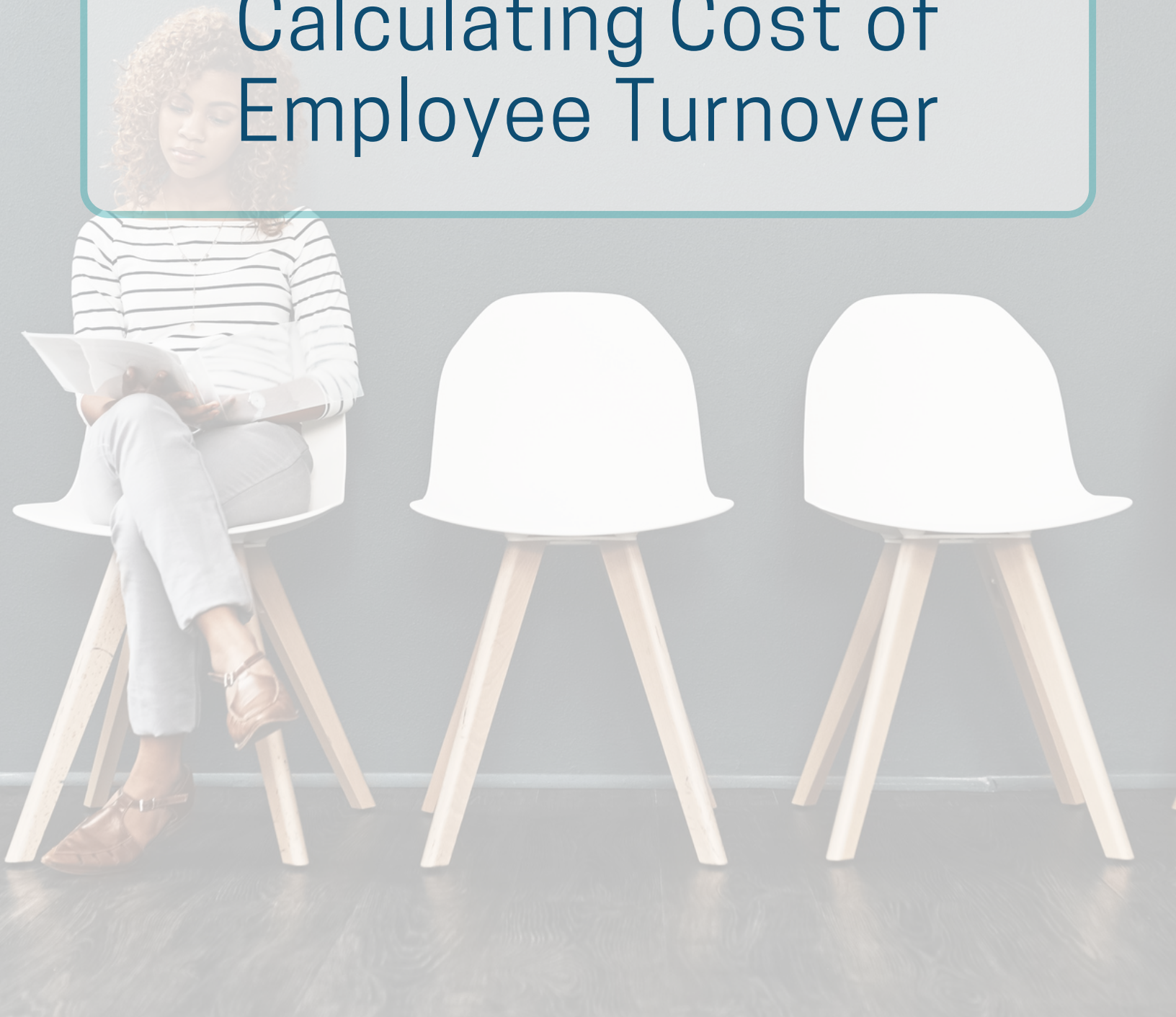


Calculating Cost of Employee Turnover



 **Work Institute**

Cost of Employee Turnover

Work Institute has assisted clients for over two decades to improve employee retention and reduce the burden of the high costs of employee turnover. For most employers, the process of calculating the exact costs of turnover is overwhelming.

When determining cost of turnover, there are many factors to consider including direct and indirect costs. Direct costs include recruiters, background checks, advertising, initial training, and often the need for temporary or contract labor while the position is open.

Indirect costs are more difficult to identify but can include loss of productivity, manager interview time, and often poor customer service or patient care.

Numerous case studies have been conducted identifying the direct and indirect turnover costs and reveal that costs vary greatly based on the employee’s annual salary, industry, and the specific job.

The following table (Table 1) provides direct and indirect turnover costs as a share of the average annual wage for 21 unique jobs in healthcare and non-healthcare industries. Costs of turnover ranges from a low of 5% to a high of 131%.

