Occupop's Comprehensive Guide:

Create a Recruitment Budget for

Maximum ROI

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Introduction

CREATE A RECRUITMENT BUDGET

FOR MAXIMUM ROI

Becoming more strategic about your recruitment budget can save you thousands a year when it comes to hiring, not to mention an improved process for your hiring team and ultimately, a happier more engaged workforce. With **the average cost of hiring at $4,000 and taking 42 days**, according to **Glassdoor**, doing the maths on your recruitment is a very worthwhile investment.

This does not just relate to the job channels you use or where you're apportioning your budget. A strategic recruitment budget requires forward planning and metrics to discover what works best for you, where you are sourcing the best candidates and where you can make improvements in your processes.

In this comprehensive guide, we will help you to make more informed hiring decisions and get the most from your recruitment budget without compromising on candidate quality. We'll help you:

Calculate your cost-per-hire

Utilise HR data to inform your hiring budget

Discover low cost recruitment avenues

Map out & plan a strategic recruitment budget

Calculate Cost-Per-Hire

Cost-per-hire is the average cost of hiring an employee and an indicator of the budget required to meet your hiring quota. For example, if you plan to hire 25 people for the year and your average cost to hire is £2,000, your budget for recruitment will be £50,000. Cost-per-hire is calculated by looking at all the factors that go into hiring individuals over a certain period of time. The formula is as follows:

CPH = (External Recruitment Costs + Internal Recruitment Costs) / (No. of Hires in Time frame)

TO CALCULATE COST-PER-HIRE:

$$\frac{\text{ALL OF YOUR INTERNAL RECRUITMENT COSTS} + \text{ALL OF YOUR EXTERNAL RECRUITMENT}}{\text{TOTAL NUMBER OF HIRES DURING TIME PERIOD}}$$

Internal recruitment costs may include, but are not limited to:

- Internal recruiter salary

- Recruitment technology used (ATS, video interview software etc.)

- Referral scheme bonuses

- Onboarding

- Percentage of hiring manager salary by time spent on recruitment

External recruitment costs may include, but are not limited to:

- Agency fees

- Recruitment marketing campaigns

- Relocation fees

- Job board fees

- Recruitment events

- Candidate vetting

Don't forget, there are additional factors to consider when calculating costs such as the inclusion or exclusion of hiring contract workers and the cost implications of employer brand/branding on recruitment.

Utilise HR Data to Inform Your Hiring Budget

In modern recruitment, hiring metrics are a vital component for process improvement, time efficiency and budget savings. Using valuable metrics will not only highlight areas that require attention and improvement, but they'll also highlight what processes are working, allowing you to allocate your time and budget effectively. The following metrics are the key metrics to measure and should be available in real-time on your candidate management platform:

- ✓ **CV source:** which job channels did your candidates come from. Divide the number of job applications per source by the cost of each source to calculate the sourcing channel cost.

- ✓ **Time-to-hire:** calculate the number of days from job posting to job acceptance, looking at the differences between seniorities and roles.

- ✓ **Candidate selection ratio:** review the number of candidates who progressed from initial application to the interview stage. Divide this number by the total number of applicants. Further analyse this data by looking at the source of each candidate.

- ✓ **Job acceptance/offer rate:** analyse the number of candidates that accepted job offers versus those candidates that didn't. Further analyse this data by looking at the source of each candidate and the length of the interview process.

- ✓ **Candidate drop-off rate:** review the entire hiring process and analyse potential candidate drop-off trends. Look at length between each stage for similarities.

Some additional metrics that are useful to measure include:

- Recruitment marketing campaign data
- Recruitment event success
- Diversity of candidates per channel
- Hard & soft skill capabilities
- Application completion rate

Knowing these metrics will give you an excellent indication of where you are getting the best results and will allow you to apportion your budget accordingly into these more successful channels.

It is important to note that just tracking the hiring of an individual isn't enough. Companies should also be tracking the employee experience and retention rates, monitor the source of where your best employees came from, taking that into account when considering the budget for certain channels. Some ways to measure this is as follows:

Stay interviews: interviews with employees after their first 6 months. Watch a video on this **here**.

Retention rate calculation: No. of employees on the last day of a set period / No. of employees on the first day of a set period x 100 = employee retention rate

Exit interviews: ensure you create a format and repeatable process for all exit interviews allowing you to obtain insights around culture, managers and benefits.

Pulse/ongoing surveys: companies like **Peakon** offer excellent software that allows you to receive ongoing feedback from your employees.

