

Making Cents Out of the Hiring Process

BY JENNIFER SANFORD

When major companies replace executives at the highest levels, whole communities pay attention and watch for the golden parachute that everyone has come to expect. We're all amazed and often shocked by the costs associated with severance packages, stock options, and then the ensuing high-level search for a replacement. Less publicized, less glamorous, yet certainly more dangerous to an enterprise is the cost of turnover at the hourly level. When clerks, customer service, and entry-level people leave, it's an ordinary day, but extraordinary costs rack up when this happens in mass, which is common.

Consider that the cost of keeping a 40-employee customer service department up and running rivals the cost of replacing a top executive. And that comparison only considers the tangible costs, not the soft costs such as lost productivity due to training new hourly employees. Now consider that 59% of the workforce at most organizations is hourly, and do the math with turnover nearing 80% each

year. Doesn't it make sense to pay more attention to turnover of hourly employees and figure out root causes and remedies? But is this perhaps as futile as it is just unavoidable? The answer is a resounding "no," and the solution is finding ways to hire better people appropriate to the jobs.

Yes, training is part of the answer, but it's second to strategic hiring. Training programs are only as good as the raw material coming into them. Individuals who lack the knowledge, ability, or drive to complete their assigned tasks will fail no matter how much training you offer.

In order to hire right and subsequently reduce turnover-related expenses, you need to view employees as assets, not expenses. Your ability, or perhaps willingness, to view your hourly employees as assets will help you reduce the expenses associated with them. As assets, your hourly employees provide you with a variety of services, including front-line customer service, around-the-clock systems support, revenue-driving operations, maintenance, and even customer analysis. As much as anyone else in the company, they directly impact the company's operating performance.

To get the most from your hourly assets, you need to find the right people before you train them, and, to do so, you must empower your front-line managers with recruiting and hiring tools. A recruitment toolkit can help your human resources department hire right. Once HR implements the toolkit, turnover will decrease and profits will increase.

WHAT TURNOVER DOES TO YOUR BOTTOM LINE

The costs associated with recruiting are really turnover costs. High turnover stems from your managers' inability to hire good employees. If they hire the wrong people, they'll spend more time rehiring and retraining and less time focusing on the business. Uncontrolled hiring at the local level results in disastrous operational and human costs. By comparison, hiring right gives managers more time to invest in training and managing the business.

The obvious way to understand your recruitment costs is to itemize your related expenses. Some measure the advertising cost to find a replacement and the costs associated with replacement uniforms, on-the-job training, and testing—personnel, aptitude, and drug testing. This is the tip of the turnover iceberg, so let's drill down further.

Let's compare the costs of replacing a \$100,000-a-year accounting vice president with a \$10-per-hour customer service representative (see Table 1). To replace the vice president costs \$27,334, while replacing 24 customer ser-

vice representatives during the year because of a 60% turnover rate in a department of 40 costs about the same at \$27,576. In this model, however, we only analyzed the tip of the iceberg and compared the cost of advertising, managerial time spent reviewing resumes, interviewing, and providing basic training. Because of high turnover, the costs of staffing the small department equal recruiting one vice president.

THE SOFT COSTS OF TURNOVER

You can't see the rest of the turnover iceberg, but it's far more costly. Routinely, turnover costs don't include HR paperwork and time spent processing new employees, nor do companies measure lost productivity costs resulting from the person leaving. Equally difficult is tracking team performance when faced with turnover. These are much bigger and more insidious costs, especially when they occur on a broad scale at the hourly level. They're easy to identify but hard to quantify.