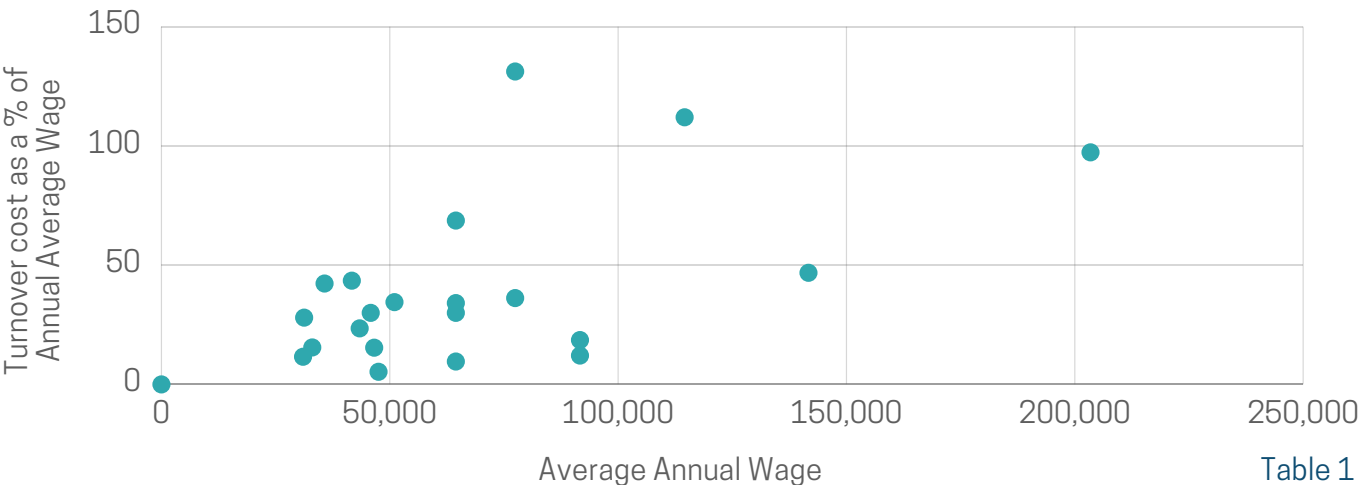
5% - 131%

Cost of Turnover
as % of salary

33%

Work Institute's recommended
estimate % of salary

US Turnover Costs as a share of the average annual wage for that position and average annual wage, 2019 dollars



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Cost of Employee Turnover

The following table (Table 2) provides the unique jobs in healthcare and non-healthcare industries turnover costs as a share of the average annual wage.

US Turnover Costs as a share of the average annual wage for that position and average annual wage, 2019 dollars

Job Category	Industry	Average Annual Wage	Turnover Cost as Percentage
Support	Healthcare - Medical Center	\$31,010	11.6%
Front-Office Associate	Non Healthcare	\$31,250	28%
Loss-Prevention Associate	Non Healthcare	\$33,030	15.5%
Medical Assistant	Healthcare - Family Care Clinic	\$35,720	42.3%
Part 135 Carrier Pilot	Non Healthcare	\$41,691	43.5%
Administration, Sales, Catering	Non Healthcare	\$43,410	23.5%
Department Manager	Non Healthcare	\$45,830	30%
Admin. Assistants or Managers	Healthcare - Medical Center	\$46,590	15.4%
Technical Staff	Healthcare - Medical Center	\$47,540	5.3%
Child Protective Services Worker	Healthcare	\$51,030	34.5%
School Teacher	Non Healthcare	\$64,470	9.6% - 30%
Science & All Other School Teachers	Non Healthcare - Secondary School	\$64,740	34.1% - 68.7%
Registered Nurse	Healthcare	\$77,460	36.2% - 131.2%
Financial Professional	Healthcare	\$91,655	12.1% - 18.6%
Manager at a Consumer Products Co.	Non Healthcare	\$114,569	112%
Store Manager	Non Healthcare	\$141,690	46.8%
Physicians	Healthcare	\$203,450	97.3%

Table 2

Based on the extensive case study data available and with most of these job titles landing in the 19-40% range, Work Institute continues to utilize 33.3% of base salary as its basis for calculating costs of turnover.

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Calculating Your Costs of Employee Turnover

Ideally, employers would take the time to conduct extensive analysis and determine the exact costs of turnover for the most common roles in their organization. However, the practicality of this type of exercise is time consuming and often remains only an estimate of the specific costs.

For that reason, Work Institute suggest one simple but reasonably accurate method to calculate costs of turnover is to multiply each departing employee's base salary by 33.3%. For example, an employee making an annual salary of \$75,000 multiplied by 33.3% identifies \$25,000 for that position (this is referring to assumed direct and indirect costs).

In some circumstances, employers may want an even simpler approach. According to the Bureau of Labor Statistics, the average wage for a U.S. employee in 2022 is approximately \$54,132. Multiplying \$54,132 by 33.3% reveals \$18,026 as an overall average cost of turnover for most employers.

When faced with employee turnover challenges, one of the first objectives in developing a retention strategy should be calculating the costs of turnover. This simple exercise often reveals hundreds if not millions of dollars that are impeding profitability in organizations. This exercise will also allow a clear path to quantifying return on investment for any investments utilized to lower costs of turnover in an organization.

Work Institute is the leading authority in workforce intelligence and retention. Utilizing evidence-based research methods that capture "the why" behind employee thoughts, feelings, and behaviors, Work Institute helps organizations improve employee engagement, performance, and retention.

Work Institute provides employee research, consulting, action planning, development courses, and evaluations of organizations of all sizes including many Fortune 500 clients across multiple industries and geographies.

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