

# Health & Productivity Connections: Thinking Differently about Retention, Turnover & Lost Time



**Kenneth Mitchell, Ph.D.**  
**WorkRx Group, Ltd.**

Health and productivity are connected. Figure 1 illustrates the various connections. There are useful truisms within the connections. Lost time and turnover arise out of the employee recruitment and selection process. Productivity is the product of a healthy, engaged workforce. Safety and accident prevention are functions of good judgment on the part of employees and management, alike. Developing insight to these connections becomes the foundation for building and sustaining a productive work force.

Matching job demands with employee skills and capacities is the common practice for employee recruitment and selection. The capacity to accurately assess the relevant technical skills and expertise is part of the hiring equation. One critical area often ignored is judgment. That is, the judgment of the individuals making the selection as well as the judgment of the individuals being selected. Choosing and retaining quality employees begins with going beyond the technical skills of the job and candidates in question.

Unnecessary turnover (voluntary or involuntary) is a common predicament for organizations of all sizes and industry. Choosing poorly is expensive<sup>1,2,3,4</sup>. The nature and scope of the choosing poorly are:

- ▶ Turnover costs are incurred at separation, during replacement (recruitment/hiring), training & lost productivity during the ramp up period
- ▶ The Society of Human Resource Management (SHRM) reports an average turnover cost of \$3,500 per employee @ \$8.00 per hour
- ▶ Coca-Cola Retailing Research Council reports turnover costs of \$3,637 for a supermarket cashier
- ▶ American Management Association reports turnover cost ranging between 25% to 200% of annual compensation Thirty percent (30%) of annual salary is offered as an average turnover cost
- ▶ Saratoga HR Financial Report suggests the average cost of a position turnover equals one year's salary and benefits
- ▶ Hay Group Study indicates that 18 month's salary is the estimated replacement cost for a professional employee
- ▶ Superb Staff Services reports turnover costs in a call center to be at least 50% of annual salary per replacement
- ▶ Health Care Management Review reports the cost of turnover in a health care facility is at a minimum of > 5% of total annual operating budget

Turnover occurs for a number of reasons<sup>1,2,3</sup>. A menu of employer generated causes includes:

- Poor judgment & decision making along with the inability to solve employee relations conflicts by managers.
- Unintended consequences following a reduction in force (RIF), i.e. The RIF Survivors are placed in positions that require different skills, create excessive workloads, offer inconsistent supervisory decisions coupled with the perception of an uncertain future by the RIF survivors
- Hostile, eroding or unproductive relationships between employee and supervisor
- Creating incompatible work groups or reinforce unproductive competition within teams

On the employee side the following factors have shown to contribute to unexpected and unnecessary turnover<sup>4,5</sup>

- Meaninglessness of work or job - Unhappy in career – Unhappy in life, the so called “poorly motivated”
- Misunderstood or divergent job expectations (e.g. level of autonomy)
- Poor job performance - wrong placement – wrong or insufficient skills (Involuntary turnover)
- Career enhancement - Better financial opportunity, improved benefits
- Realignment of worker 's personal, family or career needs - Simply wants to do something different

Figure 1 Health & Productivity Connections



While a number of these factors may not be within the scope of the employer, e.g. doing something different, others are quite able to be recognized and remedied. The important step is to identify the emerging issues and apply strategies that offer a responsive and timely solution. Understanding the contributing factors to an organization's turnover becomes the foundation to solving the retention and turnover predicament.

**Information vs. Insight** Every job has a set of specific skills, competencies coupled with a well-defined set of cognitive, physical and emotional demands. A typical strategy is to gather as much information about the target skills and competencies of the candidates and look for the best match. Common tools to gather the desired information are the personal interview, requesting references/background checks often coupled with personality assessments (e.g. the DISC and Myers Briggs).

Each job or position, independent of the skills and competencies, has a specific set of judgment, problem solving and decision making demands. Here in lies the opportunity. Judgment is a person's value structure, the personal lens by which we view and act in the world. Judgment is the package by which the prospective employee delivers the technical skills and professional expertise. To the point, judgment determines the capacity to deliver the goods.

Judgment is a pervasive aspect of everyday life. The capacity for good judgment is critical to decision making and problem solving. We know good judgment when we see it. More importantly, we pay dearly when good judgment has not been exercised. Yet, we pay little attention to this very important feature in deciding who we work with, as well as who represents our organization.

