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# Good recruitment saves manufacturing companies more than they realise



# Introduction

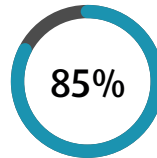


Manufacturing currently employs 2.7 million people in the UK

- Make UK

Manufacturing is constantly evolving. With new technologies, processes and trends, and fluctuating supply and demand, no two years are ever the same. And contrary to public belief UK manufacturing is currently booming! We contribute 18% of GDP, 44% of all UK exports, are the world's 8th largest industrial nation (on course to break into the top 5 by 2021) and employ 2.7 million people across the UK in manufacturing and engineering-related industry.

2020 brings with it more uncertainty than ever. The advent of Industry 4.0, the as-yet-unknown terms of our post-Brexit planned UK/EU free trade agreement looming over us, and of course COVID-19 means our predictions for the future are thrown into disarray. For many, and a number of SMEs with ambitious growth plans, 2020 will mark a step into the unknown.



85% of HR Managers think they've made a bad hire

- Recruitment & Employment Confederation



There are some things that always stay the same though. And good recruitment is one of those things. Saving your organisation time and money through strategic, thoughtful and targeted recruitment is crucial. Without it, the costs can be enormous.

We're going to look at how you can calculate the true costs of a bad hire, including the more hidden effects it has on your business, and what you can do to help prevent this from happening. Investing in good recruitment protects you from incurring massive and unexpected costs and gives amazing long term benefit for productivity. But what exactly are the true costs of a bad hire?

# Calculating The True Cost Of A Bad Hire

As you can see, the financial costs of making a bad hire can be staggering. Every time you recruit someone into your business you're dedicating time and money into them and that investment needs time in order for you to reap the rewards of it. If someone you hire is going to ultimately prove to be a bad fit for your business then you're going to incur some heavy losses.

From the obvious 'wasted' salary and lost productivity, to recruitment costs and the time spent training this new hire, everything begins to add up. 1 in 5 HR decision-makers don't know how much a bad hire costs their business and many more vastly underestimate the total amount. The ones that don't know are often closer to the true cost than the ones that think they do, but who have tragically inaccurate internal cost estimates! The fact is that you can save your business a lot of time and money by taking the time to calculate what your own costs would be and considering how you can improve your recruitment process.



**1 in 5 HR Managers 'don't know' how much a bad hire costs their business**

- Recruitment & Employment Confederation

Beyond the financial costs involved, there are a number of 'hidden' factors when it comes to making a bad hire too. If other team members have to pick up the slack then their own morale and productivity are going to drop, especially if your new recruit is in a managerial position. This means that bad hires can reduce productivity amongst your existing high performers and in some cases actually drive good employees away. A bad hire can have a huge knock-on effect throughout your workforce.

If your new hire is in a client-facing role then you're also putting your reputation on the line. If a bad hire causes damage to existing relationships then you risk losing business in the future - the costs of which can climb to enormous amounts. If you hire someone who damages your reputation and trust-value you'll find yourself with a hefty rebuilding job on your hands.

The worst part? When someone you hire turns out to be a bad fit, you're going to have to go through the whole process again! Starting from the ground up you have to invest the same time and money again, knowing that this new hire (even if they're an excellent fit second time around) isn't going to hit maximum productivity until significantly into their employment.

## Employee A - Direct costs

Wasted monthly salary x 8 months	£28,000
Training provided	£1,500
<b>Total</b>	<b>£29,500</b>

## Employee B - Direct costs

Recruitment costs - agency fees	£6,300
Recruitment costs - advertising (in addition to recruiter's advertisements)	£200
Time spent by two senior staff members	£1,730
Training provided	£1,500
Lost productivity until reaching optimal levels	£9,625
<b>Total</b>	<b>£19,355</b>

## Team morale - Indirect costs

Lost productivity	£29,160
Staff turnover	£54,000
<b>Total</b>	<b>£83,160</b>
<b>Grand Total</b>	<b>£132,015</b>

- Recruitment & Employment Confederation

# How You Can Improve Your Recruitment Process

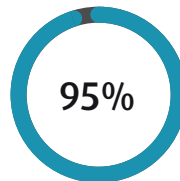
A bad hire can cost a lot and it's certainly something to plan for, especially with 95% of organisations estimated to make bad hires each year. Thankfully, knowing the risks allows you to make improvements to your recruitment process. Improvements that will help you to filter out potential bad hires from good ones:

- **Look out for good soft skills** - Understandably, businesses in manufacturing are keen to recruit qualified, highly-skilled staff with technical experience. With the current industry-wide skills shortage, it's tempting to get swept up whenever a technically impressive candidate comes by. However, you can use the recruitment process to look a bit deeper: does the candidate have good leadership potential, creative thinking, interpersonal skills, etc? Aligning your recruitment with the kind of soft skills your business needs can reduce the risk of making a bad hire.
- **Hire strategically** - Missteps leading to bad hires start before you even get close to appointing someone. Having a thorough, thought out and standardised process with which to interview, assess and evaluate candidates is vital to ultimately selecting the right person. As is having a clear picture of what your business is going to look like months and years into the future. Make sure your hiring managers have all the tools they need and a clear picture of your overarching growth strategy to future-proof your hiring decisions.
- **Strengthen your brand** - Want to reduce the cost and time for each piece of recruitment? Implement an employer brand strategy. Think of your brand as your viability for potential candidates - organisations with strong brands are more likely to attract better people. This extends to the interviewing process, of course. Treating interviewees well is going to help establish and maintain a positive brand image.



