

Phase 1 Summary

Section 3: Employment Context: Sheboygan County Business Distribution, Skills requirements and recruit /retrain costs

Overview of Section

As part of the development of the Feasibility Study, the Econogy team undertook a targeted examination of a few key issues that could inform the direction and scope of the proposed Innovation Hub. As revised by mutual agreement following the commencement of the work, this examination included:

- Distribution of County businesses by type and size
- Distribution of open jobs by education level
- Reference data regarding the costs associated with hiring and training.

It should be noted that, as the purpose of this Feasibility Study was to build shared understanding of the scope and priorities that an Innovation Hub should address in this community, this section does *not* constitute an exhaustive review of any of these topics. The purpose of this section, and of the work completed to date, was to build a shared understanding of the likely nature and extent of these issues. Since an Innovation Hub in Sheboygan County will be a first of its kind, success will require an intentional strategy of learning, applying, refining that learning, re-applying, etc. This section is a first step in that process.

Distribution of County Businesses by Type and Size

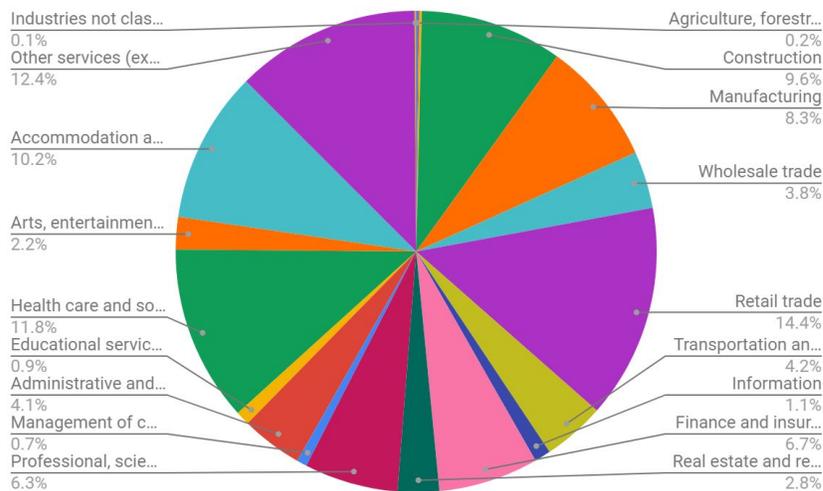
In 2016, Sheboygan County's employment totalled 54,987.

	Total Employer establishments	2,662
Total employment, 2016		54,987
Total annual payroll, 2016 (\$1,000)		2,430,251
Total employment, percent change, 2015-2016		0.3%
Total nonemployer establishments, 2017		5,457
All firms, 2012		7,003
Men-owned firms, 2012		3,700
Women-owned firms, 2012		2,082
Minority-owned firms, 2012		395
Non Minority-owned firms, 2012		6,268
Veteran-owned firms, 2012		557

source : *County Business Patterns, 2016 (most recent available)*

As in many midwestern counties, the Retail and Health Care sectors represent the largest number of individual establishments:

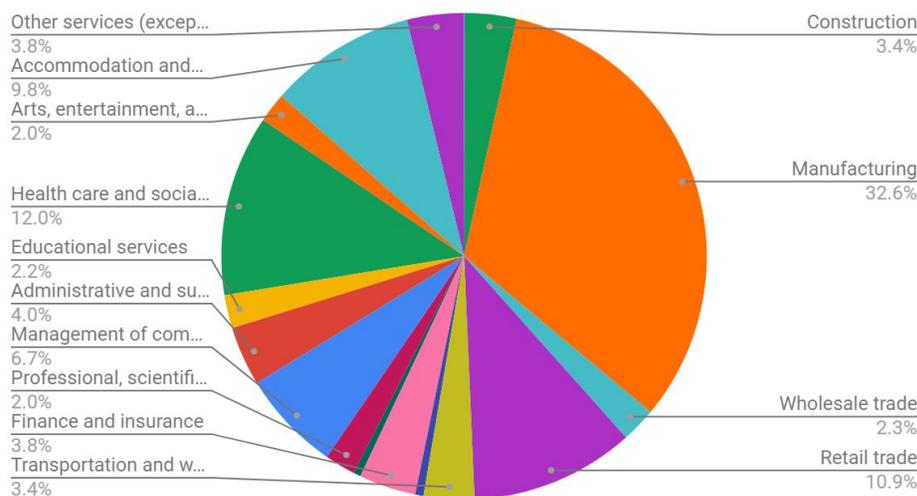
Sheboygan Innovation Hub, Phase 1 / Feasibility July 30, 2019



