



**Unpacking the true
cost of a bad hire**

The impact of a bad hire can have devastating effects on a business



While nearly all businesses acknowledge that their hiring practises do not secure consistently high-quality candidates, most simply accept this failure as inevitable.

According to the Recruitment and Employment Federation (REC), 85% of HR decision-makers admit their organisation has made a bad hire - yet a third actually believe these errors cost their business nothing.¹

This is fundamentally mistaken. Bad hiring is not only a waste of resources; it also reduces productivity, damages team dynamics and corrodes your company culture. But the effect is often complex and subtle, only truly becoming clear after several months - at which point it is no longer obvious that the bad hire is the cause.

A poor hire at mid-manager level with a salary of **£42,000** can cost a business more than **£132,000²**

At the Chief Executive Level, a bad hire could cost as much as **40x** their annual salary³ - as well as **damaging the company's reputation and stock price.**⁴

In this eBook, we explore exactly how such astronomical costs accumulate - as well as outlining some of the more intangible effects a bad hire can have. From there, we ask why businesses continue to make poor hiring decisions - and outline some ways they can do better in the future.

A majority of businesses want to shift towards 'employee-centric' thinking post-pandemic.⁵ But in order to make that strategy effective, they need to ensure they are consistently bringing the right employees into their organisations.

¹<https://www.rec.uk.com/our-view/news/press-releases/hiring-mistakes-are-costing-uk-businesses-billions-each-year-rec>

²<https://www.protocol.co.uk/articles/do-you-know-the-true-cost-of-a-bad-hire>

³<https://www.rec.uk.com/our-view/research/recruitment-insights/perfect-match-making-right-hire-and-cost-getting-it-wrong>

⁴<https://fortune.com/2019/10/23/ceo-exodus-heres-what-happens-to-a-companys-stock-price-when-theres-turnover-at-the-top/>

⁵<https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/back-to-human-why-hr-leaders-want-to-focus-on-people-again>

What is the True Cost of a Bad Hire?



1 Wasted resources

Recruitment costs

Traditional recruitment processes can be complex and time consuming. You have to source candidates; assess them for suitability; undertake background checks; and often provide financial incentives to seal the deal. And if that wasn't enough, there is increasing pressure for companies to invest in extra marketing and technology in order to attract the best talent.

Ultimately, Glassdoor estimates that recruiting a single employee takes an average of 27.5 days and

costs £3,000

- all of which is wasted if it is ultimately a bad hire.

Wasted salary

In most cases, it is not immediately clear that you have made a bad hire. By the time you realise, the bad hire will likely have cost you thousands of pounds in salary.

Perversely, this actually makes companies less inclined to get rid of bad hires. Psychologists call this the 'sunk cost fallacy'⁶: once we have invested time and energy into something, we hate to accept that it has been a mistake. So bad hires often persist far longer than they ought to - costing companies even more.

The REC suggests a mid-level manager on £42,000 would cost

£28,000 in wasted salary.⁷



Training and onboarding

Introducing a new employee generally involves a variety of onboarding and training - all of which require both money and time. This ranges from new office equipment and learning resources to the time managers spend overseeing the process.

Of course, these costs will vary based on role and industry. In many white collar roles, several months of training will be expected before a new employee begins to be truly productive.

But current estimates suggest the average hire across all industries involves training costs of

nearly £1,000⁸

⁶<https://thedecisionlab.com/biases/the-sunk-cost-fallacy/#:~:text=What%20is%20the%20Sunk%20Cost,current%20costs%20outweigh%20the%20benefits>

⁷<https://www.rec.uk.com/our-view/research/recruitment-insights/perfect-match-making-right-hire-and-cost-getting-it-wrong>

⁸<https://www.rec.uk.com/our-view/research/recruitment-insights/perfect-match-making-right-hire-and-cost-getting-it-wrong>

Negative internal perception

A successful organisation needs to be viewed in a positive light by its employees. There needs to be collective trust that the leadership is making good decisions, and that the company is selective about its talent. This helps employees feel good about their place in the workforce, and encourages cohesion and shared values.

