



**GSSB** Global  
Sustainability  
Standards Board

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## Item 06 – Standard Interpretation for Disclosure 401-I

### For GSSB discussion and approval

<b>Date</b>	28 March 2018
<b>Meeting</b>	11-12 April 2018
<b>Project</b>	Standard Interpretation for Disclosure 401-I
<b>Description</b>	<p>This document presents the final Standard Interpretation for Disclosure 401-I, for GSSB discussion and approval.</p> <p>The <a href="#">Annex</a> provides an overview of the available methodologies consulted by the Standards Division for calculating rates of new employee hires and employee turnover.</p> <p>In line with the <a href="#">GSSB Due Process Protocol</a>, the GRI Board (as advised by the GRI Stakeholder Council) was invited to comment on the Standard Interpretation, as included in the <a href="#">draft project proposal</a>. No comments were received.</p>

This document has been prepared by the GRI Standards Division. It is provided as a convenience to observers at meetings of the Global Sustainability Standards Board (GSSB), to assist them in following the Board's discussion. It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard-setting body of GRI. For more information visit [www.globalreporting.org](http://www.globalreporting.org).

# About this document

The Global Sustainability Standards Board (GSSB) has initiated a project to develop a Standard Interpretation, as provided for in the [GSSB Due Process Protocol](#), to clarify the reporting requirements for Disclosure 401-1 New employee hires and employee turnover in *GRI 401: Employment 2016*. For more information, consult Item 05 - Final GSSB Project Proposal for developing a Standard Interpretation for Disclosure 401-1.

This document presents the final Standard Interpretation, for the approval of the GSSB.

The Standards Division conducted research and consulted experts on available methodologies for calculating rates of new employee hires and employee turnover. The [Annex](#) provides an overview of the available methodologies consulted.

The research has confirmed that none of the methodologies consulted use the 'total employee numbers at the end of the reporting period' to calculate these rates, as required by Disclosure 401-1. The research has also revealed that multiple approaches exist for calculating these rates; it has not been possible to identify a methodology which is widely applied and generally accepted.

The Standards Division recommends including the mandate to develop a methodology for calculating these rates in the Terms of Reference for a future update of *GRI 401*.

The Standard Interpretation will be included as an Annex to *GRI 401*. Within the text of *GRI 401*, clause 2.1 will be struck through and an icon will be included alongside it to indicate that the status of this requirement has changed, referring users to the Standard Interpretation in the Annex.

The screenshot shows the text of Disclosure 401-1, 'New employee hires and employee turnover'. It includes reporting requirements (a and b) and reporting recommendations (2.1 and 2.2). A bracket on the left side of the requirements is labeled 'Disclosure 401-1'. A box on the left side of the 2.1 recommendation is labeled 'Icon to be included'. The 2.1 recommendation text is struck through. The 2.2 recommendation text is not struck through.

**Disclosure 401-1**  
New employee hires and employee turnover

**Reporting requirements**

The reporting organization shall report the following information:

- Total number and rate of new employee hires during the reporting period, by age group, gender and region.
- Total number and rate of employee turnover during the reporting period, by age group, gender and region.

**Icon to be included**

~~2.1 When compiling the information specified in Disclosure 401-1, the reporting organization shall use the total employee numbers at the end of the reporting period to calculate the rates of new employee hires and employee turnover.~~

**Reporting recommendations**

2.2 When compiling the information specified in Disclosure 401-1, the reporting organization should use data from [Disclosure 102-7](#) in *GRI 102: General Disclosures* to identify the total number of employees.

The Standards Division proposes that the Standard Interpretation becomes effective on the day of its launch. The Standards Division aims to let the launch of this Standard Interpretation coincide with the launch of the Standard Interpretation for making a GRI-referenced claim.

