

Company Reduces Employee Turnover by 75% and Sees a 23% Improvement in Productivity Through Psychological Testing

SITUATION:

A southeast Michigan company with 150 employees is engaged in the warehousing and transportation business. The company's goal was to reduce its employee turnover, and it sought to do so by using psychological testing in its hiring process.

BACKGROUND:

The company's turnover for the two years before they added testing to their hiring process averaged 43.3% (average 65 employees annually).

The average employee wage cost was \$30,000 per year. After adding a 25% burden and overhead expense, the total average employee annual labor cost was \$37,500.

Annual turnover costs were estimated to be \$609,375. Turnover costs were conservatively estimated at 25% of the annual labor cost of those employees who quit or were fired (25% times \$37,500 = \$9,375 times 65 employees = \$609,375.)

Two psychological assessments were added to the hiring process.

The **Step One Survey II (SOSII)** is a pre-employment test used to assess an applicant's attitudes and core values regarding personal integrity, work ethic, reliability, and the likelihood of personal drug and/or alcohol abuse. The SOSII also generates open-ended behavioral based interview questions in specific areas of concern.

The **ProfileXT** is an assessment that measures mental abilities, occupational interests, and personality traits. A sample group of current employees were tested using the ProfileXT and a "Job Fit Pattern" (benchmark) was created based on the results of the company's best employees working in that classification. Applicants taking the ProfileXT were then compared against the "Job Fit Pattern".

After two years employee turnover was down to 10.7% (16 employees in the third year), a reduction in turnover of 75%.

TESTING STRATEGY:

All job applicants took the SOSII. This test identified people who possessed attitudes of potentially good employees. Over the two years of testing, it was determined 3.5 applicants needed to be recruited in order to find one who could be considered for employment.

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The remaining applicants were then given the ProfileXT. Only those applicants who matched the Profile "Job Fit Pattern at 75% fit or greater were interviewed using the open-ended behavioral based questions generated by the Profile. Roughly, one out of two applicants did well enough to be considered for employment.

In summary, for each position filled it required seven applicants to be recruited and tested with the SOSII, in order to find two applicants who were tested with the ProfileXT, in order to identify the one "best qualified" applicant who was then hired.

RESULTS:

The Savings on Turnover. In the two years following the start of testing, 95 replacement employees were hired (61 in the first year and 34 in the second year).

The cost of turnover was previously estimated at \$9,375 per employee terminating.

On average, 35 fewer employees turned over (average of 65 times 2 years = 130 – 95 = 35).

The 35 employees who didn't turn over saved the company \$328,125 (35 times \$9,375).

The total two-year estimated savings on turnover was \$328,125, slightly better than a 10 to 1 Return On Investment.

The third year's estimated savings on turnover would be even greater (49 fewer employees who didn't turn over @ \$9,375 = \$459,375 potential savings minus the cost of the tests).

Additional Improvement. The company also kept track of its productivity. Productivity was measured by the number of pounds moved per person per month.

Before testing, the workforce of 150 employees averaged 826,000 pounds per employee per month. After two years, the same number of employees was averaging 1,020,000 pounds per employee per month, **a 23.5% improvement in productivity.**

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