INTERNATIONAL ORGANISATION OF EMPLOYERS
ORGANISATION INTERNATIONALE DES EMPLOYEURS
ORGANIZACION INTERNACIONAL DE EMPLEADORES

ISO work on a Human Resource Management Standard IOE MEMBER COMMUNICATION (G- 103)	
For information/action:	For action
Deadline	**14 September 2012**
IOE contact:	Matthias Thorns /+41 22 929 00 21
Attachments:	7 documents

23 August 2012

We are pleased to report that the proposal for an ISO International Workshop Agreement (IWA) on **Self-declaring the Application of ISO 26000** was **dismissed** by the TMB at its meeting on 17 and 18 September 2012. This is a success for the IOE, as acceptance of the proposal would have jeopardised the guidance character of ISO 26000.

Regrettably, the proposal for an **ISO Compliance Programs Management Standard** was **approved** by ISO member organisations (9 votes in favour, 5 votes against and 2 abstentions). With the support of member input, the IOE opposed the proposal, principally because of its potential for increasing the bureaucratic burden on companies.

We would like to thank all member federations who maintain contact with their national standardization organization to acquaint them with the perspective of business with regard to ISO initiatives and we will keep you informed of further developments.

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ISO/TC 260
ISO/TC 260 - Human resource management
Email of secretary: jknopes@ansi.org
Secretariat: ANSI (USA)

N29 TC 260 for HRM Meeting Report

Document type:	Meeting report
Date of document:	2012-01-23
Expected action:	COMM
Action due date:	2012-02-23
Background:	Report of the 1st meeting of ISO/TC 260 on Human Resource Management, held November 10th and 11th, 2011 in Washington, DC, USA. Please reply with any comments by 2012-02-23.
Committee URL:	http://isotc.iso.org/livelink/livelink/open/tc260

MINUTES OF MEETING

ISO /TC 260 on Human Resource Management
Report of Meeting #1 held November 10 and 11, 2011
Washington, DC, United States of America
Secretariat: United States of America (ANSI)

1		
2		**Opening Plenary: Thursday, November 10, 2011**
3		
4	**M1.1**	**Opening Remarks**
5		The Secretary of ISO/TC 260, Jason Knopes, opened the meeting by notifying the
6		meeting members that Lee Webster from the United States (U.S.) was approved
7		by the Technical Management Board of ISO to Chair ISO/TC 260 and to lead TC
8		260 meetings through 2017. Lee Webster welcomed the delegates to the 1st
9		Plenary of ISO/TC 260 and thanked the ANSI and the sponsors of the meeting
10		for their hospitality and the quality of the meeting facility. He noted the
11		uniqueness and the potentially expansive influence that human resource
12		international standards could have in the future. He noted that besides the
13		delegates, a gallery of observers was also in attendance at the meeting and he
14		welcomed their presence.
15		
16		Joseph Tretler, the Senior Director of International Technical Programs and
17		Services at American National Standards Institute (ANSI) then welcomed the
18		delegates and guests to the 1st ISO/TC 260 meeting on behalf of ANSI.
19		
20	**M1.2**	**Roll Call of Delegates**
21		The secretary called the roll of the ISO/TC 260 Participating (P) and Observer (O)
22		Member Bodies and Liaison Organizations. The following is a summary of the
23		bodies present.

P-Members Present (10 out of 13)

Finland (SFS)	Pakistan (PSQCA)
France (AFNOR)	Portugal (IPQ)
Germany (DIN)	Sweden (SIS)
Netherlands (NEN)	United Kingdom (BSI)
Norway (SN)	United States (ANSI)

O- Members Present (1 out of 19)
Israel (SII)

Liaison Organizations (0 out of 1)

A copy of the registered delegates list is included in Annex A.

1	**M1.3**	**Adoption of the Meeting Agenda**
2		The Secretary noted that a revised agenda has been circulated as N17 in order
3		to accommodate additional presentations that were made by attendees. The
4		Chair asked for approval of the revised agenda.
5		
6		**Agenda was approved.**
7		
8	**M1.4**	**Appointment of the Resolution Drafting Committee**
9		The Secretariat described the purpose of the Resolutions Drafting Committee
10		(RDC) and then the Chair asked for volunteers to join the Secretariat on the
11		RDC. The following members agreed to participate: France, UK, Germany, U.S.
12		and Netherlands.
13		
14	**M1.5**	**Report of the Secretariat**
15		Referencing the Report of the Secretariat (N20), the Secretary advised that the
16		ISO/TC 260's current membership included: 13 P members, 19 O members, and
17		1 liaison organization. He informed the group that 10 P members and 1 O
18		member was present. The Chair stated that efforts have been made to
19		encourage other countries like China, Brazil, and Singapore to join the TC. That
20		outreach is ongoing.
21		
22		He also used the PowerPoint presentation to explain to the attendees how this
23		Secretariat Report would be used in the future to describe the progress of key
24		issues since the previous plenary meeting.
25		
26	**M1.6**	**Overview of ISO Standardization Process by TC Secretary**
27		Referencing the documents, ISO Structure and Management (N19) and ISO
28		Technical Processes (N21), T. Vyze, ISO, Director of Standards Development,
29		described the standards development process and responded to questions
30		about the presentation. Some of the subjects he covered were:

- 31 • Member bodies' structure
- 32 • Governance and committee activities
- 33 • Participation requirement
- 34 • Working group level
- 35 • An overview of the ISO Directives
- 36 • The roles and responsibilities of new TCs

37

38 During this review the delegates were informed that ISO/TC 176 (Quality
39 Management) had become a liaison with this TC.
40

41		The Chair initiated a discussion about what would be the right number of
42		meetings per year. He stated that the World Federation of Personnel
43		Management Associations (WFPMA) is hosting a World Congress in Australia in
44		September in 2012. The WFPMA was interested in having the next TC meeting
45		co-located with their Congress. Chair stated that one challenge is that
46		Standards Australia (a P member) would need to agree to sponsor the TC
47		Plenary first. The German, Pakistani, Norwegian, and US Delegations believed
48		there should be at least two TC meetings in 2012 to maintain momentum. The
49		Portuguese Delegation thought that one meeting per year was sufficient and
50		the working groups could make progress between these annual meetings. The
51		Dutch Delegation stated that a meeting every 9 months might be the right
52		compromise. The French Delegation was still interested in making the meeting
53		at the World Congress work. They stated that a meeting in April or May could
54		still allow for a September TC meeting as well. The Secretariat recommended
55		that this discussion be postponed until the following day.

57 **M1.7** **Presentations by ISO/TC 260 members and Liaisons**

59 **M1.7.1** **French Delegation Presentation**
60 Referencing the French Presentation (N22), Head of the French Delegation,
61 described their view of how the global standards work could proceed. The
62 Delegation described the concept of Human Governance and a structure for the
63 standards development activities and indicated that it would be their proposal
64 for a new work item. Improving the decision making and involvement of
65 corporate boards in workforce matters should be one of the goals of this
66 standards work. The Delegation identified potential sub-groups and
67 workgroups that should be considered and emphasized the importance to build
68 a relationship with in parties who created the Social Responsibility standard, ISO
69 26000.

71 **M1.7.2** **Israeli Delegation Presentation**
72 Referencing the Israeli Presentation (N23), Head of the Delegation from Israel,
73 described their view of how the global standards work could proceed. He began
74 with an overview of the Israeli national standardization infrastructure and
75 described some of the accomplishments the have achieved, particularly in
76 having academic institutes train students for accreditation. He indicated that
77 the national HR community does not have professional qualification and that
78 should be developed.

80 **M1.7.3** **Dutch Delegation Presentation**
81 Referencing the Dutch Presentation (N24), Head of the Delegation from the
82 Netherlands, described their view of how the global standards work could
83 proceed. She highlighted the work that has been done in developing
84 employment sustainability standards and described the structure and purpose
85 of this standard. The Delegation indicated that they were planning to submit a
86 New Work Item "Managing Sustainable Employability" as a workgroup under
87 ISO/TC260 and would like to lead this WG. They described the structure of NPR
88 6070:2010 (Sustainable Employablity) on multiple levels. One of the

89		participants asked how a code of practice like this could be enforced globally.
90		The delegate from the Netherlands stated that this would be a minimum
91		effectiveness standard that the marketplace would eventually demand
92		organizations follow. The French Delegation supported this document since it
93		would require employers to consider many different options before terminating
94		employees. The Chair stated that this subject merited additional consideration
95		and would be discussed later during the resolutions portion of the meeting.
96		
97	**M1.7.4**	**Pakistani Delegation Presentation**
98		Referencing the Pakistani Presentation (N12), Head of the Pakistani Delegation,
99		described their view of how the global standards work could proceed. The
100		Pakistani Delegates focus was on the development of HR measures and metrics
101		as a way to measure HR's and employees' contributions at the "input" level and
102		at the "output." The Output should be linked to deliverables. He provided
103		examples from his HR Measurement Metrics Survey Table.
104		
105	**M1.7.5**	**Portuguese Delegation Presentation**
106		Referencing the Portuguese Presentation (N11), Head of the Portuguese
107		Delegation, described their view of how the global standards work. The
108		Portuguese Delegate described the HRM System Portuguese Standard: NP
109		4427:2004. The intent was to create a structure or road map so that anyone in
110		an organization would be treated as an individual and to align their activities
111		with the vision and mission of the company. In 2006 there was strong European
112		interest in applying the standard. The German Delegation asked how many
113		companies are using the standard. Many companies are using the standard, but
114		choose not pursue a certification associated with it due to the cost of the
115		certification. The US Delegation stated that this standard focuses on the "why"
116		and "what" but not the "how".
117		
118	**M1.7.6**	**United Kingdom Delegation Presentation**
119		Referencing the GB Discussion Paper (N13), S Walton, part of the United
120		Kingdom's Delegation, described their view of how the global standards work.
121		She reviewed the work that has been done by CIPD and Investors in People to
122		develop national standards that could also be accepted within other countries.
123		The UK recommended that the first step should be to develop a taxonomy to
124		gain clarity about terms and to achieve consensus.
125		
126		
127	**M1.7.7**	**Swedish Delegation Presentation**
128		Head of the Swedish Delegation, described their view of how the global
129		standards work. She described the importance of employer branding. Using the
130		Swedish Annual health Statement as an example she emphasized the level of
131		investment in health and safety product and services. Three issues for HR
132		professionals in Sweden are "burnout," satisfaction at work, and functional HR
133		processes. The Delegate recommended that the first standard should be for a
134		specific area rather than a comprehensive document.
135		
136	**M1.7.8**	**Norwegian Delegation Presentation**

137		Referencing the Norwegian Presentation (N27)Head of the Norwegian
138		Delegation, described their view of how the global standards work could
139		proceed. He indicated that the global standard should include input from senior
140		(top down) and lower level (bottom up) employees. The aging demographic in
141		Norway and much of Western Europe will require an emphasis on resolving
142		workforce issues in the future. He also indicated that collective bargaining units
143		(works councils) should be included in this discussion. The Portuguese Delegate
144		stated that to be competitive and accepted by the market, we should not
145		mandate measuring participation because that is the "how," rather than the
146		"why" and the "what." The French Delegation supported measuring
147		participation. The US Delegation stated that the research shows that behavior
148		must change before attitude, so participation must be measured in some way.
149		
150	**M1.7.9**	**United States Delegation Presentation**
151		Referencing the US presentation (N26), Head of the United States Delegation,
152		described their view of how the global standards work. He described the
153		American National Standards projects and future ideas for standardization
154		within the US. He then proposed that some of the US standards could serve as a
155		basis for ISO standards.
156		
157	**M1.8**	**Discussion of ISO/TC 260 Work Programme and Potential New Work Item**
158		**Proposals**
159		The Chair started the discussion by providing some observations. The
160		enthusiasm for the work has remained strong. He saw his role as helping the
161		group maintain that enthusiasm while focusing it on achieving relevant, near-
162		term target. The Chair discussed the concept of "should" and "may" means a
163		guideline in a standard, while the words "shall" and "must" indicate legal
164		requirement. If the group wants to give the standard user some flexibility, the
165		TC should write a guidance based standard. India has shown a real concern
166		about this since their government treats standards like law, requiring businesses
167		to follow them. These standards are not best in class, but instead minimum
168		effective standards. Why? Most organizations cannot achieve best in class
169		status due to resource limitations. Minimum effective standards are achievable.
170		
171		The Chair added that one of the greatest accomplishments of this TC could be
172		the facilitation of the transfers of not only talent, but more so competence
173		across borders. With the current state of technology, skills and intellect are
174		obtainable across boundaries, surpassing the limitations of local immigration
175		laws. We could facilitate that. Once a standard is created, the research shows it
176		releases suppressed and misdirected economic energy rather than creates a
177		bureaucracy. We should lead that the charge to free that energy.
178		
179		Finally the Chair offered support for working with the group that developed the
180		Social Responsibility standard and the ILO. He cautioned the group that the TC's
181		first project should not be ones that tread upon the areas already covered by
182		these organizations. The TC is too small currently to risk challenges from these
183		groups. He recommended the TC reach out and offer like-minded organizations
184		an opportunity to join TC 260 first.

185		
186		The French Delegation thanked the Chair for his remarks and presented a
187		recommended structure for the TC's initial work. The Delegation added that
188		these standards must not be solely guidelines, but also offer very clear
189		thresholds of performance. The Delegation agreed that the TC should be very
190		careful about maintaining a good relationship with the ILO and other potential
191		liaison partners.
192		
193		The US Delegation explored the concept of sustainable employability. The
194		Delegation agreed with the UK Delegation that one of the most important things
195		the group could do would be to get agreement on terms. The exchange with
196		other Delegations included the value and nature of HR metrics and the role and
197		responsibilities of Corporate Boards in France. The German Delegation stated
198		that standards describing HR practices are too broad and should be more
199		specific. The other Delegations began to identify task groups and the one
200		workgroup they would like to participate in.
201		
202		The Dutch Delegation initially proposed that its Sustainable employability
203		standard be a New Work Item Proposal (NWIP). After a discussion with the
204		Secretary about the best way to submit this proposal. The Delegation withdrew
205		this proposal, deciding to submit it to the TC at a later date.
206		
207	M1.9	ISO/TC 260 Business Plan – Discussion of 1st Draft
208		Referencing the Business Plan (N8), the Secretariat recommended that all of the
209		delegations review the business plan and be prepared to discuss their thoughts
210		about it at the next plenary meeting. He also discussed the purpose and use of
211		a business plan. The Chair added that he welcomes all comments about the
212		business plan. It principlally represents his thoughts and needs to be reviewed
213		and improved.
214		
215	M1.10	Identification of Open Issues
216		Remaining open issues were the resolutions.
217		
218	M1.11	Requirements Concerning Subsequent Meetings
219		The Chair stated that the World Federation of People Management Associations
220		(WFPMA) was interested in an ISO/TC 260 meeting occurring concurrent with
221		their own plenary meeting in September 2011. While some delegations thought
222		a concurrent meeting had merit, others wanted multiple meetings in 2012.
223		Arranging these multiple meetings could conflict with the timing of the WFPMA
224		conference.
225		
226		The attendees expressed a concern that the group was too Western European
227		centric. It needed other voices from other regions and continents.
228		
229		The members recommended that there be two meetings in 2012, one occurring
230		in April and the other in November. Although they needed to confer with and
231		gain approval from their local national standards bodies, the German Delegation
232		tentatively offered to host the next plenary meeting at the DIN office in Berlin.

233		The Delegation from the Netherlands tentatively offered to host the November
234		meeting. The French Delegation tentatively offered to host a TC meeting in
235		2013.
236		
237	**M1.12**	**Any Other Business**
238		All delegations encouraged the Secretariat and the Chair to seek out more
239		underdeveloped countries to participate in standards development. The
240		attendee also encouraged the Chair to ask current 0 members to consider
241		converting to P members. The Secretary and the Chair agreed to reach out to
242		these current and potential members.
243		
244	**M1.13**	**Approval of Resolutions**
245		The Plenary resolutions were discussed an approved. Final resolutions are
246		attached as Annex B.
247		
248	**M1.14**	**Closure of the Meeting (3:30 pm, November 11, 2011)**
249		The Chair thanked the delegates for their participation and dedication to the
250		global HR Standards effort. On behalf of ISO/TC260, he thanked the US for the
251		visit to Mt. Vernon and the guest speaker. He also thanked the US mirror
252		committee and the staff of the Society for Human Resource Management
253		(SHRM) for their logistical support and hospitality.

