

## **HR Analytics**

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Dear participants, so few metrics related to the compensation analytics we had discussed in part 1 of the compensation analytics. In addition to that, in continuation to that, we will discuss some more analytics which may help you to make decision related to your compensation in the organization, related to the compensation in the organization. So, let us start with the content that we will discuss. First thing that is what we will discuss. So, in last session two more matrix were remaining. I had a plan to discuss, but I could not discuss.

So, in this session I will discuss remaining, first remaining two matrix and then I will move to this total employee salary structure. right quartile wise and we will try to do the gap analysis right next that related to the annual salary matrix that is what we will discuss analysis of employee benefits that is what we will be doing top management composition like when you have to hire the CEO, MD for the organization so how that CEO how that MD should be hired Next one is behavioral encouragement plan matrix. So, if you want to encourage a specific type of behavior within the organization. So, for example, you want to reduce the absenteeism in the organization, right.

So, how you will make the plan. For example, you want to increase the knowledge sharing. for example, you want to increase the helping behaviour of the employees, right. So, such kind of behaviour if you want to increase, so what kind of encouragement plan that you have, so how you will analyse those plans and how you will make more suitable to the employees, so that is what we will discuss. Next, that we will discuss the incentive plan planning.

If you have to give the incentives, so what kind of data that you will analyze before

giving the incentives and then you will take the decision related to it, right. So, this is the content for the today's session. So, let us start with remaining two matrix which I was supposed to discuss in the last session, could not because of the time. So, now we will discuss. So, first analytics that was remaining that was the key human resource analysis. So, how you can do that? So, whatever departments that you are having, so I always write the name of the major department HR.

marketing right HR marketing operations finance right. So, what you can do you can calculate the cost per employee of each department right. So, for example, in HR 10 employees are working right and their salary is 10 lakh right. So, cost per employee cost per employee is 1 lakh rupees. In the similarly, similarly for a marketing department your cost of employee comes one one lakh twenty thousand, operations is come one lakh sixty thousand right and finances comes one lakh eighty thousand right. But you believe that most important department for you in in this organization is the marketing.

But cost per employee that is what you can say. is not that much high. So, when you are saying some employees are the key human resource in your organization and their salary is not that high as compared to the other jobs. So, it means your job evaluation method that job that you are saying is there some problem is there. So, this thing that you can calculate position wise.

So, if assistant manager is there in the HR then what is the average? and assistant manager is there in the marketing then what is the average. So, position wise also you can calculate and then you can check the cost per employee, assistant manager cost per employee in the marketing and HR manager cost per employee in the in the organization. So, that also will give will give you the idea right. So, if For example, in a hospital doctors are the most important, right, I hope you understand doctors are the most important, right. So, now you calculate the average cost for the doctor, right.

So, each level of the doctor, some junior doctors are there, senior doctors are there, experts are there, right. So, their category wise you calculate it. It should be higher than the other employees as compared to their work experience, as compared to other positions. If it is not, then there could be a problem in the organization. For example, that I am taking the example of the hospital.

So, one doctor, one senior doctor is there who is having the 10 year experience. One marketing manager is there who is, I am talking about 10 year experience after all qualifications. I am not saying 10 year experience after MBBS. After all top qualification 10 year experience that person is having in marketing manager is having 10 year experience and is being paid more than this doctor. Then there might be some

dissatisfaction among the key human resource in your organization.

So, that you need to check according to in a hospital key human resource is the doctor. Similarly, you will see in the hotel industry key human resource is the chef. Similarly, you will see in academic institute faculty members are the key human resource, right. And there is similarly you can find out in some other industries also and if you are working in such kind of organization, so whoever is the key human resource according to you in your organization so the job worth of that particular profession should be higher than the other job so if job worth is higher then that person should be paid more also right so that person that is not being paid says i gave you the example you are saying marketing people are the most important people in this organization but salary finance people are drawing the highest right. So, it could be because of the market situation that scales supply and demand of the employees multiple factors play important role in this case.

Still, you have to ensure whoever is your key human resource inside the organization, you have to pay more than that, more to that person as compared to the others in order to show the value to that key human resource. So, if more people are available, then you hire the highly skilled people. right as compared to other profession and then you pay them more right so what i am trying to make you understand that you make a strategy in such a way so that your key human resource is being paid more as compared to the other profession that will help you to keep motivated your key human resource right. So, that is how you can analyze it position wise, department wise, what is the cost per employee right and then you can do the analysis related to the key human resource and you can take a decision what should be the salary component in order to retain and keep motivated that key human resource in your organization. Now, let us move to the next matrix that is the impact of performance rating on the salary right.

