

THE HIDDEN COST OF ONBOARDING GRADUATE TALENT

A report by mthree



Introduction

In many ways, the costs of recruiting and onboarding graduate talent are like an iceberg, with much of the risk and cost “submerged” beneath the surface.

The obvious upfront costs of recruitment such as job adverts and recruitment fees are often dwarfed by additional hiring activities, onboarding and training costs. For example, how much managerial time is spent interviewing candidates, how many people hired – particularly for junior positions – are unprepared for the role, lacking the “soft skills”, and in some cases, the technical skills needed to add true value in today’s business environment and therefore need extra training?

Employee retention is also just as important as recruitment, if not more so. It can take time for new employees to start making an impact, so the hidden costs referenced above can rise greatly if staff leave before they have become “profitable”, increasing businesses’ working capital and potentially crippling smaller organisations.

This report will uncover both how costly and how risky bringing new junior staff on board can truly be, highlighting how costs can unwittingly build up at every stage along the way. It will also look at how businesses can improve their recruitment and onboarding processes, as well as ways they can enhance their retention rates based on insights from young workers in the US.





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About mthree

mthree is the emerging talent and reskill training partner for public and private organizations across the globe.

Futureproofing is more important than ever. The pace of change is on the up, widening the gap between the skills needed and their availability in the workforce.

More than 40 institutions in North America, EMEA and APAC, from government agencies to tier one investment banks to fintechs, have used mthree's solutions to meet this challenge.

We bridge the skills gap in technology and other high-demand disciplines by connecting education to the working world. Led by industry, our Academy curriculum adapts to meet everchanging requirements.

Our Alumni offering focuses on emerging talent. Through the hire-train-deploy model, we place outstanding graduates into a client's team for 12 to 24 months, after which they can convert to full-time employees at no extra cost.

Ninety percent of Alumni stay on under our clients' permanent headcount. In our Reskill offering, we create training for existing employees, enabling clients to retain valuable organizational knowledge while evolving along with the industry landscape.

Diversity underpins everything we do for our clients. Reskill opens up a new demographic, tackling biases from age to education, and the Alumni we placed in 2020 are 35% female and 46% Black, Asian, and Minority Ethnic, representing a step change in industry norms.

Together, Alumni and Reskill help build pipelines of diverse, custom-trained talent – complementing traditional hiring strategies like internal graduate programs and reactive recruitment.

In 2020 we joined John Wiley & Sons, Inc., a global leader in research, publishing and education for over 200 years.

Learn more at mthree.com.

Key Findings

In order to identify how much businesses are really spending on graduate talent acquisition, we surveyed 504 US-based business leaders about their organizations recruitment and onboarding processes. To help us identify the less obvious means of keeping these costs as low as possible, and improving the effectiveness of their entry level recruitment, we also surveyed 1,006 21-28 year olds in full-time employment, exploring what they look for in an employer.

64% of businesses have senior executives conduct interviews for graduates

40% of businesses interview prospective junior employees with more than one person

