AN AMERICAN NATIONAL STANDARD
FOR HUMAN RESOURCE MANAGEMENT

COST-PER-HIRE

AMERICAN NATIONAL STANDARD

ANSI/SHRM 06001.2012

ANSI/SHRM 06001.2012

AN AMERICAN NATIONAL STANDARD FOR
HUMAN RESOURCE MANAGEMENT

Cost-per-Hire Standard

Approved February 8, 2012

American National Standards Institute, Inc.

SHRM®
SOCIETY FOR HUMAN
RESOURCE MANAGEMENT

NOTICE AND DISCLAIMER

The information in this publication was considered technically sound by the consensus of those who engaged in the development and approval of the document at the time of its creation. Consensus does not necessarily mean that there is unanimous agreement among the participants in the development of this document.

This SHRM HR Standard was developed through a voluntary consensus standards development process. This process brings together volunteers and/or seeks out the views of persons who have an interest and knowledge in the topic covered by this publication. SHRM administers the process and establishes rules to promote fairness in the development of consensus. While SHRM may participate in the Standard's development discussions, it does not write the document and it does not independently test, evaluate, or verify the accuracy or completeness of any information contained in its Standards publications.

SHRM is a nonprofit individual membership association with no regulatory or licensing enforcement power over its members or anyone else. SHRM has no authority to monitor or enforce compliance with the contents of this document, nor does it undertake to monitor or enforce compliance with the same. It merely publishes Standards to be used as voluntary guidelines that third parties may or may not choose to adopt, modify or reject.

SHRM does not accept or undertake a duty of care to the general public regarding this HR Standard. SHRM disclaims any and all liability for any personal injury, property, financial damage or other damages of any nature whatsoever, whether special, direct, indirect, consequential or compensatory, directly or indirectly resulting from the publication, use of, application or reliance on this document. SHRM disclaims and makes no guaranty or warranty, expressed or implied, as to the accuracy or completeness of any information published herein, and disclaims and makes no warranty that the information in this document will fulfill any person's or entity's particular purposes or needs. SHRM does not undertake to guarantee the performance of any organization or its employees, products or services by virtue of this Standard.

In publishing and making this document available, SHRM is not undertaking to render legal, professional or other services for or on behalf of any person or entity. Anyone using this document should rely on his or her own independent judgment or, as appropriate, seek the advice of a competent professional in determining the exercise of reasonable care in any given circumstances. Information and other standards on the topic covered by this publication may be available from other sources, which the user may wish to consult for additional views or information not covered by this publication.

© 2012 Society for Human Resource Management (SHRM). No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written consent of the copyright owner.

ISBN 978-1-586-44271-2

ABOUT SHRM

The Society for Human Resource Management (SHRM) is the world's largest association devoted to human resource management. Representing more than 250,000 members in over 140 countries, the Society serves the needs of HR professionals and advances the interests of the HR profession. Founded in 1948, SHRM has more than 575 affiliated chapters within the United States and subsidiary offices in China and India.

Suggestions for improvement of this document are welcome. They should be sent to the Director of Standards, SHRM, 1800 Duke Street, Alexandria, VA 22314 or to HRSTDS@SHRM.ORG.

11-0096

Foreword

The information contained in this Foreword is not part of this American National Standard (ANS) and has not been processed in accordance with ANSI's requirements for an ANS. As such, this Foreword may contain material that has not been subjected to public review or a consensus process. In addition, it does not contain requirements necessary for conformance to the Standard.

ANSI guidelines specify two categories of requirements: mandatory and recommendation. The mandatory requirements are designated by the word *shall* and recommendations by the word *should*. Where both a mandatory requirement and a recommendation are specified for the same criterion, the recommendation represents a goal currently identifiable as having distinct compatibility or performance advantages.

ABSTRACT

This Standard is designed as a tool to allow an organization to determine accurate and comparable costs of recruitment through a standard algorithm to calculate the recruiting costs to be incorporated into cost-per-hire. The Standard is structured at a high level. Specific consideration and responses are also addressed for consideration by individual organizations based on specific hiring environments and requirements.

WORKGROUP MEMBERS

It is recognized that the following Staffing and Workforce Planning (SWP) Cost-per-Hire Workgroup members are responsible for the Cost-per-Hire baseline text:

Workgroup Leader: Jeremy Shapiro, Morgan Stanley

Associate Workgroup Leader: Andrew Gadomski, Aspen Advisors

Nancy Anheier, HR Direction, LLC

John Ansted, Ingersoll Rand

Tom Becker, COMSYS IT Partners

Steve Berchem, American Staffing Association

Karl Brummer, Cross Keys Village

Michael Cianciola, MathWorks, Inc.

Eileen Dalton, Port Authority of NY & NJ

Thomas Darrow, Talent Connections, LLC, and Career Spa, LLC

Dr. Domniki Demetriadou, DeMetric Consulting Corporation

John Flato, Universum

Andrew Gadomski, Aspen Advisors

Daniella Gigante, Schering-Plough

Cathy Henesey, Children's Medical Center of Dallas

Maureen Henson, Mercy Memorial Hospital System

John Heyliger, ProBuild Holdings, Inc.

Christine Hirsch, Recruiters World

Gail Johnson, Merrill Corporation

Gregory Karanastasis, The McGraw-Hill Companies

Timothy Keefe, CH2M HILL

Dan Kilgore, Riviera Advisors, Inc.

Yves Lermusi, Checkster

Dr. Steven Lindner, The WorkPlace Group, Inc.

Brad Loewen, Fiserv

Patricia Mathews, Workplace Solutions Consultants

Shannon Myers, Walton Search, LLC

Lawrence Newman, Consultant

Elaine Orler, Talent Function Group LLC

Louis Poore, Shell Oil Company

Randi Schoenfelder, Theodolite Human Capital, LLC

Jeremy Shapiro, Morgan Stanley

Darren Shearer, SuccessFactors, Inc.

Kristen Smuder, University of Central Florida

Dr. Gary Stroud, Franklin University

Jeff Struve, Human Capital and Talent Acquisition Solutions

Sally Wade, Mitsubishi Electric Power Products, Inc.

Bill Ziegler, UBS

Dr. Ryan Zimmerman, Texas A&M University

Tom Zinser, Taleo

TASKFORCE MEMBERS

At the time it approved this document, the Staffing and Workforce Planning (SWP) Taskforce, which is responsible for this Standard, had the following members:

Taskforce Leader: Russel Klosk, HP (2011-present); Gerry Crispin, CareerXroads (2009-2011)

Associate Taskforce Leader: Elaine Orler, Talent Function Group LLC (2009-2011)

Cynthia Ackermann, Pacific Northwest National Laboratories

Nancy Anheier, HR Direction, LLC

John Ansted, Ingersoll Rand

Coleen Aus, Talent Function Group

Tom Becker, COMSYS IT Partners

Paul L. Belliveau, Infosys Limited

Steve Berchem, American Staffing Association

Dr. Kitty Bokoles, The Boeing Company

Kelli Bond, OlaComm®/KBA

Karl Brummer, Cross Keys Village

Master Burnett, Dr. John Sullivan & Associates

Dr. Robert Carlyle, Aon Consulting Inc.

Dr. Donald Caruth, Texas A & M University-Commerce

Fernan Cepero, The YMCA of Greater Rochester

Pat Chadbourne, Ingersoll Rand

Michael Cianciola, The MathWorks, Inc.

Bonita Coats, Sayres and Associates Corporation

Matthew Crawford, SPHR, Oshkosh Corporation

Gerry Crispin, CareerXroads

Ali Dalipi, International Shoppes

Eileen Dalton, Port Authority of NY & NJ

Thomas Darrow, Talent Connections, LLC, and Career Spa, LLC

Dr. Domniki Demetriadou, DeMetric Consulting Corporation

Rose Dougherty, Self

Robert Dromgoole, Pacific Northwest National Laboratories

Jeremy Eskenazi, Riviera Advisors, Inc.

John Flato, Universum

Jared Flynn, T-Mobile USA

Debbie Froeming, Humana, Inc.

Andrew Gadomski, Aspen Advisors

Daniella Gigante, Schering-Plough

Thierry Giraud, Royal Caribbean Cruise Line

Tom Glasscock, Glasscock & Associates, LLC

Adam Goldman, Safariland

Tobie Gunby, Ameriserv Financial

Gregory Hamluk, American Red Cross - National Headquarters

Phyllis Hartman, PGHR Consulting, Inc.

Cathy Henesey, Children's Medical Center of Dallas

Maureen Henson, Mercy Memorial Hospital System

John Heyliger, ProBuild Holdings, Inc.

Christine Hirsch, Recruiters World

Nancy Holland, DirectEmployers Association, Inc.

Dr. Tom Janz, People Assessments.com

David F. Jefferson, Simple HR

Gail Johnson, Merrill Corporation

Mitzi Jordan, The Newman Group (a Futurestep Company)

Gregory Karanastasis, The McGraw-Hill Companies

TASKFORCE MEMBERS

Timothy Keefe, CH2M HILL

Dan Kilgore, Riviera Advisors, Inc.

Ric Klinger, Walgreens

Russell Klosk, Hewlett Packard

Kim Leifsen, Business Insight Technologies

Yves Lermusi, Checkster

Steve Levy, outside-the-box Consulting

Cassie Lincoln, Consultant

Dr. Steven Lindner, The WorkPlace Group, Inc.

