ANALYSIS OF HR METRICS for the Northern Non-Profit Service Providers

Part of the 2011/12 Shared Human Resource (HR) Services Pilot Program for Small Non-Profit Agencies Serving A Large Geographic Area HR Metrics Survey

United Way
Northern British Columbia

Executive Summary

The following analysis presents a broad overview of the developmental process and observations obtained during the Northern BC Non-Profit Social Service Sector HR Metrics Survey. Provided in this report is a review of actions taken during the course of the survey and outcomes of the survey itself.

The survey was conducted between the months of July 2011 and November 2011 for a total of four months. The survey took two months longer than initially planned due to some challenges encountered in the course of securing participants and their difficulties in extracting the data.

The main challenges were timing (summer holidays), vacant key positions or out–of-date contact information, a lack of accurate and accessible information and the specified time period for data making it more difficult for agencies to gather. (A specific reporting period was requested and participants keep data on a fiscal year basis.).

After closing the survey at the end of October, the raw data were converted into human resource metrics with the guidance of Ian Cook, HR Metrics Specialist at the British Columbia Human Resource Management Association (BCHRMA). Once the metrics were developed, based on the information provided, Ian generously provided the non-profit metrics developed by the BCHRMA Human Resource Metrics Service (HRMS) for British Columbia. These data had been collected from all areas of the province. This was helpful in the creation of the *Northern BC Non-Profit Social Service Sector HR Metrics Interpretation Guide* as it provided a benchmark for the sector as a whole.

Some of the median metrics developed for the survey participants fell below or above the BCHRMA median. This is not a surprise as the nature of information such as this is that it is susceptible not only to internal and external influences, but internal systems (or lack thereof) as well. Regional economic factors (ie. unemployment rates) must be considered as external contributors but most often the variance can be supported by internal evidence around current HR practices and data tracking. Caution must be taken when evaluating these metrics; findings are only as good as the data provided. It is very possible that, due to a lack of knowledge in the survey group agencies about HR practices, they may have unknowingly provided data that was not accurate. This can be caused by poor tracking methods, incorrect calculations or classifications of information as well as a number of other reasons.

Findings from the *Northern BC Non-Profit Social Service Sector HR Metrics Report* must be viewed as a snapshot in time and are only significant and useful when viewed as a trend. To truly understand the challenges or successes of any organization’s HR practices, one must calculate and review HR metrics on an ongoing basis.

Generally speaking, most agencies who participated in the HR Metrics Survey are experiencing at least one significant workplace challenge. Although it is difficult to make assumptions or conclusions based on this snapshot of information, it would not be unreasonable to say that the agencies as a whole are lacking proper HR knowledge and support. Judging by the high absenteeism rates and relatively high turnover rates, one might question whether or not employees are receiving competitive compensation. Increased absenteeism and turnover rates often suggest a lack of salary competitiveness, decreased employee engagement or an increase in opportunities for employment elsewhere.

In order to gain an understanding of how to predict and manage trends in HR metrics, agencies would need further training on how to track and calculate HR metrics on an ongoing basis. If the participating organizations do not receive further information and assistance in understanding not only the implications of this data but the value in proactively monitoring metrics, it is unlikely that there will be any significant improvements in the current challenges/practices faced by non-profit agencies in Northern British Columbia.

The Process

Survey Design

During the initial phase of the survey development, the HR Specialist and HR Researcher worked closely with Ian Cook, HR Metrics Specialist at the British Columbia Human Resources Management Association (BCHRMA), to develop the most effective and efficient metrics survey possible. The first discussion with Ian was helpful in the formation of what types of questions would be asked, how many questions would be asked, and what information would be obtained for the survey.

To gain the quantitative data needed to accumulate meaningful information, a series of 24 questions were asked. Of the 24 questions, 19 were used to calculate HR Metrics and 5 were used to identify certain survey participant demographics (ie. percentage of Aboriginal organizations, percentage of unionized workplaces).

Most of the data could be classified into three categories:
1. Employees, including the Executive Director
2. Volunteers, not including the Board of Directors
3. The Board of Directors

The parameters of a specified time period that the data would be gathered were July 1, 2010 to June 30, 2011. The purpose of establishing a common data collection period was to provide data based on a common time period and to exclude variances of external factors such as economic activities, employment rates, etc.

