

Top 5 Most Relevant Recruitment KPIs in 2021

Key
Performance
Indicators



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Introduction

A variety of factors come into play when assessing the success of a recruitment strategy, and it can be challenging to know which metrics are the most important. As an organization on the lookout for new talent, you want to be as data-driven as possible to avoid potential mistakes in the future.

In this article, we help you identify which Key Performance Indicators (KPIs) are the most relevant for your recruitment strategy. Keeping cross-sectoral variation in mind, here are the 5 most crucial KPIs to monitor:

- Cost per hire
- Time to fill
- Source of hire
- Offer acceptance rate
- Retention rate

Cost per hire

One of the most meaningful metrics in recruitment is cost per hire, i.e., the average amount of money spent by an organization to fill an open job spot.

How to calculate cost per hire ?

$$\text{Cost-per-hire} = \frac{\text{Total internal costs} + \text{Total external costs}}{\text{Total \# of hires}}$$

Why is cost per hire important?

Without identifying cost per hire, it can be challenging to forecast and efficiently budget your recruiting efforts. Calculating your cost per hire helps you not only assess the cost-effectiveness of your current hiring strategy, but also determine where you can safely [cut costs](#) and where it's worthwhile to invest a bit more.

What is the average cost per hire?

According to [a 2017 benchmark report from SHRM](#), the average cost per hire across industries surpasses \$4,000 and approaches the \$15,000 mark for executive hires in the U.S.

How to calculate cost per hire?

Dividing your total annual hiring expenses by the total number of people you hired that year will give you your average cost per hire.

Which expenses should be included in the calculations?

When it comes to determining cost per hire, every expense counts. While they frequently vary across industries and companies, recruitment expenses are usually divided into two major categories:

Internal cost

- HR salaries
- Referral bonuses & employee commissions
- Recruitment software licenses
- Travel & relocating expenses
- Employer branding efforts

External cost

- Agency fees
- Advertising costs
- Background checks services
- Candidate assessment fees
- Recruitment events

Did you know?

While we are on the topic of cost, it is worthy to mention cost per click (commonly abbreviated to CPC) and cost per application (CPA), which are two additional KPIs frequently monitored in recruitment. When operating under these pricing models, the amount you pay is directly correlated to the performance of your job posting, i.e., how many clicks it generates or how many applications it receives.

Time to fill

Time to fill represents the number of days between the time the job listing is posted and the time the chosen candidate accepts the job offer. It is calculated using calendar days, including weekends and holidays.

Why is time to fill important?

Time to fill measures the speediness your recruitment process and can be an indicator of competition in the hiring market.

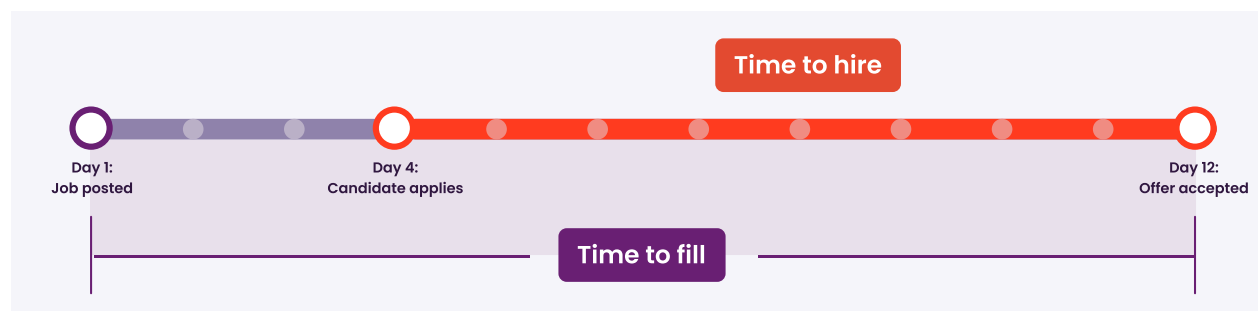
What is the average time to fill?

According to the Society for Human Resource Management, the average time to fill is 36 days. This number can vary across industries. For example, government jobs take on average a bit longer to fill, while recruiters in the restaurant business tend to be quicker in their hiring decisions.

What is the difference between time to fill and time to hire?

Time to fill and time to hire are both sequential terms that recruiters calculate to help them optimize their strategy and identify areas in potential need of improvement. Both terms are sometimes used interchangeably but actually start at different points of the recruitment timeline, entail different elements and can give different insights. Time to fill starts earlier and is longer. Time to hire is a shorter, more candidate-focused metric. It is calculated from the day the chosen candidate enters your recruitment funnel to the day he or she accepts the job offer.

