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**Measuring Human Resource
Capability in the
Public Service**



**STATE SERVICES
COMMISSION**

**Te Komihana
O Ngā Tari Kāwanatanga**

This paper defines organisational and human resource (HR) capability and discusses its importance for Public Service capability. The paper argues that HR capability has particular features that both distinguish it from other types of organisational capability, and give rise to measurement difficulties. These are further complicated in a Public Service environment. The paper discusses a number of ways that are being investigated to overcome these difficulties and reports on progress in developing key indicators for measuring HR capability.

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Introduction

This paper defines organisational and human resource (HR) capability and its importance for Public Service capability. It outlines the work the State Services Commission (SSC) has done to date on developing a capability assurance and assessment system that can also be a useful day-to-day management tool for departments. It sets out the next steps that comprise the development of an analytical framework and indicators, and a revised collection of capability information.

The work to date has proceeded at two levels:

- identifying general factors that impact on Public Service HR capability; and
- investigating specific issues of measurement.

Attached to this paper is an appendix that provides specific examples of HR capability indicators.

Definition

Organisational capability can be defined in a number of ways. The working definition used by the SSC is:

“Capability is having, or being able to access, the appropriate combination of resources, systems and structures necessary to deliver the organisation’s outputs to customer-specified levels of performance on an ongoing basis into the future.”¹

Total organisational capability can be more than the aggregate of HR capability and the physical and net financial assets of the entity. This is because organisational capability is organic – it is the result of interactions of people, physical and financial capital, information and proprietary business systems.

HR capability has both quantity and quality dimensions. The HR capability of an organisation consists of reliable access to the required people (quantity) with the skills, abilities, attributes and competencies (quality) that the organisation needs to meet its purpose and deliver its outputs, in accordance with its strategic goals.

Human resource capability as a critical component of organisational capability

The SSC is concerned about capability in the Public Service because of its role in departmental performance monitoring and assurance to Government. HR capability is important for two reasons:

1 State Services Commission, (1999), Report on the Capability Project, Paper prepared for the Minister of State Services.

- people are a critical input to production processes, and they are unlike other inputs; and
- there are systemic reasons why chief executives might not manage HR capability in a way that is optimal either over the long term or for government as a whole.

Importance of people

People are *the* most important feature of organisational capability, and all other capability is derived from the competence and capability of key human resources. If strategic HR capability is lacking, then other capability will necessarily be at risk. People are unlike other inputs or resources for a number of reasons, chief of these being:

- most of the work of the Public Service involves human capital that cannot be substituted for other forms of capital. Some work can only be done by key people and, while machines (technology, etc) might be useful tools, the particular attributes, skills and experience of such people are essential components for government outputs; and
- people cannot be owned – their services can only be rented.

These distinctions have particular implications for managing HR capability. Because key people are not readily replaceable, chief executives need a complex mix of policies and practices to retain key HR capability. That capability can easily be eroded.

Systemic reasons

There is evidence that some Ministers and chief executives have a short-term focus, which could lead to neglect of future organisational or HR capability.

Private sector markets have implicit mechanisms for monitoring ownership and moderating the tensions between purchase and ownership. If purchase or short-term results predominate (e.g. through running down inventories, excessive dividend payments or otherwise limiting future capability), this is reflected directly in the share price (or in the estimated value to prospective purchasers) and via the capital markets. This means that the tradeoffs between short-term gains and organisational value are largely transparent.

These mechanisms do not exist in the State sector. The non-trading State sector does not face the same widespread scrutiny of the tradeoffs between purchase and ownership. State sector agencies are neither monitored closely by the share market or creditors, nor exposed to a transfer in ownership or a rapid liquidation if they fail to perform. Instead, scrutiny comes via the political process (which tends to be dominated by purchase concerns) or from central agencies.

Managing human resource capability risk

The principal reason for the inception of this project was the existence of a substantial risk, and a lack of information to assist in the management of that risk. The risk is that parts of the State sector may fail to maintain a capability that will enable them to deal with emerging demands. Two factors commonly identified as contributing to this risk are:

- the predominance of purchase interests over ownership interests in the annual budget cycle²; and
- the ‘sinking lid’ fiscal management policy that has been operating for the past decade.

