Sage Employer Solutions | White Paper

ROEI™: Return On Employee Investment™

How to Achieve It and How to Benefit from It

sage

The ROEI: Return on Employee Investment white paper addresses the following areas:

Introduction

Why are some companies thriving while others struggle to stay in business? What is the distinctive difference between a good company and a truly great company? The answers to these questions can only be found when looking at what defines the company: its people. The people that make up a company are that organization's unique and biggest asset. For most businesses, the workforce is also its largest expense, or better put, its largest investment.

At Sage, we believe that employees are the most important component in the quest to improve business results. It makes sense to treat employee related expenses as an investment in the workforce. Like any other investment, this critical company investment must yield a healthy return. We call that the Return on Employee Investment™ or ROEI™.

This white paper looks into investments that can help a company maximize the value of its workforce, and how technology can help improve ROEI and build a more profitable and successful business.

> **"The best way for a company to increase competitiveness is to invest in the employees"**
>
> *Johnny Laurent, 2011*

Investing In Employees

A company is as good as its employees. We are used to talking about a company as if the organization itself is a person. But an organization does not generate ideas, does not give service, and by itself is neither efficient nor productive. People make all of those things happen.

Companies are accustomed to paying competitive wages and good benefits to attract talented managers and professionals. Yet often relatively little attention is paid to creating the best circumstances for each individual in the organization to perform at his or her best potential.

The effectiveness of HR-related technology or programs is regularly assessed in an isolated manner. Human Resource Management Systems (HRMS) are judged by how much more efficient the HR worker becomes and how the software helps the HR department accomplish daily tasks. The Return on Investment (ROI) is measured as a result of the total costs saved or efficiency gained, divided by the Total Cost of Ownership (TCO).

But this approach is old fashioned and doesn't do justice to the real value modern human resource management brings to finding and retaining talented employees. From recruiting to on-boarding, from motivating and developing talent to supporting people managers and creating an engaged workforce, the effectiveness of employee management has a direct impact on business results and competitiveness.

The cost of employee management technology is actually an investment in employees. These investments will reward the company with a return that will impress any CFO.

Cost Versus Investment

Each and every employee costs money. Organizations pay their employees wages and benefits. There is also infrastructure cost, including office space, tools and equipment, administration and other employee-related costs. Those are necessary costs, but are not always investments. An investment is a cost that creates future value and pays out over time.[1] In other words, an investment in the workforce should help employees achieve their full potential, improve their motivation and strengthen engagement.

When a carpenter needs a saw, he has the option to purchase the cheapest one. Or he can achieve better results and get more years of use out of the saw if he invests in a more expensive, professional grade tool.

Similarly, the HR professional has his or her own 'toolbox' when it comes to optimizing the company's workforce. Strategic investments in the organization and its employees can make a huge contribution to the bottom line. The right investments can both prevent unnecessary expenses, such as high employee turn-over, and boost the productivity of the workforce by better engaging the employees.

The Advantages of Engaged Employees

Employee engagement is "the level of commitment and involvement an employee has towards their organization and its values".[2] Organizations that can establish trust between the workforce and management and between co-workers, create an engaged workforce and the benefits that go along with it.

For organizations, the difference between engaged and disengaged workers can equate to success or failure. Disengaged employees are estimated to cost the U.S. economy as much as $350 billion per year in lost productivity, accidents, theft and turnover.[3]

A major opportunity for corporate performance improvement and employee retention lies in engaging the workforce to drive better customer engagement, better revenue and higher profits. As Allan Schweyer recently noted:

> *"Most leaders and organizations know the difference between a fully engaged worker and one that is marginally engaged or disengaged. The former brim with enthusiasm, they contribute ideas, are optimistic about the company and its future, are seldom absent from work, they typically stay with the organization longer and are among the organization's most valuable ambassadors."*[4]

Investing in employee engagement increases workforce retention and thus decreases employee turnover costs. But the advantages of engaged employees goes far beyond the reduction of the turnover rate. Increasing employee engagement correlates directly with a positive impact on key business metrics.

