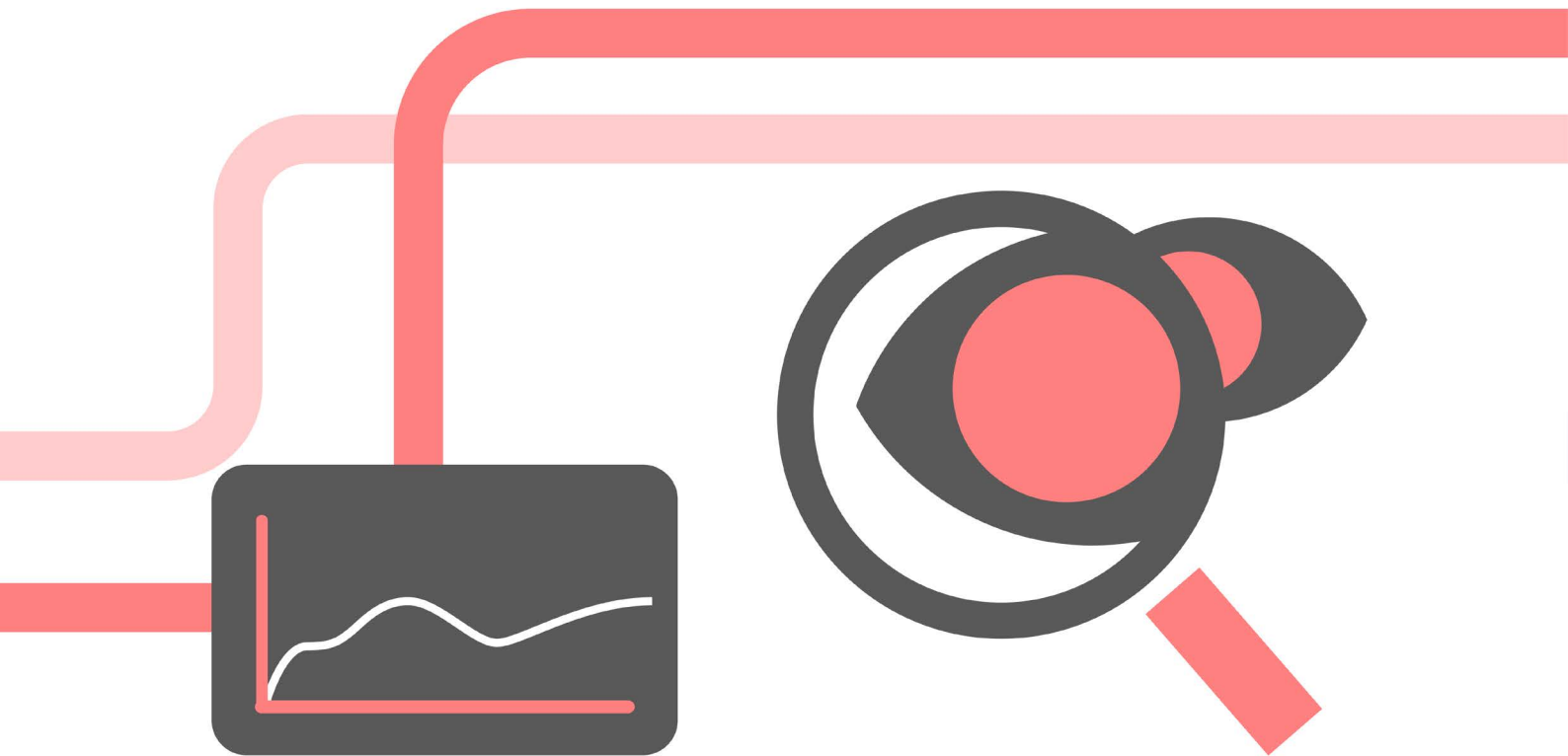# Definitive guide to HR Metrics
2023

Foreword

HR teams are evolving rapidly by adapting technology and using it to take important decisions in their domain. Using employee health as they adapt to changing trends in employee demands, they look for solutions for a host of everyday challenges - from performance management to employee engagement. At the heart lies employee healthcare, the very thing that we're solving at Loop.

We believe healthier employees not only take fewer sick days but also work better and stay engaged on the days they show up. This has a clear and direct impact on a company's bottom line. For each dollar spent on employee wellness programs, companies earn up to 3 dollars in return. So, an investment in employee healthcare is not just a welfare but also a strategic one.

