



## 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 organisation 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 R400ph  
 Financial Manager's hourly rate R640ph

|   |      |
|---|------|
| HR Manager would place the adverts, internally and externally, with an average cost of  |      |
| R3200 per job board advert, say 3 adverts placed  | 9600 |
| Average cost of telephone calls, printing and sundries                                  | 1500 |
| HR Manager Screening calls, emails, arranging interviews - 8hours                       | 3200 |
| Financial Manager to review the CV's prior to screening IV, say 4 hours                 | 2560 |
| Screening Interviews at 1 hour each, say 6 candidates                                   | 6240 |
| Reference checking for 4 of the 6 candidates at 2 hours each, say 8 hours               | 3200 |
| Background checking, ie credit, criminal checks if have access to this for 4 candidates | 2000 |
| Second Interviews for 3 of the 4 candidates, say one and a half hours each              | 4680 |
| Discussions re final choices, say 2 hours   | 2080 |
| Offer process, contract issued, administration, say 4 hours                             | 4160 |

**Approximate Cost 39220**

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|---|------|
| Opportunity Cost of Financial Manager's time away from her core function, say 8 hours | 5120 |
| Opportunity Cost of HR Manager's time away from his core functions, say 16 hours      | 6400 |

**Approximate recruitment cost 50740**

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|---|---------------------|
| Cost of terminating employment contract if recruitment is inappropriate:<br>Say employee works for 2 months of the probationary period, and company terminates:<br>Salary R20000pm, pay one month's notice, and any leave pay due | 21845               |
| Recruit another candidate as per above - may be able to review CV's already received<br>and reduce the time, say by half  | 25370               |
| <b>Total Recruitment Cost</b>   | <b><u>97955</u></b> |
| <b>Talent Acquisition Cost via Smilers Selection</b>  |                     |
| Permanent Placement Fee 17% of R240000 pa<br><b>Plus a 3 month guarantee: replace at no cost</b>  | 40800               |
| HR & FM time to interview etc, say 3 candidates first interview   | 3120                |
| HR & FM time to interview etc, say 1 candidate second<br>interview  | 1040                |
| Discussions re final choices, say 1 hour  | 1040                |
| Offer process, contract issued, administration, say 4 hours   | 2500                |
| Opportunity Cost of Financial Manager's time away from her core function, say 5 hours   | 3200                |
| <b>Total Talent Acquisition Cost</b>  | <b><u>51700</u></b> |
| <b>Saving by partnering with Smilers Selection</b>  | <b><u>46255</u></b> |
| <b>Percentage saving</b>  | <b>47%</b>          |