The Real Cost of Staff Turnover

A short guide exploring the true cost of losing an employee, plus handy tips on how to improve staff retention.

RIPPL

Introduction

When considering the costs associated with an employee resignation, we usually only think about the direct logistical costs of hiring the replacement. This could include advertising costs to promote the job advert, recruitment fees, or the costs involved when the new person starts, such as training.

Whilst these elements can equate to considerable amounts, there is one other significant cost that most businesses fail to consider or recognise - lost revenue through reduced productivity. This is the revenue lost whilst the new employees reaches peak effectiveness in their job.

Supported by research from Oxford Economics, this short guide recaps the main costs associated with staff turnover, reminding us of the importance of improved staff retention.

On average, 13% of a company's workforce choose to leave every year because of their own volition.

Average staff turnover
Oracle

Staff turnover trends & statistics

41% of the global workforce is thinking about leaving their employer in 2021.

Microsoft

Employees 30-45 years old have the greatest increase in resignation rates, an average increase of 20% between 2020 and 2021.

Harvard Business Review

18% of workers want fully remote jobs and 25% would like to be office-based.

Wired

Resignations are highest in the tech and health care industries.

Forbes

Four million Americans quit their jobs in July 2021.

U.S. Bureau of Labour Statistics

44% of companies have tried to upskill their existing staff to fill vacancies.

Wired

Doing the maths on staff turnover

Logistical costs

+ Advertising & agency fees

Hiring employers spend on average £370 advertising a vacancy, and 60% of employers use agencies to recruit a new employee, spending an average of £400.

+ Cost of temporary workers

When employers cannot find a replacement before the original employee leaves, they may require temporary cover. On average, firms need a temp worker for 18 days', with daily costs reaching more than £400.

+ HR processes

On average, it costs a firm between £150 and £200 as their HR team recruits a new employee. This is based on the work done by a HR officer to fill the vacancy and onboard the new employee.

+ Interviewing

Quite often, senior staff members are involved in the process, and the time taken to conduct interviews is time spent away from their usual duties, which has an opportunity cost for the business. It's estimated that, on average, interviews cost a firm £700-£800.

+ Training

If the replacement employee needs further training, certifications or licenses, this can cost the business a considerable amount. Time spent waiting for the training to be completed can also contribute towards the time taken to reach optimum productivity.

+ Equipment & uniform

Employees are sometimes asked to pay for their uniforms to reduce costs, but some businesses may cover these costs for staff. New equipment may also be required if the existing employee takes this with them, such as laptops or tools.

Doing the maths on staff turnover (continued)

Productivity costs

+ Time to reach optimum productivity

It can take a new worker anywhere between 10 and 50 weeks to achieve optimal productivity depending on the firm size and the worker's background. For example, graduates can take longer than those who have moved into a vacancy from a previous role in the same industry.

+ Cost of lost wages

Combining the time taken to reach optimal productivity, learning styles, and average wage earned allows us to calculate the typical cost of “lost wages”. A worker coming from another firm in the same sector costs on average £5,000 - £10,000, whereas taking on an unemployed worker can be £25,0000 or more.

+ Lost capital income

When an employee is performing under optimal productivity, the business potentially loses value and capital income. For example, it could take eight to twelve weeks to replace a knowledgeable sales manager, and then another month or two before the replacement gets to full productivity. If the worker who left was bringing in £100,000 revenue, the company experiences £25,000 less in income and profits for the next three months.

Beware of the 'domino effect'

Staff turnover is already an issue, but the 'domino effect' is becoming troublesome for many companies. That is, where employees in structurally equivalent roles are often influenced by each other, which means that an employee is more likely to leave if they see their close colleagues leave the business.

With a buoyant recruitment market, this trend is expected to continue for a while, putting more importance on organisations investing in their people to improve staff retention.

Quick tips to improve staff retention

1. Conduct **regular surveys** to enable a feedback loop back into the business for continuous improvement.

2. Find out **what is important** to your employees and execute accordingly.

3. Make them feel valued and appreciated through **regular recognition**.

4. Foster a culture where leaders **welcome opinions** and **foster relationships**.