1 Oxford Dictionaries - an act of devoting time , effort, or energy to a particular undertaking with the expectation of a worthwhile result: the time spent in attending the seminar is an investment in our professional futures.
2 Nitin Vazirani, "Employee Engagement," Working Paper for the SIES College of Management Studies, 2007.
3 Allan Schweyer, "The Economics of Engagement," Human Capital Institute and Enterprise Engagement Alliance, June 2009, p.p.1.
4 Allan Schweyer, "The Economics of Engagement," Human Capital Institute and Enterprise Engagement Alliance, June 2009, p.2.

According to Schweyer, engaged employees:[5]

- work more effectively, instead of just working more
- find ways to improve
- share information with colleagues
- develop creative solutions
- provide suggestions
- speak up for the organization
- try harder to meet customers' needs, leading to repeat business

Numerous studies show a direct correlation between employee engagement and business results:

- A 2008 BlessingWhite study demonstrated a correlation between engagement and retention—85% of engaged employees planned to remain with their employer for ten or more months.[6]
- Towers Perrin discovered that high-engagement firms grow their earnings-per-share (EPS) at a faster rate (28%) while low-engagement firms experienced an average EPS growth rate decline of 11.2%.[7]
- The Center for Human Resource Strategy at Rutgers University found that highly engaged business units were on average 3.4 times more effective financially than units who were less engaged. This paper also found that when disengaged, workers can cost the company in lost productivity and negatively affect customer relationships.[8]
- A report by the Society of Human Resource Management (SHRM) estimates that by strengthening engagement, MolsonCoors saved more than $1.7 million in one year—citing one example where the average cost of a "safety incident" for an engaged employee was $63, compared with the average of $392 for a disengaged employee.[9]
- Hewitt found that highly engaged firms had a total shareholder return that was 19% higher than average in 2009. In low-engagement organizations, total shareholder return was actually 44% below average.[10]

5 Schweyer, p.5.
6 BlessingWhite, Inc., "The State of Employee Engagement," 2008, p.1.
7 Towers Perrin, "Closing the Engagement Gap: A Roadmap for Driving Superior Business Performance," Global Workforce Study, 2007-2008, p.5.
8 Castellano, William, "A New Framework of Employee Engagement," Center for Human Resource Strategy at Rutgers University".
9 Robert J. Vance, Employee Engagement and Commitment, SHRM, 2006, p.2, 23.
10 Hewitt Associates, "Hewitt Analysis Shows Steady Decline in Global Employee Engagement Levels," press release, July 29, 2010

Employee Replacement Costs

The investment in an employee starts even before the actual hiring of the employee and the recruitment and on-boarding costs involved go way beyond 'just' posting a job opening or hiring a recruitment agency. Costs associated with replacing a departing employee include:

- Recruiting
- Interviewing
- Hiring
- Orientation
- Training
- Compensation and benefits while training
- Lost productivity
- Administrative costs

Employee turnover is a very large and often underestimated cost for employers. This cost does not simply represent wages and materials, but also includes recruitment costs, loss of productivity, impacts on team morale and other more subtle expenses.

In 2006, Ross Blake of Retention Associates summarized several studies that estimated the cost of replacing an employee:

- *"The Society for Human Resource Management (SHRM) estimates that it costs $3,500 to replace a $8.00 per hour employee. SHRM was the lowest of 17 nationally respected companies who calculated the cost.*
- *Other sources provide these estimates: It costs you between 30% and 50% of the annual salary of entry-level employees, 150% of middle-level employees and up to 400% for specialized, high level employees!"*[11]

These numbers represent averages. The replacement of the highest performing employees could cost significantly more, for the loss of productivity is much greater. To calculate the cost of replacing an employee at your company, use the calculator in Addendum 1 of this paper.