As the demographic composition of our employees' changes, it will drive the need for modern employee care solutions. The younger generation wants simple, easy-to-access care. They don't have the patience to stand in line for a doctor's appointment two days after they face a symptom. They demand high-quality care, now.

Our plan at Loop? Engage these younger members, empower them with high-tough point care, and earn their trust. From our unique clinical model to our health coverage design, our claims support to our app, fast and simple is the basis of all we do. That's how we operate, always.

Data is the new oil. As we move towards taking data driven decisions across business functions, HR should not be left behind. Modern HR leaders need to measure the impact of their policies, benefits and initiatives so as to make the case for increased, targeted investments in their employees.

Keeping this in mind, our HR Metrics guide puts together a rich set of quantitative and qualitative metrics that every HR leader must have on their dashboard. We hope you find this guide useful.

AMRIT SINGH
Co-founder and CRO at Loop

About Loop

The Indian healthcare system is flawed. Hospitals react to sickness but do not offer quality care. Doctors attend to the patients but do not give them enough time and care. Bills are soaring high, booking an appointment is cumbersome, and lab tests are getting expensive.

You see, there are many areas that need attention. And that's what we, at Loop, are aiming to fix. At scale. We've built an insurance and care platform that makes employee health benefits simple, useful, and holistic.

Founded in 2018, Loop Health is the fastest-growing B2B healthcare startup in India. We're proud to serve 400+ companies like NoBroker, Medline, Zoomcar, General Electric, and Bajaj to insure 300,000+ employees and their families. We are backed by top-tier investors like Elevation Capital, Khosla Ventures, and General Catalyst, and have raised more than $40m+ towards our vision of rebuilding healthcare and insurance from the ground up.
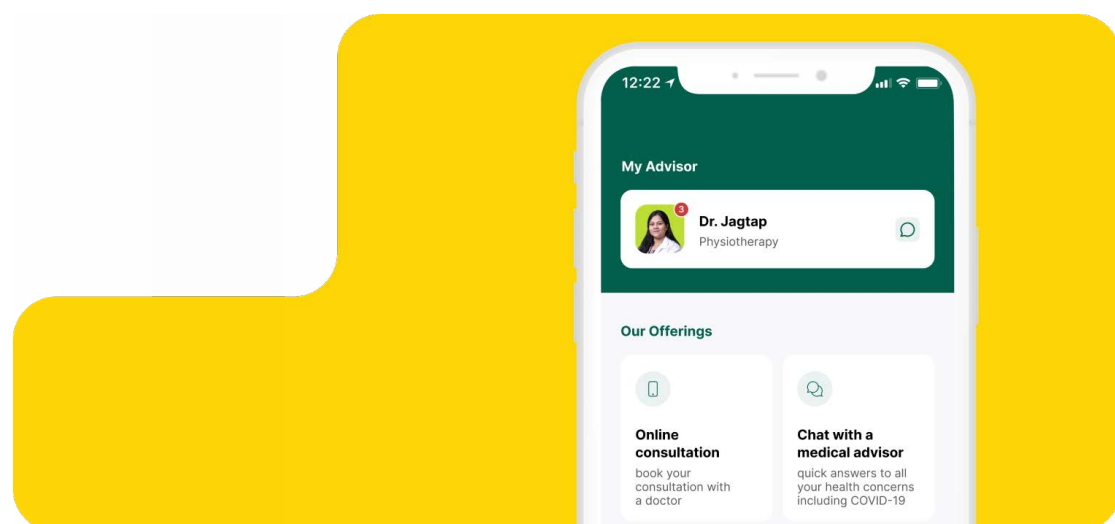
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What are HR & people metrics? Why should you track HR metrics?

The Hungarian business tycoon, Peter Drucker once said, **"Only what gets measured, gets managed".** As companies look to their people functions to solve critical business problems like employee efficiency and motivation, tracking and managing HR metrics has become increasingly important. **The right measures can help answer difficult questions - 'Are you losing your top performers?' or 'What is your ROI on hiring from top-tier educational institutes?'** While these may have anecdotal answers and invite debates, HRs can cut through the noise with a data-driver understanding of attrition rates, employee profiling, etc.

