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PRICE OF EXCLUSION: THE ORGANIZATIONAL AND MANAGERIAL CONSEQUENCES OF SKILLS MISMATCH AND INEFFICIENT TALENT ALLOCATION: - A THEORETICAL FRAMEWORK FOR STRATEGIC HRM, PERSON–JOB FIT, EMPLOYEE PRODUCTIVITY, JOB SATISFACTION, TURNOVER, AND ORGANIZATIONAL PERFORMANCE

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Abstract
Choosing the appropriate person for the appropriate position is a key decision in human resource management (HRM), as it can impact employee attitudes, employee performance, retention, and organizational expenses long after the individual is hired. This paper offers a new interpretation of the original "price of exclusion" as an organizational/managerial issue of talent mis-allocation. The core point is that there is a measurable difference between the value of an employee in a job that fits their skills and the value of the employee who is not in a fit job. The paper presents a theoretical model linking recruitment effectiveness, person–job fit, job satisfaction, employee productivity, turnover and organizational performance. Concepts of human capital theory, assignment theory, person–job fit theory, signalling and screening perspectives, strategic human resource management and job-mismatch research are all combined in one framework. They argue that the quality of the recruitment process and accurate assessment of skills affect person–job fit, which in turn has an impact on job satisfaction and productivity; these factors ultimately impact the turnover and performance of the organisation, and exclusion has a compounding effect on the mismatch, with limited access to the right role. Organizational cost of mismatch is expressed as productivity losses, superfluous supervision and coordination expenses, hiring and induction expenses, foregone turnover, and lost human capital. The importance of person–job fit, skills mismatch, strategic HRM, employee performance and retention to organizational outcomes is also supported by recent research. The macroeconomic dimension is seen as a secondary extension: aggregate misallocation matters because misallocation at the firm level may add up accross firms and sectors. Finally, the paper presents managerial implications for the competency-based recruitment, structured selection, realistic job preview, internal mobility, training, job redesign, HR analytics, retention management and periodic fit audits.

Keywords: *Skills mismatch, person–job fit, strategic human resource management, recruitment effectiveness, job satisfaction, employee productivity, turnover, organizational performance, talent allocation, exclusion cost*

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1. Introduction

Poor hiring decisions don't cost an organization an entire day that they're made. The immediate expense could be a position filled, a salary paid, or an on-boarding process completed. Indeed, the higher price usually becomes evident later as a result of diminished productivity, unnecessary absenteeism, employee dissatisfaction, lack of commitment, staff turnover, and issues with internal mobility. Thus, there is more to the managerial problem than whether a person has been hired or not—there are questions about whether the person has the capabilities, preferences, and experience needed to operate in that job and environment.

The "price of exclusion" is broadly defined in the original manuscript as the cost that is incurred when an appropriate worker is not allowed to access an appropriate job, and another worker is placed in a job for which the fit is not as great. That's the basic idea at the heart of the present revision, which moves the macroeconomic allocation analytical focus to organizational decision-making. The issue of exclusion is relevant at the firm level because the same recruitment process may generate both an opportunity cost, in that the firm may turn down a competent applicant, and a performance cost because the firm may hire a less competent applicant. This is closely related to person–job fit theory, which suggests that fit between individual abilities and job requirements should impact work attitudes and behaviors (Kristof-Brown et al., 2005).

The business-management relevance is reinforced by the notion that recruitment is part of a larger HRM system and not just an administrative transaction. Strategic HRM studies highlight the importance of HR practices to organizational performance via employee capabilities, knowledge, motivation, and opportunity to contribute. Recent research on knowledge management capability and innovation performance of Indian companies shows that there is a relationship between strategic HRM and firm performance (Chawla et al., 2023), and recent studies on HRM practices in India reveal that recruitment and selection, training and internal career opportunities can be related to the performance of the organization when integrated strategically (Mohamed et al., 2025).

The skills mismatch is important as qualifications are not a reliable indicator of job performance. For a worker, the job could be over-, under-, or horizontally-skilled, or the worker may be over- or under-qualified. Educational mismatch and skill mismatch are different and skill mismatch has been associated with wages, job satisfaction and job-search behaviour (Allen & van der Velden, 2001; McGuinness et al., 2018). More recent research also indicates that subjective mismatch experiences are related to job satisfaction, and that mismatches can take several forms and thus have multiple effects (Bischof, 2021; Santiago-Vela & Hall, 2023).

