

30 Mar 2020

Workforce reporting

Learn about defining, measuring and reporting human capital, and the value of external workforce reporting

Introduction

Workforce reporting describes the way workforce information is shared with key external stakeholders, including investors, regulators, customers and potential employees. There's growing interest in workforce information from many stakeholders who recognise its value, so workforce reporting is becoming an important part of an organisation's engagement strategy.

This factsheet explores measuring the workforce for reporting to both internal and external stakeholders. It also investigates the perspective of shareholders and investors, key influencers on the actions of boards and management teams.

What is workforce reporting?

The term 'human capital' is widely used in HR to describe people at work and their collective knowledge, skills, abilities and capacity to develop and innovate. Human capital reporting aims to provide quantitative, as well as qualitative, data on a range of measures (such as labour turnover or employee engagement levels) to help identify which sort of HR or management practices will drive business performance.

It's now commonly understood that the value of organisations is drawn from a mixture of tangible assets in the form of equipment, money, land or other physical objects together with intangibles in the form of brand, reputation, knowledge and people.

Read our report [Human capital theory: assessing the evidence for the value and importance of people to organisational success](#) to find out more about human capital theory.

Measuring human capital

Given the complexity of organisations and the various approaches to managing human capital, measurement can be challenging. The organisation's context is also fundamental: the emphasis for measurement and reporting is no longer on absolute measures of human capital, but instead on context-specific information to enable informed decision-making.

Human capital data can be grouped according to the different aspects of HR they refer to. Some data groups are cross-cutting and can combine to create additional data groups, for example:

- **Workforce composition:** demographics data including age, gender and ethnicity.
- **Recruitment and retention:** number of resignations/vacancies/applications, length of service.
- **Skills, qualifications and competencies:** levels of expenditure on training, types of training provided, length of time to reach competence levels, data on training needs.
- **Performance management:** performance management results, productivity and profitability data, targets set and met, levels of customer satisfaction, customer loyalty.
- **Employee relations and voice:** findings from employee attitude surveys.
- **Pay and benefits:** overall wage bill costs, distribution of individual performance-related pay awards, level of total reward package.
- **Regulatory compliance:** includes data on the compliance of employees to established standards and guidelines for working practices in particular disciplines.
- **Organisation development and design:** includes data on spans of control, skills mix and talent pipelines.

Valuing your Talent, led by the CIPD, developed a simple framework that illustrates the different types of data HR professionals can collect to understand human capital. Measures are categorised as Inputs, Activities, Outputs and Outcomes, which relates to their position in the business value creation cycle.

Measurement challenges

Given the increasing importance of measuring and evaluating human capital, a number of challenges still remain for business leaders and HR practitioners:

- The contribution of people is difficult to isolate from other factors such as the economic situation, market forces and customer or social trends.

- The value of people is often expressed in qualitative rather than quantitative terms that make it difficult to represent in traditional accountancy models.
- HR data has traditionally been collected for administrative rather than evaluation purposes.
- HR practitioners do not always have the skills or resources to interpret or explain data to evaluate the contribution of people to business performance.

Find out more in our [people analytics factsheet](#) or read about collecting and analysing data in the CIPD/Oracle report [Talent analytics and big data - the challenge for HR](#).

Different levels of data collection

There are three clear levels of data collection and analysis for human capital data:

- **Operational data analysis:** simple monitoring data with no analysis, for example, reporting absence and retention data.
- **Basic insights:** basic data is analysed and correlations are explored between types of data to draw simple human capital insights.
- **Insights driving performance:** human capital data is triangulated with other business data to identify performance drivers; and may be used to illustrate how organisations can leverage human capital to drive performance more effectively.

The different levels of data collection that might take place, with their likely outcomes, are:

Action

Operational data analysis:

- Collect basic input measures such as absence data, turnover data.
- Identify useful data already available.
- Use this data to communicate essential information to managers.

Basic insight:

- Design data collection for specific human capital needs.
- Look for correlations between data – for example, whether high levels of job satisfaction occur when certain HR practices are in place, such as performance management, career management or flexible working.

Insights driving performance:

- Identify key performance indicators relating to the business strategy, and design data collection processes to measure against them.

- Communicate data in ways that are meaningful to differing audiences.

Outcome

Operational data analysis:

- Basic information for managers on headcount and make-up of the workforce.

Basic insight:

- Information to help design the HR model most likely to contribute to performance.
- Communication to managers not just on how to implement processes, but with accompanying information on why they are important and what they can achieve.

Insights driving performance:

- Identification of the drivers of business performance.
- Information that will enable better-informed decision-making internally and externally.

To find out more on measuring human capital, and some of the important HR theories related to human capital, read our report [Human capital analytics and reporting: exploring theory and evidence](#).