However, more often than not, HR metrics can quickly boil down to whatever seems the most obvious drivers of daily progress such as absenteeism, time sheets, etc., or tool enablement where employers shell out thousands of dollars to synthesize and centralize trivial data. So, organizations need to undertake a detailed study of the key levers of their people function and clear metrics describing them.
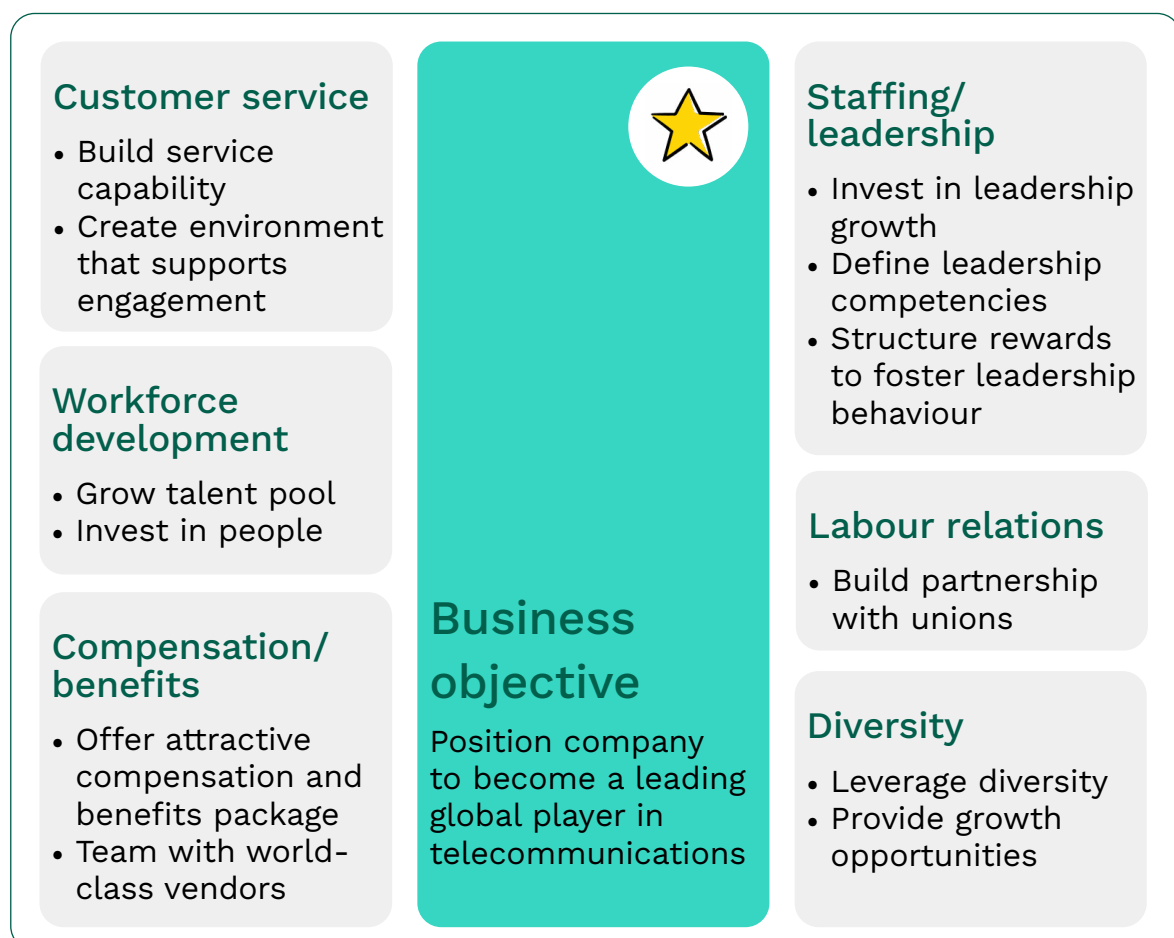
How to choose the right metrics to track