Brad Loewen, Consultant

Patricia Mathews, Workplace Solutions Consultants

Ross Melbourne, Aquire

Penny Miller, Venture HRO, LLC

Dr. Nathan Mondragon, Taleo

Shannon Myers, Walton Search, LLC

Lawrence Newman, Consultant

Todd Noebel, McGuireWoods LLP

Eric Nunes, British Telecom

Elaine Orler, Talent Function Group LLC

Milton Perkins, Agile1

David Perry, Perry-Martel International Inc

Louis Poore, Shell Oil Company

Dr. Janice Presser, The Gabriel Institute

Katherine Rawe, Employee Management Services

Tony Roig, Almac Group

Jonathan Rosenberg, ConocoPhillips

Linda Rubino, State of Ohio Department of Youth Services

Jessica Rush, Jobing.com

Randi Schoenfelder, Theodolite Human Capital, LLC

Jeremy Shapiro, Morgan Stanley

Darren Shearer, Success Factors, Inc.

Susan Smith, Smith Professional Search

Kristen Smuder, University of Central Florida

Joe Sommers, Consultant

Emilie Stawiarski, Internet2

Becky Strickland, Time Warner Cable

Dr. Gary Stroud, Franklin University

Jeff Struve, Human Capital and Talent Acquisition Solutions

Dorothy Stubblebine, DJS Associates, Inc.

Dr. Richard Tonowski, U.S. Equal Employment Opportunity Commission

Cynthia Trivella, NAS Recruitment Communications

Sally Wade, Mitsubishi Electric Power Products, Inc.

JoAn Westby, Group Health

Bill Ziegler, UBS

Dr. Ryan Zimmerman, Texas A&M University

Tom Zinser, Taleo

SHRM HR STANDARDS SECRETARIAT STAFF

Lee Webster	Director, HR Standards
Amanda Benedict	Manager, HR Standards
Eddice Douglas	Coordinator, HR Standards

Contents

1.0 Scope, Summary and Purpose 1

1.1 Scope 1

1.2 Summary 1

1.3 Purpose 1

1.4 Interpertation 1

2.0 Normative and Informative References 2

2.1 Normative References 2

2.2 Informative References 2

3.0 Executive Summary 3

3.1 Definition of Cost-per-Hire 3

3.2 Assembly of the Cost-per-Hire Metric 4

3.3 Display of the Cost-per-Hire Metric 4

3.4 Documentation of the Cost-per-Hire Metric 4

4.0 Glossary 5

5.0 Cost-per-Hire (CPH) Metric Defined (Basic Definition) 6

6.0 Background 7

6.1 Scope of This Metric 7

6.2 History and Predecessor Efforts to Standardize the Metric 7

6.3 Known Uses of the Metric 8

6.4 Known Limitations of the Metric 9

7.0 Definition: Cost-per-Hire, Internal (CPHI) 10

7.1 Formula Definition 10

7.2 Definition of Cost Data in Scope (the Numerator) 10

7.3 Out-of-Scope Cost Data 12

7.4 Total Number of Hires in a Time Period (the Denominator) 12

7.4.1 Defining Which Types of Hires to Include in CPHI 13

8.0 Definition: Cost-per-Hire, Comparable (CPHC) 14

8.1 Formula Definition 14

8.2 Definition of Cost Data in Scope (the Numerator) 15

8.3 Out-of-Scope Cost Data 16

8.4 Total Number of Hires in a Time Period (the Denominator) 16

8.4.1 Defining Which Types of Hires to Include in CPHC 17

9.0 Recruiting Cost Ratio (RCR) 18

9.1 Description 18

9.2 Formula Definition 18

9.3 Definition of Cost Data in Scope (the Numerator) 19

9.4 Out-of-Scope Cost Data 19

9.5 Total First-Year Compensation of Hires (the Denominator) 19

9.5.1 Defining Which Types of Hires to Include in RCR 19

9.5.2 Defining Total Compensation 19

10.0 Assembling a Cost-per-Hire Metric 20

10.1 Data Collection Methodology Requirements 20

10.1.1 Representative Data Set 20

10.1.2 Transparent Source of Data 21

10.1.3 Minimization of Data Errors 21

10.1.4 Periodic Audits of Processes 21

10.2 Date Ranges 22

10.3 Using Data Segmentation in Cost-per-Hire 22

10.3.1 Data Segmentation Definition 23

10.3.2 Adding Segmentation Data to Cost-per-Hire Calculations 23

10.3.3 CPH Formula When Data Segmentation Is Used 23

10.3.4 Assembling a Segmented Cost-per-Hire Metric 24

10.3.5 Visual Display of Segmented Cost-per-Hire Metric 25

10.3.6 Special Case Segmentation: College/ University Campus Recruiting 25

11.0 Visual Display of Cost-per-Hire Results 30

11.1 Declaration of Adoption 30

11.2 Recommended Display Format 30

11.3 Visual Displace of Cost-per-Hire Results When Segmenting Data 31

12.0 Supporting Documentation 32

13.0 Appendix: List of Tables 37

1.0 Scope, Summary, Purpose and Interpretation

1.1 SCOPE

This Standard is designed as a tool to allow an organization to determine accurate and comparable costs to staff a position using standard data and formulas to calculate the recruiting costs to be incorporated into cost-per-hire.

1.2 SUMMARY

This Standard describes the definition, assembly, display and documentation techniques required to produce cost-per-hire (also called "CPH" herein), a commonly used metric in human resource (HR) functions. Cost-per-hire is a measure of the effort exerted, defined in financial terms, to staff an open position in an organization.

1.3 PURPOSE

This Standard is designed to be applicable to organizations of all types (public, private, government entities, etc.). This Standard is specifically applicable to HR professionals within these sectors who are responsible for recruiting, staffing suppliers and vendors, HR educators, and consultants who are responsible for determining, analyzing and reporting the recruitment costs.

1.4 INTERPRETATION

To achieve consistent application of this Standard, suggestions involving changes in the requirements or disputes over its interpretation shall be referred to the following organization:

HR Standards Secretariat
Society for Human Resource Management (SHRM)
1800 Duke Street
Alexandria, VA 22314
Fax: 703-962-7807
E-mail: HRSTDS@SHRM.ORG
Website: http://www.shrm.org/hrstandards

If it is determined that your inquiry required an interpretation of the Standard, the inquiry must be submitted in writing and SHRM will forward the inquiry to the appropriate Standard's taskforce leader for a taskforce response.

2.0 Normative and Informative References

The following documents contain information, which, through reference in this text, constitutes foundational knowledge for the use of this American National Standard. At the time of publication, the editions indicated were valid. All material is subject to revision, and parties are encouraged to investigate the possibility of applying the most recent editions of the material indicated below.

2.1 NORMATIVE REFERENCES

The following documents contain provisions, which, through reference in this text, constitute provisions of this Standard. At the time of publication, the editions indicated are valid. All standards are subject to revision, and parties applying this standard are encouraged to investigate the possibility of applying the most recent editions of the documents listed below.

None.

2.2 INFORMATIVE REFERENCES

The following documents may provide valuable information to the reader but are not required when complying with this Standard.

Burkholder, N. (2006, March 29). *Calculating Efficiency*. Article posted to Staffing.org website, archived at http://www.staffing.org/library_ViewArticle.asp?ArticleID=208

Cuff, G. (1983). *Cost Per Hire Survey*. Wellesley, MA: Employment Management Association.

Deutsch, Shea & Evans and the Employment Management Association. (1981). *Direct Costs Per Hire Survey*. Wellesley, MA: Employment Management Association.

Fitz-Enz, J. (1984). *How to Measure Human Resources Management*. New York: McGraw Hill.

Flamholtz, E. (1974). *Human Resource Accounting*. Encino, CA: Dickenson Publishing Company.

3.0 Executive Summary

This Standard describes the definition, assembly, display and documentation techniques required to produce *cost-per-hire* (also called "CPH" herein), a commonly used metric in human resource (HR) functions. Cost-per-hire is a measure of the effort exerted, defined in financial terms, to staff an open position in an organization. The CPH metric has been in use for decades, providing HR professionals and managers with information to assist them in establishing budgets and also serving as a benchmark for recruiting effectiveness and the efficiency of staffing processes.

A central requirement in developing this CPH Standard is to provide standard tools to practitioners wishing to calculate a cost-per-hire metric, while recognizing that organizations operate differently; one organization may incur a type of cost that another organization may not. This Standard allows for variance within organizations while still providing a robust methodology for creating a standard CPH metric. Note the following attributes of this Standard:

3.1 DEFINITION OF COST-PER-HIRE

This Standard defines three types of cost-per-hire formulas:

- **Cost-per-Hire, Internal (CPHI): Defines a formula and methodology for creating the CPH measure appropriate for a particular organization. This metric is not designed for comparison with other organizations' CPH data. It is designed to be a comprehensive reflection of cost and hire data for a single organization.**
- **Cost-per-Hire, Comparable (CPHC): Defines a formula and methodology for creating the CPH measure appropriate for comparison across organizations. This metric uses a similar methodology to CPHI; however, it uses a subset of data that is more likely to be used across organizations and is helpful in building acceptably strong comparisons of costs between organizations.**
- **Recruiting Cost Ratio (RCR): Defines a formula and methodology comparing the total cost of hiring against the total compensation of the newly hired individuals in the first year of their employment. This formula varies from the CPHI or CPHC only in the denominator; whereas CPHI or CPHC are ratios of costs to the number of hires, the RCR is a ratio of costs to total first-year annual compensation of the new hires.**

3.2 ASSEMBLY OF THE COST-PER-HIRE METRIC

This Standard describes actions that must be taken when calculating cost-per-hire to maintain quality and transparency, including creating a representative data set, using a transparent source of data, minimizing data errors and ensuring that periodic audits of processes occur on data input.