While financial management reform in the State sector has greatly improved the ability of central agencies to provide advice on the need for capital investment from a financial perspective, there has not been comparable progress on providing scrutiny for investment in human resource capability. The absence of market mechanisms implies a strong need for that scrutiny to come from central agencies as a proxy for market mechanisms. These assessment processes currently focus on the delivery of outputs and the management of capital that is owned by the Crown (and appears on the balance sheet). What is less well examined is the contribution that the less tangible assets (HR capability in particular) make to the value of the organisation.

The SSC cannot provide assurance about the Government’s ownership interest unless it collects and analyses information to support such assurance.³ In addition to the gap in the SSC’s information, there are gaps in Public Service departments’ information. Centralisation of human resource management before the State Sector Act 1988 meant that individual departments did not widely require or develop human resource information systems and analytic skills. Until a reliable information base is established, the extent to which the subsequent decentralisation has been balanced by the emergence of devolved systems and expertise will remain unclear.

Human resource capability in the Public Service

It is clear that to monitor HR capability in the Public Service:

- the SSC will require more extensive and detailed information on human resources in the Public Service than it has at present;
- specifying and collecting the information poses challenges that are largely technical (rather than technological)⁶. Technology for measuring aspects of

² These factors directly affect the Public Service, but also indirectly influence Crown entities.

³ This raises the question of who monitors the capability of Crown entities? The SSC’s performance assessment role is currently limited to the Public Service.

⁴ State Services Commission, *Yearly Employment Survey*, June 1998.

⁵ Statistics NZ, *Quarterly Employment Survey*, Total Filled Jobs, June 1998.

⁶ The tools (or technology) used by different organisations to look at capability appear to have much in common. However, the absence of the sorts of standards that are found in financial accounting means that the challenges for the SSC relate to establishing common technical methods for measuring HR capability that can apply across organisational boundaries.

people management is available in the private sector, and could be adapted for use in the State sector;

- if the information became available, both the SSC and Public Service organisations would need to build the capability to use it to good effect; and
- collection and use of human resource information will not be without cost.

A capable organisation is one that can continue to do what it does currently, and is flexible enough to do what is required in the future. Human resources are part of this capability, and are impacted on by systems, structures and other resources.

Strategic management of human resources is more than managing the basic accounting functions of the HR department, such as leave recording and payroll. It consists of developing and implementing effective policies and practices (selection, training and development, performance management, rewards and remuneration etc) to align human resources with organisational goals. These policies and practices must complement other workplace systems, which include communication and information management systems, financial management, resource allocation systems, and culture. People management is about optimising the interaction of these various systems to enable or persuade people to achieve the organisation's goals.

It is worth noting that organisations with similar purposes may be configured in quite different ways and still be successful in achieving their purposes. In the private sector, even within a single industry, successful organisations may take widely differing approaches to maximising returns for shareholders.

Achieving the optimal mix of human resources

A key question is:

what is the right human resource capability for a particular organisation to achieve its purpose now and into the future?

In New Zealand's devolved management system, the accountability for achieving the optimal mix of human resources (quantity and quality) rests with the chief executive. It is no more the central agencies' role to tell chief executives what sorts of skills they should be purchasing than it is to tell them what sorts of physical capital they should be purchasing. Rather, the central agencies' role is to assure the Government that Public Service departments:

- have been appropriately rigorous in identifying the appropriate mix of human (and other) capability required to deliver their outputs in a manner that will be cost effective over time;
- that they have in place appropriate systems for monitoring and managing that capability; and
- that they are, in fact, operating those systems in an effective and responsible manner.

While the SSC's assessment of performance in departments is essentially retrospective, the monitoring role also has an important forward looking dimension. The accountability for the strategic direction of a department's capability development is clearly with the chief executive. The SSC must be able to assure Ministers that this direction is clearly articulated and is the result of an excellent planning process. HR capability development should be clearly specified in a strategic business plan⁷, and be able to be accounted for in a way that parallels the accounting for outputs.

