Recruitment Analytics and KPIs

Why analytics and KPIs are essential for your recruiting success

Introduction

It is no longer a given that companies will receive a sufficient number of qualitative applications for every advertised position. With the unemployment rate around 4%, it is important to find qualified candidates and convince them why you are an attractive employer.

In order for companies to be able to survive in the competition for the best candidates, companies must strategically develop in the areas of employer branding and recruitment marketing. It's no longer just about managing candidates, it's much more about building a pipeline of qualified applicants.

To this end, it is important to find out which channels work best for your company - or even more detailed: which channels work best for a particular location. Therefore, the collection and evaluation of analytics and KPIs in recruiting are essential for your recruiting success.

Topics in the e-book:

The most important key figures in recruiting

Why time to hire is a key metric

How a software can help you to optimize your recruiting process

Table of Contents

HR Controlling: The Most Important Key Indicators in Recruiting

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Before you start determining key indicators, you should take the first step by asking yourself: What do I want to improve and achieve? What kind of information will help me with this?

We compiled the most topical and important key indicators in recruiting for you here ranging from general key indicators to specific key indicators at an advanced level of HR controlling.

HR controlling: General KPIs

Time to hire

Time to hire is the most prevalent and important key indicator you should specify. Time to hire starts on the day on which it is known that an employee will leave the company and ends when a new employee fills that position.

Cost per hire

This term refers to the costs for each hire. It is thus a very important key indicator for recruiting. You can find out the exact financial expenditure for filling a particular position and know what to expect for future staffing.

Number of applications per year

This key indicator gives you an overview of the status of your currently received applications per year.

Number of applications per position

This key figure tells you how many applications you ultimately received for the position.

HR Controlling: The Most Important Key Indicators in Recruiting

Number of qualitative applicants per position

This number shows you how many of the applications you received that were actually appropriate and qualitative.

Origin of applicants per position

You can find out where your applicants come from with this key indicator. This lets you know which channels you can find suitable candidates from in the future and which channels you may skip.

Number of visitors on the career site/career portal

Here you need to differentiate between visitors and visits. A visitor is someone who clicks on your job portal. A single visitor may visit your job portal multiple times, which is then counted as a new visit.

Number of leads in the talent pool

The leads in your talent pool have already stated their interest in your company. You can inexpensively recruit employees from your talent pool.

HR Controlling: The Most Important Key Indicators in Recruiting

Advanced level KPIs

Cost per application according to channel

This key indicator makes it possible for you to organize your costs in detail. You get an overview of the costs of the specific channel.

Clicks on the job advertisement

Based on this number of clicks, you find out how many applicants were interested in your job advertisement and viewed it.

Clicks on the apply button

This number gives you an overview of how many applicants read your job advertisement and were so convinced by it that they started the application process.

Job advertisement cancellation rate

The cancellation rate for the job advertisement results from the difference between the number of visitors to the job advertisement and the number that actually started application processes.

HR Controlling: The Most Important Key Indicators in Recruiting

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Application process cancellation rate

This cancellation rate for the application process results from the difference between the number of started applications (number of clicks on the apply button) and the number of actually received applications. Talention automatically calculates this key performance indicator for you. A problematic cancellation rate is over 50% and indicates that the application process/application form for your job advertisement is not attractive to the candidates. It should therefore be adjusted and generally shortened.

Talention automatically compiles all of the data about your recruitment processes in the background. You don't have to change any settings. The most important KPIs are presented to you in clear dashboards and reports so that you can quickly recognize a potential for optimization and make the corresponding improvements.
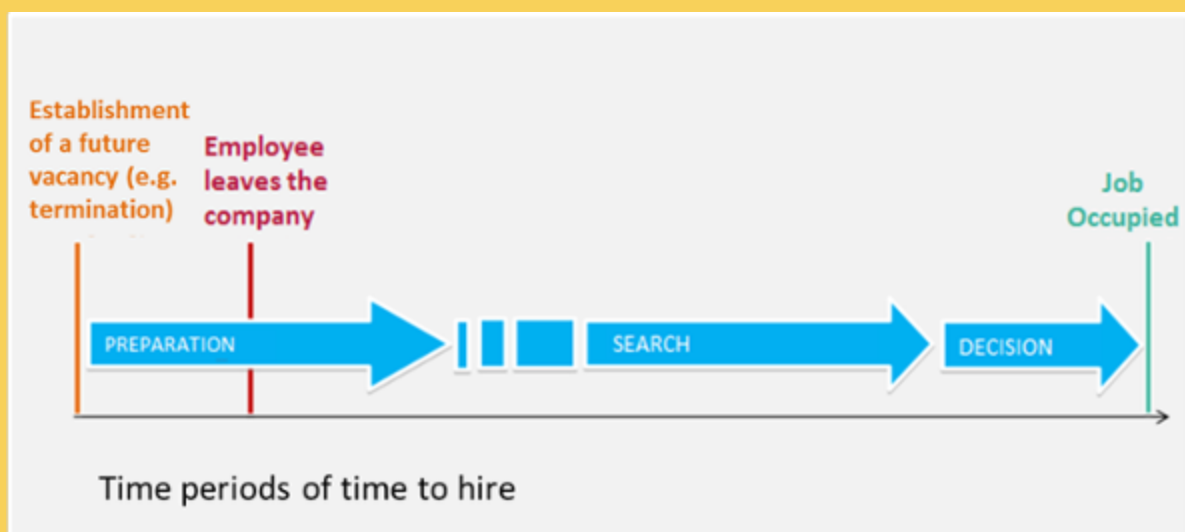
Why Time to Hire is a Key Metric

