

# The True Cost of Your HR Practices



Few executives fully understand the cost of their HR practices. Use this tool as a quick indication of your weak spots and financial growth opportunities.

How much did **bad hires** cost over the last 12 months? Use an average of 1:1 ratio of their annual pay. For example, an employee with a \$50,000/year salary will cost \$50,000.

.....

How much did **losing any good employees** cost over the last 12 months? Again, use at least a 1:1 ratio.

.....

What would be the bottom-line impact of **improving total productivity** by only 5%? Use 5% of total payroll. (For example: \$1,000,000 x .05 = \$50,000)

.....

What is it costing you to keep **poor employees**? (Here's the test: If they quit, would you be relieved or upset?) Use the impact they have on their entire team in your calculation. (For example: team payroll = \$240,000 x .05 = \$12,000)

.....

What "bang for the buck" are you getting for any **benefits** paid? What if you improved that figure by 2%? (Use a benefits cost of 35% of payroll. For example: \$350,000 x .02 = \$7,000)

.....

What added costs are you paying with your annual **workers' compensation** modifier due to your risk management and return to work practices? (For example, a MOD of 1.2 means you pay more than your competition.)

.....

Did you have to manage and/or settle even a low-level **employee claim**? (Statistically, 1 in 4 get sued every year with an average verdict of \$250,000)

.....

**Your HR cost total:**

.....

How much revenue will you have to bring in to put these HR dollars back into your pocket? Use at least a 3 to 1 ratio.

**Revenue total:**

.....

This is what your HR practices are costing you at the most basic level. Roughly half of the exposure is "out of pocket," and the other half is "left on the table every day." What would you be willing to invest in time and dollars to reduce this number? Would you invest at least 1/10th this amount to start somewhere? As you consider your answer, ask yourself this question: What sales activities and work would you have to do to match that revenue total? (i.e. sell 100 new cars, build two homes, get 50 new patients, book five more installations, etc.)

Now, what are you willing to invest in terms of time and money to reduce this figure? (For example, we are willing to invest \$20,000 to reduce this number by \$50,000.)

.....