HR Department
Benchmarks and Analysis 2011
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HR Department Benchmarks and Analysis 2011

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We wish to extend our thanks to the many human resource executives and professionals who participated in this year’s HR Benchmarks survey. This report would not have been possible without their willingness to complete the extensive survey questionnaire, despite their considerable professional duties and obligations. We are very grateful for their participation.

As always, we are indebted to Carla Wheeler and Fonda Jarrett of BNA for their diligent, conscientious, and professional work in designing and laying out this report.
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Executive Summary

HR Department Benchmarks and Analysis 2011 is based on a comprehensive survey of human resource departments conducted annually by BNA. The survey questionnaire and the resulting report have been expanded and refined over the course of more than two decades, providing extensive research and analysis in the areas of HR department staffing, expenditures, programs and activities, measurement and strategic planning, and outsourcing.

This year’s report reflects responses from 433 human resource professionals and executives representing a broad cross-section of U.S. employers. The vast majority of respondents are at or near the top of their profession, heading up the human resources function at their organization, division, or facility.

Recent challenges faced by human resource executives and departments have not eased very much over the past year or so. HR department budgets for 2010 extend a trend of very modest growth in HR funding over the past several years, far below levels observed as recently as 2006 and 2007. Even where the news for HR seems to be better, the real story might be that things are worse elsewhere in the company. For instance, the survey finds that after two successive years of decline, HR’s share of total operating costs appears to have increased in 2010. Given the modest recent growth in human resource budgets, this apparent boost in HR’s share of organizational resources suggests that, on the whole, spending growth (or cuts) in other departments has been even more miserly.

On a more positive note, HR executives typically have top management’s ear, as the head of human resources reports directly to a top company official (CEO, president, CFO, COO) in the vast majority of companies. Also, the remarkable stability in human resource staff ratios over the years strongly suggests that HR’s work is taken seriously and that HR departments might be more insulated from deep or impulsive cuts in funding or staff during tough economic times.

Key findings from this year’s survey are summarized by major topic:

HR Department Staffing

Recent surveys suggest a modest recent uptick in HR staff ratios. In four of the past six years (2005 to 2010), the median HR staff ratio has reached 1.1 human resources staff for every 100 workers. Before that stretch, the median HR staff ratio had last climbed to 1.1 per 100 in 1995.
HR staff ratios have shown remarkable stability over the years, evidence of a strong, consistent relationship between human resource staff levels and the number of employees served by the HR department. For eight straight years, the median ratio of human resources staff to total headcount has been 1.0 or 1.1 HR staff members for every 100 employees.

HR Expenditures and Budgets

The median budgeted HR expenditure per employee among surveyed establishments for 2010 was $1,311, just slightly higher than in 2009 ($1,277) and extending a recent trend of restraint in HR budget growth.

For 2010, the median budgeted change in human resource department expenditures was an increase of just 2.2 percent, barely higher than the figure recorded a year ago (an increase of 1.8 percent) and well below levels that were typical as recently as 2006 and 2007 (an increase of 7.2 percent for both years).

Following two successive years of decline, HR’s share of total operating costs appears to have increased in 2010. HR budgets for 2010 represent a median of 1.2 percent of responding organizations’ total operating costs, climbing back to levels observed in both 2006 and 2007. Given the moderate recent growth in HR budgets, the boost in HR’s share of organizational resources suggests that spending growth in other departments and sections has been just as stingy, probably even more so.

HR Measurement and Strategic Planning

HR departments conduct measurement and planning in a variety of areas, but compensation and benefits merits special scrutiny. Compensation and benefits programs undergo regular quantitative evaluation at nearly three out of four establishments (72 percent), and virtually all of the remaining firms at least occasionally put wages, salaries, and benefits under the quantitative microscope. Other programs and activities are far less likely to undergo routine quantitative examinations.

