

The high cost of recruiting on the run

Much has been written about the skilled trades shortage currently affecting Australia, but the present employment climate of virtually full employment is also creating shortages at key management levels. We are finding that the process of getting the right person to fill a vacancy is taking considerably longer than in the past, often much to the frustration of employers who see their enterprises being held back by the shortage of premium talent for key appointments.



So unhappy are some that they will take second best or promote an internal candidate beyond his or her level of competence in order to get things moving. But this is risky, ultimately counter-productive and undeniably expensive. Getting it wrong can be extremely costly!

For example, take an employee on a package of \$80K and, assuming on-costs of 30%, you can allow four months for the person to become effective at a salary cost of \$35K. Add to that a 15% recruitment fee = \$12K and the cost of advertising the position - a modestly-sized ad in the Melbourne Age will set you back about \$5K.

That's \$52K you've handed over already. And if the candidate proves unsuccessful and replacement is necessary, you may have to re-advertise (another \$5K) as well as stand the less tangible costs for wasted training and development time, lost opportunity, due process, severance pay and possible legal costs (potential unfair dismissal claim).

And you haven't factored in some of the many other hidden and less quantifiable costs of a poorly performing employee - for example, there is also the potential for de-motivating or losing other staff members, poor role models for subordinate staff and fewer competencies to pass onto them, requiring more training at higher cost with more downtime. There will be a greater reliance on peers, who then spend less time on their own tasks. Customers, managers, staff, peers and suppliers will be less satisfied; your product/service may display lower quality, with greater wastage, higher cost and less deadline compliance.

How much would all this eventually cost your business? There's no way to tell, but it would be much more than you would care to pay.

Most organisations take great pride in their stringent recruitment processes, yet mis-hiring is such a common occurrence in the USA that it's estimated to be costing billions of dollars annually. Time pressure to fill vacancies puts great stress on HR departments, sometimes to the level of desperation, resulting in hurried recruitment with less rigorous checks on the capability and attitude of candidates.

The bottom line is that no 'Best Practice' employer should accept substandard recruitment, whether it's internal or through a consultant, just in order to get a backside on a seat. At Plato we are firmly committed to the principle that 'getting it right' is a much more important benchmark than 'time taken to complete'.

A handwritten signature in dark ink, appearing to read 'Richard A Weston'. The signature is fluid and cursive, written on a white background.

Richard Weston
Principal