

Retaining and Motivating Staff You Can't Afford To Lose

Understanding Turnover Costs When Considering Redundancies

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When considering redundancy and recruitment, it's good to get an idea of the full costs associated with staff turnover. While it may be tempting to reduce staff in the short-term to improve cashflow, doing so may not be a cost-effective solution in the long-term. Here is a template to help you calculate the true cost of turnover.

Calculating Turnover Costs

1. Nominate a position
2. Enter the average annual pay for this position
3. Locate the Job category using the list below

Entry level / Secretarial / Administration	= 50%
Service and Production	= 60%
Skilled and Professional	= 100%
Supervisors / Team Leaders / Middle Management	= 125%
Engineers / IT Specialists	= 200%
4. Multiply the percentage as a decimal X the average Annual Pay.
For example $125/100 \times 50,000 = \$62,000$

This is the cost that is incurred in replacing just one person in this position when all costs have been tabulated.

1. How many times do you replace a person in this role annually?
2. Multiply this number by the answer in question 4.
For example $\$62,500 \times 2 = \$125,000$
3. Now estimate the company's top line costs...
4. What is your company's profit margin?
5. Multiply this percentage by the annual turnover cost. For example $\$125,000$
6. The top line cost is:

This is the amount in the new revenue that is required to cover the expense of losing just one or two people per year.

Contact Us

Let's talk you through your needs and how we can best assist you.

Give us a call directly on one of our office numbers, or email us, and we'll get back to you quickly and responsively.

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