The ROI of High Volume Recruiting

For Retail Banks

Kiran Analytics, Inc. (KAI)
858.270.9550 • www.kiran.com

CONTENTS

CHALLENGES

According to a recent opinion piece on retail banking by industry experts of Booz, Allen & Hamilton, “Banks will have to continuously focus on expense control—on how work gets done as well as what work to do—using lean and technology-enabled process redesign to build more flexible, responsive operating models.” Of course, the branch network being the largest cost component of retail banking, reducing network costs represents significant opportunity for improving business performance.

Recruiting costs have come under intense scrutiny in recent years, especially for high volume recruiting, due to the following factors:

- Increasing number of job seekers,
- Escalating costs of recruiting and retaining talent,
- Competition for top talent,
- Growing EEO risk of not processing each and every application in a fair and consistent manner.

Talent acquisition is quite different for branch jobs such as tellers, personal bankers, and customer service reps compared with other exempt positions. Key differences are:

Figure 1: Key Differences of Talent Acquisition for Tellers, Personal Bankers, and Customer Service Reps.
Turnover rate for high volume positions is higher.
Time to fill high volume positions is shorter.
Number of applicants to hires is greater.
Requisition to recruiter ratio is higher.

In large banks operating in multiple regions, each recruiting region may measure performance differently. In some cases, recruiting regions are independently operated. In other cases, it can come down to the reality that nobody in the corporate human resources organization fully understands the end-to-end high volume recruiting process.

This white paper defines the key performance metrics in high volume recruiting, the best practices of leading banks in the United States for improving performance, and the potential savings and ROI of best-in-class high volume recruiting.

KEY RECRUITING PERFORMANCE METRICS

The three key performance metrics of high volume recruiting are quality of hire, time to fill, and cost per hire.

QUALITY OF HIRE

The quality of hire metric focuses on the effectiveness of the recruiting function. Quality of hire measures how satisfied a bank is with the hired staff member's performance and how satisfied the hired person is with the hiring bank. A good hire enhances the overall performance of a branch and therefore improves ROI.

It is difficult to measure quality of hire. According to Dr. John Sullivan, a well-known thought leader in HR, "Time to productivity, longevity of hires, subjective assessment by managers, and turnover rate are different ways to measure quality of hire." Best-in-class recruiting organizations in financial institutions use a combination of these factors when measuring quality of hire. One retail bank's acceptable time to productivity is 3 months for a teller, and 6 months for a personal banker. Another bank evaluates the percentage of above-average performers one year from the initial hire date and uses that percentage in the overall quality of hire metric.

Low turnover is a sure indicator of quality of hire for high volume positions. If the turnover rate is low, the quality of hire is likely to be high. Low turnover suggests the bank is keenly focused on the true requirements for a new hire to be successful in the position, is adept and finding individuals who meet the requirements, and effectively communicates the requirements to the job seeker. When these things happen, both the bank and the job seeker are in an excellent position to mutually determine if there is a match between the job seeker and the open position.

Quantifying the cost of turnover is one key component of calculating the value of the quality of hire metric.

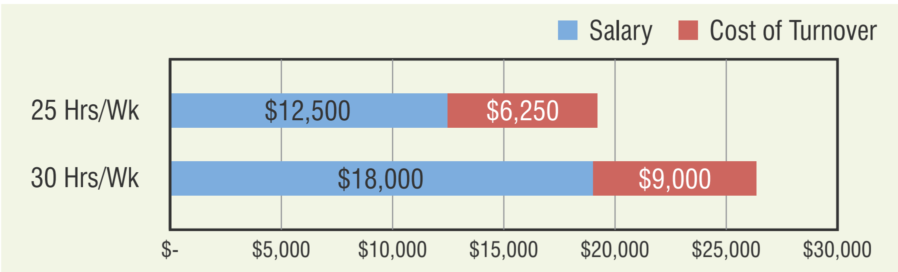
Cost of Turnover – Cost of turnover can include recruitment costs, training costs, lost productivity costs, costs of new hires to fill open positions, and lost sales costs. According to compilation of cost of turnover studies by Sasha Corporation, cost of turnover for front line employees making $8 per hour, varies anywhere from 50 percent to 100 percent of the individual's annualized compensation. These percentages increase for individuals earning higher compensation.

To illustrate the cost of turnover, let's consider an entry-level bank teller who works part-time. They typically earn between $10-$12 per hour. A teller working 25 hours per week for 50 weeks at an hourly rate of $10 makes about $12,500 annually. A teller working 30 hours per week for 50 weeks at an hourly rate of $12 makes about $18,000. So, the cost of turnover can be estimated to vary between $6,250 and $9,000 per employee given the most conservative estimates.

