The Hidden Cost of Turnover and Strategies to Increase Retention

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International Director, PeopleKeys
Sanford Kulkin, Ph.D.
Founder and CEO

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HOUSEKEEPING

Credit

Questions

Topic

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Dr. Brad Smith has been well recognized as an expert in the development of Human Behavioral Analysis and skills assessments for over 20 years. He has served as the Director of Development for The Institute for Motivational Living since 1997, and has also served as Managing Director for its sister company, PeopleKeys, which specializes in the development of online technology to deliver behavioral assessment worldwide.

Dr. Smith has served as an expert witness in numerous court cases involving copyright, patent and IP rights associated with online assessments. Dr. Smith has also worked extensively on numerous validation and reliability studies of behavioral instruments, and has been well published on the subject. Smith is also the holder of four patents in engineering and technology.
In 1983, Dr. Sandy Kulkin founded The Institute for Motivational Living, a training, marketing, and publishing company designed to help people communicate better and work together more effectively. Since founding the Institute, Sandy has trained over 20,000 consultants and trainers in the use of behavioral principles and cutting-edge consulting techniques. With his experience in behavioral and motivational application, Sandy has become a nationally recognized expert in helping corporations successfully expand their marketing capabilities. Sandy’s corporate client list includes organizations such as: AT&T, Aramark, IBM, Kodak, MCI, Phillips Petroleum, Santek Environmental, Southdown, Sun Control Systems, Sylvan Learning Systems, U.S. Navy, U.S. Treasury Department, United Airlines, US Airways, and the Wal-Mart Corporation.
Why are we here today?
It’s all about KEEPING good people

Improving retention begins with the recruitment and hiring process. It is affected by on-boarding, acclimation, training, and peer/supervisor interaction. The key is involvement and empowerment of employees to take individual ownership of corporate goals.
But we all face challenges sometimes...
Some questions for you:

1. Have you ever felt like the good people you want to retain are always the ones who seem to leave?

2. Do you wish a few people would leave? But feel like they probably won’t even though they constantly complain about how bad things are?

3. Did you ever think #1 and #2 are linked together? That maybe some of the bad employees are causing the good ones to leave?
The real question remains:

Is it possible to predict future success and also determine which individuals will be **loyal and stay long term**?

The answer is un-equivalently **YES**!
What are some of your red flags in hiring? How do you know this person probably will not last long?

Are you thinking of the easy signs?

• Resume shows history of rapid job changes without vertical promotion. (There is a reason why they had 5 jobs in 5 years.)
• Constant complaints about their old boss or company. (That may be you they are talking about in a year.)
How do you calculate the real cost of turnover?
### SHRM Worksheet

https://www.shrm.org/resourcesandtools/tools-and-samples/hr-forms/pages/1cms_011163.aspx

<table>
<thead>
<tr>
<th>Employee's classification:</th>
<th>Inside Sales Associate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee's hourly pay rate:</td>
<td>$30 per hour</td>
</tr>
<tr>
<td>Employee's supervisor pay rate:</td>
<td>$40 per hour</td>
</tr>
<tr>
<td>Corporate office staff pay rate:</td>
<td>$20 per hour (may be an average)</td>
</tr>
</tbody>
</table>

#### HARD COSTS

##### Pre-Destination

<table>
<thead>
<tr>
<th>Separation processing</th>
<th>Hours</th>
<th>x Wages $20</th>
<th>= $400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative time</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

##### Vacancy Costs

<table>
<thead>
<tr>
<th>Coworker burden</th>
<th>Hours</th>
<th>x Wages $45</th>
<th>= $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overtime, Added shifts</td>
<td>80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiring search firm or temp. agency</td>
<td>Hours</td>
<td>x Wages $</td>
<td>= $</td>
</tr>
<tr>
<td>Developing advertisement(s)</td>
<td>Hours</td>
<td>x Wages $</td>
<td>= $</td>
</tr>
<tr>
<td>Administrative time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placing advertisement</td>
<td>Hours</td>
<td>x Wages $</td>
<td>= $</td>
</tr>
<tr>
<td>Cost of advertising space(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection &amp; Sign-On</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Interviewing | Hours | x Wages $ | = $ |
| Reference checking | Hours | x Wages $ | = $ |
| Drug testing/psychological testing | Hours | x Wages $ | = $ |
| Orientation & on-the-job training | Hours | x Wages $ | = $ |