3.3 DISPLAY OF THE COST-PER-HIRE METRIC

Central to the CPH standard are the features of the visual display of the metric, emphasizing transparency of data inputs, processes and the formula used within the metric.

3.4 DOCUMENTATION OF THE COST-PER-HIRE METRIC

Minimum implementation guidelines should be used by the compiler of a cost-per-hire metric, including a standard supplemental document to be generated by the compiler of the metric.

4.0 Glossary

TERM	DEFINITION
Cost-Per-Hire (CPH)	For the purposes of this document, cost-per-hire is the mean average of total costs divided by the number of hires.
External Cost Factor	An expense that is incurred to external vendors or individuals during the course of recruiting. The term “external cost” is intended to be a synonym for external cost factor.
Internal Cost Factor	An expense related to the internal staff, capital and organizational costs of the recruitment/staffing function. The term “internal cost” is intended to be a synonym for Internal Cost Factor.
Data Audit	An examination of data for quality and accuracy during the development of a CPH metric.
CPHI	Abbreviation for cost-per-hire, internal, formula.
CPHC	Abbreviation for cost-per-hire, comparable, formula.
RCR	Abbreviation for the recruiting cost ratio formula.
The Compiler	In this document, the compiler is the individual(s) responsible for the creation of a cost-per-hire metric.
System of Record	The information system considered to be the source for a specific piece of information to be used in a CPH metric.
Staffing	For the purposes of this document, staffing is the action of placing an individual into an open requisition (or an equivalent authorization to hire), regardless of the source of the candidate (internal or external).
Recruiting	For the purposes of this document, recruiting is the action of placing an individual into an open requisition (or an equivalent authorization to hire) by sourcing a candidate from outside the referenced organization.
Sourcing	A subset of the recruiting process, sourcing refers to actions taken to identify potential candidates for employment at the organization.

5.0 Cost-per-Hire (CPH) Metric Defined (Basic Definition)

The CPH metric is designed to measure the costs associated with the sourcing, recruiting and staffing activities borne by an employer to fill an open position in the organization. CPH is a ratio of the total dollars expended (in both external and internal costs) to the total number of hires in a specified time period. Or, in formula representation:

$$\text{CPH} = \left(\frac{\sum (\text{External Costs}) + \sum (\text{Internal Costs})}{\text{Total Number of Hires in a Time Period}} \right)$$

- **The external costs variable comprises all sources of spending outside the organization on recruiting efforts during the time period in question. Examples of external costs include third-party agency fees, advertising costs, job fair costs and travel costs in the course of the recruiting effort.**
- **The internal costs variable comprises all sources of internal resources and costs used for staffing efforts during the time period in question. Examples of internal costs include the fully loaded salary and benefits of the recruiting team and fixed costs such as physical infrastructure (talent acquisition system costs, etc.).**
- **The total number of hires variable comprises the total number of hires made in the time period being evaluated. Regardless of the hires' staffing type (regular full time, regular part time, etc.), it is assumed that whatever the total number of hires is, the fully loaded costs for the efforts taken to staff the included positions have been calculated in external costs and internal costs.**

6.0 Background

6.1 SCOPE OF THIS METRIC

The cost-per-hire metric is bounded by activities relating to the sourcing, recruiting and staffing costs (whether external or internal, out of pocket or internal resource allocation) to hire a candidate to work as an employee[1] in an open position. Cost-per-hire attempts to measure the economic value of the effort taken to fill an open position in an organization. This measurement does not attempt to measure the economic productivity of an employee post-hire, such as salaries and benefits paid to the employee, training costs or economic losses occurring from staff turnover or new-hire time to productivity.

6.2 HISTORY AND PREDECESSOR EFFORTS TO STANDARDIZE THE METRIC

References to cost-per-hire, one of the HR profession's oldest and best known metrics, first appeared in articles and journals in the late 1960s. Measuring cost-per-hire (or "replacement value," as it was termed in those early works) appears to have begun with pioneering work and experimentation in "Human Resource Accounting Systems" conducted by a team of graduate student researchers from the University of Michigan Institute for Social Research in 1968 and continuing until 1973. This team was co-led by Dr. Eric Flamholtz, who documented this experiment in his book *Human Resources Accounting*, published in 1974.

By the mid-1980s, the concept of human capital and the value it added to a company's bottom line had worked its way into the conscience (and boardrooms) of many large companies. With that visibility came the need to more accurately define and measure how human capital was procured. In 1983, the Employment Management Association (EMA) launched the National Cost Per Hire Survey, followed by The Saratoga Institute Cost Per Hire tracking survey in 1984, creating a standard formula still in use by many organizations.

This Standard builds on the work of not-for-profit organizations such as the Society for Human Resource Management (SHRM) and EMA as well as industry expert efforts.[2]

---

[1] The authors recognize that the definition of an "employee" has several meanings (full time, part time, etc.). The Standard has accommodated for differing employment types.

[2] While many subject matter experts have distinguished themselves in this field, this Standard's lineage can be directly traced to Jac Fitz-Enz and his text *How to Measure Human Resources Management* (McGraw Hill, 1984).

6.3 KNOWN USES OF THE METRIC

Companies use the CPH metric to measure the cost effectiveness of a recruiting operation. Cost effectiveness is generally defined by the criteria of time and money—or, in a perfect world, hiring the best talent, in the shortest period of time, for the least external/internal expense. Organizations have found the metric useful in understanding their own internal operations with regard to recruiting/staffing and in identifying areas for improvement. Following are the known uses of the CPH metric.

User Group: Corporate (includes central human resources and possibly other functions)

- As benchmark data to be compared with data from other companies, competitors, other divisions, etc.
- As a budget planning tool, quarterly and annually.[3]
- As a comparator in recruitment process outsourcing (RPO) decisions.
- As a factor in strategic planning and budgeting tasks, to determine future costs in investment decisions.
- As a component of tracking and assessing the total cost of workforce turnover.
- As an ongoing measure of the recruiting function's overall performance.

User Group: Recruiting Department (includes the recruiting or staffing department and its leadership at the macro level, and recruiting managers/supervisors at the micro level)

- In setting sourcing budgets and strategy.
- In assessing source cost-effectiveness.
- As a measure of process improvement success.
- As a component of overall recruiting process efficiency.[4]
- In measuring and comparing sub-group performance.[5]
- In measuring and comparing hiring performance by employee segments, such as professional versus hourly hires.
- As a component of assembling quality of hire measurements.
- As a measure of individual recruiter performance.
- As a screening criterion in the interview/selection process for recruiter hiring.
- As a proficiency benchmark in recruiter training.
- As an input in workforce planning scenarios.

[3] The authors note that while CPH is a measurement of cost, the use of this metric to drive down costs without regard to the impact on the organization's ability to attract talent generally has been proven to be detrimental to organizations.

[4] Usually by using the recruiting efficiency ratio, defined in this document.

[5] For example, an operation may compare hiring costs for accounting hires to hiring costs for sales hires.

6.4 KNOWN LIMITATIONS OF THE METRIC

It is acknowledged that a cost-per-hire metric does not fully describe the adequacy of a recruiting effort within an organization. Variances of recruiting costs exist based on position type, position level, external market demand and geographic region. In addition, a cost measurement dimension does not account for other key factors in making recruiting decisions, such as the time it takes to fill a position, the quality of a hire or customer (hiring manager and candidate) satisfaction.

7.0 Definition: Cost-per-Hire, Internal (CPHI)

7.1 FORMULA DEFINITION

The CPHI metric is designed to measure the costs associated with the sourcing, recruiting, and staffing activities borne by an employer to fill an open position in the organization. CPH is a ratio of the total dollars expended (in both external and internal costs) to the total number of hires in a specified time period. The CPHI formula may be used by any organization that wishes to measure cost-per-hire using a standard methodology. This measure does not require all organizations that adopt it to include a specific set of external or internal costs in order to measure cost-per-hire. Different organizations may require different cost factors internally to operate their business.

The formula for CPHI is as follows:

$$\text{CPHI} = \left(\frac{\sum (\text{External Costs}) + \sum (\text{Internal Costs})}{\text{Total Number of Hires in a Time Period}} \right)$$

7.2 Definition of Cost Data in Scope (the Numerator)

The data used in a standard cost-per-hire metric is bounded by activities related to the sourcing, recruiting and staffing costs (whether external or internal, out of pocket or internal resource allocation) incurred to hire a candidate to work as an employee in an open position. Data in scope may include, but are not limited to, the data described in Tables 1 and 2 below.

For the cost-per-hire, internal, formula, there is not a mandate to use all of the factors listed below. However, the use of any of these metrics is acceptable and should occur when applicable to your organization.

