

10 PEOPLE METRICS WITH A BIG FINANCIAL IMPACT

How CHROs can use people analytics to optimize workforce effectiveness





The connection between people and business success has never been more clear.

CHROs are under increasing pressure to become more accountable for workforce costs and effectiveness, especially during shifting labor markets and an uncertain economy. But the path from employee to a line item on the balance sheet isn't always clear. There's often several degrees of separation between workforce initiatives and the actual bottom line, making it difficult to quantify and clearly convey impact.

Stakeholders and shareholders are requiring enhanced reporting on human capital metrics and top-line productivity levels—often measured as revenue per employee—are higher in human-centric workplaces. Accenture found¹ organizations that view people as a driver of organizational effectiveness—in tandem with data and technology—stand to gain up to 11% on top-line productivity. The same study found when organizations invest in data and technology alone, that number drops to 4%—that's a 7% gap. **People are the source of competitive advantage and business growth.**

People analytics enables organizations to reliably measure HR effectiveness across the employee lifecycle, providing the opportunity to make an impact at every stage, optimize for the long term, and draw a clear line between people and business outcomes.

We've put together a checklist of 10 important people metrics that have a big financial impact.





10 People Metrics With a Big Financial Impact

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|----|-------------------------|--------------------------|
| 1 | Employee Lifetime Value | ☐ |
| 2 | Total Cost of Workforce | ☐ |
| 3 | Cost to Hire | ☐ |
| 4 | Cost of Vacancy | ☐ |
| 5 | Quality of Hire | ☐ |
| 6 | New Hire Retention Rate | ☐ |
| 7 | Skills Inventory | ☐ |
| 8 | Learning Impact | ☐ |
| 9 | Cost of Turnover | ☐ |
| 10 | Revenue per FTE | ☐ |



1

Employee Lifetime Value

Employee Lifetime Value (ELTV) is used to calculate the total value an employee brings to an organization over the course of their tenure. ELTV takes into account the total cost of hiring, training, and managing an employee, as well as the value that employee brings to the organization through their work.

ELTV is a useful metric to understand the return on investment (ROI) of HR strategies. Use ELTV to determine the value of individual employees, inform workforce strategies for teams and departments in the organization, and identify where to further invest in recruitment, training, or retention strategies.

Dig deeper with people analytics

People analytics offers the ability to understand the value of people at every stage of the employee lifecycle. When analyzing ELTV, use people analytics to glean insights about drivers of resignation rates, employee performance indicators, and reskilling and upskilling opportunities.

2

Total Cost of Workforce

Total Cost of Workforce (TCOW) measures the full cost of people who contribute work to the organization, including all of the labor costs and the workforce overhead costs, and all the costs that roll up into those two categories such as employer taxes, facilities, and other overhead costs.

People costs can account for up to 70% of total business costs². Knowing TCOW allows organizations to optimize labor costs for a better ROI and align the workforce strategy with the business strategy. Understanding TCOW allows the business to strategically respond to tight labor markets and calibrate workforce costs to the current economic climate.³

Dig deeper with people analytics

The significant benefit of an accurate TCOW is comprehending how it changes over time compared to the same period's business outcomes, then using this information to inform future workforce planning strategies. For example, you can compare the budgeted TCOW to the actual TCOW to understand how closely the people costs of a work unit match the plan. Then, apply people analytics to get a more precise view with insights into how well a manager is doing at using resources.



People data and analytics are critical to the success of our business at UKG because we're reliant on all of our people. With Visier, **we can now understand the full recruiting funnel and the employee lifecycle** in its entirety—from candidate to new employee to their success and growth at our company."



Melissa Shore
VP of Analytics & Employee
Listening, UKG⁴

How to calculate Employee Lifetime Value

Total revenue generated
by an employee



Total cost of
(hiring + training + management)



3

Cost to Hire

Cost to Hire measures the expenses associated with bringing new talent into an organization. This metric calculates the total cost of recruitment and hiring, including advertising, recruiter fees, employee referral bonuses, travel expenses, and other related costs. By analyzing this metric, companies can determine the effectiveness of their hiring process and see where they may need to improve.

Dig deeper with people analytics

Use people analytics to connect the cost to hire with post-hire metrics that measure the ROI, like time to productivity. Knowing the cost to hire for certain roles will also shed light on the external hire vs. internal hire ROI comparison, while providing a data-informed justification of the most economically-savvy talent acquisition methods.