In large part, the human resource capability of the State sector comprises the sum of the human resource capability in each organisation. However, in some areas there are incentives under the current arrangements that may result in under-investment in capability. These areas are broadly those where the skills required are specific to the State sector and can only be acquired on the job. Government cannot rely on other labour markets to provide these skills, nor can it completely pass the responsibility for investing in the skills to employees (due to the on-the-job nature of the process). The most critical area that fits this description is the area of policy advice⁸.

Currently, capability investment is not fully integrated into the accountability process and as a result chief executives have limited incentives to invest optimally in the types of capability described above. While it is in both Government's and chief executives' collective interests for there to be an adequate supply of policy analysts, for example, chief executives individually face incentives to free-ride on the investment made by others by employing skilled policy analysts on the State sector labour market. However, if all chief executives do this, an under-investment in policy capability can result.

The SSC is uniquely placed to take a whole-of-government view of capability, and therefore has a role in advising Government on what the right level of capability investment should be. It is a role that should be viewed with caution, however, as it does intrude on the accountability relationship between chief executives and their ministers⁹. It can only be carried out in an environment where capability investment is integrated into the accountability framework and reasonable ex ante specification of this investment is possible.

Human resource capability measurement

A principal function of the SSC in the Public Service is to monitor how well departments manage the Crown's ownership interest. The capability of the New Zealand Public Service covers the integration of resources systems and structures (where resources includes the knowledge and skills of people). It is difficult to separate capability into distinct components, and there are no reliable and empirically validated methods for doing this.

⁷ The Improving Accountability project has reported to the Minister of State Services, recommending strategic business planning as the core process for reporting and accountability.

⁸ This most notably affects the Public Service policy ministries, but operational departments and many of the Crown entities also have significant policy functions.

⁹ The SSC currently exercises a mandate only in the Public Service.

Measuring intellectual capital

One approach to measuring HR capability focuses on accounting for intellectual capital. The rise of businesses that make their profits from information and other services has reduced the ability of traditional financial accounts to capture the value of an organisation. For instance, the value of the computer hardware in a consultancy firm tells the owner (or shareholder) little about the value of the firm. More revealing are measures such as client retention rates and the incidence of repeat business. Much of the international research on capability in both private and public sector contexts has focused on developing methodologies that take a wider view than that of traditional accounting mechanisms. Many of these concentrate on valuing the intangible assets of organisations. The intangible assets are often described as the intellectual capital of organisations.

One of the approaches to identifying capability and capability measures is being developed by Dr Karl Erik Sveiby, a pioneer of intellectual capital measurement. The Sveiby intellectual capital model focuses on measuring the state of, and flows between, four forms of knowledge-related organisational value:

- financial value;
- external value – the organisation’s customers, allies, stakeholders and audiences;
- competence value – the knowledge and competence of the organisation’s professional staff and the various tools and techniques that they can apply to delivering services and achieving the organisation’s objectives; and
- internal value – the systems used to make the *implicit* knowledge of the professional staff *explicit*, such as manuals, computer systems, databases and the knowledge and competence of the organisation’s support staff (those who do not work directly for clients).

The potential of this approach is being explored by the SSC, and it may be possible to apply this model to the New Zealand Public Service. Unfortunately, intellectual capital measures are not yet developed enough to be used. Even the *de facto* measures currently under development are based on the private sector, and are of limited use for the State sector.

In part, this is because many of the macro indicators of performance available in the private sector do not exist in the non-trading State sector. In particular, productivity is very difficult to measure in the State sector, where revenue can be more a function of costs than of price. The State sector is also dominated by services where output is more a function of quality (which is difficult to measure) than it is of simple volume indicators.

A fundamental reason why developing measures for intellectual capital is difficult is that people’s labour can be rented but not owned. Because the organisation does not own its people, training expenditure is typically seen as an operating cost, rather than

a capital investment. However, people are a key organisational asset. In valuing a private company, the market clearly considers the qualities of its staff. For example, one component of Microsoft's share price is the fact that Bill Gates is its head, even though he could leave tomorrow. The market makes a judgement on the likelihood of Bill Gates leaving, based on what it knows of his commitment and loyalty to the company. While the bonds between organisations and employees are difficult to measure, they influence both the value of the organisation and the risk inherent in HR investment.