The average turnover rate for all industries in the United States was 18.7% in 2008 and dropped to 16.3% in 2009 as a result of the economic downturn.[12] The weakening economy and job market appeared to discourage employees from seeking other job opportunities, as turnover rates shrank for employers in every category of industry and workforce size, and in every region of the country. So called 'Best-in-Class' companies typically have employee turnover of no more than 5%.[13]

11 Ross Blake, "Employee Retention: What Employee Turnover Really Costs Your Company," WebProNews.com, July 24, 2006.

12 Compdata, "Compensation Data Survey", 2008 and 2009.

13 Bureau of National Affairs

A quick calculation learns that investing in the reduction of employee turnover can result in a significant cost reduction:

Number of Employees	*300*		
		Average Salary	***Cost To Replace***
Upper Management	*10%*	*$150,000*	*300% $450,000*
Middle Management	*25%*	*$80,000*	*150% $120,000*
Rest	*65%*	*$35,000*	*30% $10,500*
Turnover Rate Average	*18.7%*	*$4,590,383*	*Cost Per Year*
Best in Class	*5%*	*$1,227,375*	
		$3,363,008	*Difference*
Turnover Rate From	*12%*	*$2,945,700*	*Cost Per Year*
To	*10%*	*$2,454,750*	
		$490,950	*Difference*

FIGURE 1: COST OF EMPLOYEE TURNOVER

As you can see, employee turnover is incredibly expensive. Investing in increasing employee retention prevents a significant amount of replacement related costs. In the case above, a reduction in employee turnover of 2% points (from 12% to 10%) results is a cost reduction of almost $500,000. With the same number of employees, implementing retention strategies that turn an average turnover rate into a 'Best in Class' rate would yield a savings of nearly $3.4 million!

How to Increase Employee Retention

While some turn-over is unavoidable and to some extent even desirable, turnover among your top performers is largely avoidable. And it is certainly worth the investment.

People don't necessarily tell the whole truth in exit interviews about why they are leaving. Managers should, of course, know in advance who is leaving and why. The International Association of Administrative Professionals compiled a list of the top reasons why employees leave their jobs, taken from *The 7 Hidden Reasons Employees Leave: How To Recognize The Subtle Signs and Act Before It's Too Late* by Leigh Branham (2005):[14]

- *"Poor Management—uncaring and unprofessional managers; overworking staff; no respect, not listening, putting people in wrong jobs; speed over quality; poor manager selection processes.*
- *Lack of Career Growth and Advancement Opportunities—no perceivable career paths; not posting job openings or filling from within; favoritism or unfair promotions.*
- *Poor Communications—problems communicating top-down and between departments; after mergers; between facilities.*
- *Pay—paid under-market or less than contributions warrant; pay inequities; slow raises; favoritism for bonuses/raises; ineffective appraisals.*
- *Lack of Recognition—that says it all.*
- *Poor Senior Leadership—not listening, asking, or investing in employees; unresponsiveness and isolation; mixed messages.*
- *Lack of Training—nonexistent or superficial training; nothing for new hires, managers, or to move up.*
- *Excessive Workload—doing more with less; sacrificing quality and customer service for numbers.*
- *Lack of Tools and Resources—insufficient, malfunctioning, outdated, equipment/supplies; overwork without relief.*
- *Lack of Teamwork—poor coworker cooperation/commitment; lack of interdepartmental coordination."*

A high turnover rate is likely due to a combination of reasons. Thus, increasing employee retention also requires a combination of measures. An employee will be motivated to stay at a company when they feel comfortable, well respected, fairly compensated, and (dependent on position and character) see possibilities for growth and personal development. Here are some of the areas an employer can invest in to lower the employee turnover rate:

1. Information
2. Communication
3. Work environment
4. Employee engagement
5. Employee recognition
6. Training
7. Compensation and benefits

14 IAAP (International Association of Administrative Personnel), "The Real Reason Why Employees Leave," iiap-hq.com, accessed March 1, 2011.

Information

It is clear that no manager can make informed decisions without proper information. HR or employee analytics can help management decide where to invest, identify the top performers, determine what employees need to best perform and what they value. Analytics also provide a consistent way to monitor the results of any measure taken.

