

**Cost of a Bad Hire**  
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Have you ever considered the cost of a bad hire? You have good intentions of doing a good job yourself or by using your employees to help you, but you may fall short in having the right tools to help you along the way. You will not receive an invoice to show you the true cost, but it shows up on your financial statements in a variety of areas:

- Advertising expenses for job boards/job fairs/employee referral rewards, etc.
- Your HR costs (your staff's hourly rate spent posting ads, screening resumes, phone screening, testing, interviewing, reference checking, etc.)
- Lost time in training (times 2 since you are paying one person for training and one person for learning).
- Lost time re-training replacements.
- Lost productivity thus loss of revenue.
- Poor customer service to your clients and more loss of revenue.
- Unemployment tax costs of terminated employees.
- Possible increase in unemployment tax rate that can remain for several years.
- Negative impact on employee morale.

Developing new methodologies to increase your success is the key to hiring the right people. Consider incorporating the following into your process:

- Advertise effectively by developing well-crafted ads that show prospective employees what your company is about, why it is a good place to work, a job summary, a list of expectations, duties and requirements.
- Proper vetting through good screening, interviewing, testing and reference checking techniques.
- Proper interviewing techniques where you are using a standardized set of behavioral-based interview questions.
- Consider using Personality based testing tools.
- Consider using Skills based testing tools.
- Check references.
- Conduct background checks.
- Create a viable hiring protocol to follow on each person to be followed with each candidate.
- Develop Intake Questionnaires for initial phone screening.
- Develop a strong onboarding process so new hires get the valuable information and tools they will need to perform their job.
- Set expectations for job performance (they will not know unless you spell it out).
- Consider using third-party recruitment experts for screening, testing, and vetting so you can focus on your core business and to save your valuable time.

Using an online tool provided by ADP Bad Hire Calculator, here is an example of one bad hire:

Number of ads placed = 1  
Cost of ad placed = \$450  
HR Hours Involved = 25  
HR staff salary = \$40,000  
Average salary of interviewers = \$40,000  
Number of candidates interviewed = 5  
Number of interviewers = 2  
Number of months spent training = 2  
Productivity losses (enter positions salary) = 30,000  
  
TOTAL COST OF BAD HIRE = \$36,219.23