

How to Measure Recruitment ROI

Table of Contents

Introduction	3
Recruiting as a Business Strategy	4
1. Defining Return on Investment	
2. Evaluating Current Recruiting Efforts	
Measuring Recruitment Success	6
1. How Can You Measure Recruitment ROI?	
2. Moving Beyond Cost per Hire	
3. Important Recruitment Metrics to Consider	
How to Calculate Your ROI	11
1. Align Strategic Business Goals to Hiring Needs	
2. Determining Metrics For Your Organisation	
3. Communicating the Business Impact of Recruitment ROI	
Sustaining your ROI: Steps to Maximise Returns in Future	15
1. Gathering Data	
2. Evaluating Recruiting Sources	
3. Training Your Team	
4. Projected ROI for Future Campaigns	
Key Takeaways: Brief Lessons into Recruitment ROI	17



Introduction

In our 2024 Workforce Trends Report, we found that a vast majority of employers (85%) expect to expand the headcount in their departments in the coming year. However, they also recognise that there are many obstacles to attracting talent in today's hotly contested hiring landscape, including more competition to secure top talent (41%) and simply not getting enough quality applicants (37%).

These same employers told us that, to ensure the effectiveness of their recruitment efforts, they are willing to increase investment in improved compensation packages (34%), expanded flexible working options (36%), increased opportunities for upskilling and training (33%), and more.

However, despite these investments in their talent acquisition efforts, organisations who want to build sustainable hiring practices must find ways to keep costs low while maximising returns. That's where this ebook comes in. Inside, we'll take a closer look at:

- ▶ Developing recruiting as a business strategy
- ▶ Defining recruitment return on investment (ROI)
- ▶ How to calculate it
- ▶ Optimising the hiring process to ensure maximum returns

Recruiting as a Business Strategy

Recruitment has evolved from an HR function to a crucial component of the overall business strategy. Forward-thinking organisations are focusing on more automated processes to increase efficiencies, but also expand their talent pools to find more diverse and highly qualified candidates.

In this environment, a data-driven recruitment strategy is a critical competitive advantage for building a workforce that is more aligned with your company's long-

term and short-term strategic objectives, improving organisational workflow and efficacy, and strengthening employer branding by increasing awareness and visibility through recruitment marketing.

However, like all business expenditures, identifying the right metrics to determine returns is necessary to justify its business value. Let's look at what return on investment (ROI) means for recruitment and how organisations may leverage it.



Defining Return on Investment

Simply put, Return on Investment (ROI) is a ratio comparing gains or losses derived from an investment against the cost.

Although ROI is a ratio, it is typically expressed as a percentage:

$$\text{ROI} = (\text{Net Profit} / \text{Cost of Investment}) \times 100$$

Recruitment ROI measures the value of an employee to the company against the expense for hiring and retaining that employee.

ROI is a simple and uncomplicated metric, but it can differ based on your needs and goals. Defining what returns are valuable to you and how to track them, begins with understanding your current organisational makeup, recruitment efforts, and processes, and using this data to identify pain points and future goals.



Evaluating Current Recruiting Efforts

To maximise your recruitment ROI, it's critical to understand your baseline to monitor progress. It's also important to comprehensively assess your current recruitment measures, how they impact business at large, and what needs to change. This includes understanding:

- ▶ Current open positions in your organisation
- ▶ Potential open positions, (i.e., where you will need new talent in the near future)
- ▶ How hiring new talent fits with your business goals
- ▶ What resources you have to support your hiring goals
- ▶ How close you are to achieving these goals

Companies often wait for the right person to come along when a position opens up. However, this wait-and-watch hiring strategy can be detrimental and lead to losses. Leaving positions open for extended periods can hamper productivity. Therefore, while taking stock of your current recruiting efforts, consider any losses due to open positions.

Another term to address such losses is "Cost of Vacancy," or COV. A general and simple guideline for determining cost of vacancy is:

$$\text{Payroll \& benefits} - \text{Gross profit lost to vacant role} = \text{Cost of vacancy}$$

Measuring Recruitment Success

How Can You Measure Recruitment ROI?

