



Overview of ISO 30414 Human Capital Reporting Standards

ISO 30414 guidelines for human capital (HC) reporting for internal and external stakeholders include most of the key elements involved with Enterprise Engagement and ISO 10018 Quality People Management standards

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The architects of the new ISO 30414 standards hope that the new guidelines on human capital reporting will attract the attention of leading investors and executives interested in sustainable financial performance. The ISO Human Resources 260 Technical Committee has developed the first standards for human capital reporting that include all the elements of Enterprise Engagement and ISO 10018 Quality People Management and the people elements of ISO Annex SL requirements.

ISO 30414 guidelines for human capital (HC) reporting for internal and external stakeholders, now available [here](#), call for “A formal engagement strategy to support the proactive involvement of employees to consistently address the needs of external and internal customers that aligns activities related to leadership training, engagement assessment, communications, learning, innovation and collaboration, rewards and recognition, analytics, and feedback.”

This means that organizations that comply with ISO Annex SL requirements that are part of 60 ISO standards, including ISO 9001 quality management or ISO 45001 safety management, and more specifically, ISO 10018, will have much of the information in place needed to meet these human capital disclosure requirements.

Designed to Benefit All Stakeholders

According to Stefanie Becker and Hilger Pothmann, who helped write the new guidelines, ISO 30414 is intended to provide all stakeholders an objective way of meaningfully comparing the overall human capital investments and outcomes using a process that can be simplified for smaller enterprises. The purpose is not only to help investors and corporate management assess the potential for sustainable growth, but also to provide information that can be meaningful to management for more effective organizational governance and management.

According to Pothmann, the guidelines focus more broadly on human capital management, and not just human resources management, which he says is simply one component of human capital. He says he hopes that anyone involved with financial management, mergers and acquisitions, and investing recognizes the importance of standardized human capital reporting.

The guidelines largely mirror the organization-wide framework and key issues addressed in the Enterprise Engagement Alliance's learning and certification platform, as well as in the ISO Annex SL and ISO 10018 Quality People Management standards.

An Enterprise Approach

Specifically, clause 4.7.1 states that: "HCR (human capital reporting) considers different needs of internal and external stakeholders. It allows information relevant to important business-critical HC issues: compliance, costs, diversity, leadership, occupational health and safety, organizational culture, productivity, recruitment, mobility and turnover, skills and capabilities, succession planning, workforce availability. All these areas can be measured and reported (internal and external) with specific metrics [see [Compliance](#) below.] These guidelines are based on quantitative metrics, because they are easier to compare within and between organizations."

According to the standards, "Human Capital metrics can help the organization to understand how purposeful investment in people can create and preserve Human Capital value and, in doing so, improve productivity and performance." These guidelines are based on a traditional Human Capital framework and contains three components:

1. **Inputs:** Inputs are the fundamental building blocks for achieving value through people. It includes all investment in human capital - e.g., workforce costs.
2. **Activities:** Activities are the key tasks in Human Resource Management (value chain or life cycle), to ensure, that people are able to work productively and healthily - e.g., information about organizational culture.
3. **Outputs/Outcomes:** Outputs are the results of the investments and the activities - e.g. the HC return on investment.

The standards provide very clear metrics on all aspects of human capital management outlined under [Compliance](#), below.

The guidelines recommend use of surveys of internal (and, if applicable, external) customers for the following different processes:

- Recruitment (staffing and onboarding)
- Internal training
- Advisory for supervisors and managers in the various aspects of leadership, in conflict management, in labor law and in change management
- Management of terminations
- Employment conditions and work environment.

The guidelines define an "engaged employee" as "an individual who is fully absorbed by and enthusiastic about his work and takes positive action to further the organization's reputation and interests. The index consists of the results from an employee survey.

The guidelines look at the retention rate - "i.e., the ability of an organization to retain its workforce. It is the ratio of the total workforce that is retained over a defined period (the stability index). The retention rate is often calculated on an annual basis, dividing the number of employees with one year or more of

service by the number of staff in those positions one year ago. The number of monthly leavers is defined as % added over 12 months divided by the number in workforce that month.”

Productivity

The guidelines use productivity as a key measure of effectiveness. “Using quantifiable metrics improves the credibility of human resources (HR) as a profession, and allows upper management to identify specific, measurable ways that HR services benefit the organization. HR performance is evaluated based on indicators such as turnover per employee, earnings per employee, HR-related return on investment. It is important for internal, as well as for external, stakeholders because it allows an assessment of the productivity of the workforce. Human resources management-related return, if regarded as a relation between earnings and capital expenditure, is influenced by immaterial assets such as an organization’s people.”

Recruitment, Mobility and Turnover

This area of the guidelines describes “the ability to maintain or support an activity or process an adequate workforce over the long-term. This area concentrates on the whole process to maintaining a sustainable workforce. This is important for internal, as well as external, stakeholders because it shows the health of an organization.”

