

# OSF Occupational Health

## The Crisis in Quality of Hire

A recent study conducted by PricewaterhouseCooper (June 2008) focused on the cost of poor quality hires. A "quality" hire was defined as any hire who stayed with the company for either 90 days or one year. Most HR departments agree that 90-day and one year separation rates are a good barometer of quality of hire. The table below shows the median results for these two metrics. Under First Year Separation Rates, there is a break-out for certain major industries.

	2006
90 day Separation Rate	8.5%
First Year Separation Rate	29.0%
Engineering/Manufacturing	32.2%
IT & Electronics	23.9%
Health Care	31.8%
Insurance	17.5%
Public Sector	28.9%
Utilities	24.8%

The results are discouraging—nearly 3 out of 10 hires in America are of "poor quality." The fact that this number is so uniformly high across various industries illustrates that this is not just specific types of workers quickly "cycling" through jobs.

PricewaterhouseCooper typically calculates the cost of employee turn-over as one-and-a-half the amount of an exempt employee's salary and one-half a non-exempt employee's salary, and the cost is even more acute with first year hires. Many employees take an entire year before they become productive, meaning the investment in the first year employee

is a complete loss. What are the drivers that escalate the costs? First, there are out-of-pocket costs—the cost to hire, cost to train, facilities costs, cost to on-board, lost compensation, etc. Secondly, there is lost team productivity—hiring manager time to interview, on-the-job training, productivity lost during the learning curve, and more. Lastly, there is the cost of the vacancy itself—who is doing this person's job when no one is in the seat? These costs include contractor expenses, overtime and lost productivity. When an employee doesn't "work out" it can be viewed as \$50,000 to \$60,000 per person walking out the door.

While there are many steps companies can take to address the issue of quality of hire, one of the first is to have an in-depth process for understanding employee attitudes and perceptions throughout the first year, along with the opinions of those who left. A second step would be to screen for quality on the front end as much as possible. Adding pre-hire physicals and drug screens can help weed out unsuitable individuals before the investment process begins. Finally, up-to-date, comprehensive job descriptions are invaluable for guiding potential applicants into perfect job fit.

An HR department that is able to improve the quality of hire may find they can save or improve program investment, even in the face of budget cuts and drive even greater improvements to the business.

## UPCOMING EVENTS

**May 14, 2010**  
**Employer Breakfast**  
**Biaggi's Ristorante**  
**7:30 a.m. to 9 a.m.**

Join us for our 2nd annual  
 OSF Occupational Health  
 Employer Breakfast

Guest Speaker Michael Baiardo,  
 Illinois Risk Management Svcs  
*"Managing Workers'  
 Compensation Claims in Today's  
 Environment—A Claims  
 Administrator's Perspective"*

Breakfast and Presentation  
 Followed by Open House  
 At Occupational Health

You Must RSVP to attend  
 Contact Cindy Smith  
 661-6270 or  
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Or if reading this newsletter on-line  
 simply hit Reply and let us know you  
 are coming!