Annex A

List of ISO/TC 260 Attendees – ISO/TC 260 Plenary 1 – Washington, DC, USA

No.	P/O/L	Country	Role	First Name	MI	Last Name	Organization
		*Secretariat	Chair	Lee		Webster	SHRM, TC 260 Chair
		*Secretariat	Secretary	Jason		Knopes	ANSI, TC 260 Secretary
		*Secretariat	Secretary Support	Edward		Terhune	ANSI, Secretary Support
		*ISO	ISO	Trevor		Vyze	ISO, Director of Standards Development
		*ISO	ISO	Brian		Stanton	ISO, Technical Program Manager
1	P	France	Delegate	Jean-Pascal		Arnaud	Individual
2		France	Delegate	Fatma		Bansalem	AFNOR (Association Française de Normalisation)
3		France	Head of Delegation	Izy		Behar	Eutelsat
4		France	Delegate	Laurence		Breton-Kueny	AFNOR (Association Française de Normalisation)
5		France	Delegate	Stéphanie		Plessis	Linkup Group Consulting
6	P	Finland	Head of Delegation	Risto		Pulkkanen	SFS (Finnish Standards Association)
7	P	Germany	Delegate	Harald		Ackerschott	Ackerschott und Bertram
8		Germany	Delegate	Reiner		Hager	DIN (Deutsches Institut für Normung)
9		Germany	Head of Delegation	Oliver		Kothrade	Panasonic
10	O	Israel	Head of Delegation	Yoel		Mali	SII (Standards Institution of Israel)
11	P	Netherlands	Head of Delegation	Stephanie		Jansen	NEN (Netherlands Standardization Institute)
12		Netherlands	Delegate	Marc		Ritter	NEN (Netherlands Standardization Institute)
13	P	Norway	Delegate	Hans	C. A	Terjesen	WRI (Work Research Institute)

14	P	Pakistan	Head of Delegation	Zahid	A.	Mubarik	Khushhalibank Limited
15	P	Portugal	Head of Delegation	Manuel	T	Fernandes	Gestão Total
16	P	Sweden	Head of Delegation	Anna		Mickols	SIS (Swedish Standards Institute)
17	P	United Kingdom	Head of Delegation	Sara		Walton	BSI (British Standards Institution)
18		United Kingdom	Delegate	Heather		Bond	CIPD (The Chartered Institute of Personnel and Development)
19	P	United States	Head of Delegation	Wayne		Cascio	University of Colorado
20		United States	Delegate	Franz		Gilbert	Gulfstream Aerospace
21		United States	Delegate	Greg		Komarow	Cleveland Clinic Abu Dhabi
22		United States	Delegate	Joseph		Tretler	ANSI (American National Standards Institute)
23		United States	Observer	Rosaura		Barrera	SHRM (Society for Human Resource Management)
24		United States	Observer	Amanda		Benedict	SHRM (Society for Human Resource Management)
25		United States	Observer	Brad		Boyson	Individual
26		United States	Observer	Jane		Bradley	ADP
27		United States	Observer	Lorelei		Carobolante	G2nd Systems (Global Second Language)
28		United States	Observer	Steve		Cornish	ANSI (American National Standards Institute)
29		United States	Observer	Frank		DiBernardino	Vienna Human Capital Advisors
30		United States	Observer	Feborah		Dixon	SHRM (Society for Human Resource Management)
31		United States	Observer	Eddice		Douglas	SHRM (Society for Human Resource Management)
32		United States	Observer	Auri		Duarte	SHRM (Society for Human Resource Management)

33		United States	Observer	Julian		Greer	SHRM (Society for Human Resource Management)
34		United States	Observer	Susan		Harmansky	MAC Construction
35		United States	Observer	Tom	C.	Hogan	Pennsylvania State University
36		United States	Observer	John		Kells	ADP
37		United States	Observer	Nancy		Lockwood	SHRM (Society for Human Resource Management)
28		United States	Observer	Sandy	J.	Miles	Murray State University
39		United States	Observer	Russell		Klosk	Hewlett Packard
40		United States	Observer	Rubens		Pessanha	HRCI
41		United States	Observer	Don		Purcell	Catholic University of America

Annex B
Resolutions of the 1st Meeting of ISO/TC 260, Arlington, VA USA on November 11th 2011.

RESOLUTION 1 – (APPROVED UNANIMOUSLY)

Encourage ISO TC Participation

ISO/TC 260 resolves to encourage ISO members to join ISO/TC 260 in order to have more global participation in the standards developed by ISO/TC 260.

RESOLUTION 2 - **(APPROVED UNANIMOUSLY)**

Establish Liaison with ISO/TC 176

ISO/TC 260 agrees to create an internal ISO Liaison with ISO/TC 176 Quality management and quality assurance.

RESOLUTION 3 - **(APPROVED UNANIMOUSLY)**

Establish Liaison with ISO/PC 259

ISO/TC 260 agrees to create an internal ISO Liaison with ISO/PC 259 Outsourcing.

RESOLUTION 4 - **(APPROVED UNANIMOUSLY)**

Establish a Terminology Workgroup

ISO/TC 260 resolves to establish a working group on terminology (WG1) to develop an internal document to support the work of TC 260. And further resolves to appoint Stephanie Jansen as Convenor and encourage TC members to appoint experts via the ISO Global Directory.

RESOLUTION 5 - (APPROVED UNANIMOUSLY)

Establish Task Groups

ISO/TC 260 resolves to form the following task groups with leadership and members as follows:
A. Operating model(s) of HR
   a. Leader (Netherlands)
   b. Members (Israel, Germany)
B. HR practices (including list of effective processes)
   a. Leader (U.S.)
   b. Members (Germany, Portugal, France, UK)
C. Metrics - Key social and business impacts
   a. Leader (Pakistan)
   b. Members (Netherlands, France, Germany, U.S.)

D. Human governance
   a. Leader (France)
   b. Members (Norway, U.S., UK, Netherlands, Germany)

These task groups will study the topics and report their findings to the TC plenary for discussion. These reports should include recommendations for the TC to consider. The reports are to be sent to the Secretariat 7 weeks before the meeting in order to circulate them to all TC members in advance of the meeting. These task groups will be disbanded once the reports are given at the TC Plenary meeting.

*The US asked to join each Task Group at the close of the meeting

RESOLUTION 6 – (APPROVED UNANIMOUSLY)

Review and Discuss Business Plan at Next Plenary Meeting

ISO/TC 260 resolves to discuss the TC 260 business plan at the next plenary based on the recommendations of the task groups.

RESOLUTION 7 - (APPROVED UNANIMOUSLY)

Thank ANSI and the US Mirror Committee

ISO/TC 260 expresses its gratitude to ANSI and the U.S. mirror committee for sponsoring and hosting the 1st ISO/TC 260 meeting.

COST-PER-HIRE

AMERICAN NATIONAL STANDARD

AN AMERICAN NATIONAL STANDARD FOR
HUMAN RESOURCE MANAGEMENT

Cost-per-Hire Standard

Approved February 8, 2012

American National Standards Institute, Inc.

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RESOURCE MANAGEMENT

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Suggestions for improvement of this document are welcome. They should be sent to the Director of Standards, SHRM,

1800 Duke Street, Alexandria, VA 22314 or to HRSTDS@SHRM.ORG.

11-0096

Foreword

The information contained in this Foreword is not part of this American National Standard (ANS) and has not been processed in accordance with ANSI's requirements for an ANS. As such, this Foreword may contain material that has not been subjected to public review or a consensus process. In addition, it does not contain requirements necessary for conformance to the Standard.

ANSI guidelines specify two categories of requirements: mandatory and recommendation. The mandatory requirements are designated by the word *shall* and recommendations by the word *should*. Where both a mandatory requirement and a recommendation are specified for the same criterion, the recommendation represents a goal currently identifiable as having distinct compatibility or performance advantages.

ABSTRACT

This Standard is designed as a tool to allow an organization to determine accurate and comparable costs of recruitment through a standard algorithm to calculate the recruiting costs to be incorporated into cost-per-hire. The Standard is structured at a high level. Specific consideration and responses are also addressed for consideration by individual organizations based on specific hiring environments and requirements.

WORKGROUP MEMBERS

It is recognized that the following Staffing and Workforce Planning (SWP) Cost-per-Hire Workgroup members are responsible for the Cost-per-Hire baseline text:

Workgroup Leader: Jeremy Shapiro, Morgan Stanley

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At the time it approved this document, the Staffing and Workforce Planning (SWP) Taskforce, which is responsible for this Standard, had the following members:

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Contents

1.0 Scope, Summary, Purpose and Interpretation

1.1 SCOPE

This Standard is designed as a tool to allow an organization to determine accurate and comparable costs to staff a position using standard data and formulas to calculate the recruiting costs to be incorporated into cost-per-hire.

1.2 SUMMARY

This Standard describes the definition, assembly, display and documentation techniques required to produce cost-per-hire (also called "CPH" herein), a commonly used metric in human resource (HR) functions. Cost-per-hire is a measure of the effort exerted, defined in financial terms, to staff an open position in an organization.

1.3 PURPOSE

This Standard is designed to be applicable to organizations of all types (public, private, government entities, etc.). This Standard is specifically applicable to HR professionals within these sectors who are responsible for recruiting, staffing suppliers and vendors, HR educators, and consultants who are responsible for determining, analyzing and reporting the recruitment costs.

1.4 INTERPRETATION

To achieve consistent application of this Standard, suggestions involving changes in the requirements or disputes over its interpretation shall be referred to the following organization:

HR Standards Secretariat
Society for Human Resource Management (SHRM)
1800 Duke Street
Alexandria, VA 22314
Fax: 703-962-7807
E-mail: HRSTDS@SHRM.ORG
Website: http://www.shrm.org/hrstandards

If it is determined that your inquiry required an interpretation of the Standard, the inquiry must be submitted in writing and SHRM will forward the inquiry to the appropriate Standard's taskforce leader for a taskforce response.

2.0 Normative and Informative References

The following documents contain information, which, through reference in this text, constitutes foundational knowledge for the use of this American National Standard. At the time of publication, the editions indicated were valid. All material is subject to revision, and parties are encouraged to investigate the possibility of applying the most recent editions of the material indicated below.

2.1 NORMATIVE REFERENCES

The following documents contain provisions, which, through reference in this text, constitute provisions of this Standard. At the time of publication, the editions indicated are valid. All standards are subject to revision, and parties applying this standard are encouraged to investigate the possibility of applying the most recent editions of the documents listed below.

None.

2.2 INFORMATIVE REFERENCES

The following documents may provide valuable information to the reader but are not required when complying with this Standard.

Burkholder, N. (2006, March 29). *Calculating Efficiency*. Article posted to Staffing.org website, archived at http://www.staffing.org/library_ViewArticle. asp?ArticleID=208

Cuff, G. (1983). *Cost Per Hire Survey*. Wellesley, MA: Employment Management Association.

Deutsch, Shea & Evans and the Employment Management Association. (1981). *Direct Costs Per Hire Survey*. Wellesley, MA: Employment Management Association.

Fitz-Enz, J. (1984). *How to Measure Human Resources Management*. New York: McGraw Hill.

Flamholtz, E. (1974). *Human Resource Accounting*. Encino, CA: Dickenson Publishing Company.

3.0 Executive Summary

This Standard describes the definition, assembly, display and documentation techniques required to produce *cost-per-hire* (also called "CPH" herein), a commonly used metric in human resource (HR) functions. Cost-per-hire is a measure of the effort exerted, defined in financial terms, to staff an open position in an organization. The CPH metric has been in use for decades, providing HR professionals and managers with information to assist them in establishing budgets and also serving as a benchmark for recruiting effectiveness and the efficiency of staffing processes.

A central requirement in developing this CPH Standard is to provide standard tools to practitioners wishing to calculate a cost-per-hire metric, while recognizing that organizations operate differently; one organization may incur a type of cost that another organization may not. This Standard allows for variance within organizations while still providing a robust methodology for creating a standard CPH metric. Note the following attributes of this Standard:

3.1 DEFINITION OF COST-PER-HIRE

This Standard defines three types of cost-per-hire formulas:

- **Cost-per-Hire, Internal (CPHI):** Defines a formula and methodology for creating the CPH measure appropriate for a particular organization. This metric is not designed for comparison with other organizations' CPH data. It is designed to be a comprehensive reflection of cost and hire data for a single organization.

- **Cost-per-Hire, Comparable (CPHC):** Defines a formula and methodology for creating the CPH measure appropriate for comparison across organizations. This metric uses a similar methodology to CPHI; however, it uses a subset of data that is more likely to be used across organizations and is helpful in building acceptably strong comparisons of costs between organizations.

- **Recruiting Cost Ratio (RCR):** Defines a formula and methodology comparing the total cost of hiring against the total compensation of the newly hired individuals in the first year of their employment. This formula varies from the CPHI or CPHC only in the denominator; whereas CPHI or CPHC are ratios of costs to the number of hires, the RCR is a ratio of costs to total first-year annual compensation of the new hires.

3.2 ASSEMBLY OF THE COST-PER-HIRE METRIC

This Standard describes actions that must be taken when calculating cost-per-hire to maintain quality and transparency, including creating a representative data set, using a transparent source of data, minimizing data errors and ensuring that periodic audits of processes occur on data input.

3.3 DISPLAY OF THE COST-PER-HIRE METRIC

Central to the CPH standard are the features of the visual display of the metric, emphasizing transparency of data inputs, processes and the formula used within the metric.

3.4 DOCUMENTATION OF THE COST-PER-HIRE METRIC

Minimum implementation guidelines should be used by the compiler of a cost-per-hire metric, including a standard supplemental document to be generated by the compiler of the metric.

4.0 Glossary

TERM	DEFINITION
Cost-Per-Hire (CPH)	For the purposes of this document, cost-per-hire is the mean average of total costs divided by the number of hires.
External Cost Factor	An expense that is incurred to external vendors or individuals during the course of recruiting. The term "external cost" is intended to be a synonym for external cost factor.
Internal Cost Factor	An expense related to the internal staff, capital and organizational costs of the recruitment/staffing function. The term "internal cost" is intended to be a synonym for Internal Cost Factor.
Data Audit	An examination of data for quality and accuracy during the development of a CPH metric.
CPHI	Abbreviation for cost-per-hire, internal, formula.
CPHC	Abbreviation for cost-per-hire, comparable, formula.
RCR	Abbreviation for the recruiting cost ratio formula.
The Compiler	In this document, the compiler is the individual(s) responsible for the creation of a cost-per-hire metric.
System of Record	The information system considered to be the source for a specific piece of information to be used in a CPH metric.
Staffing	For the purposes of this document, staffing is the action of placing an individual into an open requisition (or an equivalent authorization to hire), regardless of the source of the candidate (internal or external).
Recruiting	For the purposes of this document, recruiting is the action of placing an individual into an open requisition (or an equivalent authorization to hire) by sourcing a candidate from outside the referenced organization.
Sourcing	A subset of the recruiting process, sourcing refers to actions taken to identify potential candidates for employment at the organization.

5.0 Cost-per-Hire (CPH) Metric Defined (Basic Definition)

The CPH metric is designed to measure the costs associated with the sourcing, recruiting and staffing activities borne by an employer to fill an open position in the organization. CPH is a ratio of the total dollars expended (in both external and internal costs) to the total number of hires in a specified time period. Or, in formula representation:

$$CPH = \left(\frac{\Sigma \,(\text{External Costs}) + \Sigma \,(\text{Internal Costs})}{\text{Total Number of Hires in a Time Period}} \right)$$

- The **external costs** variable comprises all sources of spending outside the organization on recruiting efforts during the time period in question. Examples of external costs include third-party agency fees, advertising costs, job fair costs and travel costs in the course of the recruiting effort.

- The **internal costs** variable comprises all sources of internal resources and costs used for staffing efforts during the time period in question. Examples of internal costs include the fully loaded salary and benefits of the recruiting team and fixed costs such as physical infrastructure (talent acquisition system costs, etc.).

- The **total number of hires** variable comprises the total number of hires made in the time period being evaluated. Regardless of the hires' staffing type (regular full time, regular part time, etc.), it is assumed that whatever the total number of hires is, the fully loaded costs for the efforts taken to staff the included positions have been calculated in external costs and internal costs.

6.0 Background

6.1 SCOPE OF THIS METRIC

The cost-per-hire metric is bounded by activities relating to the sourcing, recruiting and staffing costs (whether external or internal, out of pocket or internal resource allocation) to hire a candidate to work as an employee[1] in an open position. Cost-per-hire attempts to measure the economic value of the effort taken to fill an open position in an organization. This measurement does not attempt to measure the economic productivity of an employee post-hire, such as salaries and benefits paid to the employee, training costs or economic losses occurring from staff turnover or new-hire time to productivity.

6.2 HISTORY AND PREDECESSOR EFFORTS TO STANDARDIZE THE METRIC

References to cost-per-hire, one of the HR profession's oldest and best known metrics, first appeared in articles and journals in the late 1960s. Measuring cost-per-hire (or "replacement value," as it was termed in those early works) appears to have begun with pioneering work and experimentation in "Human Resource Accounting Systems" conducted by a team of graduate student researchers from the University of Michigan Institute for Social Research in 1968 and continuing until 1973. This team was co-led by Dr. Eric Flamholtz, who documented this experiment in his book *Human Resources Accounting,* published in 1974.

By the mid-1980s, the concept of human capital and the value it added to a company's bottom line had worked its way into the conscience (and boardrooms) of many large companies. With that visibility came the need to more accurately define and measure how human capital was procured. In 1983, the Employment Management Association (EMA) launched the National Cost Per Hire Survey, followed by The Saratoga Institute Cost Per Hire tracking survey in 1984, creating a standard formula still in use by many organizations.

This Standard builds on the work of not-for-profit organizations such as the Society for Human Resource Management (SHRM) and EMA as well as industry expert efforts.[2]

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[1] The authors recognize that the definition of an "employee" has several meanings (full time, part time, etc.). The Standard has accommodated for differing employment types.

[2] While many subject matter experts have distinguished themselves in this field, this Standard's lineage can be directly traced to Jac Fitz-Enz and his text *How to Measure Human Resources Management* (McGraw Hill, 1984).

6.3 KNOWN USES OF THE METRIC

Companies use the CPH metric to measure the cost effectiveness of a recruiting operation. Cost effectiveness is generally defined by the criteria of time and money—or, in a perfect world, hiring the best talent, in the shortest period of time, for the least external/internal expense. Organizations have found the metric useful in understanding their own internal operations with regard to recruiting/staffing and in identifying areas for improvement. Following are the known uses of the CPH metric.

User Group: Corporate (includes central human resources and possibly other functions)

- As benchmark data to be compared with data from other companies, competitors, other divisions, etc.

- As a budget planning tool, quarterly and annually.[3]

- As a comparator in recruitment process outsourcing (RPO) decisions.

