

**ANALYSIS OF THE AVERAGE COST OF A WRONG RECRUITING  
IN ENTERPRISES OF THE MISIONES REGION (RS – BRAZIL)**

Pilau, Daniele R.(1) / Brum, Tônia M.(2)

Universidade Regional Integrada do Alto Uruguai e das Missões

Departamento de Administración

URI - Campus Santo Ângelo (1) e Santiago (2)

Calle Universidade das Missões, 464 – CEP 98.802-470 Santo Ângelo – RS – Brasil.

E-mail: [danpilau@inovarrh.com.br](mailto:danpilau@inovarrh.com.br)

E-mail: [tonia@urisantiago.tche.br](mailto:tonia@urisantiago.tche.br)

**SUMMARY**

The object of this paper is to measure the average costs derived in a wrong means of a contractual act in 21 enterprises of diverse size and sectors that act in the region of Misiones (RS). To reach the results a cuanti-qualitative questionnaire was used dividing the enterprises into three groups: those that always outsourced the activities of Recruitment and Selection of Personnel, those that sometimes outsourced, and those that never did so. The data considered were: the total costs of a process of the Recruitment and Selection to cover a post, the monthly average remuneration of the professionals, the average time invested by the professionals in the activities of Recruitment and

Selection, the necessary time to train a new employee and the average investment in this training. It was also taken in consideration the fiscal alignment, if it is Real, Presumed or Simple Lucre. The results demonstrate that it has been financially advantageous to outsource the activities of Recruitment and Selection of Personnel for the enterprises of the sample, with specialized enterprises (recruiting cost). And when this recruiting is wrong, even then these costs are less, if compared with the enterprises that do not outsource these services.

**KEY WORDS:** Recruitment and Selection, Human Resources, Outsource, Costs.

## **INTRODUCTION**

The enterprises already measure and control with certain simplicity costs, taxes and the, for example; therefore, the competition in the globalized world makes it so that the administration of the enterprises that intend to compete today, and mainly in the future, develop more efficient methods for this. But with the area of human resources, this is not so simple.

Chiavenato affirms: "the is full of non-ontrolled or non-controllable risks. A good part of the operational atmosphere of the is incorporated with abstract and conceptual aspects of diagnostics and difficult to measure".(Chiavenato, 1996, p. 29).

But exactly with this difficulty, the enterprises that had acted in this area had developed some measuring methods that would help them to make decisions on behalf of their people in charge.

However, being specifically the processes of Recruitment and People Selection to compose the functional charts of the enterprises, the investment of time and the efforts of the implied professionals continue being difficult to measure exactly, for not knowing where they concentrate themselves.

This can cause difficulties in the taking of decisions, and as a consequence, the errors can become expensive for the organizations.

The current study proposes to identify some aspects that are still not very well explored on this topic and to contribute with some answers to these questions, contemplating, within the universe of human resources management, the measuring of the average cost of a wrong contractual act, in twenty one enterprises of diverse behaviours and of diverse sectors that act within the region of Misiones (RS).

## **People Management**

With the need of effectiveness imposed by the market, the enterprises began to suffer the countless pressures in relation to speed, quality, and efficiency, among others.

With the simplicity of the access to information and technology, the prices, quality and costs had ended up being very similar among the enterprises.

Therewith, what began to make the difference was people; therefore, only they can give good attention, create a strategy, innovate or implement a revolutionary project.

As a consequence of this, the department of Human Resources that before was only seen as a cost, changed the secondary role that it always acted as, for a strategic role, backed by the achievement of the long term objectives indicated by the enterprise.

If the best result depend on qualified, motivated and adjusted people to the role that they act, it becomes necessary to concentrate the efforts and to develop methods to attract, hire, develop and sustain the best professionals in the market.

To know how to manage these efforts provided a clear competitive advantage to the enterprises, with satisfactory results within organizational environment and efficiency, and therefore, a resultant financial improvement in the medium and long term for the organizations.

The Management of People, beyond the attributions of the personnel's old department, is today responsible for personalized training programs according with the employees' need and aligned to the strategy of the enterprise; the analysis and the diagnosis of the organizational climate, the administration through competences, the strategic remuneration, among many other tools, have influenced decisively in the success of the enterprises.

