



Thoughts on Commonly Used Recruitment Metrics with Suggestions for Better Ones

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Over the past few decades, there has been a growing focus on quantification and measurement. Every academic and commercial entity attempts to measure even those things that are perhaps better left to judgment or that need nuanced thinking and contextual understanding.

There is a belief that numbers are objective, easy to understand and provide “hard” evidence. We believe we can hold people accountable more readily to a set of numbers than to good judgment or opinion. But unfortunately, just because we can measure something does not mean it is useful. As Jerry Muller says in his book *The Tyranny of Metrics*, “There is often unexamined faith that amassing data and sharing it widely...will result in improvements of some sort...”

Recruiters gnash their teeth over how hard it is to gather the data they need to generate reports and create metrics dashboards. And there are discussions on what metrics should be reported and which should be reported to senior leadership. Benchmark reports abound and questions are asked about the number of interviews that should be conducted, or the number of people there should be on a recruitment interview panel. Other questions focus on time or costs or quality.

All this is done with the belief that these metrics matter and that someone cares about them. We assume that these metrics are valid, useful, and necessary. But are they? They are reported because everyone else does and rarely do any recruitment leaders question them or challenge the assumptions they are based on. Recruiting metrics reports are often only glanced at or never looked at all, and it is even rarer when there is significant feedback.

Part of the reason for this may be that the metrics are not seen as relevant, or they do not give a credible picture of the effectiveness of the talent acquisition function.

I believe that if metrics were more focused, relevant, and offered the information leaders care about, they would be examined and used to improve the

recruitment process.

But, measuring the effectiveness of people as opposed to things like sales, production throughput, or widgets produced, is difficult and subject to biases, manipulation, and potential misuse. Is it right to measure the effectiveness of recruiting by counting numbers and time? The semi-standard primary set of metrics that recruiters use - cost per hire, time to fill, and quality of hire - seem valid and important at first glance. But I will argue that these are neither useful nor effective metrics. Nor do they hold much interest to leaders. I will then suggest some metrics that may be more useful.

THE BASICS

Organizations have become fixated on metrics. From performance management systems to recruitment, we believe that numbers are more objective and fairer than human judgment, experience, or even common sense. In some cases, this may be true, but we often report on things that cannot or should not be measured. The fewer and more focused the metrics are, the better. To report lots of numbers for the sake of reporting is a waste of time.

FIVE REQUIREMENTS

There are five requirements that valid, valuable, and useful metrics should meet. First, they need to be as objective as possible. It is easy to pick only the

numbers that support the arguments you want to make or to omit the annoying data points that disrupt what you wish to report. Truly meaningful metrics have to be generated from data that cannot easily be manipulated and are not merely the opinions of people.

Secondly, it is common practice to report metrics that are readily available or easy to compute but may not be informative or useful. A good metric must tell us something useful about things that can be improved to increase performance or output. Just because a set of numbers is available does not mean it should be reported. If they simply report on things that we cannot impact or provide factual data that is non actionable, they are of little use.

Thirdly, metrics must be presented as trend data showing how we are doing over time. A single data point tells nothing but showing data about how we are doing over weeks or months can be useful.

Fourth, they must be measures we can control and significantly or totally influence. Recruiters are frequently reporting metrics, such as time to fill, that are mainly in the control of the candidate or hiring manager.

And fifth and most important, whatever metrics are reported must be meaningful to those who ask for them. They must tell

leaders something vital to their success and that of the organization.

THE PURPOSE OF RECRUITING

Before we suggest a set of recruiting metrics, it is necessary to ask what the ultimate purpose is of the recruitment function. Why does it exist and what is it expected to do?

This may seem to be an easy question, but I believe that we don't think this through as deeply as we should. Metrics need to be aligned to a clear purpose and tell us if we are achieving that purpose.

We generally make the assumption that recruiting encompasses everything from generating a requisition, posting a job, finding and attracting candidates, assessing them, presenting them to the hiring manager, influencing both the hiring manager and the candidate, closing the candidate, generating the offer, presenting the offer, and in many cases onboarding the new hire. But is this what we should be doing? Where should accountability lie?

This leads us to the ultimate question: Why do we have a recruiting function? Where does recruitment begin and end? Does recruitment start when a position opens or before it opens by anticipating need? Does it end at the acceptance of an offer or after onboarding? What are recruiters accountable for? Who is responsible for making a hiring decision?

What data do they need to make that decision? Where does it come from?

The answers to these questions about duties, responsibilities, and accountability are the foundation for designing meaningful metrics.

I propose that the purpose of recruitment is straightforward: to find, attract, and influence people with the skills and capabilities the organization needs.

Other aspects often associated with recruiting, such as assessment, generating offers, making the hiring decision and controlling the success of the new hire, really belong to the hiring manager. The primary person responsible for recruiting is the hiring manager. Recruiters assist them in that process. This has a profound impact on what metrics get reported.

Let's examine three commonly reported metrics - cost per hire, time to fill, and quality of hire - and see if they meet the requirements set out above for good metrics, or if they show how well recruiters are finding, attracting, and influencing potential candidates.