The implication for managers is that these findings indicate a change from recruitment based on qualifications to selection based on capability. The issue presented by the practical question is not "Does the applicant have the degree?" but rather "Can the applicant perform the critical tasks; learn the role; collaborate effectively; and be productive in this work environment?" This involves competency profiles, structured interviews, work-samples tests, realistic job previews, validated assessment procedures and post-hire fit monitoring.

The paper thus asks five related questions. How does the recruitment efficiency influence the person–job fit? Secondly, what is the relationship of fit with job satisfaction and employee productivity? Thirdly, what are the impacts of mismatch and dissatisfaction on turnover and cost structure of the organization? Fourth, how to integrate exclusion in a managerial model of talent allocation? Finally, what organizational practices will help lower the costs of exclusion before they become a chronic performance issue?

The contribution is theoretical not empirical. A conceptual model and a series of Hypothesis s for testing with employer–employee data are developed. The main value added is its attempt to combine skills mismatch with HRM decision making processes and organizational outcomes. The macroeconomic consequences of misallocation are not ignored, but they are treated as a downstream effect of the organizational inefficiency that occurs each year, rather than as the main object of study.

2. Literature Review

2.1 Person–Job Fit and Employee Outcomes

Person–Job Fit: This is related to the match between a person's abilities and the requirements of the job. Fit perspective is particularly important when it comes to HRM, as right selection decisions determine who gets into specific work roles. Fit has been shown to be connected to a wide range of key work outcomes, such as attitudes, performance, withdrawal, and tenure (Kristof-Brown et al., 2005). More recent research still shows

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the significance of fit regarding job satisfaction and employee behaviour. For instance, evidence from a meta-analysis of person–environment fit indicates positive relationships with organizational commitment and job satisfaction, and negative relationships with intention to leave (Ahn & Lee, 2019).

The concept should not be boiled down to matching the requirements of a job with qualifications. Fit can involve demands–abilities fit, needs–supplies fit, interest fit, and supervisor or organizational context fit. For instance, there is a positive link between interest-fit research and job satisfaction and positive career outcomes (Hoff et al., 2020). There are also significant links between person–supervisor fit and satisfaction, commitment, organizational citizenship behaviour, and turnover intention (Baik & Park, 2020). The implications of these findings are that effectiveness of recruitment should be considered in more than just time to fill the position.

2.2 Vocabulary: Skills Mismatch and Job Satisfaction

The mismatch literature makes a distinction between educational mismatch and real skills mismatch. Allen and van der Velden (2001) showed that the difference is significant for wages, job satisfaction and on-the-job search. McGuinness, Pouliakas and Redmond (2018) then further pointed out that mismatch can take the form of a lack of an adequate skill level, a lack of adequate specialisation, and a lack of relevant skills. These differences can be especially helpful for managers, as they indicate different interventions – selection can be used to deal with initial mismatch and training, job redesign and internal mobility can be used to deal with evolving mismatch.

Recent evidence provides further evidence of the link between mismatch and employee attitudes. Based on German data, it can be shown that perceived skill mismatch is linked to lower job satisfaction even after taking objective skill mismatch into account (Bischof, 2021). Santiago-Vela and Hall (2023) also show how this affective experience of overchallenged or underchallenged can modify the link between mismatch and job satisfaction. Another study from Bengaluru shows the link between job mismatch, job satisfaction, and turnover intention, which has managerial implications in the context of a large emerging market labor market (Chavadi et al., 2022).

2.3 Recruitment Effectiveness and Strategic HRM

Recruitment effectiveness is the organizational ability to identify, attract, assess and select applicants whose competencies are relevant to current and expected job requirements. Strategic HRM takes this concept one step further and ties staffing decisions to the organization's strategy. Therefore the recruitment process should be aligned with the capabilities that will create value for the business and not just an administrative action to address an open position.

The link between HR systems and organizational performance has been researched numerous times in the field of strategic HRM. Based on Indian firms, Chawla et al. (2023) found a pathway between strategic HRM – knowledge-management capability – innovation performance and firm performance. Strategic aspects of recruitment and selection, training, and career opportunities are also reported in HRM practices research related to performance (Mohamed et al., 2025). Based on evidence in India, it could be inferred that while some specific HR practices would help specific firms, there is no need to implement a set of identical HR practices in every firm (Darwish, 2020).

Thus, the effectiveness of recruitment is related to the quality of the process. Structured interviews, job-relevant assessment, work samples, realistic job information, and explicit competency criteria can help minimize the risk that organizations simply hire candidates based on strong but not necessarily diagnostic information. Signaling and screening are relevant at this point: educational credentials can be informative, but they might be imperfect indicators of task-specific skills.