Important note on data collection: *While this Standard defines the types of expenses to include, a "down to the penny" reconciliation of costs into the precise buckets defined below is not required. While the cost-per-hire calculation should have a high degree of data quality, this is a lower data quality standard than is used for financial reporting.*

Table 1: CPHI External Cost Data in Scope

EXTERNAL COST FACTOR	EXPLANATION
Advertising and Marketing Expenses	Expenses related to advertising or marketing for a specific requisition or across many requisitions. Examples include expenses related to job boards, social networks, search engine marketing, marketing material production (brochures, websites) or newspapers.
Background Checks and Eligibility to Work Expenses	Expenses related to criminal, education, credit and reference checks on prospective hires. Also includes work eligibility expenses such as Form I-9 processing and use of E-Verify.[6]
Campus Recruiting Expenses	Expenses related to the sourcing and recruiting of talent from colleges and universities, including interns, co-ops and graduates who fill full-time positions.
Consulting Services	Expenses related to consulting services engaged in the recruitment process, including EEO consulting and outside legal counsel (supporting recruiting).
Contingency Fees: Contingent to Regular	Expenses related to payments made by an organization to a supplier or other parties in the transfer of a contingent worker to a regular employee.
Drug Testing Expenses	Expenses related to new-hire drug tests (of any sort) that occur before employment begins or during the onboarding process.[7]
Employee Referral Awards/ Payments	For organizations that grant a defined payment to employees for referring a candidate who is subsequently hired, the defined payments to employees may be included.[8]
Immigration Expenses	Legal fees, fees for consulting services, fees for federal applications or other expenses related to the effort of clearing a new hire to legally be employed by the organization.
Job Fair/Recruiting Event Expenses	Fees paid to an event organizer, premiums that may be used specifically for the event, drayage/shipping costs, costs related to the design and construction of booths, labor costs to assemble booths, rentals or other expenses.[9]
Pre-hire Health Screens	Expenses related to health screening that may be conducted by an employer. In the event that the employer is a health care provider, the indirect cost should still be accounted for.
Pre-screening Fees	Expenses related to the use of testing services, validated assessments or other standardized measures to pre-screen talent prior to employment.
Recruitment Process Outsourcing (RPO) Fees	In the event the employer uses RPO, the sum of the fees incurred in the use of the RPO should be included.[10]
Relocation Fees	Expenses incurred in relocating a new hire, including moving expenses, travel and relocation vendors.[11]
Sign-on Bonuses	Sign-on incentives paid to a new hire.
Sourcing Costs	List purchases, licenses to databases, memberships in organizations to assist in networking and any other sourcing.
Travel and Expenses, Candidate	Expenses incurred by a candidate and reimbursed by the organization.
Travel and Expenses, Recruiter	Expenses incurred during the act of recruiting for the organization and reimbursed by the organization.
Technology Costs	Costs of operating any supporting infrastructure technology for the recruiting/staffing process, including talent acquisition systems, candidate relationship management systems and reporting systems.
Third-party Agency Fees	Fees paid to external agencies (contingent or retained).

[6] Form I-9 reverification of existing employees should not be included in expense data.

[7] Expenses related to random drug testing for existing employees should not be counted in expense data.

[8] Many organizations pay employees after a specific tenure of the new employee. For the compiler of the cost-per-hire metric, this may cause concern that the actual expenses are not incurred in the same time period for which CPH is being measured. The compiler of the CPH statistic is free either to use the actual monies paid to employees in the time period or, at his or her option, to treat the anticipated expense as an accrual. In that event, if there are, for example, 10 hired candidates via employee referral, at $X/hire, the compiler would record employee referral expenses = 10 * $X, regardless of whether payment was made to the employee in that time period. The compiler of the metric should note what technique was used in the CPH statistic.

[9] Some expenses, such as brochure production, may be considered marketing expenses even though a brochure is used at a job fair. To determine whether an expense is a job fair expense, use the rule of thumb that only an asset exclusively used for job fairs can be placed in this category. Note: Recruiter Travel and Expenses are defined as a separate data point in this document.

[10] Recruitment process outsourcing may be total outsourcing, where a vendor manages the costs incurred in all recruitment, or it may be project outsourcing. In either event, the expenses are in scope for cost-per-hire.

[11] In the event that an extraordinary expense is incurred, such as assisting a candidate with a house purchase, the CPH compiler has the discretion to not include the expense in the report, but must note the exclusion in the notes section of the documentation.

Table 2: CPHI Internal Cost Data in Scope

Note: All labor expenses are assumed to be "all in" expenses, including salary and benefits.

INTERNAL COST FACTOR	EXPLANATION
Cost of Recruiting Staff	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular recruiters (full or part time) and contract recruiters.
Cost of Sourcing Staff	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular sourcers (full or part time) and contract sourcers.
Internal Overhead for Government Compliance	Incremental internal labor expenses involved in creating, submitting, monitoring and processing materials to comply with governmental regulations.
Non-labor Office Costs	Office expenses, including a representative portion of rent, capital expenses and incidentals, incurred while supporting the recruiting function. If exact data on these expenses exist, then those data should be used. However, it is acceptable to take a percentage of overall office costs based on recruiting headcount.[12]
Recruiting Learning and Development	Expenses related to expanding the capabilities of a recruiting team through formal and informal learning opportunities.
Secondary Management Cost of Time for Events	Multiply number of interviews by an appropriate internal rate to determine estimated total cost of hiring manager time.[13]
Secondary Management Cost of Time for Recruiting	Multiply number of interviews by an appropriate internal rate to determine estimated total cost of hiring manager time.[14]

7.3 OUT-OF-SCOPE COST DATA

This measurement does not include efforts that occur post-hire, such as salaries and benefits paid to the employee, training costs, or economic losses occurring from staff turnover or new-hire time to productivity.

7.4 TOTAL NUMBER OF HIRES IN A TIME PERIOD (THE DENOMINATOR)

The denominator of the CPH equation should be the sum total of the hires that occurred in the time period being measured. Within an organization, there may be several systems that could potentially track the number of hires in a time period. The compiler of the CPH metric should select a "system of record" to consistently report on these data. The total number of hires variable is subject to the same data collection methodology requirements as cost data.

[12] If a percentage of overall expenses is used, the recommended method is to multiply the total expenses in the time period for an office by the percentage of staff recruiters and sourcers represented. To create the headcount for recruiters/sourcers, using the average number of staff during the time period is acceptable.

[13] Many organizations will not find these data to be applicable. Note that for the CPHI metric, use only the data appropriate for your organization.

[14] Many organizations will not find these data to be applicable. Note that for the CPHI metric, use only the data appropriate for your organization .

7.4.1 DEFINING WHICH TYPES OF HIRES TO INCLUDE IN CPHI

For the CPHI, as an internal standard, the compiler of the metric may use organizational discretion on which types of hires are appropriate to include in a cost-per-hire calculation.[15] The following is provided as a recommendation of the hires to include and exclude in the calculation of CPHI.

For CPHI, the compiler of the metric may define the exact point a hire is counted in CPH. For example, the compiler may declare that a new hire that has "started" physically to work should be included in the denominator, or that a new hire who has accepted an offer should be included in the denominator.[16]

Include:

- **Any hire, whether external or internal, where a requisition was completed (or its equivalent process in the organization) by a hiring manager.[17]**
- **Temporary staff who are already on the payroll system and who have been recruited into a full-time position.**

Exclude:

- **Supplementary workers (e.g., contractors, agency staff and consultants not on the payroll system).**
- **Workers paid by a third party.**
- **Costs associated with internal restructuring.**
- **Employees whose contracts are automatically renewed.**
- **Employees taking on temporary job rotations or assignments.**
- **Costs associated with mergers and acquisitions.**
- **Employees whose job roles are reclassified.**

---

[15] The cost-per-hire, comparable, metric found in Section 8 does not afford this type of discretion.

[16] The decision of which definition of "hire" to use (in this example, starts vs. offers accepted) affects exactly what the CPHI statistic is measuring. If starts are used, the CPHI is measuring the average cost of successful hiring outcomes of the recruiting effort. If offers accepted is used, the CPHI is measuring recruiting productivity.

[17] The compiler of the statistic should assume that one requisition (or its equivalent) equals one hire. Fractional hires (full-time equivalents) are not considered in this calculation.

8.0 Definition: Cost-per-Hire, Comparable (CPHC)

8.1 FORMULA DEFINITION

This cost-per-hire, comparable, formula is designed for comparison between organizations. The CPHC formula uses a more restrictive set of data inputs that may or may not be a useful management tool within one particular organization, but that has use as a benchmarking tool across organizations. While the formula for CPHC does not change as compared with CPHI, the cost data in scope is significantly constrained. The data inputs used in this version of cost-per-hire are designed to be reasonably common between organizations.

