

The 'rookie metric': How to track quality of new hires

Your organization likely tracks the individual performance of current new hires to determine their contribution. But most employers don't measure and compare the aggregate performance of new hires year after year.

Such measurements help determine the quality of hire—the value of an employee's contribution to the organization over time. Having these numbers in your pocket can enhance HR's credibility among executives, who want metrics that accurately measure productivity.

There are different approaches to measuring quality of hire, but these two are among the most effective and widely used, according to HR consultants:

1. New hire performance

This measurement helps provide information about characteristics the organization should seek in candidates to hire and retain. It can also help HR improve training and orientation programs, and indicates which managers and departments are better at hiring and retaining top performers.

Follow these steps to calculate the metric:

- Calculate the average six-month or annual appraisal scores of new hires in similar jobs or in a particular department.
- Track the percentage of new hires that receive promotions within one, two and three years after coming aboard.
- Record the amount of time that new employees need to reach the required productivity level.

Compare each of the measurements to those of the previous year's new hires and to those of current employees.

2. Manager satisfaction with new hires

After a certain period, say six months, ask managers to complete questionnaires that measures their satisfaction levels with new hires and the recruitment process. Keep the survey brief.

For example, a Society for Human Resources Management (SHRM) sample survey uses a five-point "strongly agree" to "strongly disagree" scale. It asks managers to what degree they agree that their new employee: (1) meets the requirement of the position, as described in the job description; (2) began making a meaningful contribution within the expected time frame; and (3) fits in well with the organizational culture.

Keeping score

Here is a common formula to measure quality of hires overall in the organization. A higher score means better

hire quality:

Quality of hire = (PR + HP + HR) divided by N

PR = Average performance review rating of new hires

HP = Percentage of new hires reaching acceptable productivity levels within the time period

HR = Percentage of new hires retained after one year

N = Number of indicators (3)

Example:

PR = 7.5 average review on a 10.0 scale = 75%

HP = 75 of 100 people hired 12 months ago meet acceptable productivity standards = 75%

HR = 15% turnover = 85% HR

N = 3

Quality of hire = (75 + 75 + 85) divided by 3 = 78.3

Translation: Your new-hire quality level is 78.3% for employees hired in the year throughout your organization.