Staffing Recruiter Economics

A recruiter is the single largest lever most agencies have over both revenue and cost, and also the easiest role to under- or over-hire for without a clear number to check against. The questions below aren't separate topics, they're stages of the same decision: is this recruiter earning their keep, and would another one earn theirs too.

The baseline: what a recruiter has to cover

Recruiter Break-Even starts from the recruiter's fully loaded cost, salary, allocated support cost, and any variable commission, and computes the GP that recruiter needs to generate just to cover themselves, before they're contributing anything to overhead or profit. Placements Needed to Cover Recruiter converts that same break-even GP into a placement count using your average GP per placement, since "cover your cost" is often more actionable as a number of deals than a dollar figure alone.

This break-even number is the floor, the point below which a recruiter is a net cost, not a target. Treat it as a diagnostic for a recruiter who's struggling, not as the bar a strong recruiter should be aiming for.

How productive is a recruiter actually being

Gross Profit per Recruiter answers the productivity question directly: total staffing GP divided by recruiter headcount over a period, annualized so recruiters on different reporting periods are comparable. Recruiter Capacity answers a related but distinct question, whether a recruiter's current req load is above or below what they can realistically handle, which matters because a recruiter who looks underproductive on a GP-per-head basis might actually be capacity-constrained by too many open reqs, not underperforming on the ones they're working.

Deciding whether to hire the next one

Next Recruiter Hire Trigger is the decision point these feed into: given current capacity utilization and the incremental GP a new recruiter would be expected to produce against their fully loaded cost, does adding headcount actually pay for itself. This only means something once you trust the inputs, current recruiter capacity from the capacity engine, and a realistic production expectation, not an optimistic one, for the new hire.

A new recruiter doesn't produce at full capacity from day one, though, which is why the hire-trigger question and the payback question are separate. Recruiter Ramp Payback walks a month-by-month cumulative view of a new recruiter's GP against their loaded cost during ramp, finding the actual month cumulative contribution turns positive, rather than assuming the hire pays back immediately once trigger conditions are met on paper.

Getting the commission structure right

A recruiter's production is shaped heavily by how they're paid for it. Recruiter Commission Plan Economics compares commission structures, flat percentage, tiered, or other variants, at your actual production levels, since a commission plan that looks competitive in the abstract can be meaningfully more or less expensive than an alternative once run against your agency's real placement volume and GP per placement. There's no universally "best" structure; the right one depends on what behavior you're trying to incentivize and what your agency can sustain at scale.

Reading these together

A single recruiter's story usually runs: are they covering their break-even, is their GP per head reasonable relative to peers, are they capacity-constrained or genuinely underproducing, and is their commission structure aligned with what you actually want more of. An agency-level hiring decision runs a parallel version of the same chain across the whole recruiting team: is the team at capacity, would another recruiter's expected production clear the hire trigger, and how long would that recruiter's ramp actually take to pay back before you're better off developing capacity in the existing team instead.

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