

METRICS THAT MATTER

The Most Important HR KPIs for 2020



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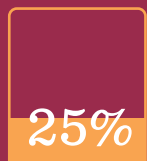
Introduction:

In 2020, HR Decisions Are Being Driven By Data

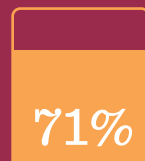
Every day, HR professionals and executives need to make decisions that have an important impact on their people. Today, successful HR leaders are increasingly taking a data-driven approach to making the best choices for their organizations. But because there are more ways to collect and analyze data than ever, transitioning to a more structured HR management style can be a major challenge.

For HR, a successful application of analytics is the ability to use current data to make future predictions about an organization's people. HR pros who embrace a data-driven approach to people analytics stand to optimize recruitment rates, and increase employee engagement. And with voluntary resignations at an all-time high, retention-related metrics are a key objective for most HR teams.

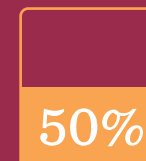
HR analytics can improve decision process efficiency by as much as 25%.



71% of companies see people analytics as a high priority.



Over 50% of organizations are very limited or worse in their ability to use talent data to predict and improve business outcomes.



Is There a Way to End Employee Attrition?

An important key to boosting employee retention rates is a new approach to HR called people analytics. This emerging field explores, infers and communicates significant data patterns to

initiate and support business decisions related to personnel. Important questions that people analytics can answer include:

Sourcing

Where do our best employees come from?

How can we find more top performers?

Engagement

How can we better engage our highest performing workers?

What do our most successful leaders do to excel at their work, and how can we replicate that across the organization?

Characteristics

Which qualities do amazing teams have?

Which people are most likely to stay in the company or leave it?

Which HR KPIs Are the Most Important?

Human Resources key performance indicators (HR KPIs) are data-driven metrics that are strategically aligned with organizational benchmarks and goals. How many different metrics does your HR team track?

With so many KPIs to choose from, HR executives need to be able to focus on only the most effective measurements. In this report, we've gathered 9 of the most effective HR-related metrics. These KPIs provide powerful insights into your people's performance, professional development, and attitudes towards your organization.

To help HR decision makers maximize their ability to make informed decisions, we've taken a tactical approach to KPIs. In this report, we focus on three key areas: recruitment, retention, and engagement.

Recruitment: Optimizing the Hiring Process

Recruiting KPIs are essential for evaluating the effectiveness of an organization's hiring process. The right mix of recruiting metrics can tell an HR team which recruitment strategies are working and which are not. The most relevant recruiting measurements even go a step further, providing actionable insights about where an HR team should be allocating its time and budget.

1. Time to Hire (TTH)

This KPI measures the time it takes to find and hire a new candidate. Time to Hire is usually measured by calculating the number of days between the posting of a job opening and the onboarding of a candidate. Tracking Time to Hire is crucial since it has a direct impact on an HR department's ability to attract the best and brightest talents and onboard the perfect candidate to fill an organization's needs as soon as possible.



“The average
Time to Fill
in the US is
42 days.”

Recruitment

2. Quality of Hire

This is a metric that combines the percentage of candidates who are ultimately hired with the percentage of new hires who stay on with the company. This number is then divided by two. Quality of Hire provides a strong indication of an HR team's success in finding loyal talent. If low-quality talent is constantly being hired, this means that HR is wasting time and resources on the wrong candidates.

In addition, you can measure a manager's satisfaction with a new hire via a short survey that's conducted three months after the start date. Quality of Hire is a key measurement since it incorporates the hiring manager's preferences and sets them against the people who join an organization. Low Quality of Hire Scores could indicate that HR's selection process, and the predictive quality of the tests that an organization is using, need to be modified.



“Organizations that invest in a strong candidate experience improve their quality of hires by 70%.”

Recruitment

3. Application Drop Out Rate

This measurement analyzes the percentage of candidates who don't complete a job application. Today's on the go job candidates are too busy to fill out a long application. In addition, traditional job applications aren't even optimized for mobile devices. As a result, top talents tend to opt out of a bloated application process. HR teams that improve their organization's Application Drop Out Rate will create a better candidate experience.



“60% of candidates quit in the middle of filling out online job applications because of their length or complexity.”

Retention: Keeping the Best and Brightest on Board

Retention-related KPIs are vital for tracking the effectiveness of an HR team's people management strategies. The right metrics provide important information about who's leaving, when and why. Harnessing the data of these KPIs can enable HR decision makers to optimize their engagement initiatives, as well as initiate steps to improve individual, team, and organizational performance.

1. First Year Turnover Rate

This KPI calculates the percentage of employees who resign within one year of joining a company. The First Year Turnover Rate is arrived at by taking the number of employees who leave before completing 12 months employment and dividing that figure by the total number of people who quit during the same period. This KPI may be the most important indication of a fundamental mismatch between a new hire and a company.