KEY POINT

Low turnover is a sure indicator of quality of hire for high volume positions.

Figure 2: Cost of Turnover Estimates for Teller Jobs



Annual Turnover Rate – One of the key variables that affects turnover is the quality of hire. When the recruiting process is not lean and streamlined by technologies such as predictive assessments, applicant tracking systems, and online background checking tools, recruiters are unable to identify top talent quickly and cannot recruit in an efficient way. This results in hiring outcomes with high turnover and an inefficient workforce.

TIME TO FILL

Time to Fill (TTF) a requisition is defined as the time it takes from a hiring manager submitting the request for a new hire to the time the job offer is accepted by a qualified applicant. The faster the speed of hire, the shorter is the time to fill.

According to Dr. John Sullivan, there are three reasons why increasing the speed of hire is important:

- Top talent is in high demand. High demand candidates find jobs faster.
- Vacant positions, especially for customer facing and revenue generating jobs, result in financial loss to the company.
- Currently employed individuals, when they are suddenly interested in looking for another job, need to be recruited quickly. Otherwise, they may receive counter-offers or incentives to stay in their current job.

Typically, it takes about 20-40 days to fill a job requisition in a mid-size retail bank that processes as many as 25,000 applications a year. This TTF may not appear like a long time for mediocre job seekers but it is too long for top talent.

According to Jim DeLapa, President of Kiran Analytics, "When a qualified candidate applies for a position, if he or she does not get their interview scheduled to take place within 3-5 days, the candidate will often take another position or will not show up for the interview. Why? Because top talent is in high demand whereas mediocre job seekers are willing to wait even if your recruiter cannot get to them for 2-3 weeks."

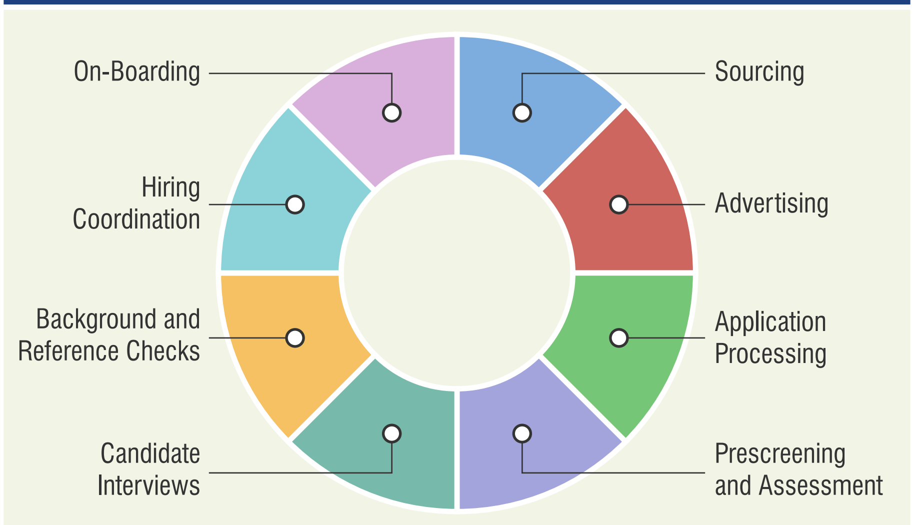
> DeLapa adds, "One way to accelerate recruiting speed for top candidates is to offer interview dates and times that are flexible. Best candidates prefer interviews that are either after hours or on weekends. Why? Because those who are currently employed do not want to tip off their current employers that they are seeking another position."

COST OF HIRE

Cost of hire is the total cost associated with acquiring a new employee and developing the talent to bring him or her to the acceptable performance level expected in that position.

