

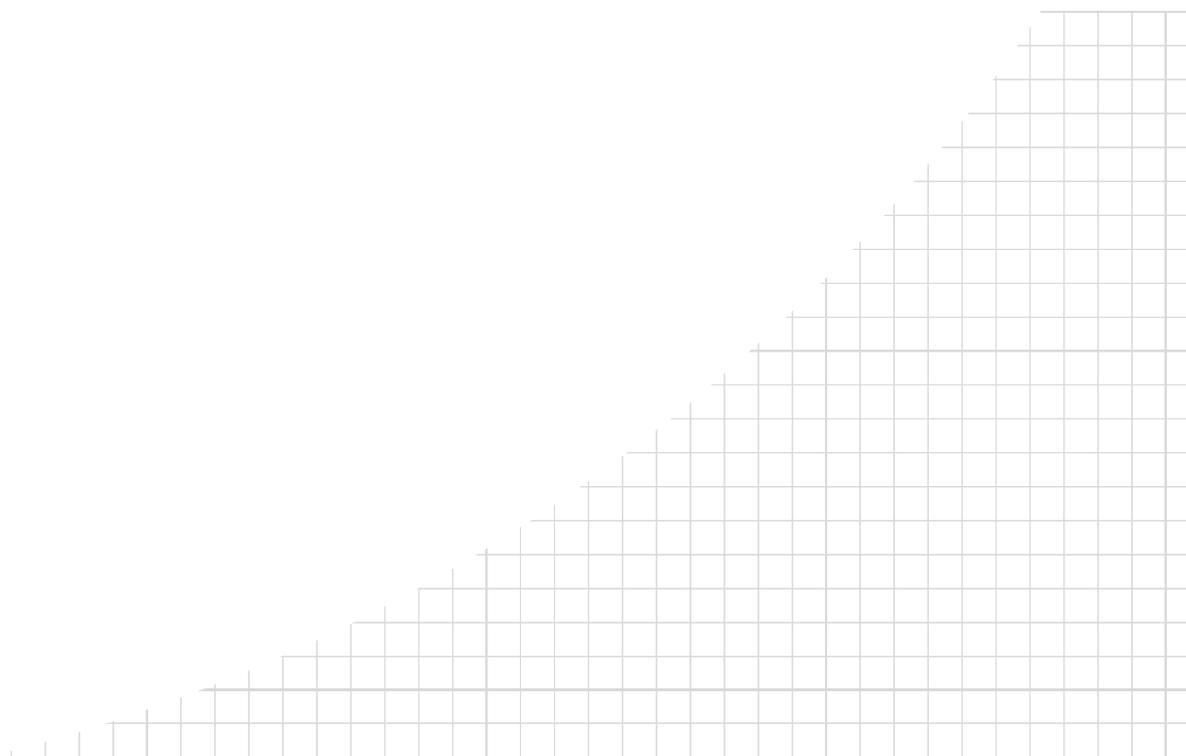
2017

# HR Department Benchmarks and Analysis



2017

# **HR Department Benchmarks and Analysis**



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## ■ Acknowledgements

We wish to extend our heartfelt thanks to the many human resources professionals who participated in this year's *HR Department Benchmarks and Analysis* survey. This report would not be possible without their willingness to complete the extensive survey questionnaire, despite their considerable duties and obligations. We are most grateful for their participation. As always, we are deeply indebted to Fonda Jarrett and Carol Kocian of Bloomberg BNA for their diligent, conscientiousness, and professional work in designing, laying out, and publishing this report.

## ■ About the Authors

The following individuals contributed to the research and questionnaire design, data collection and tabulation, analysis, and interpretation of survey findings, writing, copy editing, and organization of this report.

