



# Case Study: The True Cost of Hiring

This case examines the hard and soft costs of hiring versus succession planning. In this scenario, the position being filled is at the manager level, reporting to a supervisor at the VP level. The new hire will work closely with three other individuals who will also participate in the hiring process alongside HR and the supervisor.

## → TOTAL HARD COSTS OF HIRING

Expense	Cost	Calculation/Source
Advertising and Promotion	\$150	Estimated price per posting (based on bulk discounts)
Recruiting Agency Fees	\$18,000	Avg. = 20% of the employee's salary <sup>1</sup>
Training	\$954	Avg. training expense per hire <sup>2</sup>
Hiring Bonuses	\$11,000	Avg. signing bonus = 12% base salary <sup>3</sup>
Salary Premiums for External Hires	\$17,000	Avg. premium paid for external hires = 19% <sup>4</sup>
<b>TOTAL</b>	<b>\$47,104</b>	

Figure 1. Hard costs of hiring; monetary expenses that are directly associated with the hiring process.

## → QUANTIFYING SOFT COSTS – TIME

Process	HR (Estimated # hours per role)	Supervisor	Team	Total Hrs	Avg. \$/hr	Cost	Total
<b>Exit</b>							
Exit Interview	2	2	0	4	\$48	\$192	
Exit Admin	4	0	0	4	\$48	\$192	
<b>Total Exit</b>							<b>\$384</b>
<b>Hiring</b>							
Preparing Job Description	0	2	1	3	\$48	\$144	
Preparing/Publishing Job Posting	2	0	0	2	\$48	\$96	
Screening Applications (estimated time = 1 min/app.)	4	0	0	4	\$48	\$192	
Shortlisting Candidates	2	2	0	4	\$48	\$192	
Interview #1 (2 hrs/interview)	12	0	0	12	\$48	\$576	
Interview #2 (2 hrs/interview)	12	12	0	24	\$48	\$1,152	
Interview #2 (2 hrs/interview)	12	12	12	36	\$48	\$1,728	
Discussions & Decision	0	2	6	8	\$48	\$380	
<b>Total Hiring</b>							<b>\$4,460</b>
<b>Onboarding</b>							
Onboarding – Admin	4	0	0	4	\$48	\$192	
Onboarding – Orientation	2	2	6	10	\$48	\$480	
Onboarding – Training <sup>5</sup>		57		57	\$48	\$2,736	
<b>Total Onboarding</b>							<b>\$3,408</b>
<b>TOTAL</b>							<b>\$8,252</b>

Figure 2. Table quantifying the time spent on hiring processes, per role. Assumptions: 250 applications,<sup>6</sup> six candidates interviewed,<sup>7</sup> three rounds per interview (first round with HR, second round with HR and supervisor, third round with HR, supervisor, and one member of the team). Estimates based on industry averages.

## → QUANTIFYING SOFT COSTS – LOST PRODUCTIVITY

Process	Productivity	Effort Lost	Weeks	Weekly Pay	Cost of Effort Lost
Following notice of resignation	60%	40%	2	\$1,730	\$1,384
Vacancy	0%	100%	8	\$1,730	\$13,840
Onboarding – Weeks 1-4	25%	75%	4	\$1,730	\$5,190
Onboarding – Weeks 5-8	50%	50%	4	\$1,730	\$3,460
Onboarding – Weeks 9-12	75%	25%	4	\$1,730	\$1,730
<b>TOTAL</b>					<b>\$25,604</b>

Figure 3. Cost of lost productivity per hire. Assumptions: Two weeks resignation notice; role is vacant for eight weeks;<sup>8</sup> productivity during onboarding period is 25% of full capacity during the first month and increases by 25% during the second and third month.<sup>9</sup>





## TOTAL COST OF THE HIRING PROCESS

Expense	Cost
Hard Costs of Hiring	\$47,104
Soft Costs of Hiring	
Exit	\$384
Hiring	\$4,460
Onboarding	\$3,408
Lost productivity	\$25,604
Total Soft Costs	\$33,856
<b>GRAND TOTAL</b>	<b>\$80,960</b>



**NOTE:** The failure rate of new hires can be as high as 46%,<sup>10</sup> therefore all costs may need to be doubled.

**HIRING COSTS = \$80,960 + 172 hrs**

**SUCCESSION COST = \$20,000 + 6 hrs**

## THE ROI OF SUCCESSION PLANNING

SIGMA's Succession Planning Launch requires an investment of only \$20,000 and two workshops your leaders. Following the workshops, our consultants will deliver a comprehensive 12-month succession plan tailored for each member of your team. Save 172 hours of hiring efforts and get succession done right with SIGMA.

ROI of Succession Planning with SIGMA

**305%**

## ASSUMPTIONS

- Salary of role being hired for: \$90,000 (approx. avg. salary for managers in the U.S.)<sup>11</sup>
- Salary of HR generalist: \$67,000 (approx. avg. salary for HR generalists in the U.S.)<sup>12</sup>
- Salary of supervisor: \$160,000 (approx. avg. salary for VP in the U.S.)<sup>13</sup>
- Salary of team members: \$90,000 (avg. = same as role being hired for)
- Eight team members would participate in SIGMA's Succession Planning Sprint; pay per hour is the same as the average used for hiring calculations.

## CALCULATIONS

Avg. salary = \$99,400	$(\$67,000 + \$160,000 + \$90,000 * 3) / 5 = \$99,400$
2,080 paid hours per year	52 paid weeks, 40 hours per week
Average weekly pay ~ \$1,900	$\$99,400 / 52 \text{ weeks} = \$1,912 \text{ per week}$
Average pay per hour ~ \$48	$\$100,000 / 2,080 \text{ hours} = \$47.79 \text{ per hour}$

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