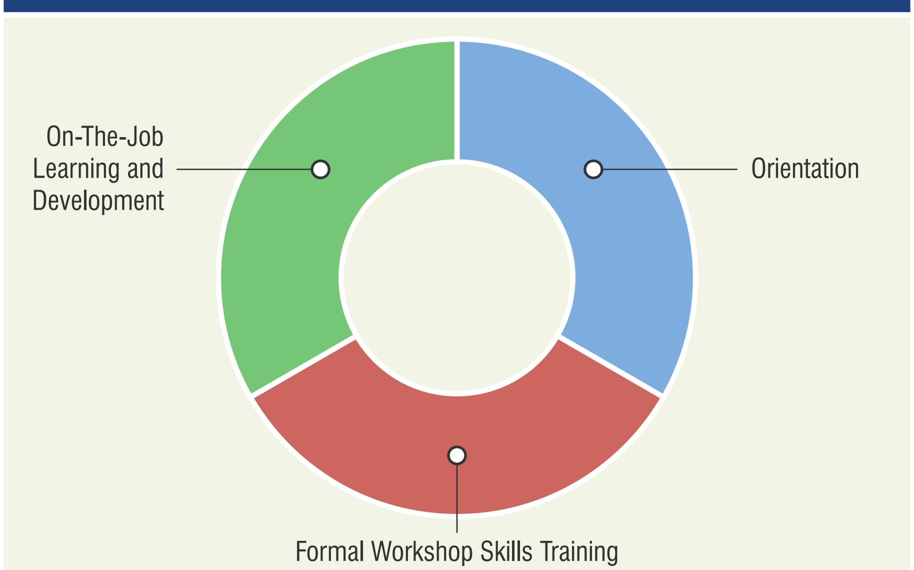
Talent acquisition costs include:

Figure 3: Talent Acquisition Costs



Talent development costs include:

Figure 4: Talent Development Costs



Typically, it costs anywhere from $4,000 - $6,000 to hire a teller. For a bank that hires 2,500 tellers a year, the cost is ten million dollars, at best!

Lou Adler, an expert on performance-based hiring, argues that while reducing cost per hire is an important metric, improvement in cost per hire could potentially degrade quality of hire. Therefore, quality of hire should be the first and foremost performance metric for high volume recruiting.

BEST PRACTICES OF LEADING RETAIL BANKS

The most commonly adapted best practice for talent acquisition is a standardized, technology-enabled recruiting process that simultaneously improves quality of hire and increases recruiting speed.

Other common best practices of successful high volume recruiting organizations are:

- Branch workforce and performance analytics that define predictive performance metrics and enables assessment of pre-hire and post-hire quality on a consistent basis,
- Real-time dashboards and reporting that provide analytics for all open requisitions,
- Business rules and processes that ensure EEO compliance and audit trails.

OPTIMIZED RECRUITING PROCESS

Top strategies that best-in-class retail banks utilize to optimize their high volume teller and banker recruiting processes include:

- Dedicated recruiters for high volume recruiting,
- Striking a balance between the three key performance metrics – quality of hire, time to fill, and cost per hire. Focusing too much on TTF or cost per hire will reduce quality of hire,
- Greater visibility into the recruiting process for hiring managers,
- Improved collaboration between recruiters and their customers (hiring managers who create the requisitions as well as HR staff who perform on-boarding, performance reviews, etc.),
- Better forecasting of demand that helps recruiting staff to be proactive rather than reactive.

KEY POINT

Typically, it costs anywhere from $4,000 - $6,000 to hire a teller, including acquisition and development costs.

TECHNOLOGY ENABLERS

Best-in-class recruiting organizations of retail banks identify top talent faster, ensure consistency, drive efficiency, and improve compliance using all of the following technologies:

- Predictive Assessments,
- Skills and Behavioral Assessments,
- Self-service Scheduling of Screening Interviews,
- Applicant Tracking Systems (ATS),
- Employment Eligibility Verification
- Background Checks

Most of these technologies are offered as Software as Service (SaaS) and are usually integrated and customized to fit the unique needs the users.

KEY POINT

A mid-size bank that hires 2,500 tellers per year can save $1.5 - $2.25 million annually by reducing turnover by 20%.

POTENTIAL SAVINGS AND ROI

Let’s take a look at potential savings that can be achieved by adapting the best practices such as an optimized process and by implementing technologies that streamline and automate the process.

COST OF TURNOVER SAVINGS

Retail banks that develop standardized and efficient recruiting processes and deploy best-in-class software tools have reported improvements upwards of 20 percent.

> “According to Dr. Cabot Jaffee, an expert on high volume recruiting, turnover rates for teller and call center openings in a retail bank can vary between 30 and 70 percent.”

Dr. Jaffee contends that turnover rate can be reduced by 30 percent or more with proper pre-screening, assessments that accurately predict job performance, and technology that helps recruiters spend more time with qualified prospects.

For a mid-size bank that hires 2,500 tellers per year, the savings associated with shaving off just 20 percent from the annual turnover rate can be as modest as $1.5 million or as much $2.25 million per year.

Figure 5: Cost of Turnover Savings

	Conservative Estimates	Likely Estimates
Cost of Turnover for Teller Jobs (per Hire)	$6,250	$9,000
Potential Annual Savings (for 2,500 Hires)	$1.56M	$2.25M

TIME TO FILL SAVINGS

What is the cost of not filling an open requisition? According to an independent study conducted by Recruiting Roundtable, each additional day in the time to fill costs the bank an estimated at $75 per open requisition. This is based upon the assumption of a $300 fully burdened wage rate. For part-time tellers and bankers, it is reasonable to estimate the cost of not filling an open position as low as $50 per open requisition per day.