45% of businesses interview prospective junior employees more than once

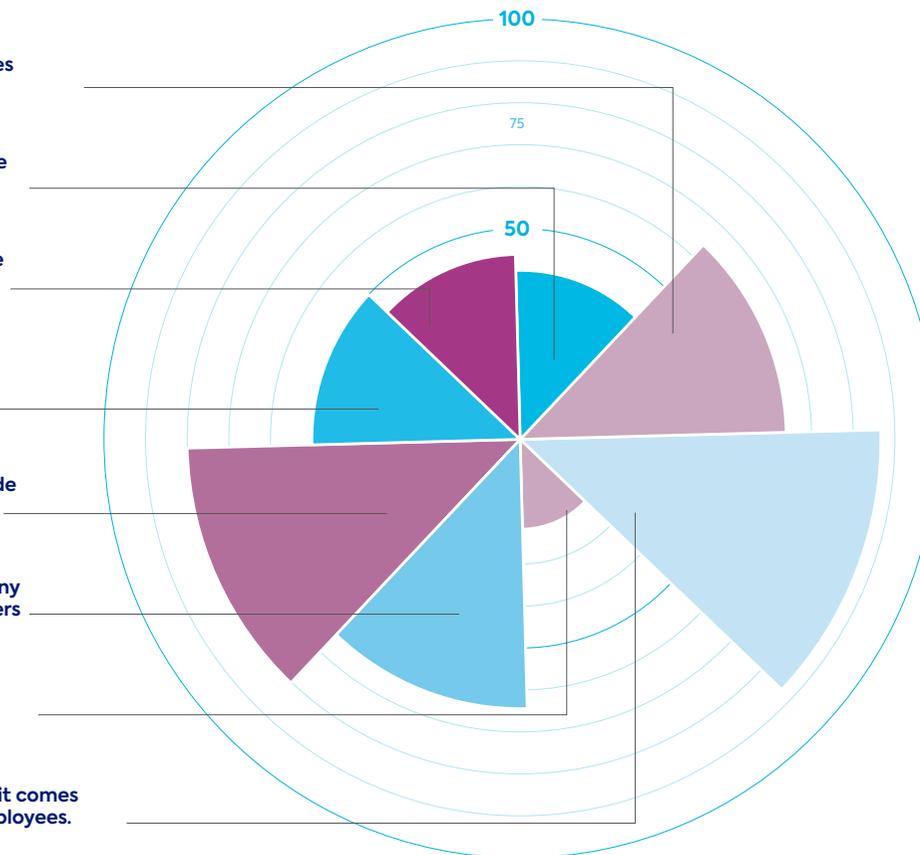
50% of young workers say that culture is the most important factor when deciding whether to accept a new job

81% of businesses have needed to provide additional training to junior employees

64% of businesses fail to outline company culture in job adverts and to external recruiters

22% of businesses surveyed find that half of all of grads leave within 24 months

87% of businesses have problems when it comes to recruiting replacements for departing employees.




6 Candidates
are interviewed on average for one entry level/grad position



6 Months
is the average time it takes before junior hires start having an impact on the team



1 Month
is the average businesses spend training new junior hires



PART
01

Recruitment & Interview Inefficiencies

Recruitment Struggles

Attracting the right talent can be notoriously difficult. Competition for promising graduates or skilled professionals is often extremely fierce, and our research found that **87%** of businesses have problems when it comes to recruiting replacements for departing employees.

Interestingly it also shows that some industries struggle more than others, with only **44%** of businesses in the traditionally oversubscribed arts and culture sector finding it difficult to replace employees, for example, compared with **97%** of IT and telecoms businesses and **95%** of finance businesses.

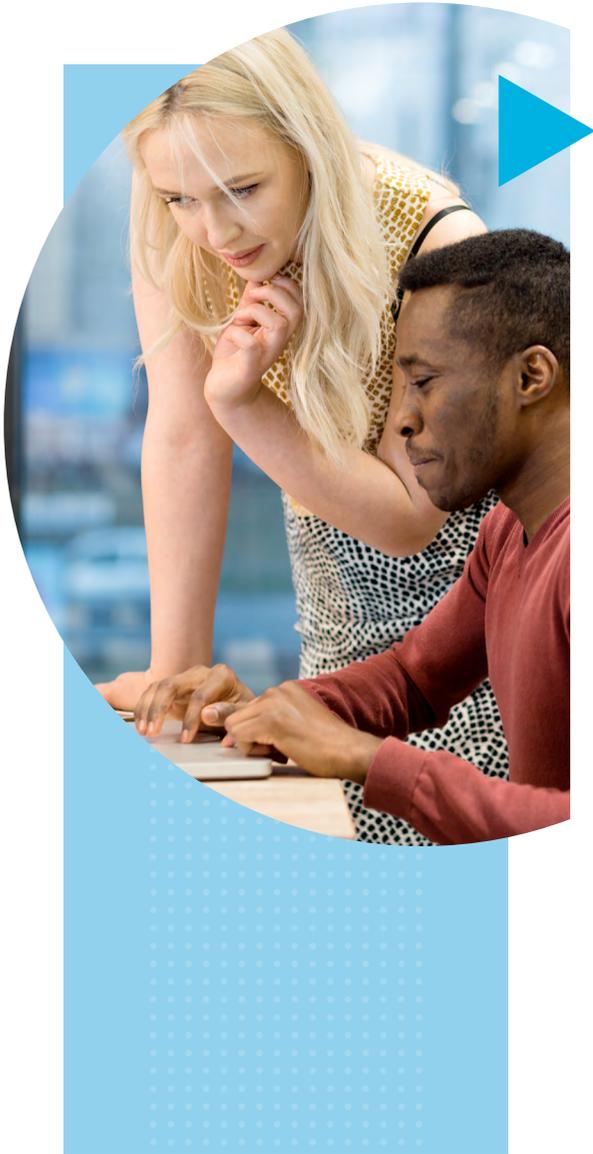
Around a third (**34%**) of businesses said that they struggle to replace departing employees before the end of their notice period, and **31%** struggle to find suitable replacements. As a result, **30%** of businesses regularly have one or more roles unfilled at any given time, and nearly a quarter (**24%**) regularly have a period of one month or more between an employee leaving and their replacement starting.



