

EMPLOYEE TURNOVER COSTS GUIDE

TRIFECTA[®]
GROWTH INSTITUTE
TRAINING • LEADERSHIP • COACHING



Main Reasons For Top Talent Turnover



Top Talent Replacement Algorithm

Employee turnover is often underestimated. While recruiting fees and training costs are obvious, organizations also lose productivity during vacancy periods. Furthermore, many companies fail to calculate the Ramp-up cost which also equates to lost revenue during the first 60 - 90 days of a new hire. This guide provides a structured formula and step-by-step method to calculate the true financial impact of employee turnover and replacement cost.

Employee Replacement Cost Formula

$$S/52 * V + [S/52 * R (1- P/100)] + \text{Recruiting} + \text{Onboarding} + \text{Training}$$

Key Variable Description

S = Annual Salary of employee

V = Vacancy period is the # of weeks the position remains open. Also includes team impact cost using a Pressure Multiplier. Examples: Missed revenue opportunities, Overtime for remaining staff, Delayed projects

R = Ramp-up period (weeks before new hire reaches full potential)

P = Productivity during ramp-up based on %.

Recruiting Cost = Expenses required to find a replacement. Examples: Job Postings, Recruiter Fees, Interview Time, Background Checks

Training Cost = Investment required to onboard a new employee. Examples: Orientation, Training Materials, Mentorship Time, Certification Cost

Ramp-Up Productivity Loss = New employees rarely operate at 100% capacity immediately. See below the typical productivity during ramp up:

- Entry Level: 80-90%
- Mid-Level Professional: 60-80%
- Top Performer: 40-70%

Calculating Employee Replacement Cost

Formula Understanding and Breakdown

The total turnover costs combines vacancy cost, ramp-up productivity loss, recruiting expenses, and training costs.

Step 1: Convert Salary to Weekly Value: Weekly Salary = $S/52$

Step 2: Vacancy Cost

The Vacancy formula (shown below) can be considered as Slack Pick-up Costs. This formula takes into consideration the # of team members, the # of hours each team member has to contribute so the exiting employee duties do not cause additional damage to the company operations. Additional factors of fatigue, additional stress, and burnout are calculated using the Pressure Multiplier of 1.5.

Vacancy Cost Formula

Exiting Employee Weekly Salary * # of Team Members * # of Hours (per week) * Blended Hourly Rate*1.5

*Trifecta has found it takes on average 4-6 months to replace a mid-level manager.

*Pressure Rate can be reduced to 1.25 if experienced team

Step 3: Ramp-Up Productivity Loss: Weekly Salary * $R(1 - P/100)$

New employees typically produce less during their learning period. We estimate this to take between 60 - 120 days.

Calculating Trifecta's Replacement Algorithm

Step 4: Onboarding / Training Cost

Equipment, training spend, mentorship, coaching, right seat rides. Trifecta has found that a successful onboarding program takes 3-6 months.

<u>Week</u>	<u>Productivity Rate Average</u>
1-2 Orientation	60%
3-4	60%
5-6	70%
7-10	80%
11-16	90%
17-20	95%

Onboarding Cost = # people training * number weeks * blended rate + cost of individual weekly salary + Skills Training Cost

Step 5: Recruiting Cost

External Recruiting Spend (Ads, Recruiting Fees, Background Checks, etc)
 Internal Recruiting Spend (Interview hours, resume review, etc)

Recruiting Agency Monthly Fee + Recruiter Fee (Average 15-30% of 1st year salary) + (Interview Hours * Blended Hourly Rate) + Ad Spend (average \$1,000 per month)

Step 6: Total Turnover Cost

This formula estimates the financial loss caused by replacing an employee.

Employee Replacement Cost Formula

$$S/52 * V + [S/52 * R (1 - P/100)] + \text{Recruiting} + \text{Onboarding} + \text{Training}$$

Top Performer Example Calculations

Employee Salary: **\$75,000**

Inputs:

<u>Variable</u>	<u>Value</u>
Annual Salary (S)	\$75,000
Vacancy Period (V)	12 Weeks
Ramp-Up Period	20 Weeks
Recruiting Cost	\$38,942.31
Training Cost	\$3,750 (for Trifecta Project Management Training)

Step 1: Weekly Salary

$$\$75,000/52 = \mathbf{\$1,442.31 \text{ per Week}}$$

Step 2: Vacancy Cost

$$(5 \text{ Team Members} * 5 \text{ Hours / Week} * \$35/\text{Hr}) * 1.5 \text{ PM} * 12 \text{ Weeks} = \mathbf{\$15,750}$$

Step 3: Ramp- Up Productivity Loss

$$\$1,442.31 * 20 \text{ weeks} * (1-0.60) = \mathbf{\$11,538.48}$$

Step 4: Onboarding / Training Cost

$$(2 * 25 * \$35) + \$1,442.31 + \$3,750 = \mathbf{\$6,942.31}$$

Step 5: Recruiting Fee

Internal Recruiting Spend: \$875 (\$20/Hr x 25 Hours)

External Recruiting Spend: \$400 (Recruiting Agency Monthly Fee + \$4,000 (Ad Spend)) + \$250 (Background Check) + (75,000*.20) (Recruiting Agency Placement Fee) = **\$20,525**

***Based on 4 months to hire**

Step 6: Total Turnover Cost

$$\$15,750 + \$11,538.48 + \$6,942.31 + \$17,225 = \mathbf{\$54,755.79}$$

Calculate Your Top Performer Risk

Section 2: Calculate Your Risks	
Employee Annual Salary:	
Vacancy Cost	
Ramp Up Productivity Loss:	
Training/ Onboarding Costs:	
Recruiting Cost:	
Total Turnover Cost:	

Quick Action to Retain Top Performers

MINDSET

Shift from reactive to growth-oriented leadership.
Show team members you are invested in their success.

COMMUNICATION

Be clear, consistent, and credible in expectations.
Top performers stay where direction is clear and feedback is honest.

If you want stronger teams, better leaders, and a culture that people choose to stay part of, it starts with investing in your leaders.

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