The formula for CPHC is as follows:

$$\text{CPHC} = \left(\frac{\sum (\text{External Costs}) + \sum (\text{Internal Costs})}{\text{Total Number of Hires in a Time Period}} \right)$$

8.2 DEFINITION OF COST DATA IN SCOPE (THE NUMERATOR)

Table 3: CPHC External Cost Data in Scope

EXTERNAL COSTS	EXPLANATION
Advertising and Marketing Expenses	Expenses related to advertising or marketing for a specific requisition or across many requisitions. Examples include expenses related to job boards, social networks, search engine marketing, marketing material production (brochures, websites) or newspapers.
Background Checks and Eligibility to Work	Expenses related to criminal, education, credit and reference checks on prospective hires. Also includes work eligibility expenses such as Form I-9 processing and use of E-Verify.[18]
Campus Recruiting Expenses	Expenses related to the sourcing and recruiting of talent from colleges and universities, including interns, co-ops and graduates who fill full-time positions.
Drug Testing Expenses	Expenses related to new-hire drug tests (of any sort) that occur before employment begins or during the onboarding process.[19]
Employee Referral Awards/ Payments	For organizations that grant a defined payment to employees for referring a candidate who is subsequently hired, the defined payments to employees may be included.[20]
Job Fair/Recruiting Event Expenses	Fees paid to an event organizer, premiums that may be used specifically for the event, drayage/shipping costs, costs related to the design and construction of booths, labor costs to assemble booths, rentals or other expenses.[21]
Recruitment Process Outsourcing (RPO) Fees	In the event the employer uses RPO, the sum of the fees incurred in the use of RPO should be included.[22]
Sourcing Costs	List purchases, licenses to databases, memberships in organizations to assist in networking and any other sourcing costs.
Technology Costs	Costs of operating any supporting infrastructure technology for the recruiting process, including talent acquisition systems, candidate relationship management systems and reporting systems.
Third-party Agency Fees	Fees paid to external agencies (contingent or retained).
Travel and Expenses, Candidate	Expenses incurred by a candidate and reimbursed by the organization.
Travel and Expenses, Recruiter	Expenses incurred during the act of recruiting for the organization and reimbursed by the organization.

[18] Form I-9 reverification of existing employees should not be included in expense data.

[19] Expenses related to random drug testing for existing employees should not be counted in expense data.

[20] Many organizations pay employees after a specific tenure of the new employee. For the compiler of the cost-per-hire metric, this may cause concern that the actual expenses are not incurred in the same time period for which CPH is being measured. The compiler of the CPH statistic is free either to use the actual monies paid to employees in the time period or, at his or her option, to treat the anticipated expense as an accrual. In that event, if there are, for example, 10 hired candidates via employee referral, at $X/hire, the compiler would record employee referral expenses = 10 * $X, regardless of whether payment was made to the employee in that time period. The compiler of the metric should note what technique was used in the CPH statistic.

[21] Some expenses, such as brochure production, may be considered marketing expenses even though a brochure is used at a job fair. To determine whether an expense is a job fair expense, use the rule of thumb that only an asset exclusively used for job fairs can be placed in this category. Note: Recruiter Travel and Expenses are defined as a separate data point in this document.

[22] Recruitment process outsourcing may be total outsourcing, where a vendor manages the costs incurred in all recruitment, or it may be project outsourcing. In either event, the expenses are in scope for cost-per-hire.

Table 4: CPHC Internal Cost Data in Scope

EXTERNAL COSTS	EXPLANATION
Cost of Recruiting Staff Expenses	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular recruiters (full or part time) and contract recruiters.
Cost of Sourcing Staff	Fully loaded costs, including base salary, benefits and bonus/performance incentives, for regular sourcers (full or part time) and contract sourcers.
Non-labor Office Costs	Office expenses, including a representative portion of rent, capital expenses and incidentals, incurred while supporting the recruiting function. If exact data on these expenses exist, then those data should be used. However, it is acceptable to take a percentage of overall office costs based on recruiting headcount.[23]
Recruiting Learning and Development	Expenses related to expanding the capabilities of a recruiting team through formal and informal learning opportunities.

8.3 OUT-OF-SCOPE COST DATA

Any data category not specifically described in Section 8.2 above should be considered out of scope for the cost-per-hire, comparable, metric.

8.4 TOTAL NUMBER OF HIRES IN A TIME PERIOD (THE DENOMINATOR)

The denominator of the CPH equation should be the sum total of the hires that occurred in the time period being measured. Within an organization, there may be several systems that could potentially track the number of hires in a time period. The compiler of the CPH metric should select a "system of record" to consistently report on these data. The total number of hires variable is subject to the same data collection methodology requirements as cost data.

[23] If a percentage of overall expenses is used, the recommended method is to multiply the total expenses in the time period for an office by the percentage of staff recruiters and sourcers represented. To create the headcount for recruiters/sourcers, using the average number of staff during the time period is acceptable.

8.4.1 DEFINING WHICH TYPES OF HIRES TO INCLUDE IN CPHC

For the CPHC, as a comparable standard, the compiler of the metric may not use discretion on which types of hires are appropriate to include in a cost-per-hire calculation. The following is the definition of hires to include and exclude in the calculation of CPHC.

For the CPHC, the compiler of the metric should include only hires that have "started" physically to work for the organization in the denominator.

Include:

- **Any hire, whether external or internal, where a requisition was completed (or its equivalent process in the organization) by a hiring manager.[24]**
- **Temporary staff who are already on the payroll system and have been recruited into a full-time position.**

Exclude:

- **Supplementary workers (e.g., contractors, agency staff and consultants not on the payroll system).**
- **Workers paid by a third party.**
- **Costs associated with internal restructuring.**
- **Employees whose contracts are automatically renewed.**
- **Costs associated with mergers and acquisitions.**
- **Employees taking on temporary job rotations or assignments.**
- **Employees whose job roles are reclassified.**

[24]The compiler of the statistic should assume that one requisition (or its equivalent) equals one hire. Fractional hires (full-time equivalents) are not considered in this calculation.

9.0 Recruiting Cost Ratio (RCR)

9.1 DESCRIPTION

It may be useful for organizations to analyze costs not by the number of hires recruited and selected, but by the total compensation of hires placed in the organization. This RCR formula normalizes recruiting costs based on compensation as a proxy for the relative value of the new hire to the firm.[25]

The recruiting cost ratio varies from the CPHI or CPHC only in the denominator; whereas CPHI or CPHC are ratios of costs to the number of hires, the recruiting cost ratio is a ratio of costs to total first-year compensation of the new hires.

9.2 FORMULA DEFINITION

The formula for RCR is as follows[26]:

$$\text{RCR} = \left(\frac{\sum(\text{External Costs}) + \sum(\text{Internal Costs})}{\text{Total First-Year Compensation of Hires in a Time Period}} \times 100 \right)$$

Like CPHI or CPHC, the recruiting cost ratio is a ratio; however, the RCR is expressed as a percentage. Example 1 presents a sample calculation of the recruiting cost ratio.

Example 1: Recruiting Cost Ratio Calculated

Sum of External Costs = $100,000

Sum of Internal Costs = $100,000

Total FY Compensation = $2,000,000

$$\text{RCR} = \left(\frac{\$100{,}000 + \$100{,}000}{\$2{,}000{,}000} \times 100 \right)$$

RCR = 10%

The RCR is interpreted as follows for this example: For every dollar of first-year compensation, the organization spent 10 cents on activities related to acquiring the talent.

[25] Some recruiting teams have noted difficulty in comparing cost-per-hire when the types of hiring across organizations vary significantly. For example, an executive recruiting team hiring only 10 people at a total compensation of $175,000 each may have exactly the same costs as a team that hired 200 hourly employees; however, their respective cost-per-hire statistics will be very different.

[26] Credit for early work on this topic is given to Staffing.org, the HR Metrics Consortium and Nick Burkholder (Burkholder, 2006).

9.3 DEFINITION OF COST DATA IN SCOPE (THE NUMERATOR)

The definition of the numerator of the RCR formula does not vary from the stated definition in the CPHI formula within this document. Refer to Sections 7.2 and 7.3 for details on costs to include and exclude.

9.4 OUT-OF-SCOPE COST DATA

Any data category not specifically described in Section 7.2 should be considered out of scope for the RCR metric.

9.5 TOTAL FIRST-YEAR COMPENSATION OF HIRES (THE DENOMINATOR)

The denominator of the RCR formula should be the sum total of the first-year compensation for hires that occurred in the time period being measured. Within an organization, there may be several systems that could potentially track the total compensation of hires in a time period. The compiler of the CPH metric should select a "system of record" to consistently report on these data. The total number of hires variable is subject to the same data collection methodology requirements as cost data.

9.5.1 DEFINING WHICH TYPES OF HIRES TO INCLUDE IN RCR

Users may use the same discretion in counting hires in the recruiting cost ratio as they do for CPHI (Section 7.4.1).

9.5.2 DEFINING TOTAL COMPENSATION

The total first-year compensation of hires used in the denominator of the RCR formula is the anticipated first-year (12-month rolling) financial compensation offered to and accepted by the new hires. The RCR denominator represents anticipated value to the organization; it is not required that the new hires actually fulfill their first year of service. Total first-year compensation may include traditional and reasonably recognized compensation elements found in an initial offer letter, including salary, benefits, bonuses, incentives, fair value of equity awards, etc.[27]

[27] In the event that a salary being counted includes commissions, the compiler of the statistic may make reasonable assumptions on an average performance to calculate first-year compensation, provided the spirit of the metric is being respected; the assumption should be a fair estimate of the relative value the firm places on the new hire.

10.0 Assembling a Cost-per-Hire Metric

10.1 DATA COLLECTION METHODOLOGY REQUIREMENTS

A common issue in using CPH is an end user's questions about the accuracy and source of the data used. Commonly, cost data may be stored in several areas and have been merged to create the metric. Note that 100% accuracy in content and scope is not required for a valid cost-per-hire metric. However, what is required is that the data have been subjected to a reasonable amount of scrutiny in how they are collected and validated.

