Cadient surveyed over 200 corporate human resource managers throughout March and April 2021. Our purpose in conducting this survey was to understand their perspective on talent acquisition and talent management topics. Survey respondents provided meaningful insights on a wide variety of subjects. Topics included the priority of talent acquisition, applicant sourcing, hiring, recruiting technology, use of artificial intelligence in recruiting, and recruitment process outsourcing.

This survey is a companion to another recent survey conducted by Cadient. Last year Cadient published results from a survey titled “Hourly Hiring Manager Survey 2020”. In that survey, 1,127 local hiring managers responded to issues similar to the questions posed in this corporate HR manager survey.

Our objective in completing these two surveys was three-fold: (1) understand perspectives and viewpoints on talent acquisition from corporate HR managers, (2) understand the perspectives and viewpoints on the same issues from local hiring managers, and (3) find out where and why these viewpoints may differ between these two symbiotic groups. As you read the results, we have attempted to highlight where the two groups view issues in the same or a different manner.

Respondents to this corporate HR manager survey identified themselves as being in a position of Chief Human Resources Officer, Senior Vice President of HR, and Vice President of HR (collectively “Senior HR”); HR Director and HR Manager (collectively “Mid-Level HR”), Operations or Other.
KEY FINDINGS OF THE SURVEY SHOW:

77% of participants in this corporate HR manager survey thought their company’s hiring decisions miss the goal of “very good.”

30% Employee referrals are vastly undervalued. Despite well-documented evidence to the contrary, less than 30% responded that employee referrals are their best source for finding quality candidates.

75% of corporate HR managers believe that helping their hiring managers select the right candidates is the biggest need for their hiring managers. Augmented intelligence and machine learning would help with decision making. However, only 20% of the respondents have no issue with AI and are willing to use it.

2 out of 3 The cost of employee turnover doesn’t seem to be well understood. Two out of three survey respondents did not think a 10-percentage point improvement in turnover would make a material impact on the company’s finances. And it’s plausible that 60% of survey respondents don’t know their employee turnover rate.

1 out of 5 The majority of survey respondents said talent acquisition was their most important responsibility. But roughly 1 out of 5 said they weren’t involved in selecting the recruiting software solution.

80% Over 80% of corporate HR managers responded that they are very involved with those in their company making hiring decisions.
THE RESULTS ARE IN...
Corporate HR managers take talent acquisition very seriously. Only 14% of respondents said they do not spend a lot of time on it. It’s obvious that hiring the right person is one of the most valuable things a company can do. It leads to longer tenure, improved employee engagement, better customer service, increased revenue, and cost savings over time.

But we have a problem. Although we put a lot of time, money, and effort into talent acquisition, we’re not meeting our hiring goals. In our survey, 77% of respondents said their company does not meet the goal of making “very good” hiring decisions. Their colleagues in hiring manager positions aren’t very optimistic either. 71% of them felt that they missed the mark of making a very good hire.

What’s causing this? It’s not a lack of effort. 80% of corporate HR managers said they are very involved in the hiring process. But in comparing responses from corporate HR managers to prior survey responses from hiring managers, there are some disconnects. It raises the question as to whether the needs of hiring managers are really aligned with people in corporate HR positions who architect, construct and oversee talent acquisition programs.

One area where both groups agree is the need to help hiring managers make better, more informed hiring decisions. People seem to understand that simply increasing applicant flow is not a panacea for all talent acquisition challenges. Only 35% of corporate HR managers believe that attracting more candidates is their most pressing talent acquisition need. In our companion survey of hiring managers, only 20% said their candidate flow was insufficient.

When comparing the importance of talent management vs. talent acquisition, respondents in only two industries, consumer goods & education, answered that talent management was more important than talent acquisition. If this is the case, shouldn’t more effort be placed on hiring the right person, or do organizations simply rely on training and coaching? Our respondents chose the former, hire the right person.
Regarding responses on who is responsible for employee turnover, 48% said that responsibility is equally shared between the HR organization and operations. Sometimes when it’s everyone’s job, it’s really nobody’s job, and it’s difficult to make improvements. Employee turnover happens for many reasons. But the number one reason is hiring the wrong person and having them accept the job knowing it’s not a good fit. The cost of employee turnover may be killing your business, and it’s very possible that no one in your company understands the true cost of turnover. The remedy? Find the right person first and then invest in their development.

