

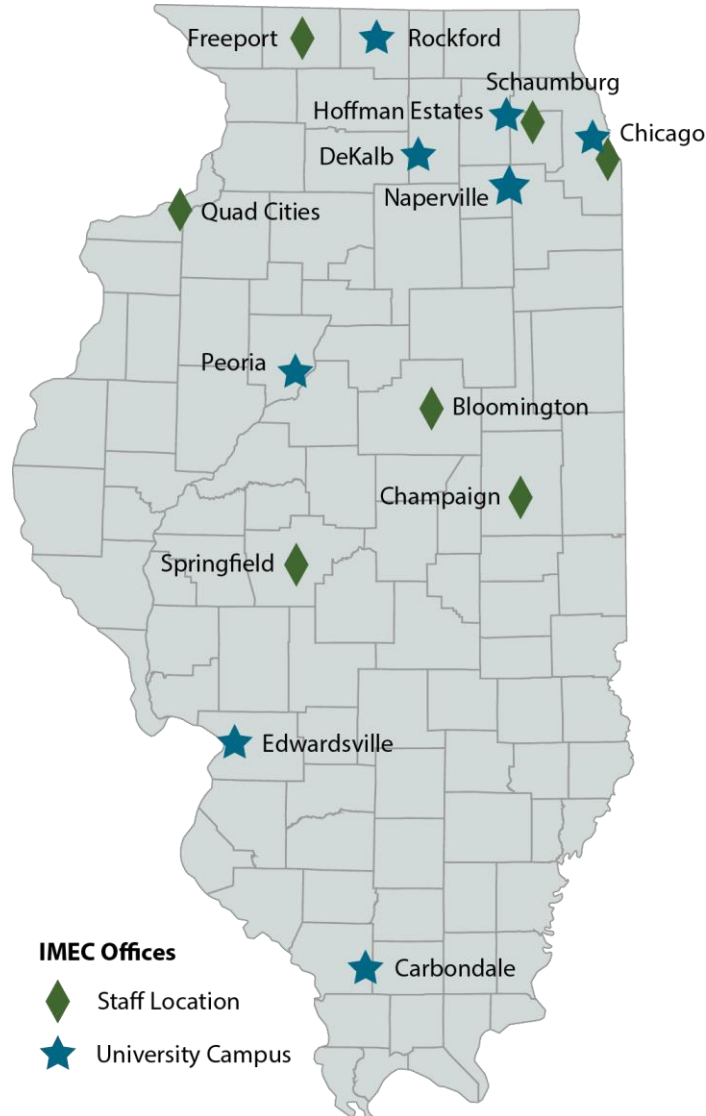
UNCOVER HIDDEN COSTS



Glenn Edwards

Technical Specialist

Igniting Illinois Manufacturing Excellence and Global Competitiveness



With more than 50 full-time staff and partners positioned statewide, IMEC assists more than 1100 companies each year with successful improvement and innovation projects.



2021 Client-Reported Impacts



\$967,314

Aggregate New
& Retained
Sales



5,679

Jobs Created &
Retained



1,617

Companies
Assisted



\$65,662

Average Cost
Savings



19:1

Return on
Investment

\$450,502,048

Aggregate
Impact to Illinois
Economy

**Reported on annual NIST-MEP manufacturing survey*

Workforce Challenges

There is without doubt a common challenge for companies today. . .

***“I can’t find people, especially qualified,
and I can’t keep them”***



Workforce Challenges

An unstable workforce has multiple negative business impacts.

- Lost sales
- Missed/late shipments
- Lower productivity
- Idle equipment
- Excessive overtime
- Safety and Quality impacts
- Employee frustration
- Negative cost impacts



**Do you know your turnover
cost per person? And total
annual cost?**

Turnover Costs Calculation

IMEC has developed a turnover cost calculation method and done turnover cost calculations with multiple clients.

The average annual cost is- ???

Turnover Costs Calculation

The average cost of turnover is- **\$1,387,360.00**

Turnover Costs Calculation

The average cost of turnover is- **\$1,387,360.00**

The key factors for calculations are:

- Separation lost costs- the time and money invested in an employee only to have them leave. Then cost to cover the open position.
- Replacement and Hiring costs.
- New hire on-boarding costs.

