

White Paper



# Top 10 Recruitment Compliance Metrics

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## About the Author

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This white paper has been written by Anna Dickson, Product Manager at NGA Human Resources.

Anna has worked in product management for 5+ years, initially working with building and consumer goods products. This included management of multi-million pound ranges, where incisive market research, IT capabilities and a core focus on product development were at the forefront. More recently, she has moved into HR and Payroll with a focus on Talent Management which encompasses recruitment, onboarding, performance management and succession planning.

Anna brings an understanding of the changing needs of the market and the user, in order to ensure the software evolves to meet the needs of HR and recruitment professionals.

# Introduction

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While businesses today recognise the importance of talent - both acquiring it and retaining it, it can be difficult to quantify the value in pounds and pence.

- What is the cost of our new hire attrition rate?
- What impact does the productivity lost from a bad hire have on our company?
- What is the full cost of a bad hire?

We consider these questions in a climate fuelled by media reports of bad hires, spiralling hiring costs and ever-changing best practice guidelines. It is no wonder organisations want to get their hiring process as compliant as possible.

In short - the more compliant your recruitment process is, the less likely you are to make a bad hire, and the key to measuring that compliance is in metrics.

This guide suggests which metrics you might want to measure, in order to improve your recruitment compliance.

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# What is recruitment compliance?



Recruitment compliance is defined as:

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“the process of attracting, selecting and appointing suitable candidates for jobs in an organisation, whilst adhering to internal policies, best practice and state and international laws.”

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There are a number of factors that fall under the umbrella of recruitment compliance, from data security to background checking.

## Data security

Data security is about making sure that your candidates' data is as safe as possible. A number of high profile data security breaches in 2017 have reignited the data security conversation. Recruitment software providers are under as much pressure as the organisations they serve to prove that candidate data is safe with them.

The General Data Protection Regulation (GDPR) will require detailed planning prior to coming into force in May 2018. Under GDPR, both the data controller (your organisation) and the data processor (software providers) are liable for data breaches. So selecting a trusted partner is extremely important.

## Integration security

This is about ensuring that your recruitment data feeds into any other systems - such as HCM systems - as seamlessly as possible. *Spreadsheets or manual data transfer is not best practice.*<sup>1</sup> The tighter the integration, the more secure the data transfer is.

## GDPR / privacy laws

GDPR is a key topic for a variety of departments, from Legal to HR. GDPR streamlines EU privacy laws and aims to give individuals more power over how their data is kept and when it is deleted. Recruitment software providers should consider self-service portals, where candidates can amend, update and remove their own data as they see fit.

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<sup>1</sup> <https://iabuk.net/system/tdf/Data%20Transfer%20and%20Security%20BP%20020812.pdf?file=1&type=node&id=19719>

## **Scoring and weighting**

Scoring and weighting is part of the candidate assessment process. Integrated into your recruitment software, scoring and weighting features allow you to reduce unconscious bias and be more objective in the hiring process.

## **Candidate background checking**

From references to Disclosure and Barring Service (DBS) checks, background checking is an important element to recruitment compliance. It helps to verify identities, and fact-check information on CVs. Due diligence on applicants is part and parcel of the modern hiring process for the majority of organisations.

## **Candidate assessment**

From initial screening questions to interview days - candidate assessment is the primary factor in an organisation's hiring decision. As part of the assessment process, more organisations are turning to psychometric testing. Psychometric tests further assess candidate suitability and can help to make your hiring process more compliant.

## **Vendors and preferred supplier lists (PSL)**

Ensuring vendors and preferred supplier lists (PSL) have all of the information they need to submit candidates is important. If a candidate has already been submitted for a given role by another vendor, then making all vendors aware of this can help to prevent fee disputes and avoid additional stress for the candidate.

## **Reporting and analytics**

If you can't report on your recruitment activities then you can't see where you're going or make adjustments to your strategy. The ability to report on key recruitment metrics is crucial, as we shall see.

# Recruitment compliance metrics

Metrics are the measurements you need to monitor in order to keep your recruitment strategy on the straight and narrow. They are the base components that make up your reports. They allow you to highlight successes and identify shortcomings. In short - without metrics, it is virtually impossible to know what is and what isn't working. For recruitment compliance, metrics are essential especially for reporting to the leadership team.