The guidelines also involve the area diversity, which “delivers information about the variety of the workforce. This information is important for internal, as well as for external, stakeholders because it provides information about the composition of the workforce. Most HC measurement approaches decide on workforce diversity with respect to gender, age, nationality, disability, job level/hierarchy and qualification.”

Skills and Capabilities

According to the guidelines, “The current knowledge and the correct use of this knowledge are key factors for competitive advantage. It allows conclusions about risks (e.g., wrong skills, not up-to-date knowledge, etc.) and potential (e.g., innovations). In particular, training rhythms as part of knowledge management depend on country-specific regulations concerning career systems, and the intervals in that knowledge have to be updated. For example, learning intervals for an organization’s people in healthcare jobs or in technical jobs could differ because of differences across national laws.”

Occupational Health and Safety

The standards state that “The area of occupational health and safety delivers information about investments in health and safety issues for organization’s people. Organizations should meet [their] legal and social responsibilities to ensure a healthy and safe work environment. Occupational health programs, for instance, deal with the prevention of ill health arising from working conditions. Safety programs deal with the prevention of accidents and with minimizing the resulting loss and damage to individuals and property. On the one hand, the attention to health and safety is important because ill health and injuries by the system of work cause suffering and loss to organization’s people. On the other hand, accidents and absences result in losses and damage for the organization.”

Organizational Culture

The guidelines specifically highlight the importance of culture. “The area of organizational culture concentrates on the working environment. Especially for internal stakeholders, as an organization’s people, information about this area is relevant. However, external stakeholders also receive important information about the organizational culture. This could be relevant for potential employees and for

investors...A 'bad' working environment has consequences on retention, commitment, absenteeism rate, and an (indirect) influence on the corporate performance.

A formal engagement strategy supports the proactive involvement of employees to consistently address the needs of external and internal customers that aligns activities related to leadership training, engagement assessment, communications, learning, innovation and collaboration, rewards and recognition, analytics and feedback. For the area of organizational culture, the following metrics are recommended for internal reporting by engagement/satisfaction/commitment: motivation can be defined as a generic term involving all values and attitudes of the workforce that reflect their willingness to deliver maximum performance and their commitment towards the organization. A growing workforce motivation is accompanied by a growing value of human capital. This metric is necessary to gain insight into whether employees are engaged in their work. Commitment and engagement mean different things to different countries and cultures. Awareness of international context and comparability is important. In respect to leadership and motivation issues, it has to be ensured that any questionnaire [that] helps to collect basic data on organization's people commitment, job satisfaction, etc. in several countries uses terminology that has the same connotation and meaning across various countries. Otherwise, data will not be completely comparable on the international level."

Reportable Metrics

The standards outline the following metrics that can be objectively disclosed and potentially audited.

Compliance

- Number and type of grievance filed
- Training hours on compliance and ethics
- External dispute resolutions
- Number, type and source of external audit
- Findings and actions arising from these

Costs

- Total workforce costs
- External workforce costs
- Ratio of the basic salary and remuneration for each workforce category
- Total costs of employment
- Cost per hire
- Recruitment costs
- Turnover costs

Diversity

- Workforce diversity with respect to age, gender, nationality, disability, job family, job level/hierarchy, qualification, diversity of leadership team.

Leadership

- Leadership trust
- Span of control

Leadership development

- Percentage of leaders/talents who have formal mentors or coaches
- Percentage of leaders who have the formal function of mentors or coaches

Occupational health and safety

- Lost-time for injury
- Number of occupational accidents
- Number of people killed during work (fatality, death or mortality rate)
- Training hours on health and safety at work vs. total amount of training hours
- Number of employees who participated the training/total numbers of employees

Organizational culture

- Engagement, satisfaction, commitment
- Retention rate
- Productivity - revenue, turnover, profit per employee
- Human capital return on investment

Recruitment, Mobility and Turnover

- Number of qualified candidates per position
- Quality per hire
- Average length: time to fill vacant positions; time to fill vacant critical business positions internal/external
- Transition and future workforce capabilities assessment
- Percentage of positions filled internally
- Percentage of critical business positions filled internally
- Percentage of vacant critical business positions in relation to all vacant positions

Employee Bench Strength

- Turnover rate
- Involuntary turnover rate
- Involuntary critical turnover rate
- Voluntary turnover rate (without retirement)
- Exit/turnover reasons/leaving employment by reason

Skills and Capabilities

- Total developing and training costs
- Learning and development: percentage of employees who participate in training compared to total number of employees per year; average training hours per employee; number of training participants differentiated in training categories.
- Internal mobility rate
- Workforce competency rate
- Succession planning

Workforce Availability

- Absenteeism rate
- Full-time equivalents
- Number of employees
- Contingent workforce; independent contractor; temporary workforce
- Number of full-time and part-time employees