2.4 Productivity of employees and organisation performance

Mismatch becomes economically relevant primarily through the main organizational mechanism, productivity. An employee who is not skilled might need extra supervision, make more mistakes and may take longer to get the job done. If an employee has capabilities that greatly outweigh the demands of the job, he or she may feel underutilized or bored with the role or may feel like he or she has poor development opportunities. In either case, the organization might not realize the returns from the human capital investment it is expecting.

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The direct link between educational mismatch and firm productivity and profitability has been established in the research. Educational mismatch has been found to impact firm productivity by Kampelmann and Rycx (2012) and consequences of over-, required- and undereducation on the firms bottom line by Kampelmann, Mahy, Rycx, and Vermeylen (2020). These studies lend credence to the theory that mismatch is an employee-level problem and can become a business-performance problem.

2.5 The Cost of Poor Fit, Turnover and Retention

Turnover is an important link between employee attitude and the cost of the organization. A mismatching can lead to decrease in satisfaction and commitment, increase in withdrawal behaviour and higher chances of leaving. Based on 299 independent samples and over half a million observations, recent meta-analytic evidence indicates that employee job performance can impact voluntary turnover via turnover intention, job embeddedness, and perceived ease or desirability of movement (Liu et al., 2024).

Turnover should be considered not just an HR measure, but also a potential indicator for managers. Recruitment mismatch, unrealistic job expectations, lack of supervisory support, lack of training, weak internal mobility, and job design are potential reasons for high turnover in a specific role. Therefore, retention management starts at the onset of an employee's employment with the company.

2.6 Organizational and Managerial Methods of Exclusion:

In this framework, exclusion remains a method which can be used to prevent a proper matching. It can be due to credential filters, biased screening, uninformative labor-market information, geographical constraints, or other factors. The managerial impact of this is not that each exclusion mechanism is built by a single HR manager, but that organisations can look back and audit where potentially productive candidates are being excluded.

The organisational analysis also does not equate exclusion with unemployment. Someone could be working, and then not be able to work in a position where they could better apply their talents. This distinction makes it possible to include internal labour markets, promotion, job transfers, job succession planning and job redesign.

3. Theoretical Framework

Revised framework includes six theory views. Human capital theory is used to account for the ability of education, training, and experience to raise productive capacity. Based on assignment theory, productivity is partly dependent on the allocation of the capabilities of workers across jobs. Person–job fit theory describes how compatible employee characteristics are with job demands. Signalling and screening theories are how organizations conclude about candidates' ability at recruitment. Strategic HRM links HRM of hiring and development to organizational performance. Finally, there is research about skills-mismatch and how it can impact on satisfaction, productivity and turnover.