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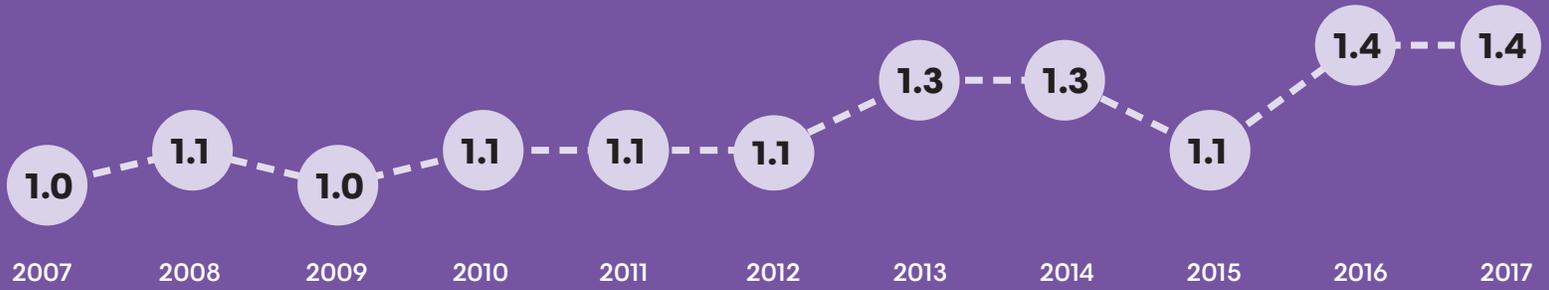
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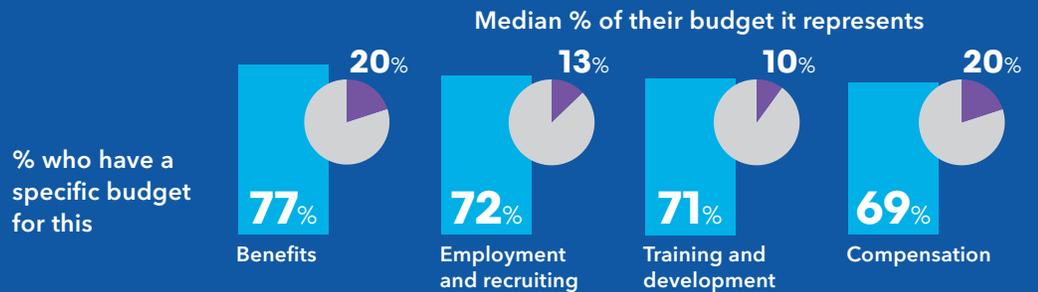
Staff ratios remain at an all-time high – 1.4 HR staff for every 100 workers.



About 2/3 of HR departments have their own budget.



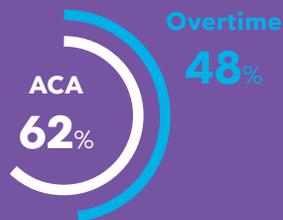
Most have line items for benefits, recruiting, training, and compensation. Together those areas make up over 60% of their spending.



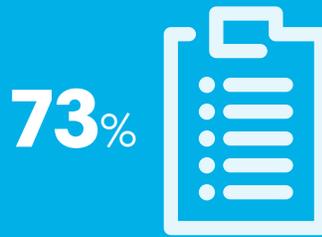
A majority say they plan to change HR policies based on recent legislation.



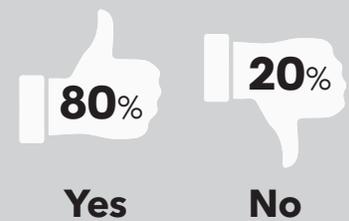
Most of the planned changes relate to Affordable Care Act (ACA) and overtime rules.



Most have a formal performance management plan.



And most have updated their performance management programs in the past 3 years.

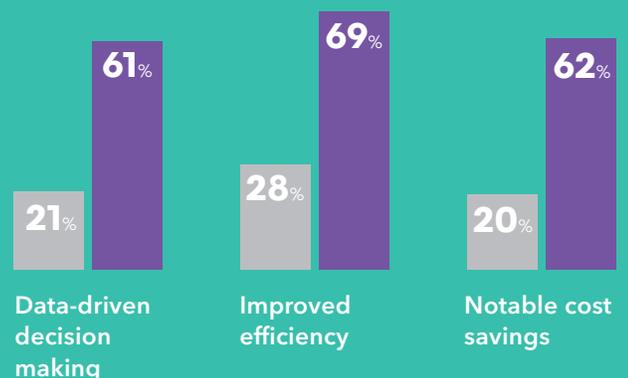


Use of metrics and analytics is adequate in only one-third of organizations.



Those who agree that their use of metrics and analytics is adequate report higher levels of departmental efficiency, cost savings, and data-driven strategic decision making.

Disagree Agree



## ■ Executive Summary

For almost 40 years, Bloomberg BNA has published an annual report on the state of the human resources function, *HR Department Benchmarks and Analysis*. Since we started in 1978, we have been consistently revising, enhancing and updating both the survey itself and the report to ensure that each is as comprehensive, timely, and enlightening as possible. As a result, the annual survey-based report has remained an authoritative, trusted source of research, analysis, and perspective on human resource department staffing, expenditures, responsibilities, priorities, and influence.