COST PER HIRE

Cost per hire, as usually reported, is a metric that I find particularly questionable for several reasons.

First of all, the cost to find, attract, and influence a candidate is irrelevant if the

hiring manager is satisfied. Do we also have to ask whether cost, unless outside a norm, is more important than the contribution the person can make – their potential?

Using an old analogy, whatever it cost to hire Magic Johnson for the Lakers, was trivial compared to his overall contribution to the team and the sport. This is often true of many other people as well.

Whatever it costs us in time or money to influence and ultimately hire a person that invents a new product, procures a patent, fixes a major problem, or comes up with the great idea is well spent. It is up to the manager to provide the training, coaching and support an employee needs to develop and use their potential. If they met the requirements of the job and were made an offer by the hiring manager, they should be worth whatever it cost to hire them. To report cost-per-hire regularly serves no useful purpose and hinders focus on the more significant need of finding the best person possible for the role.

In addition, I have found that the cost per hire for a particular role rarely varies very much (other than accounting for inflation). The costs hover around a mean, making the exact figure virtually meaningless. As a rule, junior people cost less to hire than more senior people.

And finally, this figure is often used as a benchmark to compare performance between organizations. However, the variables included in definitions of cost per hire are different in every organization. There is no standard, and this makes comparisons inaccurate and misleading.

Measuring cost is an example of the Band Wagon Fallacy – because everyone measures cost, it must be useful, and we are expected to report it. It is also relatively easy to measure, which may partially account for its popularity. But is it actionable? What can you do to reduce that cost significantly? In most cases, very little because a significant portion of the costs are fixed, including salaries, general overhead, equipment, and licenses. Does senior leadership care more about cost or about the contributions a new employee makes?

RECRUITMENT COST RATIO

A better way to monitor the efficiency of the recruitment function is to use a recruitment cost ratio. This creates a relationship between costs and salaries of everyone hired. To determine this ratio, we divide the total costs of recruitment by the total compensation recruited. This is fully described at the end of this paper.

SPEED OR TIME TO FILL

Speed is important when you are in competition for talent. The recruiters who can find and attract top candidates and

make offers quickly often win. But speed needs to be qualified with words like speed to present, speed to find, speed to screen, or speed to offer? Choosing the measure of speed that recruiters can control is critical and should not be overly complicated or get bogged down in trivial details. Focus on what elements of speed pays the highest dividends.

Finding the best or the right person may not be easy and take time, but an effective recruiter would have a pool of potential candidates before the need to recruit. Proactive sourcing is the best way to ensure that you can quickly meet a hiring manager's need. Your focus should be on metrics that track how quickly you are prepared to present candidates.

Time to fill is not a good measure because it violates one of our five conditions: it is not entirely in the control of recruiters. Candidates take time to respond; managers take time to provide feedback, administrative issues cloud the issue. Recruiters only control one element of this: the time to present a candidate to the hiring manager.

QUALITY OF HIRE

So, this brings us to the quality of hire. Out of all the metrics, is this the most important?

Not really, and not because I don't think quality is important. The challenge is

defining what we mean when we say that one candidate is "better" than another. Who determines quality, and how can it be measured?

Quality cannot be measured with numbers. It is not possible to define it in a way that can be objective or meaningfully connected to the recruitment process.

The hiring manager decides the ultimate quality of a candidate, and his criteria are often intangible and determined months or even years after someone is hired. Every hire is judged by a different standard according to the manager, and the circumstances of the job.

Without a defined, objective measure correlated to quality, we are left with subjective judgment. We all have been in situations when one manager thinks an employee is great, and another manager feels the opposite.

If we adopt the definition of quality that is the hallmark of manufacturing, quality is not about perfection or opinion; it is about reducing variations. In the context of recruiting, this would mean reducing the variations/differences in skills between candidates as much as possible for a similar position. Taken to the extreme, this means hiring people who are virtual clones of each other.

This is also the inherent danger of using artificial intelligence to determine who is the best candidate. A.I., as it is today, can only match specific data such as pedigree, skills, or previous experience to a candidate's pedigree, skills, and experience to those asked for in a job description. We assume these are the best indicators of quality or performance, but research suggests that they are not.

Many intangible factors such as general ability, personality, and motivation may be more important. But these are hard to measure.

By trying to find candidate who are very similar to each other works against us by reducing diversity and potentially leads to group think, and less innovation. If the job we are hiring someone to do is easily defined and quantifiable, perhaps a robot would be a better choice than a human.

Some of the other measures that purport to measure quality also have significant flaws.

PRODUCTIVITY

One of the flaws is to attempt to measure how quickly a new hire is productive. The first challenge is to decide that productivity is more important than judgment or innovation. The second challenge is to define what productive means.

This is very hard to do for managerial and positions where the output is not tangible. On top of this, how much of the level of productivity can you tie back to the hiring process? The variables that influence productivity include training, the work environment, the new employee's teammates, and the corporate culture. There are too many to say that the recruiting process alone causes or even has any real impact on performance.