4

Cost of Vacancy

Cost of Vacancy is a measure of the negative financial impact—lost productivity and revenue—that occurs when a position remains unfilled for an extended period of time. Use this metric to highlight the financial impact of increased time-to-fill on the business and understand the opportunity cost of open roles. This is especially helpful when applied with capacity planning and sales headcount ratios during workforce planning to ensure the business has the necessary resources to maintain operations and to support growth.

Dig deeper with people analytics

Use people analytics to understand why certain roles remain vacant for a period of time. Dig into the drivers of vacancy across the employee lifecycle, such as low engagement rates, resignation causes, and candidate quality to identify the areas to improve, then execute data-driven initiatives to correct it.

How to calculate Cost of Vacancy

\$500,000

Avg total yearly revenue
generated by a specific role

260

Number of yearly working days

=

\$1,923/day





**\$3
MILLION**

Providence used **predictive hiring analytics** to get a holistic view of the organization and accurate vacancy projections. The result: Leaders used these insights to proactively hire over 2,000 caregivers in 2022 despite a tight healthcare labor market—**ultimately saving the company \$3 million.**⁵



5

Quality of Hire

Quality of Hire is a set of metrics that indicate the value a new hire brings to the workplace, and how much time it takes for the financial impact to be realized. The ability to track new hires across the employee lifecycle helps you discover what makes an effective candidate at your organization, enabling leaders to find and develop talent accordingly.

High-quality hires are more likely to be productive, engaged, and satisfied in their roles, leading to improved organizational performance and financial outcomes. Simply put, a quality hire is a high performing hire.⁶ Strong performers make the difference between hitting business objectives and missing them. Bad hires, on the other hand, are especially costly to the business. The cost of turnover during the first three months in particular is the most expensive. During that time, the costs of hiring and onboarding have yet to result in a ROI.

Dig deeper with people analytics

Review pre- and post-hire data regularly to identify and monitor trends in performance for both individuals and teams. Apply people analytics to post-hire data to understand whether high performers stayed, performed, and progressed to determine what a quality hire means at your organization.⁷

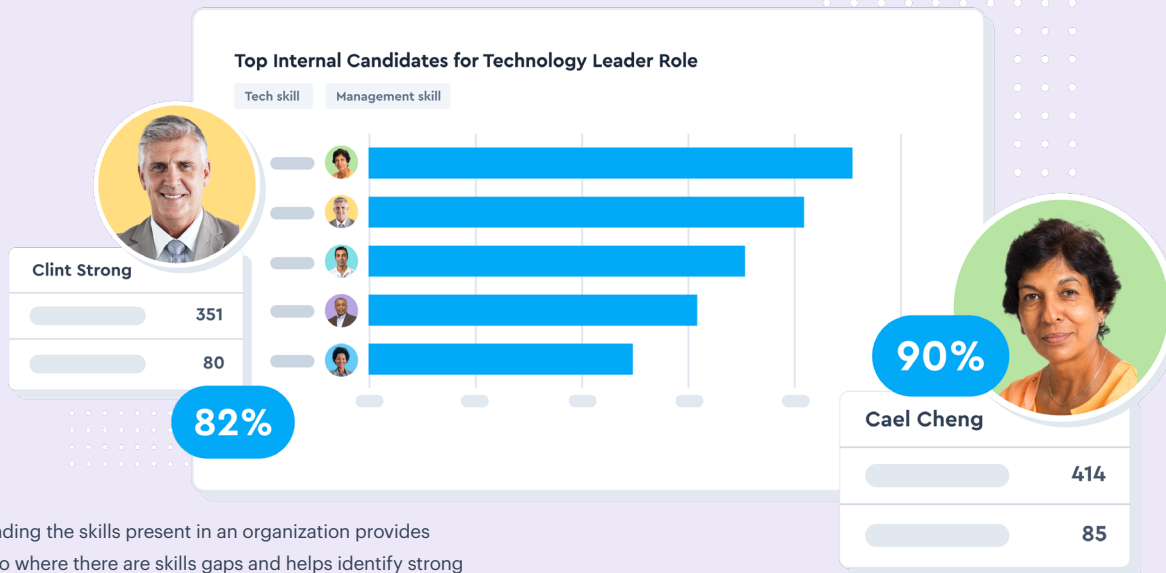
6

New Hire Retention Rate

New Hire Retention Rate tracks the percentage of new hires who remain with the organization for a specific time period, typically the first year. This set of metrics provide key insights about the effectiveness of hiring and training new employees. By tracking and improving the new hire retention rate, organizations can improve their overall financial performance by reducing turnover costs, elevating productivity and performance, and enhancing employee engagement.

