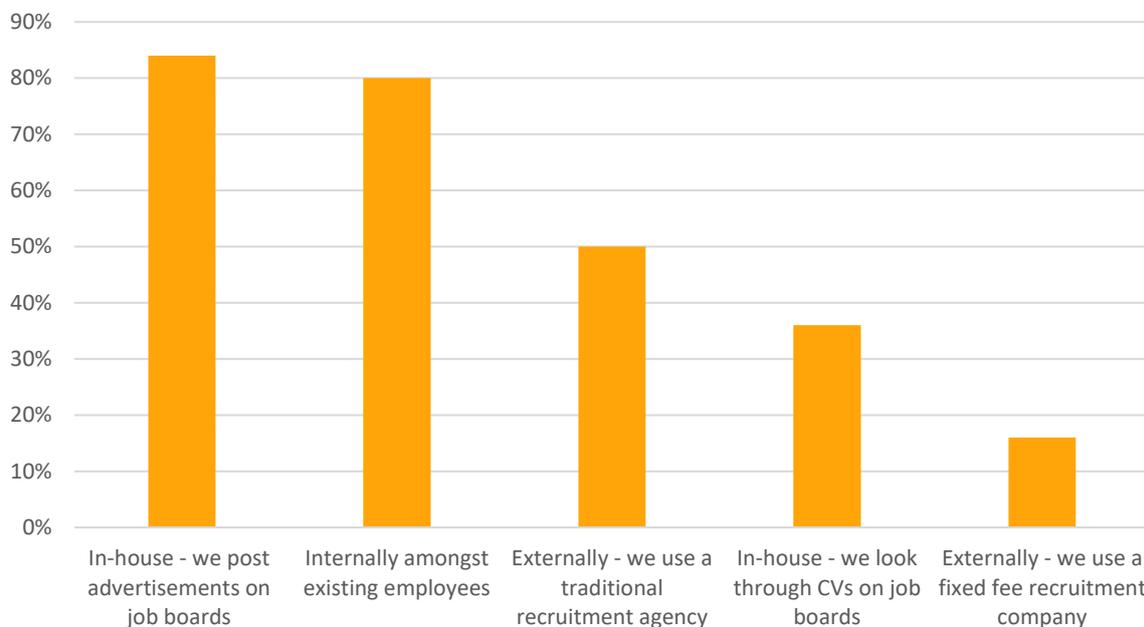


## The True Cost of Hiring: A Survey of In-House Recruiters

Following our recent survey of 50 in-house recruiters, we found that companies are paying vastly different amounts on their recruitment. This report looks at how companies are recruiting, and the costs associated with different methods.

Most respondents use three hiring channels to recruit staff. 84% of in-house recruiters advertise directly on job boards, 80% advertise internally amongst existing employees, and 50% use a traditional recruitment agency that take a percentage cut of the employee’s starting salary. 36% of in-house recruiters actively search for CVs on job boards such as CV-Library, and only 16% of recruiters use a fixed-fee recruitment service such as Ortolan Connect.

How does your company recruit its staff?



### Job Boards

Of those in-house recruiters that advertise directly on job boards, 60% post on only 1-2 boards, 31% post on 3 – 5, 6% post on between 6 – 9 and the remaining 2% post on over 10. Respondents stated that on average, they spent £250 in total to advertise each vacancy. Limiting spend to a couple of job boards can keep recruitment costs down. However, it may limit the number of good-quality candidates applying for the role. There are hundreds of job boards in the UK, each with a different candidate base. If you only post on one or two job boards, consider Googling the job title to see which job boards appear top of the list. This will show you which sites are the most popular for different roles.

The cost of actively searching for candidates on job boards varied. Of the 36% of recruiters that use this method, three quarters spend less than £99 on head-hunting candidates, whilst 9% spent over £300. Databases can offer in-house recruiters a cost-effective way of searching for good-quality candidates through using specific keywords.

### Traditional Recruitment Agencies

Half of all survey respondents also used a traditional agency that take a percentage cut of an employee’s starting salary. Most respondents used agencies that charged between 11 – 15%, with 29% using agencies that charge a fee of 16% or more. In real terms, most companies hiring through traditional agencies are spending over £4,000 in agency fees. This is by far the most expensive method of recruiting.

How much does your company spend on agency fees per role?



The better agencies can offer good-quality candidates because they tend to have large databases of suitable employees and will advertise a role effectively. However, if the recruitment consultant does not take the time to understand the client’s company and the nature of each specific job role, or does not advertise and head-hunt effectively, this will often result in poor-quality candidates being provided to the client. In addition, we have found that around 80% of vacancies can be filled via direct advertising, thus avoiding expensive agency fees in most cases.

