BizMerlinHR

Data-Driven Recruiting: 7 Key Metrics That You Ought To Track

Make informed decisions and increase the efficiency of your organization by harnessing the power of statistical data in your recruiting decisions.

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1 Introduction

The recruitment process is a rich source of data and it brings to light several critical data points that not only shed a light of evidence on existing bottlenecks but also act as a forecasting tool that aid in strategizing a winning recruitment plan for the future.

Data-driven recruiting is a practice of applying a scientific approach to HR decision-making. It aims to source and keep the right talent in today's volatile and fluid HR landscape.

2 Challenges

The major problem that companies face today is the inability to actualize their recruitment plan in an environment where there is strong competition for promising candidates who can deliver innovative solutions or go above and beyond for making their business a success.

A true data-driven approach to hiring does not have to stop at the point of hire. Data on hired employees should also be collected and consulted if one wants to make their recruiting process efficient. But usually, such data is kept in separate systems and it takes a lot of time and effort on part of the recruiting team to get their hands on such valuable information.

The recruiting team should ideally have access to critical information on various data points ranging from sourcing to hire, and beyond, in a seamless and unified system so that they have a clear vision of:

- When is the right time to hire
- Where to source from
- Who to hire

Handling these 3 W's of recruitment requires actionable intelligence which can only be obtained by harnessing recruitment metrics.

3 Recruiting Metrics: HRs guide to metrics that matter

The total cost of hiring an employee goes beyond their salary, incentives, and perks. This includes paying recruiters, job advertisements, traveling expenses for interviews (in case the interviews are someplace else), and the most expensive one - time. If the candidates you hired fail to meet your requirements, the cost of hiring another might exceed the cost of hiring the previous one. In order to avoid such time and cost overruns, it becomes imperative to optimize the process by making use of key metrics.

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3.1 Quality of hire

Quality of hire is a vital human resource metric that is used to determine the overall value of a newly hired employee by analyzing such success indicators as performance review score, retention rate, and 360-degree feedback.

- Calculate quality of hire

As the list of attributes when it comes to quality of hire is long and varied, deriving a formula for the same depends upon the priorities of the organization. The overall quality can be determined by the sum of those attributes, divided by the count of attributes used. The scale however needs to be the same to calculate the average. For instance, if an organization were to focus on performance reviews, 360-degree feedback, and retention rate of an employee, quality of hire can be measured by:

$$\frac{PR + 360^{\circ}F + RR}{3}$$

A good "Quality of hire" score indicates the relevance-level of employees that the HR department is providing to the organization which invariably leads to a positive employee-manager relationship. This metric benefits the ultimate goal of the organization which can be anything from strengthening the bottom line to maintaining an exceptional work culture.

3.2 Cost per hire

Cost per hire is another metric that is used to find the per-person expense incurred during a hiring drive. This cost is the combined value of all the expenses in every stage of the recruiting process divided by the number of candidates that were hired.

According to the American National Standard Institute of HR management, the cost per hire can be derived from the sum of external hiring cost and internal hiring cost divided by the number of employees hired in that hiring drive.

$$\frac{External\ hiring\ +\ Internal\ hiring}{Total\ number\ of\ employees\ hired\ in\ that\ hiring\ period}$$

Since the cost of hiring directly links to the monetary resources, minimizing that cost is essential. The cost incurred in internal hiring is usually less as there are no onboarding

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expenses, the candidate is already familiar with your organization's norms and culture. Opting for internal hiring can be beneficial both for the organization and the employee. The same employees are also a rich source of making suitable referrals as they already have a keen understanding of the talent requirements of your organization.

The cost of hiring metric won't make much difference unless it is combined with some important metrics such as the Retention Rate of Employees, Turnover Rate of Employees leaving the organization, and our beloved Quality of Hire. From planning to hiring to onboarding, the whole process involves significant time and cost. Improving your Cost of Hire can in turn generate better time and monetary efficiencies for the organization by identifying bottlenecks and enabling you to take necessary action.

3.3 Time to fill (time to hire)

The amount of time it takes to fill a vacant position in your organization gives you the time to fill metrics for that position. Calculating time to fill for a specific position is easy as it merely involves keeping a count of days from the initial point till the point a position is filled. Calculating the average, however, takes an effort as it is the sum of time to fill for all positions divided by the number of positions.

$$\frac{Sum\ of\ days\ for\ filling\ all\ positions}{Number\ of\ positions}$$

The best practice, however, is to eliminate the positions which are open all seasons as they won't give you the right average for time to fill. Consider the following example to understand how to calculate the average time to fill: If 3 open positions took 25, 40, and 30 days respectively, the average time to fill for that organization would be:

$$\frac{25 + 40 + 34}{3} = 99/3 = 33\ days$$

Analyzing time to fill gives you a better understanding of how long it takes to fill a vacancy in your organization and determine if it is worthwhile. It also helps in reducing that time by understanding where it takes the longest and why. Improving your time to fill helps in finding the right candidate in a much shorter time which also reduces the cost of hire.

