

# Hourly Hiring Management Systems: Improving the Bottom Line for Hourly Worker- Centric Enterprises

An Executive White Paper  
June 2002

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## Preface

While transaction processing automation and e-Business has been the focus of IT (Information Technology) investment over the past 10 years, for many B-to-C (business-to-consumer) industries such as retail, food services, hospitality, and financial services there remains a large, untapped opportunity for both efficiency and effectiveness gains in their management of labor costs and productivity. Because a company with a 5% profit margin needs to increase revenues \$100 million/year to have the same profitability impact as a \$5 million dollar/year cost savings, labor cost savings are clearly strategic.

Applying automation to improve the business process of sourcing, pre-employment evaluation and hiring of *non-exempt hourly employees* holds the potential to improve staff quality and retention and, in so doing, dramatically impact profitability by eliminating churn and waste, improving management and employee productivity, and enhancing the customer experience. Effective automation linked to performance reporting can also create consistent processes that allow companies to measure, benchmark, and optimize business practices across distributed locations for the benefit of the entire organization.

This Aberdeen *Executive White Paper* looks at the issues associated with hiring and maintaining an hourly workforce and quantifies the financial impact of solutions that automate and improve these processes. Aberdeen's research indicates that these applications hold the potential for dramatic impact on bottom line performance — perhaps as much as doubling pretax profitability in the retail sector.

Aberdeen interviewed a number of "early adopters" of such systems in preparing this research. Some are noted by name in the discussion that follows. Several of the companies that have made strides to automate recruiting and hiring of hourly employees shared their dramatic results with Aberdeen but asked to keep the data under wraps — understandable given the extremely competitive nature of sourcing, hiring, and retaining hourly workers and the impact of these initiatives on profitability.

## Executive Summary

e-Recruitment and Applicant Tracking Systems (ATS), which have received attention in the last few years, have largely been directed at salaried or professional workers — with a focus on streamlining the approval of job requisitions with automated workflow, increasing the pool of candidates, easing the application process through corporate Web sites, and electronically matching job candidates with positions. Given the similarity in requirements, e-Recruitment and Applicant Tracking Systems have also addressed the temporary and contingent workforce.

But the hiring processes for hourly workers are markedly different, and Hourly Hiring Management Systems (HHMSs) are now emerging that provide significant value-add to the hiring of this vastly larger population. The solutions for these two populations — salaried and hourly workers — are very dissimilar. The recruiting solutions for salaried workers focus on the requisition for the position; the underlying search technology to locate candidates, often geographically dispersed; automated resume and position matching; and the longer process of interviewing, hiring, and tying the new hire into the HCM (Human Capital Management), payroll, and corporate performance management systems. Automated hiring management systems for the hourly workforce, on the other hand, address dramatically different issues from those of the salaried market; these will be reviewed in this paper. An HHMS does not presume a resume or job requisition and provides ease and immediacy for the application, screening, interviewing, and hiring processes (Table 1).

Companies that hire significant numbers of hourly workers — such as retailers, hospitality services, and call centers — are faced with the ongoing challenge of filling positions as expeditiously and economically as possible, while trying to attract the best workers, i.e., high performers who are likely to remain on the job. Traditionally, the sourcing, application, and hiring processes for these industries have been heavily paper based, with manual systems for interviewing and background and reference checking, all of which cause delays in getting quality applicants to become employees. These manual processes do not lend themselves to locating or hiring the best candidates, a factor, clearly, in high turnover and staffing rates and their impact on profitability.

