



# SMART WORK ETHICS

## *Workplace Turnover –Let's do the Math*

What does it cost your bottom line when you have employee turnover?

U.S. Department of Labor reports that employee turnover cost is between 30% to 200% of a worker's annual salary.

### THE COST OF EMPLOYEE TURNOVER

- Pre-departure Costs
- Termination Costs
- Recruitment Costs
- Training Costs
- Productivity Costs
- Vacancy Costs
- Hidden Costs

#### ***The formula:***

Multiply the number of employees by turnover rate by wage per hour by hours per week by weeks per year by 30% cost of turnover. This is turnover cost. Divide by Profit Margin. Total is increased sales needed to make up cost of turnover.

Example:

25 employees

X turnover rate (36%) (9 employee positions per year)

X hourly rate (8.50)

X hours per week (40)

X weeks per year (52)

X cost of turnover (30%) (number from U.S. Department of Labor)  
= total cost of turnover

$25 \times 36\% \times \$8.50 \times 40 \times 52 \times 30\% = \$47,736.00$

Now, divide by profit margin (20%) (example)

$\$47,736.00$  divided by 20% =

**\$238,680 Total number of sales needed to make up for turnover.**

Now do your own numbers! *See next page.*

*Workplace Turnover –Let's do the Math*

$$\begin{aligned} & \text{_____ (Number of employees)} \times \text{_____ (your turnover rate)} \\ & \times \text{_____ (hourly wage)} \times \text{_____ (hours per week)} \times \\ & \text{_____ (weeks per year)} \times \text{_____ (cost of turnover (30\%))} \\ & = \text{_____ (total cost of turnover)} \end{aligned}$$

NOW--Divide by your profit margin

$$= \text{_____ (total cost of sales to make up for turnover)}$$

YOUR turnover rate is determined by dividing the number of workers who have left by the number of workers when you have a full staff to carry out the functions of your company.

Example: 10 people have left (three for the same position)

Total number of workers necessary to carry out the functions of your company 37

10 divided by 37 = 27% turnover rate for your company

*When you are ready to change this number give us a call.*

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