



The REAL Costs of Poor In House Recruitment

We have all been in pressurized situations, and recruitment, although we know it to be vital, is a distraction from doing our job and achieving business goals.

The cost analysis we have itemized below does not encompass the full impact of poor recruitment on a business: There will have been training costs, performance management time and therefore costs, the lost opportunity of employing the right person, underperformance in that department and the negative effect on the business and the existing staff morale in the department, and ultimately the business as a whole.

It is a common belief that recruitment is only about filling empty slots in an organization, and not assessing the real needs of the business.

Talent acquisition, however, is about accommodating the organisation's needs. It is not just to do with what the previous incumbent did, but the ability to pinpoint talent that is going to add long - term, sustainable, incremental value or profit to the organization.

Example:

The vacancy is for an Accountant, reporting to the Financial Manager	R
Interviewers: Human Resources Manager and Financial Manager	
HR Manager's hourly rate R300ph	
Financial Manager's hourly rate R500ph	
HR Manager would place the adverts, internally and externally, with an average cost of R400 per print advert, and R300 per job board advert, say 3 adverts placed	1000
Average cost of telephone calls, printing and sundries	500
HR Manager Screening calls, emails, arranging interviews - 8hours	2400
Financial Manager to review the CV's prior to screening IV, say 4 hours	2000
Screening Interviews at 1 hour each, say 6 candidates	4800
Reference checking for 4 of the 6 candidates at 2 hours each, say 8 hours	2400
Background checking, ie credit, criminal checks if have access to this for 4 candidates	1000
Second Interviews for 3 of the 4 candidates, say one and a half hours each	3700
Discussions re final choices, say 2 hours	1600
Offer process, contract issued, administration, say 4 hours	1700
Approximate Cost	21100
Opportunity Cost of Financial Manager's time away from his core function, say 8 hours	4000
Opportunity Cost of HR Manager's time away from his core functions, say 8 hours	2400
Approximate recruitment cost	27500
Cost of terminating employment contract if recruitment is inappropriate: Say employee works for 2 months of the probationary period, and company terminates: Salary R15000pm, pay one month's notice, and any leave pay due	16730
Recruit another candidate as per above - may be able to review CV's already received and reduce the time, say by half	13750

Total Recruitment Cost	<u>57980</u>
Talent Acquisition Cost via Smilers Selection	
Permanent Placement Fee 15% of R180000 pa	27000
Plus a 3 month guarantee: replace at no cost, or sliding scale reimbursement policy	
HR & FM time to interview etc, say 3 candidates first interview	3700
HR & FM time to interview etc, say 1 candidate second interview	1200
Discussions re final choices, say 1 hour	800
Offer process, contract issued, administration, say 4 hours	1700
Opportunity Cost of Financial Manager's time away from his core function, say 5 hours	2500
Total Talent Acquisition Cost	<u>34400</u>
Saving by partnering with Smilers Selection	<u>23580</u>
Percentage saving	40.67%