



WORKFORCE ANALYTICS: A CRITICAL EVALUATION

How Do Sourcing and Spending Affect Your Recruiting Metrics?

The Relationship of Recruitment Tools and Budget to New-Hire Turnover, Requisitions per Recruiter and Time-to-Fill



Leading People.
Leading Organizations.

About SHRM

Founded in 1948, the Society for Human Resource Management (SHRM) is the world's largest HR membership organization devoted to human resource management. Representing more than 275,000 members in over 160 countries, the Society is the leading provider of resources to serve the needs of HR professionals and advance the professional practice of human resource management. SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China, India and United Arab Emirates. Visit us at shrm.org. For more information about the SHRM/SHRM Foundation Older Workers initiative, visit www.shrm.org/surveys and www.shrmfoundation.org.

Disclaimer

This report is published by the Society for Human Resource Management (SHRM). All content is for informational purposes only and is not to be construed as a guaranteed outcome. The Society for Human Resource Management cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any such information.

© 2016 Society for Human Resource Management. All rights reserved. Printed in the United States of America.

This publication may not be reproduced, stored in a retrieval system or transmitted in whole or in part, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the Society for Human Resource Management.

For more information, please contact:

SHRM Research Department

1800 Duke Street, Alexandria, VA 22314

Phone +1.703.548.3440 | shrm.org/research

WORKFORCE ANALYTICS: A CRITICAL EVALUATION

Introduction

New-hire turnover, requisitions per recruiter and time-to-fill are three commonly tracked recruiting metrics in HR because they can affect an organization's bottom line. Generally, organizations' goals for new-hire turnover and time-to-fill rates are to keep them as low as possible. Conversely, requisition loads should ideally be high to maximize productivity. However, although these output goals might appear to maximize efficiency, they could undermine other outcome goals such as candidate/organization fit, ultimately leading to shorter employee tenure and lower productivity. This, in turn, could eventually end up costing the organization more in terms of time, lost productivity and revenue.

So what can organizations do to improve their key recruitment metrics? An understanding of the relationships between these metrics and the practices and processes that affect them provides recruiters and other HR practitioners with areas to intervene. Although many factors and practices influence the metrics of new-hire turnover, requisitions per recruiter and time-to-fill, this report examines the association between these three metrics and 1) the tools recruiters use to source candidates, and 2) recruitment budgets as a ratio of total HR budgets.

Tools Used to Source Candidates

To manage a higher requisition load, recruiters may prefer to use sources that yield a higher percentage of quality candidates in the hope of lessening the amount of time spent on the prescreening process. Sourcing tools examined in this study included the following:

- Company website.
- Employee referrals.
- Free job boards.
- Informal networking.
- Job fairs (onsite).
- Job fairs (virtual).
- Networking events.
- On-campus college recruiting.
- Online college recruiting.

- Paid job boards.
- Print advertising.
- Radio advertising.
- Social media websites.
- Staffing agencies: direct hires.
- Staffing agencies: temp to hire.
- Trade publications.
- TV advertising.

Recruitment-Budget-to-HR-Budget Ratio

This metric is the ratio of an organization's total recruitment budget to the organization's HR budget. The recruitment budget includes pay and benefits for the recruiting team, third-party agency fees, background checks, advertising costs, job fair costs, online job board costs, employee referral costs, travel costs of applicants and staff, relocation costs, and technology infrastructure (talent acquisition systems).

Requisitions per Recruiter (or HR FTE)

The requisition per recruiter (or HR FTE) is the average number of requisitions for which a recruiter is responsible in a year.

Time-to-Fill

Time-to-fill represents the number of days from the time the job requisition was opened until the time the offer was accepted by the candidate. This number is calculated by using calendar days, including weekends and holidays.

Separations Within First Six Months of Employment

This metric represents the percentage of total separations among employees with tenure of six months or less. This metric is one measure of new-hire turnover.

Separations Within First 12 Months of Employment

This metric represents the percentage of total separations among employees with tenure of 12 months or less. This metric is another measure of new-hire turnover.

