



# *The Cost of a Bad Hiring Decision*

By

Robert Epstein

[bob@epstar.com](mailto:bob@epstar.com)

It is almost an American tradition. We hire a person with our best intentions, not knowing whether they are the right one for the job or if we really blew it. From our standpoint, we did it right—the resume looked great, the interviews went well, and everyone likes this person. We would never make a conscious decision to hire the wrong person, would we?

So, life moves forward as we process the new hire. The salary begins. The paperwork and administrative details begin. The introductions begin. The training begins. Our current and prospective customers meet the new person. We book the recruiting and advertising costs and look forward to the new productivity of our brand new associate.

The advertising, recruiting, screening and interview process have different costs. The actual dollars for advertising are easy. What we often ignore are the costs of managerial and administrative time in recruiting, screening and interviewing. How much is that worth? You do the math . . .

- Advertising .....\$ \_\_\_\_\_
- Recruiting .....\$ \_\_\_\_\_
- Interviewing .....\$ \_\_\_\_\_

Now that we have made our hiring decision, we have some costs that are pretty standard:

- 3 Month Salary .....\$ \_\_\_\_\_
- Additional Payroll Expense\$ \_\_\_\_\_
- Employee Benefits ....\$ \_\_\_\_\_
- Training Expense.....\$ \_\_\_\_\_
- Managerial Time .....\$ \_\_\_\_\_

Are we finished? No, and here comes the real stuff! The employee did not work out. We made a mistake and should not have hired this person.

- Potential new account now lost\$ \_\_\_\_\_
- Effect on morale of others\$ \_\_\_\_\_
- Loss of productivity .....\$ \_\_\_\_\_
- TOTAL** .....\$ \_\_\_\_\_

Have you filled in your total? From general industry figures, the cost of a hiring mistake for a general office, clerical or administrative assistant should be around \$10,000. A mistake in hiring a mid-level professional, manager, sales person or technician should be close to \$30,000. Have you budgeted for this?

An accurate pre-employment assessment costing around \$100 could go a long way in saving your company not only the big dollars, but the headaches as well. Think about it.