► Quality of Candidates

Candidate quality is a vital recruitment ROI metric. It also helps you examine the efficacy of your hiring process in finding, onboarding, and retaining top talent.

Candidate quality should be measured by how well the candidate can effectively perform the tasks and responsibilities associated with the role, has industry knowledge, and contributes meaningfully to the company.

Companies should measure a new hire's performance during the first year to assess the quality of the hire. While high-quality hires can translate into improved efficiency and revenues, low-quality hires can lead to unnecessary expenses and even turnover.

► Improved Diversity

Traditional recruiting processes may promote bias against underrepresented groups. Establishing diversity, equity, and inclusion (DEI) as strategic goals can help you overcome any biases in your hiring processes.

Track important hiring trends and metrics such as the number of women and individuals from underrepresented groups within the talent pipeline, and where and why they fall out. Their experiences during the hiring process may help proactively remove discriminatory practices from the process, and can even help you boost your employer brand.

► More Data-Driven Decisions

In recruitment, intuition may be beneficial in some cases, but in most other cases, it is often an unreliable measure of a candidate's skill due to our unconscious biases.

Using data-driven decisions—and, of course, AI-powered tools—helps you base your recruitment on objective skill assessments and experience and improve candidate quality. Using and tracking candidate assessment scores should aid hiring decisions.



Moving Beyond Cost per Hire

When we talk about measuring recruitment success or ROI, a common mistake is to place too much emphasis on cost per-hire. Yes, cost is a key metric in calculating ROI, but shouldn't be assigned any more importance than the revenue and value the new hires generate.

Additionally, cost-per-hire is a restrictive metric that may ignore additional costs like recruitment marketing costs, time, the type of role you are filling, or the existing talent

pool. The investment may differ, for example, depending on the seniority and type of role you are trying to fill.

For example, recruiting a senior-level professional may require more investment (cost) than recruiting for an entry-level professional, but senior-level professionals may also generate more returns in terms of their value, contributions, and leadership. This is one reason it is important to take a more holistic view of your recruitment ROI.



Important Recruitment Metrics to Consider

Apart from cost-per-hire, the following metrics provide insight into the hiring process's expenses and effectiveness and are critical in analysing recruitment ROI. They also measure conversion rates across various recruitment stages, providing a more accurate view of the recruitment campaigns and tools.



According to a report from the Society of Human Resource Management (SHRM), the average time to fill a position is around six weeks (higher for technical roles, lower for junior or lower-skilled positions). However, executive-level positions may take anywhere from 3-12 months to fill.

► **Time to hire**

Time to hire is the total time between when a candidate first enters the pipeline and when they accept a job offer. Some, more technical roles may average more days due to the screening and technical assessment phases, but longer hiring times are also associated with dropouts, poor candidate experiences, and frequently, inefficient processes. You can improve time to hire by measuring and comparing it to your company or industry benchmark.

► **Diversity Metrics**

In our 2024 Workforce Trends Report, we found that 68% of employees feel that employers can do more to promote diversity in their workplaces. Although many employers have committed to diversifying their candidate pools by allowing more remote hires (27%), making DEI a priority (26%), and prioritising hiring to make the workplace more inclusive (26%) a lot of work remains to be done.

Some ways organisations can adopt a proactive stance while hiring for diversity may include rethinking hiring requirements, using more inclusive language in job postings, adopting pay transparency policies, and abandoning often discriminatory “cultural fit” criteria. For example, instead of culture “fit,” think culture “add” as in “adding” diverse experiences, points of view, and ideas while making “fit” more about values, skills, and work ethic.

Companies often set lofty diversity goals but fall short of implementation, especially without clear markers of progress. Tracking these metrics may allow you to see the efficacy of your recruiting ROI in terms of diversity:

▶ **Candidate Demographics**

Measuring your candidate demographics helps you understand how your candidates are spread across the organisation (junior vs. executive positions). It also helps answer the following questions:

- ▶ What type of candidates do you attract?
- ▶ What sources attract diverse candidates?
- ▶ How are diverse candidates progressing through the hiring stages?
- ▶ At what stage do diverse candidates drop out?
- ▶ Are some groups disproportionately affected than others?

