
Human resource management — Guidelines for internal and external human capital reporting

*Management des ressources humaines — Lignes directrices sur le
bilan du capital humain interne et externe*

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 260, *Human resource management*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

Human capital includes the cumulative knowledge, skills and abilities of an organization's people and the impact on an organization's long-term performance, as well as competitive advantage through optimizing organizational outcomes.

The measurement of human capital facilitates the ability of an organization to manage one of its most critical resources and risks, people. Research shows that organizations that do not manage their human capital may damage the ability and opportunity for the business to create long-term and sustainable value achieved through their people^[1].

This document is guided by the principles of human rights at work^[2], and coupled with the human governance standard (ISO 30408^[3]), it establishes guidelines on human capital data capture, measurement, analysis and reporting.

The benefits of a standardized approach to human capital reporting (HCR) include

- the use of standardized and agreed data, which describes organizational value in a broadly comparable sense;
- the improvement of HRM processes that support good practice in establishing and maintaining positive employment relations;
- greater understanding of the financial and non-financial returns that are generated as a result of investments in human capital;
- accessible and transparent reporting of human capital data and insights that enhances internal and external understanding and assessment of an organization's human capital and its present and future performance.

HCR is following guiding principles which are outlined in [4.2](#).

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Human resource management — Guidelines for internal and external human capital reporting

1 Scope

This document provides guidelines for internal and external human capital reporting (HCR). The objective is to consider and to make transparent the human capital contribution to the organization in order to support sustainability of the workforce. This document is applicable to all organizations, regardless of the type, size, nature or complexity of the business, whether in the public, private or voluntary sector, or a not-for-profit organization.

This document provides guidelines on the following core HCR areas:

- compliance and ethics;
- costs;
- diversity;
- leadership;
- organizational culture;
- organizational health, safety and well-being;
- productivity;
- recruitment, mobility and turnover;
- skills and capabilities;
- succession planning;
- workforce availability.

NOTE These guidelines and associated metrics can result in better organizational performance. However, some organizations do not have the objective or the capacity to use the entire set of metrics. Recommendations for SME use are provided in [Table 2](#) and [Annex A](#).

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 30400, *Human resource management — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 30400 and the following apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>
- IEC Electropedia: available at <http://www.electropedia.org/>

3.1

employee

individual who is, according to national law or practices, employed by the organization

Note 1 to entry: Employees are often reported as FTE (full time equivalents) or headcount.

Note 2 to entry: An employment contract as recognized under national law or practice is a written, verbal or implicit agreement (that is, when all the characteristics of employment are present but without a written or witnessed verbal contract).

3.2

supervised worker

individual who performs regular work on-site for, or on behalf of, the organization but is not recognized as an employee under national law or practice

EXAMPLE Supervised workers include, for example, temporary/contingent workers.

3.3

independent contractors

persons or organizations working for an organization, a contractor or a sub-contractor, with a relationship determined by an agreement

EXAMPLE Independent contractors include, for example, consultants, suppliers and gig-workers.

3.4

small and medium-sized enterprise

SME

organization of a small or medium size, as defined by the recognized authority within the country or region

Note 1 to entry: Organization size is determined by multiple dimensions including turnover, balance sheet, resources, size of economy and number of employees.

[SOURCE: ISO/IEC Guide 17:2016, 3.1, modified — definition changed and NOTE replaced]

4 Human capital reporting process

4.1 General

In the context of the organization's strategy, values, leadership and business model, the following should be considered:

1. The principles which guide the measurement, analysis and reporting process. [4.2](#) provides guiding principles.

NOTE A useful reference point is ISO 30408:2016, 6.1.

2. Relevant target groups and stakeholders. [4.3](#) identifies the relevant stakeholders.
3. Responsibilities for HCR and a process for collecting relevant data. [4.4](#) provides recommendations for tools and procedures for data collection.
4. The distinction between internal and external reporting. [4.5](#) gives further recommendations for reporting structures.
5. Human-capital-related risks and opportunities. [4.6](#) provides an overview about human capital risk areas.
6. Quantitative metrics relevant to human capital issues, which should be consistent over time. [4.7](#) provides classification of human capital areas for potential metrics, differentiated according to

internal and external reporting. [Annex A](#) provides special recommendations for the adaption of the HCR-guidelines for SMEs.

7. Suitable reporting document [e.g. annual report, HR report (see ISO 30408), sustainability report, corporate social responsibility report, homepage], that can be used for internal and external reporting. The type of reporting mechanism for internal and external data includes formal statutory reporting methods, physical, digital, online or machine-readable formats as well as scorecard presentation of KPIs. [4.8](#) gives recommendations for the use of reporting documents.
8. Reporting frequency. [4.9](#) gives recommendations for reporting frequencies.

HCR provides insight that will help external and internal stakeholders interpret the metrics, while disclosing any material risks or any other material information related to human capital.

In some instances, the context or strategy of an organization may require the identification of other key metrics and the necessary data elements that need to be captured and reported. The captured human capital metrics signal the consistency between an organization's strategy and its governance.

The external and internal metrics can support decision-making processes and management of human-capital-related issues. HCR provides material information and insight that will help external and internal stakeholders to interpret the metrics and identify the organization's human capital risks and opportunities.

4.2 Guiding principles

The following guiding principles apply:

- a) strategic focus and materiality of human capital metrics that are consonant with the organization's strategy and values;
- b) an approach that is practicable to the organization's operating model and external context, based on a cost benefit comparison including opportunity cost (e.g. time, quality, volume) analysis (financial and/or non-financial value);
- c) relevance for organizations of all types, sizes, sectors and geographic locations;
- d) valid and reliable evidence-based measures and the integration of high-quality data to provide insight that informs business decision making;
- e) comparability of reported metrics across similar organization types and sectors (see [4.5.2](#));
- f) HCR narrative based on the concept of materiality that identifies the important aspects for the organization and its internal and external stakeholders (see [4.9](#));
- g) transparency of reporting that clearly identifies human capital risks and opportunities to key governance bodies and stakeholders.

It is useful and advisable to ensure that established good practice on information, communication and consultation between management and workforce representatives is respected and protected during HCR and the implementation of any related changes.

NOTE Additional guidance on involvement of employee representatives is given in ISO 45001:2018, 5.4[5].

4.3 Target groups and stakeholder relevance

Given the diverse interests of the multitude of stakeholders of an organization, these guidelines consist of a common set of metrics (for human capital), with relevance for internal and external stakeholders.

With increasing investment in human capital and its potential impact on organizational performance, sustainability and future viability, there is increasing interest in human capital measurements among internal and external stakeholders.

Internal stakeholders include the workforce and their representatives, corporate governance bodies (e.g. top management, supervisory boards, board members).

External stakeholders include individuals looking for employment, the community and investors who also have an interest in external HCR. Investors are particularly interested in using strategic human capital metrics that can help to determine the relationship between human capital investment and the impact on the success of the organization.

A HCR framework discloses financial and social value creation by an organization and provides evidence of underlying strengths or risks that might otherwise be overlooked in conventional headcount reporting.

Figure 1 gives an overview of the elements of HCR. The figure includes the context in which the organization operates with consideration given to the macro, meso and micro elements influencing HCR.

