

6 Simple Ways to Calculate the ROI on Your ATS



peoplefluent.com

Part of Learning Technologies Group plc **ltg**

Table of Contents

Introduction.....	02
1) Cost of an Agency vs. Efficient In-House Hiring.....	03
2) What Is Your Time Worth? (And How Much Are You Wasting?).....	04
3) Calculating the Value of a Quality Hire.....	06
4) Cost of a Bad Hire.....	08
5) Cost of Recruitment Marketing and Job Advertising.....	09
6) Employee Turnover Rates.....	11

This ebook was originally published on our sister site, Breezy HR, and has been amended with the most recent insights and research.

Introduction

Congrats! You just found the applicant tracking system of your dreams.

It's intuitive, easy to use, and makes all your hiring headaches disappear. You know with 100% certainty this 'baby' will save you a ton of time and money. But can you prove it?

For better or worse, your executive team speaks one language: ROI.

And numbers have a way of saying more than words ever could. Here are some simple formulas to help you calculate the ROI on your ATS and win the eternal love (and buy-in!) of your C-suite stakeholders.



1

Cost of an Agency vs. Efficient In-House Hiring

With recruiting fees varying from minimal (referrals) to massive (recruiting firms), it's smart to gain control of your recruiting costs by using an efficient ATS to help bring hiring home and save a bundle in agency fees.

First, you'll need to pin down the monthly and yearly amount your company is currently paying in recruitment fees. For the sake of easy math, let's go low and say it's \$12,000 per year, or \$1,000 per month.

If you pay \$149¹ per month for a smart ATS that lets you instantly post open positions, engage with leads, create talent pools and track candidates yourself, that's a monthly saving of \$851 (or \$10,212 per year!). What CFO in their right mind would say no to that?

Of course, you still need the internal bandwidth to manage and track your applicants, but we're guessing you're already spending quite a bit of time briefing recruiters.

You might be surprised to find that with the right tool, you can hire more efficiently without having to create a whole new position.

1. This cost is based on our sister company Breezy HR's ATS subscription fee schedule.

2

What Is Your Time Worth? (And How Much Are You Wasting?)

Already hiring in-house? If you're one of the many companies using a homegrown applicant tracking system consisting of messy Excel spreadsheets and email chains, you're wasting time and energy.

HOW MUCH, YOU ASK? LET'S TAKE A LOOK.

Start by identifying how many members are on your hiring team. Let's say you have one departmental head, two members of your HR staff and one CEO who are involved in every hire.

Next, determine how many hours per week each person spends on hiring-related tasks. For example, a member of your HR team might spend 30 hours of their week on recruitment and hiring activities.

Now all you have to do is multiply that number by their hourly rate and voila!

$$\begin{array}{r} 30 \text{ HOURS PER WEEK} \\ \times \$20 \text{ PER HOUR} \\ \hline = \$600 \text{ PER WEEK (PRE-ATS)} \end{array}$$

2) What Is Your Time Worth? (And How Much Are You Wasting?)

According to our sister company, Breezy HR, a smart ATS could easily reduce the HR employee's workload by at least 30%. And, depending on which one you choose, could cost as little as \$37 per week. Now all you have to do is a little basic math.

HOURS SPENT HIRING WITH AN ATS

= **20** HOURS PER WEEK

COST PER HOUR

= **\$20** PER HOUR

COST OF ATS

= **\$37** PER WEEK

20 HOURS X \$20 PER HOUR + \$37 FOR ATS

= **\$437** PER WEEK (POST-ATS)

That's a weekly saving of \$163 (\$652 per month!) or 440% ROI just for one member of your hiring team who is now using an ATS.



3

Calculating the Value of a Quality Hire

That brings us to our next metric. And it's a biggie! Great hiring is truly a team sport and when your entire hiring team is working like a well-oiled machine, the quality of hire is much better. Quality talent is a massive return on investment.

Home-run hires can save you a ton of money in onboarding and retention costs. And, high performers are always great for the business's bottom line. But how can you break that down into hard numbers?



3) Calculating the Value of a Quality Hire

First, check your company's SEC report (or year-end financial report if you're outside the US) for the revenue per employee. Multiply that number by 40% to get an estimate of the profit margin per hire.

Let's say your revenue per employee is \$200,000. With the average profit contribution of 40%, each employee brings in approximately \$80,000. But employees in the top 25% of the talent pool could bring in at least an extra 25% in profit, for example.

Where an average hire will bring you \$80,000 in profit, a stellar hire will bring in a minimum of \$130,000.

To get the ROI, all you have to do is subtract the cost of the ATS from the additional value of the top-tier employee you hired with it:

If you make 20 hires per year, the remaining 19 can be calculated at full QE because the cost of the ATS is set. That's \$2,598,212 per year on an investment of \$1,788. Or an ROI of 1,453%



VALUE OF QUALITY EMPLOYEE (QE)

= \$130,000 PER YEAR

ANNUAL COST OF ATS (ATS)

= \$1,788
(\$149 PER MONTH X 12 MONTHS)

QE - ATS

= \$128,212
VARIABLE PROFIT PER YEAR, PER HIRE

4

Cost of a Bad Hire

Admittedly, there's a lot that goes into hiring the top 25%.