Having roles regularly unfilled can cause big problems for a business. Productivity is often impacted and other employees can sometimes need to pick up the slack, which can really bring down morale and even prompt resignations from other team members, creating a vicious cycle which it can be difficult to recover from. In order to try and avoid this situation and overcome the talent shortage in many industries, businesses can end up overcompensating with expensive recruitment practices that are inefficient and actually cause more issues than they solve.



Piers Fox
Director, Marketing, mthree



Sourcing Candidates

Filling different positions can require very different approaches, and as such, businesses are regularly forced to use a number of the hiring tactics at their disposal in order to identify and reach the right people.

According to our research, the most prevalent recruitment method is listing adverts online job boards (**used by 61% of businesses**), followed by posting paid and organic social media posts (**42% and 44% respectively**). However, the list is by no means limited to these three techniques; there is a much bigger range of tactics that is being used by large proportions of employers.

PREVALENCE OF HIRING TACTICS	Total
Online job boards	61%
Organic social media posts	44%
Paid social media posts	42%
In-house recruitment managers	38%
Print advertising	37%
External recruitment consultants	36%
Recruitment fairs	33%
Graduate programs	23%
None of the above	13%

While it's typically necessary for a business to employ multiple hiring tactics, each of these methods has its own associated expense, ranging from fairly minimal to quite significant, meaning recruitment costs can quickly stack up even before a candidate has been invited to interview.



Some up front recruitment costs are of course unavoidable. However, it is easy for these to spiral, particularly if a business is operating in a competitive environment, with it tempting to keep trying different tactics if vacancies are proving difficult to fill. In order to keep these costs as low as possible, data is key. Businesses should keep accurate records of all hiring activities and how effective they've been for particular types of roles. This data can then be analyzed to establish the ROI of each activity, which will help to inform future recruitment and ensure money is being spent in the right places.

David Hanks

Senior Director, Business Operations, mthree

Interview Processes

While the costs of attracting potential candidates via the various methods mentioned above can be difficult to keep down, they are at least relatively easy to track and monitor. The expenses accrued during the subsequent interview and selection process, on the other hand, are not so immediately clear.

While procedures naturally vary from company to company, our research shows that most businesses are investing significant amounts of time into the interview process while recruiting for graduate roles. In **64%** of businesses, interviews with prospective junior employees are conducted by senior executives, in **45%** of businesses, interviews with prospective junior employees comprise more than one stage, and in **40%** of businesses, prospective junior employees are interviewed by more than one existing member of staff.

It's also important to note that businesses are typically interviewing numerous candidates for each graduate position. The average number of candidates interviewed per role is six, however **47%** of businesses are interviewing six or more candidates, and **20%** are interviewing at least **10**.