Modern human resource management systems contain a wealth of information that can give managers and executives the insight needed to make the best possible decisions about the workforce.

Communication

A lack of (or poor) communication, both top-down and between teams or peers, causes frustration and misdirected energy. Company values, the company vision and mission, job expectations, and performance feedback are not just 'nice to know', but essential for any employee to function well.

HR departments can greatly enhance company communication by publishing company values, vision and mission. Provide easy access to the company handbook. Make use of the technology for employee self-service portals and performance appraisal systems and encourage employees to use these available resources.

Work Environment

According to a 2007 article in BusinessWeek magazine:

> *"A survey conducted online in 2006 by San Francisco design firm Gensler found that of more than 2,000 workers around the U.S., two-thirds believe they are more efficient when they work closely with their colleagues. But 30% said that their workplace doesn't promote spontaneous interaction and collaboration—a sentiment that's leading many companies to rethink the office environment. In some cases, that means fashioning quiet enclaves where two people can meet; in others, it means a company basketball court for pickup games. But the goal is always the same: to stimulate interaction among co-workers and let the business profit from the creative flow of ideas and high morale."*[15]

Widespread usage of social media and web 2.0 technologies has proven that these spontaneous interactions and collaborations are no longer limited by physical borders. Employee collaboration and business social networking have already demonstrated value in terms of improved employee performance, creativity, communication and 'informal learning'.

The work environment is also positively affected by tools that help employees find relevant information. From a human resource perspective, a self-service portal is such a tool: it empowers the employee and it not only allows them to view their personal information, but also provides the capability for employees to make requests for changes to certain types of information and view and control their benefit enrollment. Employees want to be self-sufficient and be able to do their jobs more efficiently.

Employee Recognition

Most companies reward employees and recognize a job well done with a combination of compensation and benefits. But there are many more tools in the employee reward arsenal. To compete in the global workforce environment, an effective employee recognition program is a necessity.

Recognition delivers appreciation or acknowledgement of an individual's or team's performance. It can be informal or formal. Employee recognition programs usually consist of rewards, awards and incentives.

Many studies have been conducted and reports written on the effects of employee recognition programs,and the metrics on the ROI for these programs vary from report to report. The common conclusion is that employee recognition has a positive effect on employee engagement and job performance and can contribute to increased business value.

15 Douglas MacMillan, "Rethinking the Office Environment," Bloomberg BusinessWeek, October 15, 2007.

Successful recognition programs motivate workers in ways that increase their level of engagement. According to the Human Capital Institute (HCI), "best practices" for applying recognition programs include:[16]

- Creating a culture of recognition in the workplace that includes both formal and informal methods of recognition.
- Making sure that employees get rewarded in a way that is valuable to them by providing a wide variety of recognition rewards. Emphasizing higher quality performance, rather than just increased amount of effort.
- Recognizing employees frequently to maintain consistent engagement.
- Ensuring that rewards are linked solidly to business objectives and/or desired business cultural values.

HR technology can help managers know when performance goals have been met that merit employee recognition. And self-service technology can help the HR team communicate an employee's successes to co-workers.

Training

Effective training and development programs are excellent instruments to reduce employee turn-over. When employees feel like their careers can develop no further at an organization, it is often time to leave. Good training programs can help your employees learn the skills needed for new projects and challenges, or even a higher position within the company.

There's another way that training can help increase employee retention—management training. Managers with poor leadership and people skills often drive away the most talented top performers. Train great managers and your company will enjoy better engagement and lower turnover. Offering training and development programs is a smart way to invest in the future value of employees and a proven method to increase employee retention. An HRMS can help the HR team plan employee training goals and programs, as well as track critical certifications and skill sets. In this way, the HR department can become a partner to employees and managers, helping to ensure top performers don't get stuck in a career rut.