Metrics and planning are fairly widespread among HR offices that serve the largest workforces, but human resource executives in small companies apparently must be more discerning about the use of measurement and planning. For instance, only about one-tenth of establishments with fewer than 250 workers reported regular measurement and planning in the areas of succession planning, workforce diversity, or balanced scorecards.
HR Activities

Year after year, HR departments are far more likely to acquire new responsibilities than to relinquish any duties. While one-third of surveyed human resource departments acquired new duties without giving up any during the past year, a mere 3 percent gave something up without taking on something else.

Following considerable apparent change in HR duties from 2004 to 2007, reports of modifications to HR’s duty roster have fallen back toward levels recorded from 2000 to 2003.

Employment and recruiting have long been core human resource functions, and employers continue to entrust them to HR. Background investigations, pre-employment testing, and general recruiting fall to HR alone in most surveyed organizations. Human resources more often splits responsibility for contingent labor, college recruiting, and interviews, but rarely cedes those functions entirely.

Human resource involvement varies across different strategic endeavors, but the HR department usually has at least some role in forecasting and planning, organization development, and succession plans. HR typically handles human resource forecasting and planning by itself, but more often collaborates with other departments on organization development and succession planning.

Outsourcing

Outsourcing is firmly entrenched as a means of getting things done in HR. At the time of the survey, seven out of 10 surveyed establishments farmed out at least one HR activity in 2010, little changed from reports for 2009 (68 percent) and 2008 (71 percent), although down a bit from the high-water mark of 2005 (79 percent).

HR departments appear especially willing to hand off counseling and services—employee assistance (32 percent), retirement planning (29 percent), outplacement (26 percent), and relocation services (15 percent)—to outside vendors.

Quality is the most critical factor in choosing an outsourcing vendor, as all but a few surveyed HR officers indicated that service quality was an “extremely important” (54 percent) or “very important” (40 percent) factor in selecting the provider for their most recent outsourcing initiatives.
INTRODUCTION: 
GUIDE TO USING THIS REPORT
Overview

Global economies and competition, breakneck technological changes, evolving workforces, and myriad other developments have created an ever-shifting business landscape, where models and strategies that work very well today might doom an organization to irrelevance or bankruptcy tomorrow.

Just about every tremor and sea change in business reverberates back to human resources, as virtually every significant issue and development encountered by employers has some connection to the human resources function. Rarely does an organization move forward with jobs and training, strategic plans, compensation and benefits, negotiations, or laws and regulations without HR’s involvement.

*HR Department Benchmarks and Analysis 2011* provides a comprehensive, detailed examination of the state of the human resources function—staffs and budgets, duties and responsibilities, priorities and challenges, the well-established and the emerging. Through painstaking survey research, careful calculation and analysis of metrics, and broad historical perspective, the report is designed to provide tools that help HR professionals examine and evaluate the resources, responsibilities, performance, and influence of their own human resource departments.

The metrics, analysis, and perspective contained in this report are designed to help inform decisions and shed light on issues and inquiries such as:

- What are “typical” or “reasonable” levels of staffing and funding in human resources? How do those metrics vary by industry sector or size of the workforce?

- Have HR departments seen much funding growth over the past several years?

- What is a typical duty roster for an HR department? Does it include payroll? Any chance we could hand off personnel recordkeeping to another office?

- Which activities and programs are most likely to be outsourced? What functions tend to be kept in-house? Is outsourcing usually successful or are activities often brought back in-house?

- Does the head of HR typically report to top company brass or a mid-level VP? How involved is human resources in strategic decision making?
The remaining sections of this chapter summarize frequently-used terms, study design and research methodology, and the demographic characteristics of participating employers.
Frequently-Used Terms

**Median**—The median is the midpoint or middle value within a set of figures arranged in numerical order. That is, half the numbers in a set fall above the median and the other half below it. Oftentimes, the median is used in statistical analyses to help ensure that a few extreme values in a range of numbers do not distort the results. Values at the extremes (“outliers”) tend to have a much greater impact on the mean (or average) than on the median.