One factor is crucial in finding the right candidate: time! Time is money. This also applies to recruiting vacant positions. But what is hiding behind the metric time to hire? Are you aware that the success of a business can depend solely on this metric?

We'll illustrate **how important time to hire is** for the entire organization through four examples. In addition, we'll provide you with valid arguments and figures for your next internal discussion that will make analyzing time to hire a priority.
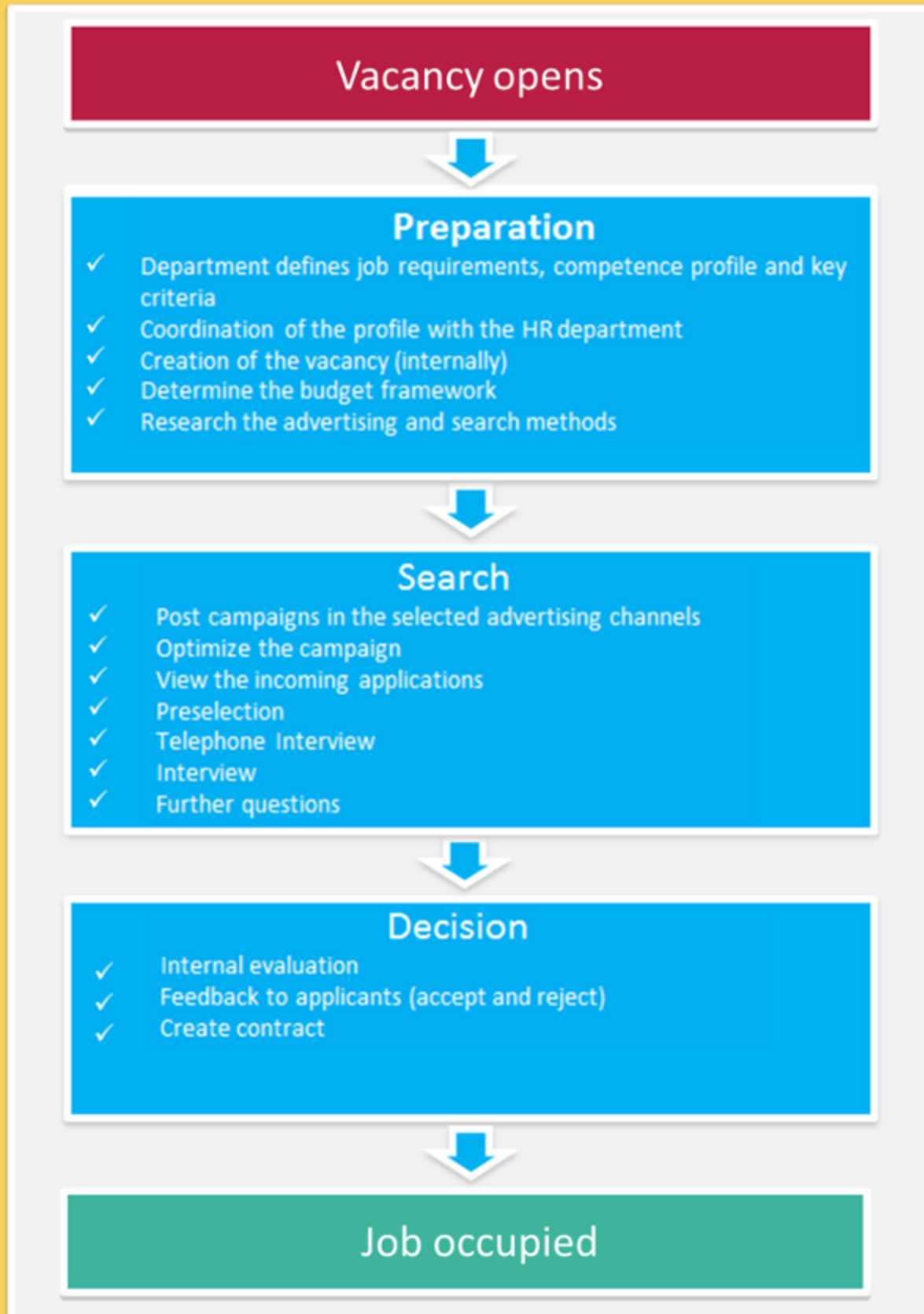

What exactly is the meaning behind the term "time to hire"?