Turnover Calculator

Employee Replacement Costs	Total Cost
Separation Costs	
Employee wage/salary who covers empty position	\$ 1,239.20
Time dedicated for separation & exit interview process	\$ 37.58
The amount of money the company invested in toward the individual who left (e.g., training investments)	\$ 12,916.80
<i>Subtotal:</i>	\$ 14,193.58
Replacement Costs	
Adverting costs (if used)	
Time dedicated to sourcing candidates	\$ 187.90
Time dedicated for screening process and scheduling interviews	\$ 75.16
Time dedicated toward core interview process	\$ 37.58
Time dedicated for conducting reference checks	\$ 37.58
Time dedicated toward notifying candidates who didn't get the position	\$ 37.58
Pre-assessment testing, drug screening, background check, etc.	\$ 75.16
Pre-assessment testing, drug screening, background check etc. fees	\$200.00
Initial time processing paperwork, payroll, benefits for standard new hire process	\$ 187.90
<i>Subtotal:</i>	\$ 838.86
New Hire Costs	
Orientation expenses- trainers & paperwork	\$ 751.60
Employee wages/benefits during training	\$ 1,435.20
Onboarding expenses (e.g., training new hire, adapting socially, etc.)	\$ 1,755.20
Time dedicated, from team member(s) to train new hire ensuring capability of meeting expectations- OJT	\$ 1,755.20
<i>Subtotal:</i>	\$ 5,697.20
Total Costs:	\$ 20,729.64
Number of employees quit/termed annually	96
Annual Costs \$20,729 x number of employees quit/termed	\$ 1,990,045

One Client example.

Turnover Calculator

Employee Replacement Costs	Total Cost
Pre-Departure Costs	
Employee wage/salary who covers empty position	\$ 1,021.44
Time dedicated for seperation & exit interview process	\$ 29.99
The amount of money the company invested in toward the individual who left (e.g., training investments)	\$ 1,782.00
<i>Subtotal:</i>	<i>\$ 2,833.43</i>
Replacement Costs	
Adversiting costs (if used)	\$0
Time dedicated to sourcing candidates	\$ 29.99
Time dedicated for screening process and scheduling interviews	\$ 15.00
Time dedicated toward core interview process	\$ 7.50
Time dedicated for conducting reference checks	\$ 7.50
Time dedicated toward notifying candidates who didn't get the position	\$ -
Pre-assessment testing, drug screening, background check, etc.	\$ 15.00
Pre-assessment testing, drug screening, background check etc. fees	\$24.00
Initial time processing paperwork, payroll, benefits for standard new hire process	\$ 29.99
<i>Subtotal:</i>	<i>\$ 128.97</i>
New Hire Costs	
Orientation expenses- trainers & paperwork	\$ 119.96
Employee wages/benefits during training	\$ 1,188.00
Onboarding expenses (e.g., training new hire, adapting socially, etc.)	\$ 918.00
Time dedicated, from team member(s) to train new hire ensuring capability of meeting expectations- OJT	\$ 2,754.00
Other- 3 t-shirts	\$15.00
<i>Subtotal:</i>	<i>\$ 4,994.96</i>
Total Costs:	\$ 7,957.36
Number of employees quit/termed annually	410
Annual Costs \$7,957 x number of employees quit/termed	\$ 3,262,516

Another Client example.

Turnover

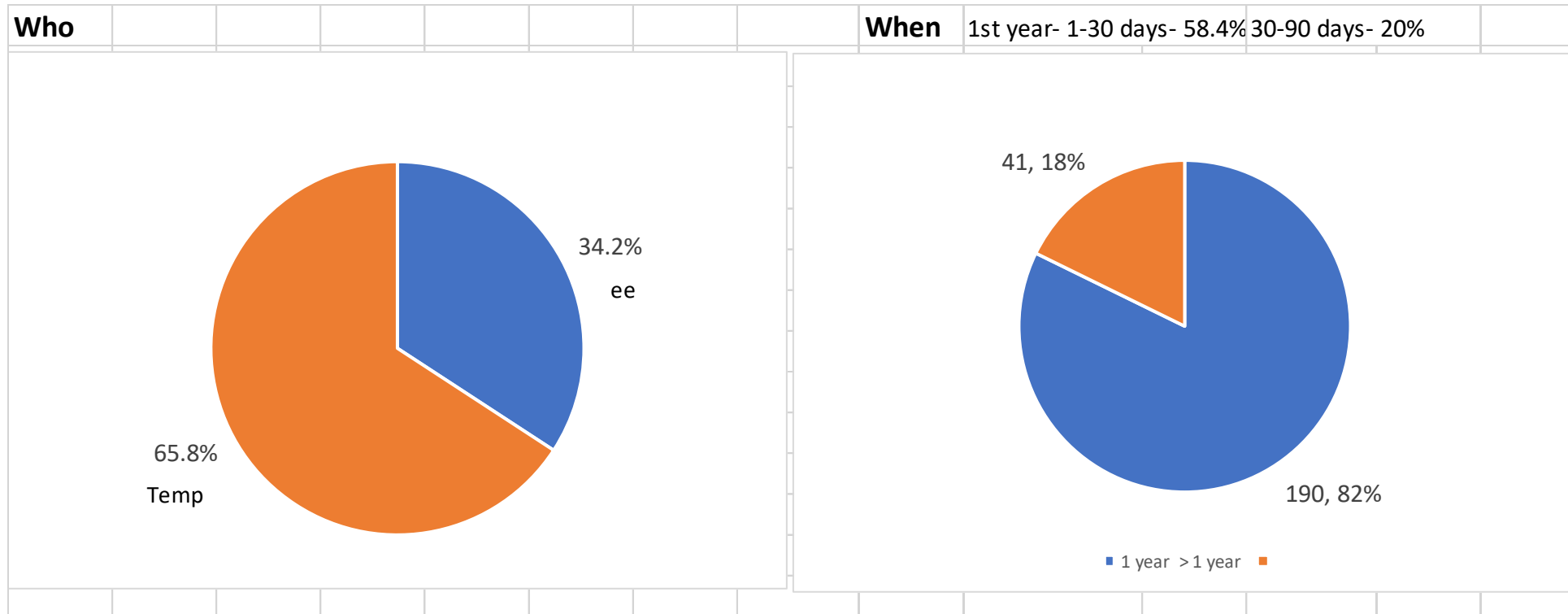
One key element to make improvements is to understand what our turnover data is telling us.

