

THE REAL COST OF A BAD HIRE

One of the most costly and time consuming blunders a business can make is picking the wrong person for the job. Hiring the wrong employee into the wrong position could ultimately end up costing far more than the employee's salary. A few facts:

- The U.S. Department of Labor currently estimates that the average cost of a bad hiring decision can equal 30% of the individual's first-year potential earnings, and the minimum cost of a bad hire is \$11,713.¹ This means a single bad hire with an annual income of \$50,000 can equal a potential \$15,000 loss for the employer.
- Studies have shown that 84% of new hires will not live up to their employer's expectations and will disappoint their employers in the first year on the job.
- 41% of companies surveyed say that a bad hire in the last year has cost them at least \$25,000, while 25% of companies surveyed say that a bad hire in the last year has cost them at least \$50,000.

Yet the costs go beyond money. The loss is compounded by the impact of a bad hire on productivity and team morale. One subpar employee can throw an entire department into disarray; team members end up investing their own time into training someone who has no future with the company. The following are the direct and indirect ways companies say they've paid for hiring the wrong employee:

- 41% Lost worker productivity
- 40% Lost time due to recruiting and training another worker
- 37% Expense recruiting and training another worker
- 36% Negative impact on employee morale
- 22% Negative impact on client solutions

Why do companies hire the wrong employees? According to a recent survey, companies hired a bad employee because:

- 38%: The company needed to fill the position quickly
- 34%: It just didn't work out
- 21% The company didn't test or research the employee's skills well enough
- 11%: The company didn't perform adequate reference checks²

Successful employers understand the importance of hiring efficient people into positions specifically suited for them. Steve Jobs once said, "I noticed that the dynamic range between

¹ Influencers. (2013). Smart Strategies to Avoid a Bad Hire. *BBC*. Retrieved from <http://www.bbc.com/capital/story/20130719-avoid-costly-hiring-blunders>

² Collins, A. (2015). The Cost of a Bad Hire and How to Avoid One. *SAP*. Retrieved from <http://blogs.sap.com/innovation/human-resources/the-cost-of-a-bad-hire-and-how-to-avoid-one-02110549>

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what an average person could accomplish and what the best person could accomplish was 50 or 100 to 1. Given that, you're well advised to go after the cream of the cream. ...A small team of A+ players can run circles around a giant team of B and C players."³ Another successful businessman, Tony Hsieh, CEO of Zappos, feels the pain of a bad hire as well. He once estimated that his own bad hires have cost the company well over \$100 million. He now offers new hires a \$2000 bonus to quit after their first week on the job.

How can a company avoid hiring the wrong employees? Employers say that their bad hires have displayed the following characteristics. Identifying these problems before making the hire can save your company a significant amount of money and a headache:

- 63%: Failure to produce the proper quality of work
- 63%: Failure to work well with other employees
- 62%: Negative attitudes
- 56%: Immediate problems with attendance
- 49%: Employee caused customer complaints
- 48%: Failure to meet deadlines

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Factoring in this information, Painless Hire uses its own proprietary software and a personalized, multi-level screening process to find and deliver a short list of only the best candidates. Our clients enjoy the benefits of maximized efficiency of the hiring process, elimination of risks and costs associated with a non-ideal hire, and improvement of the company bottom line.

³ Jager, R. D., Ortiz, R. (1997). *In the Company of Giants: Candid Conversations with the Visionaries of the Digital World*. McGraw-Hill Companies