Because of the contribution that people make to the overall organisational value and performance (particularly in the knowledge-based organisations found in the State sector), it is desirable to include a measure of HR capability in any balanced scorecard of organisational performance.

The SSC therefore proposes that a set of indicators be adopted as a proxy measure of HR capability, until such time as more robust measurement techniques are fully developed.

Indicators of human resource capability

Indicators of HR capability can be broadly categorised as stock and flow indicators. Such indicators can be used in two ways: by departments and by external monitors. Public Service departments would continuously monitor these indicators to see if they have got the capability mix right, while the SSC would monitor changes in the capability stock to see that they are in line with the department's strategic business plan.

Measurement of these indicators uses two methods: qualitative methods that evaluate the quality of process, and quantitative methods. Both methods face the difficulty of separating issues of HR capability from other areas of capability.

The issues are clearer for quantitative methods. The SSC currently collects a limited range of HR indicators under the umbrella of the Yearly Employment Survey (YES). This method has been judged to be unsatisfactory both because of the narrowness of the scope of the survey and because of the relatively high compliance costs that the format of the survey imposes on departments. The SSC is therefore moving to collecting anonymous unit record data (i.e. data on individuals) from departments, rather than the current aggregated survey results (i.e. data on the department as a whole). This change will increase the amount of information available and reduce the compliance costs for departments. It will also enable the data set to be expanded to incorporate some of the indicators that are essential to the quantitative monitoring of the HR capability stock.

These indicators will be developed further in consultation with Public Service departments. This work will be cognisant of both the compliance burden for departments in providing such data and the need to build on established indicators that have been collected in the past.

Human resource stock indicators

Stock indicators measure the value of the assets that employees bring to the organisation: that is, the sum of the value of competence, experience and attitudes. It is difficult to provide direct measures of these assets. Proxy indicators are therefore necessary. Typical indicators that assist in building a picture of the value of HR assets include qualifications, experience, labour costs, occupation and job size.

Human resource flow indicators

Flow indicators measure the extent to which an organisation is adding to, or subtracting from, the stock. These are the most critical areas for the SSC in assessing how the organisation is managing its capability goals. In general they may be grouped under the following headings:

- *absence and turnover* – which provide important signals about morale, steadiness and renewal. Insufficient turnover inhibits the renewal processes that enable an organisation to find new ways of doing things. Too much turnover is costly in terms of management time and lost productivity. There is no single ‘right’ level of turnover that can be applied to all organisations, because each has different strategy and many State sector organisations interact with different parts of the labour market (scientists, case managers, policy advisors, health economists, etc).
- *vacancy management* – which are about the efficiency and effectiveness of recruitment. They are also affected by changes in the wider labour market, and give an indication of labour market responses to the State sector (how attractive it is as a place to work). Changes over time are also an indicator of looming problems or easing conditions. Some ratios (such as the balance between promotions and external recruitment) are useful for measuring management development and how well departments develop their own staff.
- *training and development* – which is a difficult area of measurement. Extensive methodologies have been developed to measure the effectiveness of, and return on, training investment. However, data capture is resource intensive, and highly organisation-specific, so that benchmarking can only be undertaken with selected individual organisations. Further, these methodologies are largely for private sector organisations, where the concept of return can be applied more accurately. A few international standards for measuring training investment are emerging, however, and these can be applied to non-trading organisations.

While the indicators employed in each of these categories of measurement do not provide certain proof of status, they do give information when read beside other factors. When indicators are collected over time, they can be subject to increasingly stronger validity testing – does this indicator move in the direction, and to a sufficient extent, for it to act as a useful signal of wider activities?

Further, indicators can be used to correlate measurements in one area with measurements in another. Indicators can function, therefore, as predictors of future

behaviour or events – if indicator x moves in a certain direction, then other events are likely to occur. For example, unscheduled absence can be a useful predictor of turnover. People may take various forms of leave because of dissatisfaction, or as a form of protest, and absence can be a sign of unrest. Turnover will lag behind absence because it takes longer for people to find alternative employment than it does to simply take a day off.