- Who is leaving- Temporary versus Permanent employee
- When are they leaving- Length of Service
- Where are they working- What departments and/or shifts
- Why are they leaving- Reasons for leaving



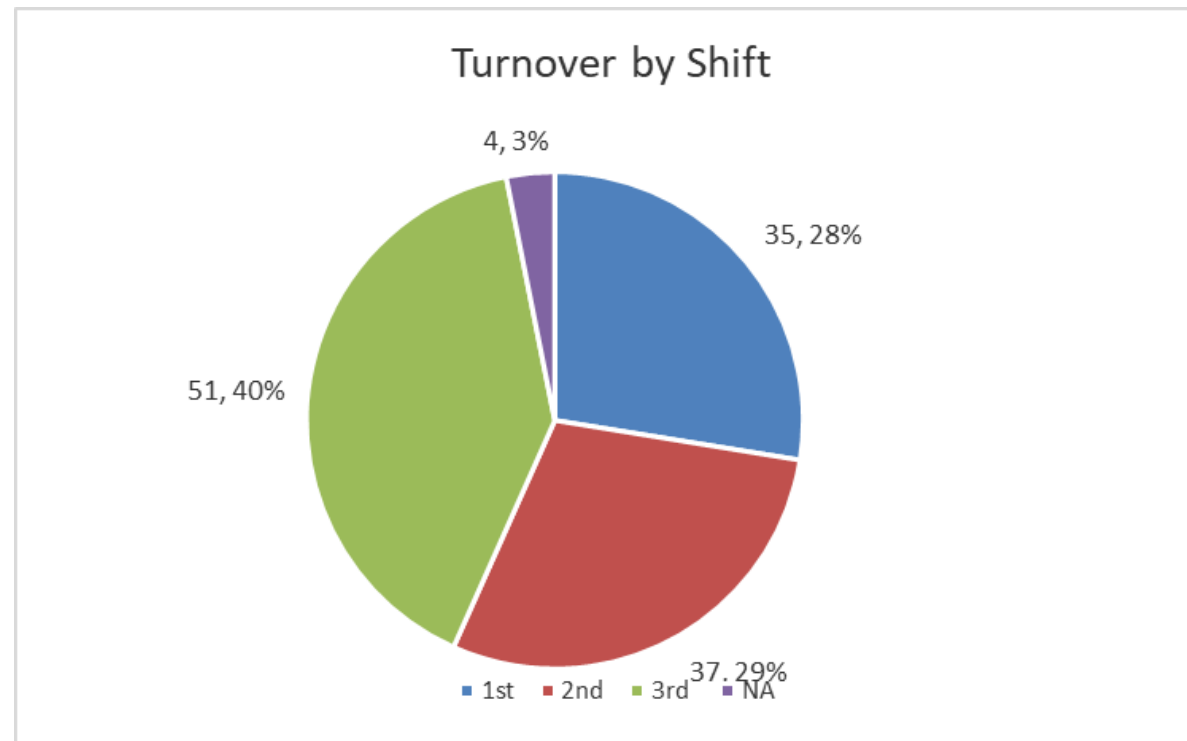
Turnover

