How KPI's make your organization win?

master™
VALUE PEOPLE

Gain insights regarding how you can make use of KPI's to strengthen the recruitment process.

The target goal of any recruitment is to hire the right candidate. To have the best foundation to do so, your recruitment process should be based on a structured and data-driven process. By focusing on KPI's you can strengthen your recruitment and highlight the value of the HR department. Additionally, you ensure that the recruitment process is supporting the organisation in the most optimal way and that the resources are used most beneficially.

KPI's. Key Performance Indicators, are used to gather data and measure outlined processes. There are multiple KPI's that can give you the necessary information about how your recruitment process is performing based on different angles. It is important that you select and use the ones that suit your organisation.

It might be interesting for you to know, how long time you need for a recruitment, whether the new candidate is the right fit, what a recruitment costs or where your candidates are from.

An important note to highlight is that it is of importance to gather data throughout the entire recruitment process to ensure a data-driven foundation for decision-making. When you work in such a manner you'll get a detailed picture of what works and what doesn't, resulting in avoiding wrong hires.

In this guide we've gathered a set of KPI's tat you can use to measure your recruitment process. Remember to consider which parameters you'd like to set, so it makes sense for the needs of your organisation.

Overview of KPI's

KPI	Measures...
Quality of Hire	the value the new employee adds to the organisation.
New Hire Retention Rate New	how long the new employee stays. Is it a good match?
Hire Turnover Rate Hiring	how many new employees stop before they are fully onboarded.
Manager Satisfaction	to what extent the manager is happy with the new employee.
Candidate Experience	the candidates experience of the recruitment process.
Job Performance	how well the new employee performs.
Employee Engagement	how engaged the new employee feels.
Joboffer Acceptance Rate Time	how many have accepted your job offers.
to Fill	how long the entire recruitment process takes.
Time to Hire	how long it takes to hire a candidate.
Source of Hire	where you get your candidates from.
Cost per Hire	what it costs to hire a new employee.
Qualified Candidates per Hire	how many qualified candidates come through the first step of your recruitment process.

KPI: Quality of Hire (QoH)

What it measures?

Measures the value the new employee adds to the organisation.

$$\text{QoH} = \frac{(\text{Indicator 1 \%} + \text{Indicator 2 \%} + \ldots)}{\text{Amount of indicators}}$$

When you have calculatesd the QoH for multiple employees you can start to evaluate the overall recruitment process by using this formula:

$$\text{QoH index} = \frac{(\text{QoH average} + \text{New Hire Retention})\ \%}{2}$$

How to gather data for the KPI?

Quality of Hire is based on multiple other KPI's. For example, Turnover and retention rates, Hiring Manager Satisfaction, Employee Engagement and Job Performance. See how to gather data for the individual KPI's in the following pages.

QoH is the KPI that most accurately shows how much value HR adds to the organisation. Because it builds on other metrics, it is a solid KPI which helps measure quality.

However, the complexity has its downsize: it depends on gathering data over a long period of time and different things, and that can be difficult to cover. Quality is always subjective!

Quality of Hire is an evaluation tool as well as an indicator. This means that you measure before and after the employment. You can evaluate after the employment and gather knowledge so you can improve your process before hiring.

How to improve the KPI?

Everything done before the employment is done to ensure a high quality of the new employee. But! The follow up is just as important. So ensure that you collect the correct data before and after the employment.

Prioritise the pre-work (Exit-interviews and research) and let that shine through the job ad, the correct sourcing and referrals. Predict a high quality/Performance with the correct candidate by screening using:

- Test
- Interviews
- Cases
- References

Evaluate and have a look at your onboarding and remember to follow up. Are the improvements working?

KPI: New Hire Retention Rate

What it measures?

It measures, how long a new employee stays. It indicates whether there is a good match (be aware, however, that there are other reasons why an employee stops, i.e. management, onboarding or conditions at the workplace).

$$\text{New Hire Retention Rate \%} = \frac{\text{Amount of new employees hired after x months}}{\text{Total Amount of employees that stopped after x months}} \cdot 100$$

How to improve the KPI?

This KPI often works as an indicator for Quality of Hire. You can use the data you receive by looking at New Hire Retention Rate to improve the overall quality in your Recruitment Process.

KPI: New Hire Turnover Rate

What it measures?

New Hire Turnover Rate measures how many new employees that stop before they are onboarded, i.e. within half a year.

$$\text{New Hire Turnover Rate \%} = \frac{\text{Amount of new employees that stopped after x months}}{\text{Total Amount of employees that stopped after x months}} \cdot 100$$

How to improve the KPI?

Make your onboarding more effective and individual to the employee. This KPI often works as an indicator for Quality of Hire. You can use the data you get by looking at New Hire Turnover Rate for an increased quality in the Recruitment Process.

KPI: Hiring Manager Satisfaction

What it measures?

Hiring Manager Satisfaction measures how satisfied the manager is with the new employee.

How to gather data for the KPI?

- Gather data digitally through surveys
- Ask the same question
- Automate the process so you get data from every process

KPI: Candidate Experience

What it measures?

