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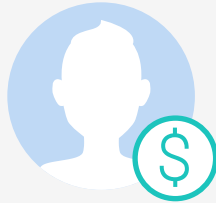
HOW TO SET A REALISTIC RECRUITMENT BUDGET

Create an Annual Recruitment Plan

Did you know that the average US employer spends **$4,129** to hire a new employee?

Recruiting costs can make up over 25% of all HR spend. A recruiting budget helps in hiring efficiently as it provides an annual estimate of the total cost of hiring, including both internal and external expenses. To start creating a recruitment budget, first think about your hiring goals and recruitment plan for the year.

Start creating your company's annual recruitment plan by determining how many new hires your company plans on hiring for the year, taking into consideration the staff turnover rate.

- How many people have been hired over the last year?

- Were they new hires due to growth or replacements for turnover?

An accurate count will give you an idea of how you will perform this year.

The overall demographics of the company will help set hiring costs. The job type and location will affect the budget, as some roles and locations are harder to fill because of unique skill sets or competitive markets. Knowing how many yearly hires you need per department will help set the budget for the year.

INTRODUCTION

Understanding Cost-Per-Hire

According to the Society of Human Resource Management (SHRM), cost-per-hire – encompassing internal, external, direct and indirect costs associated with sourcing, recruiting and staffing an open position – is a human resource metric that measures the costs associated with filling an open role.
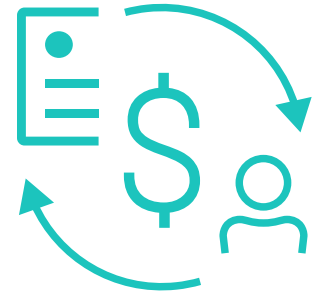
To accurately measure cost-per-hire, you'll need to know the internal and external recruiting costs that go into filling each role. Here are some of the internal and external costs that should be factored in:

Internal costs should include:

Internal recruitment staff salary or pay

Staff training costs

Travel costs or referral bonuses

In-house applicant or human resources technology or software:

Applicant tracking system (ATS)

Human resource information system (HRIS)

External costs should include:

Staffing agency and contractor fees

Job advertisements and job fair costs

Recruitment software, including analytics data and record-keeping

Candidate travel costs and screenings (background checks, drug testing)

Sign-on bonuses

Use your cost-per-hire to determine your recruitment budget and whether the total budget is consistent with your business plans and goals. Researching what the standard cost-per-hire is for your industry will also give you key insight into what competitors or similar companies are spending on their recruitment budgets.

Calculating Cost Per Hire

STEP 1

Select the time period you want to calculate for

STEP 2

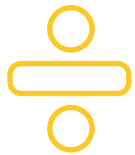Compile all internal costs for the selected time period

STEP 3

Compile all external costs for the selected time period

STEP 4

Add the external cost total to your internal cost total

STEP 5

Divide those external plus internal costs by the total number of candidates hired during the defined time frame – this will give you your cost-per-hire

Example: Between January 1, 2022 and March 31, 2022 your company:

- Spent $5,000 on internal recruiting costs
- Spent $10,000 on external recruiting costs
- Hired 5 new employees

$5,000 + $10,000 = $15,000 / 5 = $3,000 cost-per-hire for Q1 of 2022

How to Save Money While Recruiting

Here are a few tips from JobTarget recruiting experts on how to save money in the recruitment process:

Promote Your Employee Referral Program

According to employee referral software company ERIN, 45% of referred employees stay with a company longer than employees found through job boards and referred candidates take less time to hire, which means a decreased turnover rate and a lower cost for you.
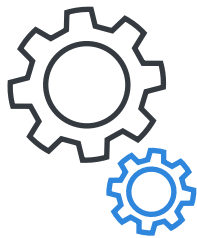
Use Automation and Technology to Your Advantage

Programmatic job advertising clearly indicates how much you're spending on your job postings, reduces cost-per-applicant by eliminating wasteful spending on over-bidding or under-performing job sites, and allows you to set your budget. Find out more about Programmatic here.

Prioritize Retention and Reputation

When companies provide competitive compensation and nurture a positive work environment for employees, it positively affects the growth of the brand, which can reduce costs by retaining great candidates and reducing the number of open roles.

Optimize Job Titles and Descriptions for Accessibility and Discoverability

Make sure the requirements are written clearly in the descriptions without typos and feature the key requirements needed to fill the role. Search Engine Optimization (SEO) can help get your job posting in front of the right talent and reach the top of job sites. By adding the right search terms and keywords, you'll increase applicant engagement and save on recruiting time. Find out more about SEO here.

Need help setting a recruitment budget?

JobTarget can help!

Book time with one of our experts to learn how to reduce cost-per-applicant and eliminate wasteful spending.

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