

Employee Turnover Quiz

We know there is a turnover problem if . . .

- We aren't able to hire the right people for our organization.
- We know we have a turnover problem, but we don't know how to fix it.
- Our employees don't seem to be motivated.
- Employees morale appears to be low.
- We are not sure of the level of employee satisfaction.
- We are not sure we know why employees really quit.
- We are not consistent in performing exit interviews.
- Sometimes we are so short staffed that work schedules are not filled.
- We are not consistent with employee training.
- We have had task forces try to research and solve the employee turnover issue.
- We don't have a system for tracking customer complaints.

Employee Turnover

Cost of Turnover

Turnover cost indicates how much turnover is costing and its impact on profitability. The cost of turnover includes the **direct costs** of recruiting new employees, interviewing time, administrative work that is associated with hiring and processing, training, supervisory time, and overtime that is paid to employees who have to cover for employees who are no longer there.

For example:

- Number of employees 500
- Annual turnover 60%
- Number of employees turning over 300
- Average turnover cost per employee \$1,694
- Total annual cost \$508,000
- Savings from reducing turnover by 15% **\$126,000**

Turnover costs also take into account **indirect costs**. Research indicates that the indirect costs of turnover can be 2 to 5 times higher than direct costs. These costs are more difficult to quantify and assign a dollar figure to, but they are very real.

Calculating Employee Turnover Rates

For Example

- Terminations = 300
- Number of employees = 500
- $300 \div 500 = 60\%$

Calculate your turnover rate

For the last 12-month period, add up the number of terminations.
Next divide by the total number of employees at the end of the same
12-month period.

- Terminations = _____
- Number of employees = _____
- Your turnover rate = _____%

Calculating Direct Turnover Costs

Recruiting Cost	
Advertising, radio, direct mail etc.	
Interviewing Costs (time spent x the wage of the interviewer)	
Interviewing	
Reference Checks	
Exit Interview (time spent x the wage of the processor)	
Administrative Costs (time spent x the wage of the administrator)	
Processing of paper work for newly hired employee	
Processing of paper work of exiting employee	
Uniform Costs	
Supervision Costs (Time spent x the wages of the manager)	
Training Costs	
Time spent training (xx hrs.) x wage of employee	
Time spent training (xx hrs.) x wage of trainer	
Materials, equipment, job aids	
Separation of Costs	
Average cost of unemployment, separation pay, legal claims	
Overtime costs to do work of exiting employee	
Total for Direct Costs	