And why is the speed to productivity so important? Perhaps an in-depth understanding of the work by observing and learning and getting a thorough grasp of details that take time to master might be more critical. Good decision making or judgment might trump speed.

PERFORMANCE

Some recruiters measure quality by looking at a new hires performance rating (assuming your firm still has performance ratings). Once more, this is a *post hoc, ergo propter hoc* fallacy. It does not follow that recruitment leads to poor or good performance.

Once again, there are too many other variables that affect performance far more than recruitment. Performance ratings are subjective and depend as much on personality, and the relationship the new hire and the manager have with each other than on actual performance. Many organizations have recently abandoned

performance ratings because they are not objective, increase employee dissatisfaction, and do not help improve performance.

TURNOVER

And finally, I often see turnover rates used as a measure of quality. Whether someone leaves is much more likely to be caused by the manager, economics, the corporate culture, or some other factor than because of the type of person recruited.

Even assuming recruitment makes some difference, the real question is, how much difference? Is the difference enough to justify the extremes we go through to determine someone's capabilities? I believe that the ultimate responsibility for quality of hire lies with the hiring manager and not with recruitment and is a subjective judgment.

As mentioned in our first condition of a good metric, each one should be as free from judgment, opinion, and bias as is possible.

WHAT CAN WE MEASURE?

So, what does matter? What can we measure? Here are several suggestions by category of metrics that give a better picture of the effectiveness of recruiting.

The first set is aimed at senior leadership and answers the question asked at the beginning of this paper: What is the ultimate purpose of recruiting? I believe it is to find, attract, and influence people with the skills the organization needs as quickly as possible.

SENIOR LEADERSHIP METRICS

How effective is T.A. in attracting needed talent?

- Number of active applicants
- Number hired from competition
- Job posting effectiveness (# of qualified vs unqualified candidates who apply)
- Capability to hire critical skills
- Size and variety of talent pool
- Breadth and depth of our talent map
- Ratio of offers to accept
- Time to present candidates with critical skills and abilities

I also believe that the hiring manager should be held accountable and have a set of metrics that measure their responsiveness and critical thinking about people. In the competitive world, we live in, the speed of decision making is essential for success and hiring managers control this and should be accountable.

HIRING MANAGER METRICS

- Hours/days to provide feedback to recruiters on candidates presented
- How many of the job criteria in the job description did the new hire meet? [Criteria asked for/Criteria hired]

- Candidates per hire (Number interviewed/Offer extended)
- Number of diverse candidates interviewed/offers (Internal & external)

And candidates should have a say, and their experiences and opinions should be collected and understood.

CANDIDATE-CENTRIC METRICS

- Time spent matching to/searching for a position
- Time (minutes) needed to apply for a position
- Number who do not complete the application process & why
- Candidate rating/feedback on ease of applying
- Candidate rating/feedback on overall recruiting experience
- How many hours/days until the candidate gets a response to her CV with feedback?
- How many days does it take until the candidate gets a decision about the next steps?

RECRUITER/SOURCING METRICS

- Number of qualified candidates available when a requisition is received
- Cost of per acquisition
- Completeness of talent map of competition by critical role
- Percentage of candidates presented to the manager within a given time frame of receiving the requisition
- Ratio of candidates presented/offers

extended

- Number of connections and relationships with external people who have the skills required for specific positions
- Number of people with relevant skills & capability in the talent pool
- Number of diverse candidates attracted to the career site
- Number of diverse candidates in talent pool/pipeline

The metrics I have suggested focus on numbers, ratios, time, and purpose. These are elements recruiters and hiring managers can control and can be held accountable for. They are only suggestions and certainly need to be vetted, examined, and tested. Cost tells you very little of value or quality if the byproduct of good manager decision making and process, not recruiting.

I hope this paper sparks a discussion and reassessment of your current metrics so that you can better show value. I encourage you to move away from traditional measures that are primarily reporting on administrative and are filled with logical fallacies, subjectivity, and show a lack of critical thinking.

Recruitment Cost Ratio

$$\frac{(\text{Total External Costs}) + (\text{Total Internal Costs})}{\text{Total Compensation of All New Hires for the Year}} \times 100 = \text{Your Recruiting Cost Ratio Percentage}$$

- If... External costs equal \$100,000 (this includes all external cost related to hiring: ATS tool, advertisements, CRM tool, job board postings, sign-on bonuses, outsourced recruiting fees, etc.)
- And... Internal costs equal \$100,000 (this includes labor cost of employees, benefits, etc.)
- And... The Total FY compensation of new hires is equal to \$2,000,000
- Then... $\$100,000 + \$100,000 / \$2,000,000 \times 100 = 10\%$

This means that for every dollar of first-year compensation spent, the organization is spending \$0.10 cents on activities related to acquiring that talent.

Today's data suggests that the current RCR national average is 13.9%.

Source: <https://empowered-partnerships.com/how-to-calculate-your-recruiting-cost-ratio-formula/>

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