- As a factor in strategic planning and budgeting tasks, to determine future costs in investment decisions.

- As a component of tracking and assessing the total cost of workforce turnover.

- As an ongoing measure of the recruiting function's overall performance.

User Group: Recruiting Department (includes the recruiting or staffing department and its leadership at the macro level, and recruiting managers/supervisors at the micro level)

- In setting sourcing budgets and strategy.

- In assessing source cost-effectiveness.

- As a measure of process improvement success.

- As a component of overall recruiting process efficiency.[4]

- In measuring and comparing sub-group performance.[5]

- In measuring and comparing hiring performance by employee segments, such as professional versus hourly hires.

- As a component of assembling quality of hire measurements.

- As a measure of individual recruiter performance.

- As a screening criterion in the interview/selection process for recruiter hiring.

- As a proficiency benchmark in recruiter training.

- As an input in workforce planning scenarios.

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[3] The authors note that while CPH is a measurement of cost, the use of this metric to drive down costs without regard to the impact on the organization's ability to attract talent generally has been proven to be detrimental to organizations.

[4] Usually by using the recruiting efficiency ratio, defined in this document.

[5] For example, an operation may compare hiring costs for accounting hires to hiring costs for sales hires.

6.4 KNOWN LIMITATIONS OF THE METRIC

It is acknowledged that a cost-per-hire metric does not fully describe the adequacy of a recruiting effort within an organization. Variances of recruiting costs exist based on position type, position level, external market demand and geographic region. In addition, a cost measurement dimension does not account for other key factors in making recruiting decisions, such as the time it takes to fill a position, the quality of a hire or customer (hiring manager and candidate) satisfaction.

7.0 Definition: Cost-per-Hire, Internal (CPHI)

7.1 FORMULA DEFINITION

The CPHI metric is designed to measure the costs associated with the sourcing, recruiting, and staffing activities borne by an employer to fill an open position in the organization. CPH is a ratio of the total dollars expended (in both external and internal costs) to the total number of hires in a specified time period. The CPHI formula may be used by any organization that wishes to measure cost-per-hire using a standard methodology. This measure does not require all organizations that adopt it to include a specific set of external or internal costs in order to measure cost-per-hire. Different organizations may require different cost factors internally to operate their business.

The formula for CPHI is as follows:

$$CPHI = \left(\frac{\sum (\text{External Costs}) + \sum (\text{Internal Costs})}{\text{Total Number of Hires in a Time Period}} \right)$$

7.2 Definition of Cost Data in Scope (the Numerator)

The data used in a standard cost-per-hire metric is bounded by activities related to the sourcing, recruiting and staffing costs (whether external or internal, out of pocket or internal resource allocation) incurred to hire a candidate to work as an employee in an open position. Data in scope may include, but are not limited to, the data described in Tables 1 and 2 below.

For the cost-per-hire, internal, formula, there is not a mandate to use all of the factors listed below. However, the use of any of these metrics is acceptable and should occur when applicable to your organization.

Important note on data collection: While this Standard defines the types of expenses to include, a "down to the penny" reconciliation of costs into the precise buckets defined below is not required. While the cost-per-hire calculation should have a high degree of data quality, this is a lower data quality standard than is used for financial reporting.

Table 1: CPHI External Cost Data in Scope

EXTERNAL COST FACTOR	EXPLANATION
Advertising and Marketing Expenses	Expenses related to advertising or marketing for a specific requisition or across many requisitions. Examples include expenses related to job boards, social networks, search engine marketing, marketing material production (brochures, websites) or newspapers.
Background Checks and Eligibility to Work Expenses	Expenses related to criminal, education, credit and reference checks on prospective hires. Also includes work eligibility expenses such as Form I-9 processing and use of E-Verify.[6]
Campus Recruiting Expenses	Expenses related to the sourcing and recruiting of talent from colleges and universities, including interns, co-ops and graduates who fill full-time positions.
Consulting Services	Expenses related to consulting services engaged in the recruitment process, including EEO consulting and outside legal counsel (supporting recruiting).
Contingency Fees: Contingent to Regular	Expenses related to payments made by an organization to a supplier or other parties in the transfer of a contingent worker to a regular employee.
Drug Testing Expenses	Expenses related to new-hire drug tests (of any sort) that occur before employment begins or during the onboarding process.[7]
Employee Referral Awards/ Payments	For organizations that grant a defined payment to employees for referring a candidate who is subsequently hired, the defined payments to employees may be included.[8]
Immigration Expenses	Legal fees, fees for consulting services, fees for federal applications or other expenses related to the effort of clearing a new hire to legally be employed by the organization.
Job Fair/Recruiting Event Expenses	Fees paid to an event organizer, premiums that may be used specifically for the event, drayage/shipping costs, costs related to the design and construction of booths, labor costs to assemble booths, rentals or other expenses.[9]
Pre-hire Health Screens	Expenses related to health screening that may be conducted by an employer. In the event that the employer is a health care provider, the indirect cost should still be accounted for.
Pre-screening Fees	Expenses related to the use of testing services, validated assessments or other standardized measures to pre-screen talent prior to employment.
Recruitment Process Outsourcing (RPO) Fees	In the event the employer uses RPO, the sum of the fees incurred in the use of the RPO should be included.[10]
Relocation Fees	Expenses incurred in relocating a new hire, including moving expenses, travel and relocation vendors.[11]
Sign-on Bonuses	Sign-on incentives paid to a new hire.
Sourcing Costs	List purchases, licenses to databases, memberships in organizations to assist in networking and any other sourcing.
Travel and Expenses, Candidate	Expenses incurred by a candidate and reimbursed by the organization.
Travel and Expenses, Recruiter	Expenses incurred during the act of recruiting for the organization and reimbursed by the organization.
Technology Costs	Costs of operating any supporting infrastructure technology for the recruiting/staffing process, including talent acquisition systems, candidate relationship management systems and reporting systems.
Third-party Agency Fees	Fees paid to external agencies (contingent or retained).

[6] Form I-9 reverification of existing employees should not be included in expense data.

[7] Expenses related to random drug testing for existing employees should not be counted in expense data.

[8] Many organizations pay employees after a specific tenure of the new employee. For the compiler of the cost-per-hire metric, this may cause concern that the actual expenses are not incurred in the same time period for which CPH is being measured. The compiler of the CPH statistic is free either to use the actual monies paid to employees in the time period or, at his or her option, to treat the anticipated expense as an accrual. In that event, if there are, for example, 10 hired candidates via employee referral, at $X/hire, the compiler would record employee referral expenses = 10 * $X, regardless of whether payment was made to the employee in that time period. The compiler of the metric should note what technique was used in the CPH statistic.

[9] Some expenses, such as brochure production, may be considered marketing expenses even though a brochure is used at a job fair. To determine whether an expense is a job fair expense, use the rule of thumb that only an asset exclusively used for job fairs can be placed in this category. Note: Recruiter Travel and Expenses are defined as a separate data point in this document.

[10] Recruitment process outsourcing may be total outsourcing, where a vendor manages the costs incurred in all recruitment, or it may be project outsourcing. In either event, the expenses are in scope for cost-per-hire.

[11] In the event that an extraordinary expense is incurred, such as assisting a candidate with a house purchase, the CPH compiler has the discretion to not include the expense in the report, but must note the exclusion in the notes section of the documentation.

Table 2: CPHI Internal Cost Data in Scope

Note: All labor expenses are assumed to be "all in" expenses, including salary and benefits.

INTERNAL COST FACTOR	EXPLANATION
Cost of Recruiting Staff	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular recruiters (full or part time) and contract recruiters.
Cost of Sourcing Staff	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular sourcers (full or part time) and contract sourcers.
Internal Overhead for Government Compliance	Incremental internal labor expenses involved in creating, submitting, monitoring and processing materials to comply with governmental regulations.
Non-labor Office Costs	Office expenses, including a representative portion of rent, capital expenses and incidentals, incurred while supporting the recruiting function. If exact data on these expenses exist, then those data should be used. However, it is acceptable to take a percentage of overall office costs based on recruiting headcount.[12]
Recruiting Learning and Development	Expenses related to expanding the capabilities of a recruiting team through formal and informal learning opportunities.
Secondary Management Cost of Time for Events	Multiply number of interviews by an appropriate internal rate to determine estimated total cost of hiring manager time.[13]
Secondary Management Cost of Time for Recruiting	Multiply number of interviews by an appropriate internal rate to determine estimated total cost of hiring manager time.[14]

7.3 OUT-OF-SCOPE COST DATA

This measurement does not include efforts that occur post-hire, such as salaries and benefits paid to the employee, training costs, or economic losses occurring from staff turnover or new-hire time to productivity.

7.4 TOTAL NUMBER OF HIRES IN A TIME PERIOD (THE DENOMINATOR)

The denominator of the CPH equation should be the sum total of the hires that occurred in the time period being measured. Within an organization, there may be several systems that could potentially track the number of hires in a time period. The compiler of the CPH metric should select a "system of record" to consistently report on these data. The total number of hires variable is subject to the same data collection methodology requirements as cost data.

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[12] If a percentage of overall expenses is used, the recommended method is to multiply the total expenses in the time period for an office by the percentage of staff recruiters and sourcers represented. To create the headcount for recruiters/sourcers, using the average number of staff during the time period is acceptable.

[13] Many organizations will not find these data to be applicable. Note that for the CPHI metric, use only the data appropriate for your organization.

[14] Many organizations will not find these data to be applicable. Note that for the CPHI metric, use only the data appropriate for your organization .

7.4.1 DEFINING WHICH TYPES OF HIRES TO INCLUDE IN CPHI

For the CPHI, as an internal standard, the compiler of the metric may use organizational discretion on which types of hires are appropriate to include in a cost-per-hire calculation.[15] The following is provided as a recommendation of the hires to include and exclude in the calculation of CPHI.

For CPHI, the compiler of the metric may define the exact point a hire is counted in CPH. For example, the compiler may declare that a new hire that has "started" physically to work should be included in the denominator, or that a new hire who has accepted an offer should be included in the denominator.[16]

Include:

- Any hire, whether external or internal, where a requisition was completed (or its equivalent process in the organization) by a hiring manager.[17]

- Temporary staff who are already on the payroll system and who have been recruited into a full-time position.

Exclude:

- Supplementary workers (e.g., contractors, agency staff and consultants not on the payroll system).

- Workers paid by a third party.

- Costs associated with internal restructuring.

- Employees whose contracts are automatically renewed.

- Employees taking on temporary job rotations or assignments.

- Costs associated with mergers and acquisitions.

- Employees whose job roles are reclassified.

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[15] The cost-per-hire, comparable, metric found in Section 8 does not afford this type of discretion.

[16] The decision of which definition of "hire" to use (in this example, starts vs. offers accepted) affects exactly what the CPHI statistic is measuring. If starts are used, the CPHI is measuring the average cost of successful hiring outcomes of the recruiting effort. If offers accepted is used, the CPHI is measuring recruiting productivity.

[17] The compiler of the statistic should assume that one requisition (or its equivalent) equals one hire. Fractional hires (full-time equivalents) are not considered in this calculation.

8.0 Definition: Cost-per-Hire, Comparable (CPHC)

8.1 FORMULA DEFINITION

This cost-per-hire, comparable, formula is designed for comparison between organizations. The CPHC formula uses a more restrictive set of data inputs that may or may not be a useful management tool within one particular organization, but that has use as a benchmarking tool across organizations. While the formula for CPHC does not change as compared with CPHI, the cost data in scope is significantly constrained. The data inputs used in this version of cost-per-hire are designed to be reasonably common between organizations.

The formula for CPHC is as follows:

$$CPHC = \left(\frac{\Sigma \text{ (External Costs)} + \Sigma \text{ (Internal Costs)}}{\text{Total Number of Hires in a Time Period}} \right)$$

8.2 DEFINITION OF COST DATA IN SCOPE (THE NUMERATOR)

Table 3: CPHC External Cost Data in Scope

EXTERNAL COSTS	EXPLANATION
Advertising and Marketing Expenses	Expenses related to advertising or marketing for a specific requisition or across many requisitions. Examples include expenses related to job boards, social networks, search engine marketing, marketing material production (brochures, websites) or newspapers.
Background Checks and Eligibility to Work	Expenses related to criminal, education, credit and reference checks on prospective hires. Also includes work eligibility expenses such as Form I-9 processing and use of E-Verify.[18]
Campus Recruiting Expenses	Expenses related to the sourcing and recruiting of talent from colleges and universities, including interns, co-ops and graduates who fill full-time positions.
Drug Testing Expenses	Expenses related to new-hire drug tests (of any sort) that occur before employment begins or during the onboarding process.[19]
Employee Referral Awards/ Payments	For organizations that grant a defined payment to employees for referring a candidate who is subsequently hired, the defined payments to employees may be included.[20]
Job Fair/Recruiting Event Expenses	Fees paid to an event organizer, premiums that may be used specifically for the event, drayage/shipping costs, costs related to the design and construction of booths, labor costs to assemble booths, rentals or other expenses.[21]
Recruitment Process Outsourcing (RPO) Fees	In the event the employer uses RPO, the sum of the fees incurred in the use of RPO should be included.[22]
Sourcing Costs	List purchases, licenses to databases, memberships in organizations to assist in networking and any other sourcing costs.
Technology Costs	Costs of operating any supporting infrastructure technology for the recruiting process, including talent acquisition systems, candidate relationship management systems and reporting systems.
Third-party Agency Fees	Fees paid to external agencies (contingent or retained).
Travel and Expenses, Candidate	Expenses incurred by a candidate and reimbursed by the organization.
Travel and Expenses, Recruiter	Expenses incurred during the act of recruiting for the organization and reimbursed by the organization.

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[18] Form I-9 reverification of existing employees should not be included in expense data.

[19] Expenses related to random drug testing for existing employees should not be counted in expense data.

[20] Many organizations pay employees after a specific tenure of the new employee. For the compiler of the cost-per-hire metric, this may cause concern that the actual expenses are not incurred in the same time period for which CPH is being measured. The compiler of the CPH statistic is free either to use the actual monies paid to employees in the time period or, at his or her option, to treat the anticipated expense as an accrual. In that event, if there are, for example, 10 hired candidates via employee referral, at $X/hire, the compiler would record employee referral expenses = 10 * $X, regardless of whether payment was made to the employee in that time period. The compiler of the metric should note what technique was used in the CPH statistic.

[21] Some expenses, such as brochure production, may be considered marketing expenses even though a brochure is used at a job fair. To determine whether an expense is a job fair expense, use the rule of thumb that only an asset exclusively used for job fairs can be placed in this category. Note: Recruiter Travel and Expenses are defined as a separate data point in this document.

[22] Recruitment process outsourcing may be total outsourcing, where a vendor manages the costs incurred in all recruitment, or it may be project outsourcing. In either event, the expenses are in scope for cost-per-hire.

Table 4: CPHC Internal Cost Data in Scope

EXTERNAL COSTS	EXPLANATION
Cost of Recruiting Staff Expenses	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular recruiters (full or part time) and contract recruiters.
Cost of Sourcing Staff	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular sourcers (full or part time) and contract sourcers.
Non-labor Office Costs	Office expenses, including a representative portion of rent, capital expenses and incidentals, incurred while supporting the recruiting function. If exact data on these expenses exist, then those data should be used. However, it is acceptable to take a percentage of overall office costs based on recruiting headcount.[23]
Recruiting Learning and Development	Expenses related to expanding the capabilities of a recruiting team through formal and informal learning opportunities.

8.3 OUT-OF-SCOPE COST DATA

Any data category not specifically described in Section 8.2 above should be considered out of scope for the cost-per-hire, comparable, metric.

8.4 TOTAL NUMBER OF HIRES IN A TIME PERIOD (THE DENOMINATOR)

The denominator of the CPH equation should be the sum total of the hires that occurred in the time period being measured. Within an organization, there may be several systems that could potentially track the number of hires in a time period. The compiler of the CPH metric should select a "system of record" to consistently report on these data. The total number of hires variable is subject to the same data collection methodology requirements as cost data.

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[23] If a percentage of overall expenses is used, the recommended method is to multiply the total expenses in the time period for an office by the percentage of staff recruiters and sourcers represented. To create the headcount for recruiters/sourcers, using the average number of staff during the time period is acceptable.

8.4.1 DEFINING WHICH TYPES OF HIRES TO INCLUDE IN CPHC

For the CPHC, as a comparable standard, the compiler of the metric may not use discretion on which types of hires are appropriate to include in a cost-per-hire calculation. The following is the definition of hires to include and exclude in the calculation of CPHC.

For the CPHC, the compiler of the metric should include only hires that have "started" physically to work for the organization in the denominator.

Include:

- Any hire, whether external or internal, where a requisition was completed (or its equivalent process in the organization) by a hiring manager.[24]

- Temporary staff who are already on the payroll system and have been recruited into a full-time position.

Exclude:

- Supplementary workers (e.g., contractors, agency staff and consultants not on the payroll system).

- Workers paid by a third party.

- Costs associated with internal restructuring.

- Employees whose contracts are automatically renewed.

- Costs associated with mergers and acquisitions.

- Employees taking on temporary job rotations or assignments.

- Employees whose job roles are reclassified.

---

[24]The compiler of the statistic should assume that one requisition (or its equivalent) equals one hire. Fractional hires (full-time equivalents) are not considered in this calculation.

9.0 Recruiting Cost Ratio (RCR)

9.1 DESCRIPTION

It may be useful for organizations to analyze costs not by the number of hires recruited and selected, but by the total compensation of hires placed in the organization. This RCR formula normalizes recruiting costs based on compensation as a proxy for the relative value of the new hire to the firm.[25]

The recruiting cost ratio varies from the CPHI or CPHC only in the denominator; whereas CPHI or CPHC are ratios of costs to the number of hires, the recruiting cost ratio is a ratio of costs to total first-year compensation of the new hires.

