

The Costs of Employee Turnover

A company's employees are often its most important resource. They are also one of its highest costs. The University of Florida recently wrote an article on employee turnover. In it, the university reported that the cost of turnover for non-exempt workers can be up to 50% of their annual salary. For exempt workers, the cost can be up to 150%. The costs can be both direct (financial costs of replacing and training workers) as well as indirect (lost productivity and employee morale).

Employees produce more and add more value as they learn and gain experience. When a worker leaves a company, he or she takes the knowledge and skills they've learned with them. This often leaves a knowledge and productivity gap at the company. The business must then reinvest time, money, and energy into finding and training a new employee.

TURNOVER COSTS

The cost of employee turnover varies by industry and job. There are also many different calculators to determine the cost, each with its own method of calculation. For the following examples, we used the Predictive Index Turnover Cost Calculator, by The Predictive Index. The following example shows some of the costs of employee turnover for a customer service representative (CSRs).

Here is the data we used for our example:

- Departing Employee: Customer Service Representative SOC 43-4051
- CSR Annual Wage: \$36,210 (Economic Modeling Specialists International)
- Number of employees: 100 CSRs within the company.
- Hiring manager annual pay: Average hiring manager (SOC: 11-3121) salary in the GR-Wyoming MSA was \$88,880 (Bureau of Labor Statistics [BLS]).

- Days Until Position Filled: Jobs were left unfilled for an average of 28 days.
- Cost of advertising a job on LinkedIn for 30 days in Grand Rapids is about \$200.
- Hours of resume review: 4 hours
- Hours for applicant interviews: 9 hours (Recruiterbox)
- Cost of background checks: \$100 (Recruiterbox)
- Training period: Estimate 5 days * 4 weeks = 20 days (one month)
- Working days in first three months: Estimate 20 days * 3 months = 60 working days
- Number of employees lost over year: 12. The BLS calculates the annual replacement rate (ARR). The ARR for CSR occupations is 12.3%. 12.3% multiplied by 100 CSRs in this firm = 12 CSRs leave annually

FINAL TURNOVER COST OF CUSTOMER SERVICE REPRESENTATIVES

Calculated Total Turnover Cost for Departed Employee

\$17,739

Estimated Annual Cost of Turnover

\$212,868

The table below shows additional examples of the cost companies absorb each time an employee leaves a business.

Description	SOC	Annual Wage	Ann. Replacement Rate	TO Cost for Leaving Employee
Customer Service Representatives	43-4051	\$36,210	12.3%	\$17,739
First-Line Supervisors, Production, and Operating Workers	51-1011	\$59,790	9.5%	\$22,488
Industrial Engineers	17-2112	\$77,930	6.4%	\$26,140
Sales Representatives, Services	41-3099	\$57,280	11.3%	\$22,092
Team Assemblers	51-2092	\$29,710	11.5%	\$16,431

The table shows that employee turnover can cost a business nearly half the exiting worker's salary in direct cost (financial costs of replacing and training workers). Indirect costs of employee turnover (lost productivity and employee morale) are not included in these examples.