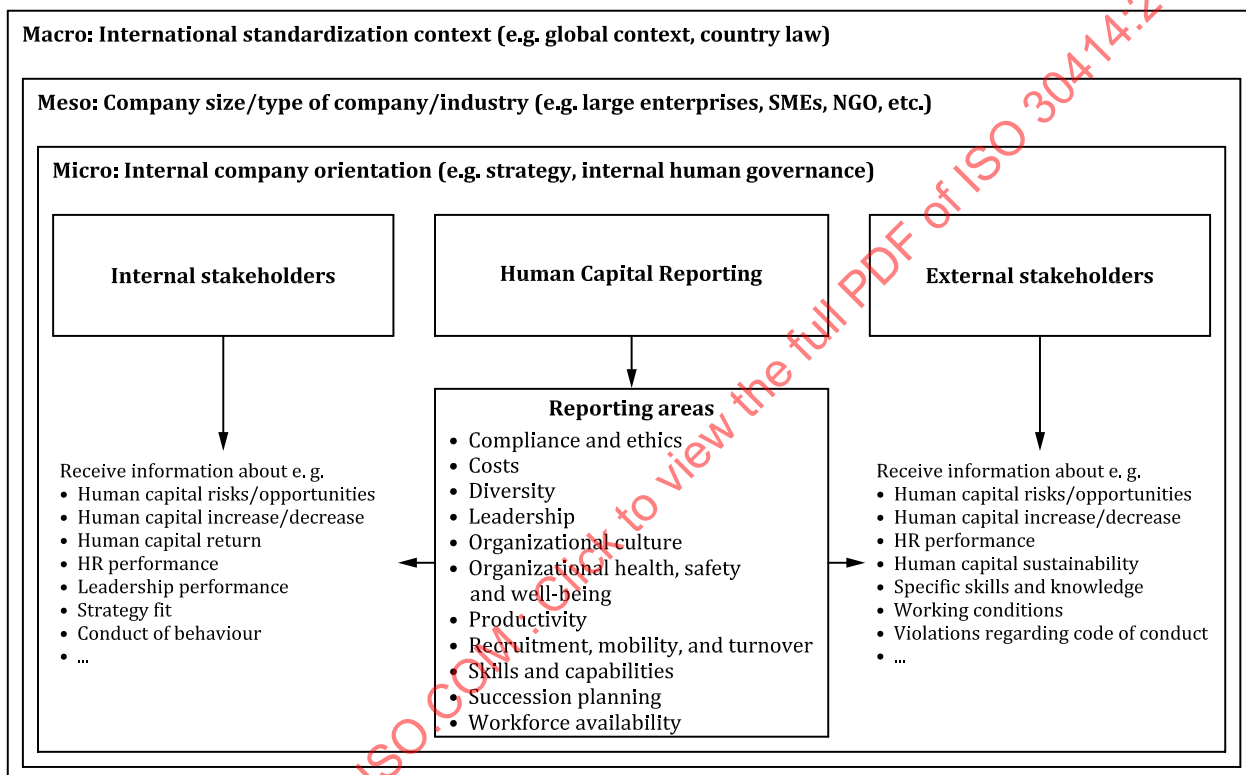


Figure 1 — HCR for internal and external stakeholders

4.4 Tools and procedures for data collection

Data collection and processing for HCR is a prerequisite for creating transparency through key metrics. This applies especially when data are acquired and consolidated from across the organizational networks and/or national borders.

The provision of HCR metrics requires not only a suitable organizational infrastructure but also cross-functional cooperation, regardless of size and type of organization.

In principle, HR has responsibility for HCR data quality, integrity and security as follows:

- Reporting responsibility: qualitative responsibility for the content and form of HCR, including the definition of data.
- System responsibility: guaranteeing continuing functionality of those systems that supply data by means of a description of requirements to be met by those systems/partners/facilities that supply data, oriented toward the definitions of HCR.

- c) Resource and content responsibility: ability to prioritize (order) and decide whether, which and in what form key metrics should be selected with regard to
 - causal relationship and correlation of data with the intended indication;
 - reliability of the sources in terms of data quality;
 - need, meaning and interpretability.
- d) Interpretation, insight and communication responsibility: lead on and support the interpretation of human capital data and the development of insights and how these are to be communicated.

The reporting and communication responsibility, as well as the resource and content, traditionally lie with HR. Departments that are involved in finance, governance and information systems are increasingly involved in the delivery of HCR, depending on the type and size of an organization.

The system-related responsibility for the procurement and processing of data rests either with the HR manager, the internal IT department of the organization and/or external service providers. For HCR required (also non-IT-supported) systems usually include, but are not limited to,

- a) systems to store and process human capital master data (such as demographic data as authorized/prevented or restricted by data protection mechanisms in various jurisdictions), systems to process time management data (e.g. normal weekly working time, hours of attendance paid/unpaid, hours of absence paid/unpaid, number of public holidays);
- b) systems to calculate wages and salaries (e.g. wage and salary expenditures, expenditures for social services, statutory levies);
- c) systems to maintain and manage organizational data (e.g. cost centres, departments, locations, enterprises, countries, regions);
- d) special systems which are required for the management and execution of HR processes, including:
 - workforce planning (demand and supply gap analysis), recruitment processes (e.g. vacancies, duration of the recruitment process, number of applicants);
 - HR development (e.g. analysis of potential, career and succession planning, learning and development, retention).

The systems identified above are frequently referred to as human resource information systems (HRIS).

In addition, there are further data sources for HCR. These can be finance or business administration systems or externally available data sources (rankings, benchmarks) but also the results from organization-internal or external surveys (e.g. employee surveys, empirical surveys on specific topics).

Challenges of implementing HCR include the competence of the people involved in all parts of the process; the availability, suitability, quality and security of human capital data and the transfer of data available within and outside of the organization into a system which permits various interfaces with the data-supplying sources.

HCR comprises contextual, procedural and technical dimensions. Alongside the selection, development and definition of the key figures and key performance indicators (KPI), the aim is to develop techniques to determine, consolidate and store data, as well as to evaluate and extrapolate analyses and recommended courses of action.

4.5 Reporting structure

4.5.1 Internal and external reporting

Internal and external HCR is key to demonstrating how the organization values its people and also the sustainable value proposition it offers to various stakeholders.

Internal HCR provides an overview of key human capital aspects to an organization's people, management and workforce representation, for example unions or work councils. All internal stakeholders should get a clear and transparent picture about their organization, the opportunities and challenges regarding human capital. HCR will contain information that internal stakeholders can leverage with external stakeholders thus enhancing the latter's support to and understanding of an organization.

External HCR shows the ability and value of a workforce to stakeholders, who have a valid interest in investing, funding or committing to an organization or in exploring the future potential and development opportunities of an organization.

The HCR-guidelines recommend which metrics should be reported internally and externally depending on the organization type (additional information given in [Table 2](#)).

4.5.2 Comparability of reporting

Comparability is important, especially for external stakeholders. Comparability between organizations within one country across similar sectors or between types of organizations should be possible. International comparability (benchmarking) between organizations might be more challenging. It is recommended that the KPIs are reported by the following two dimensions:

- a) key indicators linked to organizational strategy and values that are measurable and comparable over time:
 - validity of reporting is dependent on the quality of data and continuity of data provision;
 - tracing the development of an organization needs the provision of data for the current and the two previous reporting periods;
 - for the first time of reporting one year is an acceptable reporting period.
- b) segmented workforce priorities:
 - strategic workforce groups (e.g. critical workforce segments, job families, capabilities, locations);
 - strategic entities, including gender or other diversity dimensions (e.g. hierarchy, job levels and economic regions/countries);
 - multi-dimensional segmentation for all reporting areas.

4.6 Risk management

HCR serves the purpose of reporting in a transparent way about an organization's people-related issues and should also be used for human capital risk management.

An 'active risk management' section that requires a narrative summary of the key risks and opportunities is recommended for each reporting area.

NOTE For recommendations on risk management and quality management see ISO 31000 and ISO 9001, especially with regard to the context of the organization and the needs and expectations of stakeholders.

