Labor Expense as a Percentage of Total Revenue

Benchmarks, Definition & Measurement Details
Labor Expense as a Percentage of Total Revenue

Definition & Measurement Details

What is Labor Expense as a Percentage of Total Revenue?
The employee compensation-related expense incurred divided by the total dollar amount of revenue generated by the company over the same period of time, as a percentage.

Why should this KPI be measured?
Labor Expense as a Percentage of Total Revenue measures the employee compensation-related expense incurred in relation to the total dollar amount of revenue generated by the company over the same period of time. Relatively high values for this metric can be related to a number of factors, including overstaffing of one or multiple departments, poor recruiting practices (i.e., poor screening policies, interview processes, etc.), inefficient benefits and compensation packages, and sub-par employee training and performance. While companies typically seek to streamline company operations and reduce employee positions and compensation to decrease labor costs, great care should be taken when doing so as too many layoffs and cuts to compensation can have a negative impact on company morale and potentially cause high turnover rates.

How is this KPI calculated?
Two numbers are used to calculate this KPI: (1) the employee compensation-related expense incurred, and (2) the total dollar amount of revenue generated by the company over the same period of time. Labor expense should be considered to be the sum of all wages paid to employees (includes salaries, commissions, etc.), as well as the cost of employee benefits and payroll taxes paid by an employer. Include both direct (i.e., wages for the employees tied to the production and sale of company goods and services) and indirect labor (costs associated with support functions and overhead, such as the Human Resources Department, Information Technology Department, etc.) costs in this calculation.

ABRIDGED CONTENT

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Labor Expense as a Percentage of Total Revenue

Benchmarks & Characteristics of High Performers

How to read this chart: This chart summarizes the performance gaps between high (Top 5%), mid (Median) and low (Bottom 5%) performers for this Key Performance Indicator (KPI). For example, the column labeled “Top 5%” represents a company that outperformed 95% of the peer group observed for this metric.

Characteristics of High Performers

• KPIs are well-defined, tracked and tied to performance reviews
• Robust self-service options for customer (online FAQs, etc.)
• Agents cross-trained to handle and resolve multiple call types
• KPIs are well-defined, tracked and tied to agent performance reviews

Sample Size: XX
KPI Type: XX
Unit: XX
Is High or Low Best?: XX

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