# 25 Standard Interpretation

## 26 STANDARD INTERPRETATION I TO GRI 401: EMPLOYMENT 2016 ON 27 CALCULATING THE RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE 28 TURNOVER

### 29 Responsibility

30 This Standard Interpretation is issued by the [Global Sustainability Standards Board \(GSSB\)](#). The  
31 full set of GRI Standards and related Interpretations can be downloaded at  
32 [www.globalreporting.org/standards](http://www.globalreporting.org/standards). Any feedback on the GRI Standards and related  
33 Interpretations can be submitted to [standards@globalreporting.org](mailto:standards@globalreporting.org) for the consideration of the  
34 GSSB.

### 35 Relevant section

36 Clause 2.1 in *GRI 401: Employment 2016*.

### 37 Issue

38 Disclosure 401-I New employee hires and employee turnover in *GRI 401: Employment 2016* requires  
39 organizations to report the total numbers and rates of new employee hires and employee turnover  
40 during the reporting period, by age group, gender and region.

41 [Clause 2.1](#) in *GRI 401* further requires organizations to use the total employee numbers at the end of  
42 the reporting period to calculate the rates of new employee hires and employee turnover.

43 Feedback from users of the GRI Standards indicated that the required methodology in clause 2.1 is  
44 incorrect.

### 45 Interpretation Statement

46 An organization is not required to comply with [clause 2.1](#) in *GRI 401: Employment 2016* ('The  
47 reporting organization shall use the total employee numbers at the end of the reporting period to  
48 calculate the rates of new employee hires and employee turnover').

49 The organization is free to choose the methodology for calculating these rates.

50 Where the basis of measurement/calculation for a disclosure is not apparent, the organization is  
51 recommended to explain the basis of measurement/calculation used (see [clause 2.7.2](#) in *GRI 101:  
52 Foundation 2016*). When using ratios or normalized data, the organization is recommended to  
53 provide absolute data and explanatory notes (see [clause 2.7.3](#) in *GRI 101*).

### 54 Effective date

55 This Standard Interpretation is effective for reports or other materials published on or after [Day,  
56 Month, Year].

# 57 Annex – Methodologies consulted

## 58 *Introduction*

59 The Standards Division consulted available methodologies for calculating rates of new employee  
60 hires and employee turnover, to identify whether these use the total employee numbers at the  
61 end of the reporting period (the required methodology for [clause 2.1](#) in Disclosure 401-I New  
62 employee hires and employee turnover).

63 The following sources were consulted for available methodologies:

- 64 • Statistics offices (International Labour Organization (ILO) and US Bureau of Labor  
65 Statistics)
- 66 • Human resources institutions (Society for Human Resource Management)
- 67 • Reporting Standards (Sustainability Accounting Standards of the Sustainability Accounting  
68 Standards Board (SASB Standards) and IRIS 4.0 Standards of the Global Impact Investing  
69 Network (GIIN))

## 70 *Summary of results*

### 71 **Statistics offices**

- 72 • The ILO statistics department does not collect data on the rates of new employee hires  
73 and employee turnover, and has no methodology available for either of these rates.
- 74 • The US Bureau of Labor Statistics was the only statistics office found that provides a  
75 methodology for calculating the rates of employee hires and employee turnover.

76 The hires rate and separations rate are computed by dividing the number of  
77 hires/number of separations by employment and multiplying the resulting quotient by  
78 100. Employment includes persons on the payroll who worked or received pay for the  
79 pay period that includes the 12th day of the reference month.

### 80 **Human resources institutions**

- 81 • The Society for Human Resource Management was the only human resources institution  
82 found that provides a methodology for calculating the employee turnover rate. It does  
83 not provide a methodology for calculating the rate of new employee hires.

84 The turnover rate is calculated by dividing the number of separations during a month by  
85 the average number of employees and multiplying the resulting quotient by 100. The rate  
86 is calculated for every month of the year, and the annual turnover rate is calculated  
87 thereafter.

### 88 **Reporting standards**

- 89 • Two reporting Standards were found that provide a methodology for calculating the  
90 employee turnover rate, but not the rate of new employee hires.