source : County Business Patterns, 2016 (most recent available)

When one examines the distribution of employment, however, the representation of the local economy skews heavily toward the Manufacturing sector:

Paid employees for pay period including March 12 (number)

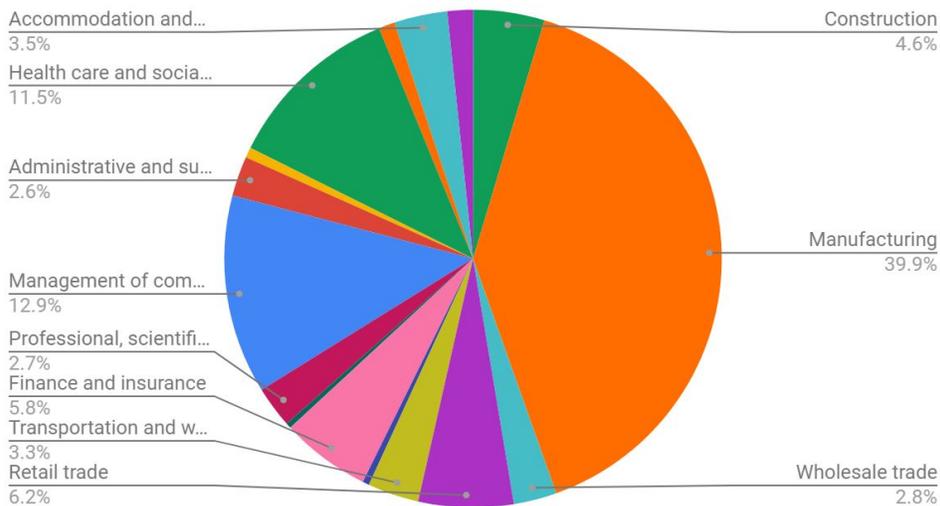


source : County Business Patterns, 2016 (most recent available)

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

This skew becomes even more apparent when one examines annual payroll figures. Compared to typical Midwestern small cities, these distributions have several unusual attributes, including the continued dominance of the Manufacturing sector in terms of both employment share and payroll share.

Annual payroll (\$1,000)



Source : County Business Patterns, 2016 (most recent available)

However, longitudinal data indicates that current trends are moving in a manner more akin to regional trends. A comparison of 2016 establishments data with that from 2005 indicates the loss of nearly 100 establishments during that time period:

	2005	2016	Difference
Establishments			
Total for all sectors	2,761	2,662	-99
Agriculture, forestry, fishing and hunting	7	4	-3

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

hunting			
Mining	2	2	0
Utilities	6	4	-2
Construction	328	255	-73
Manufacturing	247	221	-26
Wholesale trade	114	102	-12
Retail trade	417	383	-34
Transportation and warehousing	101	111	10
Information	27	29	2
Finance and insurance	179	179	0
Real estate and rental and leasing	83	74	-9
Professional, scientific, and technical services	173	168	-5
Management of companies and enterprises	10	18	8
Administrative and support and waste management and remediation services	97	110	13
Educational services	24	25	1
Health care and social assistance	272	315	43
Arts, entertainment, and recreation	61	58	-3
Accommodation and food services	265	271	6
Other services (except public administration)	342	330	-12

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

The County lost the most establishments over this time period in the Construction, Retail and Manufacturing sectors, and made some gains in Health Care, Administration and Transportation. This reflects common trends in Midwestern counties during this time period.