The term "time to hire" is not clearly defined in literature. Companies usually speak of the duration of the employment search as a key figure. However, this only describes the period between the beginning of the recruitment search and the end of the recruiting process. In reality time to hire covers a much larger period. It does not start with recruiting, but much earlier: from the day it is clear that an employee will be leaving the company until the job is filled by a new employee. **Time to hire can be divided into different phases: preparation phase, personnel search phase and decision phase.**

Time periods of time to hire

Why Time to Hire is a Key Metric

The following graphic shows which processes run in each individual phase:

Vacancy opens

Preparation
- ✓ Department defines job requirements, competence profile and key criteria
- ✓ Coordination of the profile with the HR department
- ✓ Creation of the vacancy (internally)
- ✓ Determine the budget framework
- ✓ Research the advertising and search methods

Search
- ✓ Post campaigns in the selected advertising channels
- ✓ Optimize the campaign
- ✓ View the incoming applications
- ✓ Preselection
- ✓ Telephone Interview
- ✓ Interview
- ✓ Further questions

Decision
- ✓ Internal evaluation
- ✓ Feedback to applicants (accept and reject)
- ✓ Create contract

Job occupied

Why Time to Hire is a Key Metric

What costs arise with time to hire?

Time to hire consists of two major cost catagories:

1. **The external budget:** These costs are incurred by placing job advertisements on various job boards and are used to find and recruit candidates.
2. **The cost of vacant positions:** This includes all the costs incurred by the company as a result of an unoccupied position. This includes loss of revenue due to production restrictions or failure due to lack of customer support. These costs increase according to how crucial the position is to the function of the company.

Most companies only consider the external budget, which is set for the search and recruitment process. However, this is insufficient, because the resulting opportunity costs (= lost benefits, such as sales losses) as a result of the vacant position are many times higher! **The budget is a barely noticeable cost factor compared to the cost of an unoccupied job.** The breakdown of revenue losses by vacancy compared to budget costs breaks down as follows:

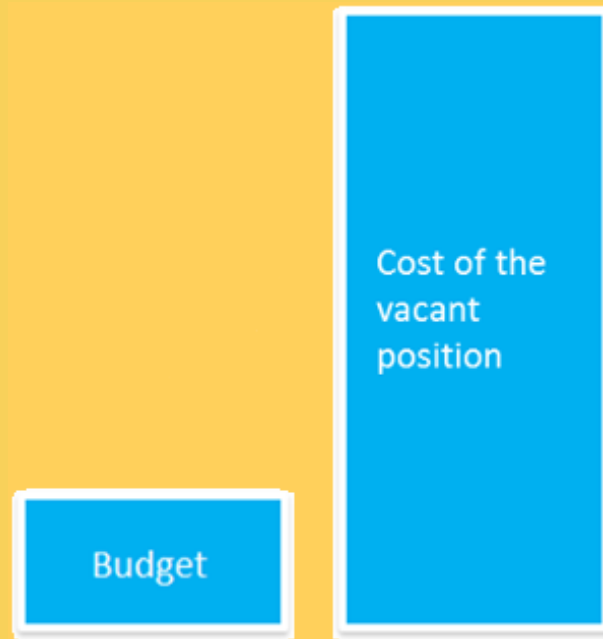# Why Time to Hire is a Key Metric

Fig .: Recruiting budget compared to the costs of an unoccupied position. Companies incur enormous costs due to vacant positions, particularly with key positions and management functions, because further positions depend on the vacant position or the entire production is affected. Depending on the location, the consequences are clearly noticeable such as loss of sales, production restrictions and loss of innovation. If recruiting fails during this period and the time to hire period grows larger, in the worst case, it can even lead to a financial bankruptcy of a company. In order to make the costs more tangible during recruitment, we used data from the study "Business Effects of Family-Friendly Measures" by the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. In the study, business effects regarding the cost of the replacement of personnel were evaluated on the basis of controlling data from ten companies of different sizes and sectors. The study defines the costs for companies when looking for a new employee as follows:

- **Costs of a vacancy**: These include, for example, production losses due to lack of market and customer support.
- **Costs of recruitment**: These are, for example, costs for advertisements, alumni fairs, etc.