[Table 1](#) gives examples of risk areas, risk types and mitigation measures. Not all of these might be relevant for each organization. Organizations should figure out individually which of the depicted human capital risk types can be applied and make sense for their specific situation.

Table 1 — Examples of human capital risk management

Risk area	Risk type	Risk management considerations
Employee lifecycle	Risks related to hiring process	— ensure an organization hires suitable candidates from a broad pool to meet defined standards of integrity and the skills and qualifications required for the role
	Capability risks	— ensure that incumbent workforce possess the skills, qualifications and knowledge required to carry out their designated role
	Key staff/succession risk	— ensure adequate pipeline of successors for key roles
	Remuneration risk	— ensure alignment of performance and reward for segmented priorities — ensure distribution of variable and incentive compensation, if any, is aligned to performance or other approved criteria — ensure design and delivery of reward elements is fair and equitable across all workforce segments
	Risk related to the termination process	— ensure timely off-boarding of terminated staff — ensure any termination payment is in compliance with internal policy
	Workforce performance risk	— ensure managers are enabled and have the ability to effectively motivate and manage workforce performance (expectations, feedback)
Compliance	Labour law risk	— ensure knowledge on the regulatory context for the organization to effectively manage the risk
	Discrimination/harassment risk	— ensure appropriate acceptance and treatment, escalation, investigation, confidentiality and disciplinary processes are in place and activated to manage inappropriate behaviours leading to discrimination and/or harassment
Workforce planning	Workforce planning risk	— ensure supply of talent is in line with defined strategic workforce requirements

Additionally, for HR professionals the quality of HR function itself plays an important role. For the evaluation and monitoring of the quality of HR processes in the organization it is recommended that surveys are carried out of internal (and, if applicable, external) stakeholders for the following different processes (list not exhaustive):

- recruitment (staffing and onboarding);
- employment conditions and work environment;
- internal training;
- advice and guidance for supervisors and managers in the various aspects of leadership, conflict management and change management;
- management of terminations.

4.7 Reporting areas

4.7.1 General

HCR considers different needs of internal and external stakeholders. It provides relevant information on important and business-critical human capital issues: compliance and ethics, costs, diversity, leadership, organizational culture, organizational health, safety and well-being, productivity, recruitment, mobility and turnover, skills and capabilities, succession planning and workforce availability. These areas can be measured and reported (internally and externally) with specific metrics. These guidelines are based on quantitative metrics, because they are easier to compare within and between organizations.

Human capital metrics can help the organization to understand how purposeful investment in people can create and preserve human capital value and, in doing so, improve productivity and performance^[6].

These guidelines are based on a traditional human capital framework and contain three components^[7]:

- a) Inputs: the fundamental building blocks for achieving value through people. This includes all investment in human capital, such as workforce costs.
- b) Activities: the key tasks of human resource management (value chain or life cycle) to ensure that people are able to work productively and healthily, such as information about organizational culture.
- c) Outputs/outcomes: the results of the investments and the activities, such as the human capital return on investment(RoI).

This document provides metrics reflecting these components in the following subclauses. [Table 2](#) gives an overview of the HCR areas and metrics including recommendations for external/internal reporting subject to type of organization.

These guidelines recommend useful and the most common metrics for HCR. They are based on different sources, such as research insights, expert knowledge, best practice and existing standards [e.g. the Global Reporting Initiative (GRI)^[8], the Integrated Reporting Initiative^[16]]. However, organizations can use additional metrics for their reporting if needed.

Table 2 — Human capital areas and metrics for reporting

Human capital areas	Human capital metrics		Large organizations		Small and medium organizations	
			Internal	External	Internal	External
Compliance and ethics		See 4.7.2 for detailed information				
	1	Number and type of grievance filed	x	x	x	
	2	Number and type of concluded disciplinary action	x	x		
	3	Percentage of employees who have completed training on compliance and ethics	x	x	x	x
	4	Disputes referred to external parties	x		x	
	5	Number, type and source of external audit findings and actions arising from these	x		x	

Table 2 (continued)

Human capital areas		Human capital metrics	Large organizations		Small and medium organizations	
			Internal	External	Internal	External
Costs		See 4.7.3 for detailed information				
	1	Total workforce costs	x	x	x	x
	2	External workforce costs	x		x	
	3	Ratio of the average salary and remuneration	x			
	4	Total costs of employment	x		x	
	5	Cost per hire	x			
	6	Recruitment costs	x			
Diversity		See 4.7.4 for detailed information				
	1	Workforce diversity with respect to				
		a) age	x	x	x	
		b) gender	x	x	x	
		c) disability	x	x	x	
		d) other indicators of diversity	x	x	x	
	2	Diversity of leadership team	x	x		
Leadership		See 4.7.5 for detailed information				
	1	Leadership trust	x	x		
	2	Span of control	x			
	3	Leadership development	x			
Organizational culture		See 4.7.6 for detailed information				
	1	Engagement/satisfaction/commitment	x		x	
	2	Retention rate	x		x	
Organizational health, safety and well-being		See 4.7.7 for detailed information				
	1	Lost time for injury	x	x		
	2	Number of occupational accidents	x	x	x	x
	3	Number of people killed during work	x	x	x	x
	4	Percentage of employees who participated in training	x		x	
Productivity		See 4.7.8 for detailed information				
	1	EBIT /revenue/turnover/profit per employee	x	x	x	x
	2	Human capital RoI	x	x	x	x

Table 2 (continued)

Human capital areas	Human capital metrics		Large organizations		Small and medium organizations	
			Internal	External	Internal	External
Recruitment, mobility and turnover		See 4.7.9 for detailed information				
		Recruitment (IN)				
	1	Number of qualified candidates per position	x			
	2	Quality per hire	x			
	3	Average length				
		a) time to fill vacant positions	x	x		
		b) time to fill vacant critical business positions	x	x		
	4	Transition and future workforce capabilities assessment (talent pool)	x			
		Mobility (THROUGH)				
	5	Percentage of positions filled internally	x	x		
	6	Percentage of critical business positions filled internally	x	x		
	7	Percentage of critical business positions	x		x	
	8	Percentage of vacant critical business positions in relation to all vacant positions	x			
	9	Internal mobility rate	x			
	10	Employee bench strength	x			
		Turnover (OUT)				
	11	Turnover rate	x	x	x	x
	12	Voluntary turnover rate (without retirement)	x			
	13	Voluntary critical turnover rate	x			
	14	Exit/turnover reasons/leaving employment by reason	x		x	
		See 4.7.10 for detailed information				
Skills and capabilities	1	Total developing and training costs	x	x	x	x
	2	Learning and development				
		a) percentage of employees who participate in training compared with total number of employees per year	x		x	
		b) average formalized training hours per employee	x		x	
		c) percentage of employees who participated in formalized training in different categories	x			
	3	Workforce competency rate	x			
		See 4.7.11 for detailed information				

Table 2 (continued)

Human capital areas	Human capital metrics		Large organizations		Small and medium organizations	
			Internal	External	Internal	External
Succession planning	1	Succession effectiveness rate	x		x	
	2	Successor coverage rate	x		x	
	3	Succession readiness rate				
		a) succession depth rate: ready now	x			
		b) succession depth rate: ready in 1–3 years	x			
		c) succession depth rate: ready in 4–5 years	x			
		See 4.7.12 for detailed information				
Workforce availability	1	Number of employees	x	x	x	x
	2	Full-time equivalents	x	x	x	x
	3	Contingent workforce				
		a) independent contractor	x		x	
		b) temporary workforce	x		x	
	4	Absenteeism	x		x	

The intent of the document is to allow organizations to adopt the metrics for HCR that are relevant

- to their context;
- to their level of maturity;
- for their HCR practices.