Dig deeper with people analytics

Use people analytics to answer key questions about new hires to understand their impact on the business and identify patterns in recruiting and onboarding programs. Ask questions like: How many new hires are leaving within a specific time frame? What factors are contributing to their decision to leave? Are there specific departments, managers, or job roles that have higher turnover rates among new hires?



Understanding the skills present in an organization provides insight into where there are skills gaps and helps identify strong candidates for training and internal movement.

7

Skills Inventory

A Skills Inventory isn't exactly a metric, instead it's an accounting of the skills, education, and experiences of current employees in the organization. Skills inventory may be organized by department, job function, or other categories to allow for easier analysis and comparison, and can include information about employee education, training, certifications, work experience, and other relevant competencies that directly impact financial performance.

Skills are gaining and losing relevance at a faster pace than ever with the ebbs and flows of technological advancements and a dynamic labor market. Maintaining a robust skills inventory allows companies to identify skills gaps, opportunities for employee learning and development, and cross-functional collaboration to understand if the current staff can achieve company goals.⁸

Dig deeper with people analytics

Establishing a skills inventory gives organizations a strong foundation to make strategic financial decisions about talent acquisition and employee movement for the short and longer term. With a skills inventory in hand, leaders can make smarter decisions about who to hire, train, or place in a new team. Use a skills inventory to identify opportunities to save on high talent acquisition costs of external hires, and high vacancy costs that can accrue if a role is open for a long period of time.

8

Learning Impact

Learning impact evaluates the effectiveness of an organization's training and development programs. It measures the impact of L&D programs on employee performance, productivity, and retention. Most importantly, by tracking learning impact, organizations can measure the ROI of L&D programs and tie the impact to business metrics like closed sales, profit, and revenue.

Dig deeper with people analytics

Use learning analytics to connect the impact of training and development to business outcomes to understand if programs improve sales and decrease turnover, and see the impact of L&D on employee retention.⁹ Connect learning and business metrics to understand how L&D programs impact the overall business and make the right adjustments to foster optimal business outcomes. Ask questions like: Did the new training program improve sales? Does decreased turnover as a result of more training hours lead to an increase in sales? If so, by how much?

Organizations that adopt a skills-based approach are 63% more likely to achieve business results.¹⁰



9

Cost of Turnover

Cost of Turnover calculates the costs of losing an employee, including spend on recruiting, training, and onboarding new staff, the loss of productivity and revenue, and even severance payouts or legal fees. This metric is useful to help evaluate the effectiveness of recruitment and retention strategies, and can inform on where the highest costs are occurring.

Dig deeper with people analytics

When you consider that it can take one to two years for a new hire to reach the productivity¹¹ of an existing employee, retention efforts to reduce turnover costs become of the utmost importance. People analytics reveals the “why” behind the turnover by drilling down into people data over time to identify the root causes so that they can be addressed by strategically allocating spend on the retention strategies that will make the most difference.

10

Revenue per FTE

Revenue per FTE (full-time equivalent) tracks the amount of money generated for the company by an individual worker. It plays a role in defining the characteristics of a High Performer in an organization. To calculate Revenue per FTE, divide the total revenue generated by the total number of full-time employees.

Turnover is expensive, but when high performers leave there's a disproportionate impact on the bottom line. Replacing high performers can cost up to three times their annual salary, compared to two times the salary of an average performer. Knowing Revenue per FTE enables organizations to focus retention efforts on the high performing cohort to combat the excessively high cost of their turnover.

Dig deeper with people analytics

Once an organization's high performers are identified, people analytics can tell managers, HR professionals, and employees themselves how much an individual employee has accomplished, how much the business has spent on those employees, and how much revenue these employees have generated. By identifying those workers whose Revenue per FTE is low compared to others in the same role, leaders can make fiscally sound decisions about who to lay off in an economic downturn.

How to calculate Cost of Turnover

[recruiting + onboarding + training]

+

[# of employees × annual turnover %]

=

cost of turnover

Did you know?