Why Time to Hire is a Key Metric

The calculation of the cost of a vacant position for different ranges of income in the companies surveyed gave the following average values:

Costs in the search phase of time to hire Without the preparation and decision phase!			
	Low income group *until 30,000 €**	**Middle income group** *until 55,000 €**	**High income group** *From 55,000 €**
Cost of the vacant post (effective)**	900.00 €	3,600.00 €	10,800.00 €
Recruitment costs (recruiting budget)	1,800.00 €	5,500.00 €	10,500.00 €
Total cost (in the search phase)	**2,700.00 €**	**9,100.00 €**	**21,300.00 €**
Avg. length of the search phase in months	1.0	2.3	4

*Income group (gross annual income)
**Average of an unoccupied post in the total time spent in the study according to study participants: Cost, e.g. for productivity failures due to lack of market and customer support

These costs are highly dependent on the required qualification level of the requested person and the specificity of the quality requirements. External factors include the closeness of specific labor markets and the shortage of qualified personnel leading to a singular increase in recruitment costs. For the average duration from the start of the search to the recruitment, the participating companies give the following average values: → Lower income group: 1 month → Middle income group: 2.3 months → Upper income group: 4 months

Why Time to Hire is a Key Metric

Who belongs to which income group?

The **lower income group** includes, for example, a "hairdresser". The search period of one month is a realistic value in relation to the degree of qualification and the demand on the job market. The **middle income group** includes, for example, young graduates. In our experience, two ads with a minimum of 30 days each have to be shown in order to reach this group. As a result, at least 2.3 months should be scheduled for the search phase alone. The **upper income group** is largely specialized staff with many years of experience. This group of professionals and senior professionals is considered to be particularly difficult to a recruiter as it places high demands on their job and employer and is difficult to achieve due to passive search behavior. For this reason, the search periods are much larger. **Caution should be exercised with these values**: In general, it should be recognized that only the search and recruitment phase have been taken into account and not the preparation phase and the decision phase. The actual time to hire is so much longer in this case and the costs are therefore higher than the above average values. Therefore, an even longer search phase (pure advertising phase) can be expected today.

 Fig .: Time to hire periods in the case of a vacant position in the higher income group. To illustrate the effects of time to hire and the associated costs, here are four examples. Maybe you already have similar experiences or have such vacant positions in your company

Why Time to Hire is a Key Metric

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4 examples of how time to hire and costs are related:

1. Vacant position - sales

A vacant position in the field of "sales" hits a company particularly hard, because this department is mainly responsible for the entire company turnover and even the loss of a single person has a strong impact on sales. **If a key position is not filled here, this can mean a loss of sales of 300,000 euros per month for a company and at least 1,210,500 euros during the recruitment period!**

An example of this calculation: *a senior sales representative in mechanical engineering*. A company in the mechanical engineering sector with ten sales employees generates 20 million euros annually in sales. The sales team is divided into three senior sales people, who provide 50% of total sales, the other seven together generate the rest of the turnover. Our ratio assumed that the best senior salesperson with 4 million euros in annual sales is outstanding. This means a monthly loss of 300,000 euros for the entire company! In addition, there is a gain (increase in value) of € 75,000, which is lost to the company every month. The fixed costs of the company remain unchanged (personnel salaries, room rents, depreciation, etc.).

A senior sales employee earns approx. € 3 million of the annual sales of € 20 million

■ Remaining sales
■ Revenue lost

Why Time to Hire is a Key Metric

If you start from the above mentioned search phase of at least 4 months (according to experience, however, it is often 6 months), then the following costs arise:

Vacancy: 4 x 300,000 € = 1,200,000 €

Recruitment costs: 1 x 10,500 € = 10,500 €

Costs during the recruiting period: 1,210,500 € (plus loss of income during this period)

This clearly shows the extent to which a single employee in a key position can already have an impact on the company's total revenue and which cost development leads to increasing time to hire.

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2. Vacant position - production manager / business development

In many companies, it is specialized positions that are the most difficult to fill. It is particularly serious for a company if the position of the production manager remains vacant for a long time. **This can affect up to a loss of revenue of 830,000 euros per month! During the recruitment period these costs amount to at least 3.3 million Euros!**

Why Time to Hire is a Key Metric

A calculation example: *a production manager in the cable industry.* A company in the cable industry employs 100 people and generates annual sales of 10 million euros. The production manager with 20 years of professional experience is the only engineer in the company responsible for cable production and product innovation to keep them competitive in the marketplace. If this position is unoccupied, it can come to a complete stoppage of production. That will result in a loss of 20,800 euros per day! Each company has daily fixed costs that always remain the same and can not be changed quickly (for example, salaries, production and manufacturing costs, etc.), and materials that are not quickly changed due to supplier contracts. Over a longer period of time, such a loss of production can ruin a small business by no longer being able to offset the ongoing costs with the sales generated! If you now start from the above search phase of at least 4 months (according to experience, there are usually 6 months), then the following costs occur:

