

The Cost of Bringing New Employees on Board

Employees are a business's most valuable intangible asset. If you're the boss who's running the whole show, they're the people who are doing a huge chunk of the work. Investing in great talent is worth every hard-earned penny in the recruitment budget. However, job candidates aren't the only factors considered when bringing new people on board; money plays a part too. Let's find out what the costs of hiring a new employee are.

Cost of Hiring New Employees

Here are a few expenses that are common across most industries. Let's go over each one so you and your recruitment department will have an idea of what to do and how much to shell out.

Recruiting Costs

This one often gets overlooked because it's typically a one-time cost. The recruiting itself is a time-consuming and labor-inducing process due to how much work needs to be done here. Recruitment tasks include (but aren't limited to) the following:

Recruiter Commissions

This cost refers to in-house recruitment staff. A rule of thumb is to have one internal recruitment officer for every 50 hires planned annually. What you need to do here is to add the total cost of each recruitment staff member's salaries to your [budget](#). For difficult and executive positions, it's best to leave the hiring to an external recruiter. They're normally paid on a contingency basis and typically charge around 20% of a candidate's base salary. But if you're looking to fill executive positions, going for a retained search is the best course of action. Costs for this type can reach as high as 40% of a candidate's base pay.

Employee Referral Bonus

[Employee referral programs](#) are fairly popular. One, they're a great source for above-average candidates. One study reveals that 88% of employers consider referrals as a catalyst for improving a business's quality of hire. Two, they generate the highest return on investment (ROI) among typical sourcing tactics; 82% of employers agree with this. Employee referral bonus programs vary from company to company since their guidelines are based on company policies. Going by the program's name, employee

referral bonuses are considered as a bonus-line item in your budget. However, you shouldn't overlook this (especially if you're part of an [HR management](#) team).

Agency Fees

This can be lumped under your external costs. Agency fees usually cover any recruitment agency you've enlisted on a contractual basis. Consultants, recruitment process outsourcing (RPO) providers, and headhunters can be included here too. Before you ask for their help, ask yourself if you really need recruitment agencies on board. If your business has short-term hiring needs and needs a boost in its talent pipeline, include their fees in your budget.

Advertising Costs

Like agency fees, advertising costs fall under external costs. Although [job postings](#) in newspapers still exist, most (if not, all) companies nowadays place them on online job boards. In fact, a Software Advice study reported that 85% of companies use them as their primary advertising medium. Online job postings come with a price. According to the time-tracking app Toggl, an estimate of \$300 per month is spent on posting a single job position. Since the average overall time to hire a new employee takes 42 days, you're bound to renew an ad if the vacancy isn't filled up. If you're one the 85% of companies who primarily use online job boards, you may want to give advertising costs a place within your budget.

HR Salaries

Every salaried employee involved in your business's recruitment process should be considered. You can do this by estimating the total number of hours they've worked on a given hire. You may want to bust out a [calculator](#) for the next paragraph. Let's say you're a hiring manager making \$40,000 annually. You spend 3 hours working on job postings, 6 hours on resume reviews, and 12 hours on [candidate interviews](#). To get your salary cost, calculate your hourly salary first. Afterward, multiply the amount by the number of hours you've spent per hire.

Career Fairs and Recruitment Events

Digital means alone can't increase a business's talent pool or [candidate database](#). They take part in career events and recruitment events to meet potential candidates face to face. College career fairs are quite popular in the United States; in fact, 75% of employers attend and make their presence known in these events. And because a lot of them show up, it's no surprise that 57% of hires are fresh graduates. Glassdoor reveals that participating in such events can cost from \$125 to \$225. These amounts don't even

cover other expenses like marketing materials and accommodations. If you plan to take part in a few of them, you may want to look at your budget first before signing up.

Background Check Services

Never hire a candidate who hasn't undergone a [background check](#). That'll save you from wasting time, money, and effort by pointing out red flags. Background checks come with a price tag. However, not every background check has the same charge. Below are the following factors that affect its cost:

Requested Information

If you're asking for a background check that needs different [reports](#), prepare to pay extra charges. Extensive background checks cost more than a simple record of terrorist activities.

Access Fees

These depend on data providers, counties, and states. Some states allow people to search state records online; however, these searches can come with additional fees.

Country Court Record Searches

There are companies that ask for country court records to go along with state searches. If you're looking for extra information at a country courthouse, you may have to pay another access fee for that.

Number of Background Checks

Some screening companies adapt a volume pricing system for their background checks; if you buy more than one background check, you'll pay less for each one. Small businesses that only need a few screenings per year can find this discouraging.

Onboarding and Training Costs

Whether your new hire is a neophyte or a seasoned pro, that person still needs to go through onboarding and training sessions before they begin working. As new hires learn a company's ins and outs, they'll also learn what their employers expect from them. Training costs depend on the length and duration of the sessions and the amount of time that you and your trainer(s) have to spend on that. If your business has a high [employee turnover](#) rate, it may have to shell out the same costs on a frequent basis.

Salary and Benefits

A new employee's salary is the most obvious cost on this list. It doesn't come alone as it has its own group of side items, one of which is employee benefits. MIT Sloan School of Management's Joe Hadzima says that a salary and benefits are normally 1.24 to 1.4 times higher than base pay. This means that an employer should pay an amount between \$62,500 to \$70,000 annually to compensate an employee who earns \$50,000 per year. Take note that this only covers taxes and benefits.

Workplace Integration

Something as simple as assigning a desk to a new employee or helping them get acquainted with tenured employees shouldn't be overlooked. Employee integration can cost money; proof of that is providing the necessary software and other equipment they need to do his or her job. Unsuccessful integrations are just as costly. Not only will you lose money, but you'll also operate poorly too. To avoid this, be more mindful about a new hire's needs as he or she is starting out on his or her job.

To sum this article up, [onboarding new employees](#) is an expensive undertaking. Your accountants and CFO may frown at hiring costs and not every new hire is guaranteed to hit it out of the park. But here's one thing you should remember: the potential returns are more than enough to justify it as a worthy investment—especially if the new hires surpass expectations.