When HR KPIs are in line with the business strategy and, ultimately, the human capital plan, that's when organizational performance is best diagnosed and revealed. Keeping this in mind, here are the four steps to select the correct metrics for you:
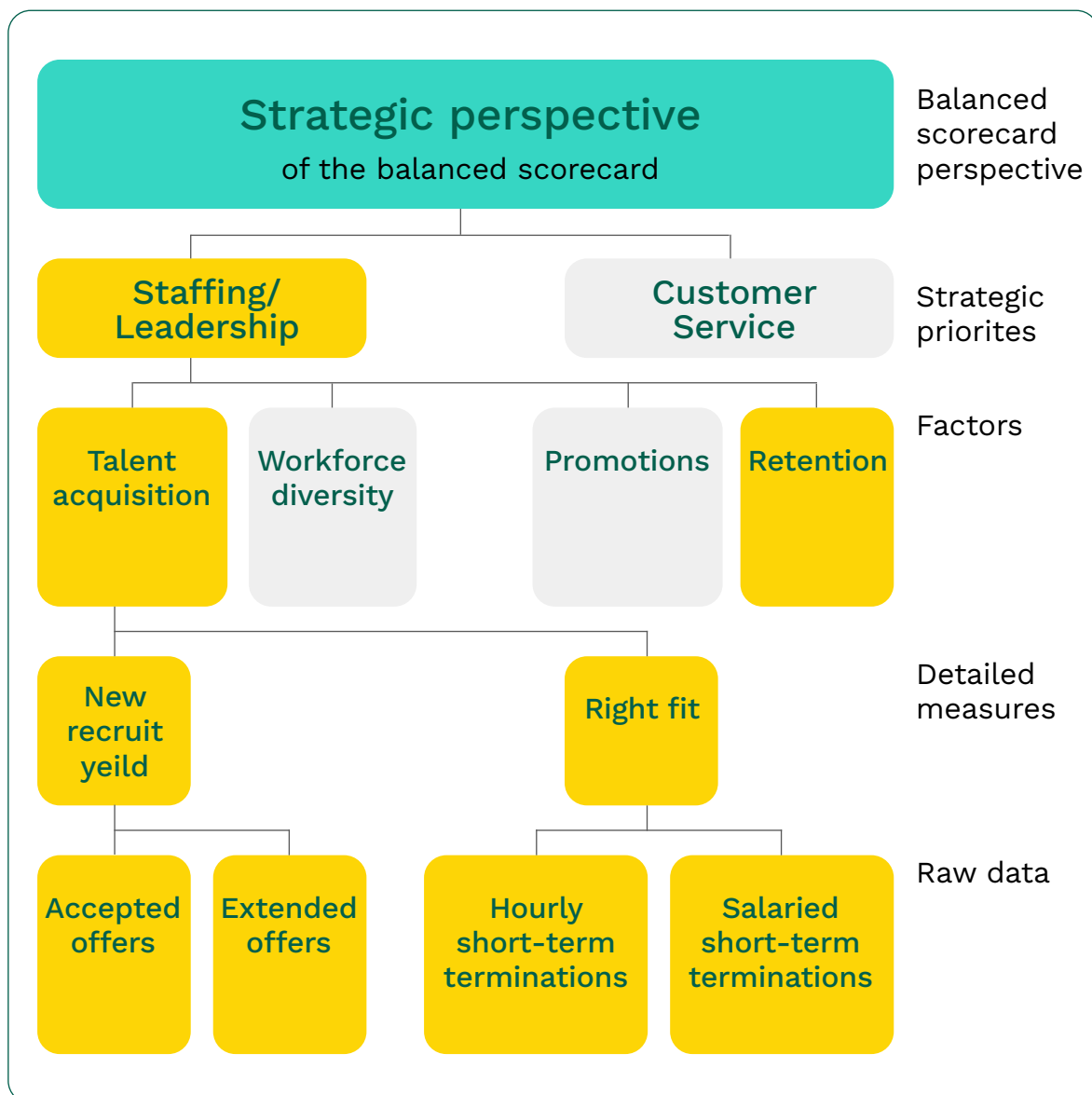
Step 1:
Evaluate business requirements for HR
Conduct interviews & surveys across your team to understand HR responsibilities to the organization. This will be the base of your HR strategy.

Customer service
- Build service capability
- Create environment that supports engagement

Workforce development
- Grow talent pool
- Invest in people

Compensation/benefits
- Offer attractive compensation and benefits package
- Team with world-class vendors

Business objective
Position company to become a leading global player in telecommunications

Staffing/leadership
- Invest in leadership growth
- Define leadership competencies
- Structure rewards to foster leadership behaviour

Labour relations
- Build partnership with unions

Diversity
- Leverage diversity
- Provide growth opportunities

Step 2:

Determine measurement areas

Classify broad company strategy into successive tiers of HR goals and initiatives to the minutest detail.

Strategic perspective of the balanced scorecard	Balanced scorecard perspective

Staffing/ Leadership	Customer Service	Strategic priorites

Talent acquisition	Workforce diversity	Promotions	Retention	Factors

New recruit yeild	Right fit	Detailed measures

Accepted offers	Extended offers	Hourly short-term terminations	Salaried short-term terminations	Raw data

Step 3:

Decode raw data

Convert all the raw numbers into formulas of ratios & rates. By segmenting metrics according to factors including organizational structure, demographics, employment levels, roles, and employee experience, you will gain a better understanding of the business.