#### Total Hard Costs of Turnover

= $

#### SOFT COSTS

##### Pre-Destination

| Lost productivity of departing employee | Hours | x Wages $ | = $ |
| Exiting employee performance at 50%-75% |

| Lost productivity of co-workers | Hours | x Wages $ | = $ |
| Increased time discussing departure and organizational conditions |
| Increased work load for employees |

| Lost productivity of supervisor | Hours | x Wages $ | = $ |
### SHRM Worksheet

https://www.shrm.org/resourcesandtools/tools-and-samples/hr-forms/pages/1cms_011163.aspx

<table>
<thead>
<tr>
<th>Lost productivity of vacant position</th>
<th>Hours ___  x Wages $___ = $_______</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overtime</td>
<td></td>
</tr>
<tr>
<td>Added shifts</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lost productivity of supervisor</th>
<th>Hours ___  x Wages $___ = $_______</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time spent filling in</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recruiting administration</th>
<th>Hours ___  x Wages $___ = $_______</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisor's time with Schedule</td>
<td></td>
</tr>
<tr>
<td>changes/overtime</td>
<td></td>
</tr>
</tbody>
</table>

| Selection and Sign-On              |                                    |

<table>
<thead>
<tr>
<th>Lost productivity during training</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement requires</td>
<td></td>
</tr>
<tr>
<td>Support/direction</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lost productivity of co-workers</th>
<th>Hours ___  x Wages $___ = $_______</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing employees distracted</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lost productivity of supervisor</th>
<th>Hours ___  x Wages $___ = $_______</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total Soft Costs of Turnover       | = $_______                          |

**TOTAL COST OF TURNING OVER ONE EMPLOYEE**

**Hard Costs + Soft Costs**

**FORMULA FOR ANNUAL TURNOVER COST**

Number of exiting employees ________ x cost of turnover (hard + soft)

= $_______
Total Costs:

- Often equal to more than one year’s salary
- Possible loss of a good client
- Litigation costs – more prone to law suits
- Lower morale in company or department overall
- Loss of time you could be spending doing something more productive
- Your peace of mind.

- What would you add to this list?
BENEFITS of Retention:

- Continuity of Operations
- Knowledge retention and transfer
- Efficiency / Profitability
- Increased Morale
- Enhanced future recruitment strategies
- Lowered chance of litigation

- What would you add to this list?
Let’s face some facts
Studies Show

• The cost of replacing middle level employees can be as high as 150% of their annual salary and high-level employees upwards of 400% of their annual salary.

• Only 17% of organizations are aware of the direct costs of employee turnover, and only 9% know their indirect costs.

• 45% percent of employers claim that millennials have the highest turnover rates in their company, costing them between $15,000 and $25,000.

Celayix Workforce Management News Aug 2014
Studies Show

• 2.5 million Americans quit their jobs every month.

• The majority of all turnover (52%) occurs in the first year of employment.

• 25% of all employees say they plan to change jobs.

• The median number of years a U.S. worker has been in his or her current job is just 4.4, and just over 2 years for millennial employees.
Studies Show – 3 Big Reasons for Turnover that can be minimized

• Miscast/Mismatched for the Job- including lack of soft/hard skills, underemployment/ overemployment, individual goals not correlated with opportunities

• Conflict – It is sometimes said Employees Quit Managers, not Companies

• For millennials, work-life balance is even more important, as 89% feel that work-life balance is essential to happiness at work.
Let’s look at some solutions
Solutions

The road to retention begins when you make first contact with a candidate. Your HR department and the hiring managers need to be looking not only for skills and abilities, but also for signs that potential hires will be a good fit. You’re not only interviewing for skills and experience, but also for cultural fit.

Employees that are comfortable with the company norms are 2-3 more likely to be with you for the long run and provide more value.
<table>
<thead>
<tr>
<th>Assessment Date</th>
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<th>Last Name</th>
<th>Email</th>
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<th>TEAMS</th>
<th>Values</th>
<th>View Results</th>
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<tbody>
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<td></td>
<td></td>
<td>View Results</td>
</tr>
<tr>
<td>12/30/2015</td>
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<td></td>
<td></td>
<td>Complete</td>
<td></td>
<td></td>
<td></td>
<td>View Results</td>
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<tr>
<td>1/17/2016</td>
<td></td>
<td></td>
<td></td>
<td>Complete</td>
<td></td>
<td></td>
<td></td>
<td>View Results</td>
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<tr>
<td>1/8/2016</td>
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<td></td>
<td>Complete</td>
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<td></td>
<td>View Results</td>
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<tr>
<td>1/14/2016</td>
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<td>View Results</td>
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<tr>
<td>1/15/2016</td>
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<td></td>
<td></td>
<td>View Results</td>
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<td>1/15/2016</td>
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<td>View Results</td>
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<tr>
<td>12/30/2015</td>
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<td>Complete</td>
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<td></td>
<td>View Results</td>
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<tr>
<td>1/14/2016</td>
<td></td>
<td></td>
<td></td>
<td>Complete</td>
<td></td>
<td></td>
<td></td>
<td>View Results</td>
</tr>
</tbody>
</table>