9.2 FORMULA DEFINITION

The formula for RCR is as follows[26]:

$$RCR = \left(\frac{\sum (\text{External Costs}) + \sum (\text{Internal Costs})}{\text{Total First-Year Compensation of Hires in a Time Period}} \times 100 \right)$$

Like CPHI or CPHC, the recruiting cost ratio is a ratio; however, the RCR is expressed as a percentage. Example 1 presents a sample calculation of the recruiting cost ratio.

Example 1: Recruiting Cost Ratio Calculated

Sum of External Costs = $100,000

Sum of Internal Costs = $100,000

Total FY Compensation = $2,000,000

$$RCR = \left(\frac{\$100,000 + \$100,000}{\$2,000,000} \times 100 \right)$$

RCR = 10%

The RCR is interpreted as follows for this example: For every dollar of first-year compensation, the organization spent 10 cents on activities related to acquiring the talent.

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[25] Some recruiting teams have noted difficulty in comparing cost-per-hire when the types of hiring across organizations vary significantly. For example, an executive recruiting team hiring only 10 people at a total compensation of $175,000 each may have exactly the same costs as a team that hired 200 hourly employees; however, their respective cost-per-hire statistics will be very different.

[26] Credit for early work on this topic is given to Staffing.org, the HR Metrics Consortium and Nick Burkholder (Burkholder, 2006).

9.3 DEFINITION OF COST DATA IN SCOPE (THE NUMERATOR)

The definition of the numerator of the RCR formula does not vary from the stated definition in the CPHI formula within this document. Refer to Sections 7.2 and 7.3 for details on costs to include and exclude.

9.4 OUT-OF-SCOPE COST DATA

Any data category not specifically described in Section 7.2 should be considered out of scope for the RCR metric.

9.5 TOTAL FIRST-YEAR COMPENSATION OF HIRES (THE DENOMINATOR)

The denominator of the RCR formula should be the sum total of the first-year compensation for hires that occurred in the time period being measured. Within an organization, there may be several systems that could potentially track the total compensation of hires in a time period. The compiler of the CPH metric should select a "system of record" to consistently report on these data. The total number of hires variable is subject to the same data collection methodology requirements as cost data.

9.5.1 DEFINING WHICH TYPES OF HIRES TO INCLUDE IN RCR

Users may use the same discretion in counting hires in the recruiting cost ratio as they do for CPHI (Section 7.4.1).

9.5.2 DEFINING TOTAL COMPENSATION

The total first-year compensation of hires used in the denominator of the RCR formula is the anticipated first-year (12-month rolling) financial compensation offered to and accepted by the new hires. The RCR denominator represents anticipated value to the organization; it is not required that the new hires actually fulfill their first year of service. Total first-year compensation may include traditional and reasonably recognized compensation elements found in an initial offer letter, including salary, benefits, bonuses, incentives, fair value of equity awards, etc.[27]

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[27] In the event that a salary being counted includes commissions, the compiler of the statistic may make reasonable assumptions on an average performance to calculate first-year compensation, provided the spirit of the metric is being respected; the assumption should be a fair estimate of the relative value the firm places on the new hire.

10.0 Assembling a Cost-per-Hire Metric

10.1 DATA COLLECTION METHODOLOGY REQUIREMENTS

A common issue in using CPH is an end user's questions about the accuracy and source of the data used. Commonly, cost data may be stored in several areas and have been merged to create the metric. Note that 100% accuracy in content and scope is not required for a valid cost-per-hire metric. However, what is required is that the data have been subjected to a reasonable amount of scrutiny in how they are collected and validated.

It is preferred that source cost data be derived from system of record sources (e.g., general ledger, talent acquisition system), and that steps are taken both to organize costs into logical cost codes and to educate end users on how to use appropriate cost codes.

Four criteria must be satisfied regarding the data used in a cost-per-hire metric to meet a minimum standard for data integrity. They are:

- **The data set is representative.**

- **The source of data is transparent.**

- **Data errors are minimized.**

- **Periodic audits of processes occur on data input.**

10.1.1 REPRESENTATIVE DATA SET

The data should be reasonably representative of the costs incurred for each area being measured. When defining representative data, the compiler of the CPH metric should consider both the scope of the data (i.e., have costs been included for all hires that occurred in the time period?) and the depth of the data (i.e., has there been a reasonable amount of scrutiny to ensure that the costs being used are representative of the costs incurred?). Recommended actions to ensure that the data are representative of costs incurred include the following:

Periodic internal/external audits of costs and their cost centers (codes). For example, the compiler of the CPH metric may examine current cost centers to find that two new cost centers are being used, and these two new centers contain data relevant to the metric.

Periodic tests of variance of specific costs between reporting periods. For example, the compiler of the CPH metric may notice that in one reporting period, technology costs related to recruiting are 50% lower than in a previous period. The variance may be worth scrutiny.

10.1.2 TRANSPARENT SOURCE OF DATA

The source of the data should be unambiguous, come from a defined source and be transparent to the end user. End users should have access to documentation about the data.

An unambiguous, defined source: The source of the cost data should be able to be documented simply and easily (e.g., "Travel costs were compiled by the AirOne travel system maintained by our travel vendor" is unambiguous and defined, whereas "The cost came from Bob" remains ambiguous).

Transparent: The source of the data should be stated to the end user in the documentation. In addition, any manipulation of the data should be documented, including standard accruals, straight line cost trending, etc.

10.1.3 MINIMIZATION OF DATA ERRORS

The compiler of the CPH metric must examine each data set for obvious data errors, including the following:

- **The existence of negative cost numbers where a credit has not occurred.**

- **An inappropriate time frame for costs. Examining the dates of costs incurred, the compiler should inquire whether a suspicious cost has been included.**

- **Errors of omission, where costs are not found for an activity that likely has costs associated with recruiting/staffing.**

10.1.4 PERIODIC AUDITS OF PROCESSES

An examination of the processes that create the cost-per-hire data should occur periodically to capture out-of-process events and integrate them into the standard process. This may include process improvements in data collection, technology/automation projects or other process improvement techniques embraced by the organization. To calculate cost-per-hire, it is not required that data capture processes be pristine; however, a commitment to continuous process improvement should exist.

10.2 DATE RANGES

The cost-per-hire metric is constrained within a certain time period. To create consistency among multiple reports with different date ranges, the following methodology should be used:

> **The date range stated in the metric should fully encompass financial activity within the stated range.**
>
> *For example,* if expense item X was incurred at 11:59 p.m. on March 31 for a date range report of 1/1-3/31, then expense X should be counted in this report.

> **Some costs may be invoiced by a vendor asynchronously to the hire. The compiler of the CPH metric may decide to include costs as they are invoiced or as they are accrued to the hire specifically. The decision on how to track dates of expenses should be made once so it is consistent from report to report.**
>
> *For example,* if the invoice for a background check arrives on April 1 and the compiler has decided in advance that expenses are recorded on invoice date, then there is no need to restate a Q1 report.

10.3 USING DATA SEGMENTATION IN COST-PER-HIRE

It may be useful for HR practitioners to view and compare a subset of CPH data. For example, management may wish to track costs over time for a specific division's recruiting without seeing recruiting data from other divisions. The Cost-Per-Hire Standard allows for flexibility in expressing cost data in any segment the compiler of the metric wishes.[28]

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[28] Segmentation may be used in any of the three defined formulas (CPHI, CPHC, RCR). For CPHC, segmentation should be documented thoroughly enough so as not to cause a novice reader to misunderstand the compiler's segmentation analysis.

10.3.1 DATA SEGMENTATION DEFINITION

Data segmentation is the practice of "slicing" or segmenting cost-per-hire data to provide meaningful information on a certain category for an end user. One might segment the CPH data by any number of different criteria. The point of segmentation is to derive a subset of cost data for analysis.

Some examples of criteria that may be used for CPH data segmentation include, but are not limited to, the following:

- Geography or location.

- Education level.

- Leadership level (e.g., individual contributor, manager, senior leader, campus hire).

- Business functional area (e.g., finance, HR, operations, R&D, sales).

- Industry (e.g., construction, pharmaceutical).

- Demographics of candidate pool (e.g., EEOC classes).

- Recruiting channel(s) employed (e.g., newspaper ad, executive search firm, online job board).

The compiler of the CPH metric may document segmentation methodology in any convenient method, provided that the compiler's intent is clear on what data are being segmented (see Example 2).[29]

10.3.2 ADDING SEGMENTATION DATA TO COST-PER-HIRE CALCULATIONS

To segment the data, the compiler of the CPH metric will add new columns to the raw data to reflect the desired segmentation to be created (see Example 3).

10.3.3 CPH FORMULA WHEN DATA SEGMENTATION IS USED

The only material difference in applying the segmented CPH formula is that only the rows of hire data that fall within the stated segment should be included (herein referred to as a "subset" of the data).

The formula for segmented CPH is as follows:

$$CPH = \left(\frac{\sum (\text{Subset of External Costs}) + \sum (\text{Subset of Internal Costs})}{\text{Total Number of Hires in a Time Period within the Subset}} \right)$$

---

[29] While data segmentation may be a desirable tool for analyzing components of a recruiting effort (e.g., understanding lateral recruiting costs vs. campus costs, or costs to recruit IT employees vs. call center employees), it is recommended that the compiler of the CPH metric specifically define the objective of the data segmentation to ensure it is an actionable result.

10.3.4 ASSEMBLING A SEGMENTED COST-PER-HIRE METRIC

The compiler of a segmented cost-per-hire must use the same standards of transparency, data quality and representative data criteria documented in this Standard, as well as the in-scope and out-of-scope criteria for the metric.

Example 2: Documentation for Segmentation Method

ITEM	DEFINITION
Purpose	■ Determine CPH by geographic business area.
Variables to Segment	■ Region names (Americas, EMEA, APAC). ■ Currency types (USD). ■ Regional differences of CPH information availability and accuracy. ■ Regional organizational influence on CPH.
Time Frame	■ Time period is defined as the month of June 2010.
Transparency	■ Review CPH data with executive leadership prior to making it available to regional leadership.
Data Quality	■ Accuracy reviewed, determined that it is acceptable to proceed with identified variables. ■ Use corporate accounting's data on regional fixed and variable costs. Use the number of hires captured in the organization's payroll system.

Example 3: Variable Cost Raw Data[30]

Position Title	Business Unit	Requisition Number	Name of Hire	Start Date	Vendor Expenses	Advertising Expenses	Candidate Travel Expenses	Relocation Expenses to Date	Anticipated Relocation Expenses	Hiring Bonus	Employee Referral Bonus	Total Expenses
Marketing Research Manager	Marketing	MR29-10	Janet Puri	2/22/2011	$12,899	$725	$1,090	$622	$ -	$15,000	$4,800	$35,136

In this example, the compiler adds the column of Business Unit, which will be used in segmentation.

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[30] Each row in this example contains all expenses incurred for the requisition, including expenses for those candidates considered but not hired.

10.3.5 VISUAL DISPLAY OF SEGMENTED COST-PER-HIRE METRIC

When displaying segmented data, the segment in question should be reasonably represented in the visual display of information, by either a specific column heading or another written indicator (see Example 4).

10.3.6 SPECIAL CASE SEGMENTATION: COLLEGE/UNIVERSITY CAMPUS RECRUITING

College/university recruiting efforts represent a special case of data segmentation with a particular body of knowledge to support segmentation techniques. This section defines segmentation for this special case within recruiting.[31]

Definition of a Campus Hire

The first issue to be addressed is who qualifies as a campus hire, as many organizations use different criteria. For example, if students graduate from college and take a year off to travel, or are employed for more than 12 months after graduation in roles that do not require a degree, and are subsequently hired by an organization in a degree-related position, do those individuals "count" as campus hires? One organization might "count" those individuals as campus hires despite the length of time between graduation and degree-related employment, while another might not. Other examples are graduates who enter military service after graduation out of a sense of patriotism or to fulfill financial obligations, such as those who graduate from a military academy or from an ROTC program. They might not start employment for two or three years. Finally, some companies account for intern or co-op hiring in their campus recruiting CPH calculations, while others strictly use the hiring of graduates into full-time positions.

Example 4: Declaration of Cost-per-Hire Segmentation Results[32]

REGION	# OF HIRES	EXTERNAL COSTS	INTERNAL COSTS	TOTAL COSTS	REGIONAL CPH
Americas	84	$201,600.00	$127,432.00	$329,032.00	$3,917.05
EMEA	47	$154,794.50	$66,340.50	$221,135.00	$4,705.00
APAC	52	$111,322.64	$39,113.36	$150,436.00	$2,893.00
TOTAL/AVG	**183**	**$467,717.14**	**$232,885.86**	**$700,603.00**	**$3,838.35**

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[31] This section has been developed in cooperation with the National Association of Colleges and Employers (NACE).

[32] Note that the information in this table is for example purposes only and does not reflect real data for any organization. This data is not representative of an expected average or industry standard. Calculations were made using the CPH formula provided in Section 5 of this document.

For the purpose of the campus recruiting CPH formula, the following definitions will apply to those who are considered campus hires.

Campus Hires, Full-Time

Campus hires, full-time, are individuals who have obtained a degree within 12 months of their start date or who have not worked in their chosen profession (for which their degree prepared them) full time for more than one month after graduation.

Examples of those who "count" for CPH calculations:

- Scott graduates with a degree from an accredited university in June and cannot find a position in his chosen field. As a result, he takes a position in retail to make ends meet. Eleven months later, he finds a position at an organization that hires him into a role that matches his field of study (or requires a degree). Scott "counts" as a campus hire, and the costs associated with recruiting him factor into the CPH calculation because his hiring was within 12 months of his graduation.

Examples of those who do not "count" for CPH calculations:

- Jane graduates from an engineering school and takes a position at an organization in a technical role. After six months, Jane decides to quit and join another organization. Since Jane was employed in her chosen field for more than one month, Jane would count as an experienced hire and not a campus hire, even though her hiring date was less than 12 months from her graduation.

- Brad graduates from college and decides to travel the world prior to entering the workforce. After fulfilling this need for wanderlust for 13 months, he decides to enter the workforce. Regardless of the role he fills, Brad is not considered a campus hire because his employment began more than 12 months after graduation.

- Michael graduates college in December and joins the military. After serving for two years, he enters the job market. Within 12 months after his military separation, Michael is hired into a role that requires the skills he obtained in school and/or the military. Michael does not count as a campus hire, and the costs for recruiting him are entered into the CPH formula for experienced hires.

Co-op and/or Intern Hires[33]

Interns and co-ops typically are pursuing a degree, either undergraduate or graduate, while they work at an organization. They are hired by an organization for paid or unpaid positions for a specific period of time prior to their graduation from college or university. If the individuals are unpaid, there is an assumption that they are receiving college credit in exchange for the work they are performing.

Most companies offer co-op and intern programs with the intent of "converting" these candidates into full-time employees. For campus recruiting CPH calculations, we recommend that the recruiting costs for these classes of hires be included in the cost categories in the year they were initially recruited.

Example:

- Willie was recruited to work as a summer intern in 2007 at the completion of his sophomore year in college. The costs to recruit Willie will be used in the 2007 calculation of CPH. After two internships with the organization (2007 and 2008), Willie accepted an offer for full-time employment for a 2009 start date. Since the costs to recruit Willie in 2009 were negligible, he is essentially a "free" hire in 2009, as the real recruiting costs were expended in 2007.

Definition of Campus Recruiters

Companies and organizations often use non-HR employees or third-party recruiters to assist with campus recruiting. These recruiters go to campuses to recruit, interview candidates, participate in candidate care and be involved in other activities used in campus hiring.

For CPH calculations, only the compensation of those individuals whose primary employment role is to acquire talent will be considered. Thus, a campus recruiter is defined as an individual in the staffing, recruiting, talent acquisition or human resources department who has the responsibility for attracting campus hires to the organization. Hourly or daily rates of line staff—engineers or accountants, for example, who participate in the recruitment process on campus or in the workplace—will not count in the CPH formula.

Example:

- Fred is an engineer with an organization that recruits on the University of Michigan campus. As an alumnus of the University, Fred goes to campus several times a year for recruiting and relationship-building purposes. Fred's travel expenses to recruit college students are captured and calculated as a direct expense into the organization's CPH calculations. Fred's hourly or daily compensation, however, should not be used to calculate CPH.

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[33] When preparing a cost-per-hire metric without segmentation, the compiler of the metric may not want to include co-op and intern hires in the total CPH metric.

Hybrid Recruiters and Coordinators

Not all organizations have full-time campus recruiters and recruiting coordinators (those who schedule interview dates and handle administrative matters). Instead, some organizations have hybrid recruiters and coordinators who are responsible for attracting both experienced hires as well as new graduates to the organization. In circumstances where recruiters and coordinators spend time and expend funds on campus-related recruiting activities, the costs will be apportioned by either an estimated percentage of time devoted to campus recruiting activities or by the percentage of new hires to the organization that are campus hires.

Example:

■ Carol is a recruiter for a mid-size financial services company. She spends most of her time recruiting work-experienced candidates, but also recruits on campuses and establishes relationships with departments at universities from which the company sources talent. She also attends a few national and school-specific career fairs. Carol estimates that she spends 80% of her time annually on activities related to experienced hires and 20% of her time on campus recruiting activities. Thus, 20% of her compensation will be used in the campus recruiting CPH calculation.

Components of Campus Recruiting Operational or Direct Costs

■ Recruiter and employee travel for campus recruiting activities, including interviewing, career fairs and relationship-building activities.

