# Retaining and Motivating Staff You Can't Afford To Lose



## Understanding Turnover Costs When Considering Redundancies

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### **Understanding Turnover Costs When Considering Redundancies**

When considering redundancy and recruitment, it's good to get an idea of the full costs associated with staff turnover. While it may be tempting to reduce staff in the short-term to improve cashflow, doing so may not be a cost-effective solution in the long-term. Here is a template to help you calculate the true cost of turnover.

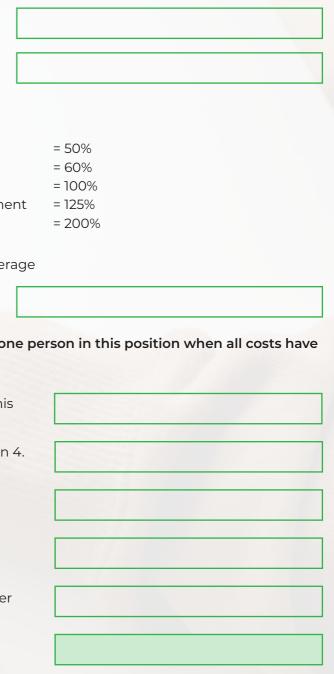
#### **Calculating Turnover Costs**

- 1. Nominate a position
- 2. Enter the average annual pay for this position
- 3. Locate the Job category using the list below
  - Entry level / Secretarial / Administration
    Service and Production
    Skilled and Professional
    Supervisors / Team Leaders / Middle Management
    Engineers / IT Specialists
- Multiply the percentage as a decimal X the average Annual Pay.
   For example 125/100 x 50,000 = \$62,000

This is the cost that is incurred in replacing just one person in this position when all costs have been tabulated.

- 1. How many times do you replace a person in this role annually?
- Multiply this number by the answer in question 4.
   For example \$62,500 x 2 = \$125,000
- 3. Now estimate the company's top line costs...
- 4. What is your company's profit margin?
- 5. Multiply this percentage by the annual turnover cost. For example \$125,000
- 6. The top line cost is:

This is the amount in the new revenue that is required to cover the expense of losing just one or two people per year.





#### **Contact Us**

Let's talk you through your needs and how we can best assist you.

Give us a call directly on one of our office numbers, or email us, and we'll get back to you quickly and responsively.

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