**Table 1: The Differing Processes of Hiring Salaried Versus Hourly Employees**

	<b>Salaried Employees</b>	<b>Hourly Workers</b>
No. of candidates per position	>25	<5
Hiring process elapsed time	one month	one week
No. of interviews per new hire	5+	3
No. of hires per year per manager	<3	~150
Annual employee turnover <sup>1</sup>	25%	85+%
Direct cost of turnover <sup>2</sup>	6 x Monthly Salary	\$2,961
Application process	Requisition driven	Always taking applications
Data supplied by candidate	Resume, references	Application, tests, references
Job classification	Full-time exempt and non-exempt	Full- or part-time non-exempt; weekends, weekdays;

		daytime, evenings
Location/management of hiring process	Centralized	Decentralized

Source: Aberdeen Group, June 2002

Improving the business processes and automating the sourcing, hiring, and pre-employment evaluation of hourly employees saves money and time and increases the chances of a better new hire, one who will stay on the job longer. That leads to improved baseline employee productivity, a result of better trained and qualified personnel, reduced staffing levels, and reduced turnover and training costs as a percentage of operating expense — the stuff of true competitive advantage that is already being realized by the early adopters of HHMS.

Aberdeen research indicates that a retail company with a 4% before tax profit (EBITDA) can potentially double its bottom line with an investment in HHMS — even after a substantial investment to acquire an HHMS. HHMS systems can reduce the cost of separation, replacement, and training and ultimately reduce staff size by eliminating a portion of the unproductive workforce that is a function of turnover churn. These are competitive advantages already being realized by the companies that use HHMS for recruitment and retention of hourly workers. These "early adopters" are seeing substantial profitability impact — often in millions of dollars — and initial paybacks within a 12-month period.

### Hourly Employees in the Workforce

Today, hourly workers make up more than 70% of the American workforce — a workforce exceeding 133.9 million people.<sup>3</sup> That constitutes the fastest growing segment of the labor force and reflects the importance of the current service-driven economy. However, the hourly workforce is different than the salaried workforce; according to the U.S. Department of Labor, hourly workers have an average turnover rate four times higher than that of their exempt counterparts.

More than half of hourly employees are between 16 and 25 years old.<sup>2</sup> They are almost, by definition, more transient and restless as employees. Therefore, higher turnover rates are inevitable, exacerbated by the fact that many hires have little understanding of the real demands of the jobs they undertake.

### The Potential Impact of HHMS

Since the mid-1980s, corporate executive management has pursued the strategies of re-engineering and integrating disparate systems in the attempt to streamline processes and leverage the most productive resources. Evolution of point systems such as Sales Force Automation (SFA) and Help Desk applications into Customer Relationship Management (CRM) is an example of this trend. The effective management of recruiting and hiring hourly workers shares these same objectives. In today's stalled economy, finding efficiencies and cost savings is more important than ever. Cost savings fall right to the bottom line and can have a dramatic impact on profitability. For a company operating on a 5% profit margin, revenue would need to increase by \$100 million to have the same bottom-line contribution as a \$5 million cost savings.

Re-engineering reduces costs by streamlining and improving the effectiveness of business processes. Paper-based application and hiring processes are inefficient. And, paper-based systems do not capture information that allows companies to quickly spot and easily address problems or opportunities.

However, automating paper processes is not enough. Companies that treat recruiting and hiring processes and data as part of a "hire-to-fire" system integrate them with payroll and other HRMS (Human Resource Management System) applications to gain additional cost-saving efficiencies, such as avoiding re-keying payroll information, increasing use of tax credits, and minimizing payment of fraudulent unemployment claims.

An HHMS is the software and underlying business processes that strategically and consistently manage the recruitment and hiring of hourly workers. Hourly hiring management systems can deliver cost-savings to organizations in a number of ways:

- Increase applicant flow while reducing recruiting expenditures;
- Streamline capture of applications and assessment against relevant criteria and background checks to ensure managers only interview and hire qualified candidates;
- Improve "job fit" assessment for applicants, reducing turnover rates and inventory shrinkage;
- Identify candidates that are eligible for tax credits, allowing employers to take advantage of this data in the hiring process and streamlining paperwork to ensure compliance;
- Create a consistent and documented way of doing business that minimizes EEOC (Equal Employment Opportunity Commission) issues and supports federal domestic security initiatives;
- Integrate termination processes that prevent payment of fraudulent unemployment claims; and
- Provide management information to facilitate continuous improvement because what can't be measured can't be improved.