■ Interviewer travel expenses for on-campus interviews.

■ Candidate travel expenses for office visit interviews and other recruitment-related activities.

■ Recruiting collateral, including brochures, merchandise and other recruiting costs that are directly related to campus recruiting. Collateral and merchandise costs will be apportioned on an approximate basis for items used in recruiting for both experienced workers and campus hires.

■ Purchase of resume books and cost of posting jobs on campus-specific job sites.

■ Creation and maintenance of websites specific to campus recruiting (in addition to the general organization career site).

■ Social media related to campus recruiting.

Include:

- The annual expenses of attending college recruiting events that are geared toward current students, such as information sessions, career fairs, and recruiting budget related gifts to clubs count as campus CPH expenses.

Exclude:

- Research expenditures at colleges and universities do not figure into CPH, even if students are hired as a result of the research projects at the university.

- Most financial contributions and philanthropy to universities are not included in campus recruiting CPH calculations.

In-Scope Costs

The definition of costs within CPHI and CPHC apply to this segmented cost-per-hire. However, more in-depth data may be required. For example, while estimating internal hiring manager's time for interviewing may be optional for CPHI, this cost of labor may be a significant component in campus recruiting. In addition, although the job fair category will capture most campus recruiting costs, campus recruiting also may include specific events for interns, special recruiting programs and events that should be captured in costs.

The formula for calculating campus recruiting CPH is as follows:

$$CPH = \left(\frac{\sum (\text{External Campus Costs}) + \sum (\text{Internal Campus Costs})}{\text{Total Number of Hires from Campus (FT, Intern and Co-op)}\ \text{in a Time Period}} \right)$$

11.0 Visual Display of Cost-per-Hire Results

11.1 DECLARATION OF ADOPTION

When an organization decides to use any SHRM/ANSI cost-per-hire metric, it should declare the use of the Standard the first time the metric is displayed in materials as a footnote in this format:

> **This metric was calculated using the "Cost-per-Hire, Comparable" or "Cost-per-Hire, Internal" or "Recruiting Cost Ratio" ANSI Standard number ANSI-SHRM-06001.2012.**

11.2 RECOMMENDED DISPLAY FORMAT

Cost-per-hire data may be displayed in any visual methodology chosen by the compiler of the metric (tables, charts, graphs, etc.) that accurately represents the metric to reviewers of the analysis. To provide full transparency of the metric to a reviewer, the following is a suggested format for visually displaying a cost-per-hire metric (see Example 5).[34]

Example 5

COST PER HIRE, COMPARABLE = $ZZZ.YY
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Cost Details (See documentation)

COST PER HIRE, INTERNAL = $ZZZ.YY
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Cost Details (See documentation)

OR

RECRUITING COST RATIO = NN.YY%
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Total Compensation = $YY (display optional)
Cost Details (See documentation)

Definitions:

"Date Range" is the date range used to run the CPH metric stated.

"Last Updated" is the date the metric was last run, reflected in the metric stated above.

"Total Costs" are the sum of the internal and external costs used in the metric (the numerator).

"Total # Hires" is the denominator of the metric.

"Cost Details" should point or link the reader to supporting documentation (see Examples 7 and 8).

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[34] Note: This document has represented currency as the $ sign for convention purposes only. This standard may be applied using any desired currency.

11.3 VISUAL DISPLAY OF COST-PER-HIRE RESULTS WHEN SEGMENTING DATA

In the event that the compiler of the metric has created a CPH segmented metric, Example 6 presents the recommended visual display of information.

Example 6

COST PER HIRE (SEGMENTED) = $ZZZ.YY

Segmentation Business Unit Marketing

Date Range 1/1/2010 - 3/31/2010

Last Updated 4/15/2010

Total Costs = $ZZZ.YY

Total # Hires = XX

Cost Details (See documentation)

12.0 Supporting Documentation

During the period when the Cost-per-Hire Standard is being used within an organization, the compiler of the metric should maintain documentation on the data collection methodology and the variables that have been used. The intent of the supporting documentation is to provide to any interested party adequate transparency into the process used to calculate the cost-per-hire metric.

This documentation should be updated at least annually, or when the compiler has changed the cost data used in calculating the metric. The components of the documentation should include the following information, as presented in Examples 7 and 8:

- **General information.** Information about the formula used and the compiler of the CPH metric.

- **Representative data set.** A brief statement regarding how representative the data set is for the entire organization or for the effort being analyzed.

- **Transparency of cost data used.** A table of each cost factor used in the calculation of this formula and the source of the data used.

- **Data quality/minimization of data errors.** A statement addressing each cost factor or all cost factors in aggregate on steps taken to correct data for errors.

- **Known issues.** Any explanations about issues with the formula, the quality of the data and intended areas for future improvement or innovation.

Example 7: Cost-per-Hire, Internal, Documentation

Standard Implemented:	SHRM/ANSI Standard (ANSI-SHRM-06001.2012): Cost-per-Hire, Internal
Representative Data Set:	XXXXXXXXXXXXX
Documentation Updated:	April 1, 2010
Compiler:	Steve Smith, HRIS Analyst, ssmith@yourcompany.com
General Information:	None

Description of Cost Factors Used (Numerator)

EXTERNAL COSTS	DATA SOURCE	DATE DATA QUALITY CHECKED	NOTES
Advertising and Marketing Expenses	General ledger: Cost code 317	12/2009	Year-long contracts are divided by the time period measured.
Background Checks and Eligibility to Work Expenses	Vendor report, audited by director of recruiting	3/2010	
Campus Recruiting Expenses	General ledger: Cost code 210	12/2009	Bulk of expenses are paid in January for the next year's recruiting.
Contingency Fees	Talent acquisition system report, audited by director of recruiting	2/2010	
Drug Testing Expenses	Vendor report, audited by director of recruiting	2/2010	
Employee Referral Awards/ Payments	General ledger: Cost code 554	12/2009	
Job Fair/Recruiting Event Expenses	General ledger: Cost code 112	12/2009	Year-long expense items are divided by the time period measured.
Pre-screening Fees	Vendor report, audited by director of recruiting	3/2010	
Relocation Fees	Talent acquisition system report, audited by director of recruiting	3/2010	
Sourcing Costs	General ledger: Cost code 378	12/2009	Year-long expense items are divided by the time period measured.
Travel and Expenses, Candidate	Travel system report	10/2009	
Travel and Expenses, Recruiting	Travel system report	10/2009	
Technology Costs	Vendor report, audited by director of recruiting	2/2010	Year-long expense items are divided by the time period measured.
Third-party Agency Fees	Vendor report, audited by director of recruiting	2/2010	

INTERNAL COSTS	DATA SOURCE	DATE DATA QUALITY CHECKED	NOTES
Cost of Recruiting Staff	Payroll system	12/2009	Reflects new staff added 12/2009.
Cost of Sourcing Staff	Payroll system	12/2009	Reflects new staff added 1/2010.
Non-labor Office Costs	General ledger: Cost code 555	12/2009	Expenses are mixed with L&D; 60% of the non-labor expenses are allocated to this CPH measure.
Recruiting Learning and Development	General ledger: Cost code 556	12/2009	

Data Quality Statement

It is our process during the calculation of this metric to scrub the data for errant data in the following ways:

- External costs that are incurred at a flat annual rate are divided into the time period being calculated in this report. Example: If a resume access contract is $12,000 annually and the report is monthly, this cost would be calculated as $12,000 / 12 months = $1,000/month.

- External cost data that are ad hoc (per candidate) are checked against the total number of hires counted in the time period. If there is a discrepancy of over XX% on the number of hires found in the data, we dig into both systems until the data are aligned.

- To look for missing cost data, we review recruiting costs and ask the following questions:

  - Is there usually a cost for this type of hire that we do not see in our data?

  - Is there an unusually low cost for a usually expensive hire?

- To look for errant data, we review recruiting costs and ask the following questions:

  - Are any expenses in the general ledger miscategorized as recruiting expenses?

  - Are there extraordinary expenses on a usually lower-cost hire type?

  - Are there extraordinary expenses that are counted in this reporting period that are actually used year-round?

Known Issues

The compiler of this metric acknowledges that the following issues have been identified with the data. Although these issues do not affect the use of the metric, the compiler wishes to ensure that reviewers are aware of the following:

- In partnering with Finance, we have determined that although travel costs may be more comprehensive using the general ledger system, it does not routinely capture expenses run through our employee expense system. We have decided to use the travel and expense system for those costs, understanding that some costs (expected to be trivial) are not captured in the system.

- Our newly acquired company, Company X, is not yet on our talent acquisition system. We have decided to use the same metric calculations for Company X, reported separately until it is fully integrated into our systems, estimated to be completed in Q2 2011.

- Third-party agency fees are known to be within 5% accurate, as one division is not directly using central recruiting for all hiring needs.

Example 8: Cost-per-Hire, Comparable, Documentation

Standard Implemented:	SHRM/ANSI Standard: Cost-per-Hire, Comparable
Documentation Updated:	6/28/2010
Compiler:	Steve Sample
General Information:	The suggested format for visually displaying a cost-per-hire metric was used.

Cost-per-Hire = External + Internal Costs / Total Number of Hires in a Time Period

COST-PER-HIRE, COMPARABLE	$2,556
Date Range	10/1/09-3/31/10
Last Updated	6/11/10
Total Costs	$69,012
Total # Hires	27
Cost Details	See below

Definitions

- "Date Range" is the date range used to run the CPH metric stated.
- "Last Updated" is the date the metric was last run.
- "Total Costs" are the sum of the internal and external costs used in the metric (the numerator).
- "Total # Hires" is the denominator of the metric.
- "Cost Details" are described below.

Supporting Documentation

1. Representative data set: The time period chosen was 10/1/09 through 3/31/10. This period is representative of many costs associated with the calculation of CPH because the new hires constitute positions at all levels in the organization.

2. Description of cost factors used (numerator):

EXTERNAL COSTS	DATA SOURCE	DATA QUALITY CHECKED?	NOTES
Advertising and Marketing Expenses	General ledger: Recruiting budget	Yes	Annual charges should be prorated based on the period selected. This requires reporting beyond the period selected to search for any annual costs.
Campus Recruiting Expenses	General Ledger: Recruiting budget	Yes	
Job Fair/Recruiting Event Expenses	General Ledger: Recruiting budget	Yes	
Sourcing Costs	General Ledger: Recruiting budget	No	We would have to search through the membership budget account to find these data, or we could charge the recruiter's expenses to the recruiting budget to facilitate calculating the CPH.
Technology Costs	Accounting needed to pull invoices for review	Yes	Required A/P supervisor to pull invoices to review. Used a percentage of costs, not broken down to the specific applicant software.
Background Checks and Eligibility to Work	General Ledger: Recruiting budget	No	
Drug Testing Expenses	General Ledger: Recruiting budget	No	
Employee Referral Awards/Payments	N/A		None in the time period.
Travel and Expenses, Candidate	General Ledger: Recruiting budget	Yes	Not included in the HR recruiting budget. Charged to the recruiting budget of hiring division.
Travel and Expenses, Recruiting	Would be included in the travel budget	Yes	We did not have any costs included in the HRIS. These data are pulled from individual expense reports since they are charged to the travel budget. Would be helpful to have copies upfront.
Third-party Agency Fees	General Ledger: Recruiting budget	Yes	Not included in HR recruiting budget. Charged to the recruiting budget of hiring division.
Recruitment Process Outsourcing Fees	N/A		

INTERNAL COSTS	DATA SOURCE	DATA QUALITY CHECKED?	NOTES
Cost of Recruiting Staff	Payroll	No	Payroll system data, including portion of annual bonus.
Cost of Sourcing Staff	General Ledger: Recruiting budget	Yes	
Non-labor Office Costs		Yes	
Recruiting Learning and Development		Yes	

3. Description of number of hires data used (denominator): The data used for # hires was taken from our HRIS system, iVantage, for the time period selected.

4. Data quality statement: It is our process during the calculation of this metric to analyze the data for inconsistencies as follows:

- External costs that are incurred as an annual fee are prorated for the time period selected. Example: Resume access contract is $6,000 annually, and the report is for 6 months. This cost would be calculated as $6,000 / 12 months x 6 = $3,000 for the 6 months.

- To look for missing cost data, we review recruiting costs in the general ledger and in the HRIS system and ask the following questions:

  - Is there usually a cost for this type of hire that we do not see in our data?

  - Is there an unusually low cost for a usually expensive hire?

- To look for data errors and anomalies, we review recruiting costs and ask the following questions:

  - Are there any expenses in the general ledger that have been miscategorized?

  - Are there higher than normal expenses on a typically lower-cost hire type?

  - Are there expenses that are counted in this reporting period that are actually used year-round?

5. Known issues: The general ledger recruiting budget had most of the costs we were looking for. Other costs, such as travel for the recruiter and non-labor office costs, are not included in the general ledger recruiting budget and are more difficult to locate. Where documented, we used non-system of record sources such as actual invoices from files. For future consideration, we have suggested keeping a copy of the invoices before they go to Accounting in order to facilitate finding all of the costs associated with the cost-per-hire.

13.0 Appendix: List of Tables

Table 1: CPHI External Cost Data in Scope

Table 2: CPHI Internal Cost Data in Scope

Table 3: CPHC External Cost Data in Scope

Table 4: CPHC Internal Cost Data in Scope

Notes

Cost-per-Hire Standard

ANSI/SHRM 06001.2012

**AN AMERICAN NATIONAL STANDARD FOR
HUMAN RESOURCE MANAGEMENT**

Approved February 8, 2012

American National Standards Institute, Inc.

SHRM®
SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

ISO/TC 260
ISO/TC 260 - Human resource management
Email of secretary: jknopes@ansi.org
Secretariat: ANSI (USA)

N48 - Task Group Operating Models Report

Document type: Other meeting document

Date of document: 2012-08-16

Expected action: INFO

Background:

Committee URL: http://isotc.iso.org/livelink/livelink/open/tc260

Report ISO/TC 260/Task Group Operating Models

Date: Thursday 12 July 2012

The first Webex meeting of TG Operating Models was 15 June 2012. During this meeting we have discussed the use and purpose of an ISO deliverable for operating models in the field of Human Resource Management.
The intention is to make a recommendation for ISO/TC 260 how to handle the topic Operating Models in the development of future standards. This recommendation will be discussed during the coming meeting of ISO/TC 260, 24-25 September, Melbourne, Australia.

A draft template is made to describe different operating models. This template contains different aspects to explain models, to show how they fit to the organization culture and which personal skills are desirable.
The template can be a starting point for the development of an ISO Technical Report.
A revised version of the template has to be made, but more input from experts is necessary.

Kind regards,

Stephanie Jansen
Convenor/Secretary ISO/TG Operating Models

Stephanie Jansen
Consultant NEN Occupational Health and Safety
Consultant NEN Energy Resources

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ISO/TC 260
ISO/TC 260 - Human resource management
Email of secretary: jknopes@ansi.org
Secretariat: ANSI (USA)

N44 - HR Working Practices Committee

Document type: Other committee document

Date of document: 2012-08-13

Expected action: INFO

Background:

Committee URL: http://isotc.iso.org/livelink/livelink/open/tc260

HR Practices Task Group

Report for the ISO TC260
Plenary Meeting in Melbourne, Australia
September 25th, 2012

Objectives

- Charter of the HR Practices Task Group
- Process
- Outcomes of the work
- Proposed Next Steps

Charter of the HR Practices Task Group

- The ISO TC260 is dealing with the topic of Human Resource Management, which can be viewed as an incredibly broad field

- The HR Practices task group was tasked to define Human Resources by stating what was included in the field and what was excluded from the proposed definition

Why is this important?

- The goal is to provide an internal document that can guide our future standards development and potentially create a framework/taxonomy that can be utilized by TC260
- Without this guidance, the TC260 could potentially become focused on only one portion of HR and/or become too broad

The Task Group

- The task group included 19 people
- Included representation from France, Germany, Portugal, United Kingdom and the United States
- The team met virtually and exchanged both best practices and ideas

The Outcome

	Five Stages of the Employee Life Cycle
Twenty HR Functional Areas	**One Hundred Potential Areas for TC260 to consider**

The Deliverable

- The Proposal contains the
  - Framework that makes up Human Resources
  - Definitions of the Employee Life Cycle
  - A second version of the framework which gives some example processes/tasks for some of the areas.

HR Practices Definition of Terms

HR Strategies and Policies involve decisions, practices and activities of an organization designed to identify, attract, acquire, deploy, develop and retain the human capital (i.e., knowledge, skills, competencies and other attributes) required to develop and implement the business strategy of the organization. They also include decisions, practices and activities of an organization designed to manage the separation of employees from the organization.

Attraction and Recruitment involves policies, processes, practices and activities of an organization designed to identify, attract and acquire the human capital (i.e., knowledge, skills, competencies and other attributes) required to develop and implement the business strategy of the organization.

Hiring and On-boarding involves policies, processes, practices and activities of an organization designed to on-board and orient new employees required to design and implement the business strategy of the organization.

Talent Management involves policies, processes, practices and activities of an organization designed to manage, deploy, develop and retain employees required to design and implement the business strategy of the organization.

Separation involves policies, processes, practices and activities of an organization designed to manage the separation of employees from the organization.

Approach:
The initial proposal is that the team consider a matrix using the traditional functional areas with the employee life cycle. The below table shows the main headers for both the functional aspects and the employee life cycle. There is a second table that has populated the matrix with sample activities to help define the function.