Your ATS is one core piece of the puzzle that can help you quickly create and execute the type of job descriptions, employer branding, and active and passive sourcing techniques that consistently bring in top talent.

But let's play devil's advocate and say you don't manage to use your ATS to its maximum potential. You're still saving a ton of money simply by making better hires than you would have under a siloed, ad hoc system.

The cost of a bad hire can range significantly and typically varies based on the rank and seniority of the position and the cost of the recruitment tools a company is currently using to fill it.

So let's say you were under pressure and made a bad call. Your new hire is in a position that pays \$50,000 per year. We will also assume

a minimum cost of a bad hire at 30% of the employee's first-year earnings, so that one bad hire is costing you at least \$15,000.

If you had spent the \$1,788 (\$149 per month x 12 months) on an ATS to help you make hiring calls in a cool, calm, collected kind of way, you could have saved \$13,212.

That's about 7.4% in ROI on every solid hire made with an ATS.

And these are extremely conservative estimates. If you use the previous value-based ROI formula to calculate the profit losses of a bad hire, it's not hard to see just how much one bad apple can cost you. Especially, considering the contagious nature of a toxic employee.

An efficient ATS will enable you and your team to review candidates together, help you get an accurate read on the candidate's true personality and allow you to check their references quickly and thoroughly to make sure they are who they say they are.

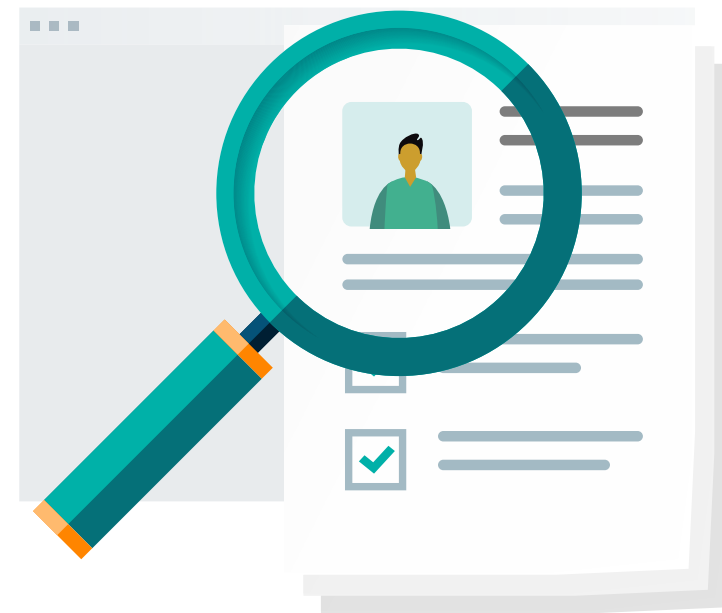
5

Cost of Recruitment Marketing and Job Advertising

We're bouncing back into a job seeker's market as unemployment rates begin to dip and job openings are on the rise again.²

And with social media in the mix, the pressure to be in front of all the candidates all the time is very real. Using an ATS to build targeted pools of qualified talent can save you thousands in recruitment marketing and job advertising.

A larger pool of awesome candidates means you can fill roles faster with fewer ads on the job boards. Plus, your open positions can be easily shared on social media by your applicants and employees, leading to an increase in high-quality references and a decrease in paid job ads.



2. Murray, J. K. (Mar 2021). 'In 2020, 68% of U.S. Workers Say Their Job Became More Important Than Ever'. Indeed. [Available online.](#)

5) Cost of Recruitment Marketing and Job Advertising

Now for the math:

Let's say you're spending an average of \$300 per month on advertising each open position. If you have 10 open positions per month, that's a total of \$3,000 per month on job advertising.

JOB ADVERTISING (A)

= \$300

OPEN POSITIONS (OP)

= 10

A x OP

= \$3,000



But let's say you advertised for five similar positions just two months ago. Because your ATS automatically pre-screened each applicant, you already have a pool of awesome options to choose from. Well done! You just saved 50% of your recruitment marketing budget or \$1,500 per month.

With the cost of your ATS at \$1,788 per year, that's an annual ROI of more than 9% just because you used an ATS to capture and keep your leads instead of heading back over to the job boards for every new position.

And if you use an ATS with an awesome reporting feature, you can also see exactly which sources give you the best quality leads so you can stop wasting money sourcing candidates in the wrong places.

6

Employee Turnover Rates

Rockstar recruiters are all about retention. A standardized system for screening quality candidates (as opposed to merely weeding out the not-so-quality ones) can help you save on the cost of employee turnover.

The right ATS will enable your team to easily review candidates together in one central location. Hires made through a team effort are always better quality and a better fit. They're also exactly the kind of loyal employees who are great for a company's bottom line.