## **Managing Retention**

Hiring and retaining hourly workers is the bane of companies that rely on this segment of the labor force. Numerous studies have been commissioned by organizations such as the Institute for Retail Excellence and People Report, an organization providing Human Resource benchmarking information to the restaurant industry, to document the direct and opportunity costs associated with turnover. These are summarized in Table 2.

Service industry jobs are expected to grow over the next decade, exacerbating the issues of sourcing, hiring, training, and retaining hourly workers. Growth over the decade is expected to be 18% for waiters and waitresses, 12% for retail sales personnel, and 30% for the combination of food preparation and serving workers, including fast food workers. Much of this growth stems from replacement needs as experienced workers find other jobs or stop working.<sup>4</sup> The high job turnover reflects the large number of young, part-time workers in this industry; two out of three food counter and fountain workers are between 16 and 19 years old. Numerous jobs will be available for people with limited job skills, first-time job seekers, senior citizens, and those seeking part-time work.

Through 2008, demographers estimate that the size of the workforce will shrink, creating increased competition for companies relying on hourly employees.

**Table 2: The High Cost of Hiring and Re-hiring**

<b>Cost</b>	<b>Retail Avg.</b>	<b>Restaurant Avg.</b>
<b>Separation Costs</b> Exit interviews, admin. activities, vacancy costs for overtime or temps, increase in unemployment payment	\$1,362	\$848
<b>Replacement Costs</b> Attracting applicants, advertising, testing, pre-employment admin. expenses	\$590	\$590
<b>Training Costs</b> Trainer time, new employees' time and expenses	\$1,009	\$1,417
<b>Opportunity Costs</b> Estimated cost of lost business and customer service difference in performance for replacement of experienced employees	\$6,467	\$4,751

**Source: Institute for Retail Excellence, 1998**

Given the demographics, the nature of the positions themselves, and the costs of turnover, these positions present ever-growing challenges to employers. The traditional costs of recruitment are high (advertisements, job boards), the response is haphazard, the loyalty low, and the jobs themselves fraught with "shrinkage" issues — i.e., employee theft.

### **Finding Candidates — The Constant Search for Employees**

Many companies that hire hourly workers compete against each other for these potential employees. Unlike professional workers, whose education and experience is task or industry related, hourly workforce positions often require no prior experience or specialized knowledge. That is particularly true in food services and retail. Thus, employers as varied as Safeway and Blockbuster compete against Niketown, Target, Home Depot, and TGI Fridays for their labor force. Costs of hiring include job fairs, and advertisements in local papers or radio ads, though posting "Help Wanted" signs in local business is as equally effective at drawing in applicants. The majority of hourly applicants today are "walk-ins" — either customers who decide to apply for a position while in a store or candidates in search of work who went into the store with the express purpose of applying for a position. Importantly, hourly workers are typically only on the job market for an average of five days, so identifying good candidates and moving them quickly through the hiring process becomes critical. At most businesses, potential applicants will pick up a paper application. The vast majority will never be submitted.

Automated systems that can capture an application while the applicant is still inside the business location facilitate the hiring cycle from the first point of contact. The applicant is engaged at the moment of his or her interest, reducing the likelihood that the potential job-seeker will walk out the door and into the waiting arms of another nearby store or restaurant.

Application processes can be accommodated at once through online, automated mechanisms such as a screen phone, PC (personal computer), or kiosk. Early experience with these systems has delivered the following positive results:

- Onsite application centers increase the applicant flow by attracting job seekers.
- Online, onsite applications are more likely to be completed. (Aberdeen posits that at least 80% of paper applications forms are never returned.)
- Application completion via an automated entry system is easy, user friendly, and implies a "state of the art" employer — an attribute not lost on young applicants.
- Automated applications ease the paper-review burden on hiring managers, replacing messy applications with neat, formatted electronic or printed applications.
- Onsite application centers can better ensure that the actual applicant is filling out the application.
- Significantly, managers only spend time interviewing candidates that have been identified through initial screening to be a successful match with the position.