It is preferred that source cost data be derived from system of record sources (e.g., general ledger, talent acquisition system), and that steps are taken both to organize costs into logical cost codes and to educate end users on how to use appropriate cost codes.

Four criteria must be satisfied regarding the data used in a cost-per-hire metric to meet a minimum standard for data integrity. They are:

- **The data set is representative.**
- **The source of data is transparent.**
- **Data errors are minimized.**
- **Periodic audits of processes occur on data input.**

10.1.1 REPRESENTATIVE DATA SET

The data should be reasonably representative of the costs incurred for each area being measured. When defining representative data, the compiler of the CPH metric should consider both the scope of the data (i.e., have costs been included for all hires that occurred in the time period?) and the depth of the data (i.e., has there been a reasonable amount of scrutiny to ensure that the costs being used are representative of the costs incurred?). Recommended actions to ensure that the data are representative of costs incurred include the following:

Periodic internal/external audits of costs and their cost centers (codes). For example, the compiler of the CPH metric may examine current cost centers to find that two new cost centers are being used, and these two new centers contain data relevant to the metric.

Periodic tests of variance of specific costs between reporting periods. For example, the compiler of the CPH metric may notice that in one reporting period, technology costs related to recruiting are 50% lower than in a previous period. The variance may be worth scrutiny.

10.1.2 TRANSPARENT SOURCE OF DATA

The source of the data should be unambiguous, come from a defined source and be transparent to the end user. End users should have access to documentation about the data.

An unambiguous, defined source: The source of the cost data should be able to be documented simply and easily (e.g., "Travel costs were compiled by the AirOne travel system maintained by our travel vendor" is unambiguous and defined, whereas "The cost came from Bob" remains ambiguous).

Transparent: The source of the data should be stated to the end user in the documentation. In addition, any manipulation of the data should be documented, including standard accruals, straight line cost trending, etc.

10.1.3 MINIMIZATION OF DATA ERRORS

The compiler of the CPH metric must examine each data set for obvious data errors, including the following:

- **The existence of negative cost numbers where a credit has not occurred.**
- **An inappropriate time frame for costs. Examining the dates of costs incurred, the compiler should inquire whether a suspicious cost has been included.**
- **Errors of omission, where costs are not found for an activity that likely has costs associated with recruiting/staffing.**

10.1.4 PERIODIC AUDITS OF PROCESSES

An examination of the processes that create the cost-per-hire data should occur periodically to capture out-of-process events and integrate them into the standard process. This may include process improvements in data collection, technology/automation projects or other process improvement techniques embraced by the organization. To calculate cost-per-hire, it is not required that data capture processes be pristine; however, a commitment to continuous process improvement should exist.

10.2 DATE RANGES

The cost-per-hire metric is constrained within a certain time period. To create consistency among multiple reports with different date ranges, the following methodology should be used:

The date range stated in the metric should fully encompass financial activity within the stated range.

For example, if expense item X was incurred at 11:59 p.m. on March 31 for a date range report of 1/1-3/31, then expense X should be counted in this report.

Some costs may be invoiced by a vendor asynchronously to the hire. The compiler of the CPH metric may decide to include costs as they are invoiced or as they are accrued to the hire specifically. The decision on how to track dates of expenses should be made once so it is consistent from report to report.

For example, if the invoice for a background check arrives on April 1 and the compiler has decided in advance that expenses are recorded on invoice date, then there is no need to restate a Q1 report.

10.3 USING DATA SEGMENTATION IN COST-PER-HIRE

It may be useful for HR practitioners to view and compare a subset of CPH data. For example, management may wish to track costs over time for a specific division's recruiting without seeing recruiting data from other divisions. The Cost-Per-Hire Standard allows for flexibility in expressing cost data in any segment the compiler of the metric wishes.[28]

[28] Segmentation may be used in any of the three defined formulas (CPHI, CPHC, RCR). For CPHC, segmentation should be documented thoroughly enough so as not to cause a novice reader to misunderstand the compiler's segmentation analysis.

10.3.1 DATA SEGMENTATION DEFINITION

Data segmentation is the practice of "slicing" or segmenting cost-per-hire data to provide meaningful information on a certain category for an end user. One might segment the CPH data by any number of different criteria. The point of segmentation is to derive a subset of cost data for analysis.

Some examples of criteria that may be used for CPH data segmentation include, but are not limited to, the following:

- Geography or location.
- Education level.
- Leadership level (e.g., individual contributor, manager, senior leader, campus hire).
- Business functional area (e.g., finance, HR, operations, R&D, sales).
- Industry (e.g., construction, pharmaceutical).
- Demographics of candidate pool (e.g., EEOC classes).
- Recruiting channel(s) employed (e.g., newspaper ad, executive search firm, online job board).

The compiler of the CPH metric may document segmentation methodology in any convenient method, provided that the compiler's intent is clear on what data are being segmented (see Example 2).[29]

10.3.2 ADDING SEGMENTATION DATA TO COST-PER-HIRE CALCULATIONS

To segment the data, the compiler of the CPH metric will add new columns to the raw data to reflect the desired segmentation to be created (see Example 3).

10.3.3 CPH FORMULA WHEN DATA SEGMENTATION IS USED

The only material difference in applying the segmented CPH formula is that only the rows of hire data that fall within the stated segment should be included (herein referred to as a "subset" of the data).

The formula for segmented CPH is as follows:

$$\text{CPH} = \left(\frac{\sum (\text{Subset of External Costs}) + \sum (\text{Subset of Internal Costs})}{\text{Total Number of Hires in a Time Period within the Subset}} \right)$$

[29] While data segmentation may be a desirable tool for analyzing components of a recruiting effort (e.g., understanding lateral recruiting costs vs. campus costs, or costs to recruit IT employees vs. call center employees), it is recommended that the compiler of the CPH metric specifically define the objective of the data segmentation to ensure it is an actionable result.

10.3.4 ASSEMBLING A SEGMENTED COST-PER-HIRE METRIC

The compiler of a segmented cost-per-hire must use the same standards of transparency, data quality and representative data criteria documented in this Standard, as well as the in-scope and out-of-scope criteria for the metric.

Example 2: Documentation for Segmentation Method

ITEM	DEFINITION
Purpose	■ Determine CPH by geographic business area.
Variables to Segment	■ Region names (Americas, EMEA, APAC). ■ Currency types (USD). ■ Regional differences of CPH information availability and accuracy. ■ Regional organizational influence on CPH.
Time Frame	■ Time period is defined as the month of June 2010.
Transparency	■ Review CPH data with executive leadership prior to making it available to regional leadership.
Data Quality	■ Accuracy reviewed, determined that it is acceptable to proceed with identified variables. ■ Use corporate accounting's data on regional fixed and variable costs. Use the number of hires captured in the organization's payroll system.

Example 3: Variable Cost Raw Data[30]

Position Title	Business Unit	Requisition Number	Name of Hire	Start Date	Vendor Expenses	Advertising Expenses	Candidate Travel Expenses	Relocation Expenses to Date	Anticipated Relocation Expenses	Hiring Bonus	Employee Referral Bonus	Total Expenses
Marketing Research Manager	Marketing	MR29-10	Janet Puri	2/22/2011	$12,899	$725	$1,090	$622	$ -	$15,000	$4,800	$35,136

In this example, the compiler adds the column of Business Unit, which will be used in segmentation.

[30] Each row in this example contains all expenses incurred for the requisition, including expenses for those candidates considered but not hired.

10.3.5 VISUAL DISPLAY OF SEGMENTED COST-PER-HIRE METRIC

When displaying segmented data, the segment in question should be reasonably represented in the visual display of information, by either a specific column heading or another written indicator (see Example 4).

10.3.6 SPECIAL CASE SEGMENTATION: COLLEGE/UNIVERSITY CAMPUS RECRUITING

College/university recruiting efforts represent a special case of data segmentation with a particular body of knowledge to support segmentation techniques. This section defines segmentation for this special case within recruiting.[31]

Definition of a Campus Hire

The first issue to be addressed is who qualifies as a campus hire, as many organizations use different criteria. For example, if students graduate from college and take a year off to travel, or are employed for more than 12 months after graduation in roles that do not require a degree, and are subsequently hired by an organization in a degree-related position, do those individuals "count" as campus hires? One organization might "count" those individuals as campus hires despite the length of time between graduation and degree-related employment, while another might not. Other examples are graduates who enter military service after graduation out of a sense of patriotism or to fulfill financial obligations, such as those who graduate from a military academy or from an ROTC program. They might not start employment for two or three years. Finally, some companies account for intern or co-op hiring in their campus recruiting CPH calculations, while others strictly use the hiring of graduates into full-time positions.

Example 4: Declaration of Cost-per-Hire Segmentation Results[32]

REGION	# OF HIRES	EXTERNAL COSTS	INTERNAL COSTS	TOTAL COSTS	REGIONAL CPH
Americas	84	$201,600.00	$127,432.00	$329,032.00	$3,917.05
EMEA	47	$154,794.50	$66,340.50	$221,135.00	$4,705.00
APAC	52	$111,322.64	$39,113.36	$150,436.00	$2,893.00
TOTAL/AVG	**183**	**$467,717.14**	**$232,885.86**	**$700,603.00**	**$3,838.35**

[31] This section has been developed in cooperation with the National Association of Colleges and Employers (NACE).

