

# Your *Real* Cost of Turnover

Adapted from *Hiring – How To Find and Keep the Best People*  
by RS Deems, PhD (Career Press, 1999), President of WorkLife Design

Turnover costs money. Lots of money. It costs to recruit. To interview. To select. To train. And then there are the issues about lost opportunities: What does it cost because a new employee isn't working up to full speed? What kind of price tag goes with the loss of a customer? What revenue was lost because something didn't get done in time, or done right?

When asked how much it costs to recruit and hire a new person, hiring managers have responded with figures varying from 20 percent to 150 percent of the position's annual salary. What's more important, however, is *what it costs you and your organization*. Here's how you can do your own research.

Think of a recent and specific situation in which you had to replace an employee because the wrong hiring decision had been made . . . or simply because an employee decided they would rather be working somewhere else. With that person's position in mind, complete the following worksheet (expand the cells as needed).

These items each relate to costs associated with replacing *one* employee. For each item, assign a dollar amount – a realistic estimate is fine, but try to get as close to the actual figure as possible. Do some homework. Ask others for their input. Check with accounting. Talk with the managers.

Don't skip over an item just because it takes time to think about the real cost. *Each item is important*, and each item contributes to the high cost of turnover. Your organization also may have some unique costs associated with turnover – a space has been provided at the end of the worksheet for you to add these.

➤ *Take Time Now to Complete the Worksheet* ◀

Is your total figure higher than you expected? Now multiply that figure by the average number of people you replace each year. Your costs will go even higher if the person leaving was one of your top performers, or if a person's exit causes a drop in morale and performance among those that remain!

How much turnover is too much?

*How much can you afford?*

Remember, too, that turnover doesn't just cost dollars – it costs in total organizational effectiveness. The higher the turnover, the lower the total effectiveness of the organization. The confidence level of employees goes down when there's high turnover. Even your own productivity drops as you take time to introduce new people to the right procedures, or you stop to coach the newest employee in how to deal with other departments. Or you get tired of working overtime because there aren't enough good people to fill the vacancies. Turnover costs dollars and reduces organizational effectiveness!

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How many people are leaving because the right hiring decision wasn't made in the first place? How much of your turnover is the unintended result of organizational change? How many are leaving because of a poor relationship with a manager, or stress, or an unsupportive work culture? **WorkLife Design** can help you predict and reduce turnover, make the right hiring decisions, and develop a supportive workplace where people embrace change and have more fun doing what they do best!

## Cost of Turnover Worksheet

COST CATEGORY	ITEMIZED COSTS	TOTAL COST
<b>Decision costs:</b> Discussing the situation, figuring out how best to handle it, and finally coming up with the decision that a change needs to be made or a particular position filled.		
<b>Termination costs:</b> In the case of a termination, include severance, outplacement, payment for unused vacation days, and other benefits.		
<b>Productivity costs:</b> Lost productivity and/or lost business while the position is vacant, while someone temporarily fills the position, or while someone attempts to handle the duties in addition to their regular work.		
<b>Recruiting costs:</b> Newspaper ads, agency fees, lunches, time spent calling other people asking about potential candidates, preparing ads, reviewing job descriptions, placing ads, attending job fairs, and so on.		
<b>Screening costs:</b> Responding to phone calls, screening of resumes, providing information to potential candidates, and selecting “top candidates.”		
<b>Interviewing costs:</b> Reviewing resumes, developing interview questions, contacting the finalists, scheduling, preparing for each interview, and conducting the interview (figure in the cost for each person participating in the interview and each level of interviewing – screening interview, decision-making interview, etc).		
<b>Selection costs:</b> Evaluating the candidates and making the actual final selection. Be sure to include the several discussions you have with others.		
<b>Job offer costs:</b> Time spent making the offer, negotiating the final agreement, getting approvals, writing up the offer, and setting the start date. If applicable, include moving expenses as well as any expenses in arranging housing visits, new office furnishings, signing bonus and so on.		
<b>Training/Orientation costs:</b> Introducing and orienting the new employee to the company and to the work unit, training the person for the position or on special equipment or software.		
<b>Learning curve costs:</b> What are the costs because of reduced efficiency while the new employee learns the job? Include any lost business estimates because the new employee didn’t know how to handle a client, or the new person didn’t know how to get the task done most efficiently, etc.		
<b>Other turnover costs</b> that you’ve identified but which haven’t been specifically mentioned above.		
<b>TOTAL COST</b> of Employee Turnover: Add it up!		



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