There are additional advantages of an hourly hiring management system as well. For businesses with multiple sites in the same area, applicants can be pooled and shared across locations — a benefit poorly accommodated in paper-based systems. Referrals can be tracked easily, and immediate background checking can be accommodated while the applicant is still in the location. Thus, a positive applicant can be identified to the hiring manager almost immediately after completing the application.

### **Reducing or Eliminating Recruiting Costs**

Recruiting costs for hourly workers vary with the market segment. While less than recruiting costs for exempt and temporary workers, the volume of positions and continuous nature of hourly hiring combine to create significant costs. Web recruiting, a more economical option than print advertising, is most successful with companies that hire hourly workers for call center work and for some restaurants and retail positions that attract a Web-savvy population. However, for many hourly positions, the applicant is very likely to go to the premise itself, allowing the cost of print advertising to be significantly reduced or avoided altogether, particularly in localized hiring environments.

Aberdeen interviewed a regional retail store chain — an early adopter of HHMS — to understand how it sourced job applicants. This retailer gets only 3% of its applicants from ads, job boards, college fairs, and other forms of recruiting and 6% from its Web site. Advertising in the metro paper yields only 1% of the applicant pool. Thus, the company relies on the capture of walk-ins — which constitute the source of 68% of their applicants — the great majority of whom are processed through the HHMS.

### **Decreasing Time-to-Hire**

In high turnover positions, the cost of the new hire is compounded by the cost of the "empty seat" — the lack of a person to fill the position on the store floor or phone, behind a counter, or in the kitchen. Given the ability to receive applications and to screen more quickly and potentially interview pre-qualified candidates at the time of application submission, time-to-hire can be dramatically decreased.

HHMSs impact this issue directly. The application is completed in a more timely fashion. The initial background screening, such as a valid social security number verification and lack of appearance in a retail theft database, can be accomplished within moments. Many applicants do not have the minimum requirements to be hired and can be eliminated from the pool before management time is wasted interviewing.

A good application instrument can identify tax incentive eligibility, collect EEOC data, and — when desired by the employer — can administer a pre-screening test battery created around the behaviors required in certain hourly positions. A significant reduction in time-to-hire can create meaningful financial benefits for the organization and improve its competitive position in the market.

### **Hiring the RIGHT Person**

Integrating the use of attitudinal profiles and inquiring about patience, ability to be outgoing, control of behavior when thwarted, and the like, in non-psychological terms that the applicant is likely to understand and not feel threatened by is essential to hiring not just an employee, but the right person. Additional questions prove useful to screening out candidates even if the act implied is not likely to occur. A question such as "are you available for a drug test within the next three days?" can be self-screening for applicants and employers alike — even if the employer does not actually pay for drug screenings for its hourly workers. All these automated and improved processes mean a hiring manager can see an application that 1) matches the job position, 2) has had an initial level of pre-screening regarding the candidate's appropriateness to the job, and 3) evaluates the candidate's tax credit eligibility for the employer.

The results of better screening and hiring contribute to increased customer satisfaction and lower staff turnover. More carefully screened applicants, who are better suited for the positions for which they apply, are very likely to better engage with customers and enhance customer satisfaction.

Aberdeen research indicates that effectively screening job candidates in the wake of the September 11 terrorist attacks — and the anthrax scares that followed — is also a potentially significant risk management issue. Recent recommendations from the U.S. Food and Drug Administration to do background checks on food handlers out of concerns regarding bio-terrorism also have generated more interest in checking out a candidate's background. Pre-employment screening, including drug and background checks, such as for criminal history or legality of work status, is increasing. Employers today seek to provide consistent and fair, yet stringent, checks and balances over their employee base.