This is a pragmatic approach to the problem of providing reliable human resource information for a variety of organisations that have different purposes, and where there is no agreed certainty about the components and their relationships. Consequently, the use of indicators does not claim to be a science. A set of indicators that can establish a profile of an organisation is attached as an appendix to this paper, and is based on the work of HRM Consulting Ltd, which in turn draws on the work of Dr Fitz-End at the Saratoga Institute. While the appendix uses a number of measures that are not available in a State sector context, it does provide a concrete picture of the way in which broad indicators can be translated into specific measures of HR capability.

It is also important to acknowledge that, because human resource measurement is an evolving field and indicators have not yet been fully established, data would need to be collected in such a way that its collection could be amended relatively easily in future. Further, the development of standards that are appropriate to the State sector will require the accumulation of data and research.

Further work

Further work needs to be done on the relative priority of the indicators – some will be more important than others. Equally important is the need to examine the costs and benefits of an indicator approach before committing to its implementation. The Commission plans to pursue this work as part of the Human Resource Capability Information project. Parallel work on exploring the potential of measuring intellectual capital will also form part of the Capability Project. The objective is to develop a robust set of indicators that can yield the information Government needs to be better informed about its ownership responsibilities and the full effects of a reducing baseline funding regime.

Appendix 1: An example of human resource capability indicators

The following tables present one method for turning broad indicators of HR capability into more concrete measures. The example is based on one provided by HRM Consulting Ltd, which administers the major international benchmarking programme. HRM Consulting Ltd is the Saratoga International member in Australia.

This example is based on the sorts of data available in private sector companies. A number of the measures used are not available or appropriate in State sector organisations. It is not intended as a blueprint to be applied in the State sector.

The example follows HRM Consulting Ltd's categorisation of HR indicators into five broad groups that combine stock and flow measures. These are:

- organisational effectiveness;
- HR effectiveness;
- absence and turnover;
- vacancy management; and
- training and development

The example also incorporates measures for examining the Equal Employment Opportunities (EEO) performance of organisations – measures such as gender, ethnicity and disability status.

The example also illustrates the size of the task involved in fully introducing HR capability measures in the State sector. While a number of these indicators could be applied in the State sector, they would have to be built largely from a zero base. It is unlikely that any of the non-financial indicators have been defined in a common way, even in those State sector organisations that have tried to adopt a broadly similar approach.

The further development of HR indicators into a concrete measurement system is being examined by the HRCI project. That project will take into account:

- the compliance costs for State sector organisations;
- a cost/benefit analysis of introducing each indicator;
- the need to build, as far as possible, on the common data definitions that have been developed by the SSC and Public Service departments over a number of years; and
- a recognition that some indicators would have higher priority than others and that such a system would necessarily evolve gradually rather than be implemented in one hit.

Organisational Effectiveness

Indicator	Formula	Description	Purpose	Drill downs	Notes
Total resignations	$\frac{\text{Total resignations}}{\text{Employees (FTE)}}$	Rate of voluntary turnover (excludes expected or planned separations such as retirement, redundancy, etc)	Core indicator of capability maintenance	Occupation, location, tenure, age, gender, ethnicity, disability	Insufficient turnover inhibits innovation; excessive turnover is costly. Should also be read in conjunction with climate survey, and external labour market information.
Asset turnover ratio	$\frac{\text{Total revenue}}{\text{Assets}}$	Ratio of revenue to assets	Indicates flexibility		
Expense factor	$\frac{\text{Operating expenses}}{\text{Employees (FTE)}}$	Expense per employee (\$)	Macro measure of productivity. A basic financial measure; highly industry driven	Location, business unit	Measuring productivity is notoriously difficult, and this is compounded in the State sector because of the absence of an independent measure of price. A number of different measures of productivity are therefore necessary.
Revenue factor	$\frac{\text{Operating revenue}}{\text{Employees (FTE)}}$	Revenue Crown + revenue other (\$) per employee	Productivity measure, also highly industry driven	Location, business unit	Even when using a number of measures, care should be taken, because there are no clear ways of measuring changes in quantity and quality for many state sector outputs.
Remuneration revenue factor	$\frac{\text{Operating revenue}}{\text{Remuneration}}$	Remuneration: revenue ratio		Location, business unit	Revenue should rise faster than remuneration.
Remuneration expense factor	$\frac{\text{Operating expenses}}{\text{Remuneration}}$	Remuneration: expense ratio		Location, business unit	Affected by non-human resource changes in expenses, so care should be taken in interpretation. For example, with a rise in other expenses, the ratio falls even if there is no change in actual remuneration.
Remuneration factor	$\frac{\text{Total remuneration}}{\text{Employees (FTE)}}$	Average remuneration per employee	Broad measure of relative costs per employee	Occupation, age, gender, ethnicity, disability, location, business unit, job size	Does not indicate distribution of remuneration (use drill downs for that); industry related.