3.1 Core Constructs

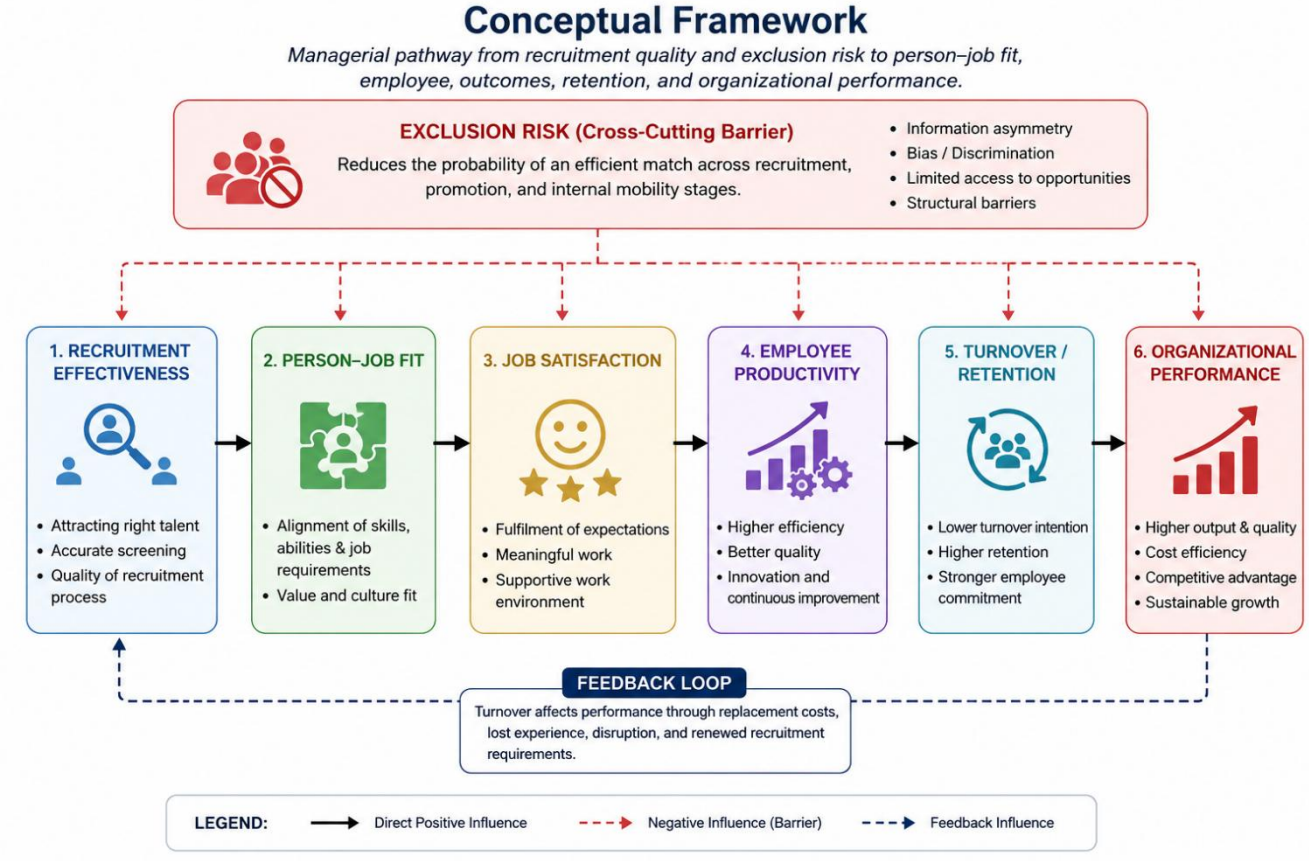
Construct	Managerial meaning	Expected role in the model
Recruitment effectiveness	Accuracy, consistency, job relevance, and efficiency of attraction and selection.	Primary antecedent of fit.
Person–job fit	Degree of compatibility between employee capabilities/preferences and job demands/resources.	Central mediator.
Skills mismatch	Gap between skills possessed and skills required; includes over-, under-, and horizontal mismatch.	Negative condition affecting satisfaction and productivity.
Job satisfaction	Employee evaluation of the job and the extent to which the work meets expectations.	Mediates fit/mismatch effects on retention and behaviour.
Employee productivity	Quality, quantity, timeliness, adaptability, and efficiency of individual work.	Key performance mechanism.

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Turnover	Voluntary or avoidable employee exit and associated replacement burden.	Outcome and organizational cost channel.
Organizational performance	Productivity, quality, profitability, service outcomes, innovation, and retention-adjusted performance.	Primary firm-level outcome.
Exclusion	Failure of an otherwise suitable worker to access a suitable role or career opportunity.	Worsens the allocation process and increases the fit gap.

3.2 Conceptual Framework

Recruitment and selection are considered as the managerial lever up stream in the proposed framework. The effectiveness of the recruitment process can affect the likelihood of hiring a candidate who is a good fit for the position. Then, fit between the person and the job has an influence on job satisfaction and productivity. Commitment and turnover intention are determined by satisfaction and productivity determines the organizational output and quality. Turnover results in replacement costs, lost experience, disruption and new recruitment needs. Exclusion acts as a cross-cutting barrier and can decrease the likelihood of an efficient recruitment, promotion, and internal mobility.



3.3 Mathematical Representation of the Organizational Model

Assume that worker i has a vector of capabilities, h_i, and job j has a vector of capabilities, r_j. The compatibility between the employee and job is represented by a function $F(h_i, r_j)$. Realised fit is less than optimal due to exclusion, screening error and search frictions. Thus, the person–job fit score is effective and expressed as:

where $PJFit_{ij}$ is effective person–job fit, $F(h_i,r_j)$ is underlying capability–requirement compatibility, E_{ij} is exclusion or screening loss, B_{ij} is organizational or institutional barriers, and X_{ij} is search and information frictions.

$$PJFit_{ij} = F(h_i, r_j) - E_{ij} - B_{ij} - X_{ij} \quad (1)$$

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The model does not consider fit as a binary variable. A worker may be partially qualified for a job, and the "mismatch" may be much more expensive if the difference between the worker's qualifications and the job requirements is large. Individual productivity can be expressed as a function of job technology, individual capability, fit and mismatch cost:

where P_{ij} is the productivity of employee i in job j, A_j is the productivity potential of the job, H_i is general human capital, α is the weight attached to general capability, PJFit* is the desired level of fit, C is the unit mismatch-cost parameter and p>1 reflects the assumption that more extreme mismatch is more costly.