### **Increased Manager Effectiveness**

When managers are freed from excessive hiring, screening, and paperwork, they can better assist their customers and mentor new hires in the store culture and customer-directed activity. Several companies Aberdeen contacted indicated that their HHMS directly enables managers to spend far more time on the floor engaging customers and fostering buying behavior.

An international company that runs call centers to provide customer telephone support has between 250 and 1,000 hourly employees answering telephones and responding to customer issues per center. These employees, usually technically savvy, are likely to use the Web for job seeking. The ensuing

interview processes were labor intensive and time consuming. Waves of interviews were deemed necessary to determine candidate readiness and to ascertain job skills. With the initiation of an HHMS, the erratic and repetitive interviewing process was brought under control — moving from high-volume interviewing to evaluating only the top of the applicant pool.

### **The Nightmare of Turnover**

High turnover is characteristic of hourly workers — averages range from 51.7% for line-level hotel and motel employees, to 104% for specialty stores, to more than 200% annually in fast food chains. While turnover is inevitable in low-paying, unskilled jobs — especially those in less than pleasant work environments such as hot kitchens or stock rooms — the Institute for Retail Excellence determined that the wide range is more indicative of the importance of company-specific issues. Improved hiring and screening practices can improve the likelihood of a longer, more successful tenure for the hourly worker. The goal, of course, is to consistently identify and select the best candidate for each position. "Job fit" is key to reduced turnover. Fast food chains, for example, point out that new hires often do not realize that their job may well involve both long and early hours and hot, sweaty work.

Retention is improved, in part, because candidates who do not have the qualifications for success can be eliminated. Equally important, a company can get statistical data on hiring and retention from hourly hiring management systems. Turnover by store or by manager can be readily ascertained by management. One employer with travel plazas across the United States reported savings from the reduction in turnover of close to \$5 million annually through hiring automation. Another company lowered annualized turnover by 44% — a saving of almost \$4 million.<sup>5</sup>

### **Reducing Staff Levels**

Along with improved retention, data from HHMS users indicate that reduction in total headcount ensues as well. Two nationwide retail chains report reducing total hourly staffing levels by 15% and 12%, respectively. Aberdeen posits that a portion of this staff reduction is the result of increased productivity on the part of both managers and employees who are better suited to the positions, are trained, and have increased longevity in the positions.

### **Shrinking Shrink**

Things disappear in the work environment. And, unfortunately, many of these things disappear into the hands of employees. The 2000 National Retail Security Report cites that 44.5% of inventory shrinkage, totaling \$13.2 billion annually in the U.S. alone, is caused by employee theft. Inventory lost to theft averages 1.5% of a company's annual total sales. Thus, for example, a billion dollar company averages annual losses of \$15 million, with approximately \$6.7 million coming from its internal employees. An employee is 15 times more likely to steal from his or her employer than is a customer. The average financial loss caused by a dishonest employee is \$1,023, and it is typically believed that employees who stay fewer than 30 days are key perpetrators. Can hiring software legislate integrity? Can it prevent employee theft? Of course not. Better screening appears to correlate with both a better-quality hiree and one more likely to be retained longer on the job. When an applicant is not in the National

Retail Theft Database either the applicant has not stolen items from previous employers or, at least, has not been caught.

A large national retail chain interviewed by Aberdeen was motivated to implement an HHMS by a requirement for better theft management within its many stores. The screening and profiling reduced shrinkage to the lowest inventory loss numbers in the history of the company. That alone justified the investment in the system; however, the company also reported that the total cost of hiring and training decreased, as turnover dropped by close to 20%.

