

WORKSTEP

eBOOK: Calculate Your True Cost of Turnover & Improve Workforce Retention



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TURNOVER COSTS CONTINUE TO CLIMB



Following the impact of COVID-19, it's becoming increasingly clear that hopes of a rebound in the labor market will not come to fruition anytime soon. Turnover remains at an all-time high while the skills gap continues to widen. With extended labor market strains, especially in transportation and 3PL, businesses are on track for record-breaking workforce turnover.


Do you know how much turnover is costing you specifically?

If you're like many organizations, you have a general idea but do not have the data to quantify in real terms the impact of a turnover event.

That's okay, you're not alone.

For obvious reasons, the focus has traditionally been on identifying the cost of a new hire. But it's just as important to calculate turnover cost because, without a true sense of the financial impact of turnover, it can be difficult to advocate for and implement a comprehensive retention strategy. Armed with the knowledge of what turnover is actually costing your organization, you can begin to identify and implement measures to retain your workforce and thus strengthen your bottom line.

TURNOVER'S TRICKLE-DOWN EFFECT



When a frontline worker leaves, the consequences gnaw away at the entire company, organization wide. Culture and morale take a hit, the ability to deliver on customer promise is compromised, efficiencies decrease, while burnout increases, and reputation starts to tarnish.

**\$12,876 IS THE AVERAGE COST OF
LOSING A FRONTLINE WORKER.**

Not to mention the obvious—turnover has a direct impact on cost and bottom line, including:

- Recruiting & Onboarding — Advertising, interviewing, screening, hiring, and management time all come at a cost.
- Ongoing Training — Companies invest 10-20% or more of an employee's salary on training, and all that walks out the door the minute an employee leaves.
- Loss of Productivity & Engagement — Loss of productivity results not only from ramp-up time of the lost employee, but also from employees who remain with the company as they tend to disengage when they see high turnover.
- Cultural Impact — Turnover directly dampens employee morale and team spirit. And an unmotivated workforce is an inefficient workforce.

In fact, \$12,876 is the average cost of losing a frontline worker, and it's only going to increase. Early predictions highlight that it could reach \$15,493 per turnover event in 2022 as the costs and demand for workers increases.



We know, recognizing that turnover is harmful isn't exactly new insight.

It's not news to any of us that turnover impacts a company's bottom line. But exactly how much of an impact turnover has is often not quantified knowledge within an organization. And if we don't measure impact in concrete terms, it's impossible to perform an accurate cost-benefit analysis and focus on retention to prevent future turnover.

Our analysis reveals that cost of turnover tends to fall somewhere between \$8,000 and \$45,000 or more per event, depending on which frontline role you're replacing and the specifics of your organization. Clearly, that's a significant impact, but it's also a fairly broad range—and as we've established, it's important to be specific and determine the real cost to your organization so you can successfully measure the need for and ROI of retention strategies.

But with so many variables, how do you accurately calculate your specific turnover costs? It can be a complex exercise that has often proven to be outside the reach of many organizations, until now.

INTRODUCING THE WORKSTEP COST OF TURNOVER CALCULATOR

WorkStep has done much of the hard work for you and created an [easy-to-use calculator](#) available to everyone so you can get a detailed breakdown of costs tailored to your business.

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Understanding the Results of the WorkStep Cost of Turnover Calculator

* The numbers below are just an example and do not reflect every company's cost of turnover.

RESULT 1
What is the cost of sourcing a new hire?
This includes any advertising, postage etc. The average cost is \$1,200.

Sourcing Costs Per Hire: \$1,250

RESULT 2
What is the total cost of interviewing candidates?
This calculation takes into account the HR hourly pay, times the total number of hours, plus the hiring manager's hourly pay, times the total number of hours.

Interviewing Costs Per Hire: \$277
(HR hourly pay x total number of hours) + (hiring manager hourly pay x total number of hours)

RESULT 3
What are your total screening costs per hire?
The total cost of screening candidates for the role, which includes communicating with candidates and inviting them to interview. Hourly HR pay, times the total number of hours spent.

Screening Costs Per Hire: \$154
(hourly HR pay x total number of hours spent)

RESULT 4
What are your total incentive-related costs per hire?
e.g. sign-on incentives, bonuses, tuition reimbursements

Incentive Related Cost Per Hire: \$1,200

RESULT 5
What is the cost to cover time-to-hire?
When a worker leaves their job, that role still needs to be covered by another worker at a cost to the company at time-and-a-half.

Overtime Cost to Cover Time-to-Hire: \$3,120
(workers hourly pay x .5 x total number of hours)

RESULT 6
What are your training costs per hire?
This takes into considering onboarding and on-going training throughout the employment journey. The average number of training hours is 50 per year.

Training Costs Per Hire: \$2,154
(training manager hourly pay x number of training hours)

RESULT 7
What's the total cost of productivity ramp per hire?
Total cost until the worker is 100% efficient. This is the percentage of efficiency during ramp period, times the worker's daily pay, times the total number of days for ramp-up.

Productivity Ramp Cost Per Hire: \$3,744
(% of workers efficiency during ramp period x workers pay x total number of days)

RESULT 8
What is your end of employment admin cost?
This includes exit interview, canceling of benefits, collection of company assets from the employee. HR hourly pay times the total number of hours (based on an average of two hours per event).

End of Employment Administration Costs Per Hire: \$103
(HR hourly pay x number of hours)

RESULT 9
Are there any other costs associated with hiring?
e.g. background checks, drug testing, driver tests, etc.

Additional Costs: \$500

TOTAL
This is your total cost of turnover per turnover event based on your inputs and the calculations outlined above. Times this by your total number of turnover events a year and you get your total cost of turnover.