Onboarding engagement: implement a monitoring and review process for all onboarding programmes to gain insight into its buy-in and effectiveness.

Consider Alternative Low-Cost Recruitment Avenues

All companies want to hire the best people for their business. But hiring isn't cheap. When you take into consideration all the internal & external costs involved in hiring, it isn't surprising that the numbers add up. Some recruitment costs include recruitment agencies, job boards, onboarding cost, hiring team costs to name but a few. Here are a few alternative ways to source top talent at little to no cost.

Internal hiring & talent pools: review employee records and progression plans to assess if any current employees would be interested in moving roles, either upskilling into a new role or lateral into a different department. If that isn't an option, consider reviewing candidates that previously applied for positions.

Employee Referrals: The only costs involved in referral schemes are the incentives and bonuses to the successful referrer. Though some companies may offer large sums of money, if budgets are tight, don't underestimate the value of paid holiday days, contributions to elected charities or stock options.

**Use niche job boards & community forums:** Many are low-cost or even free and the value in using them is in the name, they're niche! They can give you lots of different more specific ways to search for talent; industry, skill set, location. Here are a few niche job boards that see great traction:

- **GitHub**: For developers
- **Dribbble**: Web designers & creatives
- **Stack Overflow**: Tech Talent
- **Abodoo**: Remote working
- **Upwork**: Contract and Freelance

Invest in employer brand & branding activities: Though it may take some initial investment i.e. employee testimonials or updating your website, the cost can be minimal and the return on investment is huge. Establishing and promoting an excellent employer brand will attract top talent, both passive and active, resulting in more applications through your careers page.

Map Out & Plan Your Budget
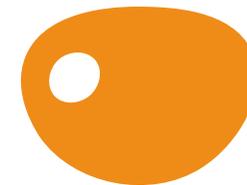
It is important to remember that the cost of hiring certain employees differs depending on seniority and position needed to be filled i.e. a low-level role may only cost £500 but an executive role may cost £10,000 so recruitment planning for the year is crucial. These industry benchmarks give a good picture of the average cost of hiring:

$14,936: executive-level cost-per-hire
$4,425: average cost-per-hire
(Source: SHRM)

Work with your departments to map out growth plans and required hires to meet goals. Look back on your previous years hiring and break down the cost-per-hire by department heads and position as this will give you a more accurate insight into how much each department is spending. The following table is an example that can be used to project the number of employees needed over the course of the year with the average cost-per-hire.

N.B. Ensure your projected budget takes into consideration the costs for improving the recruitment process i.e. new systems, new recruitment channels and training required for the HR team.

Department	Q1	Q2	Q3	Q4	Averafe CPH	Replacement of Leavers	Total Spend
Marketing	0	2	1	1	£5,000	1	£25,000
Sales	4	2	3	2	£2,000	3	£28,000
Support	1	0	0	1	£1,500	2	£6,000
Technical	0	0	1	0	£10,000	1	£20,000

Don't Forget Onboarding and Training Costs

According to the **Society for Human Resources Management**, **69% of employees are more likely to stay with a company for *three years* if they experience a great onboarding process**.

This means that you should be thinking about your onboarding programme—and its costs—before you start recruiting candidates to ensure that the individual you hire will stay with you for the long term.

When determining your onboarding budget, consider the following:

- The man-hours of both the manager and the new hire during training and orientation.

- The instruction materials and equipment used for training.

- The cost of a mentor's time.

- The loss of productivity until the new hire gets settled into the role.

While you may want to stop your spending once you've extended an offer to a candidate, allocating a portion of your budget to effective onboarding and training will save you money in the long run.

Key Takeaways

💬 Calculate your cost-per-hire taking into account all the internal and external recruitment costs involved.

💬 There are a huge number of hiring metrics that will inform the best recruitment channels for you.

💬 It's not just about hiring metrics, retention metrics should be used to inform your hiring decisions.

💬 Don't underestimate the value of internal hiring & your candidate database.

💬 There are lots of alternative job channels like niche job boards where you can find high quality candidates for harder to fill roles.