Turnover Analysis- Who & When *one client example*



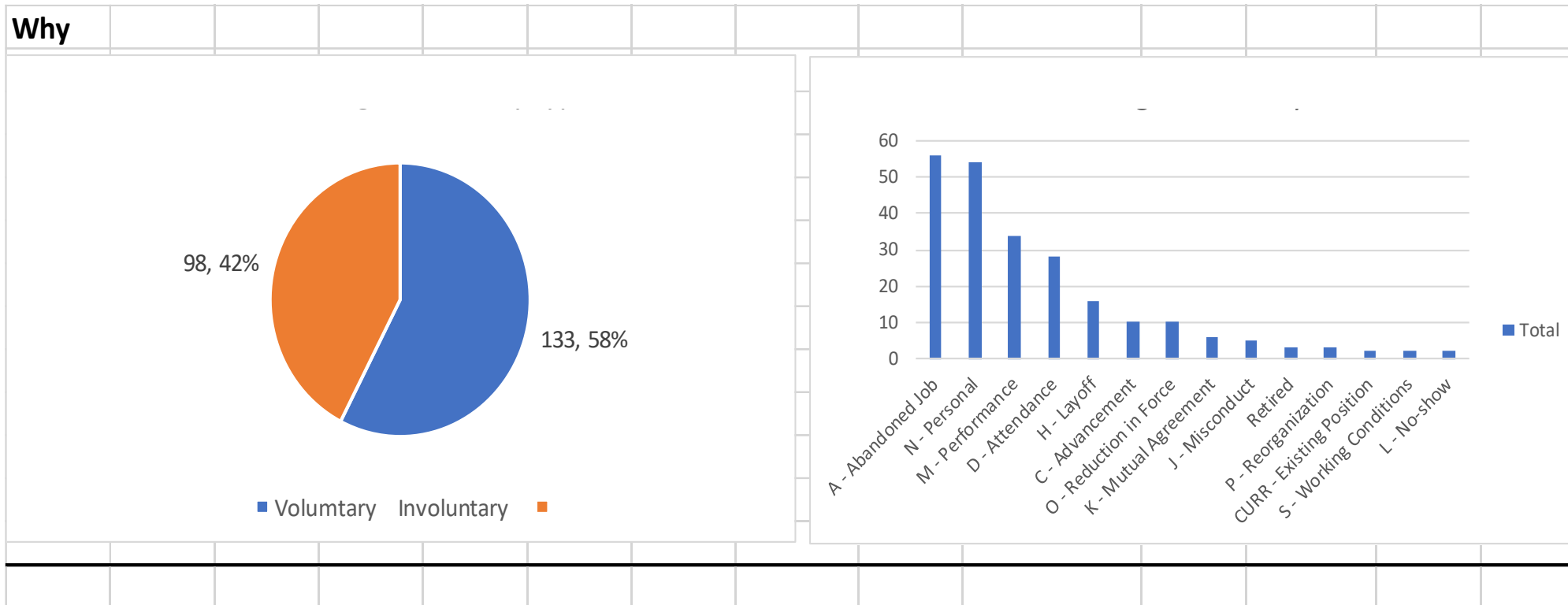
Turnover

Turnover Analysis- Where *one client example*



Turnover

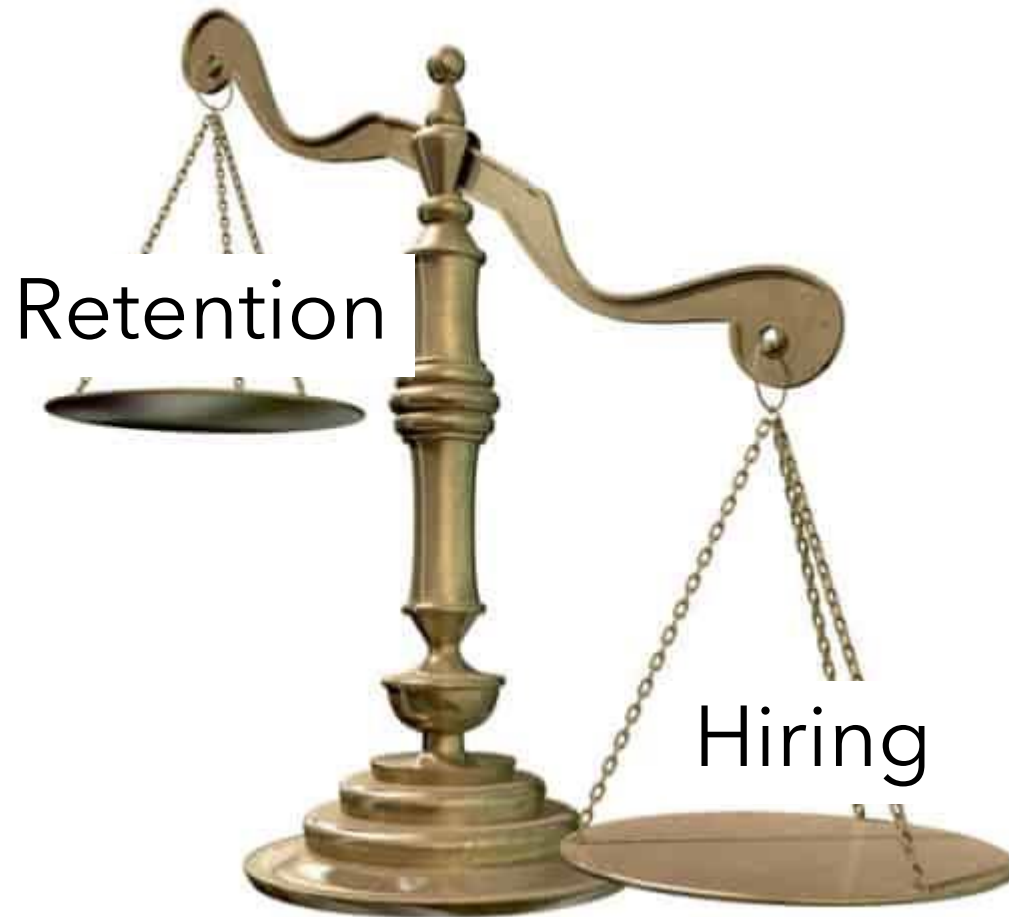
Turnover Analysis- Why *one client example*