To determine just how great, there are two main metrics you'll need:

NUMBER OF REGRETTABLE DEPARTURES (ND)

= NUMBER OF EMPLOYEES X ANNUAL TURNOVER PERCENTAGE

AVERAGE COST OF THOSE DEPARTURES (C)

= COST OF HIRING + COST OF ONBOARDING AND TRAINING + COST OF LEARNING AND DEVELOPMENT + COST OF TIME WITH THE UNFILLED ROLE

ND x C

= **ANNUAL COST OF TURNOVER**

6) Employee Turnover Rates

Let's say you're a 100-person company with a 10% annual turnover rate.

$$ND = 10$$

You spend \$20,000 per person on hiring, \$10,000 on each for onboarding, learning, and development, and lose \$40,000 in average lost productivity due to the time it takes to refill a role.

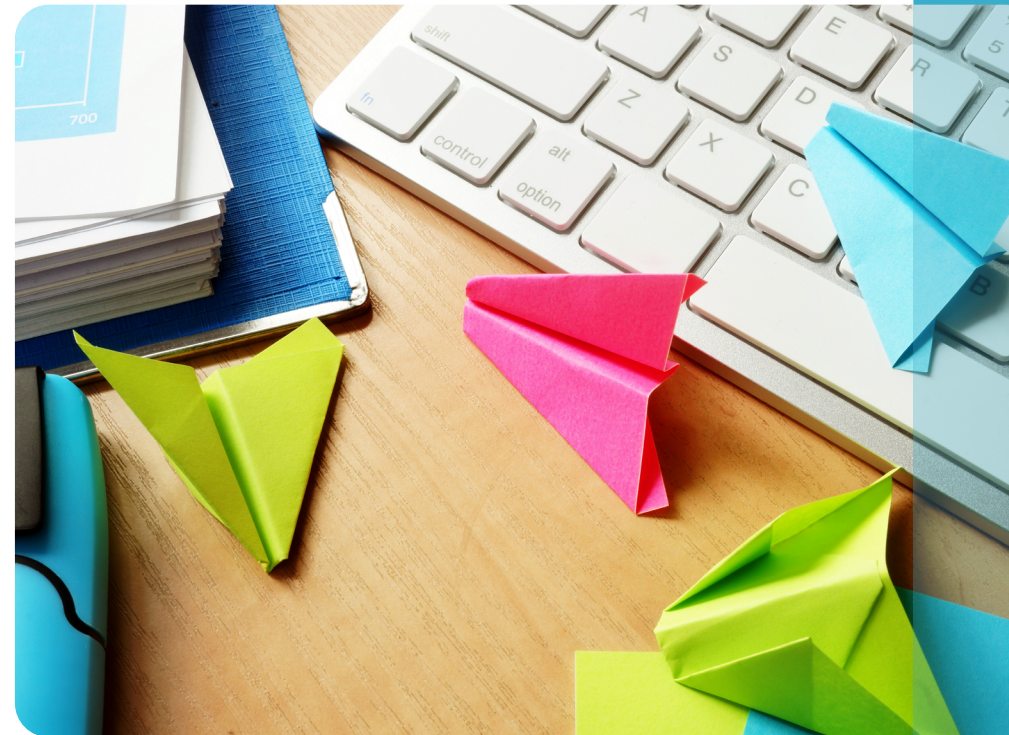
$$C = \$70,000$$

Your annual cost of turnover would be approximately \$700,000 ($ND \times C$).

Using an ATS to bring this number down even by just 20% would save you \$140,000.

Not to mention reducing the hit you take on overall employee engagement and productivity every time a team member leaves.

No bones about it. With an airtight ATS, you can bring immense value to the business. Now go forth and snag those future rockstars!



Are you ready for a new ATS?

You deserve to be in control of your recruiting process, to own your daily work and feel confident about your new hires. And it may be even easier than you think to get a new ATS implemented and start seeing the savings.

PepoleFluent Recruitment is built to support you, allowing you to hire at scale, simplify requisition approvals and job postings, create rich candidate profiles, engage with candidates as individuals, and so much more.

Don't take our word for it:

“PeopleFluent is the number one high-volume recruiting solution in the market and the only recruiting solution with embedded video job description at the requisition level. It also offers video on demand interviewing and provides highly rated configurable workflows, recruitment and search automation at the requisition level.”

- Brandon Hall Group

Start saving today! Talk to us to start seeing a return on your ATS investment.

About PeopleFluent

As a market leader in integrated talent management and learning solutions, PeopleFluent helps companies hire, develop, reward, and advance a skilled and motivated workforce. Deployed separately or as a suite, our software spans [recruitment](#), [talent mobility](#), [performance](#), [compensation](#), [succession](#), [org charting](#), and [learning](#)—tailored for either large or mid-enterprise organizations. We deliver unmatched functionality and flexibility, recognized by leading analysts, to develop people, drive performance and deliver results.

Our talent solutions unify talent processes within a collaborative experience that enables HR and L&D teams to guide managers and employees with contextual learning—right in the flow of work.

A part of Learning Technologies Group plc (LTG), PeopleFluent provides world-class service and an unparalleled ecosystem of partners to optimize employee experience, employer brand, and business results.

For more, visit peoplefluent.com.

