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Executive Summary

For more than three decades, Bloomberg BNA has published its comprehensive annual report on the state of the human resources function, *HR Department Benchmarks and Analysis*. The annual survey-based report remains an authoritative, widely-referenced source of research and analysis on HR department responsibilities, staffing, expenditures and budgets, influence, priorities and strategic planning.

Throughout the survey’s history, the questionnaire and report have undergone continual revision and refinement, in order to ensure that the report’s content and analysis remain vital, timely and comprehensive. That tradition continues this year, as *HR Department Benchmarks and Analysis 2014-2015* includes several notable enhancements. This year’s report offers expanded historical analysis and perspective on various aspects of the human resources function, particularly in the areas of staffing, expenditures and budgets. Ten new charts and tables have been added, along with additions and improvements to many others. Also, this year’s report includes new and expanded “perspective” pieces, providing readers with HR executives' views and experiences on critical topics such as the HR department’s strategic position and influence, the use of metrics and formal planning in human resources, the challenges of hiring and managing contingent workers and looming changes in HR department priorities.

*HR Department Benchmarks and Analysis 2014-2015* is based on responses from 323 human resource executives and professionals representing a broad cross-section of U.S. employers. (See “Profile of Participating Organizations” on page 8 for more details on the enterprises and 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 from this year’s survey report are summarized by major topic:

**HR Department Staffing**

The median ratio of human resources staff to total employee headcount held at 1.3 full-time equivalent HR employees for every 100 workers served by the human resource department, the highest HR staff ratio in the survey’s history. Prior to 2013, the median staff ratio had never climbed above 1.1 human resources staff per 100 employees.
Recent growth in HR department staffing relative to workforce size has been fairly broad-based, with rising staff ratios across all workforce size classifications and major industry sectors. HR department staff ratios have risen most substantially among smaller establishments and manufacturing businesses, while nonbusiness establishments (e.g., hospitals, schools, municipalities) and very large employers (2,500 or more workers) have experienced marginal increases.

Technology, globalization, workforce diversification and the rise of analytics have likely spurred greater specialization in human resources. More than three-fifths of the surveyed HR offices (63 percent) currently have at least one specialist on staff, well above the overall level of specialization observed a decade ago (46 percent of departments surveyed in 2004).

**HR Expenditures and Budgets**

HR budget growth over the past several years represents some improvement from 2009-2011, but still comes up well short of levels observed before the last recession. The median budgeted change in the HR department budget for 2014 is an increase of 3.9 percent, little changed from the previous two years but markedly improved from 2009-2011, when the median budget adjustment plunged to an increase of roughly 2 percent per year. From 1998 to 2007, the median reported change in HR appropriations routinely tracked at 5 percent or higher, peaking at 7.2 percent in both 2006 and 2007.

Increases in HR department expenditures per employee have outpaced inflation over the past two decades. Since 1994, the median budgeted HR department cost per worker has risen at an annualized rate of 3.7 percent, while prices climbed about 2.4 percent per year over the same period, according to BLS's Consumer Price Index for all urban consumers (CPI-U).

Without the advantages of economies of scale, HR departments in small companies typically spend much more on a per capita basis than their counterparts in mid-sized and large establishments. The median budgeted per capita expenditure for the HR function in 2014 is $2,605 per worker among organizations with fewer than 250 employees, more than three times the median projected cost among enterprises with at least 2,500 workers ($860 per employee).

**HR Metrics, Strategic Planning and Priorities**

Wages, salaries and benefits continue to draw the most quantitative and strategic scrutiny from human resources. Virtually all of the surveyed HR offices (97 percent) subject their compensation and benefit programs to some
degree of quantitative review and formal planning, including 70 percent with routine measurement and planning activities in those areas.

Recent survey findings suggest a modest shift of HR department priorities in favor of recruitment and retention initiatives. Nearly nine in 10 HR executives (89 percent) characterized “attracting and retaining qualified employees” as “extremely important” or “very important,” marking a steady, gradual increase since 2011 (79 percent). Health care cost control may have been bumped from the top spot, but HR officers’ concerns about health benefit expenses have not diminished much, if at all.

While few surveyed HR executives characterized their offices’ corporate influence as negligible, less than three in 10 said their departments are fully integrated into corporate strategy and decision-making. The survey findings continue to reveal a strong connection between HR’s reporting relationship and how much influence the department enjoys.

HR Activities

The pace of change in HR responsibilities might be slowing. Among human resource executives responding in 2014, 27 percent reported some change in their departments’ responsibilities within the previous 12 months, down from 40 percent of HR officers surveyed two years earlier and nearly half of respondents in both 2006 and 2007.

Nevertheless, HR departments remain far more likely to take on new functions than to surrender any duties. More than one-fifth of all responding human resource offices (21 percent) acquired new activities without relinquishing any others. Just 6 percent surrendered any of their duties, and only than half of those gave up activities without having to add new ones.

HR’s responsibilities for compensation and benefits programs remain expansive, and often exclusive. Wage and salary administration is handled solely by human resources at nearly two-thirds of the responding establishments (65 percent) and nearly all of the remaining employers (29 percent) divide compensation administration between HR and other departments within the organization. HR manages all aspects of insurance benefits administration at more than four out of five organizations (82 percent).

Outsourcing

HR’s reliance on outsourcing may have fallen off somewhat over the last decade, but outside vendors and consultants still have a very prominent role in human resources. More than three out five surveyed HR departments delegate
some aspect of their responsibilities to outside companies or individuals, little
changed from 2013 but down from levels recorded in the mid-2000s (e.g., 79
percent in 2005).

“Out of sight, out of mind” rarely applies to programs and activities that
have been outsourced by human resources. Among HR executives responding
for their most recent outsourcing initiative, the vast majority (83 percent)
indicated that their department has retained oversight for the task or program.

Expertise and service usually are primary catalysts in the decision to
outsource. Access to greater expertise was “extremely important” (42 percent) or
“very important“ (36 percent) in nearly four-fifths of employers’ most recent
decisions to farm out an HR activity, with improvements in service quality (36
percent and 38 percent, respectively) not far behind.