



## **Turnover Calculator Assumptions**

*The Turnover Calculator has been specifically designed to account for the three major cost categories associated with turnover.*

- **Direct Turnover Expense**
- **Administrative / Support / Training Expense**
- **Lost Sales / Opportunity Cost**

*These cost categories have been broken out in detail to insure that as many of the hidden costs as possible are accounted for. Although these costs are somewhat under the radar, they are significant nonetheless. (e.g. Executive Time spent with new hire, etc.)*

*The Lost Sales / Opportunity Cost category should only be used with positions that can directly impact revenue and/or gross profit. For staff positions that do not have a direct impact on revenue and gross profit, the Desired Revenue and Actual Revenue fields should be set at zero. In a typical scenario, it is best to assume that the 2<sup>nd</sup> hire for that position achieves plan in years 2 and 3. Even with this rather optimistic assumption, there is a compounding affect that carries through in subsequent years. This is a realistic assumption in that lost productivity cannot be recaptured after the fact.*

*It is important to note that these costs, if anything, are understated. Even though this model accounts for the time that executives and managers spend with candidates / new hires, the model does not account for the opportunity costs of the executives / managers being pulled away from initiatives that might be more strategic in nature. In addition, this model does not factor in the significant cost associated with key positions that are “open” for a period of time.*

*As a general rule of thumb it is accepted that the cost of turnover is 1 ½ times salary<sup>1</sup>. This assumption does not include positions that impact revenue and gross profit. For these positions, the costs are significantly higher. The results produced by the Turnover Calculator have been validated by numerous organizations in a variety of industries by comparing the results against their actual results. In most cases these organizations have described the results as conservative to realistic.*

**<sup>1</sup> Note: For a position with a base salary of \$50,000, and no “Lost Sales / Opportunity Cost”, the Turnover Calculator computes the cost of turnover to be \$76,100 or 1.52 times salary. In this scenario, very conservative Benefit / Admin / Support & Training costs were used.**