[32] Note that the information in this table is for example purposes only and does not reflect real data for any organization. This data is not representative of an expected average or industry standard. Calculations were made using the CPH formula provided in Section 5 of this document.

For the purpose of the campus recruiting CPH formula, the following definitions will apply to those who are considered campus hires.

Campus Hires, Full-Time

Campus hires, full-time, are individuals who have obtained a degree within 12 months of their start date or who have not worked in their chosen profession (for which their degree prepared them) full time for more than one month after graduation.

Examples of those who "count" for CPH calculations:

- Scott graduates with a degree from an accredited university in June and cannot find a position in his chosen field. As a result, he takes a position in retail to make ends meet. Eleven months later, he finds a position at an organization that hires him into a role that matches his field of study (or requires a degree). Scott "counts" as a campus hire, and the costs associated with recruiting him factor into the CPH calculation because his hiring was within 12 months of his graduation.

Examples of those who do not "count" for CPH calculations:

- Jane graduates from an engineering school and takes a position at an organization in a technical role. After six months, Jane decides to quit and join another organization. Since Jane was employed in her chosen field for more than one month, Jane would count as an experienced hire and not a campus hire, even though her hiring date was less than 12 months from her graduation.
- Brad graduates from college and decides to travel the world prior to entering the workforce. After fulfilling this need for wanderlust for 13 months, he decides to enter the workforce. Regardless of the role he fills, Brad is not considered a campus hire because his employment began more than 12 months after graduation.
- Michael graduates college in December and joins the military. After serving for two years, he enters the job market. Within 12 months after his military separation, Michael is hired into a role that requires the skills he obtained in school and/or the military. Michael does not count as a campus hire, and the costs for recruiting him are entered into the CPH formula for experienced hires.

Co-op and/or Intern Hires[33]

Interns and co-ops typically are pursuing a degree, either undergraduate or graduate, while they work at an organization. They are hired by an organization for paid or unpaid positions for a specific period of time prior to their graduation from college or university. If the individuals are unpaid, there is an assumption that they are receiving college credit in exchange for the work they are performing.

Most companies offer co-op and intern programs with the intent of "converting" these candidates into full-time employees. For campus recruiting CPH calculations, we recommend that the recruiting costs for these classes of hires be included in the cost categories in the year they were initially recruited.

Example:

- Willie was recruited to work as a summer intern in 2007 at the completion of his sophomore year in college. The costs to recruit Willie will be used in the 2007 calculation of CPH. After two internships with the organization (2007 and 2008), Willie accepted an offer for full-time employment for a 2009 start date. Since the costs to recruit Willie in 2009 were negligible, he is essentially a "free" hire in 2009, as the real recruiting costs were expended in 2007.

Definition of Campus Recruiters

Companies and organizations often use non-HR employees or third-party recruiters to assist with campus recruiting. These recruiters go to campuses to recruit, interview candidates, participate in candidate care and be involved in other activities used in campus hiring.

For CPH calculations, only the compensation of those individuals whose primary employment role is to acquire talent will be considered. Thus, a campus recruiter is defined as an individual in the staffing, recruiting, talent acquisition or human resources department who has the responsibility for attracting campus hires to the organization. Hourly or daily rates of line staff—engineers or accountants, for example, who participate in the recruitment process on campus or in the workplace—will not count in the CPH formula.

Example:

- Fred is an engineer with an organization that recruits on the University of Michigan campus. As an alumnus of the University, Fred goes to campus several times a year for recruiting and relationship-building purposes. Fred's travel expenses to recruit college students are captured and calculated as a direct expense into the organization's CPH calculations. Fred's hourly or daily compensation, however, should not be used to calculate CPH.

---

[33] When preparing a cost-per-hire metric without segmentation, the compiler of the metric may not want to include co-op and intern hires in the total CPH metric.

Hybrid Recruiters and Coordinators

Not all organizations have full-time campus recruiters and recruiting coordinators (those who schedule interview dates and handle administrative matters). Instead, some organizations have hybrid recruiters and coordinators who are responsible for attracting both experienced hires as well as new graduates to the organization. In circumstances where recruiters and coordinators spend time and expend funds on campus-related recruiting activities, the costs will be apportioned by either an estimated percentage of time devoted to campus recruiting activities or by the percentage of new hires to the organization that are campus hires.

Example:

- Carol is a recruiter for a mid-size financial services company. She spends most of her time recruiting work-experienced candidates, but also recruits on campuses and establishes relationships with departments at universities from which the company sources talent. She also attends a few national and school-specific career fairs. Carol estimates that she spends 80% of her time annually on activities related to experienced hires and 20% of her time on campus recruiting activities. Thus, 20% of her compensation will be used in the campus recruiting CPH calculation.

Components of Campus Recruiting Operational or Direct Costs

- Recruiter and employee travel for campus recruiting activities, including interviewing, career fairs and relationship-building activities.
- Interviewer travel expenses for on-campus interviews.
- Candidate travel expenses for office visit interviews and other recruitment-related activities.
- Recruiting collateral, including brochures, merchandise and other recruiting costs that are directly related to campus recruiting. Collateral and merchandise costs will be apportioned on an approximate basis for items used in recruiting for both experienced workers and campus hires.
- Purchase of resume books and cost of posting jobs on campus-specific job sites.
- Creation and maintenance of websites specific to campus recruiting (in addition to the general organization career site).
- Social media related to campus recruiting.

Include:

- The annual expenses of attending college recruiting events that are geared toward current students, such as information sessions, career fairs, and recruiting budget related gifts to clubs count as campus CPH expenses.

Exclude:

- Research expenditures at colleges and universities do not figure into CPH, even if students are hired as a result of the research projects at the university.
- Most financial contributions and philanthropy to universities are not included in campus recruiting CPH calculations.

In-Scope Costs

The definition of costs within CPHI and CPHC apply to this segmented cost-per-hire. However, more in-depth data may be required. For example, while estimating internal hiring manager's time for interviewing may be optional for CPHI, this cost of labor may be a significant component in campus recruiting. In addition, although the job fair category will capture most campus recruiting costs, campus recruiting also may include specific events for interns, special recruiting programs and events that should be captured in costs.

The formula for calculating campus recruiting CPH is as follows:

$$\text{CPH} = \left(\frac{\sum (\text{External Campus Costs}) + \sum (\text{Internal Campus Costs})}{\text{Total Number of Hires from Campus (FT, Intern and Co-op) in a Time Period}} \right)$$

11.0 Visual Display of Cost-per-Hire Results

11.1 DECLARATION OF ADOPTION

When an organization decides to use any SHRM/ANSI cost-per-hire metric, it should declare the use of the Standard the first time the metric is displayed in materials as a footnote in this format:

> **This metric was calculated using the "Cost-per-Hire, Comparable" or "Cost-per-Hire, Internal" or "Recruiting Cost Ratio" ANSI Standard number ANSI-SHRM-06001.2012.**

11.2 RECOMMENDED DISPLAY FORMAT

Cost-per-hire data may be displayed in any visual methodology chosen by the compiler of the metric (tables, charts, graphs, etc.) that accurately represents the metric to reviewers of the analysis. To provide full transparency of the metric to a reviewer, the following is a suggested format for visually displaying a cost-per-hire metric (see Example 5).[34]

Example 5

COST PER HIRE, COMPARABLE = $ZZZ.YY
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Cost Details (See documentation)

COST PER HIRE, INTERNAL = $ZZZ.YY
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Cost Details (See documentation)

OR

RECRUITING COST RATIO = NN.YY%
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Total Compensation = $YY (display optional)
Cost Details (See documentation)

Definitions:

"Date Range" is the date range used to run the CPH metric stated.

"Last Updated" is the date the metric was last run, reflected in the metric stated above.

"Total Costs" are the sum of the internal and external costs used in the metric (the numerator).

"Total # Hires" is the denominator of the metric.

"Cost Details" should point or link the reader to supporting documentation (see Examples 7 and 8).

[34] Note: This document has represented currency as the $ sign for convention purposes only. This standard may be applied using any desired currency.

11.3 VISUAL DISPLAY OF COST-PER-HIRE RESULTS WHEN SEGMENTING DATA

In the event that the compiler of the metric has created a CPH segmented metric, Example 6 presents the recommended visual display of information.

Example 6

COST PER HIRE (SEGMENTED) = $ZZZ.YY

Segmentation Business Unit Marketing
Date Range 1/1/2010 - 3/31/2010
Last Updated 4/15/2010
Total Costs = $ZZZ.YY
Total # Hires = XX
Cost Details (See documentation)

12.0 Supporting Documentation

During the period when the Cost-per-Hire Standard is being used within an organization, the compiler of the metric should maintain documentation on the data collection methodology and the variables that have been used. The intent of the supporting documentation is to provide to any interested party adequate transparency into the process used to calculate the cost-per-hire metric.

