See this page in the course material.

Why does recruiting matter?

Recruiting and selecting new employees can make or break a company. An employee represents, in the financial sense, a very high risk investment. A company's personnel costs may be a business' single largest expense.

According to the Society for Human Resource Management, salaries alone can account for 18 to 52 percent of your operating budget[1]. Add in payroll and unemployment insurance taxes, workers compensation, overtime, benefits, reimbursements, leave and holiday pay, and the full cost of salaries and benefits could be in the forty to eighty percent of gross revenue range[2].

No wonder a famous saying in business reminds us that people are a company's greatest asset.Choose well, and your employees can be a source of competitive advantage. On the other hand, a poor choice can represent a critical liability.

Let's elaborate on the downside risk. The U.S. Department of Labor estimates that the average cost of a bad hiring decision is thirty percent of the employee's first year projected earnings[3]. Note, however, that number represents only a fraction of the organizational impact. Chief financial officers surveyed by global staffing firm Robert Half ranked morale (39 percent) and productivity (34 percent) effects of a bad hire greater than the monetary (25 percent) cost.

In this module, we'll learn how to choose well—from attraction phase through the selection phase—and how to avoid related legal liabilities.

---

1. Deeb, Carol. "Percent of a Business Budget for Salary." *Chron*. Web. 26 June 2018. _
2. Ferguson, Grace. "What Percentage of the Budget Should Be Spent on Payroll?" *Chron*. Web. 26 June 2018. _
3. Cardenas, Rebekah. "What's the Real Cost of a Bad Hire?" *HR Exchange*, 02 Apr 2014. Web. 26 June 2018. _

</div