Top 10 Recruiting Metrics HR Should Care About

HR Best Practices

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For 2015, we are ringing in the year of analytics! Knowing what to measure and when to measure it is going to define your HR team as a crucial addition to the company's success.

Gone are the days of simply posting job opportunities on your company website, and hoping for the best. Building a strategy, being smarter about where you are finding candidates, and knowing how effective your recruiters are will determine the future of your organization's talent.

When it comes to recruiting, there are dozens of metrics that you could report on, but with help from a quick survey to our audience of HR professionals, we have picked out just the top ten to focus on this year.

1. Time to Hire

2. Sourcing Channel

3. Cost per Hire

4. Retention Rate

5. Quality of Hire

6. Pipeline of Talent

7. Applicant Satisfaction

8. Qualified Applicants Per Requisition

9. Offer Acceptance Rate

10. Recruiter Efficiency

Time to Hire

"Time to Hire" refers to the amount of time it takes to bring a new hire on board from the moment that you first publicize the open position.

It is important to distinguish that this means the time until a new hire's first day on the job, not the day they accept the offer. This is probably the most important recruiting metric to focus on as it relies on the efficiency of the recruiters and the sourcing channels used, but also determines the success of your overall recruiting strategy. Job vacancies within an organization can mean a loss of productivity until that position is filled, so the longer the time to hire, the longer your organization is lacking in that area.

Of course, the time to fill is going to vary based on the job level and perhaps the skill set that is required. As time goes on, however, HR should be able to determine an average timeframe across all positions, and work towards reducing that time.
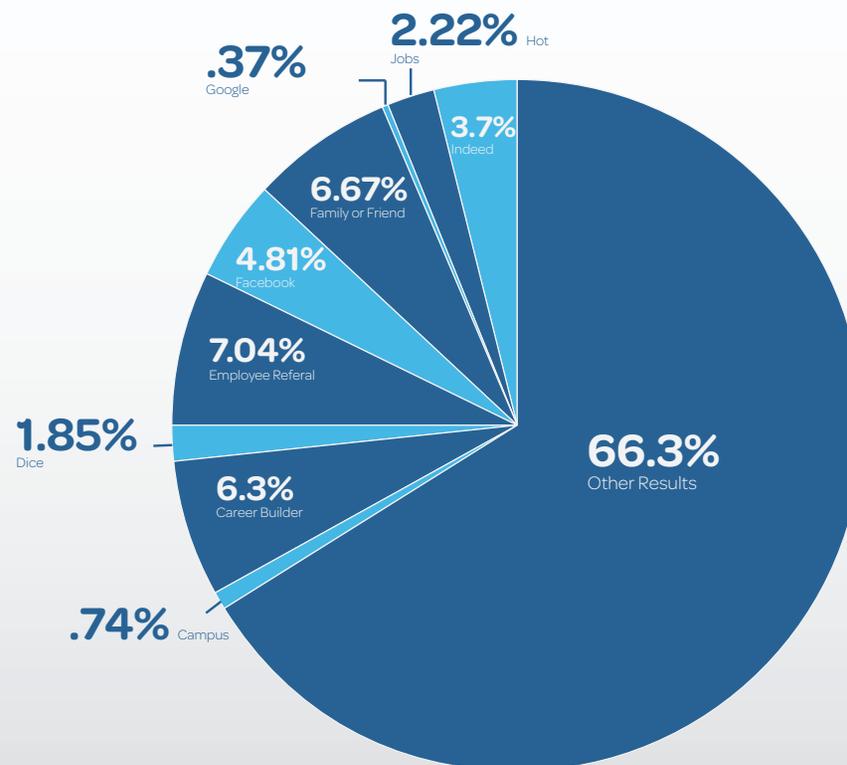
To get a clearer picture of how to improve this time, this metric can be further broken down into intervals of time between each of the steps between the job posting and the first day on the job – from when a candidate was sourced, to when they were screened, to when they were interviewed, etc.

Ultimately, companies who have a strong talent management strategy will have a shorter time to hire than those with a weak or non-existent strategy.

Sourcing Channel

Sourcing channel or source of hire simply refers to the efficacy of the different job boards or media a company uses to publicize its current job openings. The reason for tracking this metric is simple – there are hundreds of options for sourcing candidates, but depending on your industry or your specific organization, certain sources will prove to be more effective or provide higher quality candidates than others. Once you know which sources provide the greatest number of candidates, you can start looking at which sources produce the best quality candidates over time. Then you can focus your energy and resources on these channels.