Vacancy: 4 x 830,000 € = 3,320,000 €

Recruitment costs: 1 x 10,500 € = 10,500 €

Costs during the recruiting period: 3,330,500 €

Why Time to Hire is a Key Metric

3. Vacation position - medical specialist

In health care, it is the position of the specialist, a highly specialized position with certain qualifications, which is very difficult to fill and often with a long time-to-hire. **In an unoccupied place can be expected here with a pure yield loss of up to 33,000 euros per month! During the recruiting period these costs are at least 142,500 Euro!**

An example of calculation: *a medical* s*pecialist / radiologist.* According to the Federal Statistical Office, the net income of a practicing medical specialist, such as the radiologist, is € 402,000 per year. The statisticians describe the revenue that a doctor has left after deducting all costs for the doctor's practice; these include personnel costs, rent, laboratory expenses, diagnostic equipment, etc. We have found that bottlenecks occur particularly in hospitals when occupying specialist positions for certain departments. Assuming that this example of failure of the specialist or radiologist calculates with the above figures, then a single unoccupied specialist office leads to a loss of income around 1,608 euros daily. In addition, there are the ongoing fixed costs for premises, staff, etc. as well as the search / recruitment costs as a recruiting budget, which, according to the study by the Federal Ministry, again amounts to at least € 14,400 per month. In addition, it can always be seen in the big picture that as soon as a specialist in a department is missing, the entire productivity of the latter also suffers. In the case of "hospital", this also has consequences for the external perception. A bad reputation as a "hospital without competent specialist staff" leads to fewer patients, which is directly reflected in the revenue. If one now assumes the above-mentioned search phase of at least 4 months (according to experience it is 6 months), then the following costs arise:

Vacancy: 4x € 33,000 = € 132,000 (lost revenue)

Recruitment costs: 1x 10,500 € = 10,500 €

Costs during the recruiting period: 142,500 €

Why Time to Hire is a Key Metric

4. Vacant position - store manager

Finally, let us give an example from our own experience: the vacant position of a "store manager", as an important key position in retail. Alone the lack of a branch management can make **a loss of sales of 21,700 euros per month! During the recruitment period these costs are at least 97,300 Euro!**

An example of calculation: *a branch manager at a sporting goods manufacturer (retail)*. A sporting goods manufacturer employs 2,160 people and generates annual sales of 180 million euros in its 130 branches throughout Germany. Each individual branch generates a turnover share of 1,380,000 euros per year. In the retail sector, the store manager is a key position when it comes to the overall sales ratio. If the job is not filled, this leads to a loss of revenue by 20%, i.e. 260,000 euros per year. And, in addition, the search and recruitment costs. If one now assumes the above-mentioned search phase of at least 4 months (according to experience, it is 6 months), then the following costs arise:

Vacancy: 4x 21,700 € = 86,800 €

Recruitment costs: 1x 10,500 € = 10,500 €

Costs during the recruiting period: 97.300 €

Why Time to Hire is a Key Metric

Importance of Time to Hire

The above examples make it clear once again what impact time to hire has on a company's costs and losses. A reduction of this period is money that remains in the company and can be used for economic growth and competitiveness. Employees are the most important resource in the company and key positions that can not be filled quickly lead to serious and economically measurable losses. For small companies, an unoccupied key position over a longer period of time can even lead to financial bankruptcy if the fixed costs can no longer be met due to the decline in sales. These examples illustrate the importance of reducing the time to hire and the valuable economic contribution that the recruiting department can make to the entire organization with optimization in this area.

HR Management KPIs: How Software Can Optimize Your Recruiting Process

For many HR departments, collecting **KPIs** (key performance indicators) is a central point on the **HR management** agenda, and we think you should start implementing them as well. The reality of implementation, however, often looks different. The effort of gathering and evaluating these metrics is frequently the reason why they are never utilized. An easy solution to this dilemma is **software**. Software can take away the extra effort and show you where there is potential for optimization. You will be supported and able to efficiently manage your recruitment process.

HR Management KPIs

As early as 2011, a survey by the ICR "Recruiting Controlling Report" revealed that 90% of the companies surveyed consider the measurement of success in recruiting and employer branding as important or very important. However, just under 55% stated that they did not use KPIs in their performance measurement. These 2011 results are consistent with our latest polls (June 2017). In our poll, 45% of the companies surveyed said they did not utilize any key figures.

But why are the desire and reality so far apart? Currently, a major problem is the effort it takes to collect key metrics. In our experience, it is often the case that recruiting reports are only collected once a year due to the time constraints of the HR department. Although this will allow you to make a comparison with the previous year, it is already too late to influence the short term results of current openings.

HR Management KPIs: How Software Can Optimize Your Recruiting Process

Why are daily updated KPIs so important?

You should always be able to see the most important key figures at a glance regarding your current open positions. It may be good to know how many applications you received retrospectively in the year, but this won't help you with your current openings.

