

The Cost of Turnover and How to Reduce It!

Constant 'churn' and turnover due to poor hiring decisions is very costly. Often the real cost of employee turnover is not realized. The following items come into play every time you have an employee leave your organization. Assign a dollar amount to each item below, estimating where you need to. This information provides an idea of the total cost of just *one* instance of employee turnover.

- Lost productivity while the position is vacant
- Recruiting costs: advertising and/or agency fees
- Screening costs:
 - time spent contacting candidates, arranging, preparing and conducting the interview
- Evaluating costs:
 - time spent evaluating the candidates, reference checks, and making the selection
- The cost of making the job offer:
 - time spent negotiating with the successful candidate and arranging the start date
- Variable hiring costs:
 - relocation packages, medical examinations, etc.
- Orientation and Training costs:
 - introducing the new employee and training him or her
- The cost of reduced efficiency as the new employee learns the job
- Administration costs - payroll and accounting expenses
- Other employee-turnover costs that you have identified

The cost for hiring can typically run from two to three times the employee's salary when all factors are taken into account.

The right people can be the difference between extinction & survival, profit & loss.....This may seem too big a statement, however a Harvard Business Review, Vol. 58, No.5 study states today "It's not experience – or college degrees – or other accepted factors..." that ensures you have the right person in the right job...(it) hinges on fit with the job".

The study further states that, 6 months after hire: "...persons who had been matched outperformed to a statistically significant degree, those who had not been matched..." and 14 months after hire: "Moreover, the differences widened after 14 months"

Finally the study state that new hires who stay longer save organizations a fortune on recruitment costs resulting in a positive impact on their bottom-line.

	Without Job Matching	With Job Matching
High Turnover Industry		
% left / fired after 6 months	46%	24%
% left / fired after 14 months	57%	28%
Low Turnover Industry		
% left / fired after 6 months	25%	5%
% left / fired after 14 months	34%	8%

Wouldn't it be great if you could get 100% of the information necessary to make great people decisions every time? Because there are so many variables, getting 100% of the information is simply not possible.

Let's look at this further and start with the worse case scenario – 14%. The traditional interview gives us the potential to predict the outcome of our hiring decisions about once for every seven people we hire. When you add new usable information, you push that predictive hit rate upward and you save your organization money. So what other information can you add into the process?

When you add background checks into the mix your hit rate goes up to 26%. By adding insight into the personalities and behaviours of your candidate, your hit rate increases to 38%. Add information about the candidate's ability to cope with the informational or intellectual demands of their new position and up your hit rate to 54%. The hit rates moves to 66% when you have information about an individual's interest and motivators.

Finally, by adding a customized benchmark (job fit profile) into the equation, you will increase the information necessary to predict superior performance to 75%.

Remember, the right people can be the difference between extinction and survival, profit and loss. Ensure your organization has the right tools to hire the 'best fit' every time.

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