



Employee Turnover Cost Analysis

Retaining your organization's talent is crucial. Each employee your organization loses means direct and indirect costs that can quickly become substantial. Assess more than 25 expenditures associated with employee turnover with this job aid. You'll be surprised how much money is lost with each employee that walks out the door. Then, use this worksheet to calculate the replacement costs for the entire organization. Once you see the entire picture of your organization's turnover costs, you'll understand the importance of retaining your key talent.

Any accurate calculation of the cost of losing an employee includes both the direct costs of replacement and the indirect costs affecting clients' relationships and the work environment. The calculation is carried out in terms of actual numbers of employees within each job classification set because, for example replacement costs for a senior manger differ from those of a sales representative. Exclude actions you're your calculation: cyclical layoffs, permanent reduction in force, merger terminations or resignations due to personal reasons such as: family illness, spouse relocation, returning to school full-time. Do you know what are your turnover costs?

Calculating Direct Costs

A. Job Classification:

1. Separation costs for one person leaving Items

Exit interviews (personnel and paper work)	_____
Accrued vacation time	_____
Severance pay and unemployment compensation (involuntary leaving)	_____
Retirement benefits	_____
Career and job search coaching services	_____
Overtime payments to cover vacant position	_____
Other record keeping activities	_____
Other _____	_____
Subtotal	_____

Organization Costs

2. Recruitment/replacement costs for one new hire

Items	_____
Advertising	_____
Headhunters and HR consulting firms services	_____
Candidate pool selection process (initial screening process)	_____
Conduct of interviews (phone and on-site and travel costs)	_____
Testing and reference/background checks	_____
Sign-on bonuses	_____
Relocation expenses	_____
Outsourcing/temp hires	_____
Other _____	_____
Subtotal	_____

Organization Costs

3. Integration of a new hire cost

Items	_____
Orientation	_____

Organization Costs

Training	_____
Manuals	_____
Additional supervision	_____
Coaching/mentoring/buddy system	_____
Salary and benefits during probation	_____
Other _____	_____
Subtotal	_____
Total	_____

Calculating Indirect Costs

1. Customer or client-related costs

Items

Organization Costs

Reduced level of continuous quality customer service	_____
Decrease in potential new or increased income	_____
Loss from present customer/client base	_____
Decline in personal relationships with customers/clients	_____
Length of time new hires need to get up to speed working with clients/customers	_____
Other _____	_____
Subtotal	_____

2. Effect on work environment related costs

Items

Organization Costs

Low employee morale (more responsibilities)	_____
Reduced employee productivity	_____
Loss of organization knowledge	_____
More time of managers and co-workers devoted to training of new hire (especially if repeated often)	_____
Less experienced talent available for succession planning considerations	_____
Other _____	_____
Subtotal	_____
Total	_____
Grand Total	_____
(Direct + Indirect Totals)	_____

Multiply the total number of people who are no longer employed in a particular job classification set with the grand total results in the total replacement costs for that classification set. Repeating this process for all job classifications yields an overall replacement cost picture for the organization. Can your organization absorb these costs and still be able to survive and compete?