	HR Strategies and Policies	Attraction & Recruitment	Hiring and Onboarding	Talent Management	Separation
Organization Design and Development					
Workforce Planning					
Recruitment					

	HR Strategies and policies	Attraction And Recruitment	Hiring and Onboarding	Talent Management	Separation
Recruitment		Sourcing strategy Social media Sourcing SEO Strategy University Recruiting Contractor Vendor Management Requisition Process Applicant Tracking Candidate Assessment Interview and Select Offer Management Contractor Process			
Talent Management			Competency Management	Performance Management Career Development Plan Succession planning Objective and Goal setting	
Learning Management			Needs Assessments	Content Design and Development Learning Delivery Learning Administration	
Compensation Management			Compensation strategy and policies	Compensation Planning Plan Design Market Analysis Salary surveys Compensation Application	
Global Mobility			Strategy and Policy Development Assignment Initiation Services	On-Assignment Services Repatriation Services Tax Services Household Goods Services Vendor Management	
Employee Data Maintenance			New Hire Process	Non Self Service transactions Promotion/Demotion Suspension	

The Employee Life Cycle
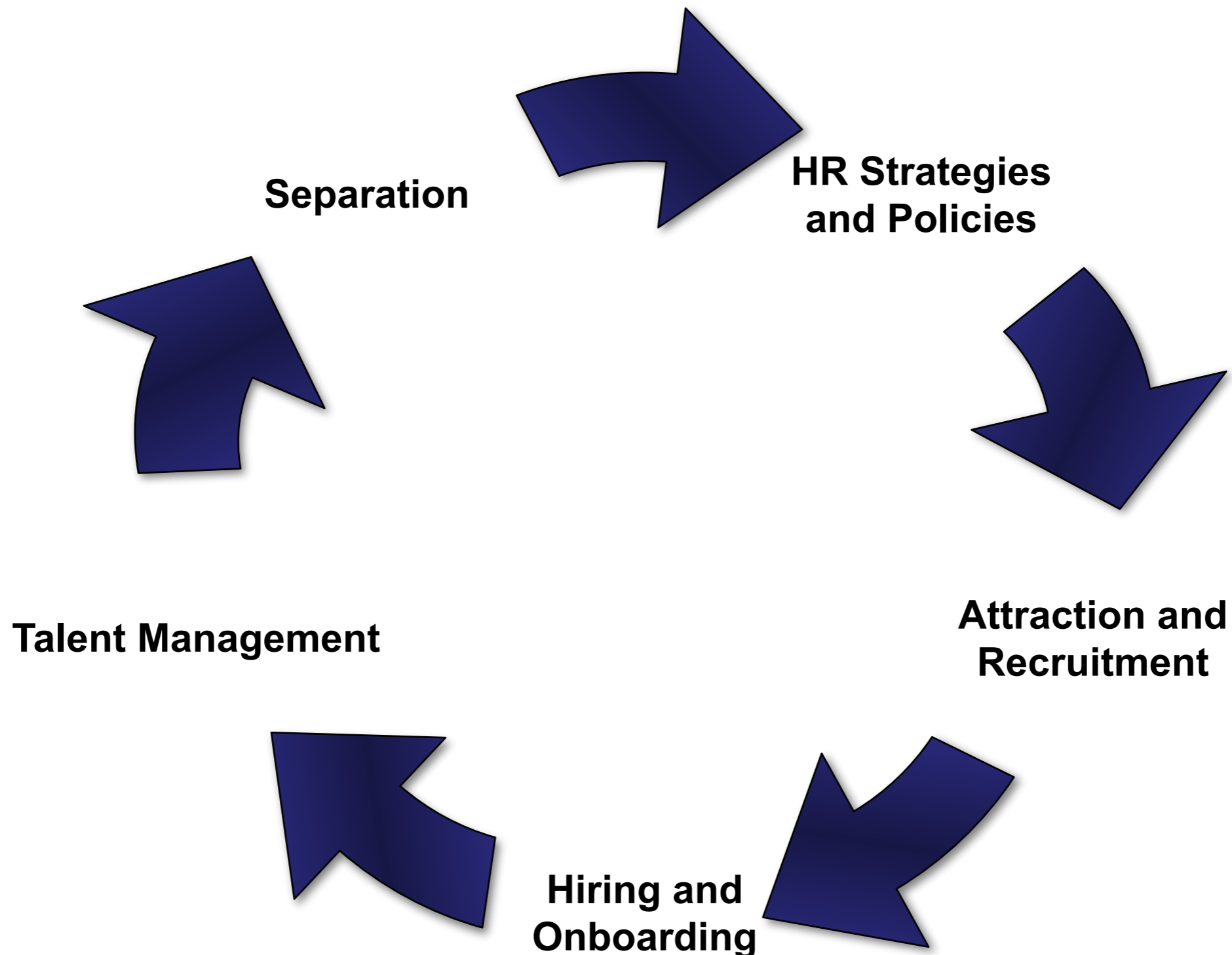
The Functional HR Areas

- Organization Design and Development
- Workforce Planning
- Recruitment
- Talent Management
- Learning Management
- Compensation Management
- Global Mobility
- Employee Data Maintenance
- Employee Relations / HR Business Partner
- Health Benefits Management

- Retirement Management
- Time and Attendance
- Payroll
- HR Delivery
- HR Information Technology
- Compliance
- Reporting and Analytics
- Leave and Absence Management
- HR Communications
- Occupational Health and Safety

Conclusion

- The task group feels that this is a good framework that should be utilized by TC260 to determine what should be considered for future TC work items.

To Consider: A Literature Census?

- Serious consideration should be given to the breadth of the framework.
  - 20 functional areas
  - If TC260 concurs that HR includes areas such as Payroll, Learning Management and Retirement Management, there may be existing bodies of work already established by other international organizations that has not been reviewed by an international standards organization.
  - Should TC260 consider a literature census?

Proposed Next Steps

- The task group believes that the framework should be accepted as an internal working document for TC260.
- The task group is ready to be formally closed.

ISO/TC 260
ISO/TC 260 - Human resource management
Email of secretary: jknopes@ansi.org
Secretariat: ANSI (USA)

N45 - HR Practices Framework

Document type: Other committee document

Date of document: 2012-08-13

Expected action: INFO

Background:

Committee URL: http://isotc.iso.org/livelink/livelink/open/tc260

ISO TC 260: Working HR Practices Group Proposal Document

Submitted on May 31st, 2012

Participating Members:

Franz Gilbert, GPHR - committee chair

Harold Ackerschott	Reiner Hager
Manuel Fernandes	Fatma Bensalem
Izy Behar	Laurence Breton-Kueny
Sarah Walton	Heather Bond
Tom Hogan	Fernan Cepero
Jean-Louis Mutte	Jean-Pascal Arnaud
Jason Knopes	Ed Terhune
Amanda Benedict	Damienne Verguin
Nicolai Dyroff	Oliver Kothrade

Purpose:

The Working Practices working committee was charged with the responsibility of coming up with an document that will be used by the TC260 committee to help guide what work would be considered part of Human Resources.

HR Practices Definition of Terms

HR Strategies and Policies involve decisions, practices and activities of an organization designed to identify, attract, acquire, deploy, develop and retain the human capital (i.e., knowledge, skills, competencies and other attributes) required to develop and implement the business strategy of the organization. They also include decisions, practices and activities of an organization designed to manage the separation of employees from the organization.

Attraction and Recruitment involves policies, processes, practices and activities of an organization designed to identify, attract and acquire the human capital (i.e., knowledge, skills, competencies and other attributes) required to develop and implement the business strategy of the organization.

Hiring and On-boarding involves policies, processes, practices and activities of an organization designed to on-board and orient new employees required to design and implement the business strategy of the organization.

Talent Management involves policies, processes, practices and activities of an organization designed to manage, deploy, develop and retain employees required to design and implement the business strategy of the organization.

Separation involves policies, processes, practices and activities of an organization designed to manage the separation of employees from the organization.

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	HR Strategies and Policies	Attraction & Recruitment	Hiring and Onboarding	Talent Management	Separation
Organization Design and Development					
Workforce Planning					
Recruitment					
Talent Management					

	HR Strategies and Policies	Attraction & Recruitment	Hiring and Onboarding	Talent Management	Separation
Learning Management					
Compensation Management					
Global Mobility					
Employee Data Maintenance					
Employee Relations / HR Business Partner.					
Health Benefits management					
Retirement Management					
Time and Attendance					
Payroll					
HR Delivery					
HR Information Technology					
Compliance					
Reporting and Analytics					
Leave and Absence Management					
HR Communications					
Occupational Health and Safety					

Table with Sample Activities

This table is intended to provide the reader with a deeper understanding of what activities we consider make up a portion of the employee life cycle and/or a functional area. It is not intended to be the exhaustive list of every activity that could be included.

	HR Strategies and policies	Attraction And Recruitment	Hiring and Onboarding	Talent Management	Separation
Org Design and Development	OD&D strategy & policies			Review current organization performance Determine allocation of resources Develop performance indicators Organization design Develop conceptual design Develop detailed organization design Design teams and jobs Implement a change program	
Workforce Planning		Developing Hiring Needs analysis		Development Skill Gap Analysis	Manage Predictive Turnover Process
Recruitment		Sourcing strategy Social media Sourcing SEO Strategy University Recruiting Contractor Vendor Management Requisition Process Applicant Tracking Candidate Assessment Interview and Select Offer Management Contractor Process			

	HR Strategies and policies	Attraction And Recruitment	Hiring and Onboarding	Talent Management	Separation
Talent Management			Competency Management	Performance Management Career Development Plan Succession planning Objective and Goal setting	
Learning Management			Needs Assessments	Content Design and Development Learning Delivery Learning Administration	
Compensation Management			Compensation strategy and policies	Compensation Planning Plan Design Market Analysis Salary surveys Compensation Application	
Global Mobility			Strategy and Policy Development Assignment Iniation Services	On-Assignment Services Repatriation Services Tax Services Household Goods Services Vendor Management	
Employee Data Maintenance			New Hire Process	Non Self Service transactions Promotion/Demotion Suspension	
Employee Relations			Employee and industrial strategies and policies Industrial relations strategies and policies Works council strategies and policies	Disciplinary, appeal and grievance management Employee relations advice and guidance Employee relations administration	
Health Benefits management	Benefits strategy and policies	Plan Design	Annual enrollment Benefits administration Benefits provider management, reporting and payment Ancillary benefit services by country	Benefits enrollment - ongoing for new hires, newly eligible's, family status changes, new retirees, survivors, QMCSO dependents	

	HR Strategies and policies	Attraction And Recruitment	Hiring and Onboarding	Talent Management	Separation
Retirement Management	Retirement strategy and policies		Retirement plan enrollment - ongoing (new hires, newly eligibles, new retirees, survivors, terminated vesteds, terminated non-vesteds, inactive employees, beneficiaries, alternate payees, joint annuitants) Retirement plan annual enrollment for applicable plan(s) Retirement plan-related communications Retirement plan provider management, reporting and payment Local program administration Defined benefit administration Defined contribution administration Defined benefits fund management Defined contribution fund management Pension administration for retired employees Trustees governance		
Time and Attendance	Time and attendance strategy and policies			Labor data transaction collection & approval Time and attendance data processing Time and attendance reporting Workforce scheduling	

	HR Strategies and policies	Attraction And Recruitment	Hiring and Onboarding	Talent Management	Separation
Payroll	Payroll strategy and policies (e.g., pay frequency, pay dates, methods of payment) Tax authority management		Quarter-end processing Year end processing Expatriate Payroll	Data processing Garnishment processing Pay processing - on-cycle Pay processing - off-cycle Banking transaction management Tax filing and funding Payroll accounting Payroll and tax compliance Distribution	
HR Delivery	Service delivery strategy and policies Service delivery channels Management Service center management		Employee & Manager query management	Document & archive management Process documentation management Data quality & integrity Knowledge management	
HR Information Technology	HR IT strategy and policies		Database Management Historical data maintenance HRIS maintenance Interface management Application and network security Security administration HR systems hosting HR systems development HRIS disaster recovery Software licenses Data Protection		
Compliance				Compliance strategy and policies Compliance and statutory reporting Data protection & privacy Employment legislation Health & safety management Other legislation	
Reporting and Analytics					

	HR Strategies and policies	Attraction And Recruitment	Hiring and Onboarding	Talent Management	Separation
Leave and Absence Management	Leave and absence strategy and policies			Leave and absence management	
HR Communications					
Occupational Health and Safety					

ISO/TC 260
ISO/TC 260 - Human resource management
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Secretariat: ANSI (USA)

N46 - HR Metrics Final Recommendations

Document type: Other meeting document

Date of document: 2012-08-14

Expected action: INFO

Background:

Committee URL: http://isotc.iso.org/livelink/livelink/open/tc260

Table of Contents

ISO TC 260 HR Standards

Task Group:"Key Social and Business-Impact Metrics"

(Based on discussion in Washington –10-11 Nov 2011)

1) **Background**

   ISO (International Organization for Standardization) is a worldwide federation of of National Standards Bodies of 140 countries, supported by a Central Secretariat based in Geneva, Switzerland. The primary aim of international standardization is to facilitate the exchange of goods and services through the elimination of technical barriers to trade. ISO develops International Standards for all industry sectors (with the exception of electro technology, covered by IEC, and telecommunications, covered by ITU). ISO has developed over 18,500 International Standards on a variety of subjects, and approximately 1,100 new standards are published every year.

2) In an effort to promote consistency and to standardize the workforce-management practices in terms of responsibilities and performance expectations, ISO has embarked upon standardization of HR and formed a Technical Committee, ISO/TC 260 HR Standards, to pursue the project. Its plenary meeting was held in Washington, D. C. on 10-11 November 2011. Initially the Committee was comprised of 11 countries, but now it includes 15 countries: U.S., U.K., France, Germany, Sweden, Switzerland, Austria, Norway, Netherland, Portugal, Finland, Pakistan, Malaysia, Italy, and Australia.

3) HR standardization offers broad, coordinating guidance to HR practitioners to harmonize disparate practices for the benefit of organizations and their employees. Standardization of HR will boost local economies by removing barriers to trade, better international market access, more business efficiency, flexible, cost-effective means of complying with international and regional rules/conventions, and improved employee satisfaction.

4) As a result of the 2011 plenary meeting in Washington, four task groups were formed to standardize following aspects of HR:

   1. HR Operating Model (Task Group Leader: The Netherlands)

   2. HR Processes (Task Group Leader U.S.)

   3. Human Governance (Task Group Leader: France)

4. HR Key Social and Business-Impact Metrics (Task Group Leader: Pakistan). The member countries in this Task Group include the U.S., Germany, France, and the Netherlands

2) Why HR Measurement Metrics are Important?

A compelling reason for HR measurement is that the 21st century has seen a paradigm shift from production to service economies worldwide, and the concept of a labor worker transformed into a knowledge worker, which demands ever-higher skill sets of employees.

Today workforce-related costs range from 20% to more than 70% of operating expenses (Cascio & Boudreau, 2011); hence employers are demanding measurable returns on investment (Jac Fitz Enz, 2009). Meaningful HR measures help drive HR strategy. They also help in benchmarking and predicting future states of an organization.

As Cascio and Boudreau noted in their book, "Investing in People" (2011), business leaders inside and outside of the HR profession need more rigorous, logical, and principles-based frameworks for understanding the connections between human capital and organizational success. HR's traditional model of subjective opinions, emotions, and gut feelings is woefully inadequate. Numbers and ratios are the universal language of business. Hence it is important for HR to be able to connect meaningful numbers and ratios to important organizational outcomes.

Scholz and Stein, in their research paper, "International Transferability of Human Capital Measurement" (2012), write that power to define measurement systems is equivalent to power to define processes around them and will eventually lead to computer software, incorporating both metrics and software. It is therefore extremely important to discuss Metrics in an international context.

3) Uses of Metrics

Based on the work of the Saratoga Institute, following are some of the perceived benefits of HR metrics:

a. Communicate specific expectations.
b. Identify performance gaps that should be analyzed and eliminated.

c. Provide feedback, comparing performance to a standard or benchmark.

d. Support decisions regarding resource allocation, projects, and schedules.

e. Measure the processing efficiency of HR operations in numerical form.

f. Identify key trend lines in various operations of HR

g. Business can interpret the trend lines and forecast future situations.

h. HR can become alert to avert/handle impending situations and minimize surprises.

i. Identify internal benchmarks for improvement, with a view to becoming competitive, cost effective, and responsive to business needs.

j. Quantify the HR department's contribution to the overall bottom line, through solid, factual, and verifiable data.

k. Improve productivity in an organization through the accomplishment of organizational goals and objectives.

4) Difference between Data, Metrics, and Analytics

Tim Giehll (2011) explains the difference between data, metrics, and analytics as under:

"Take a look at absenteeism: ask how many people are absent (data report), what percentage is that of the company's workforce (metric), how this information relates to three or more variables (analytics), such as revenue for a day, to help make decisions about whether it pays to hire a temporary employee when someone is absent."

"HR metrics is a stepping stone for HR analytics, which is fact-based decision making. It is the use of data, statistics, and scientific methods - with the help of technology – to assess the impact of HR practices on organizational goals. HR or talent analytics is growing in popularity as organizations everywhere try to maximize their investments in people (Davenport, Harris, & Shapiro, 2010; Hoffmann, Lesser, & Ringo, 2012).

5) Possible Areas of Human Capital Measurement

Scholz and Stein (2012) emphasize that Human capital measurement is gaining growing relevance in strategic HRM as a systematic instrument to analyze and improve HRM quality and performance. A broad range of metrics already exists to validate and measure results and performance related to the enormous complexity of

the HRM field. A recent trend is to focus on a monetary human capital measurement (e.g., Matthewman, 2006; Scholz, 2006; Syrett, 2006) in order to link it to the HR-related discussion of HR risks (e.g., Kobi, 2002), human capital preservation, and HR value-creation potential (e.g., Low, 2000).