Recruiting speed can be doubled by implementing a streamlined, technology-enabled recruiting process that is specifically designed for high volume recruiting. So, for a mid-size bank that hires 2,500 tellers and bankers a year, the savings associated with shaving off just one day from the TTF metric can be anywhere from $125,000 to $187,500. If the bank is able to reduce the time to fill by 10 days, annual savings can be between $1.25M and $1.87M!

Figure 6: Time to Fill Savings

	Conservative Estimates	Likely Estimates
A Day's Difference in TTF (per Hire per Day)	$50	$75
One Day's Difference in Annual Hiring Volume	$125K	$187.5K
Potential Annual Savings (10 Day Reduction in TTF)	$1.25M	$1.87M

COST PER HIRE SAVINGS

Best practices of leading banks reporting significant savings include FirstMerit Bank which was recognized as the #1 benchmark in recruiting and talent management in 2005 and 2006. FirstMerit reported a reduction of 51 percent in cost per hire as a result of increasing quality of hire and reducing time to fill.

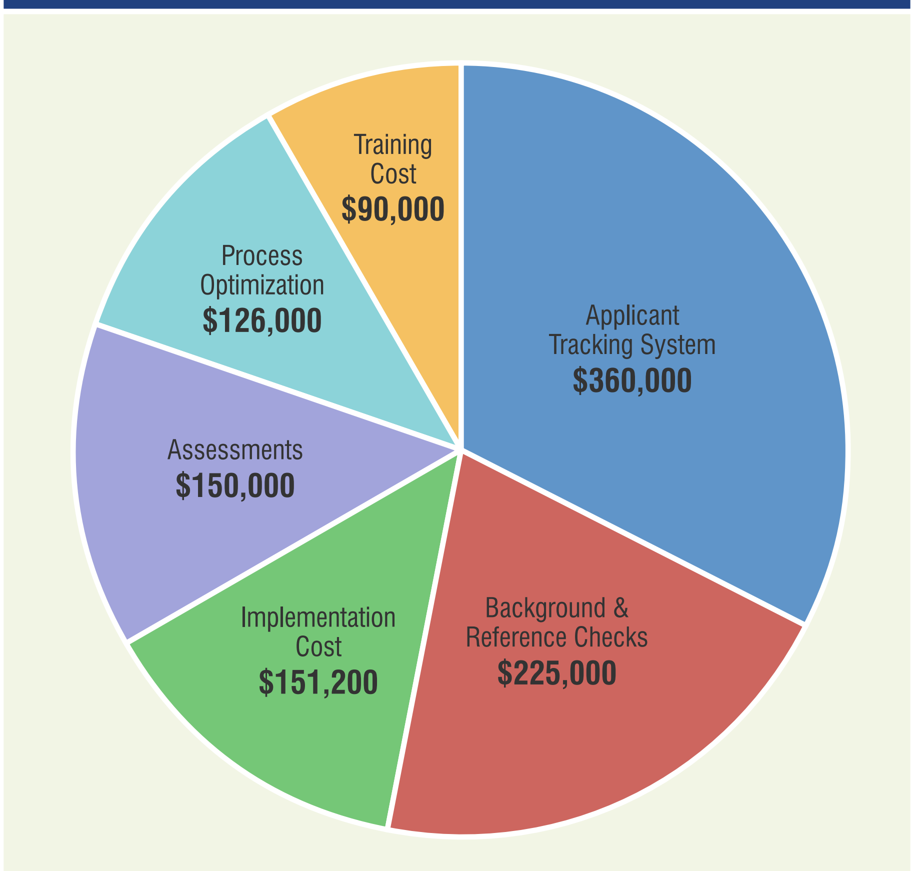
Another best-in-class retail bank, Fifth Third Bank, reported sustained cost per hire improvement as a result of becoming a process management focused recruiting organization, standardizing and centralizing its recruiting process.

COSTS REQUIRED TO ACHIEVE THE SAVINGS

In order to achieve the benefits of an optimized, technology-enabled process, certain costs have to be incurred. Some of these costs are one-time costs such as the process optimization study, software implementation and training costs. Annually recurring costs for software depend on a number of variables such as number of applications, number of hires, or number of software users (recruiters, hiring managers, and administrators). Some software products are priced based on the number of applications. Others are based on the number of users.