$$P_{ij} = A_j[\alpha H_i + (1 - \alpha)PJFit_{ij}] - C|PJFit^* - PJFit_{ij}|^p \quad (2)$$

Job satisfaction is measured as a function of fit (which it is assumed increases with fit) and perceived support (which it is assumed increases with perceived support) and a function of mismatch and excessive job strain (which it is assumed decreases with mismatch and excessive job strain):

where JS_i is job satisfaction; SUP_i is supervisor and organizational support; DEV_i is access to development; MM_{ij} is the magnitude of skills mismatch; STR_i is job strain; γ terms are parameters; and ε_i is an unobserved component.

$$JS_i = \gamma_0 + \gamma_1 PJFit_{ij} + \gamma_2 SUP_i + \gamma_3 DEV_i - \gamma_4 MM_{ij} - \gamma_5 STR_i + \varepsilon_i \quad (3)$$

Then turnover intention is modeled as an inverse function of fit, satisfaction, performance recognition and embeddedness:

where TI_i is turnover intention, EMB_i is job embeddedness, ALT_i is perceived alternative job opportunities, θ terms are parameters, and u_i is an unobserved component.

$$TI_i = \theta_0 - \theta_1 PJFit_{ij} - \theta_2 JS_i - \theta_3 EMB_i + \theta_4 ALT_i + u_i \quad (4)$$

At the firm level, the productive value of employees can be considered a proxy measure of organizational performance, which equals the productive value of employees minus the costs caused by mismatch at the firm level.

In which OP_f is organizational performance, ΣP_{ij} is the total productivity of employees, Z_f is the firm's mismatch and coordination burden, TCO_f represents total turnover and replacement cost, Q_f is quality/error cost, and κ is a series of terms that transform these burdens into performance units.

$$OP_f = \Sigma_i P_{ij} - \kappa_1 Z_f - \kappa_2 TCO_f - \kappa_3 Q_f \quad (5)$$

The organizational price of exclusion is the difference between the counterfactual value under efficient matching and the value obtained:

POE_f: price of exclusion at the organization; OP_f*: performance if matching is efficient; OP_f: actual or observed performance. This is done on purpose to ensure that everything is expressed at the level of the firm, allowing for the direct evaluation of managerial interventions.

$$POE_f = OP_f^* - OP_f \quad (6)$$

Establishing the macroeconomic implication is a step that comes after the firm-level mechanism. If numerous companies suffer similar losses, the aggregate cost can be expressed as the sum of losses at the firm level:

(POE_A = aggregate loss of the price of exclusion; POE_f = firm-level loss). This equation is not the primary unit of analysis but is instead an extension.

$$POE_A = \Sigma_f \, POE_f \quad (7)$$

4. Methodology

This research is carried out using a conceptual-theoretical approach. It is not meant to attempt to estimate the proposed equations from an original data set. It is rather a synthesis of accepted theories and findings, and the development of a managerial model which can then be tested with employer–employee data. The original manuscript is thus reframed as a theory-development paper, instead of an empirical test.

4.1 Literature-Based Theory Development

The literature was structured in six analysis areas: person–job fit, skills mismatch, strategic HRM, recruitment and selection, employee productivity and performance, and turnover and retention. While theoretical contributions were kept if they served as the basis for developing the model, recent research was included to ensure the managerial relevance of the model. The literature review was focused to ensure that labour market and macro-economic research complements instead of driving the argument.

4.2 Unit of Analysis

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The basic unit of analysis is the organization and the relationship between the employee and the job in the organization. The framework can be applied at three levels of nesting: employee-jobs, team/department and firm. Fit, satisfaction, productivity and turnover intention are captured by the employee–job level. The team level reflects the coordination, supervision, quality and work flow effects. The firm level reflects recruitment, replacement, productivity, quality, profitability and retention.

4.3 Proposed Empirical Operationalization

The framework can be estimated in the future using linked employer–employee data. Time to fill, quality of hire, selection validity, offer acceptance, early performance and early turnover might be used to measure recruitment effectiveness. There are several ways to measure person–job fit, such as measuring competency similarity, measuring fit by supervisor rating, measuring fit by employee perception, or measuring fit by a task. Productivity might be measured in terms of objective output, quality adjusted output, sales, service completed, error rates, or supervisor ratings. Validated multiitem scales can be used to measure the levels of job satisfaction and turnover can be measured by actual turnover and turnover intention.
The design is recommended to be longitudinal since it is a theory on dynamic effects. An appropriate dataset might track employee performance from the recruitment process to onboarding and then on to periods of performance. This would allow for the testing of selection procedures to see if they are better fit, if they could increase productivity and satisfaction, and if those increases could lead to less turnover. Ideally, objective outcomes should be coupled with employee perceptions, as doing otherwise will result in a common-method bias.

