

A Cost Benefit Analysis Using Human Resources Management Variables into the Public Sector

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Abstract: Human resource is a major source for organization to obtain competitive advantage and can be very important in obtaining long-term performance.

The limits of recruitment process are the cost, the choice made, time and legislation. Any organization looks for minimizing the human resources recruitment, selection and employment costs. This paper presents the importance of cost in choosing the best practices of recruitment, selection, employment and integration of new employees in the organization, though, the cost is an important variable for analysis. All the above variables contribute significantly to the adoption of developmental strategies and policies among the cognitive behaviour models of enterprises and organizations.

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1. INTRODUCTION

Human factor is recognized as been one of the key factors by which is obtained the organizational success (Porter, 1990). Only anticipating and retaining those right people, an organization can obtain success into a competitive, global, dynamic and continuous changing environment (Sims, 2002).

Peter Drucker mentioned in 1992 about the nature of recruitment that «any organization is competing for its essential resources: qualifications and people knowledge ». The organizations need to hire the most qualified candidates that it can buy at the best price. The organizations could choose candidates in recruitment and selection processes well trained, but now is very difficult to find a good candidate (Holbeche, 2001); and the recruitment efficiency is crucial for organization success (Barber, 1998). Recruitment is the process of searching the future candidates and their stimulation to apply for the vacancy (Pattanayak. 2005).

The main objective of this article is presenting the importance of the recruitment, selection, employment and integration costs, to analyze and to measure them, because knowing them, the managers and the HR specialists could take better decisions through understanding the impact of these costs that may have over the hole organization and its failure/success.

Since today all aspects of organizations are measured; recruitment process is no exception (Buhler, 2002). Without measuring there is no way to determine the effectiveness of the process, and cost of recruitment help measure the effectiveness of the process, which recruiting methods produce the most qualified applicants.

2. RECRUITMENT AND SELECTION COSTS

Personnel recruitment and selection suppose to acquire personnel the organization needs to fulfill the vacancies. The right person will lower the training and development expenses and will grow the efficiency of the organization. If the process is internal, than the expenses are lower, and the planning of human resources is facilitated. The recruitment process has unexpected results: insufficient applications or employees which get to the end of the probation. For some vacancies the recruitment takes a few days, and for others take even months. The actions necessary for preparing the recruitment process need expenses that exceed the organization's ability to pay, especially in times of reduced budgets.

The advertising made by the organization stretches over a long period of time and is very expenses.

This cost is twice the average of annual salary of an employee (Pissarides, 2000). A less expensive way of recruiting is to appeal to public authorities who provide cheaper sources of recruitment (Pissarides, 2000).

Waxin. And Barmeyer (2008). stated that one of the main objectives of the recruitment process is finding the right person at the best cost if possible and to attract candidates at a minimum cost; and for the selection process they said that these processes must minimize the risk of failure and its associated costs.

Before judging the recruitment and the selection process, must be analyzed the exact amount spent on this process, but how many organizations do this thing? Measuring the cost of recruitment and selection covers the period from the initial decision to recruit till it retains the new employees, to obtain the optimal level of performance (Compton, 2009). For example, if an organization used advertisement and college recruiting to fill a position, yield ratios would be calculated for each method: -advertisement generates 200 applications and 10 qualified for an interview; -college recruiting generates 50 applications and 10 qualified for an interview. (Arthur, 2006).

Then, the yield ratios would be 5% (10/200) for advertisement, and 20% (10/50) for college recruiting. Therefore, the college recruiting provided the best yield ratio (Buhler, 2002).

Cost is an important factor in the recruitment process. Effective recruitment ensures that the organization will indeed attract the most qualified applicants (Buhler, 2002).

Only through attracting talented staff can the organization create a sustainable competitive advantage. Recruitment and selection cost increases with age and experience in specialty (Billsberry, 2007).