Gaining accurate insight to a prospective employee, manager, or leader's capacity for good judgment, decision making and problem solving has shown to be a critical element in making correct personnel decisions. For that matter, gaining insight and knowledge of all employees' capacity for good judgment offers greater opportunity for developing and sustaining a high performing team. This may be most especially true for those who are commissioned to select the employees. While the focus on skills and technical knowledge is important, not understanding the candidate's capacity to deliver the desired skills and expertise, makes the employee selection process a high stakes gamble. Information without insight simply becomes random words with little to no value.

***"Information without insight  
simply becomes random words."***

The Judgment Index™ (JI) is an assessment that calibrates various facets of a person's capacity for good judgment. The JI is derived from an instrument developed in the early 1960s called "The Hartman Value Profile (HVP)." The HVP, and now the JI, is uniquely equipped to look at the *judgment* of individuals, and particularly the way that *judgment* is guided by an individual's values. The JI is particularly adept at placing measurable metrics around the outcomes influenced by evaluative judgment in the decisions and choices that people make to guide their lives. This includes job selection, job performance, leadership, safety, and wellness, as well as dealing with work demands following an injury or illness.

The Judgment Index™ is not: an IQ or intelligence profile such as the WAIS. It is not an assessment of psychopathology, e.g. MMPI or a personality inventory such as the Myers Briggs or DISC. The assessment asks the individual to rank two sets of 18 statements as to their value and importance. The assessment provides a values index derived from an individual's personal value system.

The Judgment Index measures the strength and weakness of 70+ indicators across both work and personal areas of judgment and decision making. A sample includes:

- Dependability, Work Ethic, Value of Work
- Trainability and the Ability to Understand Work
- Noticing, Basic Insight
- Idealism - Realism
- Focus and Concentration
- Resilience and Energy to Change
- Moral Conscience
- Stress and Positive Attitude
- Following Directions with Accuracy
- Understanding What is Important
- Problem Solving & Decision Making Style
- Self Regard

The following corporate case studies illustrate a different approach to solving turnover and lost productivity problems. In two very different industries with two very different types of employees a common solution was achieved for costly turnover and retention problems. The case studies offer insight to how the organizations focused on judgment and the resulting outcomes over a sustained time period.

The studies were provided by Judgment Index -USA with the permission of Blue Cross & Blue Shield of Tennessee and the Krystal Company. For more information on the Judgment Index, please go to [www.judgmentindex.com](http://www.judgmentindex.com).

### **Corporate Illustration #1 Getting Rid of the Turnover “Blues”**

Blue Cross/ Blue Shield of Tennessee (BCBST) is a health care insurer with an estimated 3,500 employees based in Chattanooga, TN. Several years ago, this work force had an annual turnover rate of around 37%. Customer service centers report annual turnover rates between 5% and 60%. The BCBST associate revolving door had significant implications for customer service, training and overall available resources.

**Problem** Customer Service is a difficult job position in any environment, especially in dealing with the sensitive issues related ones health and medical care. When you are an insurance company with millions of subscribers, the job is fast - paced, requires in-depth product knowledge and a well-defined expertise to be successful. The longer a person has been in that position, the greater value they have. For BCBST, because of the local customer service pool hiring good people was at times easier than keeping them. Their search for help in hiring great people that **stayed**, led them to the use of the Judgment Index™ hiring and development program.

**Procedure** Customer Service is one of the larger departments within the organization. Training time for a new customer service representative is lengthy (e.g. a minimum of 1 year). The turnover rate was deemed chronic, unsolvable and unacceptable. The first step in helping BCBST was to assess the cohort of current Customer Service Representatives (CSR) to determine what characteristics were present with their best performers. A best performer was defined as those associates who had been in customer service for five years or more and received excellent performance appraisals in customer care with high job satisfaction. Key Judgment Index indicators were benchmarked and constructed into a Best Performer customer service model. The model as followed by testing for validity and reliability. The constellation of best performer customer service JI indicators included: 1. Ability to follow directions, 2. Capacity to assess the nature of a problem, 3. Overall capacity to solve problems and 4. The capacity to cope with high stress situations. After gaining approval, the JI Best Performer template report was installed for use in the hiring process.

**Process** Applicants spent 10 to 15 minutes completing the Judgment Index™ assessment tool. Results were provided to the hiring managers who then conducted further interviews with those who closely matched the Best Performer customer service model.