In order to keep track of your complete process and running costs, you should have all the global KPIs in HR Management at a glance. With those metrics, you can quickly detect any serious deviations compared to last year.

In addition to the global KPIs, daily updated key metrics are particularly relevant when it comes to managing and optimizing campaigns. To understand when a job posting is about to fail, you need campaign-level KPIs. For example, these KPIs provide insight into where candidates are leaving your posting, which helps you to initiate optimization measures in the right place. Or, for example, you may find that you are currently receiving traffic from the wrong region on your job ads and therefore no one is applying, etc. There are a variety of factors that cause not enough or the wrong candidates to appear on your job application page. To begin the appropriate optimization measures, you need up-to-the-minute KPIs. With that information, you can act fast and no longer invest time and money in the wrong or incorrectly managed actions.
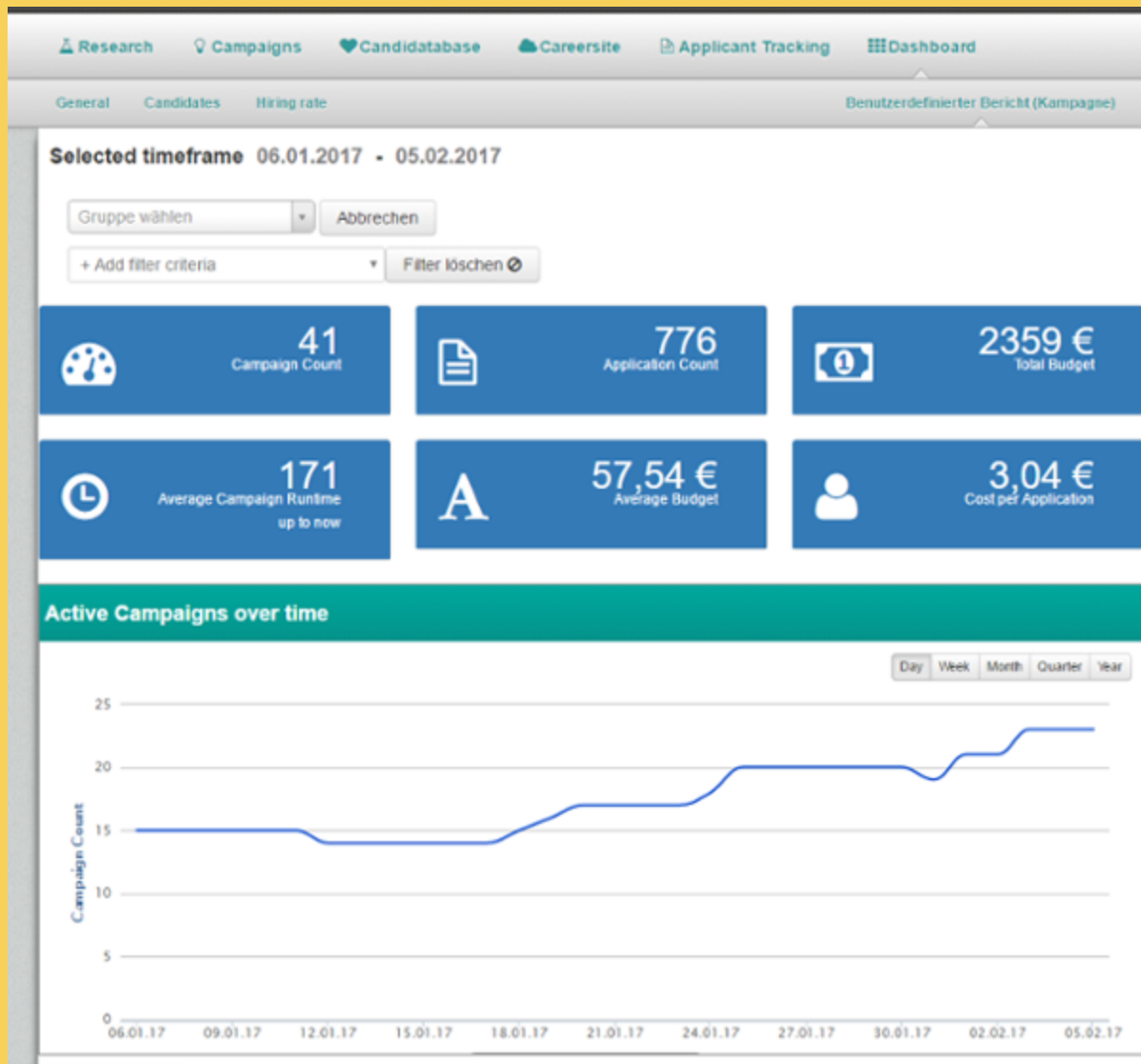
HR Management KPIs: How Software Can Optimize Your Recruiting Process

How and why is software the answer?

