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# Employer's Advantage

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In this edition, we tackle the issue of retention from a variety of angles. For the past two years, SHRM, columnists, and others concerned with business success have predicted that, when the long-awaited turnaround comes, many businesses will suffer rather than prosper. Why? Because a pent-up surge of employee flight may cripple the unprepared, as newly "freed" employees make the most of opportunities to negotiate new positions in a booming economy. Plan ahead!

—Editor

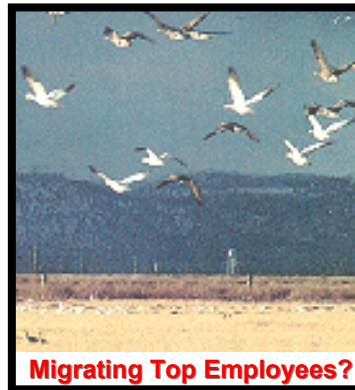
- Are you about to lose your best employees?
- Jobs increase in Sept!
- Hiring good employees
- Job Fit
- Improving Managers
- Strategic Retention & Cost-Benefit Ratios
- Practical effects

## KEEPING YOUR BEST—THREE CRITICAL CHALLENGES

**"Do Your High Performing People Pose a "Flight Risk"?"** That's the question that columnist Wayne Outlaw, Author of Smart Staffing, asks in a recent article in the Idaho Business Review.

Outlaw suggests that, while turnover has slowed in the sluggish economy, that many of those that have kept their jobs have built up a "smoldering resentment" against their current employers, especially among those who have had to take on greater responsibilities and work longer hours, even as they have seen their friends and co-workers lose their jobs to staffing cuts. His summary: "For those companies and top managers who did it (cutbacks) poorly, the day of reckoning is coming."

According to the award-winning consulting firm of



**Migrating Top Employees?**

Accenture, nearly half of middle managers are now looking for another job, or plan to when the economy recovers. This is the time to head off your potential stampede!

Retention numbers are shaped by three major opportunities; is your business taking advantage of all three?

The first is practically a cliché: **Hire good people in the first place.**

The second is more complicated, but can be improved in almost every

company: **Hire and promote people who fit their jobs.** Build a career path for each employee, based on the jobs in your company and individual fit.

Third, research confirms that most people don't quit jobs—they quit people! Now is the time to **make sure that your managers and supervisors are contributing to keeping your best performers**, not running them off with poor management and people skills!

If your company is large, and you fail to attend to these three challenges, you may face a landslide of departures just when things are beginning to get better in the economy. If your business is small, the possible imminent departure of just one absolutely critical employee may be enough to keep you awake at night! **Be proactive—keep your best people!**

## BUSINESS ADDS JOBS IN SEPTEMBER!

**For the first time in eight months**, September labor statistics showed unemployment rates holding steady (at 6.1 % nationwide), but **payrolls growing by 57,000 jobs!**

Even the long-suffering manufacturing sector slowed its bleeding of jobs,

to a loss of 29,000 during the month. In addition, the August statistics were revised, sharply reducing the original estimated loss of jobs, from 93,000 to "only" 41,000.

Once again, the economic fortunetellers proved wrong, having

guesstimated a net loss of jobs in September and a much larger loss for August.

President Bush's administration was quick to take credit for the gains, saying that the administration's efforts were "starting to take hold",

and that "things are getting better, but there's still work to do."

Overall, the economy has recently improved, growing at a 3.3% annual rate in the second quarter, and forecast to grow over 5% in the current quarter. **Slow, but improving!**

# TACKLING THE THREE MAJOR CHALLENGES OF RETENTION

*...only one of those places is cheap...*

## #1—HIRE GOOD EMPLOYEES

As an employer, you have three places you can deal with lazy, unreliable, drug-abusing, dishonest members of our workforce: Before you let them in your front door; while they're in your house; and as you kick them out the back door. Unfortunately, in our current legal and social system, only one of those places is cheap.

By screening potential employees for past behaviors and attitudes, you can dramatically reduce the costs of hiring bad people, and

make your workplace more productive, happier, safer, and more profitable.

**Combine an efficient pre-screening assessment with an effective pre-employment background check,** and you can cut your risk by half or more.

The really good news is that the combination of an assessment and a background check may well cost less than your current pre-employment drug screening, and be more effective in the long run! Pre-employment drug

screening has fallen victim to an amazing array of devices and practices with one purpose: to make the screening ineffective! If you have doubts, go to [www.google.com](http://www.google.com), and enter the search words, "beat drug test." The 312,000 responses will make a believer of you!

Whatever combination of tools you use, your goal is to identify the best potential employees in the pool you have to work with—**don't let the bad ones in the front door!**

*...success hinges on a fit with the job...*

## #2—HIRE AND PROMOTE FOR JOB FIT

A well-documented study, published in Harvard Business Review concludes that **"Job Match" is by far the most reliable predictor of effectiveness on the job.** The study considered many factors including the age, sex, race, education and experience of approximately 300,000 subjects. It evaluated their job performance and found no significant statistical differences, except in the area of "Job Match." Conclusion: ***"It's not experience that counts or college degrees or other***

***accepted factors; success hinges on a fit with the job."***

Other studies have found that job fit not only predicts effectiveness, but it also predicts retention—if an employee fits the job, it is likely that they will stay on that job, liking it, and being rewarded in a variety of ways for doing it well.

**If success is determined by job fit, our challenge is to predict that fit.** This requires that we measure thinking style, behavioral traits, and occupational interests, and that we do

so in a cost-effective, efficient way. The Profile XT was designed and validated as an efficient way to predict job fit. With this assessment, an employer can assure that the people hired fit their new jobs; that the people promoted can succeed in the new position; that employees can identify a career path likely to work; and that newly opened jobs can be filled from within, with a high probability of success.

