

## EXTERNAL HIRE RATE

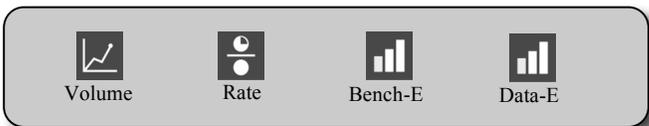
<b>Application</b>	This measure will be most useful for organizations that wish to monitor “churn” of the workforce, the rate at which new employees are entering the organization, and hiring volume as an outcome of recruitment activities.
<b>Description</b>	External hires as a percentage of average headcount during the reporting period.
<b>Formula</b>	External Hires / Average Headcount * 100

**Interpretation** External Hire Rate measures the percentage of the current workforce hired from external sources within the reported period, indicating both the relative newness of an organization’s workforce and the relative volume of recruiting activity of the staffing function. When paired in analysis with Termination Rate, an organization can monitor the churn of the workforce, or the extent to which certain populations are passing through a revolving door of employment with the organization.

A very low figure may indicate low turnover or contraction of the workforce. A very low level of new entrants into the employer’s workforce can also potentially foster insularity, thereby inhibiting innovation and creating a stagnancy of skills and ideas.

A very high External Hire Rate may indicate expansion of the workforce or high turnover. Generally, organizations will always have some external recruitment activity, which is beneficial for the fostering and growth of new ideas. However, high levels of external recruitment reflect large costs to the organization, including the direct costs of hiring as well as the indirect costs of productivity ramp-up and dilution of company culture.

**Data Sourcing** Organizations typically source data related to hires from action codes in an HRIS job table.



**Considerations**

Analysis	Limitations
<p>It is helpful to analyze this measure by the employee populations for which the employer wishes to monitor churn and growth. Such dimensions often include age, ethnic background, employment level, job family, and organizational unit.</p>	<p>External Hire Rate does not indicate the extent to which external hires serve as replacements for terminated employees or move into new positions. The measure does not indicate how long new hires remain with the firm or how many external hires were previously employed by the firm. Also, while the measure broadly indicates the relative hiring activities of the staffing function, it does not measure any of the activities involved in filling requisitions efficiently and effectively.</p>

**Targets** For most organizations, the majority of external hires are brought in to replace terminated workers. For these organizations, hire rates are correlated with termination rates; therefore, a common target is to move results toward the 25th percentile of a relevant benchmark group. However, organizations that are growing rapidly, launching new businesses or locations, or fundamentally changing the workforce through external hiring are likely to set a higher target to move results toward the 50th percentile or higher.

Where absolute targets are set, such targets are typically based on consideration of Termination Rate targets as well as growth or contraction strategies.

Variations
<ul style="list-style-type: none"> <li>• External Hire Rate—&lt; 30 Years Old</li> <li>• External Hire Rate—50+ Years Old</li> <li>• External Hire Rate—Exempt</li> <li>• External Hire Rate—Minority</li> <li>• External Hire Rate—Non-Exempt</li> <li>• External Hire Rate—Replacement Positions</li> </ul>

Related Measures
<ul style="list-style-type: none"> <li>• Average Annual Salary per FTE</li> <li>• Internal Hire Rate</li> <li>• New Position Recruitment Rate</li> <li>• Offer Acceptance Rate</li> <li>• On-Time Talent Delivery Factor</li> <li>• Organization Tenure Staffing Breakdown</li> <li>• Recruitment Cost per Hire</li> <li>• Referral Conversion Rate</li> <li>• Rehire Rate</li> <li>• Termination Rate</li> <li>• Termination Rate—&lt; 1-Year Tenure (variation)</li> </ul>