

2016-2017

HR Department Benchmarks and Analysis



HR Department Benchmarks and Analysis 2016-2017

**Bloomberg
BNA**

ISBN 978-1-63359-156-1
ISSN: 1540-2711

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■ Acknowledgements

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

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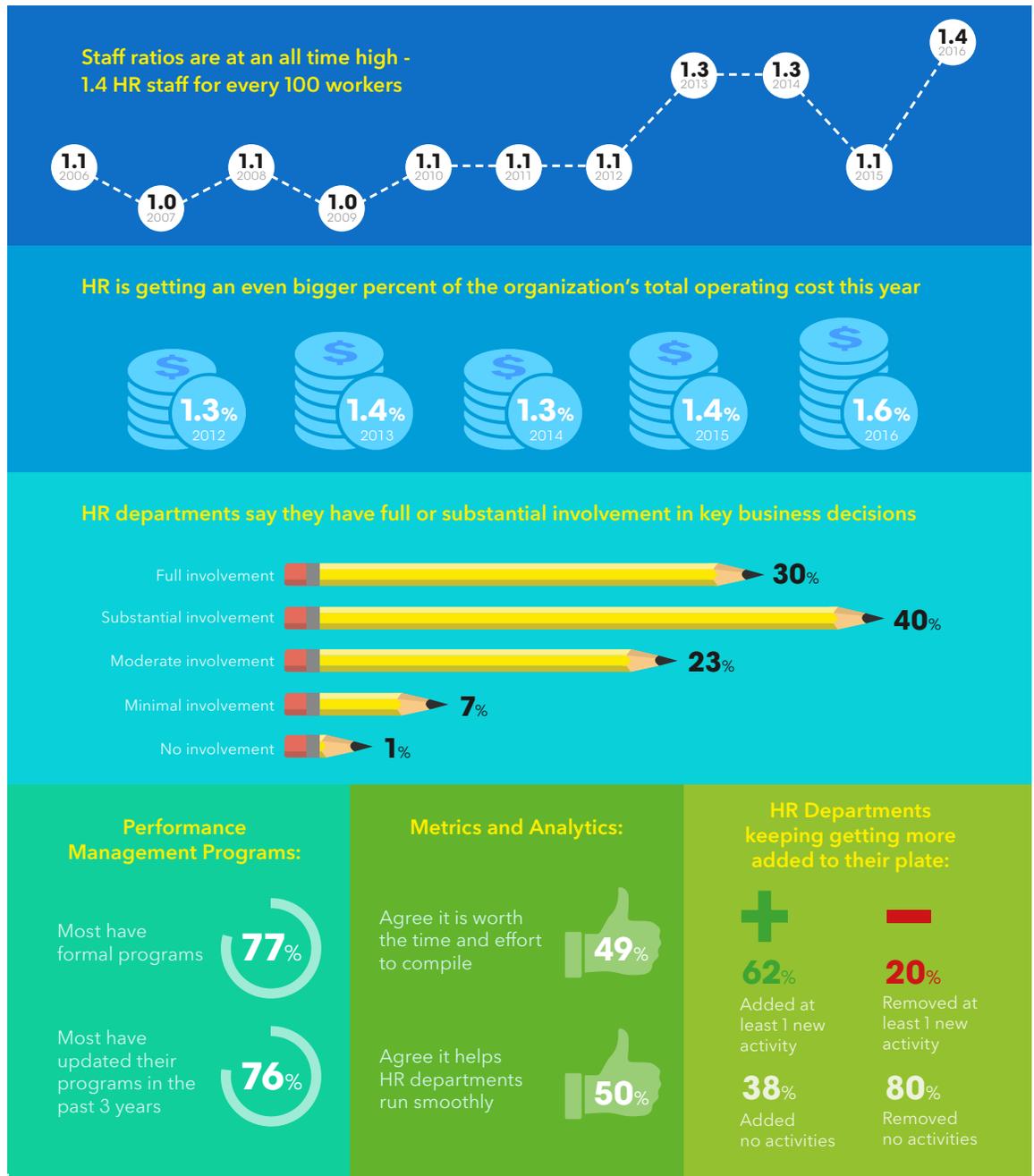
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Executive Summary Overview



■ Executive Summary

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

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

We have also changed the reporting format to be more visually appealing and approachable. Each chapter begins with a full page infographic, the backside of which contains narrative highlights of the chapter. These are designed to be inclusive of all the major points in the chapter, so if you are short on time, need only the highlights, or want an easy page to copy and share with your leadership team, we have you covered!