So, let us assume in your organization 10,000 employees are working right, 10,000 employees are working. Now, you check out of 10,000 how many people have received first category above the expectations. How many of you, how many employees have received second category meet the expectations? Third below expectations, now you know very well what is the percentage hike that you give if person is receiving the above the expectation. So, various job categories are there. So, what is the average percentage of hike for all categories because here I have not divided the category wise.

So, if you want to divide category wise and then you can calculate the fixed number of department wise, category wise you can do the division and then you can identify, you can tell to the management if all 10,000 people receive the above the expectation then how much incentive that you are supposed to pay that is the maximum limit, right.

Minimum limit if everyone receives the three, three below the expectation but both numbers are unrealistic, it is not possible, each of you will receive the above the expectation and each of you will receive the below the expectation, that is not possible, right. So, but still you will be able to give a range to the management. If from this much amount to this much amount we are needed if we will do the performance appraisal in this particular month. So, this is that is how you can do the planning that is the one thing. If you want to give an exact amount how much amount that you are needed.

So, you have done the performance appraisal of the 10000 people, identify divide these people department wise, position wise and check what is their average percentage of hike and then multiply it. Right, on the basis of base salary that you are going to increase the salary, right, you multiply by it and then you will be able to calculate the amount which you are needed to do this performance appraisal. So, the cost of performance appraisal that is how you can calculate. So, if you will do the trend analysis, how many people on an average receive the 1 ranking, how many of the people receive the 2 ranking and how many of the people receive the 3 ranking. So, based on this you can do the calculation, how much amount that you are needed in order to promote, in order to conduct this performance appraisal and to implement this performance appraisal.

So, that is how this performance ratings are going to impact the monetary. So, accordingly you can train your supervisors to give the rating to your employees, that that is how you can plan the things. Next that you can do the this gap analysis. So, first thing that you need to do that I will, constantly I am taking the one example that is the 10,000 people, right. So, 10,000 employees are working in your organization.

So, what is the, if we divide this 10,000 employees into the 4 quartile, right. So, quartile you understand, top 25 percent. Quartile 1, next quartile. So, here you will see 25 percent, employees 50 percent, 75 percent and then remaining. So, here you can say 100 percent right.

So, what is the average salary of the 25 percent? So, whatever salary that you are giving to this 10,000 people. So, 25,000. So, if you will divide this by 4. So, how much it will come? If you will divide So, 10 divided 2.

5 multiply by 1000. So, 25000 each no 2500 right, 2500 each quartile. So, first 2500 employees what is their average salary, next 2500 what is the average salary, next 2500 what is the average salary and next 2500 what is the average salary. So, that is how you can compare how much disparity is there in your organization among the employees. Like top 5, top 25 percent of your, of employees in your organization, what is their average salary? Then second, then third and then fourth. So, then that is, that will tell you

the range of salary that you are giving to the various employees, right.

So, top 25 people, what is this? So, if the salary variance is very high, right, from Q1 to Q4, right, it indicates that the pay gap is very high among the employees, right. So, that is how you can do it. Another way to analyze this is the percentile, right. So, whoever is getting the highest salary as compared to that person, like 99 percentile, it means only 1 percent people are above your salary. If 50 percentile, then 50 percent of the people above your salary. So that percentile, so whoever is getting the highest salary, that person will be having the 100 percentile.

So as compared to that person, what is your salary? You can compare the salary with the lowest person to the CEO. And then you can calculate the ratio and based on that you can tell how much difference is there. So, that is what also you can calculate. Percentile also you can calculate. Quartile wise also you can calculate the average salary and based on that you can highlight the pay gap analysis and then you can make some strategies to reduce this pay gap.

So, whatever salary that you are giving to the employees, so Q1 to Q2, Q2 to Q3, Q3 to Q4, how you can reduce this pay gap, what you should do and in future how you will be able to reduce this pay differences. So that is what you can think of and you can make any strategy about that. But that is how you can do the analysis related to the pay gap analysis, right. So I hope it is clear to you, right. So this thing that we have already discussed like annual salary So, job wise and department wise that you can calculate and job evaluation point and then average salary.

So, what is my suggestion here? Your salary that you are giving according to the job wise, position wise, it should align with the job evaluation point. It should not differ from the job evaluation point, right? It should align with. Next one is employee benefit analysis. So each organization is giving the benefit to the employee. So some of the benefit that I have written here.

So here you can write the workers characteristics. So characteristics like somebody is doing the managerial job. somebody is doing the this technical job, right. So, various types of jobs that according to the nature of jobs like technical job, managerial job, right. So, that kind of jobs are there, then according to the job what are the benefits that you are giving.