**Midrange**—The midrange refers to the range between the 25th percentile (first quartile) and the 75th percentile (third quartile) in a numerical series. Fifty percent of the values fall within this range. Twenty-five percent fall below the 25th percentile figure and 25 percent lie above the 75th percentile mark. The central range or midrange (the middle 50 percent) might be characterized as a broad representation of the most common or prevalent percentages, ratios, or levels.

**Employee headcount**—The total number of employees in an organization’s workforce (not including contractors, temporaries, or contingent workers) regardless of full-time or part-time status. Therefore, a company with 15 full-time workers and four part-time employees has an employee headcount of 19.

**Industry**—Analysis by industry sector contained in this report uses three broad industry classifications—manufacturing, services/nonmanufacturing, and nonbusiness—which also are broken down into finer industry sectors.

The *manufacturing* sector is subdivided into three categories. Manufacturers of “basic goods” include producers of tobacco, textiles, lumber, paper, chemicals, and petroleum; manufacturers of “intermediate goods” include producers of food and beverages, apparel, furniture, rubber and plastics, and fabricated metals; manufacturers of “advanced” goods include producers of machinery, computers and electronic products, electric equipment, appliances, and transportation equipment.

The *services/nonmanufacturing* sector includes companies involved in transportation and warehousing; wholesale and retail trade; finance, insurance, banking, and real estate; communications and information services; and business, personal, and miscellaneous services.

The *nonbusiness* sector includes local, state, and federal government institutions; educational facilities; health care facilities; membership and social service organizations; and religious institutions.
HR Department Level—Respondents were asked to indicate the level of HR department for which they were responding. Stand-alone HR offices typically serve an organization with only one location. Corporate-level offices serve all employees in the organization by developing company-wide HR policies and programs; division-level HR departments serve employees at a divisional, regional, or group level; HR departments at the facility-level serve employees at a single facility within a larger organization with multiple locations.

HR Specialist—The survey questionnaire defined a human resource specialist as a non-clerical employee who works exclusively in one or two areas of human resources that require professional expertise.

Contingent worker—A contingent worker is a temporary employee, such as a contractor, consultant, or “casual” worker, often working under contract for a fixed period of time or on a specified project. Contingent workers typically do not receive the benefits or job security provided to employees on an organization’s regular payroll.
Design, Methodology, and Presentation

HR Department Benchmarks and Analysis is a comprehensive survey of human resources departments conducted annually by BNA. Details of the data collection, summaries, and analyses for the report are summarized below.

- The web-based survey was conducted in the fourth quarter of 2010. Survey participants were human resources managers and executives in organizations with a separate human resources function. Completed online questionnaires were received from 433 respondents representing a cross-section of U.S. employers. The participants were drawn from a sample of 25,578 HR directors and managers from BNA's nationwide database.

- The survey included a series of screening questions designed to ensure that only eligible participants—those with substantial familiarity and responsibility for HR department staffing, budgets, and outsourcing decisions in their organizations—were selected.

- The survey was conducted over a secure website, with several reminders to respond. As an incentive to participate, respondents were promised complimentary access to the completed survey-based report. Several steps were taken to ensure that survey participants' responses would remain confidential. As noted above, the survey was hosted on a secure website to ensure that information submitted by respondents could not be observed or obtained by third parties. Respondents also were assured that neither individual respondents nor the organizations they represented would be identified without express permission from the participants. Apart from those exceptions, only aggregate data and statistics are presented and analyzed in this report.

- Survey respondents include HR executives representing single, stand-alone human resource departments (typically with just one location), as well as from establishments with multiple HR offices. Respondents from organizations with more than one HR department were asked to indicate whether they were representing corporate, division-level, or facility-level departments. Respondents were instructed to provide data pertaining only to the activities and functions performed at their own HR department’s level.1

- From section to section of this report, the total number of respondents on which the statistics and analysis are based will vary. The largest of those

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1 Variations by HR department level tend to be highly correlated with workforce size. Because findings are examined by workforce size throughout the report, we chose not to present very similar findings by level of HR department.
differences in the number of respondents are attributable to sections or questions for which some respondents were instructed not to answer. For example, only those responding for HR departments with separate budgets answered the survey questions on human resource expenditures summarized in Chapter 2. In other cases, the total number of respondents varies simply because some survey participants skipped questions or sections.
## Profile of Participating Organizations

The responding payroll professionals represent a wide variety of enterprises, institutions, and industries, as the summary data below demonstrates.