“Why did they hire them?”

When employees begin to see that the new hire is a bad fit, it begins to corrode this. They begin to question the leadership, and feel less confident in the company. This can happen very quickly: the collective assumption of a shared culture and mission disappears, and workers feel less loyalty, less motivated and ultimately less invested in their work.

Poor team dynamics

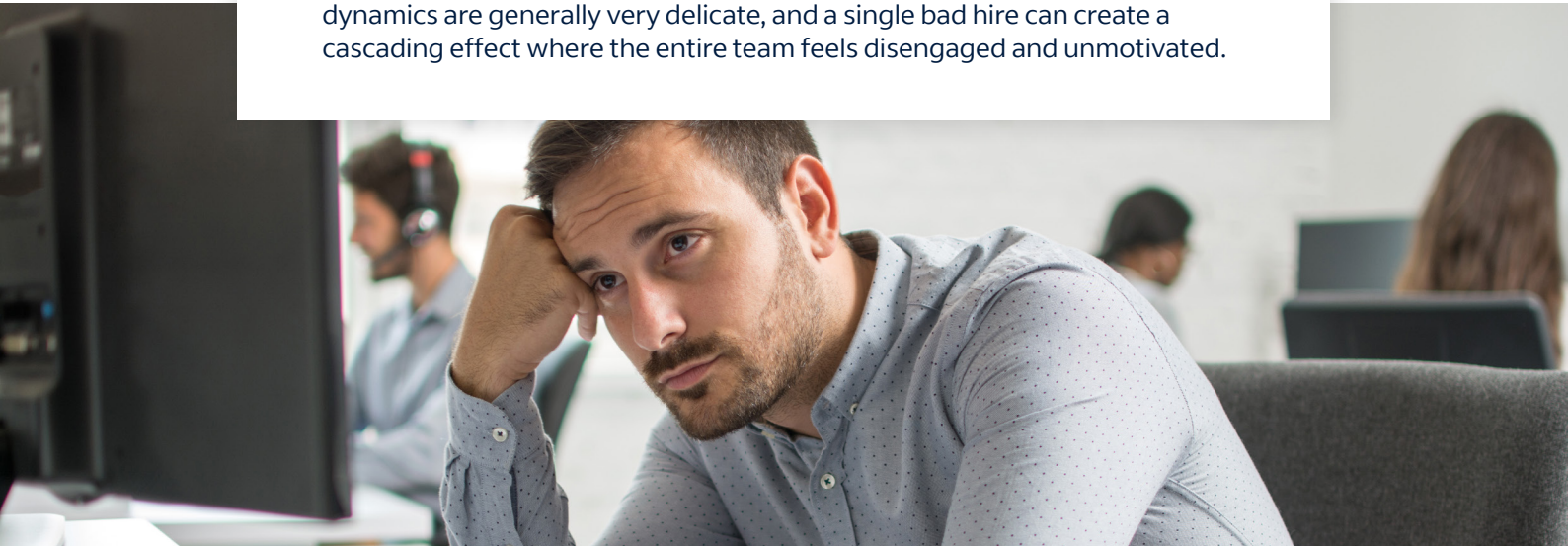
Introducing a bad hire into a team can have numerous negative consequences. If the new hire isn't pulling their weight, this can create extra work for other team members and breed resentment; if the new hire isn't communicating effectively, it can compromise the team's co-ordination and make management's life very difficult.

One study by CareerBuilder reports that

60% of employers

found that bad hires didn't cooperate well with their colleagues.⁹

This can drastically reduce morale and productivity of the entire team; team dynamics are generally very delicate, and a single bad hire can create a cascading effect where the entire team feels disengaged and unmotivated.





Losing high-value employees

When your culture starts to suffer, you will start to see good people leaving the company. Without faith in the company's leadership and direction, high-value workers will see better long-term opportunities elsewhere; without strong team dynamics, promising workers will feel unable to excel at your company.

