

Cost of Turnover

Replacing someone who leaves the job can be costly. Consider the time and expense associated with interviewing candidates, training new hires, advertising, and related administrative activities.

The following example illustrates the cost of turnover. The figures are based on actual costs for hiring a candidate for a professional position at an annual salary of \$48,000.

Activity	Cost
Advertising (Number of ads <u>3</u> x cost per ad \$ <u>2,000</u>)	\$6,000
Administrative Costs to Process All Candidates (Total number of administrative hours <u>20</u> x average hourly salary plus benefits \$ <u>20</u>) —Estimate will vary depending on position and number of applicants.	\$400
Candidate Travel Costs (if applicable) (Average airfare \$ <u>500</u> + average hotel rate \$ <u>125</u> x number of trips <u>1</u> x number of candidates from out of town <u>2</u>)	\$1,250
Interviewer Costs (Number of interviewers <u>3</u> x hours per candidate <u>2</u> [includes data integration] x average hourly salary plus benefits \$ <u>40</u> x number of candidates interviewed <u>3</u>)	\$720
Lost Opportunities/Hidden Costs (Revenue lost from incomplete projects, lost sales, disrupted customer service, other resources filling in while position is vacant, etc.) —Estimate will vary depending on the open position and how long it remains vacant.	\$30,000
Relocation Costs (if applicable) (Varies from \$10,000 to \$100,000, depending on housing costs)	\$50,000
Training (Number of months training time in the first year <u>3</u> x monthly salary plus benefits \$ <u>5,200</u>)	\$15,600
Severance Pay (Based on company policy. For example, one month's pay \$ <u>4,000</u>)	\$4,000
Total Cost of Poor Selection for One Person (Add previous rows.)	\$107,970
Total cost of turnover for one person \$ <u>107,970</u> x number of people hired in this job category per year <u>6</u> =	\$647,820
Total Cost of Turnover for This Job Category Over One Year	Total Cost for This Job Category

Cost of Turnover (cont'd.)

The following chart is provided for you to calculate the financial impact of turnover on *your* organization. First, select a relevant position in your organization. Then, using the formulas in the chart, estimate what your organization spends for each activity needed to hire that person. (Spaces have been provided for you to write in additional activities, if necessary.) If actual figures for your organization are unavailable, you might want to use the figures from the example on the previous pages as a guideline.

Activity	Cost
<p>Advertising (Number of ads ___ x cost per ad \$_____)</p>	
<p>Administrative Costs to Process All Candidates (Total number of administrative hours ___ x average hourly salary plus benefits \$____) —Estimate will vary depending on position and number of applicants.</p>	
<p>Candidate Travel Costs (if applicable) (Average airfare \$_____ + average hotel rate \$_____ x number of trips ___ x number of candidates from out of town ___)</p>	
<p>Interviewer Costs (Number of interviewers _____ x hours per candidate ____ [includes data integration] x average hourly salary plus benefits \$_____ x number of candidates interviewed _____)</p>	
<p>Lost Opportunities/Hidden Costs (Revenue lost from incomplete projects, lost sales, disrupted customer service, other resources filling in while position is vacant, etc.) —Estimate will vary depending on the open position and how long it remains vacant.</p>	
<p>Relocation Costs (if applicable) (Varies depending on housing costs)</p>	
<p>Training (Number of months training time in the first year ___ x monthly salary plus benefits \$_____)</p>	
<p>Severance Pay (Based on company policy. For example, one month's pay \$_____)</p>	
<p>Total Cost of Turnover for One Person (Add previous rows.)</p>	Per person hired
<p>Total cost of turnover for one person \$_____ x number of people hired in this job category per year ___=</p>	
<p>Total Cost of Turnover for This Job Category Over One Year</p>	Total Cost for This Job Category