💬 Break down by department and quarter when planning your recruitment budget. Ensure you add an estimate figure for replacement staff, using your retention rates as a marker.
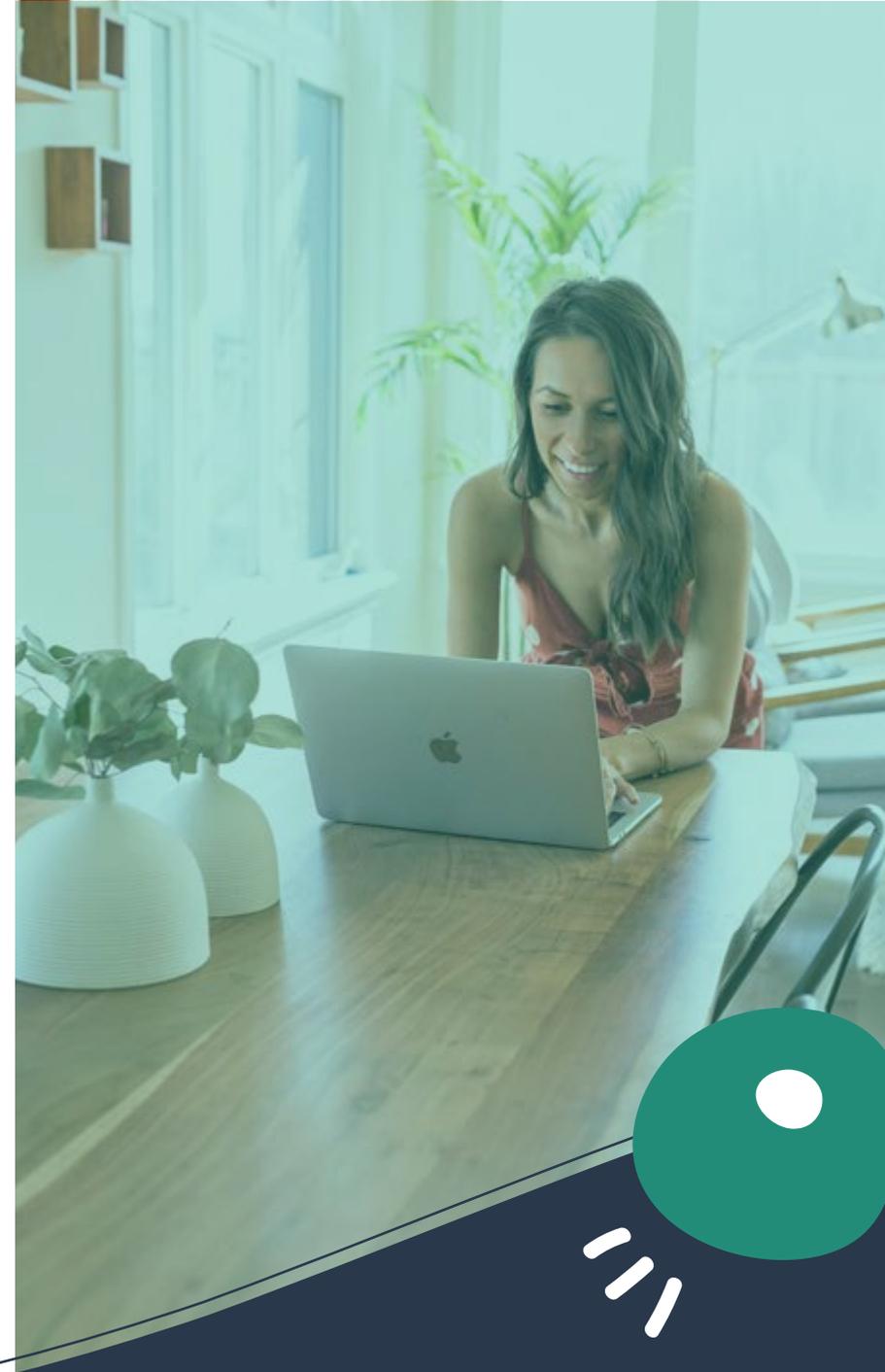
Conclusion

All the above tips are greatly enhanced if you have implemented an applicant tracking and candidate management system, like Occupop!

Occupop Occupop is a recruitment software built with your hiring needs in mind. With the help of AI technology, Occupop increases job exposure and removes recruitment admin, resulting in a reduced time-to-hire, improved hiring team collaboration and an enhanced candidate experience.

Book your free consultation with one of our recruitment experts today and see how we can help you hire the best people for your business.

Book Your Demo

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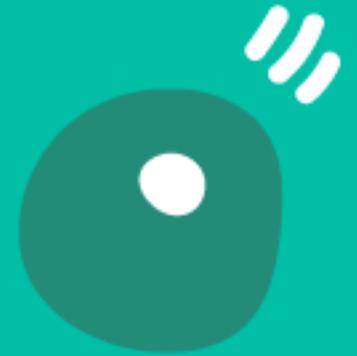
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Hire the Best People Build the Best Teams