HR Department Benchmarks and Analysis 2016-2017 also contains a new chapter that dives into performance management. We explore who has formal performance management programs, what the goals of the program are, how often programs are updated as well as HR's views on the program's success.

HR Department Benchmarks and Analysis 2016-2017 is based on responses from 559 human resource executives and professionals representing a broad cross section of U.S. employers. (See "Profile of Participating Employers" on page 8 for more details on the institutions represented.) Most respondents are at or near the top of the HR profession, heading up the human resources function at their organization, division or facility. Key findings of this year's survey report, organized by major topic, are summarized below.

HR Department Staffing

The median ratio of HR department staff to the workforce in 2016 climbed to an all-time high of 1.4 HR staff members for every 100 workers served by the department, besting the previous peak of 1.3 per 100 employees in 2013 and 2014.

In three of the last four years, the median HR staff ratio for all surveyed employers has been higher than at any other time in the survey's history.

The impact of economies of scale on HR staff levels remains clear and consistent; staff ratios decline as the employee population served by human resources increases, with especially dramatic effects as total headcount approaches and passes 250 employees.

Managers, professionals and technical employees continue to make up the lion's share of HR staffs, constituting an average of 77 percent of the department staff at responding organizations.

Supervisors and managers predominate in HR offices serving small workforces (an average of 53 percent at establishments with fewer than 250 employees). Management representation on the human resources staff declines to an average of 31 percent among organizations with 2,500 or more employees.

Specialization has cemented its position and importance in human resources. Roughly three-fifths of current HR department staffs (62 percent) include at least one specialist—an executive, professional or technical HR employee devoted to just one or two functional areas of human resources.

Reports of HR specialists have averaged more than six out of 10 responding employers since 2010, compared with less than half of those surveyed around the turn of the millennium.

The most common areas of specialization—benefits, employment and recruiting, training and development and compensation—reflect human resources' core duties and responsibilities.

HR Expenditures and Budgets

Recent growth in HR department budgets has been slower and less variable than in the decade prior to the Great Recession, suggesting a new era in HR funding.

The median budgeted change in HR appropriations for 2016 is an increase of 4.2 percent, identical to the median adjustment for 2015 and within shouting distance of the midpoint figures from 2012-2014.

While recent adjustments represent improvement from the Great Recession and its aftermath, they still fall well short of levels observed before the downturn. The median annual change in the HR department budget routinely topped 5 percent before the economy cratered in 2008.

Per capita expenditures on the HR function also have settled into a fairly narrow range over the past several years. Among all employers responding for 2016, the median budgeted HR department expenditure is \$1,440 per worker, up from \$1,375 per employee a year earlier and close to the midpoint figures in 2014 and 2013 (\$1,465 and \$1,424, respectively).

Apart from a few detours, HR's slice of the financial pie has been on the rise for more than a decade, reaching new all-time highs in three of the last five years.

HR department budgets for 2016 represent a median of 1.6 percent of employers' budgeted operating expenditures for the year, up from 1.4 percent in 2015 and the largest share of total operating costs represented by HR budgets since the survey's inception in 1978.

Despite their recession-induced travails, HR employees still earn more, on average, than the workers they serve. HR department staff salaries for 2016 constitute a median of 1.6 percent of employers' total wage and salary expenditures. Since HR staff represent a median of 1.4 percent of total employment among the surveyed establishments, human resource employees' salaries are, on the whole, greater than annual earnings among the rest of the workforce.