# 1. New Hire Attrition Rate

## What is it?

New hire attrition rate is the rate at which new starters leave your organisation within the first 12 months.

## Why measure it?

New hire attrition is a good measure of the success of your candidate attraction strategy. Rather than simply assessing the volume of hires you make, new hire attrition rate takes into account qualitative elements as well. It looks at whether the candidate you are onboarding are a good fit *long term*. If new hire attrition is too high, it might suggest that you need to further assess candidate suitability during the hiring process.

It could also point to issues with your onboarding program. Onboarding is proven to improve new hire retention rates. *58% of employees<sup>2</sup>* are likely to be with their company after three years if they took part in successful onboarding.



# 58%

of employees are likely to be with their company after three years if they took part in successful onboarding



## How to measure it?

$$\text{New Hire Attrition Rate (\%)} = \left( \frac{\text{Number of New Hires that leave within 12 months}}{\text{Total Number of New Hires}} \right) \times 100$$

<sup>2</sup> <http://thewynhurstgroup.com/wp-content/uploads/2014/07/Help-New-Hires-Succeed.pdf>

## 2. Application to interview ratio (ATI)

### What is it?

This metric looks at the level of candidates passing initial screening questions and progressing on to interview stage.

### Why measure it?

If the ratio is too high, then it suggests initial screening is too lax and could be tightened, and *vice versa*. This will likely vary from position to position, so you need to be able to segment reports based on the job role.



### How to measure it?

$$ATI (\%) = \left( \frac{\text{Total Number of Interviews}}{\text{Total Number of Applicants}} \right) \times 100$$



### 3. Business productivity lost (BPL) from attrition

#### What is it?

This metric looks at the impact of your attrition rate on the productivity of the business.



#### Why measure it?

BPL assesses the *consequences* of the new hire attrition rate. Usually the correlation between new hire attrition rate and BPL is directly proportional; the higher the attrition rate, the more productivity lost. New hire attrition and BPL statistics can be the backbone of a business case for investment in recruitment and onboarding software.

#### How to measure it?

$$BPL \text{ per hire (£)} = \frac{\text{Average New Hire Productivity (in £)}}{\text{New Hire Attrition}} \times$$

## 4. Time to full productivity (TFP)

### What is it?

TFP assesses the amount of time it takes a new hire to get up to full speed. The benchmark for full productivity is usually what the average worker produces in a similar position.

### Why measure it?

Time to full productivity can help to build a picture of other qualitative metrics such as quality of hire and employee satisfaction. High quality candidates that are happy in their work are likely to reach full productivity faster.

TFP can also provide an insight into the success of your onboarding processes. Organisations with a *standard onboarding process experience 50% greater new hire productivity*<sup>3</sup>.



Organizations with a standard onboarding process experience

**50%**  
greater new hire  
productivity.



### How to measure it?

$$TFP = \text{Start Date} - \frac{\text{Date Employee Reaches Full Productivity}}{\text{Start Date}}$$

<sup>3</sup> <http://www.urbanbound.com/blog/onboarding-infographic-statistics>

## 5. Financial impact of a bad hire

### What is it?

This looks at the cost of poor hiring choices, assessing not just the BPL but also the cost to backfill the position.

### Why measure it?

Business productivity lost looks solely at an individual's poor performance. Financial impact looks at the cost to replace them as well.

Not only is backfilling demoralising for recruitment and HR, it is unproductive. Time spent backfilling is time that could be better spent increasing headcount.



### How to measure it?

$$\text{Financial Impact (£)} = (\text{Cost of Hire} \times 2) + \text{BPL}$$

## 6. Quality of Hire (QoH)

### What is it?

Quality of hire assesses how proficient your new hires are.

### Why measure it?

For many organisations, quality of hire is the golden metric. QoH can provide vital intelligence on various elements of your recruitment strategy, especially when looking at how much to spend on your respective recruiting channels. For example, job boards may provide a high *volume* of candidates, but you may not get a high *quality* of candidate from this channel. Social media may have a lower *volume*, but a much higher *quality*.