### **Taking Advantage of Tax Credits**

The Personal Responsibility and Work Opportunity Reconciliation Act (1996) was enacted to facilitate the movement of welfare recipients into the workforce by imposing strict time limits on the public assistance they can receive and by shifting power and money to the states to create back-to-work and training programs. From that, two significant tax credits are available to employers who hire employees from Welfare to Work and other empowerment programs. Yet many employers fail to take advantage of these credits because they do not realize that the new hire is a former welfare recipient or they seek to avoid the ensuing mountain of paperwork — often redundant — imposed on those businesses by government agencies.

Companies that do not take advantage of these programs forgo attractive government subsidies. The Welfare to Work Partnership reports that only 48% of companies with more than 3,000 employees and 12% of companies with fewer than 50 employees use the federal government's Work Opportunity Tax Credit (WOTC). Some CEOs (chief executive officers) do not know the credit exists — approximately \$2,000 for each welfare employee who works a year, prorated for any time employed over three months, depending on locale — and most that do assume that applying for it would be a bureaucratic nightmare.

Capturing eligibility data is most easily accommodated at the time of application. Automation of the process alleviates the chore from the hiring manager. An HHMS automatically populates and delivers the required forms to the hiring manager, and data is transferred to the tax incentive processing service company, ensuring documentation is filed prior to the 21-day deadline. Companies that use hourly hiring management systems that handle WOTC and Welfare-to-Work tax credits report up to 129% increase in potential WOTC hires — indication that manual application methods do not adequately track the data at all.

A major drug store chain reported tax savings of more than one million dollars per year through regular tracking of eligibility and on-time filing for tax credits. Automated management measurably increases WOTC and other tax incentive collections by the employer.

### **Managing Unemployment Claims**

The decentralized nature of hiring hourly employees means that the key information relating to termination is also decentralized. But payment of unemployment compensation claims is most frequently managed from the business' corporate headquarters and lacks the detailed information

needed to effectively and efficiently process claims filing notices. The result is frequently a significant overpayment (under the terms of the relevant laws) of unemployment compensation.

Because HHMS systems can manage the business processes around the lifecycle of the hourly employee at work, they greatly facilitate the capture of termination data and the management of unemployment claims. Timely reporting on employee separations from the corporation is one of the biggest challenges facing employers who pay unemployment tax and who seek to control their tax liabilities exposure. Typical reporting methods are inefficient for both the employers and the unemployment claims processors, which results in a low 40% to 60% reporting compliance. When claims for non-compliant separations are filed against the employers, the missing separation information leads to time loss in the defense process, increasing the likelihood of default payments and increased unemployment taxes. A national casual dining chain saves more than \$250,000 a year in unemployment claims because its integrated HHMS has allowed it to decrease default payments by 82%.

### **The Bottom Line**

The ability to positively affect a company's profitability is a critical measure of long-term success. Business value is derived through the consistent application of practices, especially for hiring, tax credit management, and unemployment claims. Equally important, though harder to measure, is being able to avoid litigation costs through use of a consistent, fairly applied EEOC process. Also, the collection of data from the business application and the ability for enterprises to use that data for decision support provides feedback for continual performance improvement.

Aberdeen has developed a pro-forma estimate of the projected bottom line impact of HHMS adoption for a \$500 million retail organization (Table 3). The pro-forma estimate is based on extrapolation from the data collected through interviews Aberdeen conducted during this research, with assumptions noted.

The numbers are dramatic. The research indicates that a retail company with a 4% profit (EBITDA) can potentially double its bottom line with an investment in HHMS — even after a substantial investment to acquire an HHMS.

The pro-forma uses conservative savings estimates and focuses on "hard dollar" cost savings. There are other, "softer" benefits that are not detailed, including legal liability risk mitigation in eliminating known offenders from being hired in the first place; increased manager productivity and time to focus on customer serving activities; and the impact of more productive employees on revenue, customer satisfaction, and loyalty. These incremental benefits ensure a further impact beyond that detailed in the financial analysis.