Recruitment efforts made by an organization are very expensive (Sims, 2002). One of the key points of recruitment is the recruitment program, which to succeed must serve many goals and to avoid many situations of conflict. The main objective is to optimize research area for qualified candidates and reduce recruitment costs. If an organization has 10 ways to recruit and attract thousands of candidates, the organization only creates problems. In this case, the area is very high and very high cost in time and resources involved, and processing is not effective. Another purpose of recruitment is to select professionals who will be persuaded to remain with the organization for a long time.

The cost of recruitment is assumed to be directly proportional to firm productivity (Pissarides, 2000).

3. A MEASUREMENT OF COST CLASSIFICATION ISSUES

The overall cost of human resources includes the acquisition costs and the development and learning costs (Flamholtz, 1999):

-the acquisition costs: direct costs (recruitment, selection) and indirect costs (employment or promotion from within the organization);

-the development and the learning costs: direct costs (formal training, training on-the-job) and indirect costs (the time of trainers, the loss of Productivity).

To be able to analyze them, these costs are distributed as (Bonte, Bustos, 2004, Compton et al., 2009):

-direct costs- administrative expenses, security costs and expenses, with ads included, wages and fees to recruitment agencies, travel expenses, room rental, acquisition tests, medical examination costs, design costs jobs; -indirect costs (adaptation)- costs of information time, of learning to become fit for the job and personal contribution: time and cost of

integration of new employees, costs of preparing the job description, personnel specification, time and pay costs of interviewers, the cost of time spent on administrative issues: placement announcements, collecting records, screening applicants, arranging interviews, reference checks, test administration, preparation of employment contracts, registration of new employees for their payment, the cost of low productivity of new employees until they reach the level at which they become effective.

Recruitment is an investment whose cost directly or indirectly requires a quality verification results. Recruitment costs include (Cassidy, Kreitner, 2010):

-tangible costs: advertising (the time and consulting costs, writing, place and print the ads), screening candidates, interviewing, testing, training, orientation, new employee setup, travel expenses;

-intangible costs: less productivity for the new employee, cost of rework for increased errors by the new person, increased supervision to coach the new hire, cost to pay experienced person to take on additional work during vacancy period, lost productivity from stress of team during vacancy period, the cost of reduced performance by the person learning, the impact on employee morale.

Another classification of costs is made by Le Louarn (2008), thus:

-the cost on recruitment sources: the cost of advertising (made in magazines, newspapers, and on Internet); the agency's cost (honorarium paid to the agency); the cost of campus recruitment; the cost with the persons that recommend candidates; the cost of associations (subscription to professional associations). Formation costs: include the identification and analysis of training needs, designing a training program tailored to the need, put it in practice, evaluating the implementation of the program.

Another classification of costs is made depending on time spending: -costs with time spend by the operational personnel: superiors of the vacancies, secretaries which establish meetings, colleagues.

-costs of time spend by the HR personnel (recruitment specialists, administrative services, medical and social services, pay-roll specialists, promotion and evaluation specialists);

-costs of time spend by other functional services (budgets control, accountability, organization, planning).

To avoid these unexpected costs, must not improvise within the recruitment process, because the errors cost much more than money (Sutter, 2007). Recruitment cost analysis has become over time a complex, lengthy and costly process (Lakhdar, et al., 2001). Recruitment errors have economic impact (only over the organization), social impact (that act on the organization and its image) and psychological impact (acting on candidates by losing confidence in themselves).

The economical impact of an inadequate employment on business is great since the organization cannot afford an ineffective recruitment method. Once made a mistake in recruitment and employment, the organization will not repeated again, due to the high costs and such a mistake could threaten the entire company's performance.

4. THE CONSEQUENCES OF CHOOSING THE WRONG CANDIDATE

These consequences can be great and expensive:

- time and effort management- the impact of such of recruitment destroys the team efforts, low the competencies level, and the lost time it cannot be recovered (Fourny, 2007); the attention accorded to the wrong candidate is bigger than that one for more candidates well-trained; time given to them would be better spent solving other issues; more training is needed for early detection of these people (Price, 2000).

- Productivity will suffer- better employees will not work in a team with poorly trained staff; position held by them is not available for another better candidate (Price, 2000).