Overall two approaches (micro-macro) emerge to measure human capital. Micro-level measurements impact HRM programs and, therefore, specify key performance indicators and performance drivers, such as annual training hours or the degree of variable pay (e.g., Becker, Huselid, and Ulrich, 2001) that are able to leverage HRM efforts. Macro-level measurements impact HRM and therefore connect HRM performance with company value. If excellent HRM increases corporate performance, it should be possible to identify which practices influence corporate value (Fitz-enz, 2000).

Scholz and Stein (2012) identify seven key areas for HR measurement, which include labor costs, number of employees, workforce configuration, training and development, motivation, work context, and return on workforce investments. With the exception of returns from the workforce, note that all of the other measures focus on efficiency, not on effectiveness or impact. Detailed components of each area are given below.

Human capital categories	HR-metrics
Labor costs	salaries of employees
	cost structures
	Total labor costs
	external workforce costs
Number of employees	number of employees
	full time equivalents
	extent of part-time work
	external workforce
HR-Configuration	workforce diversity in respect to gender
	workforce diversity in respect to age

	workforce diversity in respect to nationality
	workforce diversity in respect to job level
	workforce diversity in respect to qualification
Training and development	number of apprentices and trainees
	apprentice/trainee retention
	apprentice rate
	training and development costs
	training and development days
	training and development number of persons
	key areas of training
	knowledge management
Leadership	employee commitment
	job satisfaction
	retention and labor turnover
	employer's image
	employer brand
Work context	working hours
	flexitime
	health programs
	employee health rate
	work-life-balance
	informational infrastructure
	occupational safety
	accident prevention
Return on workforce	turnover per employee
	EBITDA per employee
	HR-related return on investment
	savings achieved by the suggestion scheme
	patents

6) Dimensions of Measurement

HR is a service (product) to the organization, and a client (organization) always looks at service from five difference perspectives (Enz, 2009):

a. Cost efficiency (e.g., cost per hire)

b. Timeliness (time to fill vacancies)

c. Volume and yield (e.g., total number of applicants,)

d. Quality (Error rate, quality attributes of talent)

e. Reactions (Customer Satisfaction)

Example:

	ACQUIRING	SUPPORTING	DEVELOPING	RETAINING
COST	Cost per hire	Compensation per staff	Cost per trainee	Cost of turnover
TIME	Time to fill jobs	Time to respond to fulfil request	Training hours per staff	Turnover by length of service
VOLUME/ QUANTITY	Numbers hired	No of claims processed	Numbers trained	Voluntary turnover rate
ERROR	New hire rating	Processing error rate	Competency Rate	Succession Readiness level
REACTION	Manager satisfaction	Employee satisfaction index	Trainee/ Supervisor satisfaction index	Turnover reasons and follow up measures

Note that only metrics that address "error" focus on HR effectiveness or impact. All others focus on efficiency.

7) Leading and Lagging Indicators

Fitz-Enz (2009) differentiates measurements into two categories i.e. lagging indicators, which give a rear-mirror view by showing past trends, and leading indicators, which help the business navigate the future. From an HR perspective, the following are key leading indicators of performance, and therefore candidates for measurement.

1) Employee engagement

2) Succession readiness

3) Corporate culture

4) Customer satisfaction

5) Leadership quality.

6) Staff retention in mission–critical jobs

7) Knowledge management systems

8) Key Considerations in Choosing HR Metrics

When it comes to HR metrics, perhaps the most fundamental principle is that HR measurement is valuable to the extent that it improves vital <u>decisions</u> about talent and how it is organized. Many HR metrics focus only on <u>efficiency</u>, such as cost per hire or time to fill open requisitions. Others address <u>effectiveness</u>, the effect of HR programs and practices on talent. Examples include correlations (validity coefficients) between test scores and job performance, or measures of the relative effect size of alternative training interventions. Finally, <u>impact</u> asks, "Where will specific improvements in talent and organization performance most enhance sustainable strategic success? Metrics at this level focus on important outcomes, such as customer satisfaction, profitability (e.g., return on assets), or shareholder returns (total returns on common stock). For more on efficiency, effectiveness, and impact see Boudreau and Ramstad (2007) or Cascio and Boudreau (2011). Keep these distinctions in mind as you choose the HR metrics that best fit a given situation.

Unfortunately, many organizations choose specific metrics because they are available, not because they are logically related to important strategic outcomes. To avoid this trap, it is useful to ask four key questions:

a. What metrics matter most to the organization, in terms of its ability to achieve strategic and operating objectives?

b. What data should you gather or track to calculate these metrics?

c. How will you synthesize and analyze the data in a way that shows their impact on the business?

d. How will the organization use the results?

Beyond these considerations, consider several others:

• **WHEN** (when is the right time to assess the impact of the investment and to report out to key stakeholders, for example, with respect to a leadership-development program?)

- **WHO** (is HR solely responsible for tracking metrics? If not, who else and to what extent should they be involved?)

- **HOW** (how do I start the conversation, with whom, how do I tie it to the organizations' vision, mission, goals?)

- **HOW MUCH** (how much information is too much to track to avoid metrics fatigue?)

9) Progress by Task Group 3 - HR Metrics

Based on discussions during the plenary session of ISO TC 260 in Washington, extensive market research was conducted to explore current trends in Human Capital Measurement across the globe. Frequent emails were exchanged between TG 3 members, along with freely floating material and thoughts by members and their associated experts.

In an effort to consolidate recommendations, a Webex meeting was organized on 12 June 2012. Available members actively participated in those discussions; however, due to international contextualization, a clear consensus did not emerge regarding the selection of a set of metrics. The Group decided to compile an exhaustive list of HR metrics, and to circulate it to all members, including those who could not attend the meeting. The purpose was to seek consensus on the starting point. The following metrics were circulated to all.

Table: TG 3 Members were asked to identify priorities for metrics and to fill columns C, D, and E for each metric(s).

A	B	C	D	E
Type of Metric	**Priority 1,2,3 etc from impact point of view**	**Data required to calculate metric (s)**	**Likely impact on business**	**How will organization use results**
HR Financial Areas				
Human capital revenue (e.g., employee productivity as a result of a valid selection program, changes in employee engagement, or a workplace flexibility program)				
Human capital cost (e.g., the cost of				

absenteeism, the cost of employee turnover)				
Human capital ROI (e.g., as a result of a training program)				
HR Social Areas				
Corporate social responsibility				
Transparency				
Sustainability initiatives				
HR Functional Areas				
Hiring				
Retention				
Training and Development				
Compensation				
Performance Management				
Employee Relations				
Diversity and Inclusion				
Workforce Demographics				
Work Life Balance				
Leading Indicators				
Employee Engagement				
Succession Readiness				
Corporate Culture				
Staff retention in critical jobs				
Knowledge Management Systems				
Leadership Quality				

10) Key Findings

Based on the overall research and deliberations within TG 3, following are the findings:

- Today workforce-related costs range from 20% to more than 70% of organizational operating expenses; hence employers demand measurable returns on investment.

- Business leaders expect HR profession to take outside in approach and they need more rigorous, logical, and principles-based frameworks for understanding the connections between human capital and organizational success. HR's traditional model of subjective opinions, emotions and gut feelings is woefully inadequate. Numbers and ratios are the universal language of business, it is important for HR to be able to connect meaningful numbers and ratios to important organizational outcomes.

- HR Metrics is a stepping stone for HR analytics, which is fact-based decision making. Analytics are growing in popularity as organizations everywhere try to maximize their investments in people.

- Power to define measurement systems is equivalent to power to define processes around them. It is therefore important to discuss Metrics in an international context.

- Overall, two approaches emerge to measure human capital. One is the Micro measurement approach, which impacts HRM programs and, specifies key performance indicators and performance drivers, such as annual training hours or the degree of variable pay. The other is the Macro approach, which connects HRM performance with the company value. This is based on the premise that if excellent HRM increases corporate performance, it should be possible to identify specific practices that influence the corporate value.

- Measurement areas can also be classified on the basis of labor costs, number of employees, workforce configuration, training and development, motivation, work context, and return on workforce.

- All functional areas of HR including Hiring, Retention, Training and Development, Performance Management, Employee Relations, Diversity, Total Rewards, Workforce Demographics and Work- Life Balance need measurement to determine their efficiency, effectiveness and impact on the business.

- Financial aspects of HR measurement include HR Revenue, Cost, and ROI, whereas social aspects include CSR, sustainability, and transparency measurements.

- HR Measurements can also be clubbed into two broad categories of lagging and leading indicators of performance. Leading indicators help in assessing future business scenario of an organization and include employee engagement, succession readiness, corporate culture, customer satisfaction, leadership quality, staff retention in mission–critical jobs, and knowledge management systems.

- Every HR measurement area has five possible dimensions to measure, which include Cost efficiency, Timeliness, Volume and yield, Quality (Error rate, quality attributes of talent) and Customer Reactions (Satisfaction).

- In order to prioritize and decide on the most important HR metric for standardization; all above aspects of HR measurement were discussed among Task Group 3 Members. The overall opinion of the members was however scattered in various areas; hence making it difficult to recommend a particular HR Metric for standardization.

11) Recommendations

a) Given the choice, the most challenging question for TG 3 is to trade off between HR efficiency, effectiveness, and impact metrics. Given the principle that HR measurement is valuable to the extent that it contributes to important decisions about talent and how it is organized, the <u>effectiveness</u> and <u>impact</u> metrics should lead to sustainable strategic success.

b) International contextualization of HRM makes it difficult for the Task Group to agree unanimously on any particular set of metrics at this stage. However, given the premise and wider options discussed above; TG 3 (Business and Social Impact Metrics Group) will discuss and decide on the future choice of HR Metrics for measurement and standardization during meeting at Melbourne on 23-25 September 2012.

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ISO TC 260

Design specification for Task Group "Human Governance"

(Based on element discussed in Washington - Nov 2011)

SUMMARY

1   CONTEXT

Change is inevitable. In business terminology, it is generated with varying market conditions which leads to organizational morphing, provided that the organization has an ability to adapt to such dynamic changes.

Over the years, contributory factors such as globalization, and the more recent economic and financial recession which led to the collapse of otherwise strategically sound and profitable corporations, have ushered in fierce competition. Subsequently, organizations are being coerced into revisiting existing norms and practices, while exploring newer alternatives for gaining a competitive advantage.

Under this premise, organizations have also begun to direct much of their focus towards re-evaluating the importance of good Governance, while extending its scope to include other functions like Human Resource Management as core components for achieving high quality implementation of Corporate Governance mechanisms and consequently, superior performance.

At its core, Corporate Governance is broadly defined as rules and regulations, systems, processes and practices, and ethical conduct that ensure effective strategic decision-making top-down with a view to creating responsible, accountable, controlled and value-driven companies. Such attributes cultivate and promote the confidence of both present and future internal as well as external stakeholders (investors and shareholders, customers, society-at-large), and employees.

In modern corporations, the primary objective of corporate governance is to ensure that the interests of directors, top-level management and staff are aligned with those of the business owners/shareholders. However, the shocking collapse of some of the most profitable companies, that otherwise exhibited good business and trend setting practices in the corporate world, has forced everyone to question how such companies with strong governance practices were unable to hedge themselves against corporate failures of such scale and magnitude.

Failure in governance can come in subtle forms such as the top management's failure to respond to global competitive challenges, pursuing the wrong businesses or strategies,

and engaging in self-serving actions that are detrimental to the organization's stakeholders.

These companies' disclosure attributed the major reasons for collapse to leadership, targets that were set too high, as well as ethical and moral conduct. Human issues almost always lie beneath business issues, including governance issues, and thus, must be managed. Failure in corporate governance, for instance, may be a symptom of a human system that is unable to define governance objectives and plans for achieving them, to implement actions or to measure their success.

CEO and HR costs account for a large proportion of a business' operating revenue in compensation, health care, contribution to the employee provident fund, training and other HR expenses. More often than not, these costs fail to be addressed at Board meetings, linking their contribution to overall corporate performance and governance. In some instances, there is no objective and unbiased assessment of the CEO and top management as part of the Board's governance process.

Thus, the human factor has to be considered more than ever as a central topic, not only from a cost perspective, but also as an investment in time. The HR director's role for preparing and transmitting information about business and strategy linked to HR policies within the Board of Directors seems now fundamental.

Clearly, at least for the time being, Board agendas do not integrate the social dimension at a proper and pertinent level, as they are more focused on financial aspects to the detriment of human topics.

Nevertheless, it is common experience, confirmed by more and more academic studies and surveys, that those organizations that pay most attention to social and human dimension tend to perform much better than the others.

Furthermore, CEOs' and managers' responsibilities are more and more scrutinized and they are being questioned on how they are taking into account social and human factors (internal as well as external) from a present, mid and long term perspective.

The same applies to the corporate image and reputation of any organization, which is more and more impacted by its social and human practices. This is obviously keys to attracting talents, thus contributing to the overall performance of the company.

For all these reasons, Directors, and Board members should be better informed about HR perspectives and prospects.

The responsibility of HR should be to challenge and be challenged on HR policy choices with a relevant level of factual information and formal argumentation, given to executive committees and Boards of Directors.

This should be based on a reference text including the practices and published as a normative document.

Such an HR management standard will offer an opportunity for the HR function to engage a proactive approach whilst answering administrators' expectations and offering them the right level of relevant information on which to base appropriate decisions. This will also help for bringing value to the human community at work. A HR director's responsibility consists in managing, developing, improving the value of this community and reaching a high level of social performance, in accordance with the economic al performance of the overall organization.

This standard should address the presence of HR Directors within Board sessions in order to present the HR strategy and results, and to discuss such matters with Board members. The HR strategy has to become a formal item in the Board agendas on annual basis.

The HR dimension of the strategy of an organization has to be addressed formally at this fundamental level of the decision making process, where shareholders' expectations are dealt with.

Introducing the HR strategy into the Board meetings agenda is meant to achieve a clearer measurement of the social performance within an appropriate time frame. Defining this time frame is essential for the decision makers and the HR function itself, as it will facilitate relations between all internal business partners (management, finance …) and outside stakeholders.

Because Human Governance is still considered an emerging organizational practice in most business enterprises, there is no commonly acknowledged definition for the act of leading and managing workplace decorum and environment, which is a somewhat evolving organizational practice. Yet, it deserves corporate attention.

1.1 WHAT ROLE SHOULD BOARDS PLAY IN SUPPORTING HR STRATEGY & GOVERNANCE?

Without doubt, HR's role and contribution ought to be important items on the Board's agenda when discussing corporate governance – how HR can motivate a workforce to execute the business strategy through sourcing, applying appropriate capabilities and managing related investments.

Boards need to ensure that contemporary Human Governance is formally embedded in existing structures and practices, such as an HR/compensation standing committee, or in its absence, through another standing committee such as an executive or governance committee. Boards must also ensure that the CEO has implemented an effective internal HR governance framework and strategies that reflect relevant industry economics, desired culture, workforce dynamics, and leadership preferences. Another important role for Boards is to understand the various HR risks facing the organization, and being satisfied that management priorities, policies, and practices effectively respond to strategic, regulatory, and operational needs. Successful execution would also generally require effective risk management and performance measurement practices, combined with effective dialogue with the CEO and the Senior Management.

HR risk management and performance measurement are generally not well performed by most public and private sector enterprises. For organizations without formal Human and HR governance structures, practices, and skill sets (i.e. qualified HR practitioners on their Board), it is now time to rethink those key organizational requirements. Optimizing labour and human performance is necessary. Knowledge-intensive organizations must implement more formal corporate governance HR practices and strengthen internal Human governance practices.

1.2 WHY ARE WE CONCERNED?

Since the soul of the corporation is human, these standards will allow organization's leaders to steer their organization with integrity and mutual responsibility. In effect, this standard will cover three areas of interests, essential to corporate efficiency:

- Employees' interests that would be better anticipated, served and taken into account (training, career development, competency improvement…)

- Economic interests, through a better measurement of human resources as immaterial assets

- Societal interests, as the human governance approach is closely related to one of the essential axes within the ISO 26000 standard.

Developing such a standard will thus bring credibility from and to HR professionals. The HR function is more than motivated by a clear definition of a reporting framework to shareholders, the introduction of clearly defined data and indicators (objective and comparable), and the proper use of quantitative and qualitative information in an appropriate and pertinent time scale.

2 PURPOSE

The primary focus would then be to prepare a guidance standard that incorporates a clear definition and an established international standard of Human Governance with broad applicability to workplace values and ethics. This would provide guidelines to organizations in an effort to assist them in implementing a minimum code of conduct and values that are essential for supporting an effective work environment. Irrespective of the size of the company or organization the decision-making authority could comply with those principles.

Taking all stakeholders into account, this guidance standard would enable senior management to align the values of a company and its behavior – they will be in a better position to foster improvement in the company's efficiency in terms of integrity, commitment and respect, among other values. It would also provide a fairly straightforward check-list to HR personnel for measuring to what extent the subject matter is being properly addressed and integrated within the organization.

This should lead the organizations to:

- Fully take into account the human dimensions of all stakeholders, both communities as well as individuals

- Align corporate values, staff competencies, and individual and collective behaviors, leading to better performances

- Improve the decision making process thanks to a better evaluation of the human dimensions of the organization, internally and externally

- Clarify the core responsibilities of the HR managers, and improve, accordingly, their management tools

- Clarify, the respective roles and responsibilities of all business partners in designing and deciding on the sectorial strategies and the overall strategy of the organization.