HR Managers say that bad hires happen because the business needs to fill the position quickly

- Recruitment & Employment Confederation



Of organisations hire 'bad fits' each year

- Brandon Hall Group

# What Does A Good Recruitment Agency Do For You?



58% of candidates who had a negative experience with a company's recruitment process said they would not consider working for that company in the future

- IBM

It's understandable that some businesses in manufacturing still choose to avoid working with recruitment businesses. There are more than a few cowboys (the polite version!) out there and an even larger number of recruitment businesses with noble intentions but a lack of resources, experience or the necessary skill to ensure that their client gets the best possible candidate and not just the easily-obtained candidate. However, with current industry skills shortages more and more businesses are rushing to recruit and finding themselves stuck with bad hires. 8 in 10 manufacturers struggled with skilled staff shortages in 2018. Recruitment agencies can help in a number of ways.

First and foremost, a good recruitment company is going to benefit from a nationwide pool of fully-vetted industry-professionals. Recruitment companies will often have access to better-qualified candidates than you will alone. When your business gets matched with a candidate through a good recruitment agency the chances are significantly higher that they'll prove to be a good hire over time. A great recruitment agency will already have relationships with the people you want to hire. Most of the best candidates won't work with recruitment companies they haven't developed a relationship with. They dislike bad recruiters just as much as so many manufacturing companies do!

A good agency is also going to end up saving you a lot of time and, by extension, money. Rather than committing your own staff, including high-value manager and director time, to tens and sometimes hundreds of hours of recruitment activity, you can instead let a recruitment business take on the process of initial interviewing, CV screening, candidate communications.

This gives all your staff more breathing room to focus on the day-to-day of their actual roles.

Whilst you want candidates to have a positive experience during their interaction with you, it can be difficult to dedicate the time and resources necessary to keeping candidates up-to-date. Recruitment businesses can deliver standardised interviewing, vetting, communications and screening that avoids candidates having a negative experience when under consideration, leaving them with better brand sentiment at the end of the recruitment process.

Any initial fee charged, when set against the obvious financial cost and the less obvious and often hidden 'time costs' and 'engagement cost' of that employee over time, will pale in comparison to the value given by hiring the best possible person for your vacancy who will work with you for years into the future.



The BCC found that, during the final quarter of 2018, 81% of manufacturers had trouble finding staff with the right qualifications and experience.

- British Chambers of Commerce

# Metrics To Help You Measure Post-Hire Success



**2 in 5 hires turn out to be bad hires within 18 months**

- Recruitment & Employment Confederation

**You read that right:** 40% of all hires turn out to be bad hires within the first 18 months! That statistic is cause for concern for hiring and HR managers across the UK manufacturing industry. Given the fact that most hiring decision-makers don't even know how much a bad hire is costing their business, it's more important than ever to quickly identify good hires from bad hires. Thankfully there are a few recruitment metrics you can use to help clarify the process.

## 1. Track Individual Performance

This one might seem a little obvious, but the fact is that if you're not using Key Performance Indicators (KPIs) to track a new hire's performance you could be missing the early signs of a bad hire. We all know that new hires take time to reach full productivity but it's still worth keeping an eye on how long it's taking them to get up to speed. Staggered KPIs can help to add clarity to individual performance problems.

## 2. Keep An Eye On Employee Satisfaction

We always recommend using comprehensive employee satisfaction surveys to get an insight into how happy and engaged your new hires are. The fact is that just because someone is staying in the job, doesn't mean that they're content and happy in the position. Which, by extension, means that they're likely to not be working at maximum productivity. Leaving dissatisfied new hires to get on with things means risking keeping a low productivity hire in the business. Someone who is going to leave the job before long anyway, but will coast along taking their pay packet without putting in maximum effort until they find the role they do want to put their all into.

## 3. Record Mistakes Made

This might be a bit more contentious, but keeping a close eye on the mistakes your new hires are making can be a powerful assessment tool. Everyone makes mistakes, of course, and new hires in particular need to be given some leeway. However, you don't need to be told that a bad hire is going to make more mistakes than a good hire. Keep a record of mistakes made, in particular highlighting serious or important mistakes, to track performance. We'd never recommend using this as a way of undermining or embarrassing a new hire but when it comes time to assess their performance, having a clear picture of their mistakes and shortcomings can help you differentiate bad hires from good.

# Conclusion



People who enjoy the candidate experience are 38% more likely to accept a job offer

- IBM

In such a time of uncertainty for UK manufacturing it's worth taking a step back to assess your recruitment process. Good recruitment is something that never really changes and the rewards for getting it right are undeniable. If you want to reduce losses, improve productivity and encourage future growth in your business in 2020 then investing in recruitment is an excellent place to start.

Taking the time to assess and calculate what financial losses a bad hire costs you, and keeping on top of where resources are going and how effectively they're being used, allows you to tackle your recruitment process more strategically. Finding a recruitment agency you trust allows you to delegate the time that would normally be taken from your own manpower while benefitting from a wider pool of more qualified candidates and a more standardised process.

Improving the way that you interview candidates and assess their potential while keeping a keen eye on the performance of your new hires will put you firmly back in the driver's seat. Anything you do to make sure that the people coming into your business are the right fit will benefit you long term. And if someone isn't a good fit, it's important to recognise this as early as possible.

Overall, while UK manufacturing is always changing and never more so than now, the benefits of having a good recruitment structure implemented in your business don't alter. Whatever else the rest of 2020 may bring (and we hope it's great things for you!), let it be the year in which you take control of your recruitment and save your business precious time and money.






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Our aim is to make a real difference to your organisation through the power of good people. We offer unrivalled support at the vital hiring stage when you're seeking talented individuals to drive business growth. Futures has built a reputation for its professional approach to providing recruitment solutions at all levels.

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