

Your Employee Turnover Costs				
Annual Employee Turnover	Select your Annual Payroll			
	\$1 million	\$5 million	\$10 million	\$50 million
10%	\$20k	\$100k	\$200k	\$1m
20%	\$40k	\$200k	\$400k	\$2m
30%	\$60k	\$300k	\$600k	\$3m
40%	\$80k	\$400k	\$800k	\$4m

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Did you know that the average cost of replacing an employee is at least 20% of their wage?

This is the first part of a 3-part BPA series that explores how to save money you don't have by cutting the costs of employee turnover and replacement.

Part 1 looks at how to do a "back-of-the-envelope calculation" of your employee turnover and replacement costs.

BPA research of the turnover intentions of over 200,000 employees in the past 10 years, shows that:

- 11% of employees have already formed a specific intention to leave their organisation (it's just a question of when); and
- 28% of employees often think of leaving their organisation.

Imagine you have walked into a meeting with 10 of your staff. On average, one of the people sitting in that meeting has already decided they are leaving the organisation. Maybe you know about it ... maybe you don't.

And, on average, 3 people in that meeting want to leave but something is holding at least 2 of them back. Let's assume that when that 1 person leaves, that's 10% turnover. Of course, if the 2nd or 3rd person leaves, that's 20% or 30% turnover.

Yes, I know some of you have 40% turnover and worse, but if you do your turnover costings on 10%, then you can just multiply it by 2, 3 or 4 to get your true impact costs.

Think of the 1 person in that meeting who is leaving. What is the direct and visible investment you put into them that they will be taking out of the door and you will never see again?

Ignoring their normal annual wage and all the hidden costs of them leaving (the loss of knowledge alone can be substantial), then your "back-of-the-envelope calculation" of the direct cost of them leaving and being replaced (calculated as a % of their Annual Wage) should include:

Turnover Cost Drivers	% Annual Wage	Comment
Recruitment costs	10%	Agency recruitment fees are 15-25%
Vacancy replacement during recruitment	8%	Average length of vacancy = 42 days (minus 14 days' notice)
Onboarding of new replacement	8%	Assume up to 4 weeks before replacement is reasonably productive
On-the-job-training	2%	Assume 2-5 days lost productivity by other employees.
Formal training and development	8%	Training budget average = 2% per year multiplied by 3-5 years (which is the median length of stay in many organisations).
	36%	

With tight cost containment, I believe that this 36% could (and should) be shaved back to 20%.

So, the minimum conservative cost of replacing an employee is 20% of their annual wage (but is probably higher).

When you apply that across your whole workforce, then the numbers can get big.

Where are you on the Employee Turnover Costs Table?