**Table 3: Estimated Bottom Line Impact of HHMS Acquisition for a Prototypical Retailer<sup>6</sup> with \$500 million/Year Revenue**

<b>Description</b>	<b>Estimated Cost Savings</b>
Reduction in employee headcount <sup>7</sup>	\$9.5 million

Direct cost savings due to turnover reduction <sup>8</sup>	\$14.5 million
Shrinkage reduction <sup>9</sup>	\$.35 million
Reduced unemployment claims <sup>10</sup>	\$.335 million
Increased tax credit capture <sup>11</sup>	\$.07 million
<b>Total Potential Savings</b>	<b>\$24,755 million</b>
<b>Impact on EBITDA</b>	<b>+123%</b>

Source: Aberdeen Group, June 2002

## Aberdeen Conclusions

For many of the hourly employee-centric organizations studied for this report, HHMS may be a "secret sauce" that has contributed significantly to their sector leadership — as reflected in key operating ratios. Indeed, rarely does an enterprise business application positively impact the bottom line in so many different ways.

HHMS facilitates almost every part of the business process of hiring and exit processing — sourcing, application completion and submission, suitability screening, initial interviewing, tax credit management, background screening, exit interviewing when the employee leaves, and correct payment of unemployment claims.

The most important cost savings reflect the ability to reduce both turnover and staff size and the direct costs associated with these elements. Other benefits include faster time-to-hire, improved quality of applicants, better likelihood of employee retention, reduced theft, increased capture of tax incentives, and reduced payout in unemployment claims.

Investment in an HHMS significantly saves money for an organization, generally with return on investment (ROI) in less than twelve months. Aberdeen's research demonstrates potential for savings in the millions of dollars annually, with a positive impact on earnings that exceeds 100%.

Finding an hourly workforce is challenging. Finding employees who will perform well and stay on the job is an even greater challenge. The quality and speed of the hiring process has a significant impact on the bottom line expense of a service-centric enterprise. For companies that heavily depend on an hourly workforce, Aberdeen sees no other investment that has such clear potential for payback as an automated hiring management system.

To provide us with your feedback on this research, please go to [www.aberdeen.com/feedback](http://www.aberdeen.com/feedback).

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1 CIBC World Markets, 2001

2 Institute for Retail Excellence, 2000

3 Bureau of Labor Statistics, U.S. Department of Labor, USDL 02-255. May 2002.

4 "BLS Releases 2000-2010 Employment Projections." Bureau of Labor Statistics, U.S. Department of Labor, December 3, 2002.

5 Evidence of the impact of turnover on our economy is the comprehensive survey being undertaken by the Bureau of Labor Statistics. This first-ever study crosses over all industries and is expected to be completed in late 2002.

6 These estimates are based on a prototypical regional retail company with:

Annual Revenue		\$500 million
Annual Expense		
Cost of Sales (68%)	\$340 million	
SG&A (23%)		\$115 million
Other expense (5%)		\$25 million
Profit (EBITDA)		\$20 million
Employees:		
Exempt		5,000
Non-Exempt Hourly		100,000
Annual Turnover (80%)		80,000
No. of Job Applicants Processed		400,000
No. of Job Applicants Interviewed		160,000
No. of New Hires WOTC Certified		4,000
No. of Unemployment Claims/Year		16,000
Annual Shrinkage from Employee Theft		\$3.335 million

7 Assumes a 0.5% reduction in headcount (i.e., 100 employees) as a result of increased employee retention using annual employee cost, including benefits, of \$19,000.

8 Assumes 10% reduction in turnover (1,600 fewer new hires) at \$1,800/new hire, which includes only direct replacement and training costs (Table 2).

9 Assumes 10% reduction in shrinkage (average of 44.5% of 1.5% of revenue used) due to better employee screening.

10 Assumes 5% of current unemployment claims (800 claims) are default payments that are actually ineligible and paid unnecessarily and that HHMS would reduce this to 2.5% (400 claims@\$845/claim).

11 Assumes 20% increase in tax credit eligibility (800 employees) at average of \$845/employee certified.