Similarly, the County experienced losses in several establishment size categories, but had a net gain of three in the 1,000+ category between 2008 (the earliest available for this data set and 2016). The reader should note that this data will not capture establishment growth in 2017 -19.

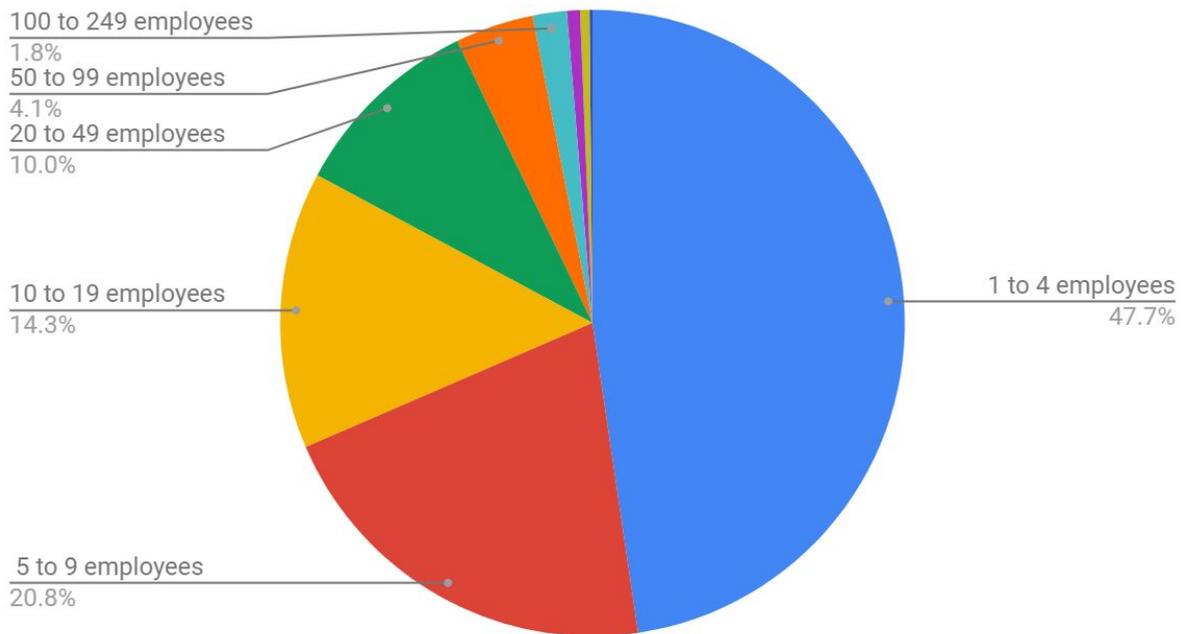
	2008	2016	Change	% change
All establishments	2,775	2,662	-113	-4.1%
Establishments with 1 to 4 employees	1,304	1,269	-35	-2.7%
Establishments with 5 to 9 employees	572	555	-17	-3.0%
Establishments with 10 to 19 employees	429	381	-48	-11.2%
Establishments with 20 to 49 employees	270	267	-3	-1.1%
Establishments with 50 to 99 employees	105	108	3	2.9%
Establishments with 100 to 249 employees	56	47	-9	-16.1%
Establishments with 250 to 499 employees	22	18	-4	-18.2%
Establishments with 500 to 999 employees	16	13	-3	-18.8%
Establishments with 1,000 employees or more	1	4	3	300.0%

Source: 2008 and 2016 County Business Patterns.

Even with this trend, however, more than two-thirds of all establishments represent less than ten employees.

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

2016



Source: County Business Patterns

Open Jobs by Educational Requirement

Current open jobs are usually very difficult to analyze, due to the fact that job listings can be posted in multiple locations using different formats. In Sheboygan County, this challenge is lessened somewhat by the presence of the Jobs listings on Someplacebetter.org, which aggregates from several sources. While this source has limitations, due to the fact that it is derived from multiple sources with inputs that are not completely standardized, the presence of this database has enabled a level of analysis that is not always possible. Our thanks to the designers and technical specialists who made the Someplacebetter.org job listings possible.