A number of people said they weren’t involved in the company’s decision as to which talent acquisition or talent management system to deploy. Considering how valuable it is to hire the right person in the first place, this is unfortunate and needs to change. When it comes to choosing a recruiting solution, if it’s not designed to select the best people for your business who will help your company prosper in tangible ways, it’s the wrong system regardless of whether it’s a best-of-breed or HCM suite.

Finding a way to evaluate candidates more effectively is a huge step in the right direction for any employer. At Cadient, we believe that the optimal method to accomplish this is through machine learning and augmented intelligence. It’s not as difficult as you might think, and stigmas associated with AI are rapidly being overcome through education, experience, and understanding. To learn more about how Cadient uses machine learning and augmented intelligence to improve quality-of-hire, visit our Cadient Decision Point™ web page.

In the remainder of this document, we detail the results and key findings from the Talent Acquisition Survey. We have broken the results into six topics: Job Responsibilities; Talent Acquisition Needs; Applicant Sourcing; Hiring; Terminations; Recruiting Solutions; and Survey Methodology.

We hope you find the results informative and educational, and inspiration to transform your hiring process.
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Corporate human resource managers take talent acquisition very seriously. 35% of respondents said that talent acquisition is absolutely their most important responsibility. Overall, 57% said it was more important than their other responsibilities. Nearly 70% of survey respondents in businesses with customer-facing operations said talent acquisition was their most important responsibility. Only 14% of total respondents said they don't spend a lot of time on talent acquisition.

Most survey respondents seem to agree that hiring the right person is one of the most valuable things a company can do. Hiring the right person leads to longer tenure, better employee engagement, and better customer experience. Talent management programs such as training, coaching, learning, and performance appraisal are really only meaningful for employees who are a good fit for the job and want to enjoy a long tenure with the company. The message is that it's essential to get the hiring right first, and talent management will follow.
Analyzing the demographics of survey respondents, corporate HR managers in the largest companies, those with 10,000 employees or more, put even more emphasis on the responsibility of talent acquisition. In the largest companies, 60% of respondents said talent acquisition was absolutely their most critical responsibility.

Survey respondents who identified as having operations responsibilities also concentrate more on talent acquisition. 53% in that group said that talent acquisition was absolutely their most important responsibility. This compares to the Senior HR group, where a majority said it’s their most important responsibility. Still, only 13% said it was absolutely their most important task.

53% of survey respondents valued the right skills for a job more than any other trait. 23% said that cultural fit was the most important issue, and 17% felt that job experience was the most critical. It’s somewhat surprising that experience lagged as an important factor. Not surprisingly, a tiny minority, 3%, think a person should be hired for the primary reason of their availability. Hiring managers on the front line view it a bit differently. In the Hourly Hiring Manager Survey 2020, 15% of surveyed hiring managers said they would hire someone primarily because they could start right away.

IF I WERE MAKING ALL HIRING DECISIONS, MY SINGLE MOST IMPORTANT DECIDING FACTOR WOULD BE:

- 53.0% The person has the right skills.
- 17.3% The person has the right experience.
- 23.3% The person fits our culture.
- 2.5% They were available when we urgently needed someone.
- 4.0% Something else.
The fact that most corporate HR managers would rely most on skill sets presents a bit of a paradox. In an era where skills testing is falling out of vogue, 53% of survey respondents valued the right skills for a job more than any other trait. However, asking a candidate to complete a skills test can add significant time to the application process and increase the drop-out rate. It’s entirely possible that the evaluation of skills is performed in a subjective manner which may not be as reliable.

Looking at the data across various industries, we see that some hiring managers place a much higher value on “culture fit.” Industries such as hospitality, healthcare, manufacturing, and retail seem to value this characteristic more highly. People in food production, health and fitness, and hospitality seem to put a little more emphasis on experience.

Less than 10% of corporate HR managers take primary responsibility for employee turnover within their companies. 26% of these managers believe that the business operation teams are primarily responsible for managing employee turnover. 48% responded that it is an equally shared responsibility between their organization and operations. Surprisingly, 17% responded that their company doesn’t track employee turnover closely.

