

***MEASURING THE STRATEGIC WORTH OF  
HUMAN RESOURCES***

**SAMPLE TRACKING FORMS:**

**Employee Replacement Cost  
Cost of Hire  
Tracking Turnover  
Training Costs**

**Provided by  
Rochelle Burgess, Innovative Partners in Leadership**

**Upon request by attendees at  
SHRM – Riverside County  
September 18, 2008**

**If you would like a presentation for your Company HR team or professional organization on “Measuring the Strategic Worth of Human Resources,” feel free to contact me at your convenience.**

**With 30 years of experience in corporate Human Resources and seven years as an independent consultant to small and mid-size businesses, I am passionate about our responsibility to our senior leadership teams as a strategic business partner, helping to impact the Company’s bottom line revenue and profitability. Our technical skills are on the “legal and the personnel side” of the business. Our coaching skills are about the “leadership and the people side” of the business. We will not have a real opportunity to be successful in either of those areas OR use our organizational development expertise, unless we can demonstrate our ability as a business partner first and foremost. We must be able to provide business measurements and demonstrate results for each HR initiative we encourage or pursue.**

## **RECOMMENDATIONS**

- **Publish your measurements & results in memo's to management ON A REGULAR BASIS, so they becomes accepted, acknowledged, welcomed and then needed**
- **Use your results to justify your management training and leadership training/coaching budget (or other HR initiatives)**
- **Develop a “bottom line” file of articles and samples you come across to build interesting measurements**

## **EXAMPLES FROM BUSINESS INITIATIVE TO HR INITIATIVE**

<b>Business Initiative</b>	<b>HR Initiative</b>	<b>Measurement</b>
<b>1. Customer Satisfaction, Customer Loyalty</b>	<ul style="list-style-type: none"> <li>- Have Sales sit at Cust Svc desk,</li> <li>- Send Programmers into field with Sales to meet customers</li> <li>- Put Mfg face-to-face w/customer (ie send in field with Sales Reps)</li> </ul>	<ul style="list-style-type: none"> <li>- Increased sales from existing customers</li> <li>- Customer retention</li> <li>- Customers helping create new Products</li> </ul>
<b>2. Cost of Hire</b>	<ul style="list-style-type: none"> <li>- Cost of hire in dollars, plus Analysis of Referral Sources in each department or by job category</li> </ul>	<ul style="list-style-type: none"> <li>- \$ amount, cost of hire at various points in time or by job;</li> <li>- List of most cost effective recruiting sources</li> </ul>
<b>3. Retention in specific areas</b>	<ul style="list-style-type: none"> <li>- Analysis of exit interviews over last 9 months to see trends of why employees really left</li> </ul>	<ul style="list-style-type: none"> <li>- Retention rates by company, department, job types, and by tenure (ie. % of hires leaving within 6 or 12 months)</li> </ul>
<b>4. Retention of Mature and Baby Boomer Employees</b>	<ul style="list-style-type: none"> <li>- Part-time hours, flexible</li> <li>- Phased retirement</li> <li>- Internal consultants to Company</li> <li>- Trainers, mentor roles</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced \$ paid time off</li> <li>- Reduced \$ salaries</li> <li>- Reduced \$ benefits</li> <li>- Reduced \$ training</li> </ul>
<b>5. Retention of new, Generation-Y employees</b>	<ul style="list-style-type: none"> <li>- Orientation must match reality of Company's values</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced \$ turnover</li> <li>- Reduced \$ cost of hire</li> <li>- Increased employee referrals)</li> </ul>

**HUMAN RESOURCES MEASUREMENT SYSTEMS:**

**EMPLOYEE REPLACEMENT COST**

**“COST OF TURNOVER”**

It may cost the organization, on average, 150% of the terminating employee’s salary in “replacement” costs (recent studies reflect 120% to 200% ).

Example: If a position is open for 8 weeks before replacement, and new employee is hired at same rate of pay as terminating employee, annualized cost of hire might be:

<b>Salary of New Employee + 40% benefits</b>	<b>Assume \$45,000 base + \$18,000 benefits cost For 10 months</b>	<b>\$52,500</b>
<b>Recruitment Cost (from cost of hire sheet)</b>	<b>(15% to recruitment agency )</b>	<b>\$6,750</b>
<b>Salary + Benefits Not Paid</b>	<b>2 mo. Salary, 1 mo. benefits cost</b>	<b>- \$9,000</b>
<b>“Open Position” Costs:</b>		
<b>OT for other employees</b>	<b>\$21.50/hr X 6 hr X 8 wks</b>	<b>\$1,032</b>
<b>Absenteeism due to morale issues</b>	<b>\$21.50/hr X 8 hr X 8 wks</b>	<b>\$1,376</b>
<b>Lost Customer Revenue (if cust’s went with term’d employee to competitor)</b>		<b>(to be determined)</b>
<b>External Training costs for new employee</b>	<b>5 days X \$1200/day Incl Mileage &amp; Materials</b>	<b>\$6,000</b>
<b>Internal Training costs for new employee</b>	<b>Materials, Time Away from Desk, etc</b>	<b>\$1,000</b>
<b>Learning Curve on job</b>	<b>5 mo. X base salary</b>	<b>\$18,750</b>
<b>Interview travel or Relocation costs</b>	<b>Travel, lodging, meals, interim living, etc.</b>	<b>(to be determined)</b>
<b>TOTAL REPLACEMENT COST</b>		<b>\$ 78,408 = \$45k X 174%</b>