**Results** The JI Best Performer model was applied as a recruitment, selection and placement tool for customer service positions. All prospects for a customer service position were required to complete the JI. The JI results were combined with other hiring criteria used in the past such as past customer service experience, interview, education experience and references.

Customer Service Representative turnover was cut by 50% within the first year of the JI hiring model being put into place. By the end of two years, turnover had been reduced in half again - to 7%. It is important to note that the JI model was also applied as a development program to assist those customer services representatives who had performance deficits. This development program increased performance and was felt to reduce turnover (i.e. create a CSR save).

Figure 2 illustrates the change in turnover rate over a two year period. Current turnover rates continue to be at the 7% level. The measurable impact of thinking differently about selection and retention offered the following Judgment Dividend:

1. Selected individuals with the appropriate judgment to provide the required skills and expertise.
2. Selected individuals who had the capacity to be leaders and/or improve career opportunities within the organization
3. Provided specific feedback to senior management to address performance issues and development opportunities
4. Reduced training costs by an estimated \$2.8 million per year over the two year period implementation period. (\$5.6 million total)
5. The JI has been implemented as an assessment tool for all BCBST hires plus any leadership or development programs. This includes the CEO and her senior management team, even down to all temporary associates.



With the JI baseline in place, the organization is now in a position to expand the JI Dividend to risk management, return to work planning, wellness, and enhancing the overall engagement of its workforce.

**Corporate Illustration #2 The Quick Service Restaurant (QSR) Turnover Solution**

**Scope of Problem** According to the People Report<sup>5</sup> the annual turnover rates in the restaurant industry are:

<u>Hourly</u>		<u>Management</u>	
<b>Quick Service:</b>	<b>145%</b>	<b>Quick Service:</b>	<b>42%</b>
Fast Casual:	129%	Fast Casual:	29%
Casual:	108%	Casual:	27%
Fine dining:	66%	Fine dining:	24%

The Krystal Company, a Quick Service Restaurant operation (QSR), was established in 1932 and has become a southern icon long known for its distinctive little square hamburgers. Located in eleven states, Krystal is a privately held company with 10,700+ employees in over 380 locations.

In the restaurant business, employee turnover is a constant and costly issue. The price is especially high when turnover occurs with in-store management. Krystal reported a 60% turnover rate of site managers (30% higher than industry averages). By reducing management turnover in their restaurants, Krystal expected that organizational growth and performance efficiencies would improve. Some of their very best performers were those who had been with the company for many years. Krystal’s goal was to hire people who would have the characteristics of their best management employees.

**Procedure** To match the personal traits that motivate, guide, and direct their best performers, Krystal had to first understand what those values were. Canned, “one-size-fits-all” personnel screenings and assessments simply didn’t work. The unique culture surrounding the Krystal brand demanded special tools, processes, and reports that fit inside their operations.

Krystal and Judgment Index - USA partnered to capture and measure the values driving their best performers. The results of measuring Krystal’s best performers provided JI-USA with key data used to build and develop the report model. The data was carefully evaluated and validated. Once finalized, it was put into production as the Krystal General Manager report.

**Process** The Krystal hiring process begins in-store with the job candidate taking 10 to 15 minutes to complete the Judgment Index™ assessment tool. Results are processed in real-time and the hiring manager is provided the results in less than a minute. Based upon overall scoring, the manager quickly receives a specialized Hiring and Interview Questions report. Questions specific to the candidate are used by the manager to guide them in their hiring interview and ultimate selection.

**Results** By using the Judgment Index™ processes Krystal reports it has cut its hiring and training costs by \$3.7 million over three years. Longer term employees are now driving greater performance and efficiencies. Figure 3 illustrates the dramatic change in turnover rate over the 3 plus year period. Current management turnover rates are reported at 29%, 30% lower than industry averages. The measurable impact of thinking differently about selection and retention offered the following JI Dividend:

1. Turnover was reduced by 50% over a three year period.
2. The first year of the implementation of the program produced the greatest reduction (23%).
3. Years 2 and 3 had turnover reductions of 8.5% and 19% respectively with a 15% reduction for the first quarter of 2011. The application continues to have an impact beyond initial implementation.
4. Training costs were reduced immediately freeing up funds for other development, benefit and investment opportunities.
5. The JI offered the hiring manager a more detailed and specific interview guide to focus on with the candidate.
6. A well-defined JI pattern of success was established for those managers who stayed and were successful.
7. If a performance issue arose within the training period a specific development plan was offered in a timely and confident manner
8. With the greater insight to the value structure of management team, a more focused compensation and benefit package was able to be considered and developed, increasing job satisfaction along with the tenure of the restaurant managers.