### How to measure it?

$$QoH = \left( \frac{Job\ Performance + Time\text{-}to\text{-}Productivity + Employee\ Engagement + Cultural\ Fit}{4} \right)$$

## 7. Time at stage

### What is it?

Time at stage is a super-focused version of time to hire. While time to hire looks at the overarching amount of time taken to attract, engage and onboard a candidate; time at stage looks how long each stage of the hiring process takes.

### Why measure it?

This is a fantastic way to identify any potential bottlenecks in your recruitment process. Perhaps candidates are spending too long at hiring manager review. Or perhaps time to interview stage is too short, leaving candidates stressed and unprepared.

For the compliance stage, it can indicate how in depth your reference and background checks are and how long candidates spend at that stage. Too long and it could suggest the checks are too in depth, or that the candidates are not passing this stage. Too short, and it might suggest your checks need to be more rigorous.



### How to measure it?

$$\text{Time at Stage} = \text{Date Candidate Entered Stage} - \text{Date Candidate Progressed to Next Stage}$$

## 8. Offer Acceptance Ratio (OAR)

### What is it?

Offer acceptance ratio considers the amount of offers made versus the amount of offers accepted.

### Why measure it?

Offer acceptance ratio is a yardstick for the package you are offering to candidates. OAR is rarely 100% at any organisation. Candidates can pull out for any number of factors. But if your OAR is too low, it can suggest a number of issues. It might be that the package and salary you are offering is too low.

However, it might also point to issues with recruitment compliance. Candidates need to feel that they are making the right choice for their career. If you have not conducted the necessary background checks, or if there is any doubt in the candidate's mind about joining your organisation, then they might turn down the offer.



### How to measure it?

$$OAR (\%) = \left( \frac{\text{Number of Offers Rejected}}{\text{Total Number of Offers}} \right) \times 100$$

## 9. Candidate satisfaction

### What is it?

Candidate satisfaction assesses the complete candidate experience. The tricky part here is to collect feedback from *unsuccessful* as well as *successful* candidates.

### Why measure it?

Candidate experience is key to attracting the right calibre of applicants. According to thetalentboard.org, *33% of candidates will share their negative experience with their social networks.*<sup>4</sup> That is potentially thousands of negative comments made publically available.



### How to measure it?

*Regular Candidate Satisfaction Surveys*

<sup>4</sup> <http://www.thetalentboard.org/>

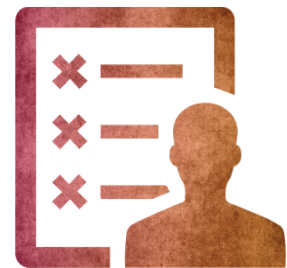
# 10. Candidate Withdrawal Reasons

## What is it?

A breakdown of the reasons why candidates withdraw from the selection process, irrespective of stage.

## Why measure it?

A wide variety of reasons is usually a good result. It means that there are no particular avoidable issues for you to address. However, if withdrawal reasons are focused around one particular issue, for example time to hire, then there could be room for improvement. Check your time at stage metric to see which stage in particular is causing a bottleneck.



Note: this is not a report on why a candidate was unsuccessful during the process. This is about measuring why a candidate actively withdraws for their own reasons.

## How to measure it?

$$\text{Candidate Withdrawal Reasons (\%)} = \left( \frac{\text{Sum of Reason for Withdrawal}}{\text{Total Number of Withdrawals}} \right) \times 100$$



# Conclusion

Measuring the success of recruitment compliance can be difficult, but by doing so, it can help to highlight potential areas of focus within your recruitment strategy.

It is important to measure the right things and that they aren't measured in isolation, as this can lead you to mistakenly change tactics that are working. For instance, the application to interview ratio should be viewed in the context of the quality of the hire. If the quality of hire is good, then the application to interview ratio is probably fine as well.

Metrics can also become the building blocks for a successful business case to procure HR software to support your business strategy. They provide the necessary proof of what is and what isn't working, and help to show precisely how HR software could help your organisation to flourish.

We hope that this guide has provided you with some actionable insights for your organisation.



For more information on how NGA Human Resources can help, go to [ngahr.co.uk/talent](https://ngahr.co.uk/talent)

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We help our clients become better employers through smarter, more streamlined business processes - to save money, manage employee life cycles and support globally connected, agile organisations. This is how NGA makes HR work.

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