- Creativity will be lower- mediocre candidates will have not innovative ideas, and if they are managers, they will block other people's ideas because they do not understand (Price, 2000);

- The image organization and public relationships- hiring mediocre candidates will give a picture of weakness for the organization, colleagues and competitors, too, and the candidates with the same training will not be able to run for positions in the same organization (Price, 2000).

- Covering working time- mediocre employees will have a greater number of absences and delays in solving problems. It requires extra training and staff to fill the absences(Price, 2000).

- Additional costs- will be additional recruitment costs to replace them, the income will be lower, will increase the number of errors and complaints (Price A., 2000);

-Hidden costs- besides direct costs there are the “hidden costs” such as: loosing the credibility of the managers, diminish the efficiency of the team-work and of an organization, it will have negative impact over the clients and the organization’s image will suffer (Fourny, 2007); it will increase the costs of discipline, recruitment and training. The selection of mediocre candidates will have a negative image over the human resources department and the entire image of the organization will suffer (Price, 2000); -social conflicts- hire of a wrong person can loose other good employees, will increase the rate of unemployment, and will lead the organization to failure (Fourny,2007).

A study made by Harvard University shows that 80% of the number of hires is due to the errors during the recruitment process. These mistakes are costly, one and a half of a probation yearly salary or up to 10 times the annual salary of a performer. In general, the costs of recruitment are about 20-30% of gross annual salary of a future employee (Bonte ,Bustos, 2004). The costs of an incorrect selection decision are expected to be between 40% and 60% of the future employee's annual salary (Walters, 2009). Besides the obvious costs, must be taken into consideration the hidden costs such as low productivity, business opportunities loss, dissatisfied customers, the continuity of the project, low morale of the employees and market share loss.

Recruitment costs depend on the need for recruitment and the budget process.

The amount allocated to this process will affect the options and the efficiency of the recruitment methods. For example, the posters and the search of the firm will cost several thousand dollars and there is no guarantee of an attraction of a substantial number of qualified candidates; on the other hand one of the most effective recruitment sources are employee referrals and involves low costs (Arthur, 2006).

The cost of recruitment and selection is easy to calculate if these processes are outsourced. If the organization opening a store or a branch in a new city, then you will need a large staff and will appeal to the outsourcing process (Dale., 2007) to focus on other processes to obtain efficiency.

5. A CONCEPTUAL APPROACH ON PUBLIC SECTOR STRUCTURES

The re-establishment of the Evaluation Committees will be a first ex post evaluation tool, in order to assess the existing situation in the field of structures, to identify potential problems and malfunctions and to propose relevant improvements.

After the end of that process of reassessment of the structure of the organisational units of the Ministries, the approval of the proposed reform scenarios from GRC will follow, as required. The relevant presidential decrees will be published within June 2016.

Emphasis will be given firstly to the restructuring of the Legal Entities of Public Law according to the existing legal framework (evaluation by groups, presentation of Assessment Report to the GRC, preparation of new organigrams-presidential decrees based on the GCR decision).

In addition to that, the evaluation and restructuring of Legal entities of private Law –S.A. is also foreseen with a different process. However, as far as these entities are concerned, only a prior assessment report is required (with no necessarily approval by GCR). Following that, the forwarding and adoption of relevant regulatory acts/decisions concerning the organizational chart and staff will be issued, where appropriate

Management by Objectives and Common Assessment Framework (CAF):

The recently adopted Law 4369/2016 provides for a more functional and participatory environment for the effective implementation of procedures concerning the implementation of the management by objectives in public administration. In the framework of the fulfilment of Greece’s conditionality concerning the Thematic Objective 11 "Strengthening the institutional capacity of public services and institutions, and efficient public administration" (O.P. Reform of the Public Sector) the Action Plan for the Goal-setting and Quality 2015-2016 is being implemented for this purpose by the Directorate of Organizational Reform.

