

THE HIDDEN COSTS OF RECRUITMENT:

FOCUS ON TOTAL COST OF OWNERSHIP



The ability to optimise costs is one of the most valuable traits an organisation can possess. It's easy to get dragged into an expensive PR proposal or charity campaign that may instantly empty the business accounts, but can pay off in the near future. A similar situation that has seen an endless debate is the cost of using recruitment agencies.

The act of recruiting, as a whole, is an expensive process regardless of who's managing it. Most companies underestimate the true cost of in-house recruitment, with time, management costs and quality of hire all contributing towards the overall cost of hiring. In fact, the majority of organisations underestimate the cost of hiring by 90-95%. So in theory, the costs those hiring managers think they will be saving are often doubled.



So, let's concentrate on Total Cost of Ownership (TCO). The term refers to the total value of costs related to the purchase of a product/service within the supply chain. For example, the actual paid price of a standard smartphone doesn't reflect the overall cost that an individual will contribute throughout its lifecycle. Once we introduce depreciation, insurance, maintenance etc. costs into the mix, the TCO becomes a significantly higher figure than the initial price of purchase. This guide will pursue two main costs that are often misvalued, or underestimated:



1 Time:

Time is of essence in the increasingly competitive world of commerce, especially when productivity volumes are high. Management time for managers is often a misjudged facet of the recruitment process that is frequently underrated.



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Specifying job roles and descriptions, reviewing and refining CV's, the interview process and, if the candidate is unsuccessful, repeating the process. This, coupled with the actual time to hire, is a huge overhead.

Most companies do track the time taken to hire an employee, but completely ignore it as a cost. Let's remember that whilst this process is going on, the position is either unfilled, or covered by a temporary contractor. Ultimately, the longer the time taken to hire, the longer an organisation will be at a loss of productivity or paying a contractor. It's important to note that in-house recruiters generally have longer hiring times than recruitment agencies due to a significantly lower candidate reach.

Typically, it can take an average hiring manager 8-12 weeks from job listing to accepted offer, as opposed to 4-6 weeks for agencies. As it may seem, this can have a significant effect on the overall cost line.



2 Quality of Hire:

Ordinarily, most companies see the quality of hire more as a candidate requirement than an overhead. However, the cost of hiring a negligent employee can be substantial.

Clearly, an inefficient employee can lower overall productivity and therefore negatively impact the success of the business. Conversely, a competent member of staff has the influence to boost output and contribute towards the growth of an organisation.

Naturally, this all depends on the level of talent that the hired employee holds. In general, active job-seekers (on jobsites, looking at adverts etc.) represent only 20% of the marketplace. Even then, in-house recruiters may only be able to target 1-5% of these job-seekers. Those organisations that are able to access a wider pool of talent have an increased chance of hiring an employee that can provide added value and increase production efficiency.

The reality is, employing someone through a lack of research/access or poor decision making will only result in higher costs, replacing them and repeating the process.

“...active job-seekers represent only 20% of the marketplace.”

In summary, the true cost of recruitment is not just the up-front price.

In fact, it's far from it.

Be prepared, focus on the Total Cost of Ownership, and prepare for the hidden costs.

Do you need help with your recruitment?

Get in touch with
us today