Separation Ratio, by Recruitment Tools

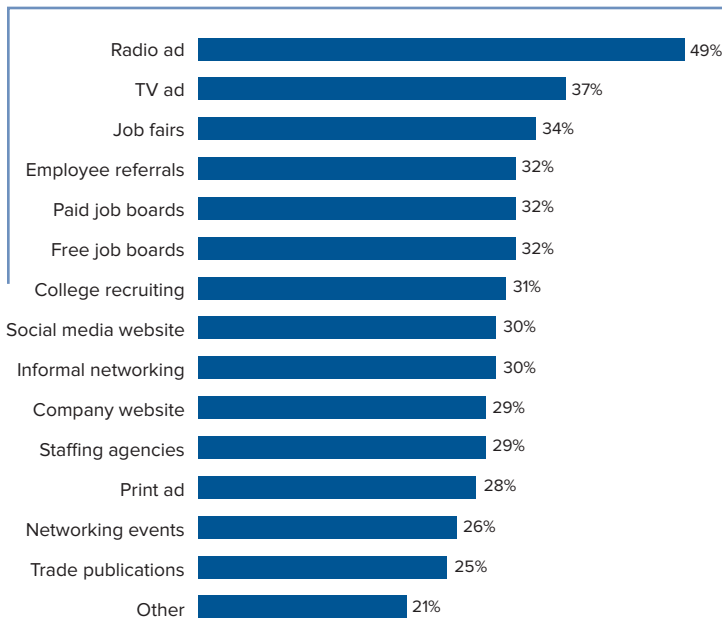
The six-month and 12-month separation ratios represent the percentage of employees who leave the organization within the first six or 12 months of employment. These metrics can be considered a proxy for the quality of the employee-to-organization match. Figures 1 and 2 illustrate the relationship between the tools used to recruit candidates for open positions and the six-month and 12-month separation rates for those candidates. Recruitment tools for the top three and the bottom three separation rates are the same at the six-month and 12-month tenure marks. This means that candidates who were recruited through radio ads, TV ads and job fairs and were then hired have the highest six-month and 12-month separation rates of all the recruitment tools measured, whereas employees recruited through trade publications, networking events and print advertisements have the lowest six-month and 12-month separation rates.

Radio and television advertisements and job fairs can attract the highest number of applicants by reaching a larger audience than other recruitment tools. Because

this method is less selective, it can also result in recruiting candidates who are less qualified. Conversely, trade publications, networking events and print ads have a more limited audience and may result in attracting fewer candidates. However, because trade publications and networking events typically have audiences that are in the same industry as the open position that is being recruited, these recruitment tools are more likely to attract candidates who are a better fit.

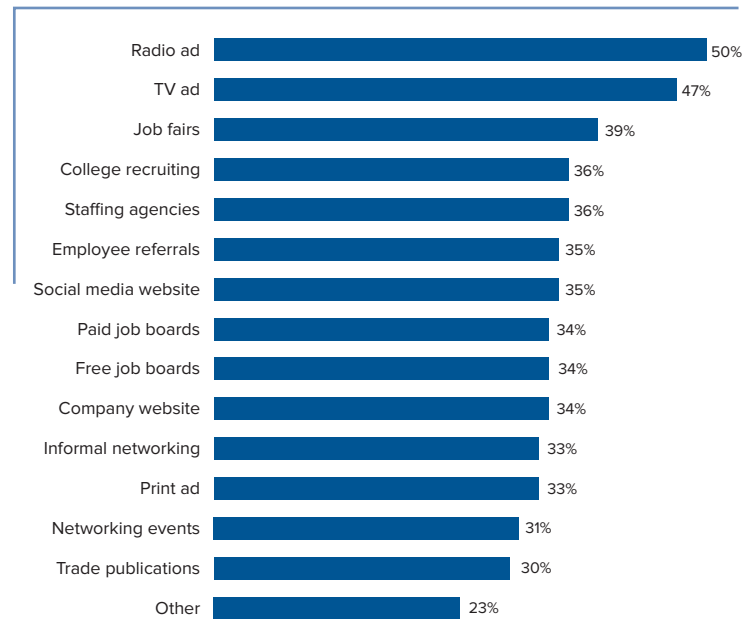
When considered in isolation, no one recruitment tool is better than the other. Rather, the recruitment strategy being used will influence which tool is used, and each tool has implications for screening applicants. As a first step, determine the recruitment tool to be used based on your organization's emphasis on tenure and turnover. If the goal is to fill multiple positions quickly and turnover is not as much of a concern, use recruitment tools that reach the largest audience, such as radio and television broadcast advertisements.