HUMAN RESOURCES MEASUREMENT SYSTEMS:

COST OF HIRE

POSITION TO BE FILLED: \_\_\_\_\_

Date Open: \_\_\_\_\_

Date Posted: \_\_\_\_\_

Date of Offer Letter: \_\_\_\_\_

Start to Work Date: \_\_\_\_\_ Position Filled By: \_\_\_\_\_

---

Recruitment Cost / Source:

- Advertising Cost \$ \_\_\_\_\_
- Newspaper Ad \$ \_\_\_\_\_
- Recruiter Fee \$ \_\_\_\_\_
- Employee Referral Fee \$ \_\_\_\_\_
- Job Fair \* \$ \_\_\_\_\_
- College Recruiting (mileage) \* \$ \_\_\_\_\_
- Temp/Perm Agency Fee \$ \_\_\_\_\_
- Walk—In \$ 0
- Other \_\_\_\_\_ \$ \_\_\_\_\_
- Manager Salary, if travel outside to do recruiting \$ \_\_\_\_\_

Interview Cost:

- Candidate Travel Expense \$ \_\_\_\_\_
  - Flight
  - Rental Car
  - Lodging
  - Meals
  - Other

Interview Cost of Meal:  Breakfast  Coffee  Lunch  Dinner \$ \_\_\_\_\_

Mileage Reimbursement for Interviewer, if applicable \$ \_\_\_\_\_

Cost of additional perks or benefits negotiated (if you want to add these)  
Might include cell phone, car allowance, membership dues, car, laptop,  
additional vacation and/or holidays and/or sick & personal days, other) \$ \_\_\_\_\_

TOTAL COST OF HIRE FOR THIS CANDIDATE: \$ \_\_\_\_\_

**HUMAN RESOURCES MEASUREMENT SYSTEMS:**

**TRACKING TURNOVER**

**COMPANY OVERALL, OR BY DEPARTMENT**

Period Measured: (Year-over Year, Month by Month, etc)

Go-In Population: (# headcount)

MEASURE	#	This Period %	#	Last Period %	% Change
Overall Turnover Rate					
Total Voluntary (Unplanned)					
Voluntary with 6 Mo. or less Tenure					
Involuntary – PERF					
Involuntary – LAYOFF					
Involuntary with 6 Mo. or less Tenure					

**ANALYSIS OF EXIT INTERVIEWS, LAST NINE MONTHS:**

Department: \_\_\_\_\_ Top 3 Reasons: \_\_\_\_\_

Department: \_\_\_\_\_ Top 3 Reasons: \_\_\_\_\_

Department: \_\_\_\_\_ Top 3 Reasons: \_\_\_\_\_

Department: \_\_\_\_\_ Top 3 Reasons: \_\_\_\_\_

**Other Reasons Noted:**

---



---



---

**HUMAN RESOURCES MEASUREMENT SYSTEMS:**

**TRAINING COSTS**

**EXTERNAL TRAINING:**

TUITION \$ \_\_\_\_\_  
 Materials Cost: \$ \_\_\_\_\_  
 Travel Costs \$ \_\_\_\_\_  
 Other: \$ \_\_\_\_\_  
 TOTAL \$ \_\_\_\_\_

**INTERNAL TRAINING:**

\_\_\_ HRS x \_\_\_ Base Hrly Wage: \$ \_\_\_\_\_  
 Materials Cost: \$ \_\_\_\_\_  
 External Trainer: \$ \_\_\_\_\_  
 (Cost / # Participants)  
 \*no cost, it's his/her job \* Internal Trainer: \$ 0 \_\_\_\_\_  
 TOTAL \$ \_\_\_\_\_

**If you know the PURPOSE of the Training and the DESIRED RESULTS then you can measure changes before and after the training – samples of measures may include:**

**PRODUCTIVITY MEASURES AFTER 90-120 DAYS**

<b>Lost Net Revenue</b>	# Customer Complaints during 6 months before and after training, or % customer cancellation rate, or # customer cancels
<b>Customer Loyalty</b>	# Customer Acknowledgement letters/e-mails during 6 months before and after training
<b>Employee/Company Performance</b>	Productivity Measures
<b>Gross Revenue</b>	# Sales or % Increase in Sales Before and After Training
<b>Revenue, Customer Loyalty</b>	# New Customers or Customer Retention Rate
<b>Legal Costs (Attorneys)</b>	# Employee Grievances for period before and after training
<b>Change Initiative Acceptance</b>	Employee Opinion/Acceptance Survey 6 months after training