

An example of the cost of a poor hiring decision

Hiring mistakes are much more costly than managers realise. Below is an estimate of the cost of activities in the recruitment and selection process:

ACTIVITY	Cost ANU 6/7	Cost Level A
ADVERTISING (include money spent on job advertisements e.g. Newspaper, internet etc)	\$420	\$1,420
ADMINISTRATIVE COSTS TO PROCESS ALL CANDIDATES (Total number of administrative hours x average hourly salary plus benefits) Estimate will vary depending on position & number of applicants	\$1,862	\$3,774
CANDIDATE TRAVEL COSTS (IF APPLICABLE) (Average airfare + average hotel rate x by number of trips x number of candidates from out of town)	\$0	\$1,800
INTERVIEWER COSTS (Number of interviewers x hours per candidate x average hourly salary plus benefits x number of candidates interviewed)	\$1,110	\$3,162
RELOCATION COSTS (IF APPLICABLE) (Removal costs, rental subsidies etc)	\$0	\$15,111
TRAINING (Number of months training time in the first year x monthly salary including benefits, plus training fees)	\$5,539	\$5,750
SEVERENCE PAY (Number of weeks severance pay plus any accumulated annual leave entitlements)	\$3,039	\$13,000
LOST OPPORTUNITIES / HIDDEN COSTS (Revenue lost from incomplete projects, lost productivity, disrupted customer service, other resources filling in while position is vacant etc.)	\$15,737	\$16,475
TOTAL COST OF POOR SELECTION FOR ONE PERSON (Add all columns to reach a total figure)	\$27,707	\$60,492