[Annex B](#) provides examples for HCR with a combination of metrics.

4.7.2 Compliance and ethics

Compliance with codes of ethics and internal policies is a major challenge for all kind of organizations. The HR department (or similar roles) plays a significant role in confronting and meeting these challenges and it contributes significantly to the overall compliance efforts of the organization.

NOTE For further information about compliance and ethics consider the GRI, G4-56, G4-57 and G4-58[8].

For the area of compliance, the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

- 1) Number and type of grievance filed (additionally recommended for external reporting by large organizations and internal reporting by SMEs).

A grievance is a formal complaint within the workplace. There are many reasons as to why a grievance can be raised, such as harassment or discrimination.

- 2) Number and type of concluded disciplinary actions (additionally recommended for external reporting by large organizations).

A disciplinary action means the process for dealing with job-related behaviour that does not meet expected and communicated workplace regulations.

[Table 3](#) gives a reporting example.

Table 3 — Example for reporting on grievance filed

	2017	2016	2015
Total number of workplace grievances	15	22	38
Total number of human rights grievances	2	5	4

- 3) Percentage of employees who have completed training on compliance and ethics (additionally recommended for external reporting by large organizations and internal and external reporting by SMEs).

The economic scandals of recent years show the relevance of moral and ethical issues in the business context. HR professionals are generally responsible for nurturing organizational culture and fostering change management. Managing organizational ethical behaviour is part of this responsibility. The organization should define which jobs require training on compliance and ethics based on their roles and responsibilities (e.g. purchasing and supply).

NOTE For recommendations on ethical behaviour see ISO 26000:2010, 4.4.

This metric is defined as the percentage of employees who have completed training on the content of business ethics, for example the code of conduct of the organization, compliance rules or moral dilemmas in a given time period ([Table 4](#)).

Additional qualitative information could be meaningful, for example code of ethics/conduct, values and policies about whistleblowing and the follow-up actions by HR, such as information and training provided on the subject.

Table 4 — Example for reporting on training on compliance and ethics

	2017	2016	2015
Percentage of employees who have completed training on compliance and ethics	75 %	71 %	68 %

- 4) Disputes referred to external parties (workforce-related disputes, e.g. lawsuits) (additionally recommended for internal reporting by SMEs).

This metric displays a work environment where external resolution of internal disputes has become necessary. The number of workforce-related disputes that are reported as being referred to third parties with appropriate jurisdiction provides a picture of the organizational climate.

- 5) Number, type and source of external audit findings and actions arising from these (set of policies, legal bindings, regulatory requirements) (additionally recommended for internal reporting by SMEs).

4.7.3 Costs

Workforce costs are one of the most critical factors for organizations, with a direct influence on the earnings or value proposition of an organization. Investors are interested to see the amount an organization invests in the workforce, and the return on that investment in terms of profitability, and also increasingly on non-financial and more intangible measures. The extent of reporting on total external workforce costs should be determined by the organization itself. However, there are indications of the future importance of this metric, for example in terms of digitalization. The objective of this HCR area is to quantify the expenditure of an organization on people. To report the human capital costs means that human capital can be seen as investment account and that employment costs, which are a major influencing factor in HRM, can be easily calculated.

Where the outsourced workforce is a significant and material element of the organization's workforce costs it is preferable to report it separately.

For the area of costs the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

- 1) Total labour costs or total workforce costs (recommended for internal and external reporting by large organizations and SMEs).

This metric is a key indicator of the financial value given by an organization to managing, maintaining and developing its workforce. Total workforce costs include external workforce costs [see 2)]. These costs include only the actual amount paid for all workforce wages.

Total workforce costs = total compensation cost + benefits cost + external workforce costs

Table 5 presents the operating expenses.

Table 5 — Example for reporting on total workforce costs

	Workforce costs (€ million)		
	2017	2016	2015
Salaries	163,8	150,9	154,3
Taxes and social securities	28,6	29,7	29,0
Employee benefit expenses	12,3	12,3	12,7
Other employee expenses	6,8	6,6	6,9
Total workforce costs	211,5	199,5	202,9

- 2) External workforce costs, such as independent, contingent, third-party contractors (recommended also for internal reporting by SMEs).

Because organizations need to respond to changes in the external and economic context in a more agile and flexible way, the traditional workforce structure that features permanent employment is increasingly challenged, resulting in changes to workforce structures, systems and costs. External workforce costs in relation to internal workforce costs show the dependency of organizations on an external workforce. External workforce costs are also considered in total costs of employment.

The metric 'external workforce costs' includes, for instance, the expenses for contractors, consultants, temporary workers and gig workers. It is defined as the sum of external workforce-related expenses, for example temporary worker invoices, agency fees, independent contractor costs and consultant costs.

- 3) Ratio of the average salary and remuneration (recommended for reporting by large organizations).

The average salary and remuneration within identified categories of the workforce defined by the organization should be reported as a ratio based on FTE (e.g. as defined in the GRI[8]).

$$\text{Ratio of average salary and remuneration} = \frac{\text{ratio of average total comp. of all employees}}{\text{annual total comp. of defined categories or individuals}}$$

where comp. = compensation.

NOTE Defined categories or individuals include, for example, the most senior executives in the organization.

This metric helps to understand if an organization is implementing an equal opportunities policy.

- 4) Total costs of employment (additionally recommended for internal reporting by SMEs).

This metric includes the actual amount paid for all workforce wages and benefits (e.g. wages, salaries, employer contributions to social security and medical care, employer paid insurance premiums, pension deposits, expenses for human resources development and all other fringe benefits).

- 5) Cost per hire (according to ISO/TS 30407) (recommended for reporting by large organizations).
- Cost-per-hire: measure to identify costs associated with recruitment. It is calculated by taking the average of total costs divided by the number of hires.
 - Cost-per-hire comparable: measure to identify costs associated with recruitment among organizations.

- 6) Recruitment costs (recommended for reporting by large organizations).

The sum of all internal and external recruitment costs (finding and hiring employees). Both of these factors are defined in ISO TS 30407[9].

- 7) Turnover costs: (additionally recommended for internal reporting by SMEs).

The metric for turnover costs is calculated from the total number of exits minus entries within a given period of time multiplied by relevant costs (e.g. direct termination costs, workforce separation costs, replacement staffing costs and on-boarding costs).

More sophisticated models are under development (see ISO/TS 23378¹⁾).

4.7.4 Diversity

The area of diversity delivers information about the demographic composition of the workforce. This information is important for both internal and external stakeholders.

Reporting on diversity of the workforce is based on the common use of diversity aspects within different countries. Diversity covers such metrics, that organization can report on a global scale. It reflects an international discussion about diversity metrics. However, additional diversity dimensions with respective metrics exist[10].

NOTE Where applicable and where the data on temporary or external workforce is available it can be included in the diversity report.

For the area of diversity the following metrics are recommended for internal reporting by large organizations and SMEs, and additionally recommended for external reporting by large organizations:

- 1) Workforce diversity with respect to age, gender, disability and other factors.

a) Age

Good cooperation between different age groups is essential if the benefits of an age-diverse workforce are to be realized. Age should include the category 0–14 years [confirmation that no child labour (below 15 years) exists]. A further age categorization can be defined by the organisation itself (Table 6).

Table 6 — Example for reporting on age diversity

Employees by age groups Years	2017 %	2016 %	2015 %
0–14	0,0	0,0	0,0
15–30	13,1	12,3	14,1
30–50	32,1	33,0	32,0
Over 50	27,4	26,9	25,5

Within age diversity reporting metrics should also differentiate between important (strategic) workforce segments, for example management and employees, between different geographic regions and between different organizational functions.