HR employees' earnings advantage has persisted throughout the survey's history, albeit with some variations in magnitude. Since 2005, the "salary gap" between HR staff and the rest of the workforce has ranged from 0.2 to 0.5 percentage points.

Involvement and Influence

HR executives and professionals might not always be satisfied with their levels of involvement and influence in their organization, but the survey findings offer considerable evidence that HR rarely is just a bit player in corporate strategy and key business decisions.

The HR department's top official (e.g., vice president, director of human resources) reports directly to the company's chief executive at half of the responding establishments, and another 20 percent indicated that the head of human resources answers to the chief operating officer or a senior vice president.

Although seven in 10 HR professionals and executives characterized their departments as fully (30 percent) or substantially involved (40 percent) in key business decisions, about three out of four respondents reported no significant changes in HR's role and influence over the last year.

The higher up in the HR department, the more likely respondents are to report higher levels of departmental involvement. Vice presidents of human resources have a more positive view of their departments' corporate influence than HR directors or managers.

As for where HR could contribute more, three in 10 respondents touted a greater strategic role for their departments in workforce management and employee engagement initiatives, while about one-fifth believe that HR has been underused in the development of their organizations' recruitment strategies and benefits cost control programs.

Priorities and Objectives

Recruitment and retention has held the top position among HR department priorities for five straight years, as more than eight in 10 HR executives characterized finding, hiring and keeping qualified workers as important concerns for this year.

While workforce diversity and performance management are still not high up on the priorities list, both areas appear to be getting considerably more attention than they were a year ago.

Downsizing or "rightsizing" also has garnered more attention this year than in the recent past.

Health benefits' stronghold on HR's attention has loosened a bit over the past five years.

HR departments and executives are growing more concerned with how they are perceived within the organization. Nearly two-thirds of survey respondents in 2016 indicated that employees' and/or management's satisfaction with HR's performance was an important priority, compared with four in 10 human resource executives responding just a year earlier.

Looking ahead, HR's current priorities will remain its major areas of focus in 2017, for the most part. HR executives expect recruitment and retention activities to receive even greater attention from their offices next year.

Employee satisfaction and morale, training and development, leadership development and succession planning are slated for more emphasis at 40 to 50

percent of the responding establishments, likely related to key knowledge-holders approaching retirement eligibility and the consequent need to transfer job knowledge and ensure continuity, as well as identify and develop new leaders.

HR Activities

The HR department remains much more likely to acquire new responsibilities than to have any tasks or programs removed from its duty roster. About one in four HR departments surveyed in 2015 acquired new functions within the past year, while less than one-tenth relinquished one or more activities during the previous 12 months.

While HR has secured a seat at the corporate table at many, if not most, organizations, its strategic role still tends to be collaborative or supportive. Employers are largely disinclined to give the HR department exclusive control over organizational development (25 percent) or succession planning (11 percent), and very few companies with merger and acquisition functions have assigned those duties to human resources alone.

Employee benefits are HR's bailiwick, usually without assistance or interference from elsewhere in the organizations. The HR department manages all aspects of insurance benefits, unemployment compensation and leave programs and policies at more than seven in 10 surveyed organizations, and a strong majority of companies entrust their cafeteria benefits, pension and retirement programs and flexible spending accounts to human resources alone.

Outsourcing

Outsourcing of HR activities has fallen off somewhat from a decade ago, but still roughly two-thirds of all employers responding in 2015 (65 percent) outsourced at least one HR activity at the time of the survey, little changed from a year earlier (62 percent) but well short of the high water mark of 79 percent in 2005.

HR usually calls the shots on moving an activity or program to a third party, about two-thirds (64 percent) reported that HR made the decision to farm out the program or function.

Contractor expertise and desired improvements in service quality most often spark the decision to outsource. HR executives are generally satisfied but not often enamored with the performance of contractors and vendors. Most respondents indicated that the contractor had met expectations in key performance areas, while only a handful deemed the vendor's performance to be substantially better than anticipated.

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