



UNDERSTANDING
THE REAL COSTS OF
ATTRACTION



OFFICE STAFFINGSM
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Do You Know Your TCA (Total Cost of Attraction)?

Uncovering the Hidden Costs of Finding Talent

In today's business climate where qualified candidates are scarce and often costly to find, talent acquisition leaders must increasingly justify their expenses associated with recruiting. The **total cost of attraction (TCA)** metric has become an essential data point when determining whether to handle recruiting as an internal function or outsource the process to a business trusted partner.

TCA, when calculated correctly, illustrates all of the costs associated with filling an open position and determines the average amount spent to hire a new employee for that role.

The total cost of attraction metric describes a business value for the resources required to attract and hire new employees. And while cost per hire does not paint a full picture of an organization's recruiting abilities, the cost of talent acquisition should not be ignored.

A recent study by Deloitte Consulting found that organizations with the most mature talent acquisition strategies actually have higher cost of attraction compared to their less mature industry counterparts. But those costs include a range of tactics that not every organization will require—often resulting in a higher quality of hire which offsets the higher cost per hire over time.

High cost of attraction will certainly gain attention from company executives. Low cost per hire may impress your organization's CFO and free up resources for other purposes. But it's important to determine the level of investment that provides the best outcomes for your unique organization.

Determine your cost per hire.

Attempting to calculate your cost per hire can seem like a daunting task considering the number of individual metrics it can include. The calculation summarizes both internal and external expenses. Plan to collect accurate spending data for all activities related to filling an open position before calculating, including:

- Advertising expenses including job board postings and social media
- Job fair and campus recruiting costs
- Third-party fees such as recruiting agencies
- Travel expenses for recruitment
- External assessments, background checks, and drug tests
- Internal costs per time period
- Salary, benefits, and career development for the recruiting team
- Talent acquisition system costs including software and hardware maintenance
- Other fixed costs such as employee referral bonuses, government compliance payments, internal training, etc.

Gather your results.

1. **Compile Cost Data:** Once all external and internal costs have been determined, the total expenses should be gathered over a specific time period. The same time period, whether monthly, quarterly, or annual, should also be used when adding the total number of hires.
2. **Determine Number of Hires:** Total number of hires includes all new staff regardless of their type. Full time or part time, temporary or permanent, recruitment costs should reflect the expenses required to hire all types of employees in that given time period. If needed, deeper dives can be taken later.



Apply the TCA Formula.

$$\text{Cost per Hire (\$)} = \frac{[\text{Total External Costs}] + [\text{Total Internal Costs}]}{\text{Total Number of Hires}}$$

This formula depicts a standard cost per hire and is intended to give broad insight into this measurement tactic. Every talent acquisition team can likely document a list of unique internal and external costs and will add these up over a designated time frame. Consistency in measurement is crucial as HR leaders seek to accurately assess TCA over time.

Consider other factors of TCA.

In order to have a complete outlook on your organization's average cost per hire, also consider unforeseen events that drive the number higher or lower. If you do not account for these occasional yet potentially dramatic variances in TCA, you could be in for a surprise at the end of a quarter or halfway through a candidate search.

1. **Extended Vacancies:** Extended employee vacancies increase your recruiting costs by prolonging the variable costs associated with the internal and external hiring resources your organization leverages to recruit talent. These vacancies can be based on any one of a number of planned or unplanned life events.

Additionally, extended vacancies can be detrimental to your employees' overall productivity and morale. As employees are forced to take on extra or unfamiliar work to cover other employees' vacancies, your hardest workers may be pushed past their limits or inspired to find a new, less stressful organizational position.

2. **Bad Hires:** Besides being ineffective in their organizational roles, bad hires also end up costing a great deal in recruiting expenses. Despite the inherent costs in hiring bad employees from the onset, the price of replacing poor or mediocre employees depends on the position being occupied by a poor performer.

Market demands and other pressures sometimes force organizational leaders to trade quality for immediacy in hiring decisions. The biggest problem with this approach is that skill requirements change constantly, and an employee deemed "qualified" six months ago may no longer fit your organization's needs.

If your organization suspects making a hiring mistake, make sure that you are benchmarking performance from day one of the new hire onboarding. The last thing you want to see happen is for your hiring mistake to lead to months of unproductive behavior before an ultimate dismissal.

3. **High Turnover:** High turnover dramatically increases your recruiting costs through the sheer volume of new hires that the issue forces an organization to make. On top of hard costs associated with turnover, high turnover affects employee morale and can negatively affect company culture.

If a high turnover trend is allowed over a long period of time, an organization can be hit with an unexpected amount of vacancies at



an inopportune time. Additionally, more and more employees tend to desert what they perceive to be a sinking ship.

By emphasizing retention and career progression within your organization, you can pro-actively help to avoid or at least curb a high turnover trend.

No employee wants to feel as if there is no path for career advancement, so make sure that every role in your company has a clear path for increasing responsibility and compensation. Providing employees with the training resources required to advance to new positions will also create a culture that combats turnover and promotes continuous improvement.

Don't be afraid of your TCA.

Ideally, your cost per hire data will be paired with other metrics like quality of new hires, average turnover, and vacancies to offer a comprehensive look at the effectiveness of your organization's recruitment methods.

If your cost per hire figures are routinely similar, you might come to the conclusion that your talent acquisition team is following a generally effective strategy. This type of generalization could actually disguise areas for process improvement and cost savings.

Increasing or decreasing your cost per hire could be the result of a recent investment in new recruiting software, online advertising, or social media awareness. It might also suggest a more holistic approach to talent acquisition which emphasizes improving the candidate attraction experience over simply continuing legacy recruiting methods.

No matter what your TCA, the data included is useful in developing a comprehensive talent attraction strategy.

About Office Staffing Inc.

Office Staffing Inc. is a talent attraction division of AXIOS HR. At AXIOS HR, we're helping over 400 mid-size businesses reach their human resource goals—with smart strategies, proactive advice, and a partnership mentality.

As an independent, 100% employee-owned company, our team takes a personal interest in your success, listens to your needs, and forms a comprehensive plan to attract, retain, insure, and support your people.

For more information on how the Office Staffing team can help you to reduce your total costs of talent attraction, visit WWW.AXIOSHR.COM.