It was determined that the best vehicle for collecting the data would be an Excel spreadsheet. Originally, it had been thought that the survey would be best completed using a web-based tool such as Survey Monkey. However, Ian suggested that a password protected Excel spreadsheet would be much cleaner for extracting the raw data and manipulating it to create the HR metrics.

Each participating organization was given a copy of the Shared HR Services Metrics Survey protected with a password specifically for their organization. Only the individual organization, the HR Researcher and HR Specialist were able to open the document so that information was kept in strict confidence as was promised to the participants. The surveys were emailed to each organization and a separate email was sent with the password to enable them to open the document.

Invitations to Participate

The mandate for this survey was to invite a minimum of 100 non-profit social service agencies in Northern British Columbia to participate in the HR Metrics Survey and to obtain a minimum of 50 participants. The HR Researcher began the search with a basic list provided by Lesley Anderson of the United Way of Northern British Columbia. In addition to this list, the researcher did an extensive web-based search for additional non-profit social service agencies. Other local agencies in Prince George such as Volunteer PG were contacted and asked for any additional agencies for which they could provide contacts.

Once a substantial list of non-profits had been compiled, the Researcher began to first contact each agency by email. A generic email was written that could be sent to any agency in which an overall description was provided of the survey itself and appropriate links to the Feasibility Study for Shared HR Services – North Central BC (http://www.vancouverfoundation.ca/lmp/documents/FeasibilityStudyforSharedHRServices-NorthCentralBC.pdf). They were asked to respond after they had a chance to review the material. The email addressed the confidentiality of their information, the value of their participation to the non-profit sector, and also the dollar value normally associated with participation in a survey such as this.

The initial emails were followed up with a phone call to each agency. This approach allowed the Researcher to obtain some additional survey participants. Many agencies stated that they had no time for participation. If contact with someone of authority by phone was not possible, the researcher confirmed (when possible) their direct email contact information and followed the call with another email. Most agencies were emailed a maximum of 3-4 times if they agreed to participate (invitation, survey, password, thank you email). The researcher endeavoured not to call any agency too many times (3 at most) as anything beyond this could have been seen as "pestering" or being a "nuisance". Surveys were only sent to agencies which had indicated an interest in participating; a total of 64.

During attempts to acquire survey participants, the researcher encountered a fair bit of resistance. Some of the reasons and/or excuses given were:

- Not enough time to complete it / overwhelmed with current workload
- Not interested
- Did not see value to organization
- Did not feel confident that they had enough data
- Provincial or national office already tracking

The single, most challenging issue faced was the timing of the survey. The survey itself was developed during the end of June and beginning of July and therefore potential participants were not contacted until early-mid July. There were many Executive Directors or employees on summer vacation and therefore they were unable to find the time to complete the survey until Fall. As a result, the original deadline of August 31st was extended to October 31st. Follow-up with leads and agencies who held copies of the surveys was continued until the end of October when it was decided to close the survey. There were approximately 64 surveys distributed and a total of 30 completed surveys were returned by the closing date.

The Data

The first part of the survey contained an instructional sheet for entering the data. Participants were asked to answer the survey questions with the following in mind:

- Data: enter the numbers in simple form without commas and rounded to the nearest whole number
- Qualifying Year: report only information for June 30, 2010 to July 1, 2011
- Accuracy: if the exact answer is unknown for a question, estimate it to the best accuracy possible based on the data available. If unsure, do not estimate – leave blank.

Of the total questions asked by participants, only a few were left unanswered:

- Total possible # answers – 720
- Total #answered – 707
- Total #unanswered – 13

Generally, there was no problem associated with the data entry itself. Data was provided in a clean, concise format by most without commas and rounded to the nearest whole number.

However, participants frequently commented that the qualifying year specified presented a challenge in gathering the data. Organizations that were tracking the information requested in the survey typically track it over a fiscal year and this was not congruent with the period requested. This caused a delay in reporting for many organizations as they needed to dissect the information and recalculate it based on the time frame specified in the survey.