5. Results / Theoretical Analysis

The paper is theoretical and the "results" are hypothetical and not based on a statistical sample of the framework. The Hypothesis are given in a uniform order and are formulated in a way that they can be tested empirically.

5.1 Recruitment Effectiveness and Person–Job Fit

The closer selection criteria are to actual job requirements, the better the fit with recruitment quality. Credential-based screening is efficient, but can be noisy if credentials are poor predictors of task competence. Job analysis, competency mapping, structured interviews, work-sample tests, and realistic job preview, on the other hand, offer information that is more directly pertinent to performance.
Hypothesis- 1: There is a positive relationship between recruitment effectiveness and person–job fit.
The hypothesis suggests that the effectiveness of the recruitment process should no longer just be measured by the speed of the recruitment, but also by the quality of the fit between the employee and job.

5.2 The person–job fit model and employee productivity are correlated.

Fit is the connection to productivity in a number of ways. When an employee is well matched, he or she needs less supervision, makes fewer avoidable mistakes, learns the routines of a job more quickly, and applies job-appropriate skills more completely. Poor fit can result in rework and delays as well as supervision needs and coordination issues.
Hypothesis- 2: There is a positive relationship between person–job fit and employee productivity.

5.3 Skills Mismatch and job satisfaction

Mismatch can result in two different employee experiences. Highly skilled workers can feel underutilized, bored and lack good development opportunities. Skilled workers may suffer from role strain, anxiety and fear of failure. Based on the empirical literature, the subjective perception of mismatch seems to be especially relevant for satisfaction (Bischof, 2021; Santiago-Vela & Hall, 2023).
Hypothesis- 3: There is a negative relationship between perceived skills mismatch and job satisfaction.

5.4 Job Satisfaction and Turnover

Job satisfaction is a behavioural pathway between mismatch and retention. If an employee is consistently dealing with poor fit, a lack of use of capabilities, or role overload, he or she may consider whether it is desirable to continue the work relationship. Satisfaction should not be considered as a sole determinant of turnover as alternatives and job embeddedness also have an impact on turnover.

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Hypothesis- 4: Turnover intention and avoidable employee turnover is negatively related to higher job satisfaction.

5.5 Person–Job Fit and Organizational Performance

The organizational impact of fit is additive. The firm benefits directly and indirectly if fit contributes to the individual's productivity, and decreases supervision, errors and turnover. Mismatch, on the other hand, can lead to higher labor expenses with not necessarily higher labor value.

Hypothesis- 5: There is a positive relationship between person–job fit and organizational performance due to increased employee productivity, reduced coordination costs and increased retention.

5.6 The Price of Exclusion

The greater the risk of exclusion, the greater the potential cost of mismatch, whether it's capable candidates being excluded from jobs or employees being denied promotion or lateral moves that match their skills. This then creates the cost of hiring from a smaller effective talent pool. The loss is the loss of the selected employee, plus the loss of the opportunity cost of the candidate they don't hire.

Hypothesis- 6: There will be a negative relationship between exclusion risk and recruitment efficiency, person–job fit, and organizational price of exclusion.

5.7 HRM Practices as Moderators

The linkage between mismatch and organizational outcomes is not necessarily constant. Skill gaps can be taken down with training, negative effects of mismatch can be taken down with the support of the supervisor, demands – abilities mismatch can be taken down with job redesign, and poor initial assignment can be taken down with internal mobility. Strategic HRM therefore is not simply a background context but it is a set of moderators and corrective mechanisms.

Hypothesis- 7: The relationship between skills mismatch and job satisfaction, productivity and turnover is weaker with training, supervisor support, internal mobility and employee-development practices.

5.8 Aggregate Extension

When a loss occurs at the firm level, repeated losses can result in a loss of aggregate productivity at the economy level. This however is a supporting implication of the organizational model. The key management issue is whether organisations can narrow the performance gap by improving their recruitment, placement, development and retention. Productivity improvements ensue as lots of organizations improve their utilization of people.

Hypothesis- 8: Systematic improvement in firm-level recruitment and allocation practices can lead to the accumulation of lower mismatch costs and hence to an improvement in aggregate productivity.