- 91 ○ **SASB Standards:** A few SASB Standards in the Health Care and Consumption  
92 II Sectors request the employee turnover rate. The calculation methodologies  
93 specified are as follows:
- 94       ▪ The Health Care Sector Standard requests a monthly turnover rate for  
95 voluntary and involuntary departures. The monthly voluntary and  
96 involuntary turnover rates are calculated by taking the total number of  
97 employee-initiated voluntary separations/registrant-initiated separations  
98 for each month and dividing this number by the average number of  
99 employees for the month.
- 100       The turnover rate is calculated for every month of the year, and the  
101 annual turnover rate is calculated thereafter.
- 102       ▪ The Consumption II Sector Standard requests an annual turnover  
103 percentage for voluntary and involuntary separations. The voluntary and  
104 involuntary turnover percentages are calculated by taking the total  
105 number of employee-initiated voluntary separations/registrant-initiated  
106 separations during the fiscal year and dividing this number by the total  
107 number of employees during the fiscal year.
- 108 ○ **IRIS 4.0 Standards:** The IRIS 4.0 Standards include a metric for employee  
109 involuntary turnover rate and for employee voluntary turnover rate. The rates  
110 are calculated by taking the number of involuntarily departing permanent  
111 employees/permanent employees that departed voluntarily and dividing this  
112 number by the average number of permanent employees during the reporting  
113 period.

## 114 *Conclusion*

115 None of the methodologies consulted use the total employee numbers at the end of the  
116 reporting period to calculate the rates of new employee hires and employee turnover, as  
117 required by [clause 2.1](#) in Disclosure 401-I New employee hires and employee turnover.

118 The methodologies consulted use either the average number of employees for the month, the  
119 average number of permanent employees during the reporting period, the total number of  
120 employees during the fiscal year, or the persons on the payroll who worked or received pay for  
121 the pay period that includes the 12th day of the reference month.

122 Multiple approaches exist for calculating these rates; it has not been possible to identify a  
123 methodology which is widely applied and generally accepted.

124 There are different methodologies available for calculating these rates. For example, none of the  
125 methodologies consulted that use the average number of employees to calculate these rates, use  
126 the same method to calculate the average number of employees; the following methods were  
127 found:

- 128       • Employers should run a report to determine the total employee head count at regular  
129 intervals within the month (weekly, or at the beginning, middle, and end of each month).  
130 The average number of employees on payroll that month can be obtained by adding up

I31 the total head count from each report run throughout the month, and dividing the sum  
I32 by the number of reports. (Society for Human Resource Management)

I33 • The average number of employees for the month can be calculated by taking the sum of  
I34 the employees on the registrant's payroll at each pay period and dividing this by the  
I35 number of pay periods. (SASB Standard for the Health Care Sector)

I36 • The average number of permanent employees can be calculated in a number of ways.  
I37 One example for organizations reporting on a yearly basis is to calculate the average  
I38 number of permanent employees on a monthly basis. (IRIS 4.0 Standards)

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Statistics offices	
<p><b>US Bureau of Labor Statistics<sup>1</sup></b></p>	<p><b>Hires.</b> The hires level is the total number of additions to the payroll occurring at any time during the reference month. The hires rate is computed by dividing the number of hires by employment and multiplying that quotient by 100.</p> <p><b>Separations.</b> The separations level is the total number of employment terminations occurring at any time during the reference month, and is reported by type of separation— quits, layoffs and discharges, and other separations. The separations rate is computed by dividing the number of separations by employment and multiplying that quotient by 100. The quits, layoffs and discharges, and other separations rates are computed similarly.</p> <p><b>Employment.</b> Employment includes persons on the payroll who worked or received pay for the pay period that includes the 12th day of the reference month.</p>
Human resource institutions	
<p><b>Society for Human Resource Management</b></p>	<p>Turnover rate is calculated by taking the number of separations during a month divided by the average number of employees, multiplied by 100:</p> $\text{Turnover Rate} = \# \text{ of Separations} / \text{Avg. \# of Employees} \times 100$ <p>When determining the number of employees in organizations for turnover rate purposes, employee head count is used. This head count should include all employees on the payroll.</p> <p><b>Average Number of Employees</b></p> <p>Employers should run a report to determine the total employee head count at regular intervals within the month (weekly or at the beginning, middle and end of each month).</p> <p>Add the total head count from each report run throughout the month together, and then divide by the number of reports used to obtain the average number of employees on payroll that month.</p> <p><b>Annual Turnover Rate</b></p> <p>Most employers want to report not only a monthly turnover rate but also an annualized turnover rate (TR). The annual turnover rate is determined by adding all 12 monthly turnover rates for the entire year:</p>