FIGURE 1:
6-MONTH SEPARATION RATIO, BY RECRUITMENT TOOLS



Source: SHRM Talent Acquisition Benchmarking Database

FIGURE 2:
12-MONTH SEPARATION RATIO, BY RECRUITMENT TOOLS



Source: SHRM Talent Acquisition Benchmarking Database

Requisitions per Recruiter, by Recruitment Tools

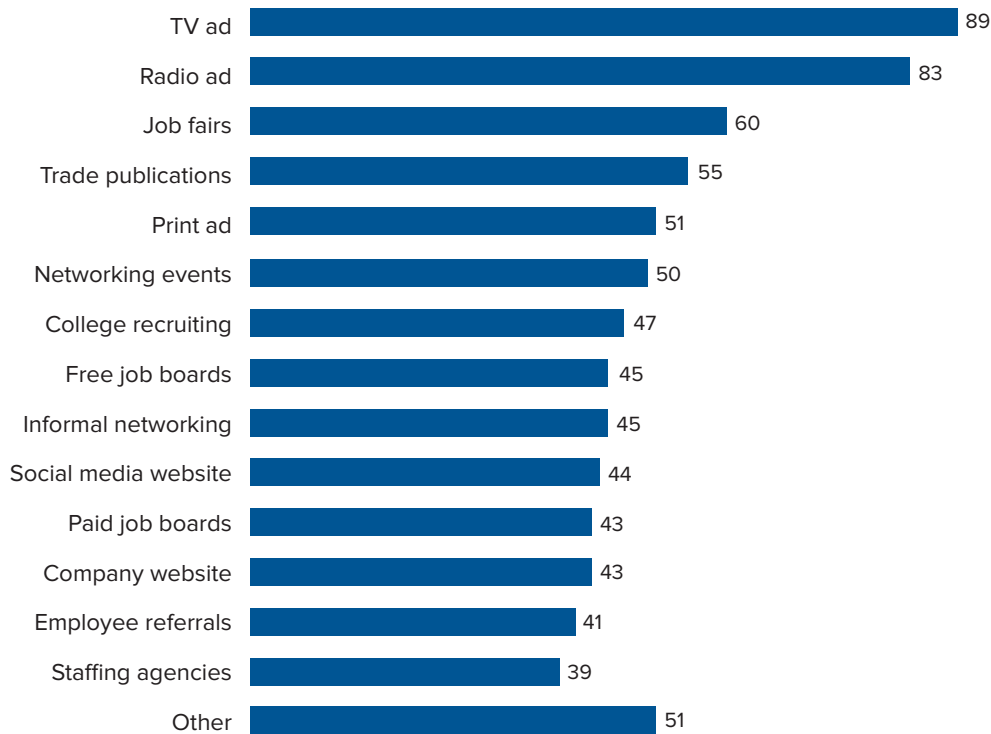
Requisitions per recruiter metric represents the average number of requisitions for which each recruiter is responsible. As displayed in Figure 3, the recruitment tools associated with the highest ratio of requisitions per recruiter were television advertisements, radio advertisements and job fairs. These three recruitment tools reach large audiences and have the potential to result in attracting a large number of candidates and, therefore, may be favored by recruiters or other HR professionals who have a large number of requisitions to fill. These same three recruitment tools, however, are associated with the highest separation rates at the six-month and 12-month tenure marks (see Figures 1 and 2). Separation rates should be taken into account when using any recruitment tool. A high turnover rate in a position can result in a continuously higher requisition load by having to fill the same position multiple times in a year.

The three recruitment tools associated with the least requisitions per recruiter are staffing agencies, employee

referrals and company website. These three recruitment tools do not produce the same volume of applicants that mass media advertisements produce and are, therefore, associated with smaller requisition ratios. Further, smaller organizations do not have the resources or the need to produce television and radio advertisements and might rely more heavily on their company website for posting and promoting position openings. The smaller requisition load may be a function of smaller organizations relying on these tools more heavily.

When selecting a recruitment tool, keep in mind the desired requisition load for your recruiters. If you have a staff of dedicated recruiters who need to fill many positions, choose tools such as TV and radio ads, job fairs, trade publications, and other print ads. If you are a generalist whose responsibilities include recruiting among other HR functions and you have a smaller requisition load, then recruit candidates from employee referrals, your organization's website, paid job boards and social media.

