

# Marrek Solutions Inc.

your employee selection & development experts

## Calculating the Rate and Cost of Employee Turnover

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Why worry about employee turnover? It's just a cost of doing business....

Yes! And it can be a BIG cost – studies show that when an employee leaves it costs the company between 33% – 50% of that employees total compensation – and that's for the average employee. For executives the cost can go as high as 100% - 200%. Employee turnover can significantly affect the financial performance of your company.

There are two parts to consider- the **rate** and the **cost** of turnover. Here are some formulas for you to use when calculating both.

### Turnover Rate:

In a twelve month period, divide your “Average Number of Employees on Payroll” by the “Number of Employees that left the Company” to get your turnover rate. Turnover rates vary by industry however a good rule of thumb is to be under 15%.

### Cost of Turnover:

Hard costs (Separation Costs + Vacancy Costs + Replacement Costs + Training Costs) + Soft Costs = Turnover Costs

When calculating the hard costs, know your employees rate of pay, supervisor's rate of pay and corporate/admin office staff rate of pay and multiple that by the number of hours required for the following.

Separation Costs = processing costs, exit interviews, separation pay

Vacancy Costs = overtime, added shifts or temp help required to cover hours

Replacement Costs = cost of hiring, developing and placing on line or newspaper ads, job fairs, hiring search firms, interviewing, reference checking, testing, orientation

Training Costs = on the job training, classroom training, training materials, instructor fees

Soft Costs = loss of productivity of both the departing employee and the coworkers, impact on morale, supervisor's time spent dealing with employees

Lastly, multiply your # of exiting employees by your costs and you will see how much is coming right out of the bottom line of your business each year due to employee turnover.