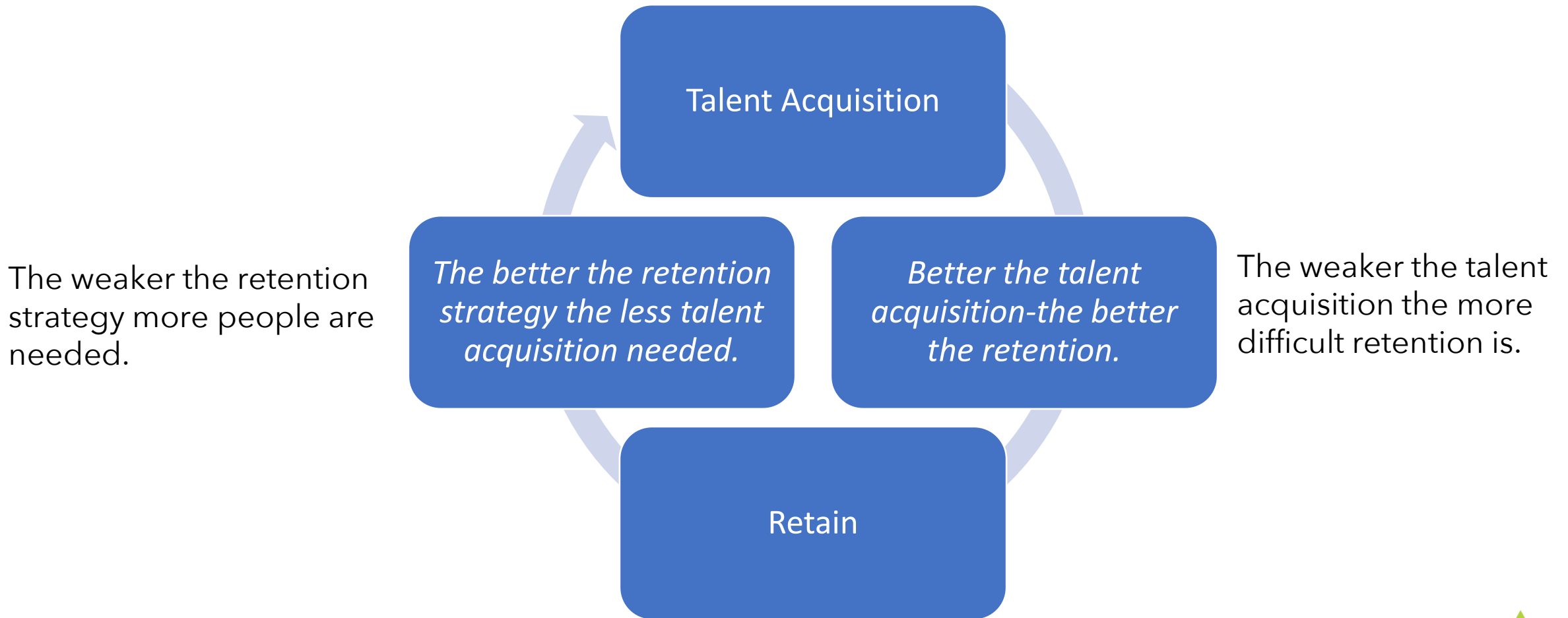
**Which has more potential
impact on workforce stability-
Hiring or Retention?**