Context

At the time this analysis was conducted, Someplacebetter.org's jobs tab included just over 3,000 job listings. The majority, although not necessarily all, of these listings were identified as being located in Sheboygan County, although some identified locations in surrounding counties, such as the Town of Belgium in Ozaukee County, and others identified multiple locations or positions that were not attached to a specific location. Although there were some standardized elements across all of the listings, such as name of business and address, each company and each original listing site used different formats for describing the position and its requirements or qualifications.

First, of current listings on the site, nearly two-thirds represent positions in four business sectors: Personal Services & Retail, Health Care & Services, Light Manufacturing and Hospitality & Entertainment. Each of the rest of the categories represented five percent or less of total active listings at this time:

<i>Sector</i>	Count of Sector	Percent of total
Personal Services & Retail	676	22%
Health Care & Services	450	15%
Light Manufacturing	425	14%

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

Hospitality & Entertainment	360	12%
Ag, Forestry, Fishing, Wood Products, Food Process	152	5%
Utilities, Transportation & Automotive	139	5%
Community, Civic, & Government	117	4%
Real Estate, Construction, and Development	100	3%
Heavy Manufacturing	90	3%
Education	85	3%
Distribution, Wholesale, Transportation & Logistics	80	3%
Hospitality & Tourism	70	2%
Business Services	50	2%
Financial Services	42	1%
Business Services	38	1%
Auto, Aerospace and Transportation	36	1%
Auto, Aerospace, & Transportation	30	1%
Food & Beverage	26	1%
Mining, Power, Environmental, Oil & Gas	21	1%
Commercial and Industrial Services	14	0%
Computer, Pharma, Chemical, Electronic & Medical	8	0%
Community, Civic & Government	8	0%
Ag, Forestry, Fishing, Wood Products, Food Process	1	0%
Grand Total	3018	

Source: *Someplacebetter.org*, downloaded July 14, 2019

When sorted by the name of the company listing the position, Kohler Co had the largest number of listings by a significant margin, followed only by McDonalds. The next-highest number of listings, from Aurora Health, was less than half the amount Kohler had listed. For sake of clarity, only the companies with the 25 highest number of job postings are listed below:

<i>Firm</i>	Count of Firm	Percent of total
Kohler	194	6%
McDonalds	92	3%
Aurora	88	3%
HSHS-Hospital Sisters-Health-Systems	72	2%
Lakeshore Technical-College	40	1%
Care Com	40	1%
The Spancrete-Group-Inc	30	1%
Roehl	30	1%
Love's	26	1%
Nemak	25	1%
The Osthoff-Resort	24	1%
Piggly Wiggly	24	1%
Johnsonville	24	1%
Kwik Trip-Inc	23	1%
Masters Gallery-Foods	22	1%
Dollar Tree	21	1%
The Home-Depot	20	1%
Lhc Group	20	1%
Great Lakes-Cheese-Inc	20	1%
Sheboygan County	19	1%

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

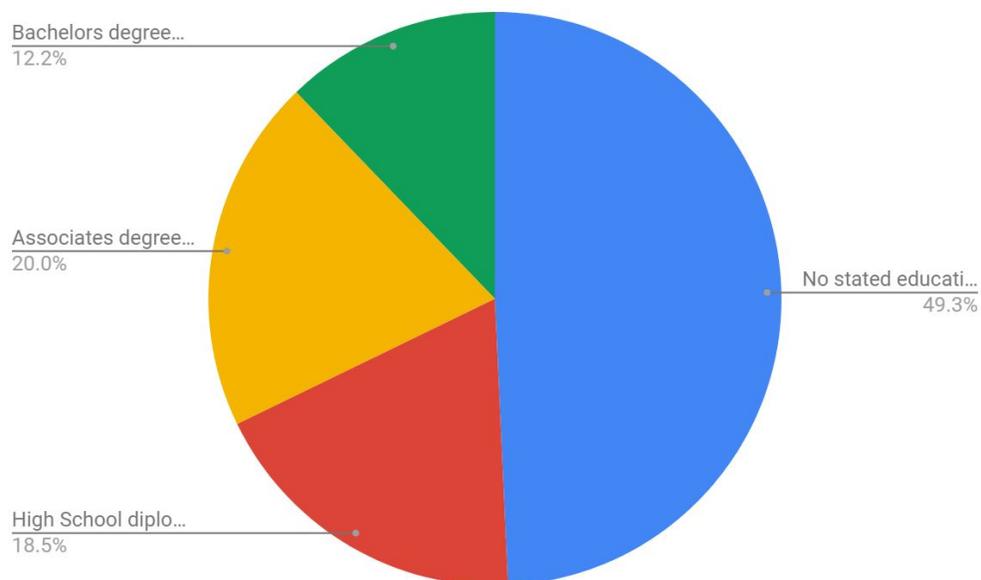
Rockline Industries	19	1%
QPS	19	1%
Blue Harbor-Resort	19	1%
Pizza Hut	18	1%
Old Wisconsin	17	1%