2.22% Hot Jobs

.37% Google

3.7% Indeed

6.67% Family or Friend

4.81% Facebook

7.04% Employee Referal

1.85% Dice

6.3% Career Builder

.74% Campus

66.3% Other Results

Source effectiveness should take into account the following data when ranking each source:

- Applications received
- Number of applications that screened in
- Number of applicants hired
- Screened-to-hired ratio
- Percentage of total hires

Companies with smaller budgets will find this especially helpful so they are not wasting time or money on expensive job boards when perhaps they receive their best candidates from employee referrals or social media sites.

Cost per Hire

For most companies, everything still comes down to the bottom line, which is why "Cost of Hire" remains one of the most important metrics to track in HR's recruiting efforts. So many times, we hear that the cost of hiring someone is more expensive than a full year's salary for that position, and often this is certainly the case. That is why it is crucial to know exactly how much it is costing your organization to hire each position, and where you may be losing money. HR needs to be able to show executives cost-effectiveness when it comes to a recruiting strategy.

Cost of hire takes into account a few different sub-metrics, which of course will vary based on the position being hired for.

The most common ones are the following:

- Advertising costs
- Job board subscription costs
- Relocation assistance
- Referral bonus
- Travel expenses
- Agency fees
- Recruiter labor
- Additional staffing expenses

After the cost per hire has been determined with the above metrics in mind, HR will be able to show how much money they are saving the company by reducing the time to fill, or perhaps convince executives to increase the recruiting budget because of the cost of lost productivity.

Retention Rate

Employee retention is an important metric for many reasons. Not only does it show how successful your recruiting efforts are in finding qualified candidates, but is also a great indicator of the overall health of an organization. For now, we will focus on what the retention rate can tell us about recruiting efforts.

If your organization has a hard time retaining people for longer than a year after their hire date, you may be hiring the wrong type of candidate. Once you have determined the cost per hire for each position, it's no wonder that the retention rate is such an important metric. Your company could be bleeding money by an unnecessary amount of turnover. The cost of replacing an employee can be upwards of three times their salary!

Rather than trying to look at retention rates for all positions across all levels of the organization, it will be more insightful to analyze by sections. For example, you can look at the turnover rate for a specific role. If one role is causing turnover every year, maybe you need to take a look at the responsibilities of that role. Are there unrealistic expectations or unattainable goals? Another way to look at the data is turnover by pay grade or even by department. In this way, you can determine if the retention problem is company-wide, if it's in a certain department because of a bad manager, etc.
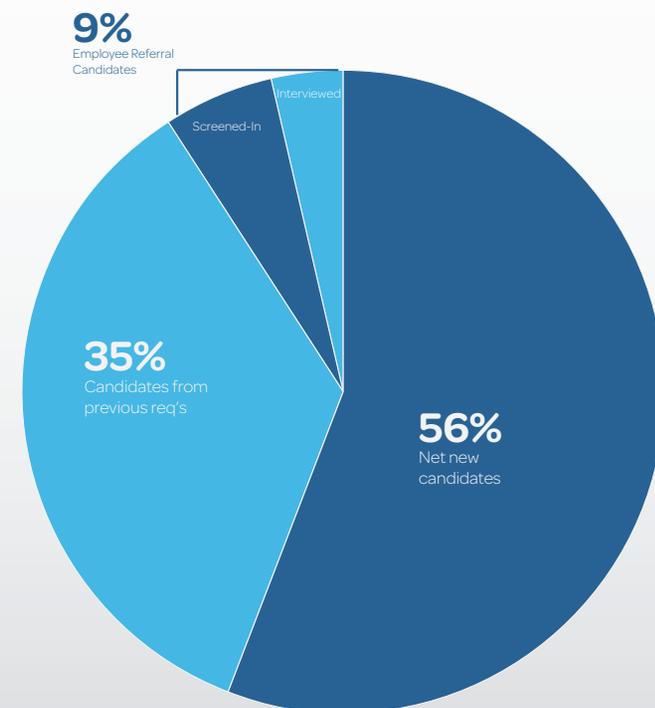
Quality of Hire

Quality of hire may sound rather subjective and difficult to determine, but nevertheless is one of the most important metrics. Because the cost per hire and retention rate are constantly scrutinized, it is important to find quality hires that are going to stay with your company for a long time, thus diminishing the need for another costly hire down the road.