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<th>Manufacturing</th>
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<tr>
<td>Basic manufacturing</td>
<td>5%</td>
</tr>
<tr>
<td>Intermediate manufacturing</td>
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<td>Advanced manufacturing</td>
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<table>
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<th>Services/Nonmanufacturing</th>
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<td>Business, personal, and miscellaneous services</td>
<td>11%</td>
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<td>Finance, insurance, banking and real estate</td>
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<tr>
<td>Retail and wholesale trade</td>
<td>6%</td>
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<tr>
<td>Information services, telecommunications, data processing</td>
<td>5%</td>
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<td>Transportation, warehousing, utilities</td>
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<tr>
<td>Consulting</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Other services</td>
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<th>Nonbusiness</th>
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<tr>
<td>Government</td>
<td>7%</td>
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<tr>
<td>Membership and social service organizations, other nonprofit</td>
<td>7%</td>
</tr>
<tr>
<td>Education</td>
<td>6%</td>
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<th>Workforce Size (Total Headcount)</th>
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<td>Fewer than 250</td>
<td>32%</td>
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<tr>
<td>250 to 499</td>
<td>13%</td>
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<tr>
<td>500 to 999</td>
<td>15%</td>
</tr>
<tr>
<td>1,000 to 2,499</td>
<td>14%</td>
</tr>
<tr>
<td>2,500 or more</td>
<td>25%</td>
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<table>
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<th>Annual Revenue</th>
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<td>Less than $10 million</td>
<td>9%</td>
</tr>
<tr>
<td>$10 million to $49 million</td>
<td>22%</td>
</tr>
<tr>
<td>$50 million to $99 million</td>
<td>15%</td>
</tr>
<tr>
<td>$100 million to $499 million</td>
<td>28%</td>
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<tr>
<td>$500 million to $999 million</td>
<td>10%</td>
</tr>
<tr>
<td>$1 billion or more</td>
<td>16%</td>
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<tr>
<td>Region (Location of Responding HR Department)</td>
<td>Percentage</td>
</tr>
<tr>
<td>---------------------------------------------</td>
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<tr>
<td>New England (ME, NH, VT, MA, CT, RI)</td>
<td>6%</td>
</tr>
<tr>
<td>Middle Atlantic (NJ, NY, PA)</td>
<td>14%</td>
</tr>
<tr>
<td>East North Central (WI, MI, IL, IN, OH)</td>
<td>21%</td>
</tr>
<tr>
<td>West North Central (ND, MN, SD, NE, KS, IA, MO)</td>
<td>8%</td>
</tr>
<tr>
<td>South Atlantic (FL, GA, SC, NC, VA, DC, MD, DE, WV)</td>
<td>19%</td>
</tr>
<tr>
<td>East South Central (KY, TN, MS, AL)</td>
<td>5%</td>
</tr>
<tr>
<td>West South Central (OK, TX, AR, LA)</td>
<td>8%</td>
</tr>
<tr>
<td>Mountain (NM, CO, WY, MT, ID, UT, AZ, NV)</td>
<td>6%</td>
</tr>
<tr>
<td>Pacifi (WA, OR, CA, AK, HI)</td>
<td>12%</td>
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<th>More than One HR Department</th>
<th>Percentage</th>
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<td>No</td>
<td>73%</td>
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<table>
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<th>Union Representation</th>
<th>Percentage</th>
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<td>Yes</td>
<td>28%</td>
</tr>
<tr>
<td>No</td>
<td>72%</td>
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