This year's survey and report include several notable enhancements. For many years, we asked survey respondents who was responsible for an exhaustive list of 60+ areas of HR activity. Over the years we have seen very little movement in these numbers, and so decided to swap out that section in favor of more in-depth questions in a number of areas. We added questions to home in on HR budgets and find out how departments are spending their allotted money, we dug deeper into performance management programs and asked what types of updates were made most recently, we also added some content around policy and recent legislation. And finally, we fleshed out the section on metrics and strategy - including a comparison of those organizations who feel they are adequately using data vs those who are not.

Again this year, we have included an appendix that details all the findings broken down by major demographic categories. By making all the data available in the appendix, we free ourselves to tell only the most pertinent, compelling pieces of the story within the body of the report. Whereas in the past, nearly all sections of the report included charts and graphs on demographic breakdowns, even where no notable differences existed, this year we are typically showing graphics for overall numbers and only noting demographic breakdowns where differences are apparent.

We have also kept the reporting format we introduced last year, including the digital only format. Each chapter begins with a full page infographic, and the following page contains narrative highlights of the chapter. These are designed to be inclusive of all the major points in the chapter, so if you are short on time, need only the highlights, or want an easy page to copy and share with your leadership team, we have you covered!

*HR Department Benchmarks and Analysis, 2017* is based on responses from 681 human resource executives and professionals representing a broad cross section of U.S. employers. (See the "Profile of Participating Employers" infographic on page eight for more details on the institutions represented.) Most respondents are at or near the top of the HR profession, heading up the human resources function at their organization, division, or facility. Key findings of this year's survey report, organized by major topic, are summarized below.

---

## HR Department Staffing

For six straight years, more HR departments have expanded than contracted, and reports of HR staffing increases this year outpace reports of decreases by a four-to-one margin.

The median HR staff ratio remains at a record high level of 1.4 HR employees for every 100 workers served by the department.

Small employers tend to report higher HR staffing ratios, while economies of scale help large employers maintain a lower ratio of HR staff to total employee headcount.

Median figures on HR department composition show professional and technical employees making up nearly half the staff this year, while managerial employees make up a third. Secretarial/clerical workers lag behind both of these groups, accounting for 20 percent of HR staff.

Smaller employers tend to have higher concentrations of HR managers, but the composition of HR departments at larger organizations tilts in favor of professional and technical staff.

HR specialization is at a peak this year, with 73 percent of HR departments reporting at least one specialist on staff. As expected, large organizations are more likely than their smaller counterparts to have HR specialists on staff.

The most common specialty area is benefits, followed by employment/recruitment. However, HR specialists commonly juggle multiple areas of responsibility, especially at smaller organizations.

## HR Expenditures and Budgets

Annual adjustments in HR funding have settled into a pattern of conservative growth in the wake of the Great Recession. These modest HR budget increases are not unlike the economic recovery itself, which has been characterized by slow but steady expansion and very low inflation.

The median HR funding increase this year is 3.7 percent, down from 4.2 percent in both 2015 and 2016.

Budgeted HR expenditures dipped to a 10-year low when expressed as a per capita dollar amount. Across all employers, the median amount allotted to HR departments is \$1,087 per employee in 2017, down from \$1,440 in 2016.

A possible explanation is that total spending on the programs and activities overseen by the surveyed HR departments continued growing modestly, but an expansion of the employee population drove down per capita costs.

The median per capita budget figure varies widely across organizations of different sizes, ranging from \$594 per employee among employers with 2,500 or more workers to \$2,966 per employee among establishments with fewer than 250 workers.

Despite some of the subdued figures on HR spending, the 2017 metric on HR budgets as a share of total operating costs far surpasses levels recorded in past surveys. We just saw a new high last year at 1.6 percent, but the current reading nearly doubles that, at a median of 3.1 percent.

HR salaries are poised to continue rising at a faster pace in 2017. The median hike in HR's staff salary budget is 4.2 percent this year, up slightly from 4.1 percent in both 2015 and 2016, and more than a percentage point higher than the figures from 2012 to 2014.

The salary budget data also indicate that members of the HR department will be getting a median of 2.7 percent of responding employers' total projected wage and salary expenditures for the year. As compared with the staff ratio that shows HR making up a median of 1.4 percent of the overall workforce, the 2.7 percent salary ratio means HR is getting a bigger slice of the compensation pie than we've seen in the past.

This year's survey includes new HR budget breakdowns showing that the most prominent line items are benefits, employment and recruiting, training and development, and compensation. As a percentage of total HR budget, these four areas account for close to two-thirds of HR spending.

## HR Priorities, Policy, and Influence

The 2017 results on HR's strategic influence and involvement once again offer considerable evidence that HR is rarely a bit player.

A majority of the respondents agreed with the statement that one of the ways HR can have a more influential role is to be included as a partner early in the process of all major decisions. Along those lines, a combined 75 percent said their departments currently have full or substantial involvement in key business decisions.