**These assurances add up to better productivity and improved retention!**

*...budgets for training have been curtailed...*

## #3—IMPROVE MANAGERS, KEEP YOUR BEST PEOPLE

**"People quit people, they don't quit jobs."**

Guess which people they are most likely to quit? Hint: Managers have the most significant impact on a worker's daily activities, the mood of the work setting, and the reward structure on the job. Identifying the strengths and weaknesses of your

managers, and improving their most critical skills, is a key component of keeping your best people.

In this economy, budgets for training have been curtailed, making it difficult to find the money to improve management skills. Many companies are concerned that they will invest money in train-

ing, then lose the people and their investment. As Zig Ziegler said, though, "If you think it's expensive to train people and lose them, try not training them and keeping them!"

Invest in a cycle of assessment and training! You'll find managers get better. **Better managers will improve retention.**

# COSTS AND BENEFITS OF A STRATEGIC RETENTION SYSTEM—PREDICTIONS...

This spreadsheet outlines the costs and potential benefits of a complete strategic retention system which includes Pre-employment screening, Job Fit assessments, and a Management Development Program. It was developed for a business employing a high proportion of low-wage, entry-level positions in the hospitality industry. Their own estimates are that an em-

ployee is not 100% effective in the job until 60 working days have passed, thus a figure of 30 days was used for direct compensation, based on an average effectiveness of 50% over 60 days. Note that the program breaks even at less than 5% reduction in turnover, even in a relatively low-skills job. The expected return on investment (ROI) would increase, if the job were

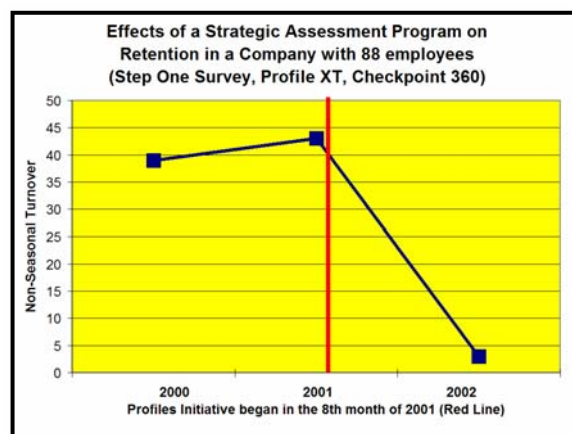
more demanding, and compensation were higher. Since strategic retention systems of this type regularly produce turnover reductions beyond the 20% level, the ROI is likely to be considerably more exciting than mere break-even. One side effect of this approach is that HR staff gain time to do more than simply recruit, select, and train new employees!

*...note that the program breaks even at less than 5% reduction in turnover, even in a relatively low-skills job...*

Cost of Hiring Worksheet (Per position)			
Position:	Line Worker	Annual Cost= 456,342	
Annual New Hires=	88	Total Cost of Hire 5,186	
<b>1. Direct Labor Costs Per hire</b> Total 51			
a.	Application processing time	\$8	
b.	Interview time	\$28	
c.	Telephone time	\$8	
d.	Analysis & selection time	\$8	
<b>2. Recruitment &amp; hire costs</b> Total 131			
a.	Generic ads (annual/total hires)	\$0	
b.	Targeted ads (annual/total hires)	\$115	
c.	Special	\$0	
d.	Drug screening (per hire)	\$0	
e.	Medical Exam (per hire)	\$0	
f.	Background check (per hire)	\$16	
g.	Agency fees (annual/total hires)	\$0	
h.	Relocation (annual/total hires)	\$0	
<b>3. Cost of employment (30 days)</b> Total 2,430			
a.	Direct compensation	\$1,800	
b.	Indirect at 35 percent of direct	\$630	
<b>4. Training costs per hire</b> Total 2,518			
a.	General orientation time	\$48	
b.	Specific job training time	\$2,470	
c.	Training materials	\$0	
<b>5. Support system costs per hire</b> Total 56			
a.	Accounting time	\$38	
b.	Benefits administration time	\$18	
<b>Cost of Profiles Assessment Programs</b>			
First Year Program Costs:			
Applicants interviewed per hire		3	
Total interviews without Prescreen assessment		264	
Unit Cost of Prescreen Assessment		\$15	
Cost of assessment administered pre-interview		\$ 3,960	
Number of interviews not required (bottom third)		88	
Cost reduction of interview process		\$2,499	
Number of candidates remaining		176	
Unit Cost of Job Fit Assessment		\$ 80	
Cost of Assessment administered pre-interview		\$ 14,080	
Number of interviews not required (bottom half)		88	
Cost reduction of interview process		\$2,499	
<b>Total Employee Selection Assessment Costs</b>		<b>\$ 18,040</b>	
Unit Cost of Management Development Program		\$ 1,500	
Number of Managers Enrolled		4	
<b>Total Management Development Program Costs</b>		<b>\$ 6,000</b>	
Total Program Savings		\$4,998	
Net program Expense		\$ 19,042	
Turnover Reduction Required for Break-even		4.17%	
<b>Net profit increase at different levels of turnover reduction</b>			
	Reduction	Increase	ROI
@	5%	3,775	20%
@	10%	26,593	140%
@	20%	72,227	379%
@	30%	117,861	619%
@	40%	163,495	859%
@	50%	209,129	1098%

## ...AND PRACTICE!

The graph at right shows the effects of a strategic program using Profiles assessments in combination, to impact retention. This company also saw a 23% increase in net profits in 2002, a result of both lower turnover and higher productivity. **What could your company do with a 23% increase in profits?**



"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared."

— ***Merlin Olsen***



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