

PwC Saratoga Metric of the Month

*The metric of the month is: **Profit per FTE***

*Metric Group: **Financial Impact & Productivity***

$$\text{Profit per FTE} = \frac{\text{Profit before Tax}}{\text{Total number of FTEs}}$$

Profit before Tax represents revenue less total costs in an organization's profit and loss account (adjusted for any extraordinary and exceptional items). It excludes any adjustment for minority provisions.

FTEs includes all full-time and part-time employees in the 'core' workforce (i.e. permanent and fixed-term contract employees over 1 year), those on temporary contracts (less than 1 year) and casual workers. It specifically excludes subcontractors, agency staff, and consultants (i.e. individuals not directly employed by the organisation)

Interpretation:

- Profit per FTE is industry sensitive and therefore benchmark comparisons should be primarily within your industry group.
- Profit is also highly sensitive to relative rates of change in revenues and costs over time. Trends in Profit per FTE are typically more variable in percentage terms than those in either revenue or costs.
- Changes to the number of FTEs employed will have a greater marginal effect on Profit per FTE than on equivalent revenue and cost metrics.
- Organisations that have experienced a sustained period of success, often with competitively high Profit per FTE, can lose their 'compelling cause' and even become complacent. Therefore, low profit growth or a plateauing trend in Profit per FTE may indicate that the organisation is vulnerable to external market factors such as increased commercial competition, inflationary rises in the cost base (e.g. raw materials, utility costs etc.) and inflation in wage cost arenas. Under these circumstances it is critical to monitor productivity trends (see Remuneration/Revenue and Remuneration/Costs).
- Key questions to consider:
 - ✓ What human capital initiatives will help to improve your organisation's profitability?
 - ✓ What single change in human capital policy or employee behaviour would significantly improve customer relationships?
 - ✓ If financial metric performance is good, what are employees and HR doing that is contributing to this?

Have feedback for us?

*Please join us at the ‘**Asia Pacific HR Analytics Forum**’ on [LinkedIn](#) to exchange your views and tell us how you are using HR measurements to drive workforce success in your organisation.*

If you want to share your experiences or have any feedback on how we can make this programme better, please write to:

Pamela McGill – Director – PwC People & Change

at: pamela.mcgill@vn.pwc.com

Mobile: 0909 668 290

Or

Vu Thi Le Lan – Associate Director – PwC People & Change

at: vu.thi.le.lan@vn.pwc.com

Mobile: 0966 633 816