

THE COST OF HIRING in a Tight Labor Market

Good talent is hard to find. But in a tight labor market, hiring the perfect candidate becomes an even bigger task — and a more expensive one. Add to that the possibility of hiring a dud, and your costs are almost guaranteed to skyrocket.



Today's labor market definitely favors employees.

- Unemployment is hovering around 3.9%¹
- 36% of small business owners had jobs they couldn't fill in June 2018²
- The economy is projected to grow by almost 3% this year³

And hiring new talent in a normal market is already tough.

- Average cost per hire: \$4,425⁴
- Executive cost-per-hire: \$14,936⁴
- Average time to fill a position: 36 days⁴



Bad hires certainly don't make things easier.

- Average cost of one bad hire: \$14,900⁵
- Average cost of losing one good hire: \$29,600⁵
- On average, 26% of new hires separate from their employer within the first year.⁴

But combine a bad hire with a tight labor market, and your costs have compounded. In addition to the \$14,900 you lost on the bad hire, add:

- The 2.6% higher salary you'll have to offer the replacement in order to be competitive.⁶
- A willingness to sacrifice 20-25% of "nice-to-have" skills you'd want in a candidate in order to quickly fill the position.⁷
- Up to \$10,000 in referral bonuses per hire that companies desperate for talent are shelling out.³



SOURCES

¹ <https://www.nytimes.com/2018/07/13/business/in-a-tight-labor-market-retirees-fill-gaps-their-previous-employers-cant.html>

² <https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/>

³ <https://www.usatoday.com/story/money/2018/07/11/small-businesses-struggle-hire-workers-tight-labor-market/772636002/>

⁴ <https://www.shrm.org/ResourcesAndTools/business-solutions/Documents/Talent-Acquisition-Report-All-Industries-All-FTEs.pdf>

⁵ <http://press.careerbuilder.com/2017-12-07-Nearly-Three-in-Four-Employers-Affected-by-a-Bad-Hire-According-to-a-Recent-CareerBuilder-Survey>

⁶ <http://fortune.com/2018/01/18/job-market-interview-hiring-tips/>

⁷ <https://www.bna.com/better-faster-stronger-b57982088683/>

