Cost-per-Hire: Formula and Worked Example

An original worksheet based on the Xobin Cost-per-Hire glossary. This is not the SHRM Talent Acquisition Benchmarking Report and contains no benchmarks or survey statistics.

Definition

Cost-per-hire refers to the total cost of recruiting a new employee for the company, including the cost of recruitment, equipment, travel costs, administrative costs, and benefits.

Formula

Cost per hire = (Internal recruiting costs + External recruiting costs) / Total number of hires in the same time frame.

Add the total internal and external costs of hiring, then divide the sum by the number of hires in that period.

Components named on the glossary page

Internal costs	External costs
Internal talent recruitment team salaries Wage cost of hiring managers' time Training and development costs for the recruiting team Employee referral incentives Recruitment software fees	Aptitude test providers Assessment centers External agency fees Job board posting Advertising expenses Recruiting events costs Relocation expenses

The page also names equipment, travel costs, administrative costs and benefits in its definition. Use the same time frame for costs and hires.

ILLUSTRATIVE worked example

The following numbers are invented solely to demonstrate the formula. They are not actual Xobin costs, benchmarks or recommended spending levels.

Illustrative inputs	Amount
Internal recruiting costs	12,000 currency units
External recruiting costs	8,000 currency units
Total hires in the illustrative period	5
Calculation	(12,000 + 8,000) / 5 = 4,000 currency units per hire

Blank cost-per-hire worksheet

Time frame: _____

Currency/unit: _____

Internal cost component	Amount
Recruitment team salaries	
Hiring managers' time	
Recruiting team training and development	
Employee referral incentives	
Recruitment software fees	
Internal total	

External cost component	Amount
Aptitude test providers	
Assessment centers	
External agency fees	
Job board posting	
Advertising expenses	
Recruiting events costs	
Relocation expenses	
External total	

Calculation	Fill in
Internal total + External total	
Total hires in the same period	
Total costs / Total hires = Cost per hire	

Cost-per-hire is only a start. The glossary notes that it needs complementary metrics to give insight into efficiency; avoid relying on a single metric.