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Clear Onboarding

Once you’ve gotten your new hire, the next step is to make sure their first experience in your organization is a positive one. The onboarding process needs to be well thought out and clear. It should be employee centric, focusing on getting the new hire comfortable and quickly acclimated to the workplace.
Federated Investors – $365 Billion in Managed Assets
Acclimation - Motivation and Rapport with Manager

**Communicating with the Motivator style**

**Remember, a Motivator may want:**
- Social esteem and acceptance, freedom from details and control, team results, a non-confrontational environment, people to share ideas with, positive working conditions, strong loyalty from relationships

**Greatest fear:**
- Rejection, working out of comfort zone, lack of control

**When communicating with James, a Motivator, DO:**
- Build a favorable, participative, and social environment
- Give opportunity for them to verbalize about ideas, people and their intuition
- Make sure you help them meet their personal goals
- Share testimonials from others relating to proposed ideas
- Allow time for independent work
- Create incentives for quality and results of work

**When communicating with James, a Motivator, DO NOT:**
- Eliminate social status
- Threaten their security
- Make them do things quickly when it leads to compromise
- Question their motives or integrity

**While analyzing information, James, a Motivator may:**
- Speak before listening thoroughly
- Build upon proven methods
- Understand key concepts and goals
- Be creative in problem solving

**Motivational Characteristics**
- Motivating Goals: Stability, appreciation by others
- Evaluates Others by: Loyalty, stability
- Influences Others by: Team player, dependable
- Value to Team: Stable, reliable, good decision maker

**Communication Tips**

**Teams Introduction**
Offer Unique Perks

Look to go beyond the mandatory perks such as insurance, or the standard ones like parking. Business models that allow for flexibility appeal more to today’s workers. Allowing for a day to work from home every other week, or gym memberships and other perks let your employees know you value them, and want them to be happy.
The Platinum Rule

"Passion is Energy. Feel the power that comes from focusing on what excites you." - Oprah Winfrey

I = Inner Awareness/Spiritual Growth—a desire for balance, harmony, and self growth

S = Social/Humanitarian—a desire to help others altruistically

P = Power/Political—a desire to be in control or have influence

E = Economic/Tangible—a desire for financial security or economic gain

A = Artistic/Innovative—a desire to express uniqueness or individuality

K = Knowledge/Proficiency—a desire for learning and greater understanding
There’s Always Room For Improvement

Track your effectiveness. How well have you done in the past, and how well are you doing now? And most importantly, where do you want to get to? Take the time to survey your employees. Listening to long time employees is a great way to understand what you’ve been doing right. Don't forget to speak with those who are on their way out the door, it can help you understand where you have room for improvement.
6.5 There is clear understanding about priorities in my department or area.

Results: 1 (0.00 %), 2 (0.00 %), 3 (15.00 %), 4 (35.00 %), 5 (50.00 %), Blank (0.00 %)
Positives: 85.00 %, Negatives: 0.00 %
Respondents: 20, Total: 87 of 100 possible, Mean: 4.4

7.5 I feel special projects assigned to me are within my scope of expertise or job responsibilities.

Results: 1 (0.00 %), 2 (0.00 %), 3 (15.00 %), 4 (35.00 %), 5 (50.00 %), Blank (0.00 %)
Positives: 85.00 %, Negatives: 0.00 %
Respondents: 20, Total: 87 of 100 possible, Mean: 4.4

7.6 I am given adequate time to complete my job responsibilities.

Results: 1 (0.00 %), 2 (5.00 %), 3 (10.00 %), 4 (35.00 %), 5 (50.00 %), Blank (0.00 %)
Positives: 85.00 %, Negatives: 5.00 %
Respondents: 20, Total: 86 of 100 possible, Mean: 4.3

2.7 My immediate supervisor promotes feedback and input from employees before making key decisions.
Employee Engagement Programs

- Gain Sharing
- Recognition Programs
- Training Initiatives
- RoadMap to Success
- Mentoring
- Employee Referrals
Most of All it Starts at the Top - 5 Greatest Long Term Motivators

1. Sincere Appreciation
2. Outlet to Express Concern without Retaliation
3. Clear Job Description
4. Pleasant work environment
5. Sense of Empowerment/Importance

Money is only a short term motivator and quickly fades away

As long as you are “fair” and competitive
Case Study 1
Celtic HealthCare

Celtic is part of Graham Holdings and provides in-home healthcare. They have a large geographical coverage with hundreds of remote health care providers. They must manage and communicate with all of these providers for specific outcomes.
Question:

Are the employees who are properly matched with an environment that matches their primary workplace style more positive about their job experiences?