Reporting human capital

Different types of information will be of value to different stakeholder groups:

- Leaders are interested in understanding how effective employees are at creating value for the organisation, and whether people enable the organisation to be sustainable over the long term.
- Shareholders seek information on the employee attributes or behaviours that are likely to influence short- or long-term financial performance.
- Investors are interested in knowing how organisations value and grow their pools of talent, and whether long-term decision making takes place with people in mind.
- Customers wish to know if they will get good service and after-sales support.
- Employees want to know their jobs are secure and how they can develop themselves and their skills.
- Managers require information on which actions they can take to improve the performance of their business units.
- Regulators and policy makers are interested in understand whether organisations are operating within the correct ethical, moral, social and environmental governance boundaries.

External reporting

Reporting is typically done in one of four ways:

- unstructured voluntary
- systemised voluntary
- voluntary for reward
- compulsory.

Organisations are becoming more able to capture and report on data, and thus expectations from external stakeholders are that reporting will become standardised and may even become compulsory. Some examples of different types of reporting are:

Method: Unstructured voluntary

Explanation: Isolated pilot studies are initiated by individual enterprises or consultancy companies/ researchers develop and promote approaches and methods.

Example: social reports, knowledge accounts, human resource audit, holistic balance sheet, intellectual capital statements.

Method: Systemised voluntary

Explanation: Develop a consistent framework which can be operational across sectors and countries and promote this at large scale through the inherent rewards and image gains.

Example: ISO 9000 standards, benchmark programmes.

Method: Voluntary for reward

Explanation: Develop a consistent framework supported by rewarding mechanisms once it is introduced and approved at enterprise level.

Example: Investors in People (UK), European Label for Innovative Projects in Language Learning (EU).

Method: Compulsory

Explanation: Identify disclosure on human capital as a public concern and prepare (inter-)national regulations and standards.

Example: Green accounts (Denmark)

Published human capital data

Integrated reporting is an initiative designed to help organisations to report on the mix of tangible and intangible assets for their stakeholders. The International <IR> Framework advocates a “process that results in communication, most visibly a periodic integrated report, about value creation over time. An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects lead to

the creation of value over the short, medium and long term". Human capital is seen to be one of six principal capitals contained within the integrated report, and which comprise the value of the firm, along with financial capital, manufactured capital, intellectual capital, social and relationship capital, and natural capital. There's more information on the [Integrated Reporting website](#).

Internal reporting

Internal reporting is far more prevalent than external reporting, as this is important in the evaluation of the effectiveness of HR interventions and guiding future HR strategy, while also protecting business confidentiality where desired. It takes a number of forms.

Generally any human capital data reported internally should:

- be reliable and open to scrutiny
- be accompanied by adequate explanation
- be presented in a manner that is easily understandable for the audience
- be related to business needs
- enable managers to identify appropriate actions that will improve business performance.

To find out more about human capital reporting, read our research report [Human capital metrics and analytics: assessing the evidence for the value and impact of people data](#).

Investor perspectives on workforce reporting

Our research reported in *The intangible workforce: investor perspectives on workforce data* showed that there are various key workforce dimensions that investors are interested in:

- **Management quality:** the quality of senior leadership, their ability to manage complexity and deliver results is the key human capital measure of interest to investors.
- **Diversity of senior teams:** the representativeness of senior teams is highlighted as a way to understand if the organisation believes in the value of diversity and inclusion. Gender and ethnicity are particularly important to investors.
- **Employee satisfaction:** investors are interested in online platforms, such as Glassdoor, which enable employees to rate their employer. These websites were considered to offer useful insights as to the experience of working for the organisation, beyond basic engagement measures.

Overall investors are interested in receiving more data and insights in the form of better-quality reports from organisations. To have value, these reports must be transparent, with a clear and objective narrative that describes significant risks and opportunities related to the workforce. It's likely this information will help investors make more informed decisions over the long-term.

Further reading

Contacts

The International Integrated Reporting Council - improving corporate reporting with a holistic framework of capital

Shareaction Workforce Disclosure Initiative - a voluntary movement by investors and corporates to improve reporting standards on workforce and supply chain issues

Books and reports

BYERLY, B., FITZ-ENZ, J. and PEASE, G. (2012) *Human capital analytics: how to harness the potential of your organisation's greatest asset*. London: John Wiley & Sons.

HUUS, T. (2015) *People data: how to use and apply human capital metrics in your company*. London: Palgrave Macmillan.

MAYO, A. (2012) *Human resources or human capital? Managing people as assets*. Farnham: Gower.

Journal articles

CAMPBELL, B.A., COFF, R., and KRYSCYNSKI, D. (2012) Rethinking sustained competitive advantage from human capital. *Academy of Management Review*. Vol 37, No 3. pp376-395.

PHILLIPS, J.J. and PHILLIPS, P. (2014) Developing a human capital strategy in today's changing environment: eight forces shaping HC strategy. *Strategic HR Review*. Vol 13, No 3. pp130-134.

WRIGHT, P.M. and MCMAHAN, G.C. (2011) Exploring human capital: putting human back into strategic human resource management. *Human Resource Management Journal*. Vol 21, No 2. April. pp93-104.

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This factsheet was last updated by Edward Houghton.