

Employer's Advantage

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A Challenging Future: Retention, Productivity And Education:

As you've read in this publication and probably others, we face an accelerating worker shortage over the next 30 years as Baby Boomers leave the labor market and are replaced (at a much slower rate) by young recruits. Recently, noted economist Jeff Thredgold pointed out to an audience of business leaders in Utah that we may well be grossly underestimating the magnitude of the problem:

While official Office of Management and Budget figures show the U.S. economy creating 3.8 million new jobs in the year beginning March 2005, those figures are based on a survey of mid- to large-sized businesses. If you add the extremely robust state of small business, traditionally the best producers of new jobs in our economy, Thredgold estimates we may have actually added 8.3 million new jobs in that period! Interestingly, it's about the same number we would use to account for the drop in the nation's unemployment figures for the same year.

In Utah, we are currently seeing unemployment rates below 3 percent! That means, in effect, we have people working who had no intent to work! If this is what we have to look forward to for the next 30 years, the challenge for any business is clear:

We need to work creatively and intelligently to find enough people to do the work we need done and find ways to do more with fewer people. We need to learn how to identify our top performers and find out what makes them top performers and how to keep them with us. And we need to identify potential top performers from our limited selection pool -- before our competition snaps them up.

The second point, having to do more with fewer people, is reflected in the productivity statistics, another area Thredgold addressed. The primary factor preventing the worker shortage from becoming an immediate crisis has been dramatic, historic increases in worker productivity. To sustain that trend is another challenge we cannot fail to meet. Study after study has shown that proper application of valid and reliable job-fit measurements in the selection and promotion process results in increased productivity. The process is not costly, compared with most alternative methods of increasing productivity (such as investing in more efficient capital equipment) and can be implemented very quickly (compared with capital equipment upgrades). Returns on investment of implementing job-fit technology have often been documented in the 20:1 to 50:1 range.

As our economy moves further away from manufacturing along an increasing curve of technology and innovation, education becomes an increasingly important factor in the equation. As Thredgold notes, in 1980, a college graduate could expect to make 25 percent more in lifetime earnings than his peers with only a high school diploma. That number has now risen to 90 percent more! In addition, every full year of post-high school formal education or training of any kind results in a 15-to-20 percent increase in average earnings.

"If you think turnover is expensive now, watch its cost rise in the next few years," Thredgold told the audience.

If his predictions are on target, business leaders will be well-advised to also pay attention to the other well-documented contributor to retention and productivity -- leadership selection and development. How will you respond to the challenges?

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Recruiting in a Job-Seeker's Market: How to Compete and Win!

Sell Your Job, Your Business!

Hiring guru Lou Adler, in an article written for ERE Network, points out: "...the big issue about job boards is that they are relevant only if you post compelling jobs that capture the candidate's attention. If you post traditional job descriptions that are the same as everyone else's, you will get average results. There are a host of other things you can do to get your jobs noticed by the right audience, but if your jobs are boring, it won't matter where you post them or who sees them." We might add that the same holds true wherever you advertise your jobs. Break the mold. Think outside the box. Have your sales department write all your job ads. Stretch!

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Be Realistic About Current Costs:

One of our clients was kind enough to share an estimate of what it cost them to hire and then lose a manufacturing manager. Here are their calculations:

Direct Labor: \$850

Recruitment: \$23,350

Training, getting to full competence in the environment: \$102,000

Training and support staff: \$1,450

Loss of productivity: \$19,200

TOTAL: \$146,850

Measure What You're Getting!

Also from the ERE Network, Dr. John Sullivan suggests following Dell Computers' metrics approach for quality of hire: "By looking at the number of new hires that become top performers within 12 to 18 months, they are hitting the nail right on the head. Great recruiting is not about hiring a large number of people or hiring them cheaply. It's about hiring individuals who become top performers and who stay with the organization."

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Foundation Principles of Referral Programs:

Be sure you're rewarding the outcomes you're seeking. A smaller reward, given with recognition and close to the behavior you're trying to increase, is more effective than a larger one more separated in time from the target behavior.

