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White Paper

Everything You Need to Measure Quality of Hire

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INTRO

Making data-driven decisions is the foundation of modern best practices, for everything from determining what content to write about in your blog to developing a new product feature your customers want. Data analysis can help make decisions in nearly every aspect of a business, up to and including measuring your new hires.

Measuring quality of hire allows you to make decisions based on that data, to know what weaknesses and strengths you've built into your team and what qualities you should look for in future hires. You can also use that data to grade new hires based on their means of acquisition. You might learn, for example, that candidates from a recruiting agency are consistently high performing, while new hires who found you through LinkedIn job listings aren't as consistently good.

There are no simple templates or tools out there to help you calculate quality of hire. A lot of what goes into such ranking is moderately subjective, for one thing, and what constitutes candidate "quality" in one role, in one business, or in one industry won't be the same for another.

What you can do instead is use a list of common candidate quality indicators to put together your own grading rubric for new hires, to grade them immediately and over time.

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Indicators of Candidate Quality to Monitor

So what should you be looking for as indicators of quality? There's a lot, but here are most of the common factors you can watch.

Job Performance. Performance (in general) is one of the most common indicators of a new hire's quality. Obviously, you can't grade their performance until they've worked in their role for a while, meaning they've passed through their training and onboarding period and have settled into their role.

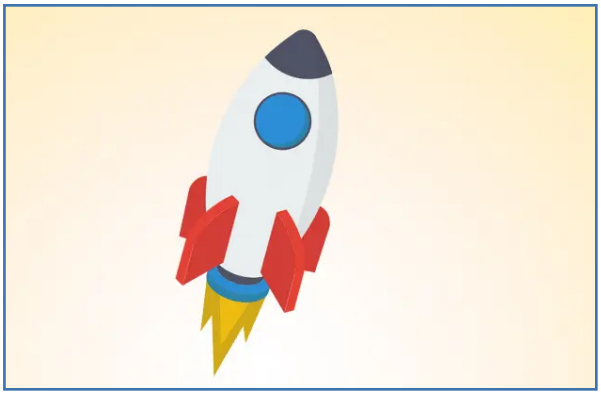
Consider what performance indicators point to a quality employee. Meeting deadlines, meeting or exceeding goals and expectations, working well as part of their team, collaborating well with other teams, working with management to improve the department overall; these can all be useful signs of high job performance. Conversely, someone who fails to meet deadlines, makes mistakes, doesn't own up to their mistakes, or who consistently underperforms would get a lower job performance rating.

Retention. Did the employee stick around? The longer an employee has been with you, the better, most of the time. If a worker is fired, they're clearly not high quality enough. If they quit, even if they were a good worker, it's a strike on their datasheet. It's worth monitoring retention from different recruiting sources, in case you notice some sources provide longer-term hires while others treat your company as a temporary job while they look for a better career.

Keep in mind that an employee can be very high quality and still leave quickly if they don't feel they fit in with your company culture or they simply want a larger role with more responsibilities than you can give them. Conversely, an employee who has been with you for years might be a generally low-quality hire, serviceable but not spectacular.

Lars Schmidt, of Amplify talent, has this to say:

> "Retention is harder to measure because there's a lot of different factors besides the individual's quality that can impact how long they might stay. You can have an amazing hire and a horrible manager. That great hire will be poached by another organization and that's not a reflection on the recruiter that brought that person in."



Time to Ramp Up. It takes a new employee time to get up to speed. Even if they're highly trained and are very good at what they do, they still need to take time to learn what your requirements are for a role, what kind of reporting they need to do, what restrictions they may have, what software your firm is using, who they need to talk to and collaborate with, and so on.

Depending on the role, the training necessary, and other factors, the ramp-up time from hire to full productivity can vary. There's no easy benchmark like "within a month they should be operating at full capacity" because it varies so much between roles and companies. You simply need to compare them to others in your company in similar roles.

Overall Productivity. How productive is a new employee? This can be difficult to measure. This might be easy to measure for, say, a sales team member. If they make or exceed sales goals, they're doing well. If they fail to meet normal sales goals, they're doing poorly.

What about some other role, like a developer, an HR manager, or an IT network specialist? These roles will have their own goals and benchmarks, which you need to identify and monitor to measure productivity.

Social Factors. Part of the quality of a hire goes beyond their job performance and into how they fit with the rest of your team. Does your new hire socialize and fit in, or do they keep isolated or keep to themselves? Are they abrasive, or do they generate complaints to your HR department? Keeping track of this data can also be an indication of overall hire quality.

360 Feedback. Some organizations use a "360-degree feedback" program, where each employee is reviewed by at least three people each review period: someone above them in the chain, such as a manager, a colleague from their department, and someone who works under them in the org chart. This gives a more accurate impression of an employee and how they fit in their role. Sometimes you'll find employees who are looked upon favorably by their bosses but are broadly disliked by their peers, and getting only one of those perspectives at a time won't tell the whole story.

Employee Satisfaction. A good hire is a happy hire. Someone who is happy in their position, with their level of responsibility, is generally going to be a higher quality hire than someone who is unsatisfied. Unhappy employees tend to leave, perform worse, or otherwise suffer in their role.

Pre-Hire Metrics. While not direct indicators of the quality of a new hire, you want to keep track of data about a new employee. Some relevant data points can include the time from application to hire, their performance on an interview scorecard, the source of the application, and other metrics that can be associated with the overall quality of the hire later on. That way, you can analyze the source of your employees and find which sources are best, overall.

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How to Grade Quality of Hire

The first step to judging and grading quality of hire is putting together the list of qualities you want to judge. Picking qualities from the list above, or developing a list of your own, is crucial. Figure out what matters and what doesn't, and make sure they're elements you can assign a value to. It's generally a good idea to develop a different set of categories for each major role in your company since each should be judged on its own merits.