Time to hire vs time to fill: what's the difference?



To summarize, time to fill is the amount of time it takes an HR team to fill an

open position. Time to hire is the amount of time it takes an HR team to hire the selected candidate. Both metrics are important when assessing the overall efficiency of your hiring strategy.

Source of hire

Source of hire is a metric that indicates what percentage of your overall hires entered your pipeline from each recruiting channel or source.

Why is source of hire important?

Knowing where your company's new employees come from helps enrich your hiring strategy and the quality of future hires by giving you insights on which platform yield the best results. With this knowledge, you can then allocate more time and rearrange funds towards the most successful sources.

It is important to keep in mind that, within a single organization, a certain source (for example, networking events) could yield great results for a certain type of hire, job category or job level (for example, entry-level salesman positions) but turn out to be ineffective when attempting to fill another type of job. That's why it's important, especially for larger companies, to further divide their source of hire calculations to include job categories and levels.

Source of hire examples:

- | | |
|--------------------------|--------------------------|
| - Company career website | - Informal networking |
| - Job boards | - Print advertising |
| - Employee referrals | - Social media campaigns |
| - Job fairs | - Staffing agencies |
| - Networking events | - TV advertising |

Note: the source of hire can also be internal, for example in the case of promotions or transfers.

How to keep track of source of hire?

Knowing where your best hires come from is crucial. With this in mind, you can seek the services of an [applicant tracking system](#), an agency or a [platform](#) to help you keep an eye on source of applicant and source of hire.

Offer acceptance rate

Offer acceptance rate is another important recruitment metric that shows what percentage of candidates accepted your job offer.

Why is offer acceptance rate important?

This percentage helps you measure not only the attractiveness of your job offers but also the quality of your overall recruitment process and employee value proposition.

What is a good acceptance rate?

You should aim for a job acceptance rate of around 90%, which is the average acceptance rate revealed by SHRM.

How to calculate job offer acceptance rate?

$$\text{Offer Acceptance Rate} = \frac{\text{Total \# of offers accepted}}{\text{Total \# of offers made}} \times 100$$

How to improve offer acceptance rate?

A low offer acceptance rate indicates a disconnect between what candidates expect and how your company presents itself to prospective employees. For example, if qualified candidates are rejecting your job offers, it could possibly mean that the benefits and/or salary you are offering isn't faring well in comparison to the competition.

In this case, it can be a good idea to:

- Reassess your jobs salary ranges
- Enhance your candidate experience & [Employee Value Proposition](#)
- Adjust your brand tone when communicating with candidates
- Communicate more effectively and more clearly throughout the hiring process
- Make sure your candidate screening methods are effective
- Ask your current employees what made them accept the job

Retention rate

Employee retention rate refers to the percentage of employees who remain at your company over a specific period of time.

Why is retention rate important?

Losing employees can heavily impact your budget and potentially damage your employer reputation as well. Recruiting and training new employees requires time, efforts and money. Also, you won't be surprised to read [that numerous studies have shown the value of long-term employees](#). As such, reducing employee turnover and maintaining high retention rates should be a priority for all recruiters and HR professionals.

What is a good retention rate?

Retention rates vary widely between different sectors of employment. Government, finance, insurance and education usually have high retention rates, while the hotel, retail, and food industries tend to have lower retention rates. A good benchmark is around 90%, [which is the U.S. average](#).

How to calculate employee retention rate?

$$\text{Retention Rate} = \frac{\text{\# of employees who stayed}}{\text{\# of employees at start}} \times 100$$

How to improve retention rate?

Retaining good talent is paramount to good business. There are several steps you can take to increase the likelihood of employees staying at your company, notably:

- Provide a good work/life balance
- Make employees feel like they are part of a family
- Recognize & reward team members' accomplishments
- Discuss with employees the meaning & value of their work & contributions
- Be a mentor & confidant to your team
- Create & maintain a positive work culture
- Provide competitive compensation

Conclusion

As detailed above, the most relevant recruitment KPIs for your business are cost per hire, time to fill, source of hire, offer acceptance rate and employee retention rate.

As a tip, we suggest calculating these metrics every year to get a clear overview of how your recruitment performance evolves over time. This will help preemptively detect potential failures and ensure a functioning recruitment strategy.

Remember that it's never too late to adopt a data-centered approach to recruitment, and that keeping your eyes on these 5 crucial recruitment KPIs is the best way to measure recruitment effectiveness in a comprehensive and effective manner.



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