There exist more and more examples of organizations where the department of Human Resources becomes strategic in what refers to the direction and many other enterprises are on the way of implementing this practice.

### **The Recruitment and Selection of Personnel process**

A management of personnel quality begins in a good process of Recruitment and Selection of People that are part of the process of Human Resources provision.

The process of disposition of Human Resources, according to Chiavenato:

It is responsible for the search of people within the market of human resources and of its election and introduction in the organization. It includes the personnel's planning, the market research for human resources, the recruitment and the personnel's selection. It treats with the input of necessary human resources for the operations of the organization. Really, it is the process that attracts filters and chooses people that will be part of the enterprise. (Chiavenato, 1996, p. 37).

Starting off from the moment where a post is available, the process of Recruitment of candidates begins.

Recruitment, according to Carvalho and Nascimento "it is the systemic process of Human Relations that has as objective to attract the greatest possible number of candidates to cover certain posts offered by the enterprise". (Carvalho and Nascimento, 1997, p. 114).

Recruitment can be internal, when there exist people within the enterprise to occupy the post. It is a form to make possible the dislocation within the organization for those people that have the objective

of getting an increase in their remuneration.

This practice is usually seen as positive among the professionals of Human Resources, once the employees feel that they can progress within the enterprise, they are not comfortable in their functions and in the capacities that they already possess.

Other advantages are: the candidate's nearness with regards to the enterprise, economy in the process, speed in covering the post and the candidate's previous knowledge.

When this is not the adopted procedure, or when there do not exist prepared or interested candidates in occupying the position in their own enterprise, the option is external recruitment which is the search within the market of the candidates willing to occupy the existent post.

For Lodi "what provides the raw material of where one can get good candidates is recruitment". (Lodi, 1992, p. 20).

Therefore it should be done in a planned way, conscientiously, with well defined approaches and to be aligned to the organization strategy.

The greater the number and the quality of associations maintained with the educational institutions, class organs and other enterprises (CV sources), greater the probability of obtaining a recruitment of quality, that is to say, the attraction of the best candidates for the post in question.

For this it is necessary investment in time and in dedication to develop a relationship of nearness and confidence with these partners.

On the other hand, Carvalho and Nascimento observe:

Ineffective or inadequate Recruitment causes damages to the enterprise, among those that stand out are:

- a) A high rate of personnel rotation (turn over);
- b) A substantial increase of the recruitment costs;
- c) A committed working atmosphere with the not very qualified employees for the complete exercise of their functions. (Carvalho and Nascimento, 1997, p. 78)

If the position is broadcast in an efficient way, attracting a good quantity and quality of candidates' CV's, the selection process begins.

According to Carvalho and Nascimento the Selection is the "election among the candidates, the most convenient for the execution of certain work, classifying them according to the each one's aptitude degree". (Carvalho and Nascimento, 1997, p. 114).

Before, the focus of the selective process was aimed at candidates with their capacities and competitive impulse. Now, they are choosing the candidates for their capacities, for their personality, character and social values and simplicity in the interpersonal and group relationships. Now the great objective is to give the enterprise the best possible. This

change of focus and of the goal has been fundamental in the processes of provision of Human Resources. (Chiavenato, 1996, p. 92).

There has been a great evolution in the concept of Selection. Today, the organizations perceive that the best professional might not be he that studied in the best university and/or possesses the greatest experience in the function, but he that is identified with the culture of the enterprise that has a profile adjusted according to the function that he will exercise, the easiness in relationship, of good character that has the capacity and the flexibility to work in a team, among other requirements of difficult identification when only the resume is analyzed.

Therefore, the selection is much more complex and it demands a lot more from the professionals of human resources than what one could imagine. A simple analysis of the resume and from an interview can become a wrong decision, not providing many hints of who is the most appropriate candidate for the post.

To reduce the error margin, the professionals of Human Resources have opted during the trial for the adoption of other tools during the employees' selection, such as group dynamics, behaviour and psychological profile tests, multiple interviews collective, etc.

But due to their complexity, not always the recruitment and selection of personnel processes achieve the success and in these cases the mistaken professionals are hired.

