



Spreadsheet #2: ROI Provided by Avoiding Catastrophic Hires

Although good employees can be a company's greatest assets, the wrong employees can be a company's largest liabilities. Certain assessment tools such as drug screens and background checks reduce the risk of hiring employees who may engage in counterproductive activities such as theft, violence, or sabotage. The following spreadsheet estimates the savings associated with using assessments to avoid hiring individuals who are likely to engage in counterproductive activities. You will need the following data to use this formula:

Hires (N)

The number of people hired per year due to growth and turnover for the position(s) for which you are deploying the assessment tools.

Cost of Bad Hire (CBH) (default value: £7,500)

The average loss incurred by hiring an employee who engages in theft or other counterproductive behaviours. It should include legal and security fees incurred as a result of counterproductive behaviour. We have conservatively set this value at £7,500, based on retail theft statistics.

Percentage of Catastrophic Hires Avoided (HA) (default value: .05)

The percentage of candidates screened out through background checks who would have engaged in employee theft had they been hired. Industry statistics suggest that around 10 percent of background verifications uncover something substantially negative about candidates. If we estimate that half of these candidates would in fact engage in counterproductive behaviour, this value can be set at 5 percent.

Assessment Cost (Cy) (default value: £45)

How much the use of assessment tools will increase the cost of evaluating candidates. Most background checks and drug screens cost between £25 and £100, with an average probably around £45. It is assumed that these assessments are conducted late in the staffing process as a final check prior to employment.

Saving due to Assessment = $(N * CBH * HA) - N * Cy$