Source: Someplacebetter.org, downloaded July 14, 2019

Due to limitations of the data set, the initial intent of quantifying the number of job postings by the levels of education that they require could not be completed through database manipulation - in most cases, these descriptions were embedded in a content block that was truncated in the process of downloading as a spreadsheet

As a means of developing a reasonable approximation of the data set's likely composition, the newest 200 entries were reviewed manually and tallied as to their stated educational attainment requirements. The review indicated that approximately 50% of all postings identified skills and physical qualifications, but did not specify a level of educational attainment. Approximately one-fifth of the total required a high school diploma or equivalent, which another one-fifth required an Associates degree or professional certification. Just over 12% required a Bachelor's degree.

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019



Source: Someplacebetter.org, downloaded July 14, 2019

Estimated Costs Associated with Hiring and Training

Finally, one of the key elements that should frame the Innovation Hub is the question of costs associated with recruiting and training new hires. After determining that no regional or Wisconsin-specific data sources on this topic appeared to be available, we conducted a review of national and international data sources

We will summarize our findings in the section immediately below, and provide an annotated bibliography of sources after that. Please note that these numbers represent national estimates, and that Sheboygan County companies may differ somewhat from these characteristics.

Key findings:

- Sources indicate that companies spend an average of \$1,000 to \$2,000 per employee on training annually. In general, manufacturers spend more on training than other business sectors, and smaller businesses have higher per-employee training costs than larger businesses. For this reason, it may be reasonable to assume that Sheboygan County businesses, especially smaller manufacturers, are spending \$1,200 to \$1,800 per person on training. The reader should note that “training” in this context will include safety procedures and machinery orientation, in addition to other business skills.
- Sources generally cite average direct hiring costs at \$4,000 - \$5000 per professional or technical position, with costs increasing with more specialized education and technical skills. This cost includes advertising, reviewing submissions, outreach, logistics, etc. One source cited below estimated that a national average of 15% of human resources budgets are expended on hiring.
- Costs associated with turnover and poor employee - company fit are obviously harder to quantify, but the information uncovered to date indicates some interesting estimates. One of the sources below indicates that the cost of a “bad hire” at \$25,000, to \$50,000, while another estimates that it takes a new employee professional or technical employee

on the order of four to 6 months to become proficient (longer for an executive position), leading to some sources claiming as a rule of thumb a cost in lost productivity of half of the new hire's salary in the first year. Moreover, a two-decade longitudinal study conducted in 2002 indicated that 33% of employees had two years or less of tenure at their current job. This trend was particularly acute among younger employees; persons between the ages of 18 and 37 were estimated to go through an average of 10 jobs during that period of time. Although no more recent continuation of that study was uncovered, it appears unlikely that this trend has changed significantly since that time.

Annotated Bibliography

<https://www.adp.com/spark/articles/2018/10/the-costs-of-training-new-employees-including-hidden-expenses.aspx#>

According to the [2017 Training Industry Report](#) from Training magazine, the annual training budgets of U.S. small businesses totaled an average of \$1 million in 2017. Approximately \$1,886 was spent per employee. While this report defines small businesses as those with at least 100 employees, this data can still be valuable to smaller businesses.