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3.4 Source of hire

Source of hire is the percentage of hires entering your candidate funnel from a specific recruiting channel or source. Examples of such channels could be your job boards, referrals, direct sources, etc.

Based upon the recruiting channel, the source of hire is broadly divided into two categories:

- Internal source of hire: When an existing employee is groomed and promoted to handle additional responsibilities, then that employee is an internal source of hire. Examples for internal sources of hire include promotions, transfers, and referrals.

- External source of hire: As the name suggests, when the candidate is hired from outside of the organization, the source of hire is considered external. Examples of external sources of hire include applicants that arrive in your database from external job boards, social media, and recruiting agencies.

Different methods to gather information regarding the source of hire:

- Surveys: Most organizations that do not use an ATS make use of surveys to ask a question like: How did you come to know about the job profile?

- Using an ATS or an integration: Applicant Tracking Systems can be used to log the source of hire. Systems that are not equipped to provide such information on their own can be integrated with third-party tracking tools such as the Urchin Tracking Module, better known as UTM to keep track of the source of hire.

Calculating the source of hire is quite easy. You can calculate a specific source of hire by dividing the number of hires from the source by the total number of candidates from that source.

$$\frac{Candidates\ hired\ who\ applied\ on\ job\ board}{Candidates\ applying\ on\ job\ board} * 100$$

For instance, if candidates applying on the job board are 100 and the number of candidates hired from those 100 is 40 then, the calculation will be:

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$$\frac{40}{100} * 100 = 40\%$$

3.5 Job clearance cost

The daunting task of clearing a job position takes a lot of effort, time, and your budget. Though it's important as the whole process of hiring depends on this approval. This process involves documenting information like Job Title, Department, Hiring Manager, the purpose of the Job Role, Salary Range, Duration, Contract Type, etc., and approval from multiple layers ranging from a manager to a recruiter depending upon the hierarchy structure of the organization.

The total cost of job clearance involves careful consideration of a series of quality attributes along with some quantitative values. However, calculating the same can give you a clear understanding of how much this approval process is costing you every day. This total cost can be calculated by:

Total Cost = Effort to clear the job (approve the position) + Number of days taken for job clearance * Daily cost of not having the right resource in place.

3.6 Lost candidate cost

Sometimes a good candidate is lost at some stage in the recruitment pipeline. The reasons can be many and varied. Sometimes, a candidate that has accepted the offer, drops out without any explanation. This affects the recruiter's motivation as well as the organization's budget as the recruiting team has to repeat the whole process of finding the right candidate again.

The cost of a lost candidate can be obtained by understanding the cost of hire. The total cost of hire at a specific time can be divided by the number of candidates recruited in that period multiplied by 2.

$$Cost\ of\ hire * 2$$

The value is considered as doubled because the business has already invested in the process only to lose a good candidate at the end, now they have to expend the same resources again

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for hiring a good candidate. For instance, if the cost of hire is around $1000, the lost candidate cost will be around $2000.

3.7 Candidate Net Promoter Score

In general, CNPS is used to monitor candidate satisfaction. This is a number ranging from -100 to 100 and it indicates how happy your candidates are with their experience so far.

- Calculating CNPS

To calculate Candidate Net Promoter Score, candidates are asked to rate their experience with your company through a simple survey question like - *How would you rate your experience with us?* This question may have a rating scale of 0 to 10. The given scores indicate the level of happiness experienced by the candidates in the context of your employer brand. Those who answer 9 or 10 are considered "Promoters" and are likely to make mention of your company in good terms. Candidates that provide a score of 8 or 7 are considered "Passives" and have no effect on the NPS. But those that give a scoring between 0 to 6 are called "Detractors". Having more detractors means that your company's image will suffer a negative impact.

Take an example where you have a pool of 100 candidates, if 60 candidates give a score of 9 or 10, 20 candidates give a score of 8 or 7 and the remaining 20 give a score of 0 to 6, then the net promoter score is 40.
How?
Well, each score that is either 9 or 10 carries a value of +1.
The scoring of 8 or 7 carries a value of 0 whereas answers ranging from 0 to 6 knock back your NPS score by a value of -1.

Total number of Candidates	Promoters (+1 for each)	Passives	Detractors (-1 for each)	Candidate Net Promoter Score
100	60	20	20	60-20=40

$$NPS = 60\ P - 20\ D = 40$$

- Importance of Net Promoter Score

Feedback from a candidate might seem like an irrelevant addition but it matters a lot. An increase in the number of detractors might also increase the number of complaints about your company to the world. An increase in promoters however can increase your company's

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promotions at no additional cost. A positive candidate experience is vital for maintaining your brand value in the market. Candidates who face a bad experience with the recruitment process demonstrate a high incidence of job ghosting.

4 Conclusion

Data-driven talent acquisition enables recruiters to be more confident in their decision-making. The entire recruitment process is rendered not just easier and quicker but also more transparent and cost-effective. This approach provides an insight into who your best candidate is, where to source them from and how much they should cost.

Citations

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