

Putting a Number on Employee Turnover



Many employers have spent countless hours and dollars recruiting good people. On the one hand, each new hire brings fresh strategic ideas, offers creative feedback and, most important, provides distinctive insight into your organization's mission and operations. On the other hand, recruiting procedures — even effective ones — can drain financial resources.

The solution is obvious: Retaining employees reduces these substantial recruiting costs. Unfortunately, many employers still find themselves seemingly helpless to stop the random and sometimes constant departure of skilled workers. One way to diagnose the severity of your turnover trouble is to put a number on it.

Playing the percentages

There are a variety of methods of calculating turnover costs. The easiest one is averaging. First, choose a position that has experienced significant turnover and determine how many people have left it during the last year. Next, identify those employees' salaries at the time of departure.

One rule of thumb calculation involves totaling the average cost of employee annual salary and benefits (average salary plus 30% of that salary) and then multiplying the sum by 25%. The result is the average turnover cost per employee. To determine your organization's total turnover cost, multiply average turnover expense per employee by the number of departed employees.

Again, this is just a rule of thumb approach. The exact percentages and formula you should use may vary depending on your organization's industry or specialization, and the compensation trends in your geographic location.

Working at retention

Bear in mind that no employer can completely avoid turnover. People move, switch careers or experience lifestyle changes. But, along with calculating the cost of turnover, you can track common reasons for employee departures by conducting exit interviews. Then, based on these trends, you should be able to develop better retention strategies.

After all, as mentioned, the cost of retaining good employees pales in comparison to the deficit that occurs when they leave. For further assistance calculating your organization's employment costs, please contact us. We welcome the opportunity to assist you.

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