FIGURE 3:
REQUISITIONS
PER RECRUITER,
BY RECRUITMENT
TOOLS



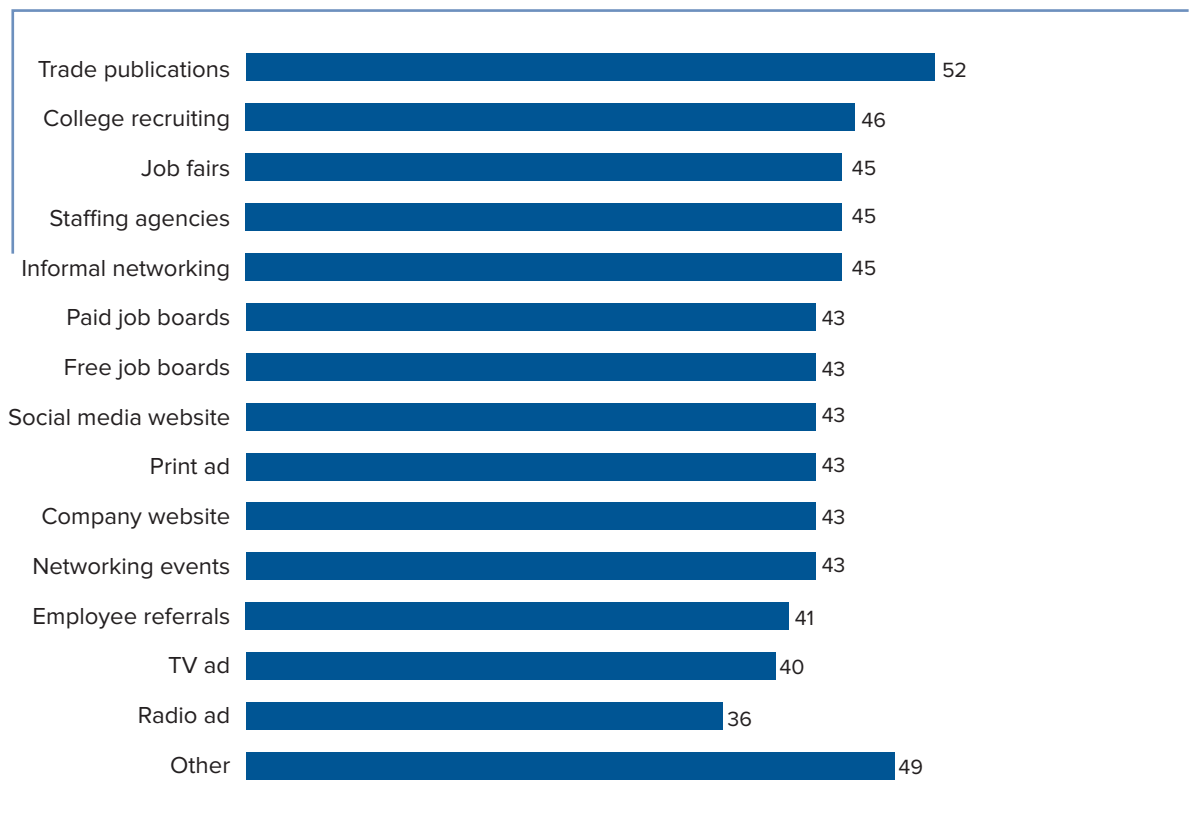
Source: SHRM Talent Acquisition Benchmarking Database

Time-to-Fill, by Recruitment Tools

Time-to-fill represents the time it takes, in days, from the opening of a position to the acceptance of an offer. The recruitment tool with the longest time-to-fill rate is trade publications, as shown in Figure 4. These publications are released on a set schedule, resulting in a time lag between when an advertisement is placed and when a potential candidate views it. The potential advantage of using this slower recruitment tool is that it is associated

with the lowest six-month and 12-month separation rates (excluding “other” category), as seen in Figures 1 and 2. When selecting a recruitment tool, especially if low turnover rates are important to your organization, it is critical to invest the time upfront and use more selective tools such as trade publications, college recruiting and job fairs.