1) Under preparation. Stage at the time of publication: ISO/AWI TS 23378.

b) Gender

Organizations that focus on fairness and equality and on managing gender diversity well not only bring together varied perspectives but also enhance their reputation and ability to attract and retain talent, fostering a diverse and inclusive culture and enhancing the value proposition and brand of the organization.

To calculate the percentage of respective gender in an organization the following metric can be used:

$$\text{Percentage of respective gender in an organization} = \left(\frac{\text{number of respective gender employees}}{\text{total number of employees}} \right) \times 100$$

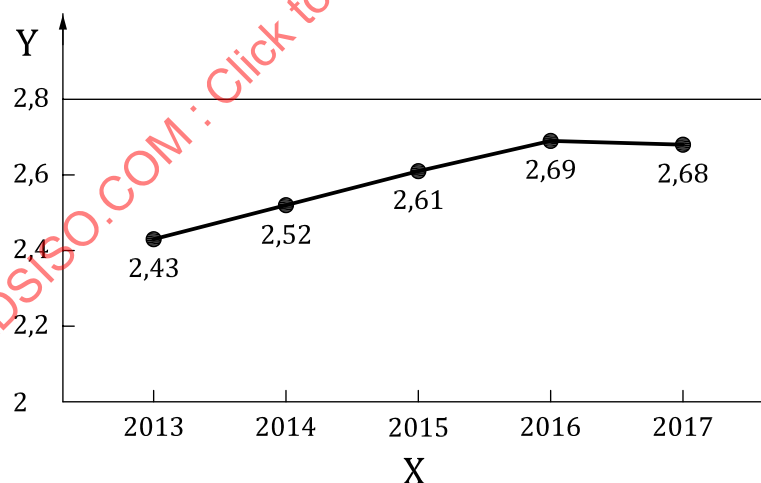
[Table 7](#) gives an example of reporting on gender diversity.

Table 7 — Example for reporting on gender diversity

Employees by gender	2017 %	2016 %	2015 %
Female	32,6	33,8	33,4
Male	63,6	63,5	64,1
Other (non-binary)	3,8	2,7	2,5

c) Disability

According to the International Classification of Functioning, Disability and Health (ICF), disability is an “umbrella term for impairments, activity limitations and participation restrictions (...)”. The aim of this metric is to display the proportion of disabled workforce as a percentage. The proportion of employees with disabilities is to be determined by dividing the number of disabled people by the total number of employees of an organization ([Figure 2](#)).

**Key**

X reporting year

Y disabled employee ratio (%)

Figure 2 — Example for reporting on disabled employee ratio

- d) Other indicators of diversity where relevant (such as minority or vulnerable groups, e.g. nationality groups, job families, tenure)
- 2) Diversity of leadership/management team with respect to, for example, gender, age, disability and other factors (recommended for internal and external reporting by large organizations).

NOTE Diversity of leadership team includes board diversity.

4.7.5 Leadership

The quality and sustainability of leadership has a strong impact on the results of an organization. It depends, for instance, on identifying and developing the right leaders, for example segmented by executive leaders and managers. Metrics within this area make statements about the process of identifying and developing leaders.

The following metrics are recommended for internal reporting by large organizations (unless otherwise noted):

1) Leadership trust (additionally recommended for external reporting by large organizations).

Leadership trust can be determined through internal leadership metrics, for example periodic employee surveys (see [Table 8](#)) using a validated instrument. These surveys include, for example, statements about fairness, integrity or consistency which lead to the leadership trust index.

Table 8 — Example for reporting on leadership trust based on employee surveys

	2017	2016	2015	Example question
Fairness	73	69	65	My manager treats me equally, without favouritism or discrimination
Integrity	75	76	73	My manager has principles and is honest and truthful
Consistency	81	79	77	My manager acts and behaves in the same way when responding to similar circumstances and situations over time
Total leadership trust index (scale between 0 and 100)	76	75	72	

2) Span of control: defines the number of employees reporting to one supervisor.

3) Leadership development is defined as

- percentage of leaders who have participated in leadership development programmes within a defined period;
- percentage of leaders who have participated in training.

4.7.6 Organizational culture

The area of organizational culture concentrates on the working environment. A formal engagement strategy supports the proactive involvement of the workforce to consistently address the needs of internal and external customers and aligns activities related to leadership training, engagement assessment, communications, learning, innovation and collaboration, rewards and recognition, analytics and feedback. A 'bad' working environment has consequences for commitment, absenteeism rate and retention and an (indirect) influence on the organizational performance. This information is especially important from the internal stakeholder perspective, i.e. the organization's people. It is also important to ensure that external stakeholders can also access information about the organizational culture – this could be relevant for potential employees and also potential investors (engagement index).

For this area the following metrics are recommended for internal reporting by large organizations and SMEs:

1) Engagement/satisfaction/commitment.

Motivation can be defined as values and attitudes that drive individuals to commit to organizational and individual objectives and reflects a willingness to deliver maximum performance. Increasing workforce motivation is associated with increasing value of human capital. This metric is necessary

to gain insight into whether employees are engaged in their work. Commitment and engagement mean different things to different countries and cultures. Awareness of international context and comparability is important.

An 'engaged employee' is an individual who enjoys and gains satisfaction from work and takes positive action to further and/or proactively promote the organization's reputation and interests. Engaged employees are in many cases also enthusiastic about opportunities for development, collaboration and progression.

The most common instrument to obtain findings on employees' engagement is an employee survey as a basis for generating an index (Table 9). With respect to leadership and motivation issues, it should be ensured that any questionnaire which helps to collect basic data on an organization's people commitment and job satisfaction across several countries uses a terminology that has the same connotation and meaning across these countries. Otherwise, data will not be completely comparable on the international level.

The use of employee surveys may vary depending on the business model, environment or size of an organization. In cases where organizations are not able to conduct employee surveys, other systematic evaluations can be used.

Any instrument used (e.g. survey or evaluation) should guarantee and safeguard the anonymity of the employees.

Table 9 — Example for reporting on engagement index

	2017	2016	2015
Europe	83	80	78
Asia/Pacific	85	81	79
North America	81	76	78
Average engagement index (scale between 0 and 100)	83	79	78

2) Retention rate.

Retention rate refers to the ability of an organization to retain its workforce. It is the ratio of the total workforce that is retained over a defined period (stability index).

Retention rate is often calculated on an annual basis, dividing the number of employees with one year or more of service by the number of staff in those positions one year ago.

The number of monthly leavers is defined as percentage added over 12 months divided by the number of total workforce.

NOTE Detailed information on retention metrics is under development (see ISO/TS 23378²⁾).

4.7.7 Organizational health, safety and well-being

The area of organizational health, safety and well-being provides information about an organization's investment in and prioritization of the health and well-being of the workforce. It is important for organizations to take care of the health, safety and well-being of the workforce because of the impact on the individual, the organization and wider society. This includes ensuring that the workplace environment protects people from harm and that there is a focus on preventing ill-health to avoid sickness absence, build organizational resilience, support business continuity, and protect the efficiency and productivity of the organization.

Health and safety is shaped by law. Essential to this is a good working environment and an organizational culture that supports positive relationships and appropriate consultation with the workforce and their nominated representatives. Promoting health, safety and well-being and the prevention of work-related

2) Under preparation. Stage at the time of publication: ISO/AWI TS 23378.

accidents and illness relies on documented risk assessments and hazard identification undertaken by competent persons; published policies and procedures to follow in emergencies and for managing health and absence; and the timely reporting of work or occupation-related accidents, fatalities, injuries, disease and illness, and full and proper consideration of their impact on individuals and the organization.

