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Human resource management — Cost-Per-Hire

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National foreword

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Contents

Page

Foreword ... **iv**
Introduction ... **v**
1 Scope ... **1**
2 Normative references ... **1**
3 Terms and definitions ... **1**
4 Cost-Per-Hire Internal (CPHI) ... **2**
4.1 Formula ... 2
4.2 Cost data in scope (the numerator) ... 3
4.3 Total number of hires in a time period (the denominator) ... 5
4.3.1 General ... 5
4.3.2 Defining which types of hires to include in CPHI ... 5
5 Cost-Per-Hire Comparable (CPHC) ... **5**
5.1 Formula ... 5
5.2 Cost data in scope (the numerator) ... 6
5.3 Total number of hires in a time period (the denominator) ... 7
5.3.1 General ... 7
5.3.2 Defining which types of hires to include in CPHC ... 7
6 Hire-Cost-Ratio (HCR) ... **8**
6.1 Formula ... 8
6.2 Cost data in scope (the numerator) ... 9
6.3 Total first-year compensation of hires (the denominator) ... 9
6.3.1 General ... 9
6.3.2 Defining which types of hires to include in CPH ... 9
6.3.3 Defining total compensation ... 9
7 Assembling a CPH metric ... **9**
7.1 Data collection methodology requirements ... 9
7.2 Evaluating data ... 9
7.2.1 Representative data set ... 9
7.2.2 Periodic review of processes ... 10
7.2.3 Date ranges ... 10
7.3 Use of data segmentation in CPH ... 10
7.3.1 General ... 10
7.3.2 Adding segmentation data to CPH calculations ... 11
7.3.3 CPH formula when data segmentation is used ... 11
7.3.4 Assembling a segmented CPH metric ... 11
7.3.5 Visual display of segmented CPH metric ... 12
7.3.6 Special case segmentation: Compulsory and post compulsory education hires ... 12

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Foreword

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The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation on the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see the following URL: www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 260, *Human resource management*.

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Introduction

0.1 General

Cost-Per-Hire (CPH) is a commonly used metric in recruitment to measure the efficiency (defined in financial terms) to fill an open position within an organization. The information provided from the use of this metric assists the recruitment function of human resources in terms of the budgeting and benchmarking of recruitment costs. This document covers the definition, assembly and documentation techniques required to produce the CPH.

A central requirement in the design of this document is to provide practitioners with a standard tool to calculate metric CPH. This document allows the calculation of accurate and comparable costs of recruitment through an algorithm to calculate the recruiting costs. Although this document is structured at a high level, specific consideration and responses are also addressed for consideration by individual organizations based on their unique hiring environments and requirements.

This document defines three types of CPH formulae.

— 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 CPH 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.

— Hire-Cost-Ratio (HCR) 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 HCR is a ratio of costs to total first-year annual compensation of the new hires.

Recognizing that organizations operate differently, and incur unique costs, this document allows for variance within organizations while still providing a robust methodology for creating a CPH metric which enables comparison between organizations.

A CPH 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. It does not measure any post hire costs or damage to the organization by not having the employee in place.

0.2 Using this document

Organizations use the CPH metric to measure the cost of a recruiting operation. Organizations have found the metric useful in understanding their own internal operations with regard to recruiting and in identifying areas for improvement. Known uses of the CPH metric include those listed in Table 1.

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Table 1 — Uses of CPH metric

Organizations	Departments and individuals who perform, manage or evaluate recruiting costs
— As benchmark data to be compared with data from other companies, competitors, other divisions, etc. — As a budget planning tool, quarterly and annually — 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	— 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 — In measuring and comparing sub-group performance — In measuring and comparing hiring performance by employee segments, such as professional versus hourly hires — 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

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Human resource management — Cost-Per-Hire

1 Scope

The purpose of Cost-Per-Hire (CPH) is to measure the economic value of the effort taken to fill an open position in an organization. This document describes actions to be taken when calculating CPH 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.

Central to CPH as described in this document are the features of the visual display of the metric, emphasizing transparency of data inputs, processes and the formula used within the metric.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 30400, *Human resource management — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 30400 and the following apply.

ISO and IEC maintain terminological databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at http://www.iso.org/obp

— IEC Electropedia: available at http://www.electropedia.org/

3.1
Cost-Per-Hire
CPH
measure to identify costs associated with *recruitment* (3.9)

Note 1 to entry: It is calculated by taking the average of total recruitment costs divided by the number of hires.

Note 2 to entry: *Cost-Per-Hire Internal* (3.3) and *Cost-Per-Hire Comparable* (3.2) are subsets of Cost-Per-Hire.

3.2
Cost-Per-Hire Comparable
CPHC
measure to identify costs associated with *recruitment* (3.9) among organizations

3.3
Cost-Per-Hire Internal
CPHI
organization-specific costs associated with *recruitment* (3.9)

3.4
external cost factor
external cost
expense incurred to external vendors or individuals during the course of recruiting

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