



## **Spreadsheet #4: ROI Resulting from Reduced Administrative Costs**

Perhaps the most visible short-term benefit of using assessment tools is the reduced administrative time spent screening candidates. The following spreadsheet gives a very general estimate of ROI provided by reducing administrative costs.

You will need the following data to use this formula:

### **Hires (N)**

The number of people hired per year for the position(s) for which you are deploying the assessment tools.

### **Time Spent with Candidates (TC)**

Average number of hours spent evaluating candidates who are not hired. This includes time spent reviewing résumés, coordinating and conducting interviews, and holding recruitment conversations.

### **Average Cost of Recruiting Time (RT) (default value: £50)**

Estimate of the hourly cost of recruiters and hiring managers who spend time with unqualified candidates. An average cost for this factor might be £50 per hour.

### **Hiring Cutoff (HC) (default value: .50)**

The number of people who will pass the assessment tool you use. The actual number depends on a lot of factors, but might be set at 50 percent for the purpose of this exercise. This would mean that the assessment tools would screen out half of the candidates because of failure to meet key job requirements.

### **Assessment Cost (Cy) (default value: £20)**

The degree to which the use of new assessment tools will increase the costs associated with assessing candidates. Most reductions in administrative costs come from the use of relatively inexpensive pre-screening questionnaires. An average cost for these might be set at £20.

### Selection Ratio (SR) (default value: 5)

The number of candidates you typically assess before making a hiring decision. It is usually somewhere between 3 and 10. If you do not have this value, we suggest setting it at 5.

$$\text{Value of Reduced Admin} = (N * TC * RT * HC * SR * .50) - (Cy * SR * N)$$