▶ **Employee Retention & Turnover**

Measuring employee retention across groups provides insight into retention issues specific groups face. It might warrant further exploration if you struggle to retain employees from underrepresented groups more than others.

▶ **Pay Gap**

Assessing the pay across gender, age, and race can help organisations work towards pay parity.

▶ **Promotion Rate**

Often, organisations lack representation in leadership. Measuring how employees are moving within the organisation can help.

▶ **Candidate Experience**

In a recent Harris poll, 75% of candidates said that positive candidate experience was a determining factor in their decision to accept the job. Candidate experience refers to how candidates feel during the hiring process – regardless of a job offer.

Candidates have come to expect a personalised, efficient, and skill-based hiring experience. When these characteristics are present, candidates are more likely to apply again or recommend you to others in their network. Negative experiences can dissuade candidates from applying in the future and impact your employer brand. This is important for understanding brand awareness and perception and ensuring candidate satisfaction.



At LHH, we can help you take a candid look at your employer brand and make the necessary adjustments to source and qualify candidates for your most critical professional roles. **Talk to a member of our team to learn more.**

One Way to Reduce Turnover? Support Employees with Flexible Working

According to our 2024 Workforce Trends Report, 35 % of employees surveyed said that an organisation's ability to offer flexible work options is a factor in their decision to take a new job opportunity. Additionally, 35% of employees also said they are interested in exploring hybrid work options with their current or prospective employers. Here's what they see as the benefits of flexible work:

- ▶ 48% saving money on commuting expenses
- ▶ 42% no geographic limitations on where they can work
- ▶ 39% higher overall job satisfaction
- ▶ 38% better distribution of working hours

Additionally, one of the biggest gains in opening roles to flexible work is expanding accessibility for underrepresented candidates who may face barriers due to transportation, geography, caregiving responsibilities, and more.



How to Calculate Your ROI

Now that you know the different types of recruitment metrics to evaluate your ROI, it's time to look at how you can calculate recruitment ROI.

► **Align Strategic Business Goals to Hiring Needs**

Aligning your business goals with your hiring needs is the first step to building your business recruitment strategy. Consider the company's growth, roles and job functions, potential promotions, and turnover when working on a hiring plan. To that end, start by asking:

1. Is there increased workload hampering current employees' work-life balance? Would hiring new talent help?
2. Are you scaling up your hiring, expanding your teams, or adding new departments?
3. Are you taking on new projects or clients?
4. Is there a skills gap within the company? If yes, are there current employees that can help overcome that?



► **Determining Metrics for Your Organisation**

Once you have aligned your strategic business goals to your hiring needs, it's time to tailor your ROI metrics for those unique needs.

For many organisations, salaries or hiring costs don't directly reflect the role's value to the company. For the business to run, it must hire critical roles—people who perform the day-to-day tasks that produce a company's product or deliver a company's service—and sustaining roles, such as corporate employees to oversee marketing, HR, finance, etc.

It may be difficult to apply the same ROI standards for these roles, simply because both their salaries and the value they deliver can be so different. So how do we tackle this discrepancy? Recruiters often group these roles and apply multipliers to critical roles, e.g., offering a double bonus for hard-to-fill positions. Several recruiters use a multiplier of 3-5x for critical roles versus all other roles. With this, the critical roles deliver twice as much value as other roles.

This example underscores why it is so important for companies to get granular in determining ROI metrics that reflect the business value of new hires. Use the

following questions as guideposts to brainstorm what's valuable to your business and how they relate to the recruitment metrics:

1. How much time does it take to hire new candidates?
2. How many candidates does each recruiter interview before making a hire?
3. How much does it cost to hire a new employee across different departments?
4. What percentage of new hires come from a particular platform?
5. What websites and platforms are the best to hire new candidates?
6. What is the annual turnover rate of the company?
7. What is the candidate's experience throughout the hiring process?
8. How many candidates accept/reject the offer?
9. How many candidates apply for a particular job role?
10. What are the current open positions? What resources do you need to fill those?
11. How many employees are hired by a recruiter/team during a particular period?