Indicator	Formula	Description	Purpose	Drill downs	Notes
Management staffing ratio	$\frac{\text{Non-management staff (FTE)}}{\text{Management (FTE)}}$	Ratio of non-management & professional staff to management	Describes management structure	Age, gender, ethnicity, disability, location	Read in conjunction with other measures of organisational effectiveness.
Mgmt / professional staffing ratio	$\frac{\text{Non-management staff (FTE)}}{\text{Management \& professional staff (FTE)}}$	Ratio of non-management to management & professional staff	Presents broad picture of the skill profile	Occupation, location, age, gender, ethnicity, disability, tenure	Industry specific. Better as a benchmark than as a measure of effectiveness.
Corporate employee ratio	$\frac{\text{Corporate employees}}{\text{Total employees}}$		Measure of how centralised or devolved the organisational structure is	Function, occupation, location, remuneration	Use organisation size (by FTE) for comparisons, rather than industry. If the organisation has devolved corporate functions, then ratio should be lower than similar size organisations with centralised corporate office.
Hours actually worked	$\frac{\text{Actual hours of work (FTE)}}{\text{Contracted hours (FTE)}}$	Ratio of hours worked to contract hours		All other workforce profile categories	

HR Effectiveness

Indicator	Formula	Description	Purpose	Drill downs	Notes
HRM expense factor	$\frac{\text{HR operating expenses}}{\text{Total operating expenses}}$	HRM expenses as percentage (%) of operating expenses			Captures outsourcing and contractors' expenses not indicated by HR staffing factors. Read with HR staffing factor.
HR expense per employee	$\frac{\text{HR expenses}}{\text{Total staff (FTE)}}$	HR expenditure per employee	Useful in periods of restructuring		Read with HR staffing factors.
HR staffing factor	$\frac{\text{Total employees (FTE)}}{\text{HR employees (FTE)}}$	HR personnel to total FTEs (%)			No 'right' figure – value depends on organisational strategy. The 'traditional' 1:100 ratio has no empirical basis, and was simply 'made up' fifty years ago.
HR professionalism ratio	$\frac{\text{HR non-management staff (FTE)}}{\text{HR managerial \& professional staff (FTE)}}$		Indicates level of professional skill in HR function		Studies indicate that HR functions with a larger proportion of managerial and professional employees tend to perform well on other HR performance indicators.
Payroll expense factor	$\frac{\text{Payroll expense}}{\text{Total organisational operating expenses}}$		Monitor to reduce as low as possible.		Payroll expenses add no value to an organisation; redirect expenditure to remuneration and development strategies to support and motivate employees.
Payroll staffing factor	$\frac{\text{Total employees (FTE)}}{\text{Payroll employees (FTE)}}$	Proportion of FTEs to payroll staff	Monitor expense to reduce to most cost-effective level		