Total Cost of a Turnover Event: \$12,502

Interested in reducing your frontline worker turnover by up to 36%?
Register for a demo of [WorkStep RETAIN](#)

You'll gain insight pertaining to:


- **Sourcing costs**
 - Job posting and advertising for the open role
- **Interviewing costs**
 - Cost of interviewing candidates
- **Screening costs**
 - Communicating with candidates, inviting them to interview
- **Incentive-related costs**
 - Sign-on incentives, bonuses, and tuition reimbursements
- **Overtime costs to cover time to hire**
 - Remaining workers are often paid time-and-a-half as they work overtime to compensate for those who have left the company
- **Training costs**
 - Onboarding and ongoing training throughout the employment journey
- **Productivity ramp cost**
 - Total cost until a worker reaches 100% efficiency
- **End-of-employment administrative cost**
 - Exit interview, canceling of benefits, and collection of company assets from employee

But best of all, the above insights in summation will reveal your total cost per turnover event.

COLLABORATION IS ESSENTIAL


As we've discussed, turnover impacts the entire organization and so, in order to calculate comprehensive turnover cost, collaboration between departments is critical to produce accurate results. Spend some time conferring with colleagues in HR, Operations, Finance and the C-suite so you're prepared to answer the questions detailed in the adjacent graphic.

Like any **calculator**, the outputs are only as accurate as the inputs, but don't worry if you're not entirely sure about any particular field. We've provided average values for most questions and the calculator produces immediate results, so you can always use a few placeholder values now, and run the computations again when you have access to more concrete data.




Your Guide To Calculating Your True Cost of Turnover


STEP 01
Identify the annual salary of the HR manager.
The calculator will automatically convert this annual salary into an hourly rate. Unsure of what that is? We'd recommend using the industry average of \$107k.




STEP 02
Enter the annual salary of the hiring manager.
As before, the calculator will automatically turn this annual salary into an hourly rate.




STEP 03
Input the annual salary of the training manager.
This will automatically be converted to the hourly wage as in the previous steps. If you don't know the exact salary, a quick Google search will help.




STEP 04
Enter the hourly wage of your frontline worker.
The industry average for these positions is between \$20 -25 per hour.




STEP 05
Enter the hourly benefits cost.
This is the contribution your company gives towards benefits per hour for each worker. If unsure of the amount, the average is around \$2.83 per hour.




STEP 06
Calculate what the total cost is for sourcing candidates.
If uncertain of the exact amount, the average is \$1,250 per hire.




STEP 07
How many days does it take to fill the position?
Unsure? Industry average is around 29 days.




STEP 08
Have you offered incentives to attract candidates?
Enter those here. The average in the industry is around \$1,200.




STEP 09
New hire ramp time.
How many days does it take for a new hire to complete training and work independently, making them 100% efficient?



STEP 10
Efficiency during ramp period.
When a new employee starts, what is the percentage of skills and ability they have to efficiently perform the job during the onboarding and training phase?



STEP 11
Training.
In a given year, how many hours on average is spent training one employee. Not sure? We've calculated the average to be 56 hours per year.



What is the annual salary of the HR manager? *

[Submit]

What is the annual salary of the hiring manager? *

[Submit]

What is the salary of the training manager? *

[Submit]

What is the hourly pay of the worker? *

(average: \$20-25 per hour)

[Submit]

What are the hourly benefit costs of the worker? *

(average: \$2.83 per hour)

[Submit]

What are your total sourcing costs per hire? *

(average: \$1,250)

[Submit]

What is the average time-to-fill the open role? *

(average: 29 days)

[Submit]

What is the total cost of any incentive pay per hire? *

(average: \$1,200)

[Submit]

During the ramp period, how many days does it take for a new worker to be 100% efficient? *

[Submit]

How efficient is a new worker during their ramp period? *

[Submit]

How many hours are spent on training per year, per hire? *

(average: 56 hours per year)

[Submit]

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Turning a New Leaf Against Turnover

**75% OF TURNOVER
CAN BE PREVENTED**



Now that you have a true sense of how much each turnover event costs, extrapolate that across every employee who's left during a given period of time and it becomes painfully clear just how much turnover is costing your organization.

But here's the good news: 75% of turnover can be prevented. That's right, 75%.

Imagine slashing that obscenely high company-wide turnover number you just computed to just a quarter. But you can't prevent turnover if you don't know what's causing it in the first place and why your employees are leaving.

Invest in your workforce.

What do frontline workers want?

The answer might surprise you. According to our analysis, first and foremost, they want career growth opportunities—followed by improvements in job expectations, safety measures, orientation, coaching, and feedback.

What about pay? Pay is important, but it ranks seventh on the list.

But don't take our word for it. Ask them.

You can't retain an employee if you don't know what they want. It's time to check in with your employees and use their specific feedback to improve retention.

That's why we created [WorkStep](#).



RETAIN Your Frontline Workers

Source Feedback, Take Action, Reduce Turnover

WorkStep's platform empowers retention for the long run by providing a constant feedback loop throughout the employment journey.

WorkStep enables teams throughout your organization to conduct predefined and custom check-ins at a set cadence and during key employee milestones. Data is pulled into a central repository offering real-time analysis that you can leverage to draw meaningful conclusions and take action in the face of potential turnover.

Use WorkStep to:

- Reduce turnover of your critical frontline workers
- Improve productivity
- Identify & solve problems proactively
- Identify opportunities for improvement
- Track the impact of your actions in real-time
- Reduce turnover costs and protect your bottom line

Are you ready to drive value across your organization while connecting the dots between management, associates, and leadership teams?

Learn more at workstep.com





WORKSTEP

Helping supply chain companies hire
and retain their frontline workforce.

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True Cost of Turnover](#)

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