FIGURE 4:
TIME-TO-FILL,
BY RECRUITMENT
TOOLS



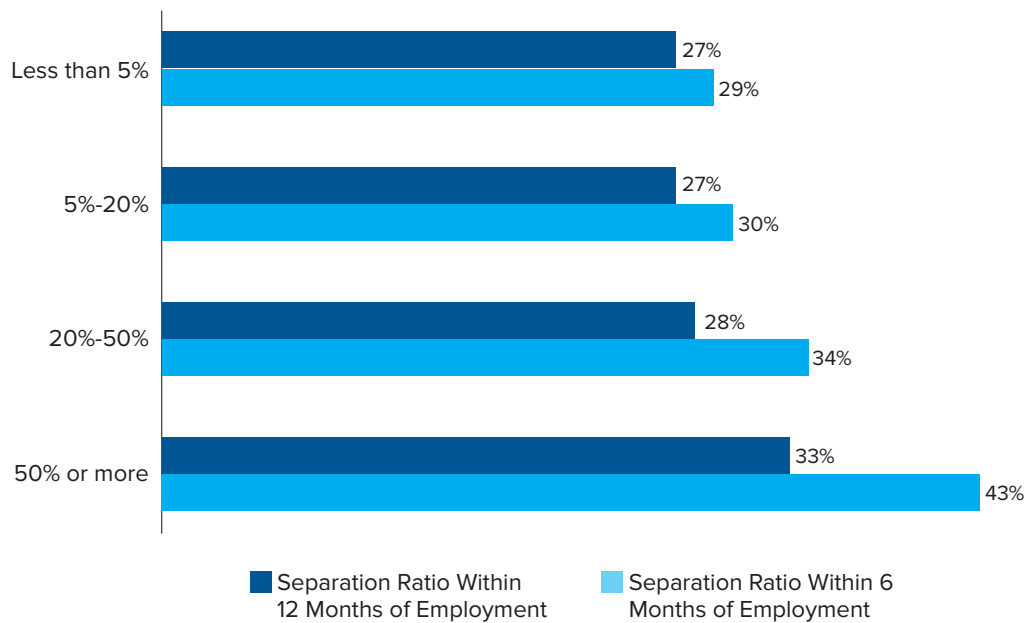
Source: SHRM Talent Acquisition Benchmarking Database

Separation Ratio, by Recruitment Cost Ratio

As noted previously, the six-month and 12-month separation ratios represent the percentage of employees who leave the organization within the first six or 12 months of employment. This metric generally increases as the ratio of recruitment cost to HR budget increases; in other words, the larger the proportion of HR budget spent on recruitment, the higher the separation ratios. However, this does not necessarily indicate that spending more money on recruitment leads to worse quality of hire. High recruitment costs can also be an outcome of high separation ratio, especially in some industries with generally higher rates of personnel change. For example, when an organization experiences high turnover, it must spend more on recruiting to refill vacant positions.

Figure 5 presents the separation ratios by the ratio of recruitment cost to HR budget. Organizations that spent 50% or more of their HR budget on recruitment had the highest separation ratios, and the difference between this category and the 20%-50% category was much larger than differences between other categories. For the remaining three categories, which include three-quarters of total organizations, the separation ratios did not vary significantly. This may reveal that the recruitment cost ratio and separation ratio tend to both be high in certain industries/organizations, but across all organizations it is not necessarily a causal relationship.

