ASSURANCE HR MANAGEMENT

6 Steps to Significantly Reduce Hiring Costs

The unemployment rate can be high or low and that can increase or decrease the number of potential employees who come to the employer looking for work. That doesn't always mean there will be a change in how many of those job seekers are actually qualified. When unemployment is high, it can even increase the risk of finding great job candidates since those candidates may be more desperate and apply for positions that really aren't the right fit.

No matter what the job climate is, cost-per-hire (CPH) changes over time and it can be an area that companies fail to compensate for in their own budgets. A good job advertisement, job fair or third-party recruiting service can be fairly expensive and will typically bring in hundreds to thousands of applicants. That may seem like a good thing, but the expenses can actually increase as companies have to invest funds and time to narrow down the applicant pool, interview candidates, do any testing or background checks required and then actually select a qualified individual for a position.

Most companies tend to have a diverse group of positions available as well. If your company is searching for entry-level hourly-wage staff, exempt salaried higher level employees, managers and senior-level executives, the process, and the cost can vary greatly. The risk also becomes higher when hiring supervisors, managers, and executives. If a candidate is chosen and the match is poor, the candidate may voluntarily leave or have to be released and that means money right down the drain, plus employee replacement costs.

The problems are clear and hiring costs can get very high, so what kind of solutions can be found to significantly reduce hiring costs? It can be done and these six steps are a start.

1. Reduce the number of applicants you choose to interview

This step may sound counter-intuitive if you have used a traditional approach to hiring for a long time. It may not seem to add much to your CPH just to interview individual candidates. The actual cost may be more than you realize and more than it's worth. If your current practices mean that you interview nearly every candidate that applies, you have at least: cost of paying individuals on the interview panel, time spent printing out or emailing resume, curriculum vitae, cover letter and more to each panelist, and in some cases you lose billable hours if your panelists would otherwise be bringing in significant revenue to the company. If the interview is for executive candidates the costs can be even hiring since it isn't unusual to provide bottled water, coffee and to book the better conference rooms in your organization.

If you can instead select a smaller group of employees to read resumes and accompanying material, you can sort through the applicant pool and reduced it. In many cases, you can choose a group of employees who have experience with hiring but may have more time for less essential tasks. This group can eliminate candidates who obviously don't match your needs. You may find applicants that live far from your organization and may be less likely to accept the position without an expensive paid relocation. You may find other applicants that don't have the skills, experience or education that is really needed. By eliminating those individuals before you begin the interview process, you can interview only the top candidates and reduce hiring costs.

2. If you find that you have a very large group of applicants to even sort through, consider the quality of your recruitment process.

It isn't unusual for a corporation to try to get the largest possible pool of applicants. After all, if you gather every apple in the orchard, aren't you guaranteed that you'll get every single high-quality apple available? This is true on the surface, but think it through. To use this analogy more literally, if you send a group of apple pickers into the orchard and they ignore the reason for gathering and pick up every apple from the ground and take every apple from the trees, it's true that they will ensure that they didn't miss a high-quality apple. You may be able to see the problem right off, however. Is it really better to pick up apples that are rotten, wormy or low quality just to be positive that you won't skip over a single perfect apple? If you have an unlimited number of workers available (and the money to pay them) then perhaps it is. Typically, though, the "perfect" apple isn't really perfect and it's quite an acceptable risk to use fewer workers and move more quickly to get the basic best.

This applies to your hiring scenario because attracting extraneous applicants is expensive. If your recruiters spend 15-45 minutes sorting through applications, then reducing the number by exchanging emails and phone calls, you've wasted a significant amount of time and money. To see if this is a factor for your company, look over your actual recruitment process and the math involved. If you received 500 applications and narrowed that group down to 200, you've probably spent between 75 and 225 hours just reducing the applicant pool. Considering that you will still narrow the group down more when you read the applications more closely, and even more during the interview process, then more during the vetting - you are spending way too much.

By fixing the problem, you'll save money based on the vetting process and you'll save more by changing the way you recruit. Let's say that you did two job fairs, handed out print brochures at two recruiting events at colleges, gave out company swag at those events, advertised on four popular recruitment websites, took out several ads on third-party social media networks and paid two third-party recruiters for their services. If your applicant pool was perfect, that's great. If you got too many applicants, you can decide which of your recruiting activities brought you the best applicants and stop doing the other recruiting activities. Even free activities often have an associated cost due to sending one or more employees to an event with printed materials and more.

3. Improve the Quality of your Recruiting Materials

If your company is typical, you have a web page with information about available jobs and your company. Most companies also have some printed material to hand out. Incredibly, a significant number of companies even still have print application materials on hand for walk-in applicants. All of that material has an associated cost, but that isn't the biggest problem. For the most part, the cost is minimal for the materials themselves.