6. Discussion

6.1 Implications for Recruitment and Selection

The first thing it means for organizations is to think of recruitment as a quality-of-match problem. A recruiting report providing vacancy closure, cost per hire and time to fill may not be capturing the most important results. Recruitment dashboards should incorporate quality of hire, first year performance, early turnover, probation performance, and fit.

Competency based recruitment is especially crucial. Job descriptions should include critical job tasks, technical skills, behavioural requirements, learning needs, and context. Those attributes should then be directly assessed by selection methods. Structured interviews and job-related work samples can minimize reliance on informal impressions and realistic job previews can help people to self select if the job is not what they are looking for.

6.2 HR Analytics implications

The framework is designed in a way that an integrated HR Analytics approach is supported. Organizations can build a ‘fit-risk' dashboard, which is a combination of recruitment source, assessment results, probation performance, employee satisfaction, absenteeism, internal mobility, and turnover. Patterns should be analyzed on a role, manager, recruitment channel and business unit basis. When a specific recruitment source

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is a frequent source of poor retention or poor performance, the culprit could be selection validity, not employee motivation.

6.3 Onboarding and Training implications

The recruitment process doesn't stop after the offer is accepted. Onboarding should confirm the selection assumptions. Early diagnostic assessment can help identify skill gaps before they become problems in performance. Specific deficiencies can then be addressed through targeted training and not generic training programs. This is particularly relevant in cases of technological change that leads to a depreciation of previously sufficient skills.

6.4 Job Design and Internal mobility implications

However, mismatch does not necessarily indicate that the employee was mis-hired. Occasionally the position evolves once the individual is hired, for instance, changes in technology, restructuring, new reporting arrangements, and new customer needs may change the skills demanded. Organizations should then perform periodic fit reviews and develop internal mobility possibilities. The poorly matched worker may be very productive in a different position.

6.5 Job Satisfaction and Job Retention Implications

Job satisfaction should be considered as a signal for the management. An individual's apparent lack of satisfaction in a specific job can result from a variety of factors, such as lack of use, excessive expectations, poor leadership or a lack of opportunities for growth. Exit interviews should thus be connected to recruitment and performance records. If those who score high during recruitment quickly leave the organization, the company should look to see if they accurately represented the job during the recruitment process.

6.6 Productivity and Cost Control implications

The cost of hiring is redefined in the framework. There are additional expenses to consider in a losing match-up. It can cover lower than potential output, extra supervision, rework and mistakes, slower learning, lower team productivity, training which doesn't solve the issue, and replacement. A finance–HR partnership can work out the costs of these components and compare them with the costs of improving selection and fit.

6.7 Consequences for Organisational Performance

The central managerial hypothesis is that, fit should be considered as a performance variable. Employee–job fit should be incorporated in the workforce planning, succession planning, talent review, and performance management processes. The goal is not to achieve perfect matching, which is unattainable, but to minimize the amount of mismatch that is avoidable and introduce mechanisms to rapidly fix the mismatches if they are made.

6.8 Supporting Macroeconomic Implications

The economy level implication is simple but second order. Systematic underuse of skills will lead to less than potential aggregate output. On the other hand, more effective allocation can boost effective productivity without the same percentage of more physical capital. The macroeconomic literature on misallocation is a useful extension, but the present paper does not consider the aggregate growth to be an independent mechanism. Causal chain starts within organizations: recruitment → fit → employee outcomes → productivity/retention → organizational performance → aggregate productivity.

7. Measurement and Empirical Extension

A two-stage empirical design is used for testing the model. Stage one should attempt to predict the determinants of person–job fit using (1) recruitment effectiveness, (2) selection method, (3) competency assessment, (4) candidate information and (5) exclusion indicators. The consequences of fit for job satisfaction, productivity, turnover intention, and turnover should be estimated in stage two.

A good empirical rule of thumb for stage one is:

where RECR is recruitment effectiveness, ASSESS is the quality of job-relevant assessment, EXP is relevant experience, TRAIN is pre- or post-entry training, EXCL is exclusion risk, β terms are parameters and e is the residual.