FIGURE 5:
SEPARATION
RATIO, BY
RECRUITMENT
COST RATIO



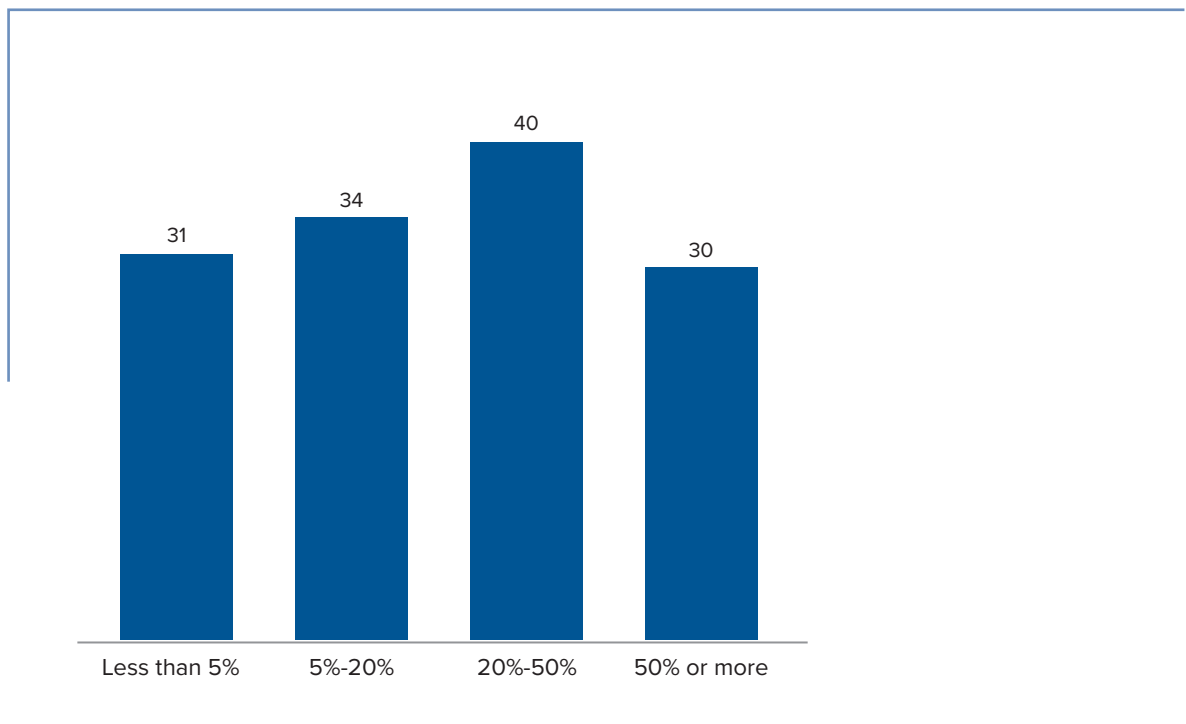
Source: SHRM Talent Acquisition Benchmarking Database

Requisitions per Recruiter, by Recruitment Cost Ratio

The requisition load increases as the ratio of recruitment cost over HR budget increases up to the first 50% of recruitment spending. Once the recruitment budget accounts for more than 50% of the total HR spending, the requisition load decreases. This suggests that spending more money on recruitment is associated with more efficient recruitment to some extent, as shown by more requisitions per recruiter.

Figure 6 shows the requisitions per recruiter by ratio of recruitment cost over HR budget. This number grows as recruitment cost ratio increases from 0 to 50%, but decreases significantly when recruitment costs surpass 50%. Therefore, a recruitment cost ratio between 20% and 50% seems to be optimal regarding the efficiency of recruiters' work (40 requisitions per recruiter). Organizations that spent the most money on recruitment had the fewest requisitions per recruiter, which suggests that too much money spent on recruitment may be associated with less effective recruitment.

FIGURE 6:
REQUISITIONS
PER RECRUITER,
BY RECRUITMENT
COST RATIO



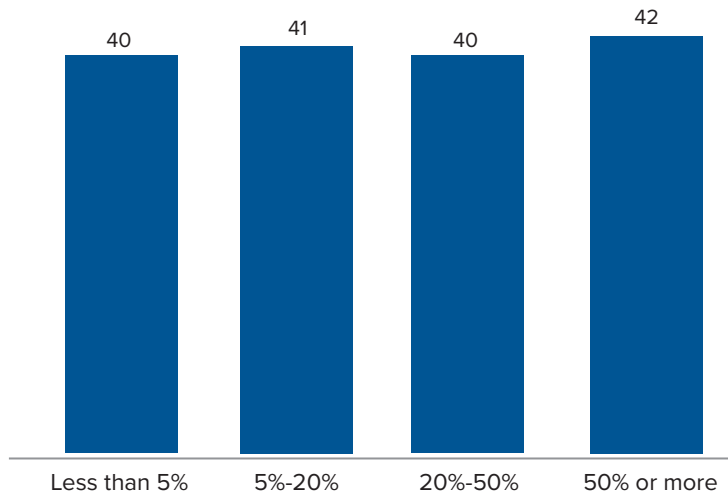
Source: SHRM Talent Acquisition Benchmarking Database

Time-to-Fill, by Recruitment Cost Ratio

Time-to-fill metric does not change much across different recruitment cost ratios over HR budget, suggesting that the recruitment process has become very standard across different organizations. The ratio of HR budget that is spent on recruitment does not influence time-to-fill to a large degree. Rather, factors other than spending affect time-to-fill.

Figure 7 shows time-to-fill data by recruitment cost ratio over HR budget. The data across different categories were very close. It takes about 40 to 42 days to fill an open position, regardless of money spent on recruitment. Organizations that spent 50% or more of HR budget had slightly longer time-to-fill (42 days) than others, confirming the idea that more money spent on recruitment does not necessarily make recruitment more efficient.

