

## Look at how much work you do!

Have you ever stopped to figure out exactly how much time you have to invest in hiring an employee? Activities like screening phone calls, reviewing resumes and arranging interviews can really be time consuming. This exercise will help you develop an accurate estimate of how much time you spend locating a suitable individual.

For the following recruiting and hiring activities, estimate how long each would take to complete. Once you've done that, total the number of hours. You may be surprised at what you find.

Recruiting and Hiring Activities	Estimated Time Required
Developing position specifications (job description, compensation package, etc.)	
Writing, laying out and placing ad	
Screening phone calls (how many phone calls might you receive to an ad?)	
Receiving and scanning resumes (how many resumes would you wade through to find a few good ones?)	
Reviewing resumes	
Developing a short list of possible candidates	
Arranging interviews (how many first interviews would you need to schedule?)	
Conducting first interviews	
Developing a second short list based on interviews	
Arranging second interviews	
Conducting reference checks	
Extending an offer	
Sending rejection letters	
Other recruiting and hiring activities:	
<b>Grand Total:</b>	

This analysis makes several assumptions:

- » You get a great response to your first advertisement.
- » The first person offered the job accepts and starts.
- » The first person hired works out for the long-term.

If any of these assumptions turns out not to be true, the figure you just calculated could easily skyrocket.

## How Can Permanent Placement Services Help?

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### Reclaim Time

A staffing service will handle the majority of the administrative burden associated with hiring a new employee. For any job opening, you'll only hire one person out of all those you see. Most of the time you spend is completely wasted. What more productive activities could you engage in, if you didn't have to spend time advertising, recruiting, screening and reference checking?

### Better Quality Applicants

Often, the best people are already working. The perfect person for a position with your company may not have time to look for another job, or may be concerned about confidentiality issues. People in this situation often turn to staffing services to help search for new employment. As a result, staffing services have access to candidates who may not otherwise be available to your company.

### Guarantees

If a candidate proves to be unsuitable within a specified frame of time, most staffing services will replace that candidate free of charge (each service's guarantees vary). This saves you all the time and hassle of replacing a bad hire on your own.

### Shorten the Placement Cycle

Placement services leverage their recruiting and advertising expense across multiple clients, and are constantly searching for skilled individuals. They employ multiple recruiting tactics like advertising, direct recruiting, networking and computerized databases to maintain a large pool of applicants. Access to vast applicant resources may enable a staffing service to locate a candidate for you more quickly.

### Confidentiality

Recruiters provide strict confidentiality, which can keep competitors from being tipped off to company changes, new product releases, and can protect against employee and supplier apprehension. Recruiters value the sensitive information they are trusted with during the search process and respect their clients vulnerability.

## Estimating the Cost of a Bad Hire

In many cases staffing services offer less expensive alternatives to getting your work done. For example, do you know what it really costs you to employ your staff? The “hidden” expenses associated with being an employer are often underestimated. Things like recruiting, interviewing, training, benefits administration, management and turnover really add up. Consider the following expenses for an administrative employee at \$20,000 who terminates after one month:

Cost Area	Example	Your Estimated Cost
<b>HR Time</b>		
• Specification of position		
• Prepare classified ad		
• Review resumes from 100 ad responses		
• Telephone screen 10 candidates		
• Schedule, prepare for and conduct 5 interviews		
• Assessment testing for 3 candidates		
• Reference check for 3 candidates		
<b>Total HR time</b> ( <i>\$ per hour x hours</i> )	$40 \times 30 = \$1,200$	
<b>Other Recruitment / Interviewing Costs</b>		
Management interview time ( <i>\$ per hour x hours</i> )	$50 \times 6 = \$300$	
Other interviewers' time ( <i>\$ per hour x hours</i> )	$50 \times 9 = \$450$	
Cost of advertising ( <i>15 line ad run for 3 Sundays</i> )	\$450	
<b>Salary and Related Costs</b>		
Salary ( <i>for one month</i> )	\$1,666	
Benefits ( <i>based on national average of 31%*</i> )	\$516	
Overhead, administrative expense, etc. ( <i>20%*</i> )	\$333	
<b>Training / Orientation / Answering Questions</b>		
Trainer's time ( <i>\$ per hour x hours</i> )	$15 \times 16 = \$240$	
Manager's time ( <i>\$ per hour x hours</i> )	$50 \times 8 = \$400$	
<b>Productivity Losses</b>		
<i>Compensating for sub-standard performance (co-workers doing or re-doing bad hire's work: assumes bad hire is working at 75% capacity)</i>	$10 \times 40 = \$400$	
<b>Grand Total</b>	<b>\$5,955</b>	

\* percentages based on U.S. Chamber of Commerce statistics

## Additional Expenses to Consider

This estimate of the real cost of a bad hire doesn't even take into account costs which are extremely difficult to calculate, such as:

- » the negative effect on co-workers' productivity and morale
- » lost business and opportunities due to mishandling by the employee
- » unemployment compensation, severance pay or legal fees
- » recruitment and training costs which you must incur again to replace the employee.

Imagine what the cost would be for a mid-level manager who terminated after three months.

### The Bottom Line

Although the examples provided in this exercises are quite conservative, they effectively demonstrate the real value staffing services provide: lowering costs, improving focus, reducing the risk of not finding qualified candidates through traditional resources. If you are interested in increasing your organization's profitability, staffing services can play a major role. **To learn how Murray Resources can help you with your recruiting/staffing needs, contact us today at 713.935.0009.**