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- **Benchmarking** – These services cover a wide spectrum of HR and L&D metrics, customized by industry and company size;

- **Tools** – Comprehensive tools for HR and L&D professionals, including tools for benchmarking, vendor and system selection, program design, program implementation, change management and measurement;

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- **Strategic Advisory Services** – Expert support for custom-tailored projects;

- **Member Roundtables®** – A place where you can connect with other peers and industry leaders to discuss and learn about the latest industry trends and best practices; and,

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- **Workshops** – Bersin & Associates analysts and advisors conduct onsite workshops on a wide range of topics to educate, inform and inspire HR and L&D professionals and leaders.

For more information about our membership program, please visit us at www.bersin.com/membership.
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Introduction

Our first-of-its-kind *HR Factbook* provides a unique look at HR budgets, staffing and resource allocations. One of the unique aspects of the study is that it examines not just *how much* HR organizations are spending, but *how* they are spending their budget dollars. The analysis breaks down HR investments in staff salaries, systems and outsourced services. In addition, the study looks at spending by type of initiative – core services, talent management and strategic HR services.

Using the Bersin & Associates HR Maturity Model, the study also compares spending and resource allocations across HR organizations at different stages of maturity. This data provides valuable guidance to HR executives, who need to determine the appropriate investments for their particular organizations. The analysis goes a step further by profiling differences in talent metrics across maturity levels (including turnover, productivity and engagement) to demonstrate the impact of HR maturity on the organization.

The primary questions answered by this study are shown in Figure 1.

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**Figure 1: Key Questions Answered in This Study**

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<tbody>
<tr>
<td>What are current HR spending and staffing levels and how have these changed over the past year?</td>
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<td>Where are HR organizations investing their resources today?</td>
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<td>What HR services are companies outsourcing, and how much are they spending on external service providers?</td>
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<td>How do spending and resource allocations change as organizations mature their HR practices?</td>
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<td>What is the impact of HR maturity on employee turnover, engagement, productivity, and other talent metrics?</td>
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The key metrics contained in this study are shown in Figure 2. Detailed data on each metric is provided by three company size segments. In addition to current year statistics, the study shows trends in certain metrics over time.

**Figure 2: HR Benchmarking Metrics**

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<th>HR Outsourcing Statistics</th>
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<td>Percent of spending on external HR services</td>
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<td>Year-over-year change in HR spending</td>
<td>Use of external providers for payroll administration</td>
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<td>HR spending as a percent of company revenue</td>
<td>Use of external providers for benefits administration</td>
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<td>Percent of spending on HR staff payroll</td>
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<td>Percent of spending on HR technologies</td>
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<td>Percent of spending on external HR services</td>
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<td>Spending allocations by HR service area</td>
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<th>HR Staffing Statistics</th>
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<td>HR staffing per 1,000 employees</td>
<td>Turnover metrics:</td>
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<td>• Voluntary turnover</td>
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<td>• High-performer(^3) turnover</td>
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<td>Year-over-year change in HR staffing</td>
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<td>HR staffing allocations by role</td>
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<td>Staffing by HR Maturity Level</td>
<td>Self-rated measures:</td>
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<td>• Succession pipelines</td>
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<td>• Workforce diversity</td>
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\(^3\) A “high performer” is an employee who is a key contributor, demonstrates high performance, is capable of a lateral move, may be qualified for a broader role within the same profession; and, has reached the potential to move “upward” in a management capacity.
Data for this study was collected via an online survey in February and March 2011, through a partnership with HR Executive magazine. Approximately 300 HR organizations participated in the survey, representing a broad cross-section of company sizes and industries. The study also included a series of qualitative interviews to better understand issues and trends. Based on these qualitative and quantitative inputs, this report provides detailed benchmarks, as well as in-depth analysis, using examples and cases in point from our interviews.

Our Differentiation

We realize that a number of HR benchmarking reports are available today. What makes our study different?