Having discovered the challenge faced by agencies with the qualifying year, a recommendation would be that future surveys or reporting be requested in congruence with fiscal years.

Accuracy was difficult to question when it came to each organization's data as only the agency representative would ultimately know what they were reporting. During the metrics calculation process, any unusually high or low numbers were double checked with the associated agency.

Once all the raw data were gathered, it was consolidated into one Excel spreadsheet. Raw data manipulation occurred in a parallel spreadsheet thus creating the metrics for each agency. Once all of the calculations and results were carefully reviewed, the spreadsheet was alphabetically coded to remove any identifying agency information and presented to the Shared HR Services Pilot Program Team (The Team).

Lastly, the *Northern BC Non-Profit Social Service Sector HR Metrics Interpretation Guide* was developed with the results of the metrics calculations and based on the HR Metrics Interpretation Guide[1]

Observations and Recommendations

HR Metrics Survey Results

During the course of the HR Metrics Survey, there were a number of observations made around the current practices of the participants and these may be interpreted differently for each agency. Conclusions about the current state of HR cannot be made purely by looking at individual metrics for the agencies but by viewing them as pieces to a puzzle. The Team has made the following observations and recommendations after reviewing the HR Metrics Survey results.

Observation #1: The median Absenteeism Rate for the survey participants is noticeably lower than the BCHRMA median. It has been mentioned to The Team that agencies sometimes have a problem with employee attendance and have a hard time managing attendance issues. The evidence suggests that there is not an absenteeism problem and so this is incongruent with the comments and concerns. This suggests that perhaps the employees and agencies are not accurately tracking or reporting the number of days absent.

Recommendation: Agencies should create a consistent method of tracking for all employee absences and definitions of what constitutes an “absent” day. Employers should investigate reasons for absences and provide coaching or support for each employee who may need assistance in attending work on a regular basis.

Observation #2: The median Labour Cost Expense Percent for the survey participants is 22.5% higher than the BCHRMA median and the maximum percentage of all participants was 98.1%. This seems unusually high and this, again, may be a case in inaccurate data provided for the survey or it may reflect highly service or caregiver oriented organizations.

Recommendation: Agencies who find themselves above the BCHRMA median and are not highly service or caregiver oriented may wish to re-evaluate the total annual labour cost relative to their total annual expenditures. If the labour cost remains high after re-evaluation, agencies may be facing future impact on their organizational sustainability.

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[1] Written and published by the research team at the BC Human Resources Management Association. You can view the official document here: http://www.hrmetricsservice.org/0/pdf/BC_HRMA_-_HR_Metrics_Interpretation_Guide.pdf

Observation #3: The median Vacancy Rate of the survey participants was surprisingly lower than expected. The BCHRMA median was 8.6% and the survey median was 0%. This result reinforces that the metrics developed in this report are but a snapshot in time, whereas to truly gauge HR issues in the workplace, metrics must be calculated on an ongoing basis and patterns must be identified. It is possible for the Vacancy Rate to change quite quickly as positions are vacated and filled. One conclusion may be that due to funding reductions, employers have eliminated certain vacant positions altogether in an attempt to reduce labour costs and reallocate funding to other expenses.

Recommendation: Employers should monitor the Vacancy Rate on an ongoing basis. If rates are accurately calculated, it is possible to see other metrics alter in synchronicity (ie. turnover rates and promotion rates). Low vacancy rates may be an indication that recruitment strategies are successful. Low vacancy rates may also be a reflection of unstable economic times which in turn cause employees to stay in current positions. Employers may need to prepare for higher vacancy rates as the economy and job market improves.

Observation #4: The median Turnover Rate of the survey participants was definitely higher than the BCHRMA median and there was a difference of 31% between the BCHRMA median and the maximum survey result. The Vacancy Rate metric represents all employees who left the organization as a percentage of total employees. It is hard to determine the cause of the above average rates here as there are several contributing factors which must be investigated.

Recommendation: This rate includes resignations, retirements and terminations therefore further analysis is required by looking at specific types of turnover rates (i.e. Involuntary Turnover, Resignation Rate and Retirement Rate).

Observation #5: The median Involuntary Turnover rate is relatively close to the BCHRMA median. This suggests that the survey participants are experiencing a level of turnover that is aligned with other non-profit agencies in the province. Some involuntary turnover is normal as it indicates that agencies are properly managing performance issues.