With businesses hiring an average of **135** graduate-level employees in a typical year, this means that, even if each candidate is only interviewed once by one existing member of staff, businesses are spending an average of 810 hours interviewing graduate candidates. If we factor in the potential for multiple interview stages held by more than one existing employee, this rises to at least 3,240 hours – almost equivalent to twice the number of hours worked in a year by the average person in the US.





PART
02

The Onboarding Process

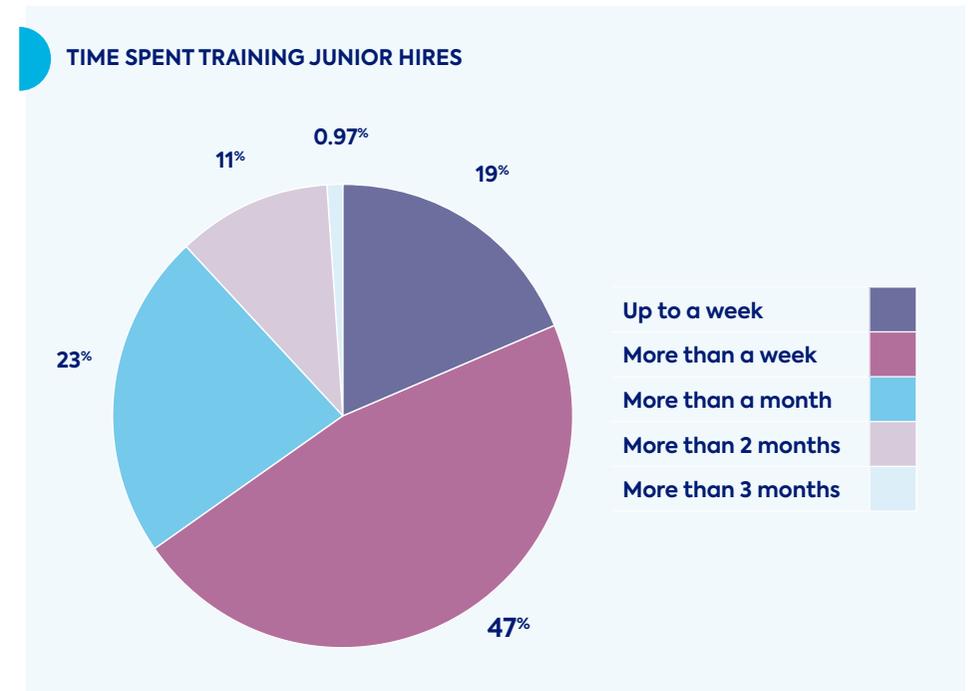
Training Costs

The recruitment & onboarding process of course does not end with the acceptance of a job offer. Successfully welcoming a new employee to the business, particularly an entry level or graduate employee, requires a considered onboarding process and generally some form of training – all of which necessitates the investment of further time and money.

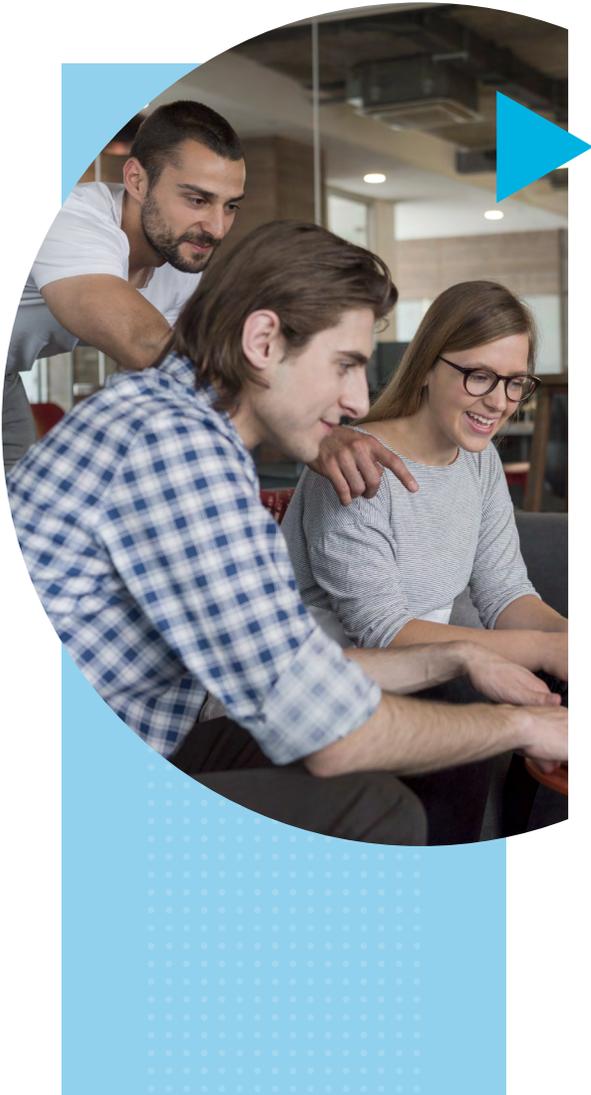
When asked how new junior employees are typically trained, only **5%** of businesses said that they do not provide any training at all. **62%** of those surveyed offer a structured, rotational internal training program, in **55%** of businesses managers provide training on an ad hoc basis, and **38%** of businesses use external training providers, with many businesses likely offering a combination of the above.