Compensation and Benefits

Without an adequate and competitive package of compensation and benefits, it is difficult for any company to hire or retain top talent. The challenge for small-business owners is figuring out how much their competitors pay, and what package of benefits deliver the best retention results. If the main goal is to motivate talent to stay with the company, in other words to create 'stickiness', it is important to choose a balanced package of benefits from many available programs:

- Work/Life balance: Holidays, paid time off, flexible work arrangements
- Financial security: Retirement plans, pensions, disability insurance, life insurance
- Health and medical insurances: health insurance, dental, vision flexible spending or health savings accounts, gym memberships
- Career development/Personal growth: Tuition reimbursement, onsite lectures, computer based training subscriptions
- Other: Discounted auto, home, or pet insurance, savings clubs for shopping, employee loan programs to purchase computers.

16 Douglas MacMillan, "Rethinking the Office Environment," Bloomberg BusinessWeek, October 15, 2007.

Each company has to find its own balance of mandatory and voluntary benefits. It's safe to say that the best employees will not stay long in a job that is either significantly undercompensated, or obviously lacking in benefits. Most surveys show employees rate health care benefits higher than most other benefits, aside from salary. But after ensuring that the big items are included in your package, don't overlook the possibility that a smaller and inexpensive perk might be a unique offering that your employees would value.

An HRMS can help organizations determine the most popular benefits programs by tracking what is most selected by employees during open enrollment. It can also help you generate reports about the cost trends of your benefits programs based on current, historical, and projected benefits data.

The Cost of Sick Leave

Sick leave is a necessary benefit for all employees. If employers didn't offer sick leave, they would accelerate health problems and the spread of illness, thereby lowering productivity and morale. However, missed work time and increased insurance costs also hurt companies.

According to CCH Incorporated, a company that produces electronic and print products for the tax, legal, securities, insurance, human resources, health care, and small business markets, unscheduled absenteeism can cost up to an average of $602 per employee, per year.[17]

This cost does not include indirect costs such as overtime pay to the employees who fill in, pay for temporary workers, missed deadlines, lost sales, sinking morale and lower productivity. Indirect costs can add up to 25% to direct costs.[18]

How to Reduce Sick Leave

Whether above average use of sick leave is health-related or due to a pattern of abuse, a company can actively reduce absenteeism through intelligent investments. Employee wellness programs can promote better health and management of chronic conditions. And an HRMS can make information about absences available to managers, so it's easier to identify possible patterns of abuse and address them with employees.

Absenteeism is also an area where improvements in employee engagement can reduce company expenses. A study in the UK showed that 30% of sick leave is partly the result of stress-related anxiety and depression. Motivated and engaged employees are eight times less likely to suffer from stress and depression.[19]

Wellness Programs

According to wellness program expert and author, John Bates:[20]

> *"Programs and policies that promote healthy behaviors may make a big difference on staff member wellness and have an impact on the corporation's bottom line. Studies have shown that for every dollar invested in corporate wellness/wellness programs, there were savings ranging from $1.49 to $4.91 with a median savings of $3.14*."*

*US Department of Health & Human Services, 2003.

17 Maureen Smith, "Sick Leave Abuse: A Chronic Workplace Ill?" About.com, accessed March 1, 2011.
18 Smith.
19 Health and Safety Executive, www.hse.gov.uk
20 John Bates, "What is a Worksite Wellness Program?" Selfgrowth.com, accessed March 1, 2011.

In other words, the return on this employee investment is better than 300%! Bates goes on to provide other useful statistics:

"In fact, a Worksite Wellness Program literature review posted in Health Promotion Practitioner Journal found:

- *"19 studies found a 28.3% reduction in sick leave*
- *16 studies demonstrated a 5.6:1 return on investment*
- *23 demonstrated a 26.1% reduction in health care costs*
- *4 demonstrated a 30% reduction in direct health care and workers' compensation claims"*[21]

Information

To fight against a pattern of sick leave abuse, you'll need the right information, supplied to both managers and employees. To start off, employers need to have a clear absence policy that is readily accessible to all employees, along with the employee handbook. Going through absence rules and processes should be part of the on-boarding process.