We recommend creating a form you can use to rank new hires and existing employees. A simple table is fine. Use one column to list out the quality you're judging, and another column to assign it a score. Some companies use a 1-5 or 0-10 scale. We recommend a 1-100 scale, or a percentage, which gives you a lot of flexibility to judge employees without needing to make tricky decisions between a 9 and a 10 or a 4 and a 5.

To assign a hire a score, simply add up each percentage and divide it by the number of factors you scored. So, for example, let's say you're ranking your employees based on these five factors:

- Goals Met – G
- Time to Settle – T
- Sociability – S
- Attendance – A
- Manager Satisfaction – M

Your total calculation for quality of hire would be:

(G+T+S+A+M) / 5

So let's say we have a hypothetical employee named Bob. Bob has the following scores:

- **Goals Met:** 95%. Bob is generally on target with his goals, but doesn't truly exceed them, he merely meets them.
- **Time to Settle:** 100%. Bob has experience in his role and settled in quickly.
- **Sociability:** 80%. Bob is social in the office but keeps his work relationships superficial.
- **Attendance:** 75%. Bob has a chronic illness that sometimes causes him to miss partial days, though it doesn't affect his ability to achieve in his role.
- **Manager Satisfaction:** 100%. Bob is an effective employee and his manager has no complaints.

Thus, his quality equation would be (95 + 100 + 80 + 75 + 100) / 5, which comes out to be 90. Bob's employee quality score, then, would be 90/100, or 90%.

Typically, you will want to go over each category for each employee on a regular basis. Once per year, once every six months, once per quarter, or even monthly can all be valid schedules, though monthly tends to not be as useful, and annually may miss a lot of granular quality indicators throughout the year. Quarterly tends to work well.

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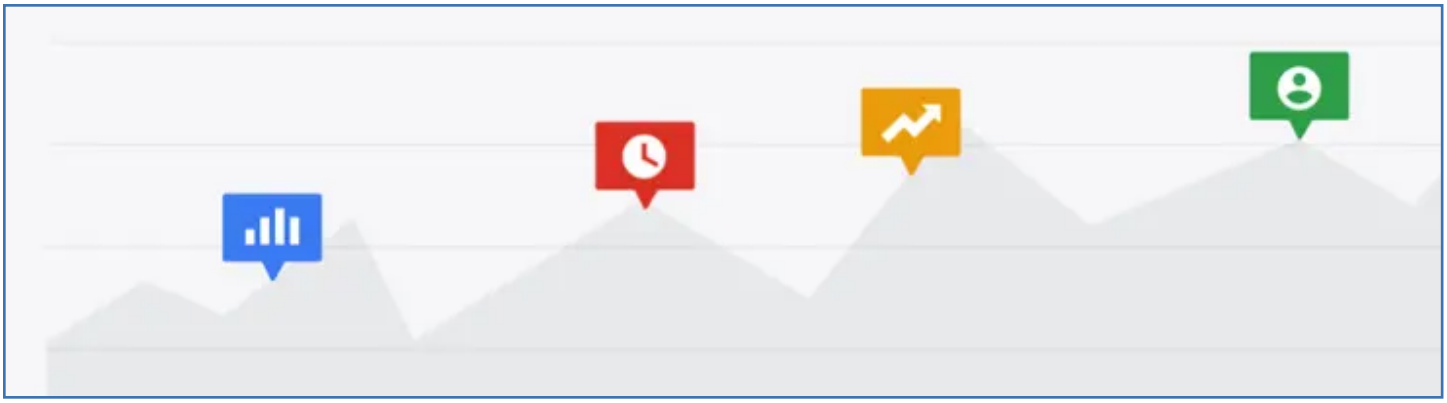
How to Make Use of Quality of Hire Data

It's one thing to assign a numerical value to your employees, but it's quite another to make that data actually useful. So how can you use the data you compile?

Correlate quality data with the source of the hire. When you're hiring new employees, you're likely looking for them through a range of different platforms, from a career portal to Facebook applications to a recruiter. By monitoring the quality of the hires you get and cross-referencing that data with their source, you can figure out which sources provide the best employees and are worth investing in.



Look for predictive trends that indicate issues with job satisfaction or an impending decision to leave. A more potent use of data is to predict the trajectory of an employee. You'll need data on your employees, likely over the course of a year or so, before you can start identifying these trends.

Try to isolate specific quality indicators that can be used to predict future performance from a hire. For example, a decrease in attendance or goals met can indicate a variety of issues, from personal health to a lack of loyalty to your company.

Early on, looking at the data on a new hire can be predictive of how well they will settle into their role in a year or two. Later on, watching the trajectory of overall quality can indicate when it might be time to look for a replacement for someone who plans to leave, even before they tell you they plan to leave.

Identify weaknesses in parts of your business. While you're using these metrics to rate and score your employees, remember that there's more to the situation than just those employees. A low score in a certain area, across a handful of new hires, or an entire department, can be indicative of an issue with your business. As Jeff Moore says:

> "Poor performance of a new hire could be attributed to management issues, team troubles, culture problems, strategic misfires from leadership, or some other situation that causes a new hire to struggle."

Here are some examples:

- A low or decreasing ability for employees to meet sales goals can indicate that those sales goals are unrealistic, or that your brand is reaching a saturation point in your audience.
- A low level of sociability or morale amongst a particular department might indicate that a manager may be oppressive or disliked, or that someone on the team is abrasive and everyone else would rather keep to themselves than aggravate them.
- A sudden decrease in quality across the board might indicate that your company's leadership makes a decision that is broadly unfavorable.

> Being able to look at the data allows you to investigate potential issues and solve problems with your business, culture, messaging, and initiatives well before they become serious institutional problems.