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$$PJFit_{ij} = \beta_0 + \beta_1 RECR_i + \beta_2 ASSESS_i + \beta_3 EXP_i + \beta_4 TRAIN_i + \beta_5 EXCL_i + e_{ij} \quad (8)$$

Stage two can investigate organizational effects based on employee and firm level outcomes:
where Y is an employee outcome (such as productivity, performance, absenteeism or turnover intention), JS is job satisfaction, SUP is supervisor support, TEN is tenure, X is a vector of controls and ε is the error term.

$$Y_i = \delta_0 + \delta_1 PJFit_{ij} + \delta_2 JS_i + \delta_3 SUP_i + \delta_4 TEN_i + \delta_5 X_i + \varepsilon_i \quad (9)$$

Because turnover is a time-to-event outcome, a single cross-sectional regression would not be the most useful model to use; turnover would be better modelled using a survival analysis or a discrete-time hazard model. Panel models can be used to distinguish persistent mismatch effects from temporary adjustment costs for productivity. It is advised to have multiple sources of measurement: HR records for turnover and tenure; supervisor ratings for performance; employee surveys for fit and satisfaction; and operational records for output and quality.

7.1 Suggested Organizational KPI Set

HR stage	Metric	Why it matters	Diagnostic signal
Recruitment	Quality-of-hire	Tests whether selection predicts later performance	Low score suggests weak selection validity
Onboarding	90/180-day fit	Checks early role alignment	Early mismatch or expectation gap
Performance	Quality-adjusted productivity	Captures output without ignoring errors	High output with high errors indicates hidden mismatch
Employee experience	Job satisfaction	Tracks perceived fit and support	Low satisfaction may precede withdrawal
Retention	Early and annual turnover	Identifies avoidable exits	Concentration by role/source/manager is diagnostic
Internal mobility	Successful transfers/promotions	Measures correction of poor assignments	Low mobility may indicate rigid talent allocation
HR economics	Replacement and rework cost	Quantifies price of mismatch	Rising costs justify intervention

8. Limitations and Future Research

The main drawback is that the framework is theoretical, and not based on a causal estimation from an original data set. It should be emphasized that, hence, the proposed equations represent analytical not empirical validated production functions. The second limitation is in regards to measurement. Person–job fit is a multiple process and objective similarity of skills and requirements may not be similar to that of the employee. Future research should thus be a mixture of objective competency measurements and employee and supervisor evaluations.

Thirdly, the relationships proposed may be moderated by the organizational context. A similar mismatch could be sustainable in a very supportive organization with lots of training, internal mobility and so on, but not in an organization with little supervisory capacity and therefore high costs. Also factors such as sector, technology, complexity of the job, employment arrangements and size of the organisation can be important.

As a future research, it would be interesting to check the asymmetry price of exclusion. Underqualification can greatly increase the expenses of a job that is safety related or technically demanding, and overqualification can be more easily identified by way of dissatisfaction, underutilization, and turnover. One pathway to consider is algorithmic recruitment – whilst digital screening can be great for consistency, it can also be great for exclusion if the data or criteria is biased.

Longitudinal employer–employee data sets would be particularly helpful. Researchers were able to see over time recruitment, fit, performance, satisfaction, training, internal mobility, and turnover. This would enable the model to be transformed from conceptual to an empirically estimable model of the allocation of talent in organisations.

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9. Conclusion

This updated paper contends that the "price of exclusion" should be thought of as an organizational and managerial cost, first and foremost. The main issue is that the organization may lose value as a result of recruitment, selection, placement, development, and retention practices that don't match up the employee with the job requirements; it is not just a labor markets problem.

The proposed framework has person–job fit as a mechanism's core. The effectiveness of the recruitment process can affect the initial 'match'. Fit has an impact on job satisfaction and productivity. These employee outcomes have an impact on employee retention and organizational performance. Exclusion can accentuate it as talented candidates are barred from appropriate positions or because the internal mobility is restricted. The consequence is a performance differential which can manifest itself as decreased productivity, additional supervision, quality issues, replacement costs and unused human capital.

The managerial implication is pragmatic: organisations should not only count the number of vacancies they fulfil, but the quality of the matches as well. Avoidable mismatch can be decreased through competency based selection, structured assessment, realistic job information, effective onboarding, targeted training, internal mobility, supervisor support, and HR analytics. The data of retention and employee satisfaction must be used as diagnosis to see where the employee–job relationship is failing.

Macroeconomic implications are still pertinent but at a secondary level. If numerous firms miss allocate talent time and time again, it therefore can result in a decrease in aggregate productivity. The greater strength of this paper is to illustrate the points at which the process starts and can be disrupted – namely, within recruitment systems, job design, talent deployment, employee development and retention.

The paper provides a theoretical basis for empirical studies. Future research could validate the proposed relationships in the study using linked employer–employee data and examine if there is a positive relationship between organisations that invest in the validity of their recruitment and selection process and increased productivity, job satisfaction, reduced turnover and increased organisational performance. To that extent, "the cost of exclusion" is an objective of inclusion as well as business performance.

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