

Calculating Employee Turnover Costs

It can cost a LOT of money to replace an employee. Here is a more specific turnover cost formula that you can use to determine how much it costs to replace an employee in your situation. This is ONLY to calculate direct costs such as salary and benefits. This does NOT include the indirect costs associated with turnover.

The average cost of turnover is 25 percent of an employee's annual salary (line 1) plus the cost of the benefits (line 2) you provide. Typical benefits amount to about 30 percent of wages. The total cost per employee (line 3) is the total of line 1 and line 2.

1. Annual wage: _____ X .25 = _____.
2. Annual wage: _____ X .30 = _____ x.25= _____.
3. Total turnover cost per employees (add lines 1 and 2): _____
4. Total number of employees who left: _____
5. Total cost of turnover (multiply lines 3 and 4): _____

Here's an example:

1. Annual wage: \$35,000 x .25 = \$8,750.
2. Annual wage: \$35,000 x .30 - \$10,500 X .25 = \$2,625.
3. Total turnover cost per employee: \$8,750 + \$2,625 = \$11,375
4. Total number of employees who left: 10
5. Total cost of turnover: \$11,375 x 10 = \$113,750.

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