Answer:

YES! Someone who is miscast in a job puts more energy into adapting to that environment than someone whose personal preferences already match the job requirements.
## Increase in Positive Responses

<table>
<thead>
<tr>
<th>Percent Positive Results</th>
<th>No behavioral Assessment (N=81)</th>
<th>With behavioral Assessment (N=81)</th>
<th>Z-statistic</th>
<th>( p )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Job Fulfillment</td>
<td>72.15%</td>
<td>74.91%</td>
<td>0.39</td>
<td>0.69</td>
</tr>
<tr>
<td>2. Goal and Mission Clarity</td>
<td>62.46%</td>
<td>75.17%</td>
<td>1.75</td>
<td>0.08</td>
</tr>
<tr>
<td>3. Recognition and Support</td>
<td>50.15%</td>
<td>65.54%</td>
<td>1.98</td>
<td>0.04*</td>
</tr>
<tr>
<td>4. Two Way Communication</td>
<td>57.08%</td>
<td>67.49%</td>
<td>1.37</td>
<td>0.17</td>
</tr>
<tr>
<td>5. Structure and Job Clarity</td>
<td>65.69%</td>
<td>76.59%</td>
<td>1.53</td>
<td>0.12</td>
</tr>
<tr>
<td>6. Culture and Environment</td>
<td>51.69%</td>
<td>66.59%</td>
<td>1.93</td>
<td>0.05</td>
</tr>
<tr>
<td>7. Individual Ownership</td>
<td>45.08%</td>
<td>62.06%</td>
<td>2.17</td>
<td>0.03*</td>
</tr>
<tr>
<td>8. Planning for Growth (Vision)</td>
<td>45.38%</td>
<td>66.37%</td>
<td>2.69</td>
<td>0.01**</td>
</tr>
<tr>
<td>9. Quality Control</td>
<td>60.31%</td>
<td>72.43%</td>
<td>1.63</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Note. *denotes statistical significance at \( p < .05 \); **denotes statistical significance at \( p < .01 \).
# Decrease in Negative Responses

<table>
<thead>
<tr>
<th>Percent Negative Results</th>
<th>No Assessment</th>
<th>With Assessment</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Job Fulfillment</td>
<td>18.00%</td>
<td>10.75%</td>
<td>-1.32</td>
<td>0.18</td>
</tr>
<tr>
<td>2. Goal and Mission Clarity</td>
<td>25.08%</td>
<td>10.71%</td>
<td>-2.38</td>
<td>0.02*</td>
</tr>
<tr>
<td>3. Recognition and Support</td>
<td>36.31%</td>
<td>15.81%</td>
<td>-2.97</td>
<td>0.01**</td>
</tr>
<tr>
<td>4. Two Way Communication</td>
<td>32.15%</td>
<td>13.37%</td>
<td>-2.85</td>
<td>0.01**</td>
</tr>
<tr>
<td>5. Structure and Job Clarity</td>
<td>19.23%</td>
<td>8.35%</td>
<td>-2.00</td>
<td>0.04*</td>
</tr>
<tr>
<td>6. Culture and Environment</td>
<td>33.23%</td>
<td>15.66%</td>
<td>-2.60</td>
<td>0.01**</td>
</tr>
<tr>
<td>7. Individual Ownership</td>
<td>42.46%</td>
<td>18.69%</td>
<td>-3.28</td>
<td>0.01**</td>
</tr>
<tr>
<td>8. Planning for Growth (Vision)</td>
<td>32.46%</td>
<td>13.37%</td>
<td>-2.89</td>
<td>0.01**</td>
</tr>
<tr>
<td>9. Quality Control</td>
<td>27.38%</td>
<td>11.46%</td>
<td>-2.56</td>
<td>0.01**</td>
</tr>
</tbody>
</table>
Case Study 2
The Bair Foundation

Bair is one of the largest private foster care and adoption agencies in the country. They experience high turnover (the industry averages 40%+) due to the inherent nature of the social service industry.
Question:

Will properly used behavioral instruments affect retention and turnover?

Answer:

Yes. In the course of one year, unfavorable turnover was reduced by 50%, saving The Bair Foundation $1,143,563*

* Based on one-hundred new hires. 50% decrease in turnover while using the PeopleKeys system to reduce the interview to hire ratio.
WHAT’S NEXT?
QUESTIONS

Enter all questions into the “Questions” section of the GoToWebinar panel on your computer screen.

Contact: Brad Smith, Ph.D.
Brad.Smith@PeopleKeys.com
1-800-779-3472

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