ROI Calculation Worksheet

Parameter	Sample Company	Your Company	Formula
ROI from Background Screening Program			
Beginning Employee Count	10,000		
Estimated Annual Hires Before Turnover	500		
Annual Hires After Turnover	4,564		N
Direct Losses from Catastrophic Hire	$26,710.00		DLCH
% Catastrophic Hires Avoided	5%		HA
Assessment Cost	$60.00		C
Annual Turnover Rate	38.7%		TR
Average Time to Fill (Weeks)	5.3		TF
Value of Performance (Annual)	$133,550.00		VP
Hiring Cost	$4,745.00		HC
Selection Ratio	5.0		SR
Reduction in Turnover	25%		rx t
Value of Avoiding Catastrophic Hires	$6,094,554.25		N*DLCH*HA
Value of Reducing Turnover	$8,104,880.98		N*TR*(((TF*VP)/52)+HC)*rx t
Total Liability Value	$14,199,435.23		
Program Cost	$1,369,050.00		N*C*SR
Net Annual Value:	**$12,830,385.23**		
Net Annual ROI:	**937.2%**		

Estimated ROI from strategically designed and expertly implemented employment background screening program based upon the formulas derived Charles Handler, Ph.D. and Steven Hunt, Ph.D.

N= Hires The number of employees hired per year due to growth and turnover.

DLCH= Direct Losses from Catastrophic Hire This is the average loss incurred due to hiring an employee who engages in theft, violence, lawsuits, or other counterproductive behaviors. It should include legal and security fees incurred as a result of counterproductive behavior. In this example we have very conservatively set this value at $26,710, or half of the estimated $53,420 value of salary plus benefits based upon the Employment Policy Foundation's estimates.

HA= Percentage of Catastrophic Hires Avoided This indicates the percentage of candidates screened out through background checks who would have engaged in employee theft, violence, or legal actions had they been hired. Industry statistics suggest that around 10% of background verifications uncover something substantially negative about candidates. If you estimate that half of these candidates would in fact engage in counterproductive behavior, this value can be set at 5% of hires.

C= Assessment Cost How much the use of assessment tools will increase the costs of evaluating candidates. The cost of background check packages ranges from $10 - $200 depending upon position and responsibilities.

TR= Annual Turnover Rate The percentage of the workforce that currently leave each year due to turnover. Bureau of Labor Statistics estimates this at 38.7%.

TF= Average Time to Fill The average number of weeks required to fill a vacant position. A 2006 Society of Human Resource Professionals (SHRM) average time to fill metric of 37 days for all same-industry hires.

VP= Value of Performance This is an estimate of the annual revenue generated by the employee. This is commonly set at 2.5x employee salary (plus benefits) according to SHRM guidelines.

HC= Hiring Cost The average internal business costs associated with hiring an employee. These costs include time spent by recruiters and managers sourcing and screening candidates, time and costs spent training new hires, as well as any other on-boarding costs such as relocation or orientation. SHRM studies place average hiring costs at $2,546 for hourly employees and $6,943 for salaried employees.

SR= Selection Ratio This is the number of candidates you typically assess before making a hiring decision. It is typically somewhere between 3 and 10.

Rx t= Reduction in Turnover The decrease in turnover that will result from the use of a strategically designed and implemented background screening program implemented by a quality provider. When designed properly, these tools can reduce turnover by 50% or more. Nissan North America was able to reduce its annual turnover rate from 91% to 10% over the course of 4 years by utilizing better screening and assessment strategies.