Interestingly, 19% of the Senior HR respondents said that employee turnover is primarily their responsibility. In comparison, only 7% of the Mid-Level HR group felt primarily responsible. Even more surprising, only 24% of respondents in operations took primary responsibility.

Employee turnover may be one of those areas where we agree that it’s everyone’s job to control it and reduce it as much as possible. Sometimes, when it’s everyone’s job, it’s really nobody’s job. It can be difficult to assign responsibility for managing employee turnover because it’s hard to identify cause and effect.

### IN MY COMPANY, THE RESPONSIBILITY FOR EMPLOYEE TURNOVER IS:

- **16.8%** Honestly, we don’t track it that closely.
- **9.4%** Primarily my responsibility.
- **25.7%** Primarily the responsibility of the business operation teams.
- **48.0%** Equally shared between HR and operations.
Human capital management is a critical success factor for nearly every business. There are many facets of human capital management, including acquiring talent and managing acquired talent. 58% of survey respondents felt that acquiring talent and managing talent are of equal importance. 22% said that talent acquisition was more important, while 15% thought managing talent was the highest priority.

Except for the Senior HR group, a relatively high percentage of respondents from all job groups said that talent acquisition and talent management are equally important. 38% of the Senior HR folks felt that finding the right people through talent acquisition was paramount. Only 6% of the operations group placed the highest emphasis on talent management.

Respondents in only two industries, consumer goods and education, answered that talent management was more important than talent acquisition. Every other industry responded that talent acquisition was more important and some decidedly ranked talent acquisition higher than talent management.

These responses highlight an interesting question. Should more effort be placed on hiring the right people first? Or does it really matter who we hire as long as we can train and develop them? Our respondents lean toward more effort in hiring the right person in the first place. We believe this is especially important in businesses where high employee turnover is prevalent. Talent management programs take time. For talent management programs to produce results, the employee must be motivated to engage and put forth an effort. Suppose turnover is high and employees are leaving within a few weeks or months from their hire date. In that case, the return on talent management programs will wane.
Over 80% of corporate HR managers responded that they are very involved with those in their company making hiring decisions. The other roughly 20% seemed to work more at a policy level and had less frequent involvement in hiring decisions.

This response is slightly different from the response from local hiring managers in Cadient’s Hourly Hiring Manager Survey 2020. In that survey, 64% of hiring managers said that corporate HR interacts with them a lot. It’s close, but not quite as much as corporate HR managers believe it to be.
At the risk of over-simplification, talent acquisition can be separated into two phases: (1) attracting candidates and (2) selecting which candidates to employ. Over 60% of respondents said that improving the selection part of talent acquisition is their most pressing need. About 35% said that attracting more candidates is most critical.

A note for context. This corporate HR manager survey was conducted in March and April of 2021. This period represents a unique era for the companies that participated in the survey. As the COVID-19 pandemic has started to ebb, many so-called nonessential businesses in the United States are trying to get back to normal levels of operations. Some of these companies are struggling to reopen business locations because they cannot hire enough employees in this environment. People are still fearful about their health and welfare in the work environment. Many face the challenges of going to a job location while school-aged children still learn at home. Some are receiving unemployment benefits in an amount comparable to what they would make at their job.

All these factors work together to shrink the active workforce. Remarkably, only 35% of corporate HR managers believe that attracting more candidates is their most pressing need in talent acquisition. On the flip side, it strongly reinforces the idea that a more efficient hiring process and better hiring decisions are critical aspects of talent acquisition.
Those respondents involved in operations stood out from the rest of the survey participants on this issue. While 29% of them said that attracting more candidates is their most pressing need, 35% of this group said that better decision-making by their hiring managers was most in need. That’s significantly higher than people in more traditional HR roles.

Across the different industries, people in health and fitness, hospitality, professional services, and retail seem to have the biggest challenges attracting applicants. Consumer goods, education, food production, and restaurants most want to hire more quickly and efficiently.

Continuing the dichotomy of talent acquisition into two phases: (1) attracting candidates and (2) selecting which candidates to employ, 75% of corporate HR managers believe that helping their hiring managers select the right candidates is the biggest need. That help could come from more training, time-saving automation for repetitive tasks, and a decision support system to systematically identify top candidates for a job position.

