Terence Kok · Framework reference brief · Version 1.1 · First published 2 March 2026 · Revised 12 September 2026 ·
 · terencekok.com/frameworks/roe/

AI VALUE MEASUREMENT

Return on Employee (RoE) Framework

Developed in response to AI business cases that treated headcount reduction as the primary value metric. Applied across mid-market transformation engagements, government capability programmes, and the UN ESCAP AI for Developing Countries Forum (Bangkok, 2026).

AI business cases built around headcount reduction create organisational resistance, undercount actual value, and produce the wrong implementation incentives. Return on Employee measures AI value through the increase in productive capacity per person, a metric that captures what AI actually does in knowledge-work environments without requiring job elimination to show a positive return.

REFERENCE DIAGRAM

Three measured terms summed into value per person per year, each against a baseline captured before go-live, and the headcount metric it replaces.

MEASURED AGAINST A PRE-DEPLOYMENT BASELINE

Baseline captured before go-live: current hours per task, current error rate, current portfolio capacity.

Hours reclaimed

task hours removed per person per week × loaded hourly cost × headcount

+

Decision quality lift

improvement in accuracy or error rate × revenue or risk exposure at stake

+

Portfolio capacity increase

additional clients, projects or tasks handled × margin per unit

sum →

RETURN ON EMPLOYEE

Value created per person, per year

Reported alongside cost in every leadership review, so the case holds whether or not headcount changes.

Also tracked: cognitive bandwidth returned, valued at the marginal worth of hours moved to higher-value work.

THE METRIC THIS REPLACES

Headcount reduction: value = roles eliminated

Shows a return only if jobs go. Ignores quality, speed and new capacity. Staff resist it, and the case collapses the moment people are redeployed instead.

WHY HEADCOUNT REDUCTION IS THE WRONG METRIC

- It measures AI value by the number of roles eliminated, creating a business case that staff actively resist and leadership is reluctant to publicise.
- It ignores quality improvement, decision speed, error reduction, and the capacity to take on work that was previously uneconomical.
- It requires job eliminations to show a return, which means the business case disappears if the organisation chooses to redeploy people rather than reduce headcount.
- It treats AI as a cost-cutting tool rather than a capacity multiplier, a framing that systematically underestimates the strategic value of AI programmes.

WHAT ROE MEASURES INSTEAD

- **Hours reclaimed:** Manual task time eliminated per person per week × loaded hourly cost × headcount.
- **Decision quality lift:** Improvement in output accuracy, error rate, or decision correctness × revenue or risk exposure at stake.
- **Portfolio capacity increase:** Additional clients, projects, or tasks handled without proportionate headcount growth.
- **Cognitive bandwidth returned:** Hours shifted from routine execution to higher-value analysis, client engagement, or strategic work, quantified by the marginal value of that time.

ROE CALCULATION

```
(Hours freed × loaded hourly cost) + (Decision quality lift × revenue at risk) + (Portfolio capacity increase × margin per unit)
```

BCG 2023 benchmark: average RoE for knowledge workers with AI = USD 42,000 per employee per year

Application: Build the RoE calculation into the business case before deployment begins. Establish the baseline (current hours per task, current error rate, current portfolio capacity) before the AI system goes live: you cannot calculate improvement without a pre-AI baseline. Present RoE alongside cost metrics in leadership reporting to prevent the business case from collapsing if headcount reduction is not the chosen path.

CITE THIS FRAMEWORK

VERSION	FIRST PUBLISHED	LAST REVISED	LICENCE
1.1	2 March 2026	12 September 2026	CC BY-NC 4.0

DOI

10.5281/zenodo.22722223

APA Harvard Chicago BibTeX

Kok, T. (2026). Return on Employee (RoE) Framework (version 1.1) [Framework reference]. terencekok.com. https://doi.org/10.5281/zenodo.22722223

Copy citation

This is a personal site. The views, frameworks and publications here are my own analysis. They do not speak for Orion Five Engineering or any past employer or client, and they do not draw on the confidential information, data or proprietary methods of any of them.