FIGURE 7:
TIME-TO-FILL, BY
RECRUITMENT
COST RATIO



Source: SHRM Talent Acquisition Benchmarking Database

Conclusion

Although radio and television advertisements are associated with shortest time-to-fill and largest requisition loads, they also tend to have the highest new-hire turnover rates of the recruitment tools examined. Recruiters have to assess what goals and outcomes are important to their organization when selecting recruitment tools to source candidates for open positions. If the organization does not place a strong emphasis on low turnover rates, then that outcome might not be important when deciding which recruiting tools to use. However, if employee tenure is valued by an organization, a higher time-to-fill rate might be worth the tradeoff for finding the optimal candidate for a position.

The findings for recruitment budget are more mixed. A larger recruitment budget does not appear to lead to lower new-hire turnover rates, higher requisition loads or lower time-to-fill rates. Indeed, the costs associated with lower requisition loads and longer time-to-fill rates might be driving the increased spending for recruitment efforts. Just as the selection of recruitment tools should be based on an organization's goals and context, it might be wise to base recruitment spending on the recruitment strategy that best meets the organization's goals.

Methodology

Since 2005, SHRM has been collecting human capital benchmarking data on an annual basis. The current 2016 SHRM Talent Acquisition Benchmarking Survey, created by SHRM's Workforce Analytics Program, was conducted to create a database that extended the human capital metrics in the areas of recruitment and selection across various industries. In November 2015, an e-mail that included a link to the survey was successfully sent to 25,000 SHRM members, and 1,974 HR professionals responded. The study collected data on talent acquisition metrics such as new-hire turnover, cost-per-hire and time-to-fill processes. In addition, organizational data, such as staff size and geographic region, were obtained. A response rate of 8% was achieved. Given the level of response to the survey, SHRM is 95% confident that responses given by respondents can be generalized to all SHRM members with a margin of error of approximately +/-2%. For example, 30% of turnover is attributed to employees with six months of tenure or less among candidates recruited through social media websites. With a 2% margin of error, the reader can be 95% certain that SHRM members would report that the percentage of turnover attributed to employees recruited through social media with six months of tenure or less is between 28% and 32%. Note that the margin of error is calculated based on the overall sample size of the survey, not for each question, as a general practice.

TABLE 1:
RECRUITMENT
TOOLS TO
CONSIDER WHEN:

Low turnover is the priority	High requisition loads are desired	Short time-to-fill is desired
Trade publications	TV ads	Employee referrals
Print advertising	Radio ads	TV ads
Networking events	Job fairs	Radio ads

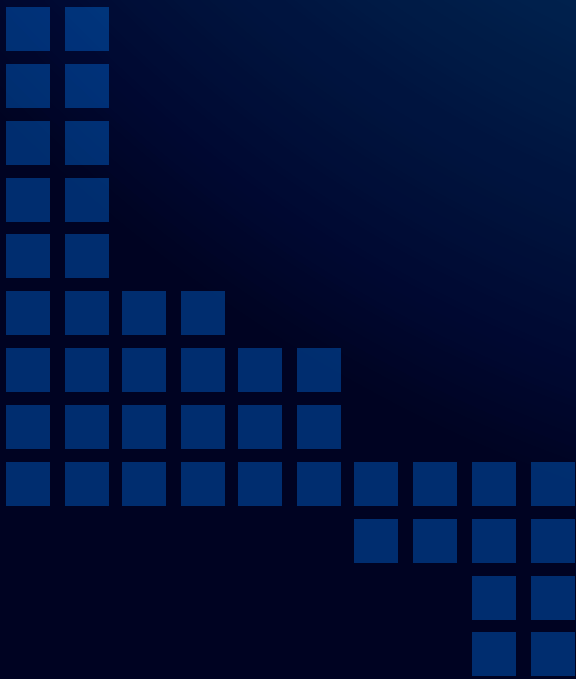
Project Team

Author: Andrew Mariotti, senior researcher

Copy editing: Katya Scanlan, copy editor

Design: Blair Cobb, senior graphic designer

Need data customized by your industry, staff size or geographic region?
Contact the **SHRM Customized Benchmarking Service** at 703.535.6366 or visit shrm.org/benchmarks.



1800 DUKE STREET
ALEXANDRIA, VA 22314
703.548.3440 | shrm.org