Influence can also be asserted through access to the C-suite, and HR department heads typically have a direct reporting relationship with a top official, such as CEO/president, chief operating officer, chief financial officer, or an executive position such as senior vice president.

Judging by this year's data on HR priorities, the competition for talent is a major concern, as 84 percent of the surveyed HR departments identified recruitment and retention of qualified employees as an important priority.

Also ranking high on the list are priorities such as employee satisfaction and morale, training and development, compensation competitiveness, and leadership development, all of which tie in with the basic objectives of keeping employees happy, engaged, and growing professionally.

New this year, is a section to the survey focusing on HR policy revisions driven by legislative changes. The initial results reveal that this is a dynamic area, with eight in 10 HR departments indicating they've had at least one policy revision or update based on recent legislative changes.

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## Performance Management

Nearly three-fourths of employers have formal performance management systems, and HR executives tend to have positive impressions of the programs.

Purposes served by the programs range from clarifying expectations and documenting performance to identifying professional development needs and gathering information for decisions on compensation and promotions.

Individual employees' performance goals tend to be set by line managers or established collaboratively by employees and their direct supervisors.

Existing employees commonly receive formal assessments once a year, but many programs shorten the cycle for new hires or workers on performance improvement plans, sometimes evaluating performance "as needed."

When employees exceed their goals under formal performance management programs, they often receive a bump in base pay, a hike in variable pay, or a bonus increase. However, rewards aren't automatically part of the equation.

Most of the performance management programs have undergone at least minor revisions within the last three years. While further updates are on the horizon for many programs, nearly two in five HR departments seem to think the current system is fine and needs no immediate attention.

## HR Metrics and Strategy

The practice of tracking HR metrics and analyzing data has become widespread, with more than nine out of 10 HR departments indicating that they employ data analytics of some kind.

Broad usage is reported for several types of HR metrics and analytics; for example, compensation and benefits analysis is used by 87 percent of HR departments "at least occasionally."

The responsibility for analyzing the data that's collected usually stays within the HR department. In some cases, analytics are handled by a specific person or team within HR, but it is more common for everyone in HR to do some analytics.

There isn't any single data analysis method or tool that has taken hold across a majority of HR departments, but some of the most common types are dashboards, data visualization, and analysis of central tendency, such as mean and median.

A new section in this year's survey shows that demands for data analysis skills tend to be more stringent when hiring for positions in other departments, whereas simple analytical skills are often sufficient for HR jobs.

When filling HR positions at larger organizations, HR executives tend to place greater importance on analytics and the skills required to make effective use of data.

While attitudes about HR metrics and analytics appear generally positive, only one-third of the surveyed HR departments agree that their use of metrics and analytics is adequate.

Just 14 percent of those surveyed said they have no barriers to the use of HR metrics and analytics.

HR departments that actively analyze the data at their disposal tend to fare better on many positive business outcomes than HR offices that view their use of data and analytics as less than adequate.

## **HR Responsibilities and Outsourcing**

Our findings on overall workload shifts continue to show that HR departments are much more likely to add new duties and responsibilities than to have anything removed from their plate.

The prevalence of HR outsourcing rebounded from last year's all-time low. The 2017 reading shows that 63 percent of HR departments rely on an outside vendor or service provider to handle at least one program or activity.

Once HR departments test the waters, they tend to outsource multiple activities or programs.

When handing off programs or activities, most HR departments retain management or oversight of the relationship with the outsourcing vendor.

Less than one in five HR departments said their most recent outsourcing initiative coincided with a reduction in HR staff, which suggests cost savings typically aren't a leading motivation for outsourcing.

HR activities or programs seldom return to the organization once they've been outsourced.

### Industry

<b>Manufacturing</b> .....	<b>22%</b>
Basic manufacturing .....	22%
Intermediate manufacturing .....	26%
Advanced manufacturing .....	40%
Other manufacturing .....	12%
<b>Nonmanufacturing</b> .....	<b>47%</b>
Finance, insurance, banking, and real estate .....	24%
Consulting .....	10%
Construction .....	5%
Information services, telecommunications, data processing .....	10%
Retail and wholesale trade .....	10%
Business, personal, and miscellaneous services .....	25%
Transportation, warehousing, utilities .....	6%
Communications and publishing .....	2%
Other nonmanufacturing .....	8%
<b>Nonbusiness</b> .....	<b>31%</b>
Government .....	31%
Health care .....	31%
Education .....	21%
Membership organizations and associations .....	7%
Social services .....	4%
Other nonbusiness .....	7%

### Workforce Size

(Employee Headcount)