It will take some time to determine the quality of a new hire, but the longer the employee is at the company, the easier it will be to establish. This should take into account not only performance ratings, but also their potential. Over time, you will be able to see a trend in their performance reviews, and

determine their overall worth to the organization. This metric can then be linked to the sourcing channels to help determine where the highest quality candidates originated from, as well as the time to hire so recruiters can get a sense of how long it takes to find the right candidate.

Pipeline of Talent

Companies with highly-developed talent management strategies know that they need to constantly be looking for quality candidates, even when there is no immediate opening in the organization.

9%
Employee Referral
Candidates

Screened-In

Interviewed

35%
Candidates from
previous req's

56%
Net new
candidates

This is when an automated Applicant Tracking System (ATS) becomes crucial. If you post a job opening for a project manager and receive hundreds of applications, there may be only a dozen that stand out as quality candidates. However, you can only hire one at that time. Down the road, though, the company may expand, opening up three new project manager positions. Rather than starting the process over again, you can start with the dozen that you had already screened-in for the last position, potentially cutting the time to fill that position by half!

If we think about recruiting as sales, candidates are like leads in a sales pipeline. It's important to have a good mix of leads – existing leads from past requisitions that may be interested in a new job opening, net new leads from job boards that you may just be monitoring until the right time, and employee referrals.

Applicant Satisfaction

While related to the employee retention rate, it is important to look at applicant satisfaction on its own to ensure that your recruiting efforts are placing applicants into positions where they feel they can grow and excel.

The best way to measure this is simply to have a standardized new hire survey, and then use performance reviews as another chance for employees to express how satisfied or dissatisfied with their job. Surveys can include questions on the hiring process, onboarding, and overall job satisfaction. These metrics will help you determine how positive an applicant's experience is from the moment a recruiter reaches out to them. This allows a company to take a step back and look at their processes from an outsider's perspective, and shed some light on how they are portraying their organization to applicants versus what they experience when they are hired.

Qualified Applicants per Requisition

"Qualified applicants per requisition" is a good indicator of the effectiveness of your sourcing channels. This takes into account not simply the total number of applicants for a position, but the number of quality or qualified applicants. One source may produce hundreds of applications, but maybe only ten of them actually made it beyond the screening questions or minimum requirements.

The way that you determine what a qualified applicant means will vary based on the specific requirements that you establish for each requisition, but it is important to establish an average over all requisitions for a specific time period. Ultimately, qualified applicants are the ones that matter and the ones that you will want to keep in contact with for future opportunities.

Offer Acceptance Rate

Once you have found the perfect candidate for a job, it would be nice to assume that the candidate also believes the position at your company to be a perfect fit for them, but this isn't always the case. Some reasons a candidate may not accept your offer could be the salary you have offered them, or perhaps they received a better offer somewhere else, etc.

Companies should not expect to have every offer accepted, but they should aim for around 90 percent. If they can't reach this goal, they may need to look more closely at the reasons behind the declined offers.

Some things your organization can do to improve your offer acceptance rate are:

• Compare your salary offers to industry averages and adjust accordingly

• Try including a signing bonus for high-level positions

• Include salary requirements in the screening questionnaire to fast-fail candidates who will not match your offer

Typically, if the offer acceptance rate is low, it means the company may need to have more realistic expectations for their open positions.

Recruiter Efficiency

Recruiter efficiency takes into account several of the metrics already covered, but really comes down to how effective a recruiter is at finding the most qualified candidate in the shortest amount of time, and ensuring that they are someone who will not only accept the company's offer, but will become a valuable asset to that company.

The following factors should be considered to determine one recruiter's efficiency versus another's:

• Open requisitions assigned to them

• Pending requisitions

• Requisitions on hold

• Requisitions in approval

• Requisitions filled

• Average days to fill

A successful recruiter will know the best sources for each requisition, will be able to realistically portray the company's needs, and provide the organization with employees that will become top performers and contribute to a high retention rate.

Conclusion

A successful recruiting strategy depends on the quality of people that are hired, and this starts with identifying areas of weakness having visibility into these important metrics. A company is only as successful as its employees, which means that recruiting builds the foundation for either the success or failure of every organization.

In the words of Lawrence Bossidy from GE, "I am convinced that nothing we do is more important than hiring and developing people. At the end of the day you bet on people, not on strategies."

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HRsmart, global provider of unified talent management solutions, was acquiredby Deltek March 2015. For more information about the unified HRsmart suite, visit www.HRsmart.com

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