Each training method incurs its own expenses. Training offered by external providers has a clear monetary cost, though this can vary from fairly minimal costs for online courses and certificates, all the way up to much larger costs for in-person or residential training. Meanwhile, any time spent by more senior employees on ad hoc or structured training takes them away from other work that could be more directly adding value to the business.

Depending on the level of training required, these training expenses and the related impact on the business can be significant. While the amount of training needed varies from sector to sector and role to role, the average period spent training a new junior employee is one month. **Nineteen percent** of businesses surveyed only spend up to a week on training, but **23%** spend between one and two months, and **11%** spend between two and three.



With this in mind, it's easy to see how some businesses (**4%**) report spending upwards of \$100,000 training new junior employees. While this is relatively uncommon, **40%** of businesses are spending between \$1,000 and \$10,000, and nearly a third (**30%**) of businesses are spending between \$10,000 and \$50,000 on training.



Making An Impact

While businesses are typically spending around a month training new junior employees, this is not the full picture. Our research has shown that businesses feel it generally takes much longer than that for the new hires to reach a point where they are having a real impact on the business.

According to the data, the average time required is six months, with **29%** of businesses suggesting it can take up to three months, **32%** between four and six months, and **32%** between seven months and a year. **Six percent** of those surveyed feel that it takes more than a year.

TIME IT TAKES FOR JUNIOR HIRES TO START ADDING VALUE



Contrastingly, our survey of young adults in full-time employment revealed that they believe it only takes an average of around a month for them to become a productive member of the team.



This period can be explained by the relative inexperience of junior employees in the workplace, which can mean that training directly related to the job at hand is not the only support required to get them to the necessary level. We found that **81%** of businesses have needed to provide some form of additional training to junior employees for a variety of reasons.

More than half (**53%**) have needed to help employees learn additional technology skills, **34%** have needed to familiarise employees with the specific technology used by the department, **42%** have needed to help employees with their softer skills, while **17%** have found new employees not as qualified as advertised.





How Training Affects The Business

While it's clearly essential for most businesses to provide some level of training and support in order to get new junior hires up to speed, the potentially detrimental impact that these significant investments of time and money can have on an organization should not be overlooked. Indeed, according to our research, **68%** of businesses have experienced serious issues as a consequence of training new junior employees.

Thirty six percent of businesses have seen productivity fall due to needing to constantly devote resources to recruitment and training, making this the most commonly cited problem. More than a quarter (**29%**) have had to turn away work due to internal talent shortages, **21%** said that their cash flow has been damaged, while **22%** have been unable to expand.



Some of these figures look quite scary, and it's possible that some businesses may never have really sat back and calculated the true cost of training and onboarding graduate and entry level talent. It's important to remember that emerging talent is the future of every workforce and, in spite of this initial outlay, businesses would struggle to survive without the regular influx of fresh, enthusiastic faces keen to make their mark.