<sup>1</sup> The statistics are compiled from the Job Openings and Labor Turnover Survey (JOLTS) collected from a sample of nonfarm business and government establishments.

	Annual TR = (January TR + February TR + March TR + April TR + . . . + December TR)
<b>Reporting frameworks</b>	
<b>SASB Standards</b>	<p><b>Health Care Sector</b> (<i>Biotechnology, Pharmaceuticals, Health Care Delivery</i>)</p> <ul style="list-style-type: none"> <li>• Monthly voluntary turnover =  Total number of employee initiated voluntary separations (such as resignation, retirement, etc.) for each month divided by the average number of employees for the month (the sum of the employees on the registrant's payroll at each pay period / number of pay periods).</li> <li>• Monthly involuntary turnover =  Total number of registrant-initiated separation (such as dismissal, downsizing, redundancy, expiry of contract, etc.) for each month divided by the average number of employees for the month (the sum of the employees on the registrant's payroll at each pay period / number of pay periods).</li> <li>• Annual voluntary and involuntary turnover rates are calculated by adding the 12 monthly turnover figures together and multiplying by 100 to arrive at a percentage.</li> </ul>
	<p><b>Consumption II Sector</b> (<i>E-Commerce</i>)</p> <ul style="list-style-type: none"> <li>• Voluntary turnover percentage =  Total number of employee-initiated voluntary separations (such as resignations, retirement, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.</li> <li>• Involuntary turnover percentage =  Total number of registrant-initiated separations (such as dismissal, downsizing, redundancy, non-renewal of contract, etc.) during the fiscal year, divided by the total number of employees during the fiscal year.</li> </ul>
<b>IRIS 4.0 Standards</b>	<p><b>Employee Involuntary Turnover Rate (OI3989)</b></p> <ul style="list-style-type: none"> <li>• <u>Calculation:</u> (Departed Permanent Employees: Involuntary (OI7225)) / (Average Number of Permanent Employees during the reporting period)</li> <li>• <u>Definition:</u> Ratio of the number of involuntarily departing permanent (full-time and part-time) employees, compared to the average number of permanent (full-time and part-time) employees at the organization during the reporting period.</li> </ul>

	<ul style="list-style-type: none"> <li>• <u>Usage guidance:</u> The average number of permanent employees can be calculated a number of ways. One example for organizations reporting on a yearly basis is to calculate the average number of permanent employees on a monthly basis.</li> </ul> <p><b>Employee Voluntary Turnover Rate</b></p> <ul style="list-style-type: none"> <li>• <u>Calculation:</u> (Departed Permanent Employees: Voluntary (O18431)) / (Average Number of Permanent Employees during the reporting period)</li> <li>• <u>Definition:</u> Ratio of the number of permanent (full-time and part-time) employees that departed voluntarily, compared to the average number of permanent (full-time and part-time) employees at the organization during the reporting period.</li> <li>• <u>Usage guidance:</u> The average number of permanent employees can be calculated a number of ways. One example for organizations reporting on a yearly basis is to calculate the average number of permanent employees on a monthly basis.</li> </ul>
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