

Identify Your Primary Objectives To Improve Your Company's Success

STEP 1:

Which of the following challenges do you need immediate attention in your organization?

Employee Selection

- 1. Developing effective advertising for **recruitment**
- 2. Improving and simplifying **interviewing** techniques
- 3. Developing **objective selection** criteria (putting round pegs in round holes)

Retention & Management Competencies

- 4. Improving managers' ability to **motivate** employees
- 5. Quantifying work-related **stress and morale**
- 6. Understanding how a **manager's style** impacts employee performance
- 7. **Matching** people to tasks and holding them **accountable**
- 8. Reducing **turnover** and dissatisfaction
- 9. Reducing manager and employee time spent in **non-productive activities**
- 10. Developing effective **managers/leaders**

Team Performance

- 11. Improving **communications** vertically and horizontally
- 12. Establishing meaningful and objective **performance evaluation** criteria
- 13. Reducing interpersonal **conflicts**
- 14. Forming effective teams or work groups and/or improving **teamwork**
- 15. Increasing organization's **knowledge** and **utilization** of its people
- 16. Analyzing and defining **corporate culture**

STEP 2:

Complete turnover cost worksheet

STEP 3:

Identify your 90 day and long-term objectives

Today's Date: _____



Turnover Cost Worksheet

CONTACT INFORMATION

Number of Full Time Staff: _____ Number of Part Time Staff: _____

Company: _____ Department: _____

Contact: _____ Title: _____

Address: _____ State: _____ Zip: _____

Phone: _____ Fax: _____ Email: _____

FULL-TIME EMPLOYEES - TURNOVER COST

Employee making \$20.00 per hour, or \$41,600.00

Take the annual wage $\$41,600.00 \times 25\% = \$10,400.00$ (a)

The benefits expense is approximately 30% of wages, $\$12,480.00 \times 25\% = \$3,120.00$ (b)

The total cost per employee is the annual wage cost plus the cost of benefits (a) + (b) = $\$13,520.00$

Employee making \$12.00 per hour, or \$24,960.00

Take the annual wage $\$24,960.00 \times 25\% = \$6,240.00$ (a)

The benefits expense is approximately 30% of wages, $\$7,488.00 \times 25\% = \$1,872.00$ (b)

The total cost per employee is the annual wage cost plus the cost of benefits (a) + (b) = $\$8,112.00$

Employee making \$7.40 per hour, or \$15,392.00

Take the annual wage $\$15,392.00 \times 25\% = \$3,848.00$ (a)

The benefits expense is approximately 30% of wages, $\$4,617.60 \times 25\% = \$1,154.40$ (b)

The total cost per employee is the annual wage cost plus the cost of benefits (a) + (b) = $\$5,002.40$



TURNOVER COST FORMULA

Developed by the Saratoga Institute

Annual Wage x 25% = Salary Cost	\$80,000.00 x 25% = \$20,000.00
Annual Wage x 30% = Total Benefits	\$80,000.00 x 30% = \$24,000.00
Total Benefits x 25% = Benefits Cost	\$24,000.00 x 25% = \$6,000.00
Salary Cost + Benefit Cost = Total Employee Turnover	\$20,000.00 + \$6,000.00 = \$26,000.00

TURNOVER COST ANALYSIS

Please take a few minutes to identify one or two positions within your company to realize the financial impact involved with hiring employees who don't fit.

(Circle employment status, full or part-time F / P)

Job Position: _____ F / P

Job Position: _____ F / P

1. # of employees in the position: _____

1. # of employees in the position: _____

2. # of employees who left: _____

2. # of employees who left: _____

3. Total cost per employee: \$ _____

3. Total cost per employee: \$ _____

4. Total cost of position turnover: \$ _____

4. Total cost of position turnover: \$ _____

NOTES

ITEMIZED SAMPLE BREAKDOWN OF TURNOVER COSTS

Separation		
A	Time required to process separation paperwork	1 hour
B	Hourly compensation of person responsible (Administrative Staff)	\$10
C	Cost of Separation (A x B)	\$10
Recruiting		
D	Time required to write, edit, and proofread all advertising	1 hour
E	Hourly compensation of person responsible (Manager, \$60,000/year income)	\$30
F	Number of times each advertisement will run (if applicable)	4
G	Cost of each appearance of advertisement	\$400
H	Cost of other types of recruiting (job fairs, employment agencies, etc.)	n/a
I	Cost of Recruiting $\{(D \times E) + (F \times G) + H\}$	\$1,630
Recruiting		
J	Time required to review resumes and applications	3 hours
K	Time required to interview applicants	8 hours
L	Time required to conduct reference and record checks	1 hour
M	Time required to make decision or offer	1 hour
N	Hourly compensation of person(s) responsible	\$30
O	Cost of Screening and Selection $\{(J + K + L + M) \times N\}$	\$390
Hiring and Orientation		
P	Time required to process new employee paperwork (Administrative Staff)	1 hour
Q	Hourly compensation of person responsible	\$10
R	Time required to orient new team member	8 hours
S	Hourly compensation of new team member (\$30,000/year income)	\$15
T	Hourly compensation of person(s) responsible	\$30
U	Cost of Hiring and Orientation $\{(P \times Q) + \{(R \times (S + T))\}\}$	\$370
Training		
V	Time required for knowledge and skills development in first year (10 days)	80 hours
W	Hourly compensation of new team member (\$30,000/year income)	\$15
X	Cost of training events/activities/certification	\$500
Y	Cost of Training $\{(V \times W) + X\}$	\$1,700
Lost business		
Z	Average number of units/services an experienced team member sells in a year (12/month)	144
AA	Average number of units/services a new team member sells in a year (8/month)	96
BB	Average gross profit per unit/service	\$1,200
CC	Cost of Lost Business $\{(Z-AA) \times BB\}$	\$57,600
Cost of Turnover		
DD	Direct Cost (C + I + O + U + Y + CC)	\$61,700
EE	Indirect Cost (estimate)	\$10,000
FF	Number of team members you replaced in the last year (50% turnover)	5
	Your Cost of Turnover $\{(DD + EE) \times FF\}$	\$358,500