Additionally, you will want to ask the following questions to account for candidate experiences and satisfaction:

- ▶ How are candidates performing during their first year?
- ▶ Are they satisfied and engaged?
- ▶ Do they feel safe, heard, represented, and supported?
- ▶ Do candidates have opportunities for growth and learning?
- ▶ Are they referring people in their networks for open roles?
- ▶ What does turnover look like? Why are employees leaving?

It is important for organisations to track candidate performance during the first six months (or year) to determine good fit and quality. Asking these questions and measuring the results can ensure candidates and employees are not overlooked in a bid for efficiency, growth, and fiscal returns.



Communicating the Business Impact of Recruitment ROI

For a long time, recruitment has been simply regarded as an HR function. Communicating the ROI results to all stakeholders proves the business value and impact of recruitment. With the strategic shift in HR and talent teams' tasks, it's more important than ever to convey the impact of recruitment ROI on the business at large.

Being transparent throughout the process, from ideation to reporting, communicates dedication to earning the trust of stakeholders and candidates. But what information should you include in your ROI communications? Here are a few good fundamentals to include:

- ▶ Any major gains from the updated data-driven recruiting process.
- ▶ Any improvements in workflow and productivity (e.g., employees spending less time on mundane tasks).
- ▶ Any improvements in metrics such as time to hire, candidate quality, experience, and satisfaction, as well as the company's progress on DEI goals.
- ▶ Reduced costs, increased revenue.
- ▶ Customer reviews.
- ▶ Experience of recently hired employees, recruiting teams, and collaborators.



Knowing what to report and how to report it enhances the delivery and response of your data. Presentations, reports, and infographics are great ways to disseminate your findings. For ROI reporting, however, you can consider the following as well:

► **Return on Investment (ROI) Reports**

ROI reports are essential analytics tools frequently used by marketing and campaign managers to analyse the cost and profits of campaigns during a specific time. Because recruitment marketing campaigns are vital to hiring efforts, adopting ROI reports to communicate initiatives can be beneficial.

You can report ROI across sectors, such as recruitment, marketing, and sales, and share it with organisational employees and stakeholders.

► **Recruitment Dashboards**

A recruitment dashboard visualises the data metrics of the company's recruitment process and is an excellent way to share data across teams.

You can track key performance indicators (KPIs) on a central dashboard, like average time to hire, time to fill, candidate progress, and feedback, often in real-time. Because all this information is presented visually using graphs and charts, it becomes much easier to spot recruitment trends within the organisation.

Recruitment dashboard solutions are abundant in the current market, and you can choose a solution based on your needs. If that's not viable, you can build your own recruitment dashboard, but it will take considerable time and resources.

Sustaining your ROI: Steps to Maximise Returns in Future

Gathering Data

Organisations have a large amount of data right at their fingertips and yet much of it is still unutilised. How can you change that?

First and foremost, gather information from your recruiting process, including:

- ▶ The number of employees working on recruitment
- ▶ Tools, software, and additional resources being used for recruitment
- ▶ The amount of time recruiting teams are spending on hiring

Apart from recruiting team data, you will also need additional recruitment data necessary for the KPIs. However, if you are using multiple programs and software, the data might be scattered across these applications and must be collated. You can extract data from recruitment applications and store them in a dedicated software or application for cleaning and analysis. Here are some applications you can look into to retrieve data:

- ▶ Job boards, recruiting platforms
- ▶ Applicant tracking system (ATS), CRM
- ▶ Training and assessment tools
- ▶ Talent management tools
- ▶ Compensation and benefits: payroll, compensation management

If your data analytics tool and HR tech stack do not integrate, you might have to export data via compatible file formats such as spreadsheet files – CSV, XLSX, XLS, and ODS.

Evaluating Recruiting Sources

Where do your hires come from? It's worth taking the time to investigate your recruitment sources to uncover which ones are yielding the most successful results. If some are turning in irrelevant leads while passing up top candidates, it might be time to replace them with the ones that send their top-tier candidates your way.

