

The hidden costs of employee turnover

by Bob Rodgers

National studies indicate that employee turnover is costing corporations \$25 billion a year. The average turnover rate in any given company is 12 percent.

With Gwinnett County a hub of Georgia's business activity and growing every year, even a slight improvement in employee retention can yield significant savings for our business owners. The cost of losing and replacing a strategic or critical employee starts at 150 percent of the value of that employee's compensation package.

To put the issue into perspective, let's use the example of losing an employee whose salary and benefits are worth \$100,000. Losing and replacing this person at the cost of 150 percent will actually deplete your earning power by at least \$150,000.

Not all of the costs can be measured, but they can be broken down into four

sectors: separation costs, vacancy costs, replacement costs and training costs.

Separation costs are the costs of exit interviews and severance or benefits packages. You will also lose the cost of the time it took to train this person, the special skills he brought to the job, possibly even customers he may take with him. There will be immeasurable costs as well. If this exiting employee was a manager or leader, there may be a dip in morale, and that will affect productivity.

With vacancy costs, an employee is gone and until you find a replacement, his work needs to be covered. Even with a "bench," or extra employees who know how to cover other employees' work, there will be lost productivity from not only the vacant post but from the employees doubling up on their duties. Other costs could include overtime and even rates for unemployment premiums. Again there are immeasurable costs, such as time spent working on hiring efforts. Once again morale could fall and time may be lost to tired employees not working at peak

speed.

The list of replacement costs includes any and every cost associated with recruiting and hiring: job postings, agency costs, lost time and productivity by all involved in the hiring process, background checks, aptitude testing, etc. Also factor in the time it takes to interview job candidates after reviewing seemingly unending resumes. The time it takes for administrative personnel to notify applicants who were not selected and to obtain the references for the new hire can take between 30 and 100 hours. One statistic states that the time costs involved in sorting through resumes is up to \$5.50 per resume. Once the new employee comes aboard he or she will need a computer, an e-mail account, telephone, business cards and so on. Immeasurable time can be spent having employees meet and interview candidates.

The "cost for deployment" is the amount of time it takes for a new hire to become 100 percent productive and worth his full value in his new job. The major cost of

training is the time it takes to teach new skills. An example of immeasurable cost is the time spent learning to trust a person new to your operation.

As you can see, the cost of employee turnaround is great and any measures that you can put into place to shave turnaround can save you hundreds of thousands of dollars in the long run. Fifty percent of departures are due to dissatisfaction with management, so this is an area to consider improving upon. Other techniques include increased employee training and development of formal job descriptions and the establishment of more rigorous search and screening processes. Engaging the right search firm can prove to be an invaluable asset in this endeavor. 

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