However, there are certain roles and disciplines that require more in depth, specific training than others. In these situations, it can be extremely valuable to explore alternative options, such as working with emerging talent providers. Taking promising graduates with raw potential and turning them into productive professionals who immediately start contributing to the bottom line, last mile training can bridge the gap between education and the workplace and tackle many of the issues commonly associated with hiring graduate talent.

Chris Wascak

Director, Business Development, North America, mthree



PART
03

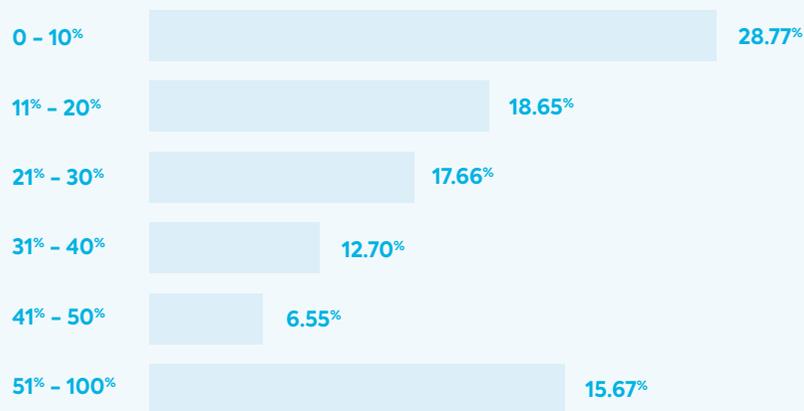
Cost of a Mis-hire

Poor Graduate Retention

With so much time and money invested into each graduate hire, it's not only important to be able to attract great talent, but also to retain it. Unfortunately for businesses, staying with one company for the duration of your career is no longer the cultural norm. The millennial tendency for 'job hopping' has been well documented and it seems likely that the growing number of Gen Z employees entering the workforce will follow suit in the coming years.

Our research has shown this to be a common issue for many employers, with **22%** of those surveyed finding that a staggering 51%-100% of their graduate employees typically leave the business within 24 months. A further **29%** find that between 21% and 50% leave within two years. Only **30%** of businesses said that 10% or less leave within that time period.

PERCENTAGE OF GRADS THAT LEAVE WITHIN 24 MONTHS



While this problem with retaining graduate workers is partially down to the aforementioned cultural shift, that's not to say there is nothing that businesses can do to improve their retention rates. In order to make a tangible difference, it's vital to really listen to young people and what they want from an employer. By doing this, businesses can not only retain their more of their existing graduate employees for longer, but also help to ensure the graduates they're hiring are a good fit in the first place.

Tom Seymour
Senior Director, HR, mthree



Why Culture is King

When looking to attract the best candidates for the job, it can be easy to assume that financial incentives are going to be the single most effective tool. However, our research clearly shows that this is not the case amongst young workers. Instead, it seems that company culture is hugely important to them when deciding where to work.

Almost half (**47%**) of those surveyed stated that company culture is the most important factor when deciding whether to accept a new role, while **40%** said that culture is one of their main considerations. This suggests that publicizing and promoting the company culture should form a key part of the recruitment process, yet businesses are failing to effectively capitalize on this opportunity. Disappointingly, **6%** businesses do not even promote their company culture to potential new employees at all.

Very few businesses incorporate information about their culture in the early stages of recruitment, with only **36%** stating that the culture is clearly outlined in all job adverts and to all external recruiters. They also make it difficult for candidates to do their own research: only **39%** have information available to read on the organization's website, **36%** promote their culture via their social media profiles, and **29%** regularly communicate information via the media.

A slightly higher proportion (**41%**) explain company culture to prospective employees at interview, while **40%** say that information about the culture forms a key part of the onboarding process, and **38%** provide information to employees prior to their start date.

It's clear from the research that promoting the company culture will help to attract potential employees. However, we can also see that being up front and honest about an organization's culture can help to ensure that the right candidate is chosen for a role, which will naturally help to improve retention.