Below are estimated costs to develop and implement the necessary technologies to streamline and automate a high volume recruiting process that processes about 30,000 applications a year, hires about 2,500 tellers and bankers annually, and is staffed with 600 hiring managers and recruiters.

Figure 7: Estimated Investment Cost



YEAR ONE ROI ANALYSIS

Whether the performance metric is quality of hire, TTF, or cost per hire, the savings that can be achieved by implementing an optimized recruiting process and enabling technologies are substantial. Based on our model, total annual savings are estimated to be in the range of $2.8 million and $4 million. For a bank that hires 2,500 tellers annually, the savings per position is estimated to be about $1,125 to $1,600 per employee.

Figure 8: Cost per Hire Savings

	Conservative Estimates	Likely Estimates
Quality of Hire Savings	$1.56M	$2.25M
Time to Fill Savings	$1.25M	$1.87M
Total Savings	$2.81M	$4.02M
Cost per Hire Savings (Based on 2,500 Hires)	$1,125	$1,600

The Return on Investment will undoubtedly vary depending on various factors. The ROI analysis presented in the table below illustrates a conservative ROI of 155 percent and likely ROI of 265 percent.

Figure 9: ROI Calculation

	Conservative Estimates	Likely Estimates
Total Savings	$2.81M	$4.02M
Investment Required to Achieve the Savings	$1.1M	$1.1M
Return on Investment	155%	265%

It's important to note that the ROI estimates listed above are for one year alone. The numbers for years two and beyond are likely to be higher, because the one-time costs do not have to be incurred again.

KEY POINT

Best in class recruiting practices in retail banking can be expected to reduce the cost per hire by $1,125 - $1,600.

SUMMARY/CONCLUSIONS

There are significant opportunities to increase quality of hire, reduce time to fill, and reduce cost of hire in high volume recruiting for retail banks. Potential savings are in the millions of dollars. The immediate, year one, ROI of an optimized, technology-enabled talent acquisition process can be expected to be 100 percent to 200 percent, with continued benefits in follow-on years.

The faster retail banks can identify top talent and pull job seekers through the recruiting funnel while ensuring EEO compliance, the greater the savings and the ROI. Ultimately, the bottom line for financial services enterprises is better network performance.

REFERENCES

2012 Financial Services - Retail Banking Industry Perspective.
http://www.booz.com/global/home/what_we_think/featured_content/perspectives_12/fs_retail-banking_2012

Recruiting Roundtable - Accelerating Recruiting Performance, Corporate Executive Board. 2006.

Fact Brief: Measuring Recruiting Effectiveness, Corporate Executive Board. February 2004. Pg. 14.

White Paper: Measuring Quality of Hire - The Ultimate Recruiting Metric, October 2007. John Sullivan.

Saratoga's Human Resource Financial Report

Cost of Employee Turnover - William Blisss. Bliss & Associates Inc.
http://www.isquare.com/turnover.cfm

Compilation of Cost of Turnover Studies - Karl Korbett. Sasha Corporation.
http://www.sashacorp.com/turnframe.html

Retaining Talent - A Guide to Analyzing and Managing Employee Turnover. David Allen, SHRM Foundation.

Understanding Why Fast Hiring Is Critical to Recruiting Success. John Sullivan. 2007.

White Paper: Quality of Hire and Recruiting Speed. How Do You Have Both? FurstPerson. 2010.

Why Cost Per Hire Is a Dumb Metric and Quality of Hire Is Not. Lou Adler. Oct 2009.
http://www.ere.net/2009/10/30/why-cost-per-hire-is-a-dumb-metric-and-quality-of-hire-is-not

Best Practices of the Most Aggressive Recruiting Department. John Sullivan. 2005.

ABOUT KIRAN ANALYTICS, INC. (KAI)

For two decades, Kiran Analytics has been a global leader in innovative, predictive analytics solutions.

Our solutions create significant value for our customers by:

- Hiring better talent faster
- Increasing workforce productivity
- Providing outstanding customer experience
- Improving compliance risk
- Optimizing operational performance

CloudCords Enterprise Talent Acquisition or "ETA" is Kiran's innovative, predictive-analytics based recruiting solution that helps address key challenges of high volume recruiting for retail banks. CloudCords ETA:

- Transforms the way your recruiters identify top talent,
- Dramatically reduces the time recruiters spend on administrative tasks,
- Increases recruiting speed by intelligently pulling top candidates through the recruiting process,
- Reduces compliance risk while making it easier to comply with EEOC requirements

KIRANanalytics

Kiran Analytics, Inc. (KAI)
858.270.9550 • www.kiran.com