Absence and Turnover

Indicator	Formula	Description	Purpose	Drill downs	Notes
Total unscheduled absence	$\frac{\text{Total days absent}}{\text{Total workdays}}$	Time lost (sick leave, ACC, industrial disputes) as %	Measure of lost time and productivity	Occupation, reason, tenure, location, age, gender, ethnicity, disability	Can be indicator of employee morale and predictor of future turnover.
Unscheduled absence per employee	$\frac{\text{Total days absent}}{\text{Average employee headcount}}$	Average time lost due to absenteeism	Measure of lost time and productivity	Occupation, reason, tenure, location, age, gender, ethnicity, disability	Can be indicator of employee morale and predictor of future turnover.
Total separations	$\frac{\text{Total separations}}{\text{Average headcount}}$	Total turnover	Core indicator of capability maintenance	Initiator (employer/employee), reason, occupation, location, region, tenure, age, gender, ethnicity, disability	Insufficient turnover inhibits innovation, excessive turnover is costly. Some turnover is healthy because it allows for the introduction of new skills; may indicate robust performance management Employee-initiated separations indicate unplanned skill loss to the organisation. Employer-initiated separations may reflect restructuring or poor management practice if predominated by dismissals.
Total separations by transfer	$\frac{\text{Total separations by transfer}}{\text{Average headcount}}$	Percentage separations for transfer	Could be refined to use as management development measure	Tenure, occupation, age, gender, ethnicity, disability	Transfer defined as, for example, movement within the Public Service, or the 'green sector'. Important to sector-wide strategic HR (and management development, in particular).
Total separations by contract expiry	$\frac{\text{Separations by contract expiry}}{\text{Average employee headcount}}$	Percentage of contracts that expired and were not renewed	Varies according to strategy and degree of organisational change	Reason, age, gender, ethnicity, disability, occupation	Largely a forensic measure.

Vacancy Management

Indicator	Formula	Description	Purpose	Drill downs	Notes
Net recruitment rate	$\frac{\text{External recruits}}{\text{Total terminations}}$	Number of terminating employees replaced by external recruits	Measures success of growth or downsizing strategies	Age, gender, ethnicity, disability, occupation	Can signal managers and professional not being replaced, which could be a flattening of organisation structure or a de-skilling of the workforce.
Internal recruitment rate	$\frac{\text{Internal recruits}}{\text{Average headcount}}$	Percentage of workforce recruited internally	Measure of succession and retention management	Age, gender, ethnicity, disability, occupation	Good measure of succession management, and management development.
Career path ratio	$\frac{\text{Promotions}}{\text{Transfers}}$	Relates internal promotions to internal transfers	Measure of career structure	Age, gender, ethnicity, disability, occupation, tenure	An increasingly important measure as organisations try to provide 'satisfying' careers in flat organisational structures.
Time to fill	$\frac{\text{Total days to fill}}{\text{Total recruits}}$	Average number of days to fill vacancy	Measures efficiency of HR department, succession management effectiveness	Source (internal, external), occupation	Measure of effectiveness of succession planning strategies – quicker to fill vacancy with internal recruit.
Time to start internal	$\frac{\text{Time to start internal}}{\text{Requisitions for internal hires}}$	Time to fill from internal sources	Indicates time for internal movement of employees	Location, business unit, occupation	Ensure internal movement is geared to organisational strategy.

Training and Development

Indicator	Formula	Description	Purpose	Drill downs	Notes
Training investment per employee	$\frac{\text{Total training cost}}{\text{Employees (FTE)}}$	Average training cost per FTE	Indicator of organisational commitment to training	Occupation, tenure, age, gender, ethnicity, disability, location	Compare with career path ratio to see how well organisation is 'growing its own'.
Training remuneration factor	$\frac{\text{Total training cost}}{\text{Total remuneration}}$	Training costs as proportion of remuneration costs	Measures a component of investment in people	Occupation, tenure, age, gender, ethnicity, disability, location	Read in conjunction with other measures of investment in people, including remuneration, benefits and conditions, health and safety measures, other development measures.
Non-management training cost	$\frac{\text{Non-management training cost}}{\text{Non-management employees (FTE)}}$	Average training cost per non-management FTE	Indicator of organisational commitment to training	Occupation, tenure, age, gender, ethnicity, disability, location	Useful because it removes management training which tends to be very expensive. Compare with career path ratio to see how well organisation is 'growing its own'.
Management training cost	$\frac{\text{Management training cost}}{\text{Management employees (FTE)}}$	Average training cost per management FTE	Indicator of organisational commitment to management development	Occupation, tenure, age, gender, ethnicity, disability, location	Compare with career path ratio to see how well organisation is 'growing its own'.
Training hours per employee	$\frac{\text{Total training hours}}{\text{FTEs}}$	Training hours per FTE	Broad measure of organisational training activity	Age, gender, ethnicity, disability, occupation, location	Best read against drill downs indicated.