Ultimately, employees who feel there is a low level of respect among colleagues are 26% more likely to quit their jobs.¹⁰

And according to recent research,

43% of employees

said corporate culture was the reason they were searching for a new job.¹¹

Harm to your employer brand

When employees leave due to poor culture, their exit can harm your employer brand - both through public feedback on websites like Glassdoor and general word of mouth.

This has a direct impact on your ability to hire strong candidates in the future. 84% of job seekers say the reputation of a company as an employer is important,¹² and 50% of candidates say they wouldn't work for a company with a bad reputation - even for a pay increase.¹³

It also makes the hiring process more costly, with experts estimating that a negative reputation costs companies at least

10% more per hire.¹⁴

¹⁰<https://www.tinypulse.com/lt-2018-employee-retention-report>

¹¹<https://www.hays.com/press-releases/us-workers-willing-to-compromise-on-salary-for-the-right-benefits-company-culture-and-career-growth-opportunities-2030744>

¹²<https://www.hays.com/press-releases/us-workers-willing-to-compromise-on-salary-for-the-right-benefits-company-culture-and-career-growth-opportunities-2030744>

¹³<https://www.talentnow.com/recruitment-statistics-2018-trends-insights-hiring-talented-candidates/>

¹⁴<https://hbr.org/2016/03/a-bad-reputation-costs-company-at-least-10-more-per-hire>

3

Adding it all up

According to the REC, this is the total cost of a single bad hire at the mid-manager level:



£28,000

Wasted Salary



£9,625

Lost productivity of new employee



£1,500

Wasted Training



£29,160

Lost productivity of team



£9,730

Recruiting and training
new employee



£54,000

Staff Turnover



How traditional recruitment leads to poor hires

When asked directly why they make bad hires, employers are often unclear. Roughly a third say bad hires occur because they needed to fill the position quickly; another third say the pool of talent they had available to them was too small.¹⁵

These are both legitimate reasons. But the reality is most employers do not acknowledge the single biggest contributor to bad hires: an excessively complex, one-size-fits-all recruitment process.

The never-ending job interview

The length of the recruitment process has long been acknowledged as a problem. Yet in recent years, the issue has worsened significantly. Between 2010 and 2015, the length of the average hiring process increased by 10 days,¹⁶ with candidates now routinely expected to undertake a variety of assessments, interviews and checks to ensure they are the right fit for the company.

In principle, this should reduce the number of bad hires; the whole reason for this bloated process is to ensure that your company is confident it is hiring the right candidate. The problem is most businesses fail to consider the full impact such an unwieldy process will have on their talent pool.

62% of candidates say they lose interest in a job if they don't hear back from the employer within two weeks.¹⁷ And in one survey, 26% of candidates say they would leave a negative comment on review sites if they felt like they

were being strung along during the hiring process - potentially harming the chances for the company to attract top talent down the road.

As the power dynamics of the job market increasingly shift in favour of employees, more and more candidates are unwilling to undertake the 'never ending' interview process many businesses have adopted as standard. The question these businesses need to ask is simple: **Would your ideal candidate want to go through your recruitment process?**

Rather than looking for the best candidates, this over-long process ultimately screens for the most desperate candidates - or at least the most docile. The net effect is to put-off many of the best candidates, and to select for factors which often do not translate to quality work. This is especially true with regards to 'cultural fit', where biases are notoriously allowed to run rife.¹⁸

¹⁵<https://www.protocol.co.uk/articles/do-you-know-the-true-cost-of-a-bad-hire>

¹⁶<https://www.bbc.com/worklife/article/20211020-why-hiring-takes-so-long>

¹⁷<https://rh-us.mediaroom.com/2021-02-10-How-To-Lose-A-Candidate-In-10-Business-Days>

¹⁸<https://www.bbc.com/worklife/article/20211015-what-does-being-a-cultural-fit-actually-mean>

So what can you do to make better hires?



1

Encourage referrals

In terms of cultural fit, trust is vital. But trustworthiness is difficult to gauge accurately through even a very lengthy recruitment process.