The HCR should describe this context in an appropriate way regarding ISO 45001[5].

NOTE Additional information on occupational health and safety standards can be found in the Bibliography.

For the area of organizational health, safety and well-being the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

- 1) Lost-time for work-related injuries, accidents and disease (additionally recommended for external reporting by large organizations).

According to the International Labour Organization (ILO), it is estimated that around 4 % of annual worldwide gross domestic product (GDP) is absorbed by the direct and indirect costs of work accidents and occupational disease. Because in practice it is too complex to collect all direct and indirect costs, organizations should measure the lost time for injuries. This is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more[11].

$$\text{Lost time for injuries} = \frac{\text{amount of working time lost due to accidents at work in a given time period}}{\text{total amount of expected working time in a given time period}}$$

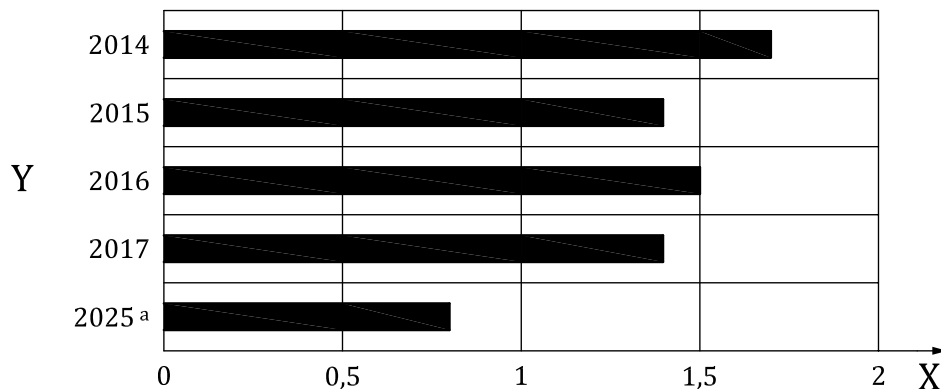
NOTE The working time is expressed in either hours or days.

The amount of lost-time injuries per hour worked is always very small. For ease of interpretation, a multiplier of one million can be used and “lost time for injuries” reported as the amount of lost-time injuries per million hours worked. This is calculated as follows:

$$\text{Lost-time injuries per million hours worked} = \frac{\text{amount of lost time injuries in a given time period}}{\text{total hours worked in a given time period}} \times 1\,000\,000$$

NOTE Amount of lost-time injuries includes, for example, work accidents and occupational disease.

[Figure 3](#) provides an example for reporting on lost time for injury.

**Key**

- X lost-time injury rate per one million working hours
 Y reporting year
 a Goal 2025.

Figure 3 — Example for reporting on lost-time injury rate

- 2) Number of occupational accidents (recommended for internal and external reporting by large organizations and SMEs).

Organizations should monitor their work or occupational accidents because they lead to

- productivity losses;
- lost business opportunities;
- salary of the injured employee or of a replacement employee or additional overtime costs;
- expenses reimbursed to the injured employee;
- repair, rental or replacement costs;
- changes to insurance premiums;
- legal costs.

This metric includes accidents that occur in the course of a person's employment and are caused by the hazards which are inherent in or related to it. An occupational accident is an accident suffered by an employee while under the authority of an employer and, consequently, can be identified as an accident occurring at work, on a work-related journey or during an appointment with customers. The accident rate is defined as the ratio of the number of workforce accidents per year to the number of total employee work hours per year. It is generally expressed in accidents per million employee work hours. Further, true to OSHA, the ratio is multiplied by 200,000 as base for 100 full-time employees. Thus, it enables a comparison across organizations independent of size and country of origin.

$$\text{Accident rate} = \frac{\text{sum of occupational accidents in a given time period}}{\text{employee work hours in a given time period}} \times 1\,000\,000 \text{ h}$$

[Table 10](#) shows an example for reporting on occupational accidents.

Table 10 — Example for reporting on occupational accidents

Occupational accidents per million hours worked					
	2017	2016	2015	2014	2013
Employees of the company	0,8	0,9	0,7	1,0	1,1
Contingent and temporary workforce	0,9	0,8	0,5	0,8	1,1

- 3) Number of people killed during work (fatality, death or mortality rate) accidents (recommended for internal and external reporting by large organizations and SMEs).

Organizations should monitor their fatality rate because of the negative impact on an organization's reputation, financial penalties and compensation payments. The consequences are damaged reputations and higher costs, which lead to lower profits.

The number of people killed during a given time period (e.g. a year) can be measured as follows:

$$\text{Fatality rate} = \frac{\text{number of fatal occupational injuries}}{\text{total number of employees}}$$

An example for reporting on fatal injuries is provided in [Table 11](#).

Table 11 — Example for reporting on occupational injuries

	2017	2016	2015	2014	2013
Occupational injuries to own employees with lost work days	0,21	0,22	0,26	0,27	0,31
Recordable occupational injuries to own employees	0,42	0,43	0,47	0,49	0,56
Fatal injuries (total)	2	4	2	2	3
Own employees	2	3	1	2	2
Contingent and/or temporary employees	0	1	1	0	1

- 4) Percentage of employees who have participated in training on health and safety at work (recommended for internal reporting by large organizations and SMEs).

This metric is defined by the percentage of employees who have participated in training on health and safety in a given time period.

4.7.8 Productivity

Using quantifiable metrics improves the credibility of HR as a profession and allows upper management to identify specific, measurable ways that HR services benefit the organization. HR performance is evaluated on the basis of indicators such as turnover per employee, EBIT per employee, HR-related RoI. It is important for both internal and external stakeholders, because it allows an assessment of the productivity of the workforce. HRM-related return, if regarded as a relation between earnings and capital expenditure, is influenced by human capital.

For the area of productivity the following metrics are recommended for internal and external reporting by large organizations and SMEs:

- 1) EBIT/revenue/turnover/profit per employee.

- a) For profit organizations:

Productivity ratios per employee, such as revenue or profit per employee, are commonly used to compare the productivity of an organization in the market. These ratios can be used as a simple metric for cost reduction and control or the implementation of a system of performance-based compensation. A historical analysis of this ratio can offer important information about the development of the organization's success or the success of the chosen strategy. This analysis allows value added by

employees depending on the organization's growth to be monitored. Applicability of those values may differ by context, for example size, country, age of the organization or business sector.

In accounting and finance, earnings before interest and taxes (EBIT) is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is a measure of an organization's ability to produce income on its operations in a given time period (e.g. a year).

$$\text{EBIT per employee} = \frac{\text{revenues} - \text{expenses}^a}{\text{total number of employees}}$$

^a For example cost of goods sold, selling and administrative expenses.

For government organizations no productivity metrics are recommended because of the difficulties with measuring, but some other indicators such as satisfaction of users or quality of services can apply.

[Table 12](#) provides an example for reporting on profit per employee.

b) For non-government organizations (NGOs)

The impact of individuals in NGOs is measured by the number of people supported, the budget and the percentage of programmes implemented.

Organizational success is divided into the following KPIs:

- annual budget;
- percentage of funding deployed;
- proportion of heads and salary costs of administration staff to fieldworkers in per cent;
- number of field workers;
- training: training days compared with operation days per annum (year);
- number of NGO projects realized or mature state of work per (NGO) employee with impact on individuals (group more than 10, less than 100 people);
- number of NGO projects realized or mature state of work per (NGO) employee with impact on individuals (group more than 100, less than 1 000 people);
- number of NGO projects realized or mature state of work per (NGO) employee with impact on individuals (group more than 1 000).

2) Human capital RoI

This metric shows how effectively the investment in human capital is supporting the organization's goals.