Formula type	Definition	Example
Rate	Proportion of one or more parts to a whole of 100%	• Turnover rate: Terminations/ average headcount x 100 • Applicant interview rate: Applicants interviewed/ total applicants x 100
Ratio	One number relative to another, often expressed as a reduced fraction	• Applicant ratio: Applicants/ offers accepted • Average time to fill: Total days to fill a position/ offers accepted
Composition	Breakdown of a whole into it's parts showing the number or percentage allocated to each	• Direct compensation breakdown: Compensation type (i.e., variable pay, overtime, base pay)/ direct compensation expense x 100 • HR expense breakdown: HR function expense (i.e., benefits administration, payroll, staffing)/ total HR expense x 100
Index	Weighted combination of disparate date into one number relative to a scale or anchor	• New hire performance satisfaction: An indication of how well recent hires are performing within their position based on survey results • Manager Quality Index: A relative measure of employees' perceptions of manager quality determined by survey results

loop

Dimension	Definition	Example
Organization structure	Heirarchies for reporting on or organizing departments and business units	• Financial reporting • HR responsibility • Supervisory reporting • Geographic location
Demo-graphics	Analysis options that segment the workforce according to individual characteristics	• Age • Ethnicity • Gender • Education level
Employment levels	Analysis options that segment the workforce according to seniority	• Employment level (exempt/ nonexempt; hourly/ salaried) • EEO job category • Manager level • Compensation band • Annual salary
Function	Analysis options that segment the workforce according to types of jobs performed	• Job family • Job title • Employment type (regular/ temporary)
Employment experience	Analysis options that provide details about an individual's experiences at the organization	• Organization tenure • Performance ratings • Benefits participation • Position tenure

Step 4:
Analyze identified metrics
Create a system for ranking metrics according to their align-
ment with the strategy, usability, and convenience of collecting.

	Quality category	Definition of category	Rating
QUALITY	Subjective metric	Metric cannot be communicated as a number. Subjective terms are used to indicate performance (e.g., employee morale)	0
	Quantiflable metric	Metric can be communicated as a number. A numeric goal can be established or trend goal visually apparent (e.g., hours of training)	1
	Results metric	Positive performance will directly affect company financial performance (e.g., gap between current and required workforce skills)	1
	Qualitative metric	Metric reflects the quality of performance (e.g., utilization of training)	3
	Predictive metric	Metric will "raise the red flag" when performance begins to deteriorate, allowing management an opportunity to put in place immediate counter-measures designed to reverse poor performance. Metric is conducive to problem solving and process improvement. Best-practice perfor-mance can be isolated, globalization practice implemented, and finnancial impact forecasted (e.g., strength of employment brand)	6
FEASIBILITY	Easy to measure	Metric exists already or data to support metric is currently available	1
	Modertately difficult to measure	Metric does not currently exist. Data must currently exist but is not readily available	-1
	Difficult to measure	Metric does not currently exist. Data may not currently exist	-2

Key types of HR metrics

Efficient tracking of your data will aid in decision-making. Here's a list of the key HR Metrics you must track in the FY 2023-24:

i. Recruitment metrics

In the recruitment function, there are four important metrics to keep track of:

Headcount - Number of active employees in the company as well as each department separately.

New hires - The rate & number of talent that's coming into the organization. Again, segment it based on various departments.

Acceptance rate - Percentage of people that accept an offer to work at the organization within a certain time period.

Time to fill empty positions - The sooner a position is filled, the less money you'll spend on recruiting staff and the more time you'll gain so that your team members may concentrate more on doing their tasks rather than filling in. The average time taken to fill a job is 36 days.

Cost per hire - Measures the average cost of bringing on a new employee

Employee growth rate - Employee growth rate tells HR how much their organization has grown over a period of time. Calculate it with this formula:

ƒ(Count(Employees in Function at End of Period) -Count(Employees in Function at Start of Period)) /Count(Employees in Function at Start of Period).

For eg: Say your company has 10 employees in marketing at the start of the year, and this number grows to 14 by the end of the year. Your Employee Growth by Function, marketing in this case, would be (14 - 10) / 10 which is 40% growth.

Track this metric across functions and departments to identify the gaps.

ii. Retention metrics

Early Turnover - It helps in tracking employee turnover within one year of being hire. Ordinary turnover can tip the scales on the budget, but first-year turnover is detrimental to your return on investment.