When this happens, the costs are usually felt, but practically unknown for the enterprises.

Research indicates that the cost of an employee that continues in the enterprise after his admission can be a lot higher than what one imagines.

Reyes presents the results of one of these researches:

The labour department in the U.S.A. indicates that 50% of the recently-employed leave their employments in the first six months. Based on a salary of 50 thousand dollars, for a candidate that does not need to move from his place, a study carried out for the Society for the

Administration of Human Resources, shows how much we could lose if we make a mistake in the contract act (.) The present report of data showed that for an annual salary of 50 thousand dollars, with a cost of U\$S 79,000.00 of an incorrect contractual act, it presents the following cost factors:

- The new employee's inadequacy;
- Helps given by the colleagues to the new employee;
- Decrease of the employee's productivity that is leaving;
- Employees' concentration and attention in the tasks of the employee's function that is leaving;
- To leave the position open inside or to have their functions executed in a temporary character
- Process of the employee's resignation and of the contract act of a new collaborator for the HR department
- Recruitment (ads in newspapers, taxes charged by the agencies, etc.) and selection of the candidates for the HR department;

- Orientation process of the new employee for the operational department. (Reyes, 2003, p.16).

According to Reyes:

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They are costs that cannot be ignored by the enterprises; after all, if this will take place, its position in the market and the competitiveness capacity can be seriously committed at medium and long term

In another research, carried out by the enterprise Right Management Consultants, published in the newspaper Hora Zero (2005, p. 18), shows that nearly 35% of the executives hired by large and medium enterprises finish up fired or resigning within a year and a half.

What can these data represent in the final result of the enterprises? Some are really difficult to measure.

As can be seen, the problem is not isolated. Something frequent is that, sooner or later, it happens in all the organizations.

To reduce these costs, the enterprise faces a dead end: to have correct people in the correct places, for it, is necessary that appropriate candidates be chosen.

For this, in the contract act, investments are necessary, preparation and people's training to execute these functions, beyond the investment in physical structure, in a quality database and in time to develop the associations with good candidates' sources worthy of being confidential.

When the enterprise carries out the recruitment and selection of people processes internally, they are tasks belonging to its Human Resources department: the definition of the profile adjusted to occupy the post, their information, the act of reception and resume selection, use and correction of tests, the realization of dynamic, collective and individual interviews, the elaboration of the candidates' profiles,

the attention of the candidates in the event of doubts, the election of the candidate to occupy the position, the maintenance of a database always upgraded as to studies, age, remuneration and other characteristics, the development and consolidation of the societies.

If many investments have the objective of developing people, it is important to invest in appropriate people. Therefore, it is important to possess a department that is responsible for the efficient exercise of this function.

The whole investment in people, when it is well done, causes the enterprise guaranteed returns. It depends how the trains within the organization. The challenge is in how to transform the from an expense centre to a true centre of benefits for the enterprise, that it be able to provide fabulous returns. (Chiavenato, 1996, p. 03).

To continue being in themselves agile, quick and competitive, the enterprises need to answer another question: do the demand or the structure / size of the enterprise allow or justify this whole investment?

Other important questions to be analyzed by the enterprises, beyond the implied costs are the quality of the work and the time demanded in these efforts by the professionals, within the organization. As for quality one understands that: Is the most appropriate candidate selected? Their process of recruitment prospects enough number of candidates for each post? As for time: how many people are involved in the process? Is it necessary that all the people that end up being implied today continue being so? How much time of these professionals is invested in these activities? What and how much does each one stop to produce while implied in the processes of recruitment and selection?.

The opportunity cost exists; this is "the cost resulting from an alternative which has been given up". (Backer and Jacobsen, 1979, p. 26). In this case, it is the cost in time that the employees are devoted to conduct the process of selection and recruitment leaving aside their own activities within the enterprise.

Depending to the answer to the following question, one or another road will be taken: to carry out oneself the whole process of recruitment and selection or to outsource this service?.