### Employee Referral Schemes

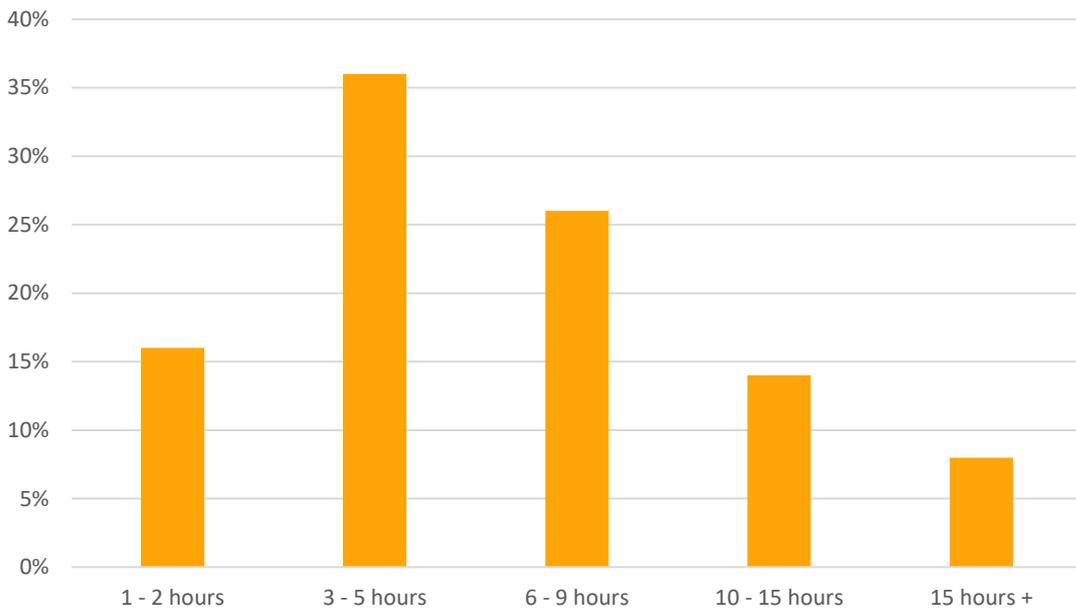
Encouragingly, 60% of respondents operate an employee referral scheme that rewards existing employees should they successfully refer a successful applicant. Referred employees have higher retention rates because the candidate will more likely learn about company’s culture and recruitment procedures from an existing employee before interview. 30% of in-house recruiters taking our survey offer employees £1,000 or more upon each successful referred hire. This keeps recruitment costs down for many companies, whilst rewarding existing employees.

However, there are some disadvantages in using this channel to recruit. The largest drawback is that relying too heavily on employee referrals could limit diversity in the workplace, with new staff recruited in the likeness of existing employees. But, if there is already a diverse workforce in place, this will not be an issue.

### Screening Applications

The time spent by in-house recruiters screening applications varies widely. 16% of recruiters spend two hours or less screening applications, a third of respondents spend up to 5 hours screening applications, 26% spend between 6 – 9 hours, and 22% of respondents spend over 10 hours reading applications. In real terms, this means that a fifth of respondents are spending 1.5 working days sifting through applications for each role advertised – a sizeable cost in terms of man hours.

Time spent by in-house recruiters screening applications



### Temporary Workers

The survey suggests that on average, recruiters take around 6 weeks to fill a role. This is the time from job posting date to the start date of the new employee. 44% of respondents stated that they use temporary staff to cover these interim periods. The rate companies pay an agency for a temporary employee depends largely on the industry, and fees vary. However, we have found that many agencies charge 30% or more in commission on the hourly fee of a temporary worker. With the average salary in the UK £26,700, we estimate that in real terms, this results in a cost of £4,300 spent on a temporary worker for a 6-week period. In addition, if the temporary worker later becomes a permanent employee, agencies are usually entitled to charge a temporary to permanent fee which is designed to cover the loss of that worker's value.

### Training

When asked how much on average does it cost to provide initial training for an employee, 34% of respondents answered £1,000 or more. These costs can arise from the purchase of specific equipment (tools, laptops for example), the cost of training courses, and the man hours taken for existing staff to train the new employee. It often takes months, and sometimes even up to a year, for new employees to become acclimatised and fully productive in their new role.

### **Conclusion**

The costs of recruitment can vary widely. However, we estimate that the true cost of recruitment for most companies is approximately £4,500 for each new hire. This cost consists of the up-front costs of recruitment, the time spent screening applications and interviewing candidates, the cost spent on temporary workers, and the cost spent on training the new employee.

An increasing number of companies are using fixed-fee recruitment agencies to help manage their recruitment spend. This, coupled with an effective employee retention scheme, can result in a sharp reduction in recruitment costs for many companies.

The estate agency industry has seen a huge shift from sellers using traditional agencies that charge thousands of pounds in commission, to the use of fixed-fee, web-based service providers. The same is happening in the recruitment industry. An increasing number of companies are using fixed-fee recruitment agencies to maximise the reach of their job ads, head-hunt for good-quality candidates, and to save time spent on screening applications.

### **Next Steps**

If you would like to discuss how you could reduce your recruitment spend by using a fixed-fee service provider, call Ortolan People on 020 3743 0600 or email us at [info@ortolan.com](mailto:info@ortolan.com).