**Which one do we spend more
time on? More reactive.
Hiring or Retention?**

Talent Acquisition & Retention

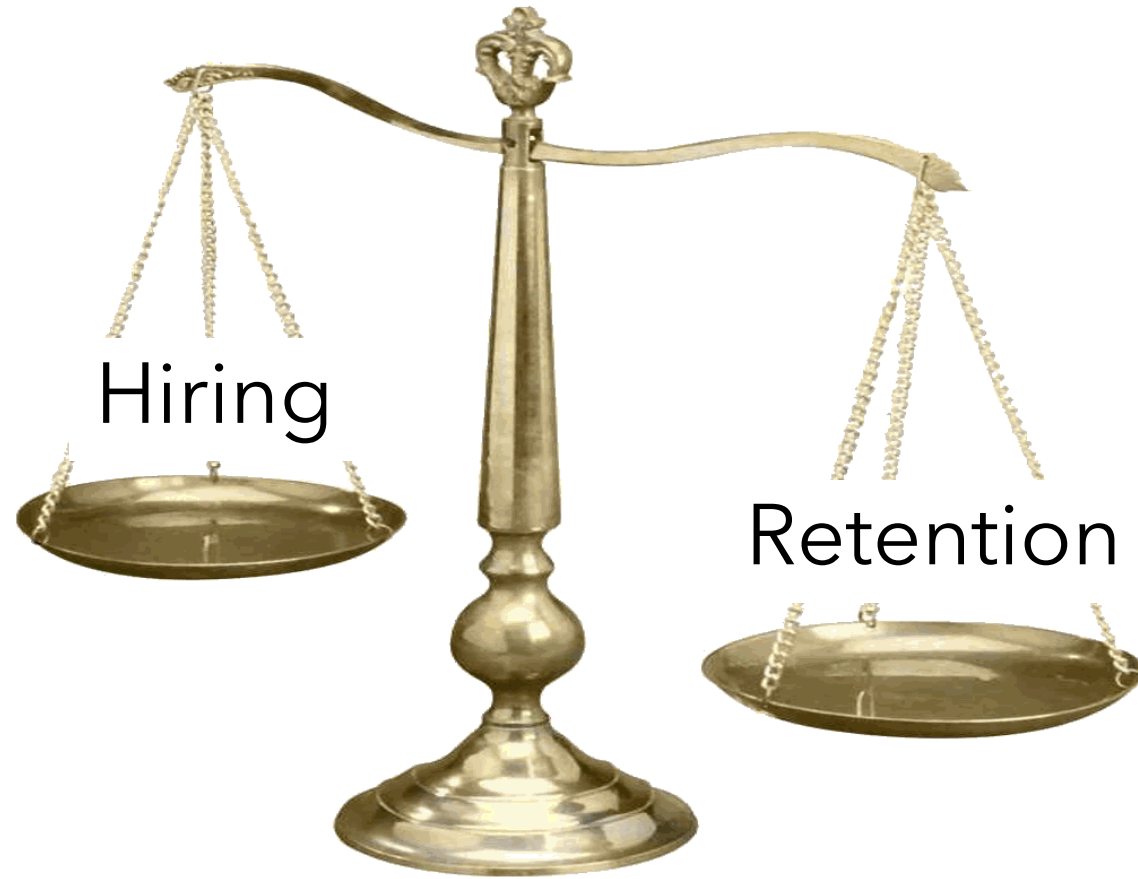


Talent Acquisition & Retention



Slow the cycle with improved talent acquisition and retention strategy.

Talent Acquisition & Retention



Step 1,
short term

Talent Acquisition & Retention



Step 2,
Future

Talent Acquisition

We can't find people....



Hiring- employ someone for wages. And the jobs filled..

For now..

Talent Acquisition

We still can't find people....

Hiring- employ someone for wages.
And the jobs filled..



Talent Acquisition- the process of identifying and acquiring skilled workers to meet organizational needs.

Retention



We can't keep people....

Retention- the ability of an organization to retain its employees.

Retention ***Strategy***- a plan that organizations create and use to increase retention/reduce employee turnover and foster employee engagement.

Strategic plan to retain the "best" employees and manage the turnover rate for improved workforce stability.

Full cycle- selection, on-board, development, motivation, and retention.

Workforce Challenges

Challenges do not go away on their own. Develop strategies to use the tools and resources to overcome the challenges. Talent Acquisition and Retention.

IMEC provides a service to work with clients and develop a company specific improvement plan with implementation support.