The notion of paying upon hire rather than after 90 days is right on point -- after 90 days, you're not impacting the target behavior much. The policy of adding it to the regular paycheck eliminates much of the effect -- it's not timely, it doesn't involve recognition, is reduced by taxes, and spouses are as likely to be the beneficiaries as the person whose behavior you want to reinforce. The policy is for the convenience of accounting/bookkeeping, not the employee who did the good thing. If you want to maximize your bang for the buck, find the referring employee on the day the new one is hired, gather his co-workers and supervisor around, and hand him/her a crisp new \$20 bill, with applause. Add the rest of the bonus, minus taxes on the whole amount, on the next paycheck. It's less convenient for payroll, but much, much more effective in creating the behavior you desire.

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The Times, They've Already Changed...

According to the *Atlanta Business Chronicle*, "The days of perusing the Sunday paper to find a job are over. Job seekers are turning to the Internet to not only find jobs, but to submit applications, post résumés or simply check out a company. Their method is being noticed by the big boys. The use of career Web sites by Fortune 500 companies has grown from about 29 percent in 1998 to 94 percent in 2003."

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Your Best Strategy for the Long Run

Figure out how to make every hire a potential top performer, then learn what it takes to keep them -- it's better than hiring replacements, especially in a jobseeker's market!

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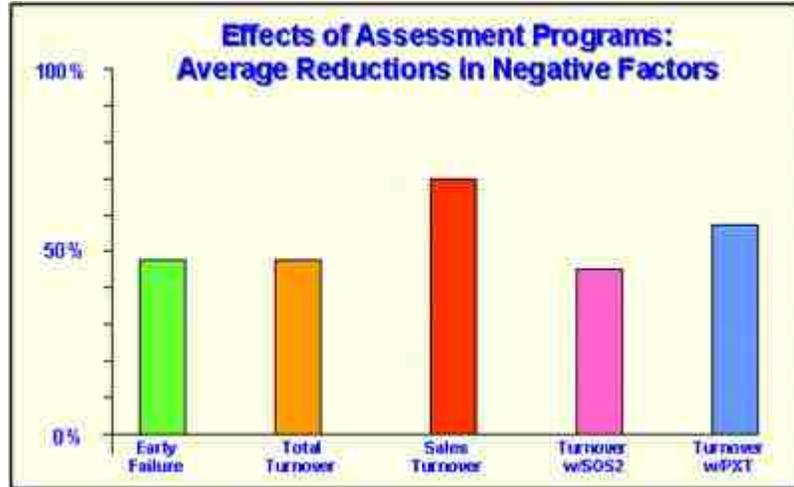
Measurements, ROI Common Effects Across Assessment Programs

In the 3+ years of this publication's life, we have published case studies of various kinds and descriptions, all taken from our base of clients using assessments to improve their business. A review of these studies identified 25 that looked at effects of assessment programs, and many that quantified these effects in similar ways. The studies occur across 10 widely different types of businesses and are geographically scattered from coast to coast. A summary of common findings follows.

- Across all sectors and locations, for the 13 studies that reported return-on-investment figures, ***the average ROI was \$26.30 returned for every dollar invested!***
- Twelve studies focused on reductions in early failure. ***The average reduction was 46 percent.***
- Five programs reported effects on total turnover. ***The average reduction was 47 percent.***
- Two studies were aimed at reducing turnover in sales departments. ***The average reduction was 71 percent.***
- Nine of the studies employed a single assessment, the Step One Survey II™, to decrease early-hire failures. ***The average reduction in these was 43 percent, and the average return on investment was \$26.85 for every \$1 invested.***
- Three studies employed only the ProfileXT™ to attempt to reduce turnover. ***The average reduction in turnover was 60 percent, and the average return on investment was \$33.33 for every \$1 invested.***
- Two studies attempted to improve sales production. One, in a call center, used the ProfileXT™ and ***reported a 50-percent increase in sales.*** Another, in a wholesale environment used the Profile Sales Indicator™ and ***documented a 900-percent difference in per capita sales volume, among those who matched a Top Performer pattern well and those who did not.***
- Five programs used multiple assessments in different combinations to ***decrease early failure or overall turnover, averaging 56 percent reductions in the target measurement.***
- One used multiple assessments to reduce turnover and increase productivity and ***generated a 23-percent***

increase in the net profit of the company!

Individually, any of these results would be an impressive argument for the use of assessments. All together, they present overwhelming evidence: Proper use of valid, reliable assessments in hiring, selection, promotion and management development can dramatically improve the functioning and profitability of a wide variety of businesses.



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"A decision-maker can't respond to information he or she doesn't have..."

~ Donella Meadows

All articles written by John Howard, Ph.D., except where noted.

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