

## ASSESSING TURNOVER COSTS

Numerous international studies prove that the direct cost of just one unplanned exit falls somewhere between 1.5 times and 5 times the departing employee's salary.

### Direct costs associated with ONE person leaving include:

#### ADMINISTRATION & PEOPLE COSTS

- Salary/wages of the person who fills in while the position is vacant
- Exit interview time of employee and Manager
- Administrative costs in preparing final pay
- Set up costs of new employee – including payroll, computer/security passwords, identification cards, business cards, telephones, e mail accounts, credit card accounts, cell phones, cars, pagers.
- Manager's time spent in developing trust and building confidence in the new employee's work
- Severance/benefits continuation in some cases
- Legal costs
- Personal Grievance costs – representation and settlement
- Possible loss of customers/clients that the employee may take with them
- Disruption to the customer/client base managed by remaining employees
- Effect on the morale of remaining employees
- 'Domino departures' often following just one resignation
- Absenteeism and burnout created by remaining employees having to work harder

#### LOST PRODUCTIVITY COSTS

- Reduced productivity levels of new employees – productivity is estimated on average to be only at 25% for the first 2-4 weeks, at 50% during weeks 5–12 and at 75% during weeks 13-20
- Co-workers/supervisory lost productivity while bringing the new employee 'up to speed'
- Costs of mistakes by the new employee while working at less than 100% productivity
- Project delay costs where the departing employee is a critical participant
- Cost of the Manager having to understand what work remains and how to cover that work until a replacement is sourced
- Loss of institutional knowledge, skills, contacts and Intellectual Property

## **TRAINING COSTS**

- Investment of training in the departing employee – internal and external
- Orientation, training and induction of the new employee, their trainer and the materials
- Departmental training time and materials
- Supervisory time in assigning, explaining and reviewing work assignments and output

## **RECRUITMENT COSTS**

- External recruitment and selection costs - typically 15-20% of base salary plus advertising
- Internal recruiter time – typically from 30 hours to over 100 hours per position
- Recruitment administration time
- Travel and/or relocation costs to attract top candidates
- Selection panel preparation, interview and discussion time
- Health screens and qualification/educational checks
- Psychometric assessment – skills, abilities, aptitudes, values and behaviours