Referrals are an effective way to source trustworthy candidates. Employees will not want to make a referral which turns out to be a bad hire, so they will be incentivised to be highly selective about who they refer. And because they know the candidate in a social setting, they will likely have a far more reliable sense of their true trustworthiness than can ever be attained during the inherently artificial recruitment process.



Referrals have been found to nearly halve the time it takes to source candidates.¹⁹

2

Improve your interviewing questions

While competence and capability are clearly vital, the defining quality of a great hire is character. Yet many businesses fail to effectively evaluate character traits like resilience and flexibility, because they are too focused on more concrete metrics and demonstrable skills.

To combat this, train your management to ask interviewee's questions which highlight their soft skills and give the candidate room to reveal their character. One highly effective technique is to simply ask them to tell you about a time they demonstrated a particular quality - say bravery, or adaptability. This will not only give you a better sense of their facilities in this regard - in the telling, they will inevitably show you more of their true character and personality.



75% of recruiters use behavioral questions to assess soft skills.²⁰



3 Set a hire-by date

The problem with an extremely long recruitment process is not candidates' impatience. Instead, it is the anxiety caused by not knowing when they will find out about the outcome or how long they should expect to invest in their efforts to be hired.

Much of this can be mitigated simply by setting a clear 'hire-by' date. Candidates will be able to make informed decisions as to whether they can wait that long, and will not feel they are being kept in the dark or strung along by the process; it may even help internally to ensure the process doesn't become excessively long.



Google reports that it takes them four interviews to make a hiring decision with 86% confidence.²¹

4 Know your audience

Your recruitment strategy and messaging should always be purpose built for the specific role you are trying to fill. Rather than simply listing the skills, knowledge and traits they require, companies with the very best track record of hiring figure out ways to ensure their job ads and recruitment process effectively screen out unsuitable candidates.

This could be as simple as adapting the tone and language of your job description to match the kinds of characters you wish to attract; it could be as creative as producing job ads that require specific knowledge or skills to understand.

Regardless of specifics, the takeaway is clear: consider not just what kind of candidate you want, but how you can appeal to them.



86% of HR professionals say recruitment is becoming more like marketing,²²

²¹<https://rework.withgoogle.com/blog/google-rule-of-four/>

²²<https://www.icims.com/hire-expectations-institute/for-employers/ebook-recruitment-marketing-fad-or-future>

5

Embrace temporary staffing

The impact of bad hiring can be mitigated by moving towards a 'hybrid workforce' model. Rather than putting pressure on every single hire to be perfect, you can utilise the ever-growing pool of temporary workers.

This will enable you to assess the suitability of workers without committing to long, costly contracts or training. Then, once you are sufficiently confident in them, you can add them to your permanent roster of temporary staff. You will also be able to draw from more diverse talent pools, and focus on specific skills or qualities your workforces needs.



77% of executives believe freelance and gig workers will substantially replace full-time employees within the next five years.²³



²³https://www.cxcglobal.com/wp-content/uploads/2020/11/2020-2021_CXC_CW_Global_Trends_Report-1.pdf



Introducing IndeedFlex

Indeed Flex offers a suite of employer solutions, designed to help you during every aspect of your recruitment journey. Our team of staffing experts tailors the solution to ensure it meets your business objectives and supports you along the way.

Whether you're looking for a long-term strategic staffing partner; require the tools to effectively manage your internal and external workforces; or find temporary and permanent employees - we partner with you to help you reach your goals.



Streamline the recruitment process

We remove the bits your ideal candidates hate. No month long interview process or CV scrutinising.



Save time on training

We provide better ROI and produce better talent, bringing you carefully vetted candidates that don't need training.



Give your talent flexibility and control

We help you create a better workplace culture filled with happier workers, by empowering your staff.

Interested in learning more?

Book a meeting with one of our experts to discuss how Indeed Flex can help assist you with your staffing needs today.

Email us
enquiries@indeedflex.co.uk

Call us
0203 880 6955



We provide nationwide coverage across the United Kingdom



www.indeedflex.co.uk

indeed flex