Talent Acquisition

Strategic Planning Key Elements

- Leverage data- area unemployment, candidate sources.
- Pipeline options effectiveness and efficiency.
- Employer Brand Awareness- campaigns, videos, social networks, community connections, other engagements.
- Acquisition marketing material.
- Collaboration & Innovative thinking- understand the audience.
- Candidate Engagement through the recruiting process, communicate, explain the steps, move quickly once a candidate is identified.
- Pilot, Fall, & Learn- adapt.

Retention

Strategic Planning Key Elements

- Have the “right” mindset of people- most valuable and variable resource.
- People are an asset not a burden.
- Leadership time balance with people and processes.
- On boarding plan and timeline.
- Career Paths and “true” entry level positions.
- Employee Engagement- take initiative in communication.
- Designated Trainers, Mentorship, Buddy System.
- Pilot, Fall, & Learn- adapt.

Retention

On average 80% of turnover occurs in the first year of employment.

Of that 72% occurs in the first 90 days.

On Boarding- the actions & process allowing new employees to acquire the necessary knowledge, skills, information, values, and culture to become effective employees.

On Boarding Key focus points:

Initial training- Orientation, company information, develop contacts.

Job specific training.

Employee Journey Map.

Communication sources and contacts.

Develop and sustain a Positive Workplace Culture.



Workplace Culture

This is a key component.

Many ask- Does the new hire fit our culture?

First- What is our culture? Is it positive or negative?

How do we evaluate the current state?

If it is negative, it will be very difficult to implement retention strategies that show significant long term positive results.

What is Workplace Culture?



The attitudes and behaviors of a company and its employees. It is evident in the way an organization's people interact with each other, the values they hold, and the decisions they make.

Workplace Culture

In many cases the workplace culture is not managed by leadership.

A workplace culture can be positive or negative.



Workplace Culture

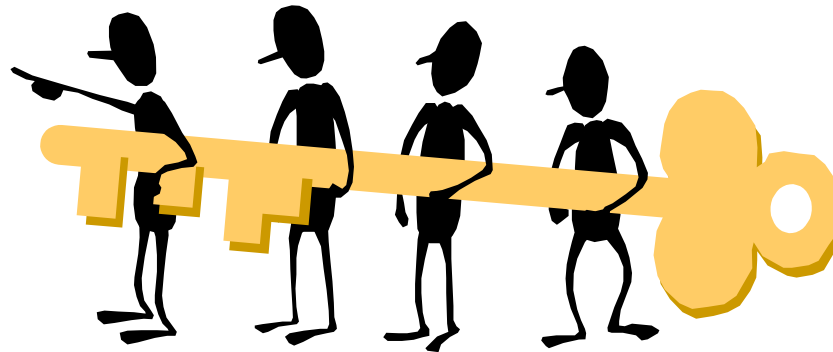
A negative Workplace Culture will make employees feel irritable, anxious and defensive. This will typically lead to poor productivity, a lack of motivation & morale, poor communication and the creation of negative gossip and rumors. This results in increased turnover.



Workplace Culture

The culture is linked to leadership.

- What is required and/or allowed.
- What people do without being told.



Talent Acquisition & Retention improvement and cost saving client stories

Turnover Cost Savings

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One Client example.

\$215,211 client savings after 3 months of initial improvement activity.

Annualized- \$860,844

Turnover Cost Savings

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Employee wage/salary who covers empty position	\$ 1,021.44
Time dedicated for seperation & exit interview process	\$ 29.99
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Total Costs:	\$ 7,957.36
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Another Client example

\$358,065 client savings after 3 months of initial improvement activity.

