

The cost of HR and poor HR

- **Employing the wrong person**

The stakes are high when you're recruiting. The industry rule of thumb is: the wrong person costs you three times his or her annual salary. A \$50,000 employee costs you \$150,000; a \$150,000 employee costs \$450,000. That's for starters. There's also lost opportunity cost ... plus lost business, potential customers and momentum. And you're back to square one, looking for a replacement.

- **Not having good HR practices in place**

NB 10 minutes a day of wasted time = 2600 minutes per year i.e. 43 hours - Having good HR process in place will ensure you have the most efficient staff, with the right training, not only saving time, but also voluntarily giving you extra time!!

- **Cost of replacing staff that leave unnecessarily –**

It may be that with better review processes you could have kept them on board.

1. **Recruitment cost** (10-14% of salary), if you do it yourself you need to look at the cost of your time and the cost of making a mistake.
2. **Cost of training new staff**, we all know time is money and a new employee time for training, time lost due to them being slower, there is the actual cost of training and possibility lost time for other employees doing the training.
3. **Unhappy workers – due to not having good HR practices**
Can upset clients and/or suppliers – huge cost if losing clients or upsetting suppliers
Will spread upset to other workers – you may lose good employees due to this
4. **Ongoing cost employing someone who isn't doing their job properly**
5. **Remember the cost of employing someone is not just their wages** there are many other associated costs that a business incurs. These costs will be individual for each type of business and each type of employee so it is important for each business to have an idea of what an employee is costing them.
6. **Cost of getting rid of an employee**

Important to review this as soon as you know the person is not right, before they infect others either internally or externally. It may be better to pay to remove them immediately than to go through a long drawn out process. Shahn will advise further on this but from a financial point of view at times I would advise my clients just to pay the person out. Best to get legal advice first.



Ensuring your future is clear!

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