



# TURNOVER

## The silent — but substantial — profit killer

Myths about turnover abound; some say it is inevitable and there is little that can be done to stop it. Some argue that turnover is a serious symptom of deeper organizational problems. Still others imply that turnover is good since an organization needs to do periodic housecleaning in order to keep things neat and tidy.

In fact, turnover is an indication that something is wrong. At a minimum, the organization and the employee have been mismatched and

often the only thing the organization has to show for it is another costly statistic.

In this era of continuing — and increasing — labor shortages, organizations cannot afford the tedious and expensive process of recruiting applicants, only to have them leave in discontent.

But just how costly is turnover? PAROS Group has devised this “cost-of-turnover” worksheet to determine how turnover affects an organization’s bottom line. You may be surprised.

### ESSENTIAL DATA

Employee’s classification: \_\_\_\_\_  
 Employee’s hourly pay rate: \_\_\_\_\_  
 Employee’s supervisor pay rate: \_\_\_\_\_  
 Corporate office staff pay rate: \_\_\_\_\_ (may be an average)

### HARD COSTS

#### Pre-Departure

Separation processing Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

\*Administrative time

#### Vacancy Costs

Coworker burden Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

- Overtime; Added shifts

Hiring search firm or temp agency Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Developing advertisement(s) Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

- Administrative time

Placing advertisement(s) Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

- Cost of advertising space

#### Selection & Sign-On

Interviewing Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Reference checking Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Drug testing/psychological testing Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Orientation & on-the-job training Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

**Total “Hard Costs” of Turnover = \$\_\_\_\_\_**

## SOFT COSTS

### Pre-Departure

Lost productivity of departing employee

- Exiting employee performance at 50%–75%

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Lost productivity of coworkers

- Increased time discussing departure and organizational conditions
- Increased work load for employees

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Lost productivity of supervisor

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

### During Vacancy

Lost productivity of vacant position

- Overtime
- Added shifts

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Lost productivity of supervisor

- Time spent filling in

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Recruiting administration

- Supervisor's time with schedule changes/overtime

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

### Selection and Sign-On

Lost productivity during training

- Replacement requires support/direction

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Lost productivity of coworkers

- Existing employees distracted

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

Lost productivity of supervisor

Hours \_\_\_\_\_ x Wages \$\_\_\_\_\_ = \$\_\_\_\_\_

**Total "Soft Costs" of Turnover = \$\_\_\_\_\_**

## TOTAL COST OF TURNING OVER ONE EMPLOYEE

**Hard Costs + Soft Costs = \$\_\_\_\_\_**

## FORMULA FOR ANNUAL TURNOVER COST

Number of exiting employees \_\_\_\_\_ x cost of turnover (hard + soft) \$\_\_\_\_\_ = \$\_\_\_\_\_



For more information:  
**Scott Cheney**  
[scott@parosgroup.com](mailto:scott@parosgroup.com)  
©2006