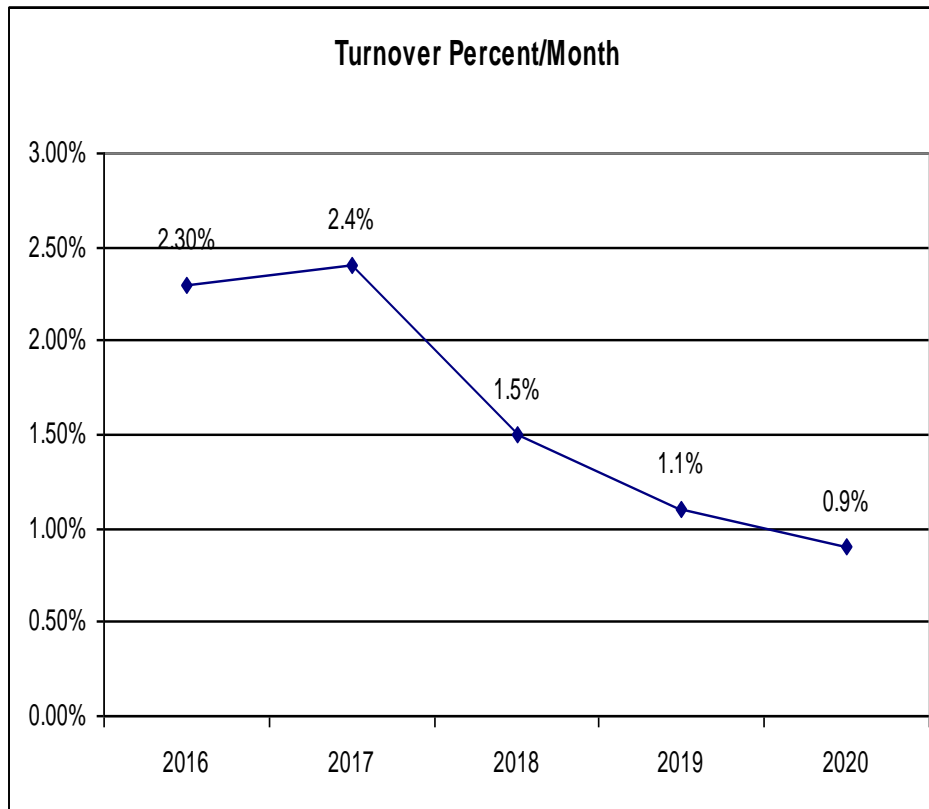
Annualized- \$1,432,260

Turnover Cost Savings

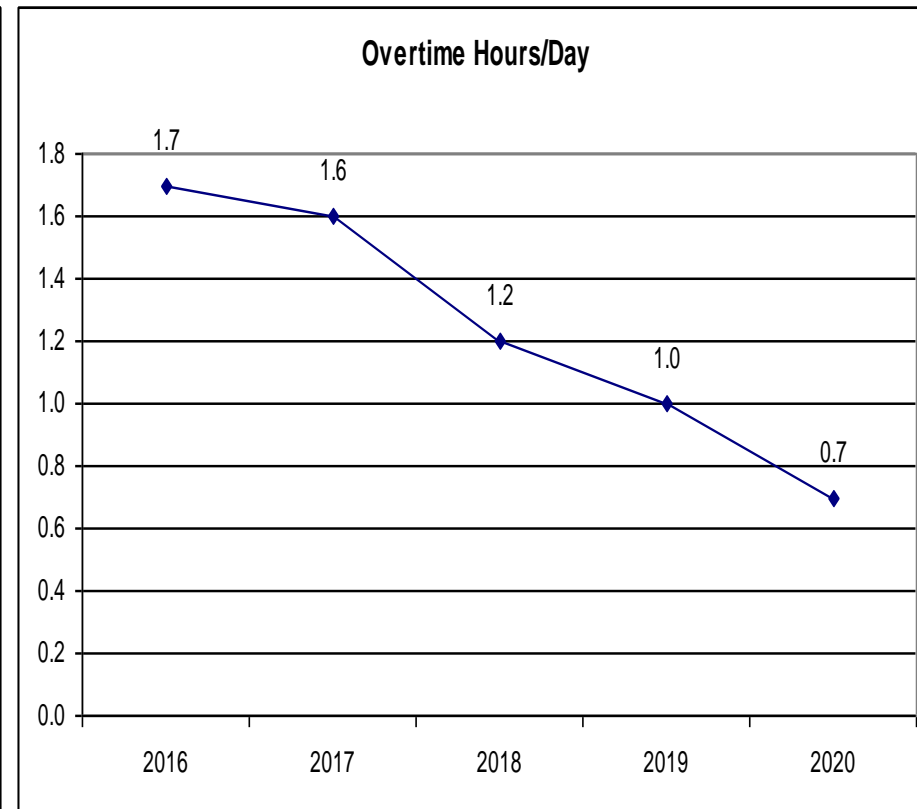
Long Term Workforce Stability

Countermeasures Implemented & Results Turnover cost savings- \$1,601,998
Overtime cost reduction \$1.2 million. Moved to proactive hiring.

Target 1.2%



Target 1.0



HERE TO HELP

How does IMEC typically work with companies on this topic?

Talent Acquisition & Retention Services

- Turnover cost calculator to capture cost savings, ROI.
- Talent Acquisition & Retention Assessment and Report.
- Turnover analysis report.
- Identify opportunities for improvement and provide potential solutions for strategic planning.
- Work together to develop a strategic improvement plan to reduce ongoing reoccurrence.
- Provide other services as needed.
- Monitor the results.




Questions?

Thank You!

IMEC.org

 info@IMEC.org

 888-806-4632



Glenn Edwards

Technical Specialist
gedwards@imec.org

IMEC 
Plan. Implement. Excel.

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