

Employee Turnover Cost Analysis (An *Infoline* Job Aid)

Instructions

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.

For more information, see *Infoline* 250703 "Talent Retention." Purchase this issue as a downloadable PDF or order the print version [here](#).

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 manager differ from those of a sales representative. Exclude actions from 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 _____

Organization Costs

Subtotal

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

Organization Costs

Subtotal

3. Integration of a new hire cost

Items

Orientation
 Training
 Manuals
 Additional supervision
 Coaching/mentoring/buddy system
 Salary and benefits during probation
 Other

Organization Costs

Subtotal

Total

Job Aid

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?