“The average cost of a new hire who resigns within 12 months is \$43,700.”

Retention

2. Top Talent Retention Rate

This is a KPI that gauges the retention rate of an organization's top performers. Top Talent Retention rate is critical to keeping an organization's star employees motivated and engaged.

By using this metric to understand the key drivers keeping top talent close, an organization can stay competitive with regards to compensation packages and professional development.



“88% of companies view incentive compensation and bonuses as key to retaining employees in the next five years.”

Retention

3. Average Absenteeism Rate

This metric measures an employee's absenteeism rate as a proportion of total working days. The Average Absenteeism Rate provides vital information about employee motivation since research shows that demotivated employees are more likely to call in sick or skip days of work. This KPI is thus a strong indicator of turnover.



“Highly engaged teams have a 41% lower rate of absenteeism.”

Engagement: From Feedback to Productivity

There's a strong connection between actively engaged employees and increased productivity. Over the long term, low employee engagement levels can actually have a negative effect on an organization's profitability. Engagement is thus a key area for HR managers to focus on. With the right kind of feedback, employees' feelings about their colleagues and company can be measured objectively in real time.

1. Text Analytics

Up until recently, it was nearly impossible to efficiently utilize text feedback because of the difficulty in analyzing and quantifying qualitative data. Today, text analytics is proving to be a powerful tool for measuring engagement, serving as HR's version of social listening tools. By tracking certain topics and gauging satisfaction, text analytics is providing HR teams with richer, data-driven insights. As a result, these insights enable HR to quickly identify patterns of success as well as early signs of employee demotivation.



“Only 32% of employees are engaged at work.”

Engagement

2. Employee Net Promoter Score (eNPS)

This KPI measures employees' willingness to promote their company to other people. The eNPS poses this question: "On a scale of zero to ten, how likely is it that you would recommend this company as a place to work?" The data is then used to categorize employees as 'promoters', 'passives', or 'detractors'. Next, an organization's eNPS is calculated by subtracting the proportion of detractors from the proportion of promoters. eNPS can be used by HR to understand what may be detracting from their people's workplace experience.



“While only 7% of applicants are via employees, this accounts for 40% of all new hires.”

Engagement

3. Career Path Ratio

This metric measures the amount of employees who are promoted within an organization for every employee internally transferred. As employees move around internally—either via promotion or laterally to a different department—HR should be tracking changes to the organizational structure.

However, organizations must balance their people’s professional development with the risk of fostering identity crises among employees who are assuming new roles at an excessive rate. Career Path Ratio is thus a helpful measurement for identifying any gaps, and supplementing strategic workforce planning efforts.



“Close to 60% of new managers fail within the first 24 months after their promotion.”

Are These the Only KPIs HR Needs?

These nine metrics have proven successful in helping HR teams track and determine their progress on specific people-related objectives. However, there is no one-size-fits-all formula for HR KPIs. For example, some HR departments have found success by developing and gauging KPIs connected to advocacy, such as referrals.

As such, HR departments will have to consider the ultimate goals when deciding what KPIs to pay extra attention to. There are both qualitative and quantitative metrics that can be captured to measure effectiveness.

Conclusion:

The Connection Between KPIs and Company Profits

Deloitte's Bersin found that organizations that use people analytics average 82% higher three-year profits than companies without such a data-driven approach.

The KPIs in this report provide the crucial information needed by HR to develop a deep understanding of its people. These actionable insights can then be used by HR teams to proactively address employee concerns - before they start to affect recruitment, retention and engagement rates.

In the past, only large organizations were able to employ such data-driven HR strategies. But this is changing rapidly.

Many new people analytics solutions, such as Hibob's cloud-based HR platform, are easy to implement and use.

More than ever, the knowledge being gleaned by HR about people is impacting entire organizational structures and strategies. To maximize effectiveness, these HR KPIs should be combined with other business data, such as financial statistics and compensation packages.

Analyzing these data sets together with objectives and key results (OKRs) and performance evaluations will benefit both the HR team and company as a whole.

Summary

Recruitment

Time to Hire (TTH)
Quality of Hire
Application Drop Out Rate

Strategic HR KPIs

Employee Engagement

Text Analytics
Employee Net Promoter
Score (eNPS)
Career Path Ratio

Retention

First Year Turnover Rate
Top Talent Retention Rate
Average Absenteeism Rate

Hibob Focuses on the Metrics that Matter



People

Map out your teams and organization in a visual, transparent way.

- Current and expected headcount
- New joiners
- Terminations



Time & Attendance

Streamline the process of time management through simple, self-reporting tools.

- Time: clocking in and out
- Days taken: holiday, sick and work travel
- Days remaining: balance



Company

Your most valuable company insights available at the click of a button.

- Health
- Turnover rate
- Retention rate
- Pay gaps



In 2020, it's time to make smarter decisions
when it comes to your people and organization.

To learn more about hibob and our data-driven tools,
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