Among the actions to be implemented under the Action Plan for the Goal-setting and Quality 2015-2016, the implementation of the Common Assessment Framework is included in predetermined Ministries' departments as well as training regarding Goal-setting in public entities for the next year in accordance with the new law.

Reforms on transparency, accountability and e-government:

a. Transparency and accountability:

The further enhancement of transparency and accountability is pursued through enlarging the scope of the DIAVGEIA programme (<https://diavgeia.gov.gr/>) by implementing article 15 of l. 4305/2014 regarding the publishing of data on the execution of budgets of public entities and by undertaking preliminary actions towards implementing article 16 regarding publishing data on the expenses of those non-profit entities receiving funding by General Government Entities. By the provisions of Law No. 4325/2015, the provisions of the DIAVGEIA project are strengthened as lease contracts awarded by entities in the operational programs of the NSRF or under other EU or international programs, are compulsorily published on the DIAVGEIA portal.

6. REFORMS ON HUMAN RESOURCES MANAGEMENT

a. National registry of corporate executives:

Law 4369/2016 introduces the National Register of Corporate Executives, according to which civil servants with increased qualifications can be registered in order to staff the positions of Administrative Secretaries of the Ministries and Chairmen and members of the Boards of public services and legal entities of private or public law. It is expected that all relevant posts will be published by end September 2016 while the process of filling these posts will have been completed by end of 2016.

b. Public Sector Mobility:

A new institutional framework is under consideration with a view to increase public sector mobility through reassignments of personnel, the reinforcement of the transparency of procedures, the effective coverage of official needs and the better utilization of human resources in public administration. The backbone will be the purely voluntary nature of the mobility, which will be strengthened with the provision of incentives for the faster development of the personnel.

Citizens Service Centres (CSC-KEP) and Ermis Portal 13 services provided by KEP are now available online while expanding the scope of services provided online, aiming at further reducing bureaucracy, remains a significant priority. At the same time the Greek national governmental portal "Ermis" (www.ermis.gov.gr) provides 124 online services and is accessible by all Greek citizens through its interconnection with the authentication system of TaxisNet.

c. Educational Reforms:

A comprehensive reform strategy is under implementation with a view to promote restructuring in all levels of education as an eminent priority and a main pillar towards an inclusive and effective educational system.

The main policy priorities for 2016 and beyond focus on the need to tackle the underperformance in certain identified educational areas, to make more efficient use of the limited resources and exploit the international best practices for education and skills, research and development. In this respect, the ongoing National and Social Dialogue on Education is expected to have significant added value. The areas on which this process is expected to touch upon include inter alia the planning of the national curriculum, the access to and functioning of the tertiary education, the education of the disabled, the assessment of the teaching staff and the vocational education and training. The preliminary outcomes of the dialogue are expected to be delivered in April 2016.

7. CONCLUDING REMARKS

A joint effort with OECD is also in place with a view to facilitate the modernization of the education system in line with the best EU practices. A comprehensive review is expected to cover all levels of education and to provide policy advice and recommendation for immediate implementation as well as recommendations for policy actions to be considered and prioritized over the medium term. More specifically, the review will focus on:

- The procedures for budgeting expenditures for education.
- The autonomy of the educational institutions as well as the transparency, functioning and governing of the universities.
- The development of all day schools the training and development of the schooling staff.
- the interconnection between education and the business sector the monitoring of the effectiveness of the reforms.(NRP,2016)

Any activity and its results have their costs. The high cost is one of the major reasons why recruitment and retention are important to managers and employers (Cassidy, Kreitner, 2010). Knowing the cost is representing a important information for managing an organization and for controlling its administration (Cucui et.al., 2003).

In this environment in continuous changing, it is critical to view quality and cost-effectiveness as desirable goals.

The importance of recruitment, selection, employment and integration processes in organizations depends on their influence over: costs (which are varying on the vacancy), workforce stability, human resources qualifications, union presence, technological change, HR managers' experiences and openness to innovation, to analysis, to measuring, and consumer demands. But organizations may cross over these limits by monitoring the main activities, which bring long-term performance.

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