Traditional job boards using demographic data will often falter in recommending candidates. Instead, recruitment partners like LHH use better data and insights to source and match talented, pre-vetted candidates to the right company. Similarly, examine networking and hiring events, recruitment advertising campaigns, and your professional network to weed out less effective sources.





Training Your Team

Ensure your hiring managers and any external recruiters are on the same page when it comes to your recruitment ROI goals. After all, they are the ones who spend the most time connecting with and pursuing talented candidates and have valuable insights to provide about the recruitment process. Training your recruiting teams will prepare them for the new data-driven hiring process and ensure productivity and engagement, and recruiting teams will primarily implement the changes and also help collect essential recruitment data.

In addition, incorporating recruiters' perspectives in your plans will ultimately improve the process and eventually boost ROI. Get their feedback, ask them what they need, and provide the right tech stack. Common examples of recruitment tools include:

- ▶ Applicant Tracking System (ATS)
- ▶ Recruitment Marketing systems
- ▶ Candidate Relationship Management (CRM)
- ▶ Talent Management

Projected ROI for Future Campaigns

The most crucial step in securing substantial ROI for your projects and recruitment campaigns is calculating the estimated ROI of objectives associated with your strategic goals.

For instance, if your next recruitment goal is to “increase women in organisational leadership by 30% by 2024,” breaking it down into smaller and actionable tasks like “increasing the number of women on the tech team” and “creating a recruitment marketing campaign aimed at women engineers” makes it easier to calculate costs and return for each. It also allows you to isolate returns for each individual campaign and reallocate resources if it does not perform well.

The ROI formula is typically written as:

$$\text{ROI} = (\text{Net Profit} / \text{Cost of Investment}) \times 100$$

In project management, the formula uses slightly different terms:

$$\text{ROI} = [(\text{Financial Value} - \text{Project Cost}) / \text{Project Cost}] \times 100$$

If you are using recruitment marketing tools or data analysis software, predictive analysis can be performed easily. While not all campaigns have high returns, estimating ROI helps you set realistic, measurable, and achievable goals that can set you up for definite success.



Key Takeaways: Brief Lessons into Recruitment ROI

Demand for skilled and experienced professional workers remains strong. While hiring trends are promising, recruiting new talent is not cheap. Intentionally calculating your total recruitment ROI allows you to consider all expenditures on recruitment, tools, training, onboarding and even the time spent on your endeavors. Focusing on ROI helps improve the entire hiring process, improves diversity and quality of hire, and allows you to shift to subjective, antiquated hiring practices to a more measurable, data-driven hiring approach. Here are some key takeaways on how you can measure and maximise your recruitment ROI:



- ▶ **Define what ROI means for your organization.**
While ROI can be defined as the net revenue against investment and cost, what results qualify as good returns will remain subjective to your company. Defining what ROI looks like for your organisation helps identify the metrics that matter. For instance, if reducing time to hire is critical to your organisation, some essential metrics would include measuring hiring velocity – how much time is spent at each recruitment stage or interviews per hire – and the number of candidates interviewed for each position. These metrics help locate bottlenecks and reduce time spent interviewing irrelevant candidates.
- ▶ **Develop a data-driven work culture and use data from past campaigns to predict ROI for the upcoming ones.**
Predictive analysis to estimate ROI enables you to compare your plans and determine the ones that best serve your goals.
- ▶ **Train and support your recruiting teams as they put these changes into practice.**
Invest in valuable resources like Applicant Tracking System (ATS), Recruitment Marketing systems, Candidate Relationship Management (CRM), or Talent Management tools that track metrics automatically.
- ▶ **Establish a continuous progress review protocol and solve problems on the go.**
The constant review helps you integrate recent market changes into your plans, recognise possible issues in advance, and take corrective action.



Increase Your Recruitment ROI With LHH

If you're ready to get the most out of your recruitment plans, we're here to help. Partner with us for an assessment of your recruitment time and cost expenditures, and to learn more about how to take a more effective, data-driven approach to your recruitment efforts.

▶ Visit [LHH.com](https://www.lhh.com) today