First, our study contains a broad sample of respondents which provides a valid representation of U.S. organizations. We surveyed 296 HR professionals within a range of company sizes and industries. The data is weighted according to the Dun & Bradstreet distribution of companies, so that the figures reflect the U.S. market.

Second, we use stringent quality control procedures in collecting and analyzing the data. Each respondent’s answers have been checked for consistency. Our survey tool provides a high degree of quality control by providing self-checks of data throughout the survey. Even so, people make mistakes and some inconsistencies were found in the data. In these cases, the individuals were contacted for clarification and correction, or the responses were omitted from the survey analysis. This level of rigor is crucial to maintaining valid data.

Finally, the level of detail and analysis clearly sets this report apart from other studies. The insights gathered from our qualitative interviews add a deeper level of understanding to current trends beyond what pure numbers can provide. These insights are from HR leaders on the front line and many are highlighted throughout the report. Using both the quantitative and qualitative inputs, our experienced analysis is geared toward helping HR professionals apply these findings to their organizations.
A Special Thank You

We want to thank all of the people who participated in this study. Without the diligent efforts of HR managers and executives across the country, this report would not be possible. We also want to thank our partners at *HR Executive* magazine for their help in making this study a success.

As always, we welcome your feedback on this report. Please feel free to contact us at research@bersin.com with any questions or comments. The input from our readers is vital in helping us to shape our future research.

Karen O’Leonard, Principal Analyst

Stacey Harris, Principal Analyst
Overview of Findings

After two years of spending and staffing cuts, U.S. companies are seeing signs of recovery. Better balance sheets have translated into more funding for HR organizations – dollars that are being used to hire additional staff, and to fund a number of core services and talent initiatives. Forward-thinking HR leaders are using their expanded budgets to fund strategic initiatives, such as wellness programs and workforce analytics.

The following are key findings from the research, which are explored in more detail throughout our report.

1. Increase in HR Spending and Staffing

The good news for HR leaders is that post-recession spending is on the rise. With more money in company coffers, HR budgets are up 1.4 percent, on average, over last year’s levels – not a huge increase, but certainly better than the budget cutting we have seen over the last two years. (See Figure 3.) Current HR spending stands at $1,218 per employee, but varies by company size – from $748 per employee within large companies to $1,500 per employee within small companies. Larger companies have lower spending ratios because they can leverage their scales to spread costs over larger employee populations.

Some of these funds were used to hire additional staff, with HR headcount up 1.8 percent, on average, this year. Many of these newly funded positions are in the areas of recruiting, development and benefits. HR generalists are also in demand, primarily in two areas – filling business partnership roles and managing HR services in new markets as companies expand globally.

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4 Spending figures include HR staff payroll, talent systems, and HR and talent programs, including compliance and companywide training programs. These figures exclude safety and security-related spending.

5 For the purposes of this report, small companies = 100 to 999 employees, midsize companies = 1,000 to 9,999 employee and large companies = 10,000-plus employees.
2. The Importance of Getting the Basics Right

The bulk of HR spending goes to core services, which include compensation and benefits services, payroll administration, and employee relations. These activities account for 60 percent of HR budget dollars. (See Figure 4.) Solid execution on these fundamental HR services is essential to demonstrating competence and building credibility with leaders outside the function. Although the HR profession is often criticized as being overly administrative, there is good reason to focus on HR fundamentals. Anyone who has ever counted on receiving a paycheck understands why. Once these processes are in place, HR functions can focus on talent management and strategic initiatives.
3. More Spending on Compensation Analysis

One core service receiving more attention this year is compensation benchmarking. Now that companies’ balance sheets are in order and profits are up, employees feel they should share in the wealth. Many believe they have been underpaid and overworked for the last few years, and now are looking for more equitable pay.