## **Outsourcing Services**

Outsourcing can be defined, "as the process for which the enterprise that has as objective to reach better quality, productivity and reduction of costs, passes on to a third party, certain service". (HSM Management, 2004, p. 74)

As from the last decade, the outsourcing concept is going through a change. In some cases, it passed from being a "traditional outsourcing" which only had as objective to cut costs and was concerning an outlying process for the enterprise (as cleaning or food services, for example that do not demand the supplier's specific capacities) to a "strategic outsourcing", in which the objective was to gain speed, flexibility and efficiency. (HSM Management, 2004, p.73).

To obtain this, the services of another enterprise specialized in the function or the area to be outsourced is used.

Recruitment and selection can be included in this case of outsourcing processes.

### **Recruitment and People Selection Outsourcing processes**

Outsourcing processes of Recruitment and Selection of People are gaining space in enterprise decisions.

In accordance with the literature, this is due to the benefit of the speed, flexibility and efficiency that can be reached due to reasons such as:

1 - The enterprises that render this kind of service are composed by professionals that retain the specific know how to carry out their activities that result in a decrease in the process, as for example, the candidate's mistaken election to occupy a definitive post;

2 - The concentration of time and efforts in a single function or area that is that of Recruitment and Selection;

3 - Usually, these enterprises retain a great number of candidates in each post;

4 - The Recruitment and Selection enterprises are usually made up of a multidisciplinary team;

5 - The enterprises that hire these services guarantee the impartiality and the impersonality of the process;

6 - The costs of the carrying out a whole Recruitment and Selection process tend to be reduced;

7 - Reduction of the working responsibilities;

8 - Greater speed between definition of the post and it being covered;

9 - Reduction of time invested by the enterprise in this process, only intervening in the election of the final candidates.

In the article of the Magazine HSM Management, outsourcing is seen in a positive way, and it discusses that when this happens, the enterprise begins to explore the assets from another enterprise

instead of building it up itself, which reduces the financial risk and helps the entrance into new markets due to the benefit of agility and speed. Therewith it remains capable to react immediately to the technological changes and future mercadology.

These assets can be capacities, knowledge, contact nets, societies, information, security, and data, among others.

Depending on the necessity or the focus of the business, outsourcing relationships are built up among the enterprises.

In the case of' outsourcing Recruitment and Selection of People processes, the assets can include the contact nets, societies, information, knowledge, secrets, database, speed, know how and the specific capacities within the function.

In the enterprises that outsource these activities with other specialized ones, their executives theoretically dedicate few hours to the process, therefore, they only become responsible for the definition of the post and the profile adjusted according to the function, and at the end of the process, for the interviews of the convenient candidates to assume such a function and final election.

## **MATERIALS AND METHODS**

To put into practice this study, cuanti-qualitative questionnaires, answered by twenty-one enterprises of diverse sizes and sectors that act, within the region of the Misiones (RS - Brazil), were developed.

The answers were obtained by means of a personnel interview with those responsible for the sector of Human resources of the enterprises or of people designated for this, or the questionnaires were sent via e-mail, previous explanation to the people that would answer them.

The identification of the enterprise was optional, being that twelve of them had been identified.

The questionnaire contained 54 questions whose answers divided the enterprises into three different groups: those that never outsource their activities of Recruitment and Selection of People, those that always outsource the same activities, and the group of enterprises that sometimes outsource.

To calculate the cost of a wrong act, first the total costs of a process of the Recruitment and Selection were calculated to cover a post.

After this it was possible to select and to consider the following data: the average monthly

remuneration of the professionals, the average time invested by the professionals in the Recruitment and Selection activities, the necessary time to train a new employee and the average investment in training the new employees.

For these calculations the fiscal framework was also considered, if it was Real, Presumed or simple Lucre, for calculation of the responsibilities.

## RESULT

Enterprises that never outsource the activities of Recruitment and Selection:

Do not outsource	Simple	U\$/Presumptive
Recruiting Cost	U\$ 686,35	U\$ 807,02
Average Salary	U\$ 502,79	U\$ 502,79
Value per day	U\$ 21,62	U\$ 26,82
Training time	45 dias	45 dias
Training	U\$ 83,80	U\$ 83,80
Total	U\$ 1.743,05	U\$ 2.097,72