Only 25% of respondents said that getting more applicants is the biggest need for hiring managers. This response correlates with Cadient’s Hourly Hiring Manager Survey 2020, where 80% of hiring managers said their applicant flow is sufficient. Interestingly, the hiring managers in that survey said that nearly half of the applications they receive are never reviewed unless there is an immediate need to fill a position.

THE BIGGEST NEED FOR OUR HIRING MANAGERS AT THIS TIME IS:

- 24.9% Just more applicants.
- 29.9% More training on how to make better hiring decisions.
- 14.4% A decision support system to recommend the best applicant – we get a lot of applications for each position.
- 30.8% Recruitment process automation to deal with repetitive recruiting tasks.
Not surprisingly, 45% of respondents said they get their highest volume of applicants through public job boards. 34% said their company’s career page provides the most applicants. 12% received the most applicants through employee referrals.

These results are consistent with our clients at Cadient. Job boards consistently provide the highest volume of applicants, followed by the company’s career page and employee referrals. For our client family, the applicant-to-hire ratio also follows suit. The applicant-to-hire ratio usually is very high for applicants sourced through public job boards, smaller for applicants sourced through the company’s career page, and lowest by far for employee referrals.

Some industries seem to rely less on public job boards for applicants. While respondents from manufacturing, non-profits, and retail rely heavily on job boards, consumer goods, health and fitness, hospitality; restaurants, and grocery stores seem to rely mostly on their company career page.
Survey respondents were fairly evenly divided on the issue of sourcing quality candidates. 34% said public job boards, 24% said their company’s career page, and 30% said employee referrals.

Operations people place a lot of value on employee referrals. 53% of people in operations responded that employee referrals are their best source for finding quality candidates. Senior HR roles were surprisingly down on referrals. Despite abundant evidence to support the supposition that employee referrals make higher quality hires, only 11% of senior HR managers thought referrals were the best source. 45% of that group felt the company’s career page was the best source.

Cadient client data differs from many of these survey responses. While Cadient clients typically receive the highest number of applicants from public job boards, our data shows that the job board applicant-to-hire ratio is the highest of any applicant source. The tenure of new hires sourced through public job boards is shorter than any other source of applicants. Although the client’s career page doesn’t produce as many applicants, the applicant-to-hire ratio is better than public job boards, and employee tenure is also better. The highest quality applicants for our clients come through employee referrals. Applicant to hire ratio is nearly always the best, as is new employee tenure. Some of our clients hire almost as many people from employee referrals as public job boards. Employee tenure after 180 days is usually 12 to 15 percentage points higher than people sourced through public job boards.

This raises an important question. Are we optimizing our applicant sourcing spend to find and attract candidates who will become quality hires? The spending for many companies follows the flow of applicants. We spend the most on public job boards, followed by our career pages, and the least on employee referrals. In an optimal program, we should be doing the exact opposite.
According to the U.S. Department of Labor, **55.5% of the workforce in the United States is paid hourly** (Characteristics of minimum wage workers, 2020: BLS Reports: U.S. Bureau of Labor Statistics). Survey results seem to line up well with the data from the labor department in that 58% of respondents said they hire mostly hourly employees or an equal mix of hourly and salaried employees.

27% of survey respondents from the largest companies, those with 10,000 employees or more, said that most people they hire are independent contractors. That’s quite a contrast to smaller companies. Only about 6% of smaller companies said that most of their hires are independent contractors.
HR managers view their single most important factor in a hiring decision a little differently than how they think their hiring managers view the same factor. While 53% of corporate HR managers think job skills are the most important deciding factor, only 39% believe the hiring managers rely most on that factor. Only 17% of corporate HR managers think that experience is the most important factor, but 32% believe hiring managers rely most on experience. Only 19% of corporate HR managers believe that cultural fit is the most important factor, but, for some reason, slightly more (23%) of them think that the hiring managers rely most on cultural fit.

In the Hourly Hiring Manager Survey 2020, 70% of respondents said they rely primarily on job skills or relevant work experience when making a hiring decision. That combination of 70% is nearly identical to how corporate HR managers thought their hiring managers made decisions. A minority of both corporate HR managers and hiring managers thought cultural fit was the single most important factor.