**Figure 3 Health & Productivity Connections**



## Turnover is One Thing - Lost Productivity to Injury and Illness is Another

Turnover is costly, lost time due to a health issues can be just as costly, but often more complicated. For example:

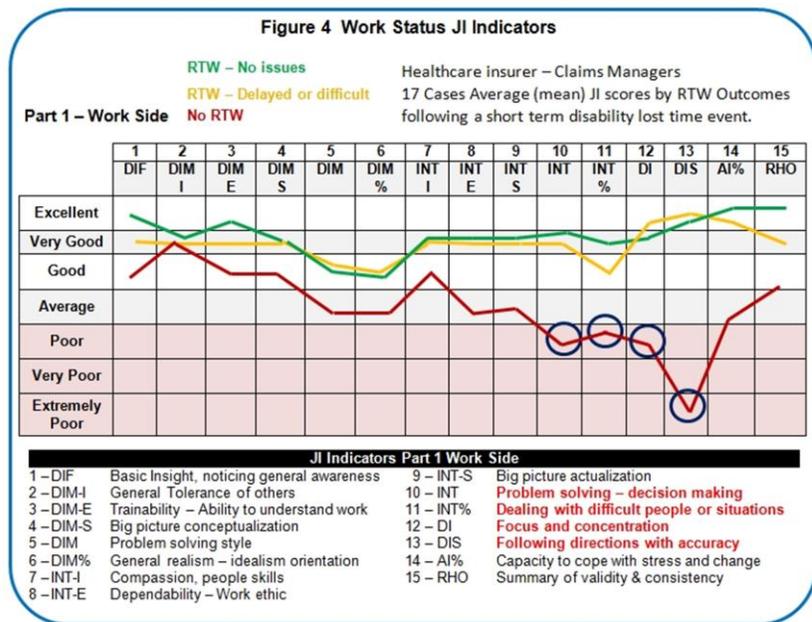
- ▶ The total cost of all major absence categories, including direct and indirect costs, averages 36% of payroll.<sup>1</sup> These costs range from 29% for exempt to 36% for nonexempt salaried, 36% for nonunion hourly and 39% for union hourly. The average total costs of incidental unplanned absences amounted to 5.8% of payroll and those for extended absences averages are 2.9% of payroll. The combined total costs for incidental and extended absences, the kinds of absences employers try to minimize add up to 8.7% of payroll <sup>1</sup>
- ▶ Replacement workers cost more <sup>1</sup>
  - For overtime: 33%-44% more than regular rate of pay
  - For temporary/contract workers: 15% more than regular rate of pay
  - When supervisor fills in: 19% more than the regular rate of pay
- ▶ Replacement workers are less efficient <sup>1</sup>
  - 29% less efficient during unplanned incidental absences
  - 21% less efficient during extended absences
  - 21% less efficient during planned absences
- ▶ Teamwork: <sup>1</sup>
  - Absences reduce work output of co-workers by 22%

Staying at work during a health disruption or returning to work following an injury or illness is, indeed, made up of a series of decisions and value judgments. This starts with recognizing the symptoms or avoiding risky behavior, moving on to seeking the appropriate initial medical care and then following a medical treatment plan. Ultimately, determining the value of work, the probability of RTW success and the real cost of going back to work become critical value judgments.

Figure 4 presents a JI-RTW review illustrating work status differences across JI indicators for three groups of customer service representatives who were off work for either a work related or personal injury or illness during 2007 – 2010. The three groups were: those who returned to work in the expected time frame (green), those who returned to work, but in a delayed fashion (yellow) and those who did not return to work (red).

Measurable differences were observed for those who did not return to work as opposed to those who did or were delayed. The individuals who did not return to work had weaker scores in the areas of problem solving, dealing with difficult situations, focus and concentration and a reduced capacity to follow directions. In this same review, the most significant personal JI indicator for those who did not return to work showed extremely high self-criticism.