2.1 HUMAN GOVERNANCE

Human Governance is defined as follows:

Human governance consists in setting up and following principles (including the seven principles of social responsibility/ISO 26000) and behaviors taking into account women and men at every step of the decision-making process in order to align corporate values, behaviors, energies for an improved value of the overall organization.

From an operational standpoint, it should consist in an internal mechanism to guide human behavior, through conceptualizing, and consistently practicing and living a set of values across any kind of organization.

Human governance brings due regard to the profoundness of governing the individual rather than the corporation, which is the artificial legal person. The target object should not be the corporation but the human being since the soul of the corporation is human.

The adoption of human governance would allow the organization's leaders to steer their organization with integrity and mutual responsibility. The mechanism would mean the existence of a formal internal structure consisting of the CEO and management's approach and strategy towards compliance to human governance.

2.2 HOW DOES HUMAN GOVERNANCE DIFFER FROM CORPORATE GOVERNANCE?

While Corporate Governance is manifested as external, outside-in rules and regulations to legislate corporations, Human Governance is an internal, inside-out; values-based conviction to guide the human where human is viewed essentially as a non-material soul and embodied in the physical being rather than as machine. Being parameter-driven and

rule-based, corporate governance emphasizes the letter of the law unlike human governance, which is about the spirit of the law.

3 TARGET AUDIENCE

As the leading segment of society, business has become the most powerful force for positive change in the world today taking over the role of governments. The decision-making process of business now must take into consideration human well-being and the interest of the people.

For business corporations to assume this role is never easy since conflict can arise between serving the individual and the public.

The presence of human governance will help corporations to make decisions that will benefit society. Human governance can take us back to the original intention of the corporation, focusing on values that should be upheld during decision making. The fact that corporate scandals occur only further endorses the benefits of human governance.

Hence, for the purpose of this standard, we should not, and cannot, restrict the target audience to the organization's internal stakeholders. We should consider a broad range of users and beneficiaries, beginning by society-at-large.

3.1 GENERAL

As our societies are basically made up of a network of companies, associations, administrations etc... i.e. organizations in which everyone is more or less involved, as an employee, a customer, an user, a tax payer or, more generally, a citizen, this leads to the conclusion that, at least theoretically, everybody has to be considered as an interested party in the enforcement of human governance principles.

3.2 USERS

This standard covers all people in an organization who are undertaking primary decision-making roles. This should also include the Board of Directors, the top and senior management of the organization:

- Board members

- Excom members

- CEO and COO

- HR directors and managers

- Top management

- More generally, all decision makers at every step of the hierarchy

3.3 BENEFICIARIES

Apart from the users of the standard, i.e. decision makers, top and senior management, and Boards, other beneficiaries would include:

- Employees,

- Consumers,

- Business and industry groups, including small, medium and large enterprises.

- Government

And also:

- Special users (observers, guides and technical experts),

- Consumer and community organizations,

- Trade Unions

- Investors services and advisers

- Rating agencies

- The Press and more specifically the media specializing in the economy, industry, social issues…

4 SCOPE OF THE FUTURE STANDARD ON "HUMAN GOVERNANCE"

Corporations and organizations exist primarily for maximizing their shareholders' value. With the premise that human beings are at the heart of every organization, the organization function as a result of human behaviors and decisions. Since at the core of each human being is a set of values which governs his/her behavior, by focusing on these values, the overall effectiveness of organizations as ethical entities within a community can be enhanced.

This standard offers guidelines to support an effective enforcement of Human governance principles within organizations, taking a better account of their human and social dimensions, and leading to a significant improvement in performances and values.

This standard **will address,** inter alia:

- Establishment of a set of principles and behaviors to be followed and enforced

- Definitions of the terms commonly used when designing, presenting, reporting on the HR strategy, linked to the corporate overall strategy

- Practices, mechanisms supporting effective human governance approach.

This standard **will not address** the specific aspects of the relations with trade unions, and, more generally, of the functioning of the linked formal instances.

5 TITLE

Human Governance is broadly defined as the governance of those rules and regulations, systems, processes and practices, and ethical conduct that ensure effective strategic top-down decision-making with a view to create responsible, accountable, controlled and value-driven companies.

Such attributes cultivate and promote the confidence of both present and future internal as well as external stakeholders including investors, shareholders, customers, and employees. It also ensures that the interests of directors, top-level management and staff are aligned with those of the business owners/shareholders.

6 STRUCTURE, ELEMENTS & SUBJECTS TO BE ADDRESSED IN THE TEXT OF FUTURE STANDARD

As stated above, corporations and organizations exist primarily to maximize their shareholders' value. The value in this context can be displayed in many ways and measured accordingly. The objectives of establishing a framework for human governance primarily rests on the organization's ability to deliver value to shareholders, through ensuring that core values are upheld and practiced consistently throughout the organization.

The underlying premise is that human beings are at the heart of every organization. The organization functions as a result of human behaviours and decisions. The core of each human being is a set of values that governs his/her behaviour. By focusing on these values, the overall effectiveness of organizations as ethical entities within a community will be enhanced.

Thus, it becomes imperative to define a mechanism that will enable the existence of core values and drive productivity through fostering personal fulfilment in individuals and mutual respect in the community.

6.1 MISSION, VISION, AND VALUE STATEMENTS & THEIR ROLE IN HUMAN GOVERNANCE

Organizations that define a set of values generally believe that the values underpin their vision. The roadmap of any organization and its effectiveness will be measured in terms that include human governance indicators. This can be the basis for the structure that an organization adopts for values in terms of human governance.

A core set of universal values and an internal set of values should be combined to create a value system that allows a close alignment between the organization and the individual.

Values statements must be able to be integrated into all levels of the organization where HR policies are implemented.) Therefore, links to HR initiatives in all areas would require to be created for effective value statements.

Values at work allow us to provide a framework for how we treat our customers as well as our colleagues. This would also facilitate achieving the vision and increasing the effectiveness of the organization. Not only will defining this code of values help us make sense of our working life, how we fit in the big picture, and create an environment conducive to job satisfaction as well as finding work which is exciting and challenging, but it will also differentiate one organization with its own distinct set of values from another.

Values at work are increasingly important because we work in stressful times, and they give us guidelines for our behavior. It is a highly competitive world and these values help show our customers how we are different from other providers and potential staff how we differ from other prospective employers because they say "This is what we value here".

Prospective employees are becoming increasingly aware of organizational values and look for them, frequently choosing one organization over another because of their values as it has a strong impact on the organizational culture and professional practices.

6.2 SUGGESTED UNIVERSAL SETS OF VALUE ARE:

i.   **HONESTY AND INTEGRITY** are the pillars that can make or destroy an organization. Practicing honesty and integrity in an organization helps establishing a good reputation in the market / society, enable an organization to obtain more clients and thus grow the ethical way. Whether an organization has a small or large workforce, it will enjoy better performance when these two factors are upheld in an organization. Hence, an honest and ethical working environment sets the stage for high performance.

ii.   **EQUAL OPPORTUNITY AND NON-DISCRIMINATION** are principals which emphasize that opportunities in employment, benefits, resource allocation and development should be available to all employees of the organization irrespective of their age, race, gender, religion or any other individual or group characteristic unrelated to ability, performance and qualification.

iii. **TRANSPARENCY & ACCOUNTABILITY** implies to open communication and operating in such a way that it is easy for others to see what actions are being performed and whether they are in the interest of the organization. Decision making is cooperative and collective without any personal interests or hidden agendas / conditions.

iv. **PROFESSIONALISM** is an attitude and the conduct of an employee working for any organization. It is a value added quality that has friendly, polite and business-like characteristics and is a necessary trait for every employee in an organization. It can also be considered as the adherence to a set of values comprising statutory professional obligations and a formal code of conduct.

v. **INNOVATION/CREATIVITY** is the nature of creating something new, coming up with new ideas, concepts or method for improvement. Innovation is using creativity to enhance the performance of a process, employee, team or organization.

vi. **SOCIAL RESPONSIBILITY** is an obligation to act to benefit society-at-large. This responsibility falls on both employee and the organization. Social responsibility functions as a built-in, self-regulating mechanism whereby an organization monitors and ensures its active compliance with the spirit of the law, ethical standards, and national / international norms. The goal is to embrace responsibility for the organization's actions and to encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

6.3 STRUCTURE AND ACCOUNTABILITY

It is essential, then, to develop a mechanism that will allow the CEO's and management's approach and strategy towards human governance to be realized.

6.3.1-A pivotal instrument

A HR Board committee will be formed and its members will be primarily responsible among other areas, for Human Governance compliance and overview. When forming an HR committee, the Chief HR executive will take the responsibility to provide a clear vision and priorities to the committee so it remains engaged. Proper mechanisms will be in place for employee communication, data collection and performance monitoring. Stakeholders can also be engaged in the process so they understand what the committee is doing and how this would benefit the organization.

The main responsibilities of the committee will be to ensure that the HR strategy is aligned to live the values and influence behaviours, optimize peoples' performance, mitigate

enterprise HR risk, align the function's priorities with those of line business and enable executive decision making.

The governance framework in order to manage and monitor that the business strategy and values have been aligned and are effectively delivered need to include the following:

The HR Committee/Council should have a clear and transparent structure that specifies its roles and accountabilities in detail. Hence, it is advisable to form a charter document that identifies the minimum set of value statements the organization must follow, based on strategic operational and functional accountabilities. The roles of each member of the committee should be defined in detail. Keeping the value statements in mind, selection to the committee should be based on who might best serve on the committee and who is directly involved in working on each focus area. The structure of the HR Committee needs to be formal so that information can be gathered efficiently and decision-making is quick. However it should also be flexible enough to enable members of the committee to perform other job-related roles. A mechanism needs to be in place for involving other stakeholders in the Human Governance activities as well. Once an HR committee is formed with a clear structure, diverse insight can be taken from the most experienced and talented resources in an organization to think about decide on and respond to different challenges the organization faces. Every time a decision is made, it should be communicated back to the board of directors so there is a balance between organizational strategic goals.

Where and when the committee meets should be decided in advance and the agenda of the meeting should be communicated accordingly. The HR Committee should be considered as a link between HR and the business; however, they should not limit themselves to oversight and approvals but should also be involved in the functional activities and should be held accountable for the results.

6.3.2 -An integrated corporate strategic approach: roles and shared responsibilities within the EXCOM

Human governance cannot stand alone from the rest of the businesses. To be effective and reach a suitable level of performance, the human values put forward by a corporation have to be primarily discussed among the top management, agreed upon, shared, then endorsed and put into practice.

This can be better achieved within the EXCOM, provided that the HR Director is currently a member of this management body.

To fully play his or her role, under these circumstances, he or she needs to possess all the necessary means and resources to attain the same voicing and advocacy level as the other business partners.

EXCOM is obviously the right place to ensure the overall consistency of the corporate strategy, including its human objectives and prospective achievements.

It is the place where a first consensus on the HR strategy has to be obtained, before being brought at the level of the HR Board Committee and then challenged and hopefully endorsed by the Board, itself.

6.3.3-A basic tool: The annual corporate HR report

Being a member of the EXCOM, and based on the inputs of the other members, the HR director will have to publish a report annually (at least) for review during the decision-making process in Board meetings; such a report can provide key measurable insights into the issues of the company's Human Governance. This would allow the Board to make comparisons and take decisions necessary to steer changes that not only will improve performance, but also re-align itself to the company's overall corporate values and governance.

We should acknowledge the fact that we have already at our disposal a number of indicators (number of staff, scale of salaries, ages, ranking, and identification of high potentials i, training needs and expectations…) and historical data. Nevertheless, a series of surveys about workforce capabilities, behaviours and attitudes will surely need to be conducted to get an idea on how well the HR function (as well as the Corporate HR committee) is currently performing and how successful they have been in implementing the value statements.

6.3.4-Commitments, endorsement and accountability

Even if, the final endorsement of the corporate overall strategy, including its HR strategy in accordance with it's agreed and shared Human Governance principles remains at the level of the Board, the CEO will obviously remain responsible, in front of the Board, for its successful implementation.

The same will apply to the HR director, in front of the CEO and the EXCOM, provided that every business partner has in all loyalty, followed the said principles, and reached the objectives they have expressed commitments to.

7 INPUT DOCUMENTS

The emergence of this subject is a constant preoccupation supported by a number of works about the importance of HR policies in critical social situations. Numerous governmental requests and surveys have been addressed to official committees, lawyers, advisers and administrators networks.

A recent Report, requested by the French Prime Minister François FILLON, has been conducted and presented by Henri LACHMANN (president of Schneider Electric* "Conseil de surveillance,"), about "Well-being and efficiency at work" (February 2010). This report mentions the necessity to involve in the HR strategy (designed and conducted by HR departments), not only the Executive Committees but the Boards themselves, as they have to guarantee the long term strategies and choices of their organizations. (http://lesrapports.ladocumentationfrancaise.fr/BRP/104000081/0000

*Schneider Electric is listed on the NYSE Euronext and French CAC40 index. Its market capitalization is 19.580 billion euros.

In France, DELOITTE CONSULTING GROUP and MISCEO published the 2nd edition of their HR governance barometer in summer 2012.

(https://www.deloitte.com/view/fr_FR/fr/vos-enjeux/excellence-operationnelle-maitrise-des-transformations/valoriser-le-capital-humain/dc8d8731fc57d210VgnVCM1000001a56f00aRCRD.htmm)

This barometer is based on the results of a survey carried out in the companies of CAC 40, SB120 and some unlisted companies.

The people who responded varied, CEO's, General Managers, Presidents of the Board, some administrators and Human Resources Directors.

The conclusion of the barometer on the role of the board is to provide the challenge to companies in order to give them the means to play a role, as long as practices are not standardized.

Some subjects are discussed by the remuneration committees, succession planning, management of high potentials, but there is a lack of communication about HR strategy as such, and not standardized practices.

The study mentions the need to build some indicators « A range of indicators (safety, social conditions, competencies management, diversity, internal promotion ...), risk management.

As a result, the Board of Directors should be informed of the different reports and studies on the subject. The social evaluation report of notation agencies, surveys on the social climate and audits on HR functions, at least once a year.

For the authors, the administrators should have at their disposal studies of the impact on the HR policy (human factors) concerning major projects of investment, external growth and industrial orientation.

« The measurement of performance will be one of the priorities to position HR functions in contribution to the overall performance of the company. The other important aspect would be the active participation of the board of directors in determining and following the HR strategy, and in setting up a constructive dialogue with the Human Resources Director. »

Deloitte consulting group is one of the Big Four with PricewaterhouseCoopers, Ernst & Young and KPMG.

Finally, the FRENCH INSTITUTE OF ADMINISTRATORS (IFA), the French reference of administrators, has already undertaken some studies in line with HR governance on the boards.

In 2006, some studies were carried out on « Salaried administrators: an advantage for the governance of the company ».

[http://www.ifa-asso.com/download.php?module=documents&file_id=38&fichier_nom=document-38.pdf&name=document]

In 2007, some studies looked at the position of HR on social responsibility «Administrators of quoted companies and social responsibility ». This has become a very current topic with the publication of ISO 26000 one year ago.

[http://www.ifa-asso.com/download.php?module=documents&file_id=139&fichier_nom=document-139.pdf&name=document]

In 2010, some studies under the presidency of Mrs. Anne DECRESSAC (previous Human resources Director of Technip and assistant General Manager of EFS (French Health Agency for blood) on consulting and human capital were published.

[http://www.ifa-asso.com/download.php?module=documents&file_id=343&fichier_nom=document-343.pdf&name=document]

8 ANNEXES

8.1 DOCUMENT TYPE

8.1.1 Standard

Document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context

Note 1 to entry: Standards should be based on the consolidated results of science, technology and experience, and aimed at the promotion of optimum community benefits.

[SOURCE: ISO/IEC Guide 2:2004, definition 3.2]

8.1.2 International Standard

Standard that is adopted by an international standardizing/standards organization and made available to the public

[SOURCE: ISO/IEC Guide 2:2004, definition 3.2.1.1]

8.1.3 International Standard

International standard where the international standards organization is ISO or IEC

8.1.4 Technical Specification, TS

Document published by ISO or IEC for which there is the future possibility of agreement on an International Standard, but for which at present

the required support for approval as an International Standard cannot be obtained,

there is doubt on whether consensus has been achieved,

the subject matter is still under technical development, or

there is another reason precluding immediate publication as an International Standard

Note 1 to entry: The content of a Technical Specification, including its annexes, may include requirements.
Note 2 to entry: A Technical Specification is not allowed to conflict with an existing International Standard.
Note 3 to entry: Competing Technical Specifications on the same subject are permitted.

Note 4 to entry: Prior to mid-1999, Technical Specifications were designated as Technical Reports of type 1 or 2.

8.1.5 Technical Report, TR

Document published by ISO or IEC containing collected data of a different kind from that normally published as an International Standard or Technical Specification

Note 1 to entry: Such data may include, for example, data obtained from a survey carried out among the national bodies, data on work in other international organizations or data on the "state of the art" in relation to standards of national bodies on a particular subject.

Note 2 to entry: Prior to mid-1999, Technical Reports were designated as Technical Reports of type 3.

8.1.6 Guide

Document published by ISO or IEC giving rules, orientation, advice or recommendations relating to international standardization

Note 1 to entry: Guides can address issues of interest to all users of documents published by ISO and IEC.

8.1.7 Requirement

Expression in the content of a document conveying criteria to be fulfilled if compliance with the document is to be claimed and from which no deviation is permitted

Note 1 to entry: Table H.1 specifies the verbal forms for the expression of requirements.

8.1.8 Recommendation

Expression in the content of a document conveying that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required, or that (in the negative form) a certain possibility or course of action is deprecated but not prohibited

Note 1 to entry: Table H.2 specifies the verbal forms for the expression of recommendations.