Technology can be very helpful in this area:

- Business process automation tools can dramatically increase the quality of the on-boarding process for all new employees. These tools ensure employees and managers follow time-off procedures, consistent with corporate policies.
- Employee self-service portals or the company intranet are good places to store the company handbook.

In order to confidently talk with or discipline employees who have attendance problems, it is not enough to have a clearly written policy. Managers also need information that proves possible abuse or above normal patterns of sick leave. Sick leave statistics are needed at the individual employee level and the departmental or company level. Here again, an HRMS solution can identify patterns of abuse and also help report absenteeism results to employees and their managers:

- An HRMS system including time-off management and manager self service functionality keeps management informed. Employees can also see their accurate and up-to-date allowance for sick days.
- The usage of data-monitoring software can automatically generate alerts to managers that signal the breach of any given pre-defined threshold. That way a manager will be notified if and when their attention is required.
- Dashboards and graphical representation can show management in one glance how well the company, department or team is doing in terms of sick leave.

21 John Bates, "What is a Worksite Wellness Program?" Selfgrowth.com, accessed March 1, 2011.

Managing Talent

A 2007 article in Harvard Business Review concluded:

> *"Those organizations that invest more in talent management significantly outperform their competition across every measure of business – including earnings per share, gross profit margin and market capitalization per employee."*[22]

Talent management and planning has been one of the hottest topics among business executives and has become a core component of the workforce strategy. And for good reason: More and more of a company's value is based on intangibles generated by talent. From intellectual property to customer satisfaction, 80% of a company's valuation is now intangible.[23]

Talent management refers to the process of developing and integrating new workers, developing and retaining current workers, and attracting highly skilled workers to work for a company. Keeping the workforce engaged is one positive effect of investing in modern talent management. Tracking and managing the development of the employees. Skilled workers only become top performers when their goals are aligned with business objectives and their energy is directed at the right targets.

Talent management is much more than just a Performance Appraisal tool or process. That's only one of the components of modern Talent Management. A total Talent Management solution should also address:

1. Alignment with business goals.

   A company needs to make sure it has the business aligned around its strategy. It has been estimated that up to 95% of people don't understand their role within the organization.[24] Simply put, when people keep working hard on whatever they think is important, the chances are it is not the work needed to achieve the desired outcome. Another indicates that 37% of a strategy's potential is lost due to poor alignment.[25]

2. People performance

   The typical business that used performance appraisal and management software show a reduction of low performers, while the percentage of high performers in the company goes up. An improvement factor of 5.4% in productivity as a result of implementing performance appraisal and management software is not uncommon.[26] A talent management solution may also include functionality to plan and track employee training and development. Acquiring new skills can improve employee performance, as well as boost worker engagement.

You will be able to measure the impact of a Talent Management solution on your company's ROEI in three areas:

1. Cost savings: The automation of manual processes saves time and the increased focus on talent management reduces turnover.

2. Revenue growth: You will more easily identify the best internal candidates for open leadership jobs and position your company for success.

3. Improved employee productivity: Better talent management enables your organization to retain more high performers, thus improving productivity.

22 Schweyer, inside cover.
23 Erik Berggren and Lars Dalgaard, "Return on Execution," a SuccessFactors Research Whitepaper, 2006, p.5.
24 Robert S. Kaplan and David B. Norton, The Balanced Scorecard, Harvard Business Press, 1996
25 Michael C. Mankins and Richard Steele, "Turning Great Strategy into Great Performance, Harvard Business Review, 2005.
26 Erik Berggren and Keith Messick, "Moving Mountains," a SuccessFactors Research Whitepaper, 2009.

The Whole Picture

Most executives would be the first to tell you that the success of their businesses depends on their employees. People are a critical asset that needs to be cultivated and properly managed. Without the right employees, businesses will not grow, become more profitable, or generate new ideas.

In this context, it is only logical to conclude that a company's workforce is not merely a necessary expense, but also an investment in future competitiveness and earnings. Much research supports the idea that keeping employees engaged and motivated, as well as retaining the best performing employees over the long term, have positive effects on corporate financial results.