Less than 250 .....	41%
250-499 .....	18%
500-999 .....	11%
1,000-2,499 .....	11%
2,500 and above .....	19%

### Annual Revenue

Less than \$10 million .....	18%
\$10-49 million .....	21%
\$50-99 million .....	12%
\$100-499 million .....	13%
\$500-999 million .....	8%
\$1-9 billion .....	14%
\$10-24 billion .....	3%
\$25 billion or more .....	2%
I am not sure .....	8%

### Region

New England (ME, NH, VT, MA, CT, RI) .....	6%
Middle Atlantic (NJ, NY, PA) .....	17%
East North Central (WI, MI, IL, IN, OH) .....	18%
West North Central (ND, MN, SD, NE, KS, IA, MO) .....	7%
South Atlantic (FL, GA, SC, NC, VA, DC, MD, DE, WV, PR, U.S. Virgin Islands) .....	21%
East South Central (KY, TN, MS, AL) .....	4%
West South Central (OK, TX, AR, LA) .....	9%
Mountain (NM, CO, WY, MT, ID, UT, AZ, NV) .....	7%
Pacific (WA, OR, CA, AK, HI, Northern Mariana Islands, Guam, American Samoa) .....	11%

### HR Departments

Does your organization have more than one human resources department?

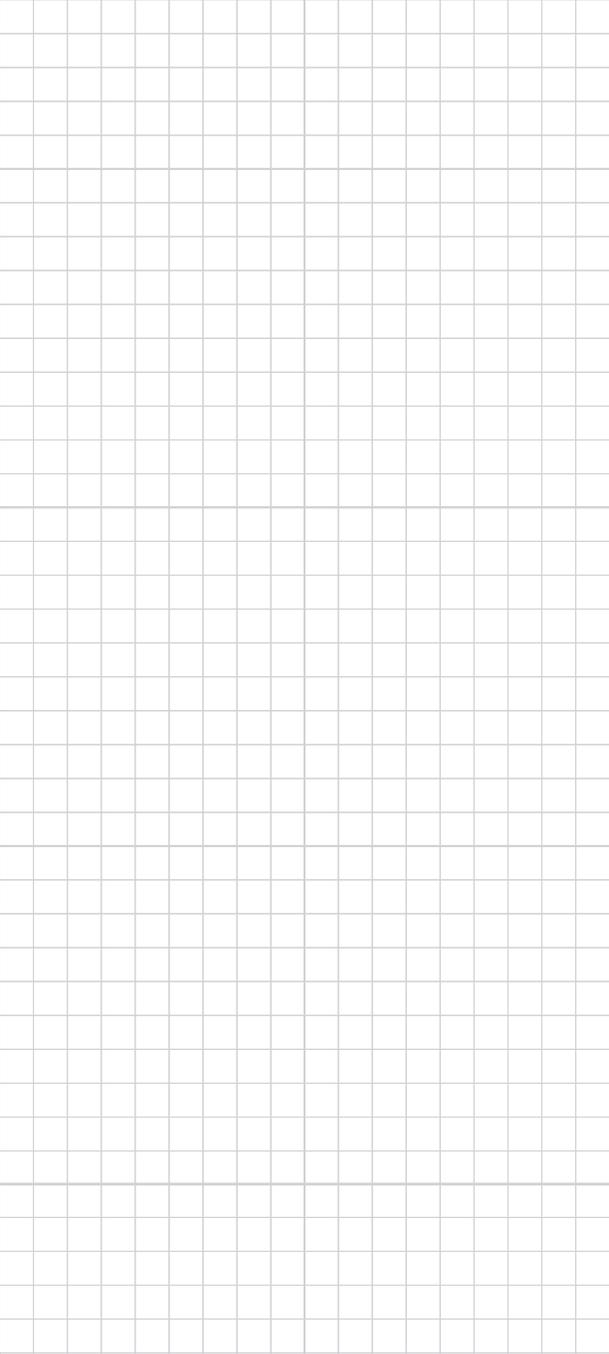
Yes .....	25%
No .....	75%

### Title/Position

Human Resources Professional (generalist or specialist) .....	16%
Human Resources Manager .....	26%
Director of Human Resources .....	22%
Vice President of Human Resources .....	11%
Internal HR Consultant .....	3%
External HR Consultant .....	1%
Other position within the HR department .....	10%
Other position outside the HR department .....	10%

### Union Representation

Yes .....	37%
No .....	63%



# Bloomberg BNA

For more information on Bloomberg BNA surveys and reports or other Human Resources products and services, contact your local Bloomberg BNA representative, call 800.372.1033, or visit [www.bna.com](http://www.bna.com).

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