<https://sloanreview.mit.edu/article/getting-new-hires-up-to-speed-quickly/> (from 2005)

<https://trainingmag.com/trgmag-article/2017-training-industry-report/> ,
https://pubs.royle.com/publication/?i=448382#{%22issue_id%22:448382,%22page%22:22}
Overall, on average, companies spent \$1,075 per learner this year (2017) compared with \$814 per learner in 2016. Manufacturers spent the most per learner this year (\$1,217), followed by services organizations (\$1,157). Larger companies continue to operate on an economy of scale as they spent less (\$399) than midsize (\$941) and small (\$1,886) companies.

<https://recruiterbox.com/blog/the-cost-of-hiring-new-employees-infographic>

The total cost of hiring one new employee could be as high as \$5,000, or more, in a professional or manufacturing industry. Even hiring a new employee in a services-related industry typically costs more than \$1,000.

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

In a Harris Interactive Poll, 41% of respondents said the cost of a bad hire was greater than \$25k, and 25% said it was greater than \$50k

<https://www.fastcompany.com/90250227/consider-these-costs-before-hiring-a-new-employee>,
https://www.glassdoor.com/employers/blog/calculate-cost-per-hire/?utm_source=referral&utm_medium=FastCo

(July 2019) The average U.S. employer spends about \$4k and 24 days to hire a new employee

<https://www.forbes.com/sites/adp/2017/06/02/the-costs-of-training-new-employees-including-hidden-expenses/#523d5393afb2>

<https://www.shrm.org/about-shrm/press-room/press-releases/pages/human-capital-benchmarking-report.aspx>

(August 2016) The average cost-per-hire is \$4,129, while the average time it takes to fill a given position is 42 days, according to the Society for Human Resource Management's (SHRM's) new [Human Capital Benchmarking Report](#).

- **Tuition:** 61 percent of employers offered tuition reimbursement. The average maximum reimbursement allowed for tuition/education expenses per year was approximately \$4,000.
- **Compensation:** The average annual salary increase was 2.7 percent each year. The average target bonus percentage for nonexecutives was 4.7 percent compared to 10.2 percent for executives.
- **Retirement:** Among those companies that offered a 401(k), 402(b) or similar plan (92 percent), an average of 66 percent of employees participated. The maximum employer match was 6 percent.
- **Succession Planning:** One-third of companies (34 percent) had a succession plan. The positions most commonly included in an organization's succession plan included the executive team (76 percent), senior management (71 percent) and middle management (46 percent).
- **Management Responsibility:** Those employees in middle management positions had the most direct reports (a median of 8 direct reports) compared to those at the executive level (a median of 5 direct reports).

<https://www.groupm.com/blog/post/2015/06/02/The-True-Cost-of-Employee-Training-Programs.aspx>

According to the Association for Talent Development's [2014 State of the Industry Report](#), organizations spend an average of \$1,208 per employee on training and development. For companies with fewer than 500 workers, that number is even higher, coming in at \$1,888 per employee.

<https://harver.com/blog/cost-per-hire/>

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

Cost per hire is the economic value placed on the total financial investments an organization makes to attract and recruit new employees. It should be noted that cost per hire should not be used to determine the success or failure of an organization's recruiting abilities. Instead, it should be used as a benchmark for the organization's ongoing recruitment activities.

[Recent research from Bersin by Deloitte](#) indicates that those companies with the most mature talent acquisition programs actually spend more on the average hire, than those companies who are still trying to figure out the recruitment process for themselves.

\$14,936 is the average cost per hire for an executive
\$3400 is the average cost per hire for an entry-level employee

- The average cost-per-hire was \$4,129 in 2017, down from \$4,425 in 2016 but equal to what it was in 2015.
- 15% of all HR related expenses are due to recruitment costs.
- 90% of 1,749 companies used employee referrals to source candidates.
- 85% used their company website to source candidates.
- 2% used TV advertising to source candidates.
- 61% of 1,641 companies used networking to source executive candidates.
- 41% used recruiting websites to source executive candidates.
- 78% of 1,668 companies don't use automated pre-screening software to sift resumes.
- "Take these figures with a pinch of salt and bear and remember that cost per hire will vary drastically from one business to another, depending on the variety and volume of skills sought, and the approach used to recruit [quality hires](#)" (it [ranges](#) from \$3,033 in healthcare to \$5,611 for manufacturing jobs).