Human capital RoI means the amount returned for every dollar or euro spent (e.g. employment costs) on human capital. It shows the ratio of income/revenue to employment costs. [Table 12](#) provides an example on human capital RoI.

Table 12 — Example for reporting on profit per employee and human capital RoI

	2017	2016	2015
Profits per employee (e.g. in €)	82 000	76 000	71 000
Human capital RoI (based on FTE)	0,50	0,44	0,41

According to the concept, human capital RoI^[12] is defined as follows:

$$\text{Human capital RoI} = \left\{ \frac{\text{revenue} - [\text{expenses} - (\text{pay} + \text{benefits})]}{\text{pay} + \text{benefits}} \right\} - 1$$

NOTE Pay includes base pay, variable pay and/or incentive pay.

For each of these metrics FTEs should be used for the calculation.

EXAMPLE Revenue: 4,5 million; expenses (operating costs): 3,750 million; labour costs (pay + benefits): 1,5 million; calculation: human capital RoI = $\{[4\,500\,000 - (3\,750\,000 - 1\,500\,000)] / 1\,500\,000\} - 1 = 0,5 = 50\%$.

For every dollar or euro invested, the organization receives back the original dollar or euro and 50 cents of pre-tax profit. This is described as a 50 % return. The larger the percentage returns the more effectively your investment in people is working. Given that organizational workforce costs can be anywhere from 25 % to 60 % of overall costs, this measure will gain increasing focus for determining how well this investment is being utilized.

4.7.9 Recruitment, mobility and turnover

This area describes the ability to maintain or support an activity or process and adequate workforce over the long term. This area concentrates on the whole process of maintaining a sustainable workforce, from recruitment ('IN'), over mobility ('THROUGH') to turnover ('OUT'). This is important for internal as well as external stakeholders, because it shows the health of an organization.

For the area of recruitment (IN) the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

- 1) Number of candidates per position.

This metric includes the number of applicants that meet the requirements of the job among all the people who applied for the job.

- 2) Quality per hire.

Quality per hire is defined as the measurement of the performance of the employee after hire compared with pre-hire expectations during a defined period.

NOTE Quality of hire is defined in ISO/TS 30411^[13].

- 3) Average length of time to fill a vacancy (additionally recommended for external reporting by large organizations).

- a) Time to fill vacant positions

Time to fill measures for every position: the total number of days between the delivery of an approved requisition to staffing and the date on which an applicant accepts the job offer. For a given time period, the average number of days for all filled positions is calculated.

- b) Time to fill vacant critical positions

Time to fill measures for every critical position: the total number of days between the delivery of an approved requisition to staffing and the date on which an applicant accepts the job offer. For a given time period, the average number of days for all filled critical positions is calculated.

Critical positions are defined as positions or job roles that have a direct and significant impact on organizational outcomes. They are identified by organizations as part of their organizational strategy as those positions that have a high impact on creating or adding value.

NOTE The impact of critical positions is defined in ISO/TS 30410^[14].

4) Transition and future workforce capabilities assessment (talent pool).

This metric is a qualitative indicator (narrative): future workforce demand by workforce segmentation.

For the area of mobility (THROUGH) the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

5) Percentage of positions filled internally (additionally recommended for external reporting by large organizations).

The percentage of all vacant positions filled internally describes the internal recruiting for the reoccupation of vacant positions.

6) Percentage of vacant critical positions filled internally (additionally recommended for external reporting by large organizations).

The percentage of vacant critical positions filled internally describes the internal recruiting for the reoccupation of vacant positions.

The general ratio for the internal recruitment is calculated by determining the quotient from the number of internal recruitments and the number of all recruitments per year. Consequences: a rate between 70 % and 80 %, for example, is a sign of good talent management. [Table 13](#) provides an example for reporting.

Table 13 — Example for reporting on critical positions filled internally

	2017	2016	2015
Positions filled internally [%]	75	70	65
Critical positions filled internally [%]	45	40	35

7) Percentage of critical positions in relation to other positions (additionally recommended for internal reporting by SMEs).

Critical positions are positions that have a high impact on bringing added value to a product or service and where it is highly important for the success of the organization, whether the job performance is high or low. Other positions means all other positions in the organization. The ratio of both types is calculated in per cent.

8) Percentage of vacant critical positions in relation to all vacant positions.

This metric is defined by the amount of vacant critical positions in relation to all positions that do not have a jobholder at the moment and where the staffing process is under way.

NOTE In organizations with less than 50 employees all positions might be defined as critical.

9) Internal mobility rate (hierarchy, lateral; promotion).

This metric indicates the number of internal transfers between locations and functions within an organization.

10) Employee bench strength.

Bench strength refers to the capability and readiness of potential successors to move in critical positions.

For the area of turnover (OUT) the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

11) Turnover rate (recommended for internal and external reporting by large organizations and SMEs).

Turnover causes costs, such as replacement costs, onboarding costs or workforce separation costs. High turnover can be a serious obstacle to productivity, quality and profitability in organizations. In general, reducing workforce turnover saves money.

NOTE Turnover costs are defined in 4.7.3.

This metric expresses the number of people that leave the organization due to dismissal, attrition and other reasons compared with the total number of people in the organization. It includes all turnover, regardless of reason.

$$\text{Turnover rate} = \frac{\text{total number of leavers over a given time period}}{\text{average total number of employees over a given time period}} \times 100$$

The total figure is for all leavers, including those who retire or leave involuntarily due to dismissal or redundancy. However, it's also useful to calculate a separate figure for voluntary turnover (resignations) as such departures are unplanned and often unpredictable (unlike planned retirements or redundancies) and hence can have a particularly adverse impact on the business. An example for reporting on turnover is provided in Table 14.

The impact of low or high turnover should be considered in the context of the organization's human capital strategy and external context.

Table 14 — Example for reporting on voluntary turnover

Employee turnover in %						
	Voluntary turnover			Total		
	2017	2016	2015	2017	2016	2015
Women	6,2	5,8	5,3	14,3	13,9	11,5
Men	4,8	4,5	4,6	14,1	13,9	11,3
Total	5,3	5	4,8	14,2	13,9	11,4

12) Voluntary turnover rate (without retirement).

This metric is defined as the rate at which organization's people enter and willingly leave an organization in a given time period (e.g. one year).

13) Voluntary critical turnover rate.

The percentage of people who choose to leave the organization and where the organization regrets this loss compared with all exits within a given time period (e.g. one year).

14) Exit/turnover reason/leaving employment by reason (additionally recommended for internal reporting by SMEs).

See turnover rate and involuntary turnover rate. Provide a statistic with the typical reasons for leaving and report the total percentage portion for the different reasons. Typical reasons include: new job; dissatisfaction with leadership; dissatisfaction with compensation and benefits; lack of career opportunities; retirement; family reasons, such as relocation; education, such as college; health reasons; dismissal; organizational restructuring; death.

NOTE Detailed information on turnover metrics are under development (see ISO/TS 23378³).

4.7.10 Skills and capabilities

Currency and correct use of knowledge, skills and abilities are key factors for competitive advantage. However, knowledge management and learning and development are dependent on country- and

3) Under preparation. Stage at the time of publication: ISO/AWI TS 23378.

career-specific regulations that specify when and how knowledge has to be updated and the frequency of training interventions, for example technical or healthcare-related sectors that could differ across national jurisdictions.

NOTE For further information on knowledge management refer to ISO 30401 [15].

For the area of skills and capabilities the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

- 1) Total development and training costs (recommended for internal and external reporting by large organizations and SMEs).

Investments in development and training for the organization's people provide, for example, a means for analysts to focus on an investment that an organization is making in the future productivity of its workforce.