The most interesting variance in the two surveys is that only 7% of corporate HR managers believe hiring managers are hiring because they just needed someone urgently, while 15% of hiring managers said availability was their number one criterion.
Only 23% of corporate HR managers believe their hiring managers are making very good hiring decisions. Nearly half of survey respondents thought their hiring managers made fairly good decisions, and 26% thought the hiring decisions were hit and miss. Very few seemed to have significant concerns.

The operations group rates themselves much higher. 59% of this group said their hiring decisions are usually very good. No one in operations expressed concern about the people their company hires.

People in the health and fitness and professional services industries were also confident in their hiring managers. But they were still not highly confident as only around 40% of that group said their hires are usually very good. Non-profits are least confident. Only 8% of these respondents said their hiring managers do a great job.

To sum it up, 77% of participants in this corporate HR manager survey thought their company’s hiring decisions miss the goal of “very good.” Meanwhile, 71% of hiring managers in the Hourly Hiring Manager Survey 2020 felt that they missed the goal of making a very good hire. Hiring managers are only slightly less critical of their own hiring decisions. Both groups seem to agree that the performance is not great.

While these results are consistent across the two surveys, it’s a tragic situation. Companies spend a lot of money on talent acquisition programs. It’s costly to attract candidates, engage with them, recruit them, evaluate them, and do everything in a compliant manner. Then 7 or 8 out of 10 times, we miss the goal of very good.
Numerous studies have been completed on the cost of a replacement hire. Many factors come into play in the calculation. Level of employee responsibility, industry, job type, geography, and other issues can affect the cost of a replacement hire.

Over 40% of survey respondents believed that replacement cost was at least $2,000, and many think it’s even higher. Larger companies seem to spend more on replacement hires. 58% of survey respondents from companies with more than 10,000 employees said replacement cost was at least $2,000.

Non-profits seem to spend the least amount on replacement hires. 58% of people from this group said their replacement cost is less than $1,000 per hire. By contrast, 36% of retailers said a replacement hire costs more than $5,000.
Training programs have made great strides in recent years, becoming more efficient and effective. Many employers now offer online training, and required training can be accomplished in a shorter time at less cost.

A slight majority of survey respondents (51%) said they require at least one week of job training for a new hire. In many situations, on-the-job training is still a necessity and can be very costly. Hands-on training is often an absolute necessity, especially if it is a customer-facing role. Inadequate training can cause all kinds of problems: pricing mistakes, incorrect orders, increased waste due to lack of familiarity with processes, and the list goes on.
Finding and keeping employees is a challenging job. Companies in general and HR departments, in particular, take great care to provide employees with the right work environment, alignment on job responsibilities, job training, and other matters to keep employees engaged and productive. Even with all that effort, employees most frequently leave a position because they got a better offer elsewhere. One would often correctly assume that this better offer meant increased compensation. However, other factors could be present in a better offer.
It’s difficult to tell from survey responses how much the COVID-19 pandemic influenced respondents regarding the reasons for termination. Undoubtedly, it’s on the minds of many HR professionals. Work Institute recently published an interesting blog titled *Reasons Employees Quit their Job During the Coronavirus Pandemic*. The author interviewed employees who voluntarily left their jobs during the pandemic. The top three categories were:

**REASON 1** Putting personal and familial health first. People quit or intend to quit as a proactive measure to protect themselves or a family member from exposure due to pre-existing medical conditions or age.

**REASON 2** Leadership’s management of the crisis by both direct supervisors and upper management drove and will drive employees to quit. Dissatisfaction with how leaders treated/treat employees and how information is communicated are critical themes.

**REASON 3** Concrete concerns about personal safety and lack of personal protective equipment. An alarming number of employees (many within the healthcare industry) were told by leaders that they could not wear PPE, including masks. Additionally, organizations lack proper oversight practices that have become normal during this pandemic.

