivalents by the total number of employees. The performance indicator provides indication on how part-time friendly the employer is. High percentage allows conclusions about a reduced transparency for the part-time needs of employees. On the other side, a low average employment level requires additional planning of the availability of part-time workers, as well as slightly higher management and administrative burdens.

Advantages

- Easy to determine
- Interesting over time and in development
- Evaluation possible for subgroups

Disadvantages

- Possible overtime hours might not be included in the performance indicator
- Should be analyzed according to full-time equivalent subgroups or divisions