

RECRUITMENT COST PER HIRE

Application	This measure will be most useful for organizations that have a centralized or easily identifiable recruiting function and have experienced recruiting process inefficiencies.
Description	Recruitment expense per hire, including internal and external hires.
Formula	Recruitment Expense / Hires

Interpretation Recruitment Cost per Hire indicates the organizational costs of filling a position with either an internal or an external candidate.

Recruitment costs include direct costs of filling positions, such as advertising costs, agency fees, travel reimbursement of candidates or interviewers, screening tests, and relocation allowances. Recruitment expenses are also likely to include the overhead costs of operating the recruiting function, such as the salaries of recruiters, the costs of maintaining a résumé bank, the costs of sending communications and printing collateral, etc. In addition, recruitment expenses can include indirect productivity costs of hiring managers and others called upon to interview candidates, though such costs are difficult to quantify.

High Recruitment Cost per Hire may be driven by process inefficiencies, poor technology, ineffective advertising, excessive relocation allowances or travel expenses, or other inefficiencies. However, recruitment costs must be considered in light of the potential costs and benefits of acquiring desired candidates. A high result for this measure may represent a worthwhile investment if costly recruitment attracts high-value employees or drives extremely high retention. Conversely, low recruitment costs may be undesirable if the process results in candidates that poorly fit the employer's need.

Organization results for this measure might also vary based on relative hiring volume, as many overhead costs are fixed costs. When spread across a high number of hires, a recruiting function may achieve some economies of scale that it would not achieve in periods with very little hiring activity. Other expense types are variable based on applicant or hiring volume and are not conducive to achieving any economies of scale, such as screening tests, interviewer productivity losses, and travel reimbursements.

Data Sourcing Organizations typically source recruitment expenses from financial ledgers. Some organizations add a flat cost or percentage markup to include an estimate of lost interviewer productivity in addition to the direct costs that would be represented in ledger items. Organizations may wish to source the number of hires for this measure from a recruiting database if all jobs are filled (both internally and externally) using job requisitions. Otherwise, hire and internal movement actions from an HRIS job table may be used to source hire data.



Cost



Ratio



Bench-M



Data-M

Considerations

Analysis

Organizations may analyze this measure by organizational unit or geography to identify areas of strength or concern among a decentralized recruiting function. Within these areas, or for the full organization, it will be useful to analyze this measure according to various job-related dimensions to understand the differing costs of recruiting for various positions. Common dimensions for such analysis include job family, job function, job title, pay grade, and employment type. Where possible, it may also be helpful to analyze this measure by recruitment source, such as referral, Internet, agency, internal, etc., and by recruitment expense type.

Limitations

Recruitment Cost per Hire does not indicate the quality of hires recruited, and it provides only an indirect indication of the timeliness of the recruiting process. It does not indicate the relative volume of hires, which might impact an organization’s ability to achieve economies of scale from the recruiting function. Also, it does not provide any indication of participants’ satisfaction with recruitment processes.

Targets

Targets for Recruitment Cost per Hire will depend on several factors, including the volume of expected hiring, the nature of the candidates recruited and the positions they will fill, and the channels used for recruiting. Many organizations choose to set relative targets between the 25th percentile and the median of a relevant benchmark group. Organizations targeting a low result for this measure must also consider the impact of a low result on quality of hire and long-term prospects for employee retention.

Variations

- Recruitment Cost per Hire—Agency
- Recruitment Cost per Hire—Executives
- Recruitment Cost per Hire—Exempt
- Recruitment Cost per Hire—External
- Recruitment Cost per Hire—Internal
- Recruitment Cost per Hire—Internet
- Recruitment Cost per Hire—Managers
- Recruitment Cost per Hire—Newspaper
- Recruitment Cost per Hire—Non-Exempt
- Recruitment Cost per Hire—Referral
- Recruitment Cost per Hire—Rehire
- Recruitment Cost per Hire—University

Related Measures

- Average Interviews per Hire
- Average Sign-On Bonus Expense
- Average Time to Fill
- HR Expense Breakdown—Function
- HR Staffing Breakdown
- Internal Placement Rate
- Interviewee Ratio
- New Hire Performance Satisfaction
- New Hire Satisfaction with Recruiting
- Offer Acceptance Rate
- On-Time Talent Delivery Factor
- Recruitment Expense Breakdown
- Sign-On Bonus Rate
- Termination Rate—< 1-Year Tenure (variation)