The conclusion: Both leadership’s management and employee safety reasons for leaving are preventable by the organization. If organizations knew these concerns straight from the mouths of their employees, they would have been able to step in to make the changes needed to retain those employees. Organizations need to be flexible in their approach to managing workforces during the pandemic. Collect feedback from employees on their impressions. Listen to their concerns, relax control issues, be open and honest with employees, and regularly communicate back to employees.
Many survey respondents work in industries with high employee turnover. The United States Bureau of Labor Statistics (“BLS”) data shows that the following industries are among the businesses that experience high employee turnover.

<table>
<thead>
<tr>
<th>Annual Turnover %</th>
<th>Industry</th>
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<tbody>
<tr>
<td>63.3%</td>
<td>Business Services</td>
</tr>
<tr>
<td>78.6%</td>
<td>Restaurant/Food Service</td>
</tr>
<tr>
<td>58.2%</td>
<td>Retail</td>
</tr>
<tr>
<td>46.1%</td>
<td>Transportation</td>
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<tr>
<td>42.8%</td>
<td>Property Maintenance</td>
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<tr>
<td>34.0%</td>
<td>Healthcare</td>
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<tr>
<td>64.8%</td>
<td>Construction</td>
</tr>
<tr>
<td>42.8%</td>
<td>Personal Services</td>
</tr>
<tr>
<td>31.3%</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>42.8%</td>
<td>Agriculture</td>
</tr>
<tr>
<td>38.4%</td>
<td>Technology</td>
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</tbody>
</table>
But let’s think about this BLS data for a moment. The BLS regularly conducts a Job Openings and Labor Turnover Survey (“JOLTS”). JOLTS administrators collect data once a month from selected employers. Initially, data is collected from companies through telephone interviews. After six months of submitting data through telephone interviews, participating companies enter their data online at their convenience. The employee turnover figures included in the JOLTS report are a voluntary contribution by employers. While it’s beneficial to see historical trends and industry comparisons, is it really accurate?

Our belief is that employee turnover is likely underreported. Why? A few reasons. First, the vast majority of companies in the United States have less than 500 employees. Many of these companies don’t have a reliable reporting system to capture and report employee turnover numbers. Second, some responders to JOLTS may purposefully or subconsciously try to defend the company’s image and misreport the employee separations count. Third, at Cadient, we analyze employee turnover and retention results for our clients. Some of our clients enjoy lower turnover than the BLS JOLTS industry averages. But a lot of them experience higher than average turnover. Some are a lot higher.

The demographics are interesting on this issue. Both small and large companies seem to be less in touch with employee turnover metrics. In contrast, medium-sized companies pay more attention to the matter. 23% of survey respondents who work in small companies said they didn’t know their annual turnover rate, and 22% of respondents in companies with more than 10,000 employees didn’t know. This compares to only 8% to 10% of respondents in companies with employee counts between 1,000 and 10,000 who said they didn’t know the company’s turnover rate.

The bottom line is this. Employee turnover is a huge issue for many companies, and it’s likely a more significant issue than we realize. It’s typically not a KPI that is tracked and managed rigorously. 17% of respondents said they didn’t know their annual employee turnover percentage. 42% said they’re probably about average. Saying you’re probably average may well be a proxy for “I don’t know.” If you can subscribe to this theory, it’s likely that more survey respondents don’t actually know their company’s employee turnover figures compared to those respondents who really do know.
The fact that only 32% of respondents said a ten-percentage point reduction in annual employee turnover would have a huge financial impact on their business is interesting but perhaps not surprising. **Employee turnover is one of those business expenses that is insidious because it’s often not highlighted as a problem.** It’s kind of an invisible monster. There is no line item on a profit and loss statement titled turnover. The real cost of turnover shows up on many different line items within the P&L. It manifests itself in additional salaries for training, increased advertising for job postings, higher unemployment taxes, manager time spent interviewing candidates, and other areas. Mistakes made by new and inexperienced employees show up in unfavorable waste and efficiency metrics. An inexperienced workforce leads to poor customer experience resulting in lost revenue and negative social media reviews. It’s likely that none of these cost areas by themselves will cause a red flag in the monthly or quarterly business review of finances. But, **when you isolate and aggregate the seemingly small cost of each area affected by turnover, you get a bright red flag.** Operations people seem to understand this concept better than others. 47% of those respondents said that a ten-percentage point drop in turnover would have a huge positive impact on company financials.
We may have grown accustomed to a high turnover rate for businesses in industries with a large concentration of hourly employees. There seems to be a prevailing attitude that it’s just a cost of doing business, and there’s not much we can do about it. Like any business metric, employee turnover can be better managed. But in many cases, it is that invisible monster ravaging your business, and it takes a hero to tame it.

