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Workforce reporting

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

Introduction

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

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?

Workforce reporting describes the process by which an organisation demonstrates the value of its workforce to its key external stakeholders. Many leaders often describe their organisation's people as its 'most important asset' but, unlike financial accounting standards, business has yet to agree a way of reporting on the value of a workforce's knowledge capability and skills, often termed an organisation's 'human capital'.

Workforce reporting aims to provide quantitative and 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, and ultimately the quality and quantity of an organisation's human capital.

HR practitioners' ability to analyse and report on human capital data differs significantly across the profession. Understanding the context of data is key as there's no single measure, or set of measures, which can adequately convey its human capital value. Organisations need to decide which measures are relevant to them and which provide the

information they need to effectively communicate the value and contribution of the workforce, internally as well as externally. Transparent reporting is also important for building trust in business.

Our research *The intangible workforce: do investors see the potential of people data?* shows that external stakeholders such as regulators and investors are increasingly interested in understanding the quality of human capital in organisations.

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.

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](#).

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.

Levels of data collection and analysis

There are three levels of data collection and analysis for human capital data: operational data analysis, basic insights and insights driving performance.

Operational data analysis

Simple monitoring data with no analysis, for example, reporting absence and retention data.

Action

- Collect basic input measures such as absence, turnover or recruitment data.
- Identify useful data already available or develop simple ways of collecting data.
- Use this data to communicate essential information.

Outcome

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

Basic insights

Basic data is analysed and correlations are explored between data to draw simple insights.

Action

- 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.

Outcome

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

Insights driving performance

Workforce data is triangulated with other business data to identify performance drivers. This may be used to show how organisations can use people management drive performance more effectively.

Action

- 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

- 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 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 workforce matters and decisions create value for the organisation and whether it is sustainable over the long term. They may also be interested in the 'bigger picture', for example [organisation culture](#).
- **Investors, including shareholders**, are interested in the quality of leadership and management, and how the workforce delivers short-term and long-term value.
- **Customers** wish to know if they will get good service and after-sales support. They are also increasingly interested in how organisations treat their workforce.
- **Employees** want to know their jobs are secure and how they can develop themselves and their skills.
- **Managers** need information on actions they can take to improve the performance of their business units.
- **Regulators and policy makers** are interested in understanding whether organisations are operating within the correct ethical, moral, social and environmental governance boundaries.

External reporting: what to report

The [Financial Reporting Council Lab](#) has published research which highlights the workforce data they expect businesses to include in their annual reports for external stakeholders:

- Oversight and the actions of the board and senior management team on workforce related matters.
- Descriptive data such as headcount, demographics, contract type, direct operations and supply chain, employee engagement, retention and turnover (regrettable and planned).
- Information on how the workforce model links to and contributes to the business model, and how each aspect creates value for the organisation.
- Risks and opportunities related to the workforce; how they are mitigated and identified, including health and safety metr.
- Information about culture, behaviour and values, and how the board is embedding these.
- How the organisation is investing in and incentivising its workforce, including training and development, performance and progression, pay and incentives, and other benefits.

The UK government has issued [regulations for the future of narrative reporting](#) which are a clear call for improved reporting on workforce information.

Key points in the regulations:

- The importance of using the strategic report to reporting strategy, business model and business risks – includes information on reporting on gender and ethnic diversity.
- The value of supplementary reporting with financial statements to describe key information on risks and opportunities facing the business.

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, to assess an organisation’s ability to create value. An integrated report is a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term”. Human capital is one of six main capitals that make up the value of the firm in the integrated report. The other five capitals are financial, manufactured, intellectual, social and relationship, and natural. There’s more information on the [Integrated Reporting website](#).

More work needs to be done to improve the quality of human capital disclosures. The report [Hidden talent 2: has workforce reporting by the FTSE100 improved?](#) found that gaps in the types of data being reported, and considerable variation in the quality of workforce-related disclosures and reporting in FTSE 100 annual report.

Internal reporting

Internal reporting is often more prevalent than external reporting because it's not scrutinised by the public, is used more regularly and more detail is required. Internal reporting is used to evaluate HR's effectiveness and shape the HR strategy.

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.

There's more in 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 *The intangible workforce: investor perspectives on workforce data* found that investors are interested in these key workforce dimensions:

- **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 gender and ethnic diversity of senior teams is an indicator of whether the organisation believes in the value of inclusion and diversity.
- **Employee satisfaction:** online platforms such as Glassdoor where past and current employees can review their employer offer useful insights beyond basic engagement measures.

Overall, investors are interested in better workforce reporting from organisations to make better investment decisions. To be valuable, reports must be transparent, with a clear and objective narrative that describes significant risks and opportunities related to the workforce.

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

FERRAR, J. and GREEN, D. (2021) *Excellence in people analytics: how to use workforce data to create business value*. London: Kogan Page.

KHAN, N. and MILLNER, D. (2020) *Introduction to people analytics*. London: Kogan Page.

MARR, B. (2018) *Data-driven HR: how to use analytics and metrics to drive performance*. London: Kogan Page.

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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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