While these indicators are not necessarily predicative of a return to work or not, they offer very tangible areas of interest to explore with the individual as a return to work plan is being considered and developed. They do illustrate the likelihood of becoming stuck <sup>6, 7, 8, 9</sup>



## ***An Invitation to Think Differently***

Organizations cannot afford to have a disposable or a mediocre workforce. Turnover bleeds an organization of its vitality, profitability, creating a “just getting by” work force. Mediocrity is, indeed, expensive. The real opportunity to select those individuals who will be your strongest contributors within the organization lies in the ability to hire, select and develop with insight rather than following the habit of gathering more and more information.

Applying the Judgment Index as part of a recruitment, selection and development process has proven to create insight that produces a measurable dividend. The *Judgment Dividend* is the product of thinking differently about whom and how someone becomes fully engaged within an organization. The Judgment Index should not be an exclusive selection tool, but one that is fully integrated in the human resources practices of an organization. This integration produces a clearer picture of the multifaceted puzzle presented by the prospective employee’s skills, knowledge, expertise, as well as the judgment that enhances or diminishes the technical skills. Judgment, in fact, does matter!

## **References**

1. Survey on the Total Financial Impact of Employee Absences, Mercer/Kronos, June 2010
2. Contextual Factors and Cost Profiles Associated with Employee Turnover, Cornell Hospitality Quarterly, February 2008, 49: 12-27
3. Waldman, J. Deane; Kelly Frank; Aurora, Sanjeev; Smith, Howard L. The Shocking Cost of Turnover in Healthcare, Health Care Management Review, January/February/March 2004 Vol. 29 – Issue 1 – pp 2-7
4. Compilation of Turnover Cost Studies SASHA Corporation [www.sashacorp.com](http://www.sashacorp.com)
5. People Report, [www.peoplereport.com](http://www.peoplereport.com) Employee Turnover in the Restaurant Industry
6. Byrum S. Engagement, Aging & RTW Indicators, White Paper published by Judgment Index – USA May, 2011 [www.judgmentindex.com](http://www.judgmentindex.com)
7. Mitchell K. The Motivation Paradox: Work, Disability and Being Stuck. Presentation made to Hawaii SHRM Chapter, July 21, 2009 Workrx Group, 2009 [www.workrxgroup.com](http://www.workrxgroup.com)
8. Mitchell K., Mattaliano, R; Unintended Consequences: Corporate Policies that Create Lost Time, a Laurus Strategies, 2011, Monograph , Chicago, Ill [www.workrxgroup.com](http://www.workrxgroup.com)
9. Mitchell, K, Just Stuck! Managing Ambivalence and Resistance to Going Back to Work , Professional Case Management, Vol 17, #1, January/February, 2012 (in press)

Kenneth Mitchell received his Ph.D. from the Pennsylvania State University and served as an assistant and tenured associate professor in the School of Medicine, University of North Carolina at Chapel Hill.

Dr. Mitchell has also served as a Clinical Assistant Professor at the Case Western University Medical School's Department of Rheumatology, as well as the Ohio State University, School of Medicine, Department of Physical Medicine and Rehabilitation.

Several administrative positions held included, Director of the Ohio Industrial Commission's Rehabilitation Division, President of National Rehabilitation Planners and the Executive Director of the International Center for Labor, Industry and Rehabilitation.

From 1997 to 2009, Dr. Mitchell served as Vice President, Health & Productivity Development for Unum US. In this position, Dr. Mitchell provided leadership in developing innovative solutions to emerging health and productivity issues. He also served as the lead on Unum's studies on Managing Lost Time in the Healthcare Industry, The Aging American Workforce, Lost Time Predictors in the FMLA to STD Progression, as well as Unum's study on the Health, Productivity and Employability of Cancer Survivors and The Behavioral Health Productivity Study.

With his retirement from Unum, March, 2009, he founded and now serves as the managing partner of the WorkRx Group, Ltd. Current research and employer education activities focus on the relationship between work, disability and motivation. He serves on a number of national advisory groups supporting return to work efforts for individuals who are cancer survivors; Wounded/impaired veterans and those individuals with traumatic head injury and cognitive disorders.

**Kenneth Mitchell, Ph.D.**

Managing Partner

WorkRx Group, Ltd.

614-515-2101 SKYPE Kenneth.Mitchell1031

[kmitchell@workrxgroup.com](mailto:kmitchell@workrxgroup.com)

[www.workrxgroup.com](http://www.workrxgroup.com)



© Copyright 20011 WorkRx Group, Ltd