Turnover and Absences Per Manager/ Department - Turnover or absenteeism may not necessarily be a company-wide problem.

Certain teams or departments might have higher rates because there is a problem with leadership or employee engagement. Solving it by enabling department-wise tracking will save a lot of time & effort.

Internal promotion rate - If businesses can promote employees from within, they may save a lot of time and money on hiring and onboarding. It affects the retention & morale of the workforce.

Salary Changes - Employees often start looking elsewhere when they don't see an upward graph in monetary benefits. You calculate it on an individual, team/department or on an organization level to track if your employees feel underpaid.
Use this formula to track:
(New base salary – Old base salary) / Old base salary * 100 = Salary change percentage

Retention rate - Measures how many employees stayed with the organization during a period of time.

Total turnover rate - This is the opposite of the retention rate. It measures how many employees left the organization during a given period.

iii. Employee engagement metrics

There is no unique way to track employee engagement. However, there are some direct & indirect ways to analyze and understand the pulse of the organization vis-à-vis engagement.

Voluntary employee turnover rate - It is calculated in the following way number of employees who left voluntarily in a given period/ number of the employees in the same given period.

Employee engagement also has a significant impact on employer branding. Namely, what people say about you online tells a lot about how they feel about working for you. So measuring glassdoor.com ratings or other such feedback portals ratings should be used as an engagement metric.

iv. Employee experience metrics

Employee Net Promoter Score (eNPS) - It is calculated by subtracting the number of detractors from the number of promoters, then dividing the answer by the number of respondents.

Higher employee absenteeism is often attributed to poor employee experience. It's calculated by unplanned absences / total planned workdays.

v. Employee performance metrics

Total revenue per employee - It is the company's total revenue divided by its current number of employees.

Profit per FTE - A company's profit is its total revenue minus expenses. A high profit per employee is a solid metric of an organization's financial healthiness.

Human Capital ROI- It is calculated by the company's revenue/total compensation and benefits cost.

vi. Diversity, Equity, and Inclusion

✓ **Workforce diversity & inclusion** - A workforce made up of individuals from various backgrounds who can contribute distinct viewpoints is beneficial in the majority of sectors. Company executives are starting to realise how important workplace culture is to their organization's success.

✓ **Equal Pay** - Paying employees the same wage for doing the same job is the right thing to do, which is why it's important to monitor HR metrics that create transparency on this issue.

✓ **Salary average** - Pay discrepancies can also be determined using salary averages. It's a crucial HR statistic for figuring out how to promote fairness and diversity in your company.
To achieve this, sum up the salary of every employee in your chosen group, then divide that total by the number of employees.

✓ **Overtime costs** - It's crucial to make sure that the job completed by employees who put in extra time is worthwhile. Then you may decide if hiring new workers is a more cost-effective option than paying current staff overtime.

How to get the most out of your metrics?

All the formulas we've given you above, you must track them. But merely tracking them isn't helpful. What's next? How do you interpret the data and take action based on the insights you generate from the data?

Go back to the goals you defined while trying to select the right HR metrics to track. Based on the KPIs mentioned against your goals, define the OKRs and use the shared formulas to reverse engineer a path to success.

Post finalizing the OKRs, define the record's nomenclature along with the time duration for taking a decision based on the data. Confirm a blueprint to implement your HR metrics & the analysis of the data received from the same.

Be nimble & make changes in your strategy as you progress alongside your organization.

For example, let's say you're implementing HR metrics in hopes of improving your recruitment process. In that situation, looking at more quantitative metrics in your HR reporting like new hires, acceptance rate, and cost per hire is helpful. It will give you insights into the volume of new employees you're bringing into the organization — and how much each of those employees costs.

But that doesn't give you all the information you need to improve your recruitment and hiring practices.

For example, your acceptance rate tells you how many people are accepting offers from your company. But it doesn't tell you why.

That's where more qualitative metrics, like surveys and interviews, come in. For example, you might send a follow-up survey to ask interviewees why they declined the offer. Or you might interview new hires to find out what made your offer stand out — and why they ultimately accepted.

Conclusion

HR departments may streamline operations, efficiently support overarching company goals, and provide for workers at various phases of their employment relationships by monitoring a range of data.
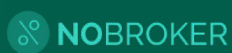
Monitoring HR metrics can change the way you operate and will definitely empower you to take more data-backed decisions by avoiding the guesswork.