<https://hundred5.com/blog/cost-of-hiring-an-employee>

External hiring agency - 15-25% of employee's annual salary = up to \$16,000 per placement per year (higher for senior positions)

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

Internal HR team - HR Director/Manager annual salary between \$91k-\$120k per year

Attending career fairs - \$125-\$225 per event x 12 events = \$1500-\$2700 per year

Job boards - approx. \$300 per job for 30 days

Background check - \$5-\$80 per check

Time to full productivity - 8-26 weeks “ an average company loses anywhere between 1% and 2.5% of their total revenue on the time it takes to bring a new hire up to speed.”

Training - minimum of \$1500 annually per employee

Salary/basic benefits/taxes - for a \$50k salary, the employee will actually cost between \$62,500-\$70k

- As stated [in a study](#) by the National Association of Colleges and Employers, hiring an employee in a company with 0-500 people costs an average of \$7,645.
- [Another study](#) by the Society for Human Resource Management states that the average cost to hire an employee is \$4,129, with around 42 days to fill a position.
- [According to Glassdoor](#), the average company in the United States spends about \$4,000 to hire a new employee, taking up to 52 days to fill a position.

If you're replacing someone instead of filling a new position, stakes get even higher. Another research [by SHRM](#) states that it takes up to 50-60% of an employee's annual salary to find a direct replacement. Turnover can be quite costly, summing up to a total of 90-200% of an employee's annual salary.

<https://www.thebalancecareers.com/how-much-does-it-cost-to-hire-a-new-employee-4589165>

You can minimize your internal costs more easily. But, when you calculate [the time the hiring manager](#), recruiter, and the employees on the hiring committee spend, you're investing a lot of salary dollars into finding the perfect employee. Then, if you post the job on a job board you'll pay for that as well. Handled internally, you can expect to pay around [\\$4000 in recruiting costs](#) for a midrange position.

<https://hiring.workopolis.com/article/how-to-calculate-cost-to-hire-and-why-its-important/>

<https://www.tamrecruiting.com/blog/how-much-does-it-cost-to-recruit-an-employee>

Summary

The national average cost of hiring a new employee ranges based on several factors such as size of business, industry, level of position being hired for, and how much training the new employee will need to succeed in the role. With these factors taken into consideration, hiring one new employee can cost between \$4,000-\$8,000, and upwards of \$15,000 for hiring an executive level employee.

The recruiting process can be one of the more costly elements of hiring a new employee. If a company has internal recruiter(s), there are recruiter salary costs associated with the time it takes to find the right candidate (usually between 24 and 52 days). Adding that cost to other recruiting expenses, such as the costs of attending career fairs (avg. \$175 per event) and posting the job online (avg. \$300/month per job), a company can expect to pay around \$4,000 in recruiting costs for a mid-range position. That cost can rise if a company uses an employee referral for bonus program to source candidates, On the other hand, external recruiting agencies can be much more costly, which is generally between 15%-25% of employee's annual salary. Ultimately, recruiting costs account for an average of 15% of all HR related expenses. The recruiting costs associated with filling only one position shines light on how cost-effective it could be for a company to implement a more innovative strategy toward getting the attention of high-quality talent.

Once the right candidate is located and hired, the on-boarding and training process - depending on the type of position - can generally cost around \$1,500, not including any signing bonuses, relocation costs or equipment the new employee will need to perform the job duties. Companies must also take into consideration that it can take up to 26 weeks for the new employee to get fully up-to-speed in a position, which can lose the company 1%-2.5% of the total revenue the position is associated with. After a new

Sheboygan Innovation Hub, Phase 1 / Feasibility
July 30, 2019

employee's first year in the role, the company can expect to pay \$1,200-\$1,900 per year for that employee's ongoing training.