The time of the troublesome key figures survey is already over. Recruiting software, like Talention, simply collects data and key figures in the background and prepares them in clear reports and dashboards for you.

What does that look like in software like Talention?

All data from your recruitment will be collected in a clear dashboard.

Screenshot: Talention Dashboard - Global Campaigns Overview

HR Management KPIs: How Software Can Optimize Your Recruiting Process

In campaign management, you can go deeper into the evaluation of individual measures. Here you can see the appropriate KPIs for each campaign you have placed. You will get an overview of how much you've set as the total budget per campaign and how much you've spent on it. You will also see how many people clicked on your job advertisement (in the example: 221), how many clicked on the candidate button (25), how many applications were received (25) and how many of them were qualitative (3).
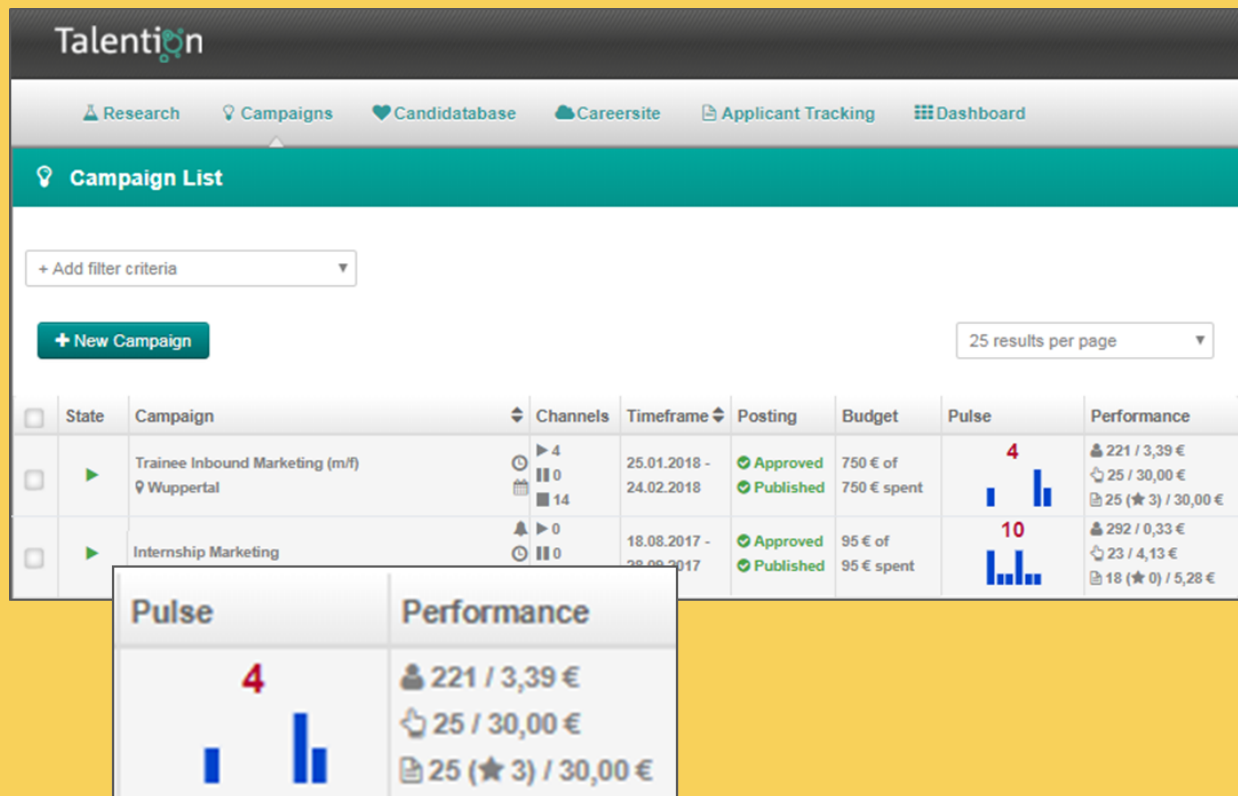
Screenshot: Talention Dashboard - Campaign Overview