The cost of turnover is significantly more expensive than you may think. It has real, tangible, negative consequences to your business. Let’s look deeper into the real cost of turnover, and for now, we’ll confine our discussion to hourly employees.

First, we’re spending money in a variety of ways to attract candidates. When we find a promising one, we have to evaluate them and use screening tools which can be costly. You might do a background check, drug test, personality test, situational judgment test, or something else before even making an offer. Your hiring manager must devote time to interview the candidate when they could be performing other important duties such as interacting with customers. You may have to pay overtime wages to cover the open spot in the shift to keep the operation running smoothly. The new employee has to be trained. You’ll also pay more in unemployment taxes. Employers pay state and federal unemployment taxes on the first $7,000 or so in employee wages in many states. When a new employee comes on board, the tax starts all over again. Terminated employees may file for unemployment which will adversely impact your unemployment tax rating from the state. It’s a lot of small things adding up to one big number.

Cadient has done a significant amount of research on the cost of replacing an hourly employee, and it’s easy to account for costs totaling $1,500 per hire. This is only including direct costs as described above. Indirect costs such as reduced productivity, reduced quality, decreased employee morale, and low customer satisfaction drive the total cost up much more.

A few years ago, the Center for American Progress released a report titled, “There Are Significant Business Costs to Replacing Employees.” Their research was based on thirty case studies from eleven published research papers on employee turnover costs. The authors concluded that it costs businesses about 20% of a worker’s annual salary to replace that worker. Specifically relating to hourly employees, the ratio was only slightly lower. They reported that the average cost to replace an employee making $30,000 per year was $4,800.

To put this in context, let’s say your company is a retailer with 5,000 employees, and your annual employee turnover rate is 60% (the average for a retail business as reported by the Bureau of Labor Statistics). That means you will hire 3,000 replacement employees every year. Just considering the direct costs of $1,500 per hire, that’s a whopping cost of $4.5 million each year. If we rely on the Center for American Progress study, that number more than triples to $14.4 million per year. It’s a huge cost, but ironically, you won’t find a line item for turnover on your P&L.
Recruiting solutions can be roughly split into two types. The first is the best-of-breed system which focuses solely on talent acquisition needs. The second type of recruiting solution is a module in a so-called human capital management suite. Survey respondents were diverse in their answers as to which one they prefer. 24% preferred best-of-breed, 28% preferred the suite, and 30% didn’t prefer one or the other. 38% of respondents from the largest companies said they prefer a best-of-breed recruiting solution, while only 16% of this group prefer the HCM suite. People in operations tend to lean more toward suite solutions. 41% of that group said they would prefer the suite.
Interestingly, 18% said they weren’t involved in the decision. Even more interesting, 27% of the largest companies said they weren’t involved in the decision. It seems odd that the people in charge of recruiting would not choose which system they want to use. This may be a product of the HCM suite phenomena. HCM suites are large projects often involving payroll, benefits, HRIS, and talent management modules such as performance management, learning, coaching, and others.

In addition, these suites offer recruiting modules. IT professionals love it because everything is on one technology stack. It’s less maintenance and easier to manage. C-Suite executives are enamored by the prospect of how the HCM suite is going to transform their workforce through one single solution. Corporate HR managers are sometimes not invited to the party. System decisions are made without carefully considering the impact on hiring. Are these HCM suites designed to help us hire the very best person?

HCM suites are mostly designed to handle administrative functions for employees and provide development opportunities. But they fall short of producing a return if they don’t help a company select the right person in the first place. Learning management, coaching, performance appraisal, and other talent management processes are not very useful if the employee quits after a few weeks or months. If more corporate HR managers had a say in the system selection, many of these companies would accomplish their workforce transformation objectives through more quality hires.
No consensus here at all. Without knowing the survey results, many readers might guess that people would say that bias or discrimination would be the biggest reason not to use AI in recruiting. More respondents did answer this way but not by much. However, 42% of respondents from large companies said that AI could create bias and adverse impact.