Investing in employees affects the bottom line in two ways. First, it reduces employee turnover, sick leave and healthcare costs. Second, investments in employee engagement programs, training, talent management, information and decision support, communication, wellness programs and technology all have a positive effect on workforce performance and productivity.

In this light, it's time to reexamine the benefits of HR-related technology such as Human Resource Management Systems (HRMS) and Talent Management solutions. Traditionally, these systems were thought of as cost reduction tools, saving time and automating routine administration to raise productivity within the HR department itself. An HRMS certainly does deliver that result. But when viewed as part of an investment in a competitive workforce, it can do much more.

Through employee self-service, training development, and compensation and benefits management, HRMS and Talent Management can provide the tools to help keep employees engaged and satisfied. These systems also deliver the analytics to help managers and executives examine trends, support business decisions, and plan for future organizational changes.

Investing in an HRMS system, integrated with performance management, learning & training, tools for decision support, self-service portals and more is an investment in the most important asset of the organization: its employees. And the return on the investment in employees can turn a struggling company into a winner.

Addendum A: The Real Cost of Replacing an Employee

Separation Costs		
Exit Interview	*$18.00*	*15 min prep; 30 min interview; 15 min follow-up @ $18/hour*
Termination Administration	*$36.00*	*2 hrs. @ $18*
Separation/Severance Pay	*$1,360.00*	*two-weeks*
Any Increase in Unemployment Compensation	*$272.00*	*marginal rate increase + TAX*
	$1,686.00	
Vacancy Costs		
Loss of Productivity	*$800.00*	
Cost of Additional Overtime	*$1,920.00*	*20 hrs. @ $24/hr for four weeks*
Cost of Temporary Help	*$1,800.00*	*21 hrs. @ $30/hr for three weeks*
Minus Wages+Benefits Saved Due to Vacancy	*$(2,040.00)*	*3 wks. @ $560/week*
	$2,480.00	
Replacement Costs		
Pre-employment Administrative Expenses	*$54.00*	*3 hours@ $18/hr*
Cost of Attracting Applicants	*$1,000.00*	*Ads, agencies, and staff time*
Cost of Entrance Interviews	*$120.00*	*Five interviews of one hour @ $24/hr*
Testing Costs (Drugs, Medical, Personality)	*$64.00*	*Aptitude, skill, drug testing*
Reference Check	*$80.00*	
Background Investigation	*$180.00*	
Staff Costs	*$36.00*	*One 30 minute meeting with three people @ $24/person*
Travel and Moving Expenses	*$-*	
Information Gathering	*$64.00*	*Two hours @ $18/hr + 2 hours @ $14/hr*
Medical Exams	*$150.00*	
	$1,748.00	
On-boarding, Orientation		
Admin, Benefit Enrollment, etc	*$18.00*	*One hour @ $18/hr*
Orientation	*$28.00*	*One hour @ $18/hour + $10 orientation materials (brochures,policies)*
	$46.00	
Training		
Formal Training + Literature Cost	*$1,500.00*	
Informal Training	*$656.00*	*Mentoring, socializing, OJT-2 days @ $24/hr + 2 days @ $17/hr*
	$2,156.00	
Ramp-up Costs		
Management Attention	*$385.00*	*Four hours extra per week for four weeks @ $24/hr*
Productivity Differential	*$2,000.00*	*Learning curve*
	$2,384.00	
Total Cost of Replacement	***$10,500.00***	

About Sage Abra

Sage is dedicated to providing solutions that will help organizations maximize their return on employee investment (ROEI). Built by HR professionals, Sage Abra HRMS addresses the challenges of human resource management, including HR, payroll, benefits, employee self-service, attendance, recruiting, training, and workforce analytics.

With Sage Abra, organizational leaders receive accurate information securely, when you want it, where you want it. From on-demand information sharing, to process automation and real-time business alerts, Sage Abra is designed to support executive analysis and decision making. Sage Abra helps HR ensure that the mission-critical needs of your organization are met with the employees and programs you need today—and in the future.

To learn more, please visit: www.SageAbra.com

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