It is possible that you have too much. For example, if you have a stack of print applications and you update them regularly when your online application changes, you may just want to do away with print applications. You can include links to your website in your other materials. If you have many different brochures or packets, you may need to go through it and see what you can do without. If they all require updates, it's probably a little too much. This still reduces costs in only a small way.

What is more important is to look at the actual quality of the materials that you have. What difference does it make?

If you send two employees to sit at a table at a job fair and you have many applicants approaching with the same questions, take note of the questions. It may serve you better to answer those questions on your brochures and send one employee to the job fair and hand out higher quality materials in a shorter period of time.

When you do your interview process, you probably have a time at the end for candidates to ask you their questions. You may discover that many of them have similar questions. Do you have flexible schedules? Do you have daycare? Is the position exempt or non-exempt? What is the basic company mission? Take note of all those questions that are asked frequently. Put the answers to those questions on everything that you will still use during the recruiting process. Put "Frequently Asked Questions" on your website and include those. Add the same page to all of your print materials. This can help your candidates review questions that might actually cause them to turn down a position. You end up with less overall candidates but less irrelevant candidates.

4. Consider Adding More Content to your Website

The beautiful thing about your site content is that it's online 24 hours a day, 7 days a week. It isn't difficult to update and it usually costs very little. This can also help you increase the quality of applicants, decrease the number of superfluous candidates, and reduce cost per hire. You can make a single page that will only be on your website and may not be included in print materials. In today's job market, the majority of candidates will end up on your website no matter how they first found you.

Make an informational page on your site that gives candidates the most specific information about the company, jobs available, work culture, etc. Make it personal. Target the candidates that you are looking for. On this page, you want things like:

- Statements from current employees that tell what they love about their jobs
- Information about career ladders or advancement opportunities
- Information about work/life balance at your company
- Stories about what your company has done to make the world a better place
- Information that shows employees how your mission statement is actually put to use in the world and the workplace

In the long run, a page of this type will help you attract your target audience and help the less appropriate candidates with a decision not to apply. This decreases your hiring costs by reducing the chances that you'll hire from the wrong group of candidates.

5. Get People to Share your Job Offerings to Others

One of the best ways to reduce hiring costs is to find employees without spending a cent on it. Not only that, you will tend to find the best employees who really want to work at your company. The way you do this is by having people who love your company spread the word. If you have happy employees, they will want people they know to be excited about it too. They will tell qualified people about your company and communicate that it's a great place to work. You may also find candidates through your customers. If your customers have had great experiences with you and they know someone who is a job seeker, they will want to share. So, make it easy for employees and customers to share.

Keep your printed literature available to everyone so they can pick it up and pass it out. Make sure your careers URL is printed on the business cards of every employee. Put "share" buttons on your career pages and on your own social media pages. Some of the most successful and lasting business relationships are built on word of mouth, and that includes employees, not just clients.

6.)   Go Back to Your Job Descriptions

Once you feel like you've done everything else and have taken the big steps, you should have already significantly reduced your hiring costs. The one thing that often goes unnoticed is a really important one. Companies have a tendency to re-use job descriptions over and over. These descriptions are often posted somewhere and even if you don't make yours public, in the internet age they get out. If your candidates are reading your job descriptions and getting an inaccurate picture of the job, this can cause you big trouble.

One of the number one reasons that employees say they leave jobs in the first year is that they misunderstood what they were getting into. They either never saw a job description at all, they assumed that the job advertisement was accurate and had all the information, or they feel the description isn't really what they ended up being asked to do.

So, get out the job description and lay it out beside the advertisement you are using to attract employees. Make sure that the two align. If they don't fix that problem first. You may find that they conflict or that one or both are flat out inaccurate.

Many companies use vague job titles in hopes of getting employees that can be "repurposed" as needed. For example, you might see "IT specialist" or "Business Consultant" on a job and find out later that the employee is really expected to do IT Project Management. If the employee isn't suited to that, either you have a problem employee or the employee leaves and you have to re-hire. If possible, give a more specific title to the job, but even if you cannot, make sure that the actual description is correct.

State clearly what the employee is expected to do, what the essential and non-essential tasks are, and fill out the list of duties fully. It can be really upsetting for an employee to believe they will work in an office most of the time and then be hired and found out they are expected to work the front desk for half of each day. Some employees are "people persons" and some are not. Don't make the job a mystery just so you can hire someone quickly.

By taking care of the six steps outlined here, you can greatly increase the chances that you'll find a great candidate that will stick around. In doing so, you will also reduce the cost per hire - ultimately benefitting everyone involved.