It is defined as the total expenses of an organization for training and development (off-the-job and workplace learning). It includes the total costs for an employee of classroom training, e-learning, on-the-job training for their current position and future development steps.

Direct costs of developing and training include teaching materials, fees, charges and similar expenses. Indirect costs should be excluded, for example costs of lost work time (example, see Figure 4).

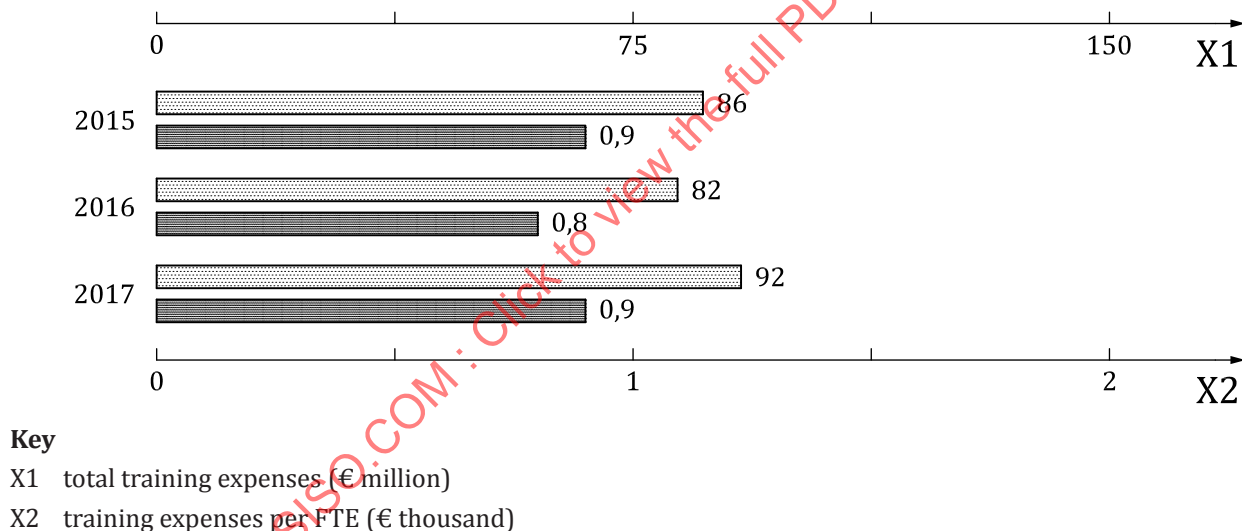


Figure 4 — Example for reporting on training expenses

- 2) Learning and development includes
 - a) percentage of employees who participate in training compared with total number of employees per year (additionally recommended for internal reporting by SMEs);
 - b) average formalized training hours per employee (additionally recommended for internal reporting by SMEs).

This metric indicates the average number of hours an organization's people participate in formalized training activities, for example hours of classroom learning or e-learning per employee per year;

- c) percentage of employees who participate in formalized training in different categories (e.g. mandatory training, leadership, sales, communication, IT training, technical subjects, team development, intercultural skills, single/group coaching, mentoring, diversity), listing the training subjects per employee.

NOTE Learning and development for leadership is covered in 4.7.5, 3).

3) Workforce competency rate

Workforce competency rate is the average figure of competency ratings assigned to employees based on their assessment. The method of assessment could be objective (using some test instrument) or subjective (checkbox). It shows the central tendency of competencies possessed by overall employees, whether they lie above, below or within an acceptable competency level.

4.7.11 Succession planning

Succession planning is an essential tool for sustainable workforce planning. It is the process for identifying and developing current employees with the potential to fill critical positions in the organization. Succession planning is critical to organizational success and creates an effective framework for recognizing, developing and retaining top leadership talent. It is important to note that strategic succession planning is not about talent the organization needs now; rather it is projecting the talent, knowledge, skill and competencies required for the future of an organization aligned with future growth and business plan.

For this area the following metrics are recommended for internal reporting by large organizations (unless otherwise stated):

1) Succession effectiveness rate (percentage of critical positions) (additionally recommended for internal reporting by SMEs).

Succession effectiveness rate is defined as percentage of critical positions that are occupied by internal promotions versus external hires. This metric is useful for organizations that like to understand the strength of their succession pipeline.

$$\text{Succession effectiveness rate} = \left(\frac{\text{number of internal hire critical positions occupied}}{\text{total number of critical positions occupied}} \right) \times 100$$

The general succession effectiveness rate is calculated by determining the quotient from the number of internal successions for critical positions occupied and the number of all successions of critical positions per year. Consequences: a rate between, for example, 70 % and 80 % is a sign of good succession effectiveness. Table 15 provides an example for reporting.

Table 15 — Example for reporting on internal succession

	2017	2016	2015
Number of successions in critical positions	23	21	25
Succession effectiveness	74 %	68 %	62 %

2) Successor coverage rate (recommended for reporting by large organizations and SMEs).

This metric is useful for organizations that identify potential successors for leadership positions. The successor coverage rate defined as the average number of employees in the leadership succession pool per total number of leaders.

$$\text{Successor coverage rate} = \left(\frac{\text{number of leadership successor pool}}{\text{number of leadership succession applicable}} \right) \times 100$$

3) Succession readiness rate.

The succession readiness rate can additionally be examined in different levels (all levels recommended for internal reporting by large organizations):

a) Succession depth rate: ready now

This metric is useful for organizations that identify potential successors for critical positions and provides a strong indicator regarding the strength of the succession pipeline. It can be measured as the percentage of critical positions that have “ready now” candidates identified.

$$\text{Succession depth rate (ready now)} = \left(\frac{\text{number of succession applicable 'ready now' candidates for critical positions}}{\text{number of succession applicable for critical positions}} \right) \times 100$$

b) Succession depth rate: ready in 1–3 years

This metric is measured as the percentage of critical positions that have candidates ready in 1–3 years identified for potential succession.

$$\text{Succession depth rate (ready in 1 to 3 years)} = \left(\frac{\text{number of succession applicable 'ready in 1 to 3 years' candidates for critical positions}}{\text{number of succession applicable for critical positions}} \right) \times 100$$

c) Succession depth rate: ready in 4–5 years

This metric is measured as the percentage of critical positions that have candidates ready in 4–5 years identified for potential succession.

$$\text{Succession depth rate (ready in 4 to 5 years)} = \left(\frac{\text{number of succession applicable 'ready in 4 to 5 years' candidates for critical positions}}{\text{number of succession applicable for critical positions}} \right) \times 100$$

4.7.12 Workforce availability

The area of workforce availability delivers information about the total resource pool available, including full-time equivalents, headcount and any external workforce who have a direct influence on the earnings and outcomes of an organization. This information is important for both internal and external stakeholders because it provides information about the composition and availability of the whole workforce and the variety of employment statuses.

For the area workforce availability the following metrics are recommended for internal reporting by large organizations and SMEs (unless otherwise stated):

1) Number of employees (additionally recommended for external reporting by large organizations and SMEs).

a) The headcount describes the number of people working for an organization. It is calculated by counting each employee as an individual part of the workforce, no matter their working time.

NOTE Full-time equivalents (2) and number of employees (1) can be differentiated in budgeted/funded or unfunded, where relevant.

Funded/unfunded FTE: number of employees with workforce costs which are borne by a (non-profit) organization or sponsor (e.g. NGO) versus employees without any workforce costs as their contribution is provided by volunteers who do not expect compensation.

b) Number of full-time and part-time employees.

This metric includes the number of employees working full-time (e.g. 40 hours) and the number of employees working part-time (e.g. 20 hours).