Recommendation: Do not set targets for involuntary turnover rates. This metric represents not only terminated employees but employees who have been laid off, moved to Long-term Disability status or are deceased.

Observation #6: The median Retirement Rate is fairly reasonably matched with the BCHRMA median. This metric will probably also be fairly similar across all non-profit and for-profit organizations as this is mostly determined by the national age demographics, in addition to financial preparedness.

Recommendation: Agencies will need to assess their Average Age of Employee metric in order to predict and plan for upcoming retirements. Employers may also wish to access demographic information from Statistics Canada and consider regional economic factors. Any organization currently developing a strategic plan should be well prepared for upcoming retirements and considering this in their succession planning.

Observation #7: The median Resignation Rate is almost on par with the BCHRMA median for other non-profits in British Columbia; however, the maximum survey result is 29.7% higher. This could be an indication that there are issues within the workplace that are causing the employees to resign.

Recommendation: Agencies must endeavour to uncover the causes of these departures from the organizations. Unlike retirements, some resignations are preventable. One way to gain insight into the reasons for employee departures is to conduct exit interviews with those who are resigning and ask for feedback and possible suggestions.

Observation #8: The Team was unable to calculate an HR Employee Ratio for the survey participants due to the absence of HR professionals employed by any of the agencies. It could be said that the HR Employee Ratio is zero for all agencies. This suggests that HR functions are being performed, if at all, by managers and Executive Directors of the participating agencies. It is likely that a lack of accuracy in some of the data reported is due to a lack of time and HR knowledge possessed by these individuals. Compared to the BCHRMA median of 54, this rate is astonishing.

Recommendation: It is clear that the employees who are currently performing HR practices within the agencies are overwhelmed with other responsibilities and under trained in HR best practices. The addition of HR employees could possibly contribute to streamlining of HR practices and reduction in costs associated with issues such as absenteeism, vacancy, resignation and possibly even terminations.

Observation #9: The Team was unable to calculate the HR Costs per Employee metric. None of the agencies are currently employing HR professionals and do not possess the systems or ability to track the time and money associated with HR functions or programs. Employers who are spending less time and money on HR may be experiencing symptoms such as low productivity, recruitment challenges and higher turnover rates.

Recommendation: Without the ability to assess the agencies' HR Costs per Employee, it is extremely difficult to measure the efficiency of the HR function. In order to determine the return on investment of agency funds towards HR practices, the agencies must develop some form of cost tracking.

Survey Development and Agency Participation

In addition to the specific observations regarding the HR metrics results, the Team noted certain challenges with the survey development and participation. Following is a summary of the noticeable obstacles encountered during the survey implementation phase.

The main challenge faced was that the survey was undertaken during the summer months in which many of the key contacts for each agency were on vacation or facing a staffing shortage due to summer holidays. This, in turn, created a lack of time for many agencies to complete the survey.

Another challenge was that many of the key contacts that were listed on websites, phonebooks, or contact lists were no longer with the agencies. It was time consuming not only to contact the agencies (some have limited hours of operation) but also to sort out who the replacement contacts were. Some agencies were also currently experiencing vacancies in the position of Executive Director.

Additionally, survey progress was hindered due to the fact that many of the agencies were not able to provide the data as none have formal tracking methods in place. It might be assumed that agencies are not tracking data because of their lack of awareness around the value to their organizations of this information.

As discussed earlier in the report, the metrics developed during this survey are but a snapshot of each agency's information. For individual agencies to take accurate and actionable observations or conclusions, it is necessary for them to continue to track their data and look at trends over time. To draw conclusive assumptions from the group results, the survey would also have to be repeated to identify trends.

During casual discussions with some of the agencies, there were comments contradicting the metric results (ie. absenteeism issues not substantiated by the calculated Absenteeism Rates). This leads one to suspect that agencies may not be properly tracking data such as attendance.

Now that participating agencies have been presented with their results and the *Northern BC Non-Profit Social Service Sector HR Metrics Interpretation Guide,* it is possible that the level of awareness has been raised around the importance of accurate documentation.