To curb attrition, companies are evaluating their compensation structures. For example, at Philips’ North American operations, HR leaders increased their investment in local compensation market analysis to ensure that the organization remained competitive at both the national and regional levels. Such compensation benchmarking and analysis efforts have become commonplace as organizations recalibrate their wage structures post-recession. Our research found that nearly 60 percent of large enterprises have spent money over the past year on compensation consulting services.
4. Rising Healthcare Costs Impact Benefits

On the benefits side, the relentless rise in health care costs continues to be a key concern for corporate America. To combat rising costs, many companies are modifying their insurance plans, such as offering programs with high deductibles or healthcare savings accounts. The 2010 Health Care Reform legislation (otherwise known as The Patient Protection and Affordable Care Act\textsuperscript{6}) has added further complexity. Organizations (such as Integrys Energy Group, a Midwestern natural gas and energy supplier) have turned to external benefits consultants over the past year to analyze the changes needed to meet new healthcare rules and regulations. As the legislation continues to change and costs continue to rise, we expect companies will need to invest in these types of services for the foreseeable future.

5. One-Third of the Budget Goes to Talent Management

Roughly one-third of the HR budget goes to talent initiatives in the areas of recruiting, performance management, leadership development, and corporatewide training and compliance programs. Talent acquisition is one area making big gains this year. One \textit{FORTUNE} 500 financial services firm reported that its number of open job requisitions more than doubled this year, as compared with 2008 figures. To meet the demand for hiring 3,500 new employees, the firm has added nine contractors to its recruiting staff. As companies ramp up hiring, many are making changes to their recruiting and interviewing processes to increase their effectiveness. Firms are also taking steps to improve their programs for employee referrals, university recruiting and use of social media to boost candidate pools.

6. An Uptick in Turnover Leads to Greater Retention Efforts

A shortage of talent has made retention another talent priority. Turnover rates began to inch up in 2010 – with total turnover averaging 17.2\%

\footnotetext[6]{Source: \url{http://www.healthcare.gov/}.}
percent, up from 16.2 percent in 2009, and voluntary turnover averaging 10.9 percent, up from 8.9 percent in 2009. This uptick is likely a harbinger of things to come. Smart companies are investing in development, career planning and rewards programs to retain key employees. Many are implementing processes to identify critical roles and flight risks, as well as creating knowledge transfer initiatives in the event of departures.

7. Strategic HR Services Comprise Eight Percent of the Budget

Nearly one in 10 HR dollars is allocated to “strategic” HR initiatives, which include employee engagement, workforce planning and measurement, and wellness programs. While tracking employee engagement is commonplace these days, efforts around workforce planning and analytics are far less standardized. Few HR organizations have the capabilities for tracking and analyzing talent metrics against business and financial data. This analysis enables organizations to identify trends, and to understand the internal and external factors affecting talent. Using statistical methods to compare HR data against business data (such as revenue, quality or productivity), organizations can begin to see what factors or talent initiatives impact the business. Advances in HR systems and analytics now enable HR to become more data-driven, but HR organizations need to acquire the skills and resources necessary to take advantage of these capabilities.

Another strategic HR initiative is wellness programs which, over time, may stem the rise in healthcare costs. Basic programs include free health screenings, health coaching sessions and wellness classes. More advanced programs included stipends or savings for employees who meet certain health-related criteria. In the wake of rising costs, wellness initiatives are growing in popularity and more companies will begin to offer programs in the coming year.

8. HR Investments Pay off

As an organization grows, the HR function must evolve its practices to have a greater impact on business and talent outcomes. Most HR organizations start out as “compliance-driven” functions, focused on core services (such as payroll and benefits) and meeting legal requirements.
Over time, HR organizations expand their scope of initiatives and business alignment. At the highest stage of maturity, the “business-integrated” HR organization helps drive the business through workforce strategies and people data.\(^7\)

Granted, this evolution requires time and money. Research shows that spending increases with each successive level of maturity, so that organizations at the highest level of maturity (“business-integrated” HR functions) spend $1,759 per employee, on average, as compared with just $1,061 among those at the lowest level of maturity (“compliance-driven” HR functions). But while these latter groups are spending the majority of their budgets on core services, “business-integrated” HR groups are investing nearly three times the funds on strategic services that will prepare their businesses for future success.

