

RECRUITMENT EXPENSE BREAKDOWN

Application	This measure will be most useful to organizations that can isolate recruiting costs and wish to monitor the relative magnitude of direct costs, such as relocation allowances and agency fees.
Description	Distribution of recruitment expenses by type, such as travel, advertising, compensation, etc.
Formula	$\text{Recruitment Expense}[\text{Type}] / \text{Recruitment Expense} * 100$

Interpretation Recruitment Expense Breakdown presents the composition of recruitment expenses by type. Graphically, the data is presented as a percentage of the total recruitment expense, i.e., a stacked bar graph.

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 costs may be driven by process inefficiencies, poor technology, ineffective advertising, excessive relocation allowances or travel expenses, or other inefficiencies. This measure can help an organization identify areas of significant or increasing relative cost for investigation to determine whether increased funding or cost-cutting interventions may be needed. However, recruitment costs must be considered in light of the potential costs and benefits of acquiring desired candidates. High relative costs in some areas may represent a worthwhile investment if costly recruitment attracts high-value employees or drives extremely high retention. Conversely, low recruitment costs in some areas may be undesirable if the process results in candidates that poorly fit the employer's need.

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. Therefore, employers experiencing growth in hiring volume will likely see fixed costs decrease in comparison to variable costs within the breakdown.

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.



Cost



Composition



Bench-M



Data-M

Considerations

Analysis	Limitations
<p>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.</p>	<p>Recruitment Expense Breakdown does not indicate the cost of recruiting relative to workforce size or to hiring volume. It does not speak to the quality of hires recruited, nor does it provide any indication of participants' satisfaction with recruitment processes.</p>

Targets As this is a breakdown measure, targets for Recruitment Expense Breakdown would be necessary for the individual expense components. Organizations should consider several factors in setting targets, including the expected hiring volume, the nature of the candidates recruited and the positions they will fill, and the channels used for recruiting. Because this measure presents costs only relative to one another, relative targets against a benchmark group are less valuable for this composition measure.

Variations	Related Measures
<ul style="list-style-type: none"> • Recruitment Expense Breakdown—Agency • Recruitment Expense Breakdown—Executives • Recruitment Expense Breakdown—Exempt • Recruitment Expense Breakdown—External • Recruitment Expense Breakdown—Internal • Recruitment Expense Breakdown—Internet • Recruitment Expense Breakdown—Managers • Recruitment Expense Breakdown—Newspaper • Recruitment Expense Breakdown—Non-Exempt • Recruitment Expense Breakdown—Referral • Recruitment Expense Breakdown—University 	<ul style="list-style-type: none"> • Average Interviews per Hire • Average Sign-On Bonus Expense • Average Time to Fill • External Hire Rate • HR Expense Breakdown—Type • HR Staffing Breakdown • Internal Hire Rate • Interviewee Ratio • New Hire Failure Factor • New Hire Performance Satisfaction • New Hire Satisfaction with Recruiting • Offer Acceptance Rate • On-Time Talent Delivery Factor • Recruitment Cost per Hire • Sign-On Bonus Rate