These soft costs lead to a domino effect of lost time and productivity. They include wage losses on the part of the immediate supervisor due to interviewing and the training needs of new employees. When supervisors are stuck in an endless cycle of hiring and training, they end up being penalized financially by not meeting specific routine goals and/or being forced to use nonpaid over-

Table 1

TITLE	ACCOUNTING VP	CUSTOMER SERVICE REPRESENTATIVE
Annual Salary	\$100,000 salary w/o bonus	\$20,800 \$10/hour, 40 hours per week
SOURCING COST		
Headhunter*	\$24,000	
Ad in Major Newspaper**	\$1,954	\$409
Ad on Monster.com	\$380	\$380
COST OF MANAGERIAL TIME		
Résumé Review Cost	\$200 \$50/hour, 4 hours	\$60 \$15/hour, 4 hours
Interview Cost	\$400 \$50/hour, 8 hours	\$60 \$15/hour, 4 hours
Training Cost	\$400 \$50/hour, 8 hours	\$240 \$15/hour, 16 hours
TOTAL Cost	\$27,334	\$1,149
Annual Expected Turnover	0%	60%
# Employees in Position	1	40
Annual Recruitment Expense	\$27,334	\$27,576

*Standard 24% retainer fee

**Source: *Washington Post*; Accounting VP: 1x6, Sunday ad; CSR: 1x1, Sunday ad

time to make up work that is displaced by training new individuals. Peers often suffer as well because they interrupt their work to help support and train new employees. Let's now take a closer look at the effects of turnover.

Inability to Focus on Process Improvement and Planning. Line managers with turnover issues are distracted from process improvement and planning. Instead of balancing strategic management requirements, such as stabilizing their workforce, developing employees, planning better, driving revenue, and watching the bottom line, they end up focused on getting people on staff and ramping them up with basic training and other fundamental needs.

Disintegration of Morale and Job Dissatisfaction among Esteemed Employees. The vicious cycle of turnover creates conditions where hiring managers compromise their hiring standards to meet service capacity needs. This approach can lead to a downward spiral. More conscientious employees become troubled with their colleagues' performance and their managers' hiring errors. The associated job stress and dissatisfaction eventually lead to the departure of quality employees. When this happens, it's hard to attract and retain the kind of employees that you want because they demand a higher standard and will be reluctant to join an organization of poor performers.

Training Issues. Managers who focus on training newcomers have little time to help develop existing workers. They become stuck in a pattern of training new employees rather than helping existing employees refine their skills and take on new responsibilities.

When peers get involved in training, their own productivity goes down. Departmental efficiencies diminish because experienced workers are taking extra time to help new staff members learn simple procedures.

Employee Errors and Omissions. Not following standards and procedures can have severe consequences with workers' compensation expenses. If an employee is injured on the job because of a lack of proper safety training, the company is at risk.

Service Gaps. High rates of turnover create staffing capacity problems and stretch existing staff to meet demands. This can cause service gaps and delays when dealing with customers and the potential loss of market share and reputation.

Lack of Time to Create a Culture of Quality. Creating a culture of quality depends on the manager's ability to find employees who have the potential to be team players and the capacity to understand, appreciate, and embrace the notion of quality as a personal philosophy. Creating a

culture of quality means developing the team's expertise and creating metrics to measure effectiveness, which isn't easy under the best of circumstances, but it's nearly impossible when a team is constantly integrating new members. It's tough on staff and management.

BETTER HIRING: TURN THE TURNOVER TIDE

There are many ways to keep employees, but the best way to start is by hiring the right ones. Proactive recruiting isn't the answer because, as I said earlier, if a manager is constantly recruiting, he or she is spending more time on future employees than on current ones. Effective recruiting is the best way to turn the tide of turnover.

First, identify who does the most hiring in your organization. Does the CEO hire more people than the district manager? Probably not. Does the district manager hire more people than your onsite facility manager? Probably not. The onsite facility manager has the most power in controlling operational costs associated with turnover. Therefore, this employee needs recruiting tools to streamline the hiring process.

A simple and easy-to-use recruitment toolkit will help your managers make the right recruiting decisions. To prepare this resource for your managers, work with your HR department and watch their recruiting effectiveness improve. Your toolkit should contain the following instructions and support. There are 10 steps.