HR Management KPIs: How Software Can Optimize Your Recruiting Process

Next you can go a step further into the analysis of the individual measures, if you are not yet satisfied with these KPIs. Here, you can analyze the flow of visitors on a daily basis or see the origin of your visitor stream.
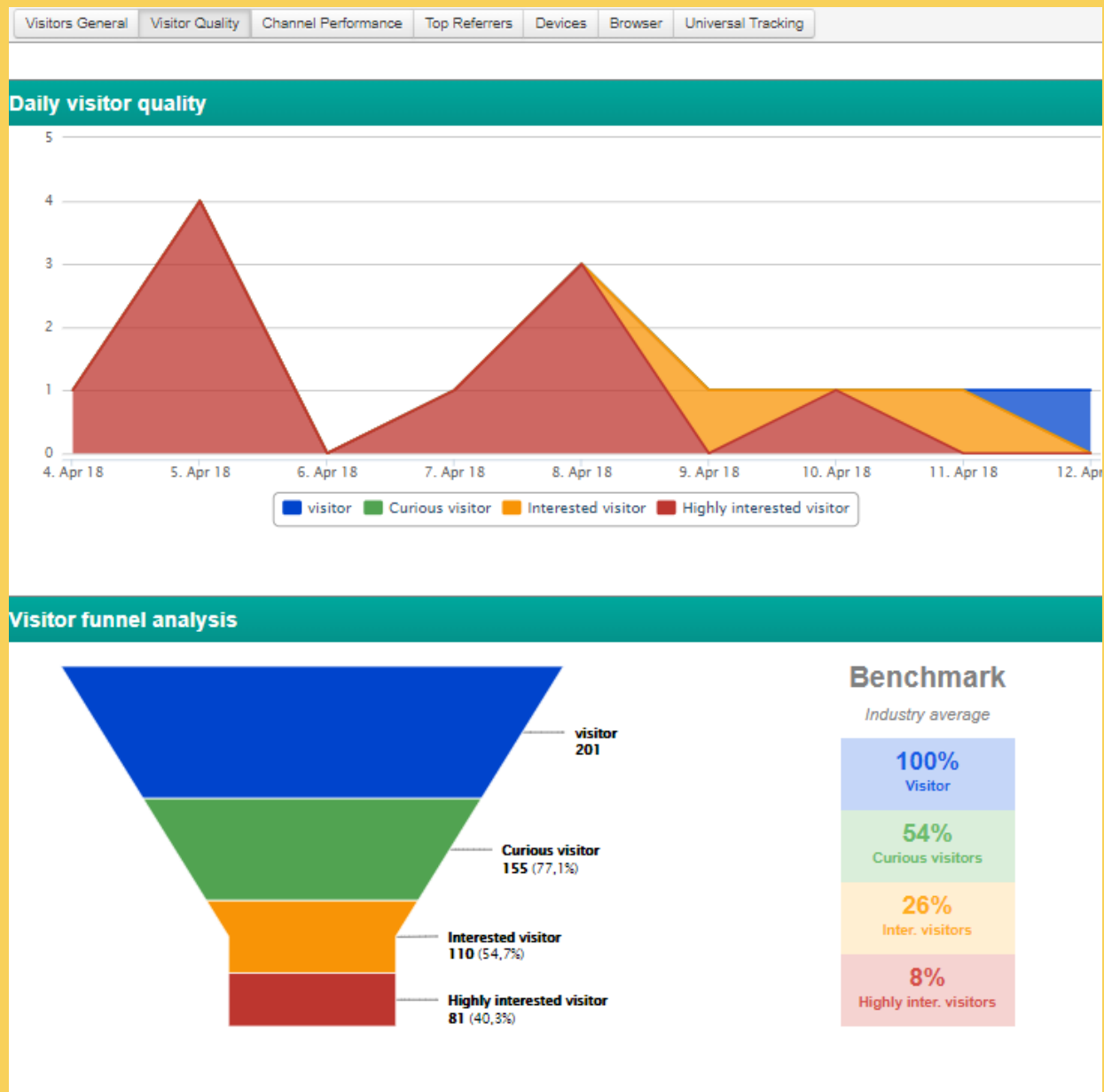

Screenshot: Talention Dashboard - Job Advertisement Report

In addition to these dashboards and KPI's shown, there are a variety of other tracking options that software can analyze, without any further effort from you.

Get a Recruitment Marketing Software!

Get more suitable applicants by using sophisticated
recruitment marketing measures, smart candidate relationship
management and analytics
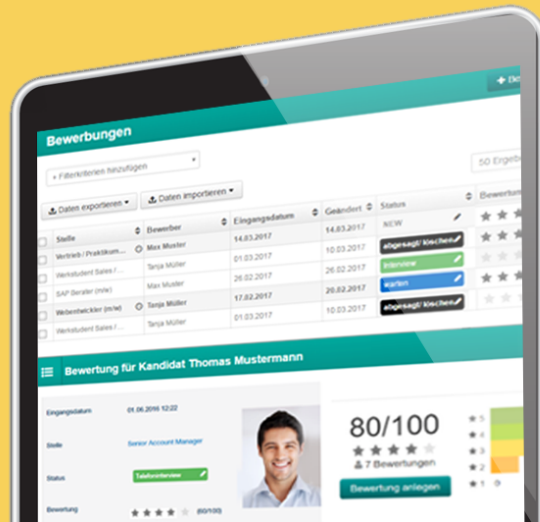
Contact us to find out what the specific integration of
Talention can look like for your current system landscape.

Request a free demo now