



# The Unforeseen Effects of Turnover In Business Today

Learn how you can reduce the hard and soft costs associated with turnover that are impacting your bottom line.

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# Do you know how much employee turnover can cost your business each year?

The Society for Human Resource Management estimates that the cost of directly replacing an employee can run as high as 50-60% of their annual salary, and the total associated costs of turnover can rise to 90-200%. According to the Bureau of Labor Statistics, 3.6% of workers leave their place of employment each month.

Your business most likely monitors its spending on advertising, production, and even your workspace - among other things. But you may not have a grasp on how much employee turnover is costing you - and even worse - it may be costing you more than you realize.

Today, most companies keep track of employee turnover, although many fall short in understanding its causes and costs in an effective way. It can be very difficult to evaluate and reduce employee turnover for many businesses. High turnover trends are hurting businesses, not just in terms of money and time lost, but in decreased morale and productivity as well.

*When it comes down to reducing the associated costs of turnover, a key takeaway for business owners to consider is:*

*Satisfied employees don't quit!*

## Here's a not-so-fun fact...

Did you know that a business today with **50** employees can easily expect its annual turnover costs to **exceed \$160,000.00**?



If your business has a higher turnover rate than that of your competitors, that means you're spending more money, time, and energy to maintain a functional and loyal staff. High turnover can have a ripple effect and negatively impact your current employees.

Turnover costs include advertising for an open job position, how much time it takes to recruit and interview candidates, costs related to background checks and drug screenings, and costs to administer pre-employment assessment tests. There is also an impact on productivity while a replacement is being recruited and hired, as well as a potential negative effect on company culture and team morale.

## Let's examine the soft and hard costs of turnover:

### The Soft Costs of Turnover

- Reduced productivity
- Employee stress and fatigue due to overtime
- Time to interview and onboard
- Loss of proprietary knowledge
- Reduction in team morale
- Company culture suffers
- Customer experience decreases

### The Hard Costs of Turnover

- Payouts for vacation and sick time
- Healthcare contributions
- Higher unemployment taxes
- Severance pay
- Job posting and advertising
- Staffing agency fees
- Overtime

Now you have an idea of the actual costs of turnover. When your turnover rate is high, you also have to pay for things like damage to your company's reputation, which makes it harder to attract top talent. Often times, employees experience resentment and burnout, as workers scramble to make up the work of the person who has gone. You also need to consider the fact that some of your current "loyal" employees are wondering if they should jump ship too, which can negatively impact productivity as your current workers start their own job-searching efforts.

High turnover can be extremely expensive for companies and can create a hectic situation for HR professionals. Staff, reputation management, training costs, and HR hours are all significant factors in high turnover consideration.

## Let's take a closer look...

The following illustration shows the turnover costs for ONE employee:

Essential Data	Exiting position's hourly rate of pay	\$20.00
	Supervisor's hourly rate of pay	\$30.00
	HR/Recruiting/Payroll average rate of pay	\$45.00
<b>Hard Costs</b> <ul style="list-style-type: none"> <li>• Exit interview time</li> <li>• Payout of annual leave</li> <li>• Payout in benefits</li> <li>• Current employee overtime and extra shifts</li> <li>• Temporary hire</li> <li>• Job Posting</li> <li>• Interviewing time</li> <li>• Pre-employment testing</li> <li>• Background checks</li> <li>• Orientation/training</li> </ul>	Separation Costs	\$4,245.00
	Vacancy Costs	\$1,240.00
	Replacement Costs	\$5,010.00
	<b>Total Hard Costs: (For ONE Employee)</b>	<b>\$10,495.00</b>
<b>Soft Costs</b> <ul style="list-style-type: none"> <li>• Loss of productivity of departing employee</li> <li>• Lost productivity of co-workers</li> <li>• Increased workload for current employees</li> <li>• Lost productivity of vacant position</li> <li>• Lost productivity of supervisor</li> <li>• Lost productivity during new-hire learning curve</li> <li>• Lost productivity or co-workers mentoring new employee</li> <li>• Lost productivity of supervisor due to additional coaching and oversight</li> </ul>	Separation Costs	\$2,000.00
	Vacancy Costs	\$4,700.00
	Replacement Costs	\$2,100.00
	LOSS OF PROPRIETARY KNOWLEDGE	\$???????
<b>Total Soft Costs: (For ONE Employee)</b>	<b>\$8,800.00</b>	
Total Costs for 1 Employee	Employee's Hours	<b>134</b>
	Supervisor's Hours	<b>63.5</b>
	<b>All Costs Factored: (For ONE Employee)</b>	<b>\$19,295.00</b>

Schedule a call or meeting with Averta to calculate your exact costs of turnover per employee. We will implement your specific data to provide the actual costs of turnover for your business using our employee turnover calculator.

Turnover impacts profitability, so it is important that you focus on employee retention. Focusing on employee retention translates to an increase in production, consistency, your bottom line, your company's reputation, the culture and the morale of your valued employees.



## Let's get the ball rolling!

Not only will Averta help reduce your costs of turnover, we will save your business and your valued employees time and money. We provide these savings through our efficiency, growth & savings program that adds instant value to your business. This program comes at no cost to your business and is proven to save your business and your employees time and money.

Let's connect in person or over a quick call, or on a private web meeting! We are eager to present the value that Averta seeks to bring to your business today.

Learn more about decreasing your turnover costs, our benefits education services and our efficiency, growth & savings program at [www.avertainsurance.com](http://www.avertainsurance.com).



Visit [www.avertainsurance.com](http://www.avertainsurance.com) or call us at **626.826.0048**.

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