



Making Your People Resources Work For You

How much is recruitment costing you? Do you want to reduce the cost and improve the quality of your recruitment?

Recruitment –is it working for you?

How much is your recruitment costing? Do you know? Do you think it cost's too much? More importantly do you think that you are getting the quality of staff you need? These are crucial questions for the success of your business. A recent survey of the UK and Ireland by the Chartered Institute of Personnel & Development (Recruitment, retention and turnover 2004) indicated that less than half of the companies surveyed calculate the cost of recruitment and only 7% calculate the cost of turnover?

The cost iceberg: how much does recruitment cost?

Recently, a medium-sized vehicle production company asked me to look at their turnover to consider ways to reduce it. This is a successful, well-respected, international company, but was losing up to 30% of skilled production staff at one of its sites. This is high by any standards. In addition, a significant part of this was staff who left within six months of joining, well before the company had obtained an acceptable return on their investment and training on the recruits. Looking at the problem, it became apparent that the real issues were with the quality of their recruitment process.

So how much does recruitment really cost? The answer is as varied as the type of person a company recruits. However, where costing of recruitment is done (and it is still in the minority), it tends to focus only on tangible costs i.e. advertising, agency or search fees. While these can be high, they are only the tip of a cost iceberg. The real costs are in relation to the time and lost production of those involved in the recruitment process.

For the vehicle company these costs : agency briefing and communication, advertising, setting up production testing of candidates, interviewing candidates, HR and payroll administration (for both joiners and leaver), induction training, production training on the job. These were repeated for every new joiner. In addition, recruiting each individual involved nine existing staff over two sites. Most importantly, each individual recruit cost up to £2500 (interestingly, the same figure for recruiting the average UK employee in the CIPD Survey). Over the first six months of 2004, the total recruitment cost for this skilled production staff was approaching £40,000. More generally, for professional and other highly paid staff, the cost of one new recruit can approach £10,000- £15,000.

What can you do: improving the effectiveness of recruitment?



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The key thing and an area that SMEs – and some bigger companies – commonly fail to do is to identify exactly what type of person is needed for the job or, to put it another way, what type of contribution they expect a recruit to make. This includes knowledge and skills but also personal characteristics e.g. motivation. This sounds simple but have you ever recruited someone you wish you hadn't?

The second important thing is to be professional in finding them. This requires going to the right sources of recruits, interviewing effectively, checking out the background to candidates properly and, crucially seeing the recruitment process as a real marketing and reputation building opportunity.

The vehicle company did little of this. They had become too reliant on a recruitment agency where they were no longer a priority and which was not performing for them. The quality of staff being recommended was substandard. The company did little or no checking of background information. Neither were the team leaders who did the interviewing trained to interview effectively. In summary, up to that point the company had accepted that turnover and poor quality staff, with the costs involved, were simply facts of life they had to live with.

As a result of the project, they recognised that this did not have to be the case. Their recruitment processes were revamped, including sourcing recruits through broader methods, raising their recruitment profile locally, interviewing training, new documentation and checking procedures. More tangibly, the number of people involved in the process has been reduced from nine to five, turnover is falling and the cost of recruitment is halving from its previous figure of £40,000.

For further information on how to reduce the cost and improve the effectiveness of your recruitment, contact Jim Gilhooley at on 01329 519919 or jim.gilhooley@morlangilhr.co.uk