The payoff is well worth it. Business-integrated HR organizations have nearly 40 percent lower turnover – and more than twice the revenue per employee, as compared with compliance-driven HR functions (the lowest level of maturity). The payoff is well worth it. Business-integrated HR organizations have nearly 40 percent lower turnover – and more than twice the revenue per employee, as compared with compliance-driven HR organizations. (See Figure 5.) In addition, companies with business-integrated” HR organizations have 38 percent higher employee engagement, higher promotion rates, and superior capabilities in workforce planning and in creating solid succession pipelines.\(^8\) So the payback resulting from improving HR effectiveness far outweighs the additional costs.

\(^7\) For more information, Bersin & Associates HR Maturity Model, Bersin & Associates / Karen O’Leonard and Stacey Harris, June 2011.

\(^8\) “Pipeline” refers to an organization’s ongoing need to have a pool of talent that is readily available to fill positions at all levels of management (as well as other key positions) as the company grows. At each level, different competencies, knowledge and experiences are required, and (to keep the pipeline filled) the organization must have programs designed to develop appropriate skills sets. (Also known as the “bench.”)
9. Evolution Takes Time

HR organizations cannot expect to change overnight. First, they need to excel at performing their core functions – payroll, compensation, benefits and employee relations. With the basics working well, they can then turn their attention to talent management initiatives. In the coming year, recruiting and retention are likely to take center stage, as companies plan their talent needs for their next stage of growth.

As HR organizations mature, they begin to spend more time on strategic HR issues. Workforce analytics is one key initiative, and many mature HR organizations are developing staff with better skills to analyze workforce data and future trends. Similarly, wellness programs will grow in importance as companies wrestle with rising healthcare costs. Finally, for these companies, employee engagement is more than just a survey. Rather, it involves talent initiatives at all stages of the employee lifecycle that influence an employee’s motivation, productivity and future careers with the company.
This evolution typically takes several years, and requires focus and resources. Our research shows that companies which invest in continual improvement of their HR functions will benefit from better business outcomes. These organizations will be better able to hire and retain their key talent, expand more quickly, and recover from the recession faster than companies with less mature and effective HR teams.\(^9\)

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Regarding This Research

For more detailed data and analysis from this research, please see our full report, *The HR Factbook 2011®,* available at www.bersin.com/hrfactbook.

We will be presenting highlights of this research at webinars and other events\(^\text{10}\) throughout the coming year. If you are interested in benchmarking your organization against the best practices developed in this research, please contact us. Our *WhatWorks®* benchmarking\(^\text{11}\) service will provide your organization with the data, recommendations and strategic insights from this research.

Come Visit with Us

We are continuing to expand our workshop and events program to bring research and best practices to your organization. In particular, we encourage you to attend our yearly research conference, IMPACT: The Business of Talent\(^\text{12}\). We hope you will join us – and many other senior HR and L&D executives as they share their experiences and best practices with you.

Join Our Research Membership Program

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\(^\text{12}\) For more information about our annual conference, please visit www.bersin.com/impact.
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About Us

Bersin & Associates is the only research and advisory consulting firm focused solely on WhatWorks® research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

Bersin & Associates research members gain access to a comprehensive library of best practices, case studies, benchmarks and in-depth market analyses designed to help executives and practitioners make fast, effective decisions. Member benefits include: in-depth advisory services, access to proprietary webcasts and industry user groups, strategic workshops, and strategic consulting to improve operational effectiveness and business alignment. More than 3,500 organizations in a wide range of industries benefit from Bersin & Associates research and services.

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About This Research

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