Somewhat predictably, a lack of understanding of AI or a fear of being replaced was the second most often selected response at 26%. The cost of AI came in third at 24%. A minority, 20%, would love to use it. *Views on AI are slowly changing, and fears are lessening as familiarity and understanding about AI grow.*

The perception of the cost of AI solutions across job roles is interesting. Only 4% of the Senior HR group believe that it would cost too much. 34% of Mid-Level HR people are primarily concerned about cost, and 29% of people in operations roles think it could cost too much.
There are many aspects of AI, such as machine learning, natural language processing, expert systems, computer vision, speech recognition, robotics, and more. Each aspect has its own use and benefit. Many of these sophisticated technologies are used in our daily lives, and we probably don’t realize it. Whether you drive your car, use your mobile device, use your credit card, or do just about anything, AI is working somewhere in the background. Not trying to control you or take over the world, just automating routine, mundane tasks that humans don’t like.

Maybe AI is not as intimidating as we thought. But is it inhumane to use AI to recruit people? Do we really want these robots to make our hiring decisions? No, we don’t. But AI can certainly help us improve the talent acquisition process. Studies show that a recruiter will look at a résumé for 6 seconds on average. What information can one glean in 6 seconds? Not much. In the high-volume world of hourly hiring, many applications don’t even get 6 seconds. They are not reviewed at all.

That’s why machine learning can be so valuable in the talent acquisition process. Machine learning is based on algorithms which are a set of rules. The rules are based on pure logic. They apply that logic to the data set made available to them. Suppose algorithms don’t have access to data that could cause bias or discrimination. In that case, they can’t make hiring recommendations based on any such data.

To evaluate job candidates, a properly designed algorithm excludes race, gender, age, name, and any other data element that could cause adverse impact. The data is simply not there. Can you honestly say that none of these data elements are part of your hiring manager’s decision process when making a hire? Algorithms follow the rules every single time while humans don’t. Algorithms also get tested and refined. They can quickly adapt to changing conditions or circumstances based on their programming. On the other hand, most humans don’t adapt very quickly to changing circumstances.

We like to call the process of using machine learning in talent acquisition “augmented intelligence” rather than artificial intelligence. It would be a mistake to ignore the experience, intuition, and judgment of a hiring manager in the selection process.

If you’re reading this report, you probably lead the HR function for an organization. In that case, you want consistency and excellence in making the right hiring decisions in the right way every time. The ability to quickly identify top candidates is a terrific way to help your managers hire more efficiently and effectively. We all need more quality hires. Machine learning and algorithms are wonderful tools to help us get those hires.

We’ve barely scratched the surface of using AI in recruiting. The reality is that it can provide significant benefits at an affordable price while augmenting (not replacing) our hiring decisions.
Recruitment process outsourcing, much like any type of outsourcing, seems to ebb and flow. Only a few years ago, the number of survey respondents answering that they currently use an RPO provider would have been higher than the 12% in this survey.

Somewhat surprisingly, one-third said they would never consider RPO services. Still, more than one-half said they would consider RPO if the cost/benefit was right or helped the business through better quality hires.

People in Senior HR roles seem to have strong polar opinions about RPO services. 23% say they currently use an RPO service (much higher than the other groups), but 40% would never consider it.
Respondents to this corporate HR manager survey identified themselves as being in a position of Chief Human Resources Officer, Senior Vice President of HR, and Vice President of HR (collectively “Senior HR”); HR Director and HR Manager (collectively “Mid-Level HR”), Operations or Other.

23% of respondents held Senior HR positions, while 43% held Mid-Level HR positions. 9% were more operations-oriented, and 25% selected other. In providing an analysis of the survey results, we identify and discuss material differences in each group’s responses.
Survey respondents also came from different industries. 19% of respondents work in consumer-facing industries such as retail, consumer goods, health and fitness, hospitality, and restaurants. 18% of respondents work in manufacturing environments, 16% in healthcare, 12% in professional services, 7% in education, 6% in non-profits, and the balance in other industries.

With respect to company size, 34% of respondents were from companies with less than 1,000 employees, and 66% had more than 1,000 employees. 22% work in companies with more than 10,000 employees.