This documentation should be updated at least annually, or when the compiler has changed the cost data used in calculating the metric. The components of the documentation should include the following information, as presented in Examples 7 and 8:

- **General information. Information about the formula used and the compiler of the CPH metric.**
- **Representative data set. A brief statement regarding how representative the data set is for the entire organization or for the effort being analyzed.**
- **Transparency of cost data used. A table of each cost factor used in the calculation of this formula and the source of the data used.**
- **Data quality/minimization of data errors. A statement addressing each cost factor or all cost factors in aggregate on steps taken to correct data for errors.**
- **Known issues. Any explanations about issues with the formula, the quality of the data and intended areas for future improvement or innovation.**

Example 7: Cost-per-Hire, Internal, Documentation

Standard Implemented:	SHRM/ANSI Standard (ANSI-SHRM-06001.2012): Cost-per-Hire, Internal
Representative Data Set:	XXXXXXXXXXXXX
Documentation Updated:	April 1, 2010
Compiler:	Steve Smith, HRIS Analyst, ssmith@yourcompany.com
General Information:	None

Description of Cost Factors Used (Numerator)

EXTERNAL COSTS	DATA SOURCE	DATE DATA QUALITY CHECKED	NOTES
Advertising and Marketing Expenses	General ledger: Cost code 317	12/2009	Year-long contracts are divided by the time period measured.
Background Checks and Eligibility to Work Expenses	Vendor report, audited by director of recruiting	3/2010	
Campus Recruiting Expenses	General ledger: Cost code 210	12/2009	Bulk of expenses are paid in January for the next year's recruiting.
Contingency Fees	Talent acquisition system report, audited by director of recruiting	2/2010	
Drug Testing Expenses	Vendor report, audited by director of recruiting	2/2010	
Employee Referral Awards/ Payments	General ledger: Cost code 554	12/2009	
Job Fair/Recruiting Event Expenses	General ledger: Cost code 112	12/2009	Year-long expense items are divided by the time period measured.
Pre-screening Fees	Vendor report, audited by director of recruiting	3/2010	
Relocation Fees	Talent acquisition system report, audited by director of recruiting	3/2010	
Sourcing Costs	General ledger: Cost code 378	12/2009	Year-long expense items are divided by the time period measured.
Travel and Expenses, Candidate	Travel system report	10/2009	
Travel and Expenses, Recruiting	Travel system report	10/2009	
Technology Costs	Vendor report, audited by director of recruiting	2/2010	Year-long expense items are divided by the time period measured.
Third-party Agency Fees	Vendor report, audited by director of recruiting	2/2010	

INTERNAL COSTS	DATA SOURCE	DATE DATA QUALITY CHECKED	NOTES
Cost of Recruiting Staff	Payroll system	12/2009	Reflects new staff added 12/2009.
Cost of Sourcing Staff	Payroll system	12/2009	Reflects new staff added 1/2010.
Non-labor Office Costs	General ledger: Cost code 555	12/2009	Expenses are mixed with L&D; 60% of the non-labor expenses are allocated to this CPH measure.
Recruiting Learning and Development	General ledger: Cost code 556	12/2009	

Data Quality Statement

It is our process during the calculation of this metric to scrub the data for errant data in the following ways:

- External costs that are incurred at a flat annual rate are divided into the time period being calculated in this report. Example: If a resume access contract is $12,000 annually and the report is monthly, this cost would be calculated as $12,000 / 12 months = $1,000/month.
- External cost data that are ad hoc (per candidate) are checked against the total number of hires counted in the time period. If there is a discrepancy of over XX% on the number of hires found in the data, we dig into both systems until the data are aligned.
- To look for missing cost data, we review recruiting costs and ask the following questions:
  - Is there usually a cost for this type of hire that we do not see in our data?
  - Is there an unusually low cost for a usually expensive hire?
- To look for errant data, we review recruiting costs and ask the following questions:
  - Are any expenses in the general ledger miscategorized as recruiting expenses?
  - Are there extraordinary expenses on a usually lower-cost hire type?
  - Are there extraordinary expenses that are counted in this reporting period that are actually used year-round?

Known Issues

The compiler of this metric acknowledges that the following issues have been identified with the data. Although these issues do not affect the use of the metric, the compiler wishes to ensure that reviewers are aware of the following:

- In partnering with Finance, we have determined that although travel costs may be more comprehensive using the general ledger system, it does not routinely capture expenses run through our employee expense system. We have decided to use the travel and expense system for those costs, understanding that some costs (expected to be trivial) are not captured in the system.
- Our newly acquired company, Company X, is not yet on our talent acquisition system. We have decided to use the same metric calculations for Company X, reported separately until it is fully integrated into our systems, estimated to be completed in Q2 2011.
- Third-party agency fees are known to be within 5% accurate, as one division is not directly using central recruiting for all hiring needs.

Example 8: Cost-per-Hire, Comparable, Documentation

Standard Implemented: SHRM/ANSI Standard: Cost-per-Hire, Comparable

Documentation Updated: 6/28/2010

Compiler: Steve Sample

General Information: The suggested format for visually displaying a cost-per-hire metric was used.

Cost-per-Hire = External + Internal Costs / Total Number of Hires in a Time Period

COST-PER-HIRE, COMPARABLE	$2,556
Date Range	10/1/09-3/31/10
Last Updated	6/11/10
Total Costs	$69,012
Total # Hires	27
Cost Details	See below

Definitions

- "Date Range" is the date range used to run the CPH metric stated.
- "Last Updated" is the date the metric was last run.
- "Total Costs" are the sum of the internal and external costs used in the metric (the numerator).
- "Total # Hires" is the denominator of the metric.
- "Cost Details" are described below.

Supporting Documentation

1. Representative data set: The time period chosen was 10/1/09 through 3/31/10. This period is representative of many costs associated with the calculation of CPH because the new hires constitute positions at all levels in the organization.

2. Description of cost factors used (numerator):

EXTERNAL COSTS	DATA SOURCE	DATA QUALITY CHECKED?	NOTES
Advertising and Marketing Expenses	General ledger: Recruiting budget	Yes	Annual charges should be prorated based on the period selected. This requires reporting beyond the period selected to search for any annual costs.
Campus Recruiting Expenses	General Ledger: Recruiting budget	Yes	
Job Fair/Recruiting Event Expenses	General Ledger: Recruiting budget	Yes	
Sourcing Costs	General Ledger: Recruiting budget	No	We would have to search through the membership budget account to find these data, or we could charge the recruiter's expenses to the recruiting budget to facilitate calculating the CPH.
Technology Costs	Accounting needed to pull invoices for review	Yes	Required A/P supervisor to pull invoices to review. Used a percentage of costs, not broken down to the specific applicant software.
Background Checks and Eligibility to Work	General Ledger: Recruiting budget	No	
Drug Testing Expenses	General Ledger: Recruiting budget	No	
Employee Referral Awards/Payments	N/A		None in the time period.
Travel and Expenses, Candidate	General Ledger: Recruiting budget	Yes	Not included in the HR recruiting budget. Charged to the recruiting budget of hiring division.
Travel and Expenses, Recruiting	Would be included in the travel budget	Yes	We did not have any costs included in the HRIS. These data are pulled from individual expense reports since they are charged to the travel budget. Would be helpful to have copies upfront.
Third-party Agency Fees	General Ledger: Recruiting budget	Yes	Not included in HR recruiting budget. Charged to the recruiting budget of hiring division.
Recruitment Process Outsourcing Fees	N/A		

INTERNAL COSTS	DATA SOURCE	DATA QUALITY CHECKED?	NOTES
Cost of Recruiting Staff	Payroll	No	Payroll system data, including portion of annual bonus.
Cost of Sourcing Staff	General Ledger: Recruiting budget	Yes	
Non-labor Office Costs		Yes	
Recruiting Learning and Development		Yes	

3. Description of number of hires data used (denominator): The data used for # hires was taken from our HRIS system, iVantage, for the time period selected.

4. Data quality statement: It is our process during the calculation of this metric to analyze the data for inconsistencies as follows:

- External costs that are incurred as an annual fee are prorated for the time period selected. Example: Resume access contract is $6,000 annually, and the report is for 6 months. This cost would be calculated as $6,000 / 12 months x 6 = $3,000 for the 6 months.
- To look for missing cost data, we review recruiting costs in the general ledger and in the HRIS system and ask the following questions:
  - Is there usually a cost for this type of hire that we do not see in our data?
  - Is there an unusually low cost for a usually expensive hire?
- To look for data errors and anomalies, we review recruiting costs and ask the following questions:
  - Are there any expenses in the general ledger that have been miscategorized?
  - Are there higher than normal expenses on a typically lower-cost hire type?
  - Are there expenses that are counted in this reporting period that are actually used year-round?

5. Known issues: The general ledger recruiting budget had most of the costs we were looking for. Other costs, such as travel for the recruiter and non-labor office costs, are not included in the general ledger recruiting budget and are more difficult to locate. Where documented, we used non-system of record sources such as actual invoices from files. For future consideration, we have suggested keeping a copy of the invoices before they go to Accounting in order to facilitate finding all of the costs associated with the cost-per-hire.

13.0 Appendix: List of Tables

Table 1: CPHI External Cost Data in Scope

Table 2: CPHI Internal Cost Data in Scope

Table 3: CPHC External Cost Data in Scope

Table 4: CPHC Internal Cost Data in Scope

Notes

Cost-per-Hire Standard

ANSI/SHRM 06001.2012

AN AMERICAN NATIONAL STANDARD FOR HUMAN RESOURCE MANAGEMENT

Approved February 8, 2012

American National Standards Institute, Inc.

SHRM®
SOCIETY FOR HUMAN RESOURCE MANAGEMENT

Cost-per-Hire Standard

ANSI/SHRM 06001.2012

SHRM
1800 DUKE STREET,
ALEXANDRIA, VA 22314