69% of the young people surveyed said that they have regretted joining a business after discovering what its company culture was like. Nearly a third (**32%**) have left a job within less than a year due to the culture not being as anticipated, and **18%** have left within six months. Another third (**33%**) have stayed in a job but been unhappy.



Cultural Impact of High Employee Turnover

Our research reveals that **60%** of businesses have experienced negative effects on company culture as a result of high employee turnover. **Twenty nine percent** have received complaints from remaining team members about a change in company culture, and 23% have noticed the company culture drift further from the stated mission and values.

Importantly, **28%** have noticed a decrease in employee engagement, **20%** have had issues arise between team members due to the development of a toxic culture, and **22%** have had long-standing employees leave as a direct result of the change in culture.

In this way, poor retention rates can become a vicious cycle in which the culture of a team or whole organisation becomes destabilised, which results in even more employees choosing to leave, further increasing recruitment and onboarding costs.



Had these employees been given a more accurate picture of the organization and its values from the outset, they may have decided not to accept the role, which could instead have gone to someone who was a better fit and would have been happy to stay for a longer period.

Poor retention rates can be very costly, with high employee turnover most obviously driving up the recruitment and training expenses outlined earlier in the report. However, it can also have a detrimental effect on company culture, which can have its own financial impact on a business.



Jeremy Corbett
Senior Director, Talent & Partnerships, mthree



Good Vs Bad Leavers

While most businesses can undoubtedly be taking further steps to improve their retention rates, it is inevitable that some employees will leave. When considering the overall cost of onboarding talent, it is also important to enable employees to leave on good terms. Dissatisfied ex-employees will contribute to a poor reputation, making future recruitment more difficult and expensive.

On the other hand, happy former members of staff will help to build a strong employer brand, and potentially even return to the business at some point in the future, meaning the time and money spent on their initial training will continue to be a valuable investment. Although **34%** of businesses find that ex-employees regularly return to the business, and **35%** have noticed an increase in returning employees, **19%** of businesses say that employees do not regularly return to the business.

One way that businesses can help employees to leave on a positive note is to develop a fair, comprehensive offboarding process, with **42%** of businesses having been told by returning employees that their strong offboarding process allowed them to leave on good terms.

When asked which offboarding processes would make them more likely to speak positively about a former employer to friends and family, **51%** of those surveyed said they would like to be given the opportunity to give honest feedback, **36%** would appreciate a celebration of their achievements while at the company, **29%** would like clear guidance about any legal requirements such as data protection, **32%** would like an exit interview with a member of HR, and **26%** would like an exit interview with a senior leader of the business.

However, our survey of business leaders revealed that only **38%** of businesses have an offboarding process specifically designed to enable employees to leave on good terms. Additionally, only **42%** give departing employees the opportunity to give honest feedback and just **31%** celebrate their achievements.

These are simple changes that businesses could make to their HR practices that would potentially have a tangible impact on the business's reputation, and the number of employees that would consider returning to the organisation.





Conclusion

Recruitment is often one of the most expensive aspects of running a business, and can be one of the most difficult to get right. It's apparent from the research that recruiting graduate and entry level talent can generate many additional costs compared with hiring more experienced professionals, with the onboarding process continuing long after they've signed their contract.

Graduates are the lifeblood, and should be considered as the future of many organizations, meaning many of these costs are unavoidable, and will naturally be recovered once the new recruits have been given the chance to bed in. However, the data suggests there are a number of actions that businesses could take to improve the efficiency, cost effectiveness and success of their graduate recruitment:

- ▶ Consider whether senior level executives are required in interviews with prospective junior employees.
- ▶ Create a more stringent application and assessment process, to minimize the number of candidates invited to interview per role.
- ▶ Consider whether multiple interview stages are always necessary for graduate positions.
- ▶ Consider partnering with an emerging talent provider to ensure graduates have the technical and soft skills required for their particular role, and can make a positive contribution immediately.
- ▶ Convey an honest portrayal of the company's culture at all stages of recruitment to prevent mishires and improve lower employee turnover.
- ▶ Establish a strong offboarding process to protect the company's employer brand and encourage departing employees to consider returning in future.



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