Candidate Experience Measures the candidates experience of the recruitment process. You can use this KPI as a valuable tool to re-consider the process in the organisation.

How to gather data for the KPI?

- Gather data digitally through surveys and/or making follow-up interviews
- Ask the same questions
- Run an automated process, so you get data from each recruitment
- Look for data in every interaction with the candidate

How to improve the KPI?

Streamline and professionalise the recruitment. Be flexible and effective when you invite for an interview: offer online meeting booking and times that are outside of work time. Revert quickly back and decently.

KPI: Job Performance

What it measures?

Job Performance measures how well the new employee is performing at work.

How to gather data for the KPI?

Ask the manager to rate the new employee.

- Gather data through digital surveys
- Ask the same questions
- Run an automated process, so you get data from every process.

Find concrete data, I.e. amount of sales. Does the employee perform and reach sales targets?

KPI: Employee Engagement

What it measures?

Employee Engagement measures how engaged the new employee feels he/she is.

How to gather data for the KPI?

Ask the employee to rate themselves.

- Gather data digitally through surveys
- Ask the same questions
- Do an automated process so you gather data from every process

KPI: Joboffer Acceptance Rate

What it measures?

Joboffer Acceptance Rate tells you how many percent of the candidates have accepted the organization's job offer. The KPI shows how good you are at attracting the correct employees.

$$\text{Joboffer Acceptance Rate} = \frac{\text{Amount of accepted job offers}}{\text{Total amount of job offers}} \%$$

How to improve the KPI?

- Consider whether your job offer is competitive enough
- Ensure good communication and clarify possible matches early in the screening
- Ensure that the job you're offering matches the reality of the job offer
- Evaluate your employer brand
- Ensure a good candidate experience

Look for evaluations on glassdoor.com or ask directly. Send surveys to all candidates - the ones that say yes and the ones that say no.

KPI: Time to Fill

What it measures?

Time to fill measures how long the entire recruitment process takes. This means how many days it takes from identifying that a job is required until the contract is signed. It is a good tool to use as for planning.

Time to Fill = Antal dage fra jobåbning til underskrift

You can most likely pull out data from your ATS.

How to improve the KPI?

It is a good beginning to establish a structured and beneficial recruitment process. Break down the process and investigate how long you spend on:

- Pre-analysis
- Advertisements and attraction
- Screening
  - Tests
  - Interviews
  - Cases
  - References
- Employment

Maybe you can identify an issue in the process. Eliminate and remove the steps that are ineffective and ensure that as many processes are automated.

Other effective methods are sourcing, referrals and a talent pipeline.

KPI: Time to Hire

What it measures?

It measures how long time it takes to employ a candidate. This means the time taken from the moment the candidate is spotted until the candidate accepts the job offer. In essence, how effective are you as a Recruiter?

Time to Hire = Day candidate accepts the offer - day candidate is in the pipeline

How to gather data for the KPI?

You can most likely pull out data from your ATS.

How to improve the KPI?

Se Time to Fill, but only from the moment the candidate enters the process via application or sourcing. It's about making it easier for the candidates and being flexible. You can choose to offer online booking and offer times outside the regular office hours. You can also make use of telephone or video interviews.

KPI: Source of Hire

What it measures?

It measures where you are getting your candidates from.

How to gather data from the KPI?

- You can most likely pull out data from your ATS. You can include questions in the system about where they have seen or heard the job advertisement.
- If you use other medias, they often also include data about visits and clicks.
- Ask new employees and candidates where they saw the job advertisement.

How to improve the KPI?

Prioritise using the channel or method that proves most effective in generating the best candidates.

KPI: Qualified Candidates per Hire

What it measures?

It measures how many qualified candidates that get through the first step of your recruitment process. KPI's indicate if the candidates that enter your process truly are a match. Also, how effective your sourcing and advertisement strategies are and how strong the employer brand is.

Remember that it is important to define what it means when a candidate is qualified.

Qualified Candidates per Hire =
Amount of candidates that get through the first step

How to gather data for the KPI?

You can most likely pull out data from your ATS.

How to improve the KPI?

If you generally only have few candidates, sharpen up on the job requirements and specifications to ensure that communication is strong.

If you have many applicants, but few good ones, ensure that communication is strong. It could also be that it is a difficult position to fill, so consider searching for passive candidates.

KPI: Cost per Hire

What it measures?

It measures what it costs you, on average, every time you recruit a new employee.
It is relevant for the recruitment budget.

$$\text{Cost per Hire} = \frac{\text{(Internal + external costs)}}{\text{Total employments}}$$

How to gather data for the KPI?

You can do this manually, or you can use an ERP-system to track the costs.

How to improve the KPI?

- Make a talent pipeline and you can skip multiple steps
- Sourcing can help reduce costs. There is no job advertisement costs or external help
- An effective referral program is a good idea - allows you to skip the above-mentioned steps
- It can also be a good idea to compare it with Source of Hire - the costs used in which channel. And also, which ones will leave you with the best ROI.