

H I R E D

Evolving Time-to-Hire into New Recruiting Metrics



Introduction

It's safe to say that the way recruiters think about data has transformed in recent years. Recruiters have been applying data to operations in new ways, thinking more analytically about how their teams source and hire, evaluating conversion funnels, and developing new metrics that truly prove the value of their efforts.

Historically, the backbone metric of recruiting was time-to-hire. This metric gives executive teams, hiring managers and heads of recruiting the ability to forecast the total time it takes to identify and bring a desired candidate into the company fold. By expediting the amount of time recruiters spend on sourcing and establishing contact with the right candidates, the faster they can move them through the funnel.

Time-to-hire, however, only tells part of the story. It benefits recruiters to break this metric down into pieces, and evaluate the true cost savings of a reduced time-to-hire. These new metrics help recruiters quantify the cost of not filling a role quickly, and arming them with information to be more productive at sourcing, negotiating and closing — and building a case for more substantial recruiting budgets.

Sourcing time saved

Reducing time-to-hire inherently lowers the cost of every empty seat that you're trying to fill, but how can you maximize the value of this metric? First, break down the stages of your conversion funnel and take a hard look at the time you might be losing in candidate sourcing. This is an area of significant potential time savings:

Researching candidates and sending outreach messages

This can be particularly time consuming if you need to do deep research on specialized technical roles, sifting through passive candidates who are uniquely matched to the needs of your position. On traditional job search platforms, candidates profiles often have a limited view of a candidate's desires for their next position, which can slow you down. On average, in one hour, how many candidates are you able to research and send a custom message to?

Positive message response rates

There is a big difference between reaching out to passive candidates and those that you know are actively searching. On Hired, we know that our candidates are actively searching for jobs, so our positive response rates are around 60%. Compare this to generally canvassing more passive candidates which yields response rates around 8%.

If you look at improving these two metrics in the sourcing stage, you can have a significant impact on the conversion funnel overall, with significant hours saved on sourcing. If you message 12 candidates in one hour, but only have a response rate of 8%, for example, it could take as much as 40–50 hours to source just one hire. With more active candidates, and a response rate of 60%, it would take more like 2 hours.

When you then consider the number of hires you have projected this year, as well as the cost of your recruiter's time, this could result in tens of thousands in savings, not to mention freed up time for other strategic recruiting objectives.

Savings from reduced sourcing time



Use these calculation guidelines to find your potential savings from reduced sourcing time

Cost of sourcing with passive candidates

45 hrs — time to source one hire	×	Mins to research candidate & send message	×	Recruiter hourly cost	×	# of projected hires for the year
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Cost of sourcing roles with active candidates

2 hrs — time to source one hire	×	Mins to research candidate & send interview request	×	Recruiter hourly cost	×	# of projected hires for the year
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Quantifying the cost of an empty seat

To get to our next metric, it's helpful to think about why time-to-hire is an important metric in the first place. Every day that passes where a role remains unfilled, organizational productivity is reduced, which means recruiters have the opportunity to make a big impact on potentially lost revenue by reducing time to hire. While lost employee productivity may seem like a nebulous figure, that material cost can actually be quantified by applying some simple math.

Calculation for the cost of an empty seat

# of days a job request at your company typically stays open	×	Estimated daily revenue contribution of a single employee
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How do you know the estimated revenue contribution of a single employee? You can assume it's company revenue divided by the total number of employees, divided by the number of days in the year.

You can also extrapolate this to understand how reducing time-to-hire can save tangible dollars. Multiply the days saved by the number of projected new hires and cost of each of their empty desks and you get your net gain on working productivity by reducing time to hire

Cost of an empty seat

STEP 1

Calculate the total
working days gained

Current time-to-hire

—

**Hired's average
time-to-hire**

STEP 2

Calculate the revenue
contribution of an
employee per day

**Annual company
revenue**

÷

**full-time employee
count**

365 days in a year

STEP 3

Calculate the cost
of an empty seat

**Revenue
contribution of
employee per day**

×

**cost of an
empty seat**

One thing to note: in the case of technology roles, you can count on an even higher productivity gain. In most cases, technology roles that include engineers, software developers, product managers and other key contributors bring higher leverage and scalability to the table to directly impact the business. You can essentially think of the metric for lost productivity of an empty tech desk as 2x that of other workers. So if you're recruiting for tech roles, whether you're an early stage, midsize or enterprise-size company, the savings can really add up.

Metrics help you justify budgets

A typical challenge for recruiting managers is gaining approval for recruiting budgets when they can't frame the discussion in hard financial terms. Unlike sales, for example, which can more easily predict how much impact someone will have on revenue to justify a bump in budget, recruiting is seen as a long-term investment that is not usually quantified in terms of ROI.

But if recruiters can model out the financial conversation to show the impact they have on the cost of human capital (the biggest expense a company has), they can more easily bridge the gap. By showing how quickly you can get people into the right roles (reducing time-to-hire) and optimizing the matching process of candidates to open roles, you'll be able to demonstrate your control of recruiting costs and create a tangible model for improving productivity.

These metrics can help you speak the same language as finance professionals and quantifiably justify your recruiting budget, whether it's for better recruiting tools, headcount or salaries.



Using metrics to create a more predictable recruiting process

Great recruiters spend less time sourcing and more time on the things that matter most: building relationships with candidates, moving them swiftly through the funnel, creating a stronger bond with hiring managers and working efficiently to help contribute to the company's bottom line. By leveraging and improving key metrics throughout the process, recruiters can put predictability back into the process and become a more trusted business partner with the broader organization.

For more information, visit hired.com/employers/resources