So, if you remember when I was discussing about the component of the salary, at that time I said each component of the salary gives the message to the employee. So, for various nature of job that are available in your organization, when you will compare this

nature of job with the types of the employee benefit, type of the employee benefit that is, that is what is there, that is what if you will compare it, then what you can do, you can plan the benefits better for these various types of the employee, right. vacation, how many vacations that you are giving to the employees, managerial job, technical job, sick leave, retirement plan, employee assistance, child care, wellness program, flexible workplace, because these benefits based on, so the moment you are giving the message to the employee, right, so for which position, which type of people you want to retain, It may be possible for some type of the people you do not want to retain, you want that the people should come, they do the job and they should leave the organization, right. So, for example, in airline what happens these air hostesses are there. So, all airlines do not want them to work for 25 years and 30 years in the same airline.

What the airline people expect, you come here, work for 5 to 6 years, right, max to max 10 years and then you can move to the another job, right, as per your skill set that you have developed in the organization. So, that is what also may happen. So, accordingly you can decide the employee benefit, that is what you can do. Second thing that you can see like types of jobs are there, attrition rate is very high, it may be possible you do not want to reduce that attrition rate. you want to you are happy with that attrition rate whatever is happening people are coming going right in a specific type of job that is what is happening.

So, so you do not want to change the structure of your employee benefits right you do not want to do any decision because it is not impacting the organizational output as far as your concern. So, in that case you may not improve the employee benefits, but vice versa if employee attrition is causing the problem for the organization, organization output in that case you can think of these all benefits. So, whatever benefits that you are giving you put in this table format and do the analysis organization wise and compare with the market what is there and then you can make the suitable composition for your employees right i hope you can understand the importance of this employee benefit analysis next that you can say this top management compensation Because when you will become the HR manager, you or sometime you will get an opportunity to hire this top management people also. For example, whoever was the Air India HR head, that person had made lot of effort to hire the CEO for the Air India, right. So, what should be the salary composition so that that CEO will be attracted towards the Air India, right.

So, do you, so now you have to decide whether the CEO are attracted because of the salary or they are attracted because of the nature of work, right. So, along with the work how you should design their compensation so that they will be attracted towards. So, what you can do here this top management compensation. So, in this case whoever is your competitor whoever is competitor like Air India's competitor that you can identify

and then you can do the analysis of their salary structure. So, how you can do? First thing that you can see the fixed component and compensation based on annual performance, if you will perform you will achieve this much target.

and then you will be getting this much salary and next one is the long-term performance so if you will keep working for next five years next six years then you will be getting this much amount right so that you can do the analysis with your competitor how much they are paying and then after analyzing that you can design your compensation plan for the higher top management in order to attract because this compensation plan may give the signal to the top management people to the whoever is working to your competitors and they may be attracted and they may apply to your job position and then they come and join your organization they can contribute. So, in that case this analysis may help you to design the top management compensation for hiring the top positions, right? So, compensation could be one of the most important singling method, right? That is what you can think. So, that is how you can analyze this data. Next thing that I was talking about this behavioral encouragement plan. So, like for example, this absenteeism is the problem in your organization.

So, number of days employees were absent, you can make like for 30 days, above 30, up to 30, how many people were absent? Similarly, 20 days, up to 20 days, how many people were absent? 10 days, how many people were absent? 10, 20, 30, how many people were absent? And how many employees are there? And now you can decide the expected reward, the moment you know the number of people. If you are giving the reward to the everyone, then sometime it happens the utility of the reward goes down, right. So, what do you have to do? You have to decide the number, object number of the people, how many people you want to give this particular reward, so that it would be beneficial. Similarly, this absenteeism, you can talk about knowledge sharing session. If you want to promote this knowledge sharing session, so how many employees have conducted 4, 5, 6 knowledge sharing session, voluntary, involuntary, you divide into the category and then you can define the reward.

Next thing that you can say helping behaviour, deviance behaviour. If you want to give a punishment for the deviance behaviour or punishment for the dissent. or reward for the descent. Somebody is showing the descent, then whether you want to give a reward. So, the types of descent is there or types of deviance that is there.

So, constructive deviance is there, you may reward. and destructive deviance is there, then you may punish, right? So, both things may happen. So, whichever behavior that you want to promote, you can make a list and then you can count the number in that particular category, how many employees are coming and based on that you can decide

the reward and punishment for the employee. So that is how you can do the behavioral, that is how you can develop the behavioral encouragement plan and you can develop this matrix and you can use in the organization. Now let us come to the incentive plan planning. If you have to plan for the incentives then how you will do that.

So, this will we will discuss in the next session that is compensation analytics 3. So, I hope you would have understood total employee salary structure, annual salary, analysis of employee benefit, top management compensation, behavioural encouragement plan matrix. So, thank you.