The cost to replace an employee is up to **2x** their annual salary.¹²



Replacing high-potential talent can cost a business up to **3x** the outgoing worker's annual salary.¹³



A high performer can deliver **400%** more productivity than the average performer.¹⁴

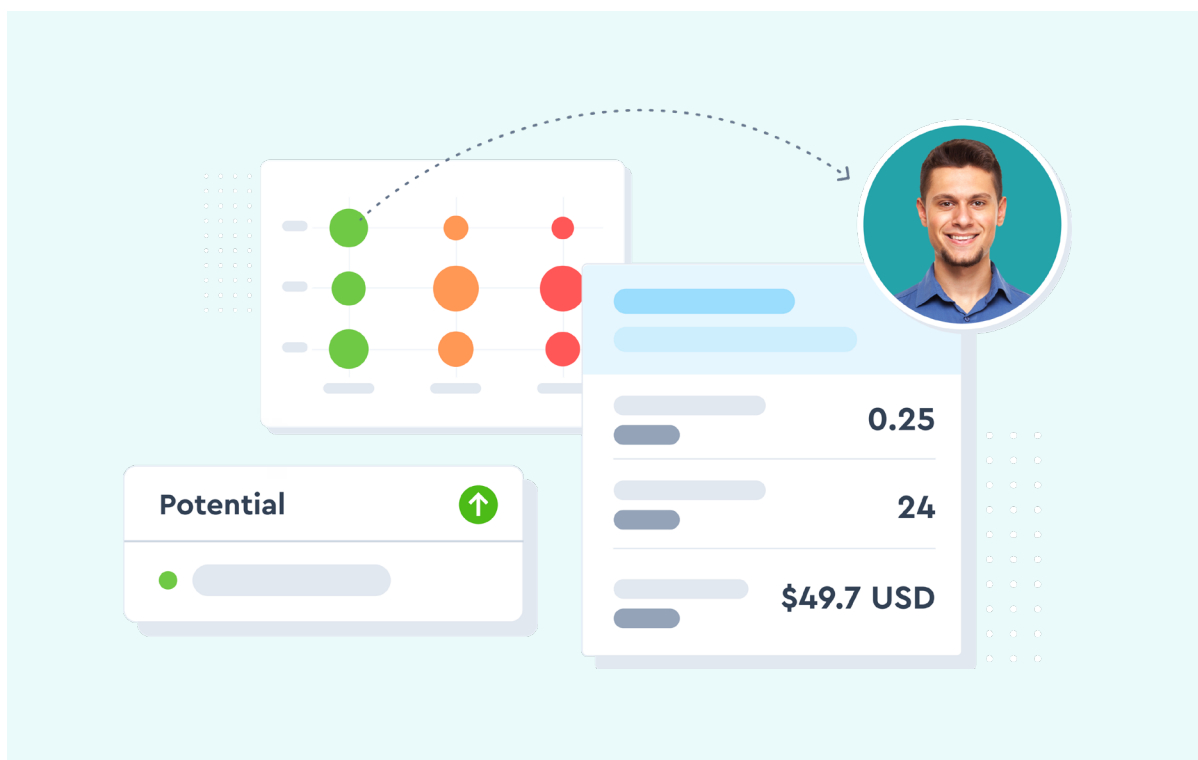


Impactful business decisions start with people insights

Gone are the days when people data lived in HR and financial data in Finance. This old way of siloing people data and the insights it produces is not effective for driving business growth in the new world of work. People are the source of competitive advantage and business growth.

When people data is only used by HR, a significant portion of business value is left on the table. To truly make impactful, data-driven decisions that drive business growth, leaders must examine all business data in aggregate to understand the true state of an organization's health over time. Understanding the underlying cause and effect between people and business outcomes using people analytics is the key to ensuring well-informed and objective decision making to address current and future needs. With Visier, HR and business leaders can find people insights and answer key questions that drive business results in seconds.

Take a [self-guided tour](#) of Visier today, or [request a live demo](#).





Endnotes

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About Visier

Visier's purpose is to reveal the human truth about your workforce and contribute to a better future.

Visier was founded to focus on what matters to business people: answering the right questions, even the ones a person might not know to ask. Questions that shape business strategy, provide the impetus for taking action, and drive better business results.

Visier delivers fast, clear people insight by using all the available people data—regardless of source. With best-practice expertise built in, decision-makers can confidently take action. Thanks to our amazing customers, Visier is the market leader in Workforce Analytics with more than 25,000 customers in 75 countries around the world.

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