**Chart 01:** Average cost of wrong recruiting  
Source: Own elaboration

Enterprises that always outsource recruitment and selection activities:

outsource	Simple	U\$/Presumptive
Recruiting Cost	U\$ 244,50	U\$ 279,45
Average Salary	U\$ 502,79	U\$ 502,79
Value per day	R\$ 21,62	U\$ 26,81
Training time.	45 dias	45 dias
Training	U\$ 279,33	U\$ 279,33
Total	U\$ 1.496,73	U\$ 1.765,23

**Chart 2:** Average cost of wrong recruiting  
Source: Own elaboration

Enterprises that sometimes outsource recruitment and selection activities:

When it does not outsource	Simple	U\$/Presumptive
Recruiting Cost	U\$ 221,88	U\$ 251,83
Average Salary	U\$ 1.089,38	U\$ 1.089,38
Value per day	U\$ 46,84	U\$ 58,10
Training time.	37,5 días	37,5 días
Training	U\$ 111,73	U\$ 111,73
<b>Total</b>	<b>U\$ 2.090,11</b>	<b>U\$ 2.542,31</b>

**Chart 03:** Average cost of wrong recruiting, when outsourcing  
Source: Own elaboration

When it does outsource	Simples	U\$/Presumptive
Coste Contratación	U\$ 813,12	U\$ 985,26
Media sueldo.	U\$ 1.089,38	U\$ 1.089,38
Valor/día	U\$ 46,84	U\$ 58,10
Tiempo Entrenam.	37,5 días	37,5 días
Entrenamiento	U\$ 111,73	U\$ 111,73
<b>Total</b>	<b>U\$ 2.681,35</b>	<b>U\$ 3.275,74</b>

**Chart 04:** Average cost of wrong recruiting, when not outsourcing  
Source: Own elaboration

These last values had been higher than those obtained by the two previous groups, due to the fact that the average remuneration in the enterprises that belong to this group is also higher.

In the calculations they had taken into account:

- 1 - The Opportunity Cost;
- 2 - How much the new employee stops to produce while learning his/her function or being trained?
- 3 - The cost of the errors made while the new employee still does not dominate his function;
- 4 - The help given by other colleagues to the new employee;
- 5 - The concentration and the attention of the employees in the tasks of the employee's function that it was erroneously hired;
- 6 - The cost to leave open the post or to execute their functions in a temporary way; and other relating costs to the admission and the resignation of employees.

Notice that the final cost of a wrong contract act, in the enterprises of the sample is influenced

mainly by the total costs of covering a post. When the process is carried out by an outsourcing enterprise, the time invested by the professionals of the enterprise decreases, and in this way they also diminish the costs.

## **CONCLUSION**

It is known that it is necessary for the organizations to invest in quality, reduce costs, gain speed, innovate, conquer new markets, and know and fidelize the client, and finally to o. professionalize.

If the most effective means to obtain this is through people, the effort of placing the adequate person in the appropriate place is worth while.

For this to happens, there are necessary investments, be they in physical or intellectual structure.

But many enterprises, due to not knowing the costs of their processes, make wrong decisions in relation to those investments, and also in relation to outsourcing.

As the size of most of the enterprises of the sample does not justify the creation of a Human Resources department, and with the intention of reducing (or not to increase costs), they themselves carry out the processes of recruitment and selection of people, only trusting intuition, instead of professionalizing these activities. This lack of criteria is one of the factors that can increase the probability of wrong recruiting.

Wrong recruiting, beyond causing much higher costs than what one imagines, damages the image and the organizational environment of the enterprise.

The research shows that advantages exist in outsourcing, therefore an enterprise specialized in recruitment and selection cannot only contribute in the reduction of the time invested by the contractor in this process, but also in the best election of the candidates.

On the other hand, the research shows that even when the recruiting is wrong, it is financially advantageous for the enterprises of the sample to outsource the activities of recruitment and selection of people, therefore, the total costs are less in this case.

Another verification: as the processes of recruitment and selection of the enterprises of the sample, are still based purely on intuition, they do not reflect what is found in the literature and in the large enterprises, which does not contribute with the creation and sustentation of competitive organizations.

And a developed region depends on the development of the enterprises that act within it.

Nevertheless, the identification and measuring of the resources of an activity of the organization are of extreme importance, because when they are properly identified they can be measured and administered; so outsourcing is an option that will be considered in this case.

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