1. Recommend specific media for recruitment advertising.

- ◆ All hiring is local, but help your managers select the most effective media.
- ◆ Give the managers recommendations about preferred local and national publications as well as websites that focus on hourly and/or industry-specific employment.
- ◆ Community publications can help find hourly workers in select markets around the country.
- ◆ Don't let managers rely on the company's website for all job seekers. Recommend websites such as www.employmentguide.com or www.snagajob.com that focus on hourly workers.
- ◆ Steer clear of simply posting signs in your storefronts. You might get great traffic and instant responses, but is this process generating the type of candidates that will contribute to your company and stay long enough to develop careers?

2. Create artwork and/or ad copy to use in all ads.

- ◆ Make it easy on your managers, and guarantee effective company representation by using artwork from your marketing department that represents

your company and product line. Design print ads with your logo and standard hiring language with benefits and qualification standards. Distribute the ads via hard copy or a corporate intranet site if you have one.

3. Provide directions about how to use the corporate website for posting jobs.

- ◆ Make it easy for your managers to post their openings on the corporate website.
- ◆ Add tracking technology to measure how effectively your website delivers employees who are actually hired, not just candidates.
- ◆ Create standard Internet job postings for your corporate website and other websites used for recruitment.

4. Write standard pre-interview screening and interview questions.

- ◆ Provide a guideline to help your managers effectively screen job candidates and separate “the wheat from the chaff.” If they identify problem behaviors in candidates, then they’ll avoid employee problems later.
- ◆ Provide guidelines on legal issues concerning the recruiting process so that you can avoid problems that managers may encounter in their hiring.

5. Create a profile of the ideal candidate for each position.

- ◆ Create a general description of each position and its ideal candidate to accompany the standard interview questions.

6. Offer measurement tests.

- ◆ For some positions, use measurement tests and standardized screening services to test the background and mind-set of future employees. You can access some of these services directly from the Internet and make them available on a low-cost basis for your managers to use for specific types of employees.

7. Offer referral programs.

- ◆ Put together a referral program that rewards employees for recommending friends for jobs within the company. If a new employee stays for 90 or 180 days, reward the referring employee with a bonus or a paid day off.

8. Connect your local managers to the company’s industry association.

- ◆ Most associations’ websites have low-cost resources to help them find and recruit effectively.

9. Communicate the recruitment toolkit throughout your company.

- ◆ No matter how great the toolkit is, it will fail if it

isn’t adequately shared with the managers. You must have a plan in place to roll out this toolkit to your managers and evaluate them on their use of it.

10. Train and then repeat the training for your facility managers to keep their recruitment skills at a strong level.

- ◆ Ongoing reviews of your corporate ad designs, sourcing recommendations, and interview suggestions will keep the material fresh and current. Regular evaluation of your managers’ hiring process can help them develop better hiring skills.

EFFECTIVE PLANNING YIELDS RESULTS

Marriott, Kelly Services, Yum! Brands, Wal-Mart, Initial Security, and other forward-thinking companies across industries use these types of toolkits to empower their managers to improve their recruitment and retention process. Some companies even employ professional marketing managers dedicated to these functions.

Because hiring is localized, more sophisticated companies have invested in developing dedicated intranet sites as a means of distributing this information to empower recruiting managers at the local level. This infrastructure can be used throughout a corporation to bring the hiring resources to the people “on the ground” who need them and are held accountable for successful hiring.

In addition, an increasing number of companies, including Trader Publishing, have written, developed, and delivered recruiting training programs online throughout the corporation. The ensuing investments in the training programs for the employees are predicated on and justified by proper training and empowerment of the recruiters themselves.

Overall, effective planning yields results. Give your managers the tools to hire effectively, and then help them create a culture of quality service. If you make effective hiring an important factor in your managers’ evaluations, they’ll understand the importance of these decisions to their own P&L statements. The importance of quality in hiring will permeate successive generations of workers. Managers will see the effectiveness almost immediately through reduced turnover and employee productivity. Hiring effectively isn’t the only method of improving your organization’s expense profile, but it’s the first step in the process. ■

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