

# Using the Turnover Calculator

The following Fact Sheets are available on line at [www.aofp.ca](http://www.aofp.ca):

1. Becoming an Employer of Choice
2. Employee Turnover
3. Using the Turnover Calculator
4. Fostering Employee Commitment
5. Keeping your Good Employees
6. Employee Engagement
7. Essential Skills
8. Workforce Diversity
9. Managing a Family Business
10. Rewards
11. Recruiting Foreign Workers
12. Orientation
13. Employee Empowerment
14. Introducing Technology
15. Effective Appraisals

**Another Turnover Calculator you may find useful can be found at:**

<http://www.afpa.com/hr/OnlineEmployeeTurnoverCalculator.htm>

**Other Fact Sheets that may be helpful:**

2. The Cost of Employee Turnover

This resource is available on line at [www.aofp.ca](http://www.aofp.ca) under Workforce Development.

## How can this Fact Sheet help me?

This fact sheet is a step-by-step guide to using the AOFP Turnover Cost Calculator, available on line at <http://www.aofp.ca>. Click on the Workforce Development link on the left-hand menu bar to access the Calculator.

## Challenges and Opportunities

Turnover comes with many costs, both direct and indirect. Employers of Choice recognize these costs and use them in decision making.

The AOFP Turnover Cost Calculator will help you estimate what it costs each time an employee is lost and replaced.

## Where do I start?

The Turnover Calculator is an Excel workbook with five worksheets. To move between worksheets, click on the tabs at the bottom of the page. Comments exist in any cell with a red triangle in the top right corner. Place your mouse over the cell to make the comment appear.

## Introductory Worksheet

This is an introductory worksheet that explains some of the assumptions upon which the Calculator is based.

### ADVANTAGES OF BEST PRACTICES

- More qualified job applicants
- Better trained and informed employees
- Better health and safety practices
- More engaged and productive employees
- Fewer line interruptions
- Fewer product quality problems
- Easier implementation of new technology
- Lower absenteeism and employee turnover
- Higher sales per employee
- Higher market value to book value

## Step 1: Company Cost Structure

Click on the tab labelled Step 1, to access the first worksheet. This is where you enter the wages that are used by the Calculator to determine Turnover Costs.

- Red box cells red require an entry.
- Black box cells have a default entry, but this can be changed.
- Blue box cells are optional cells that may or may not apply to your company.

Enter the starting hourly rate for job classification in which you are experiencing turnover **1**  Entry needed

Enter the average hours per week for this worker **2**  Hours Default value

**Verify the costs of benefits shown below. Change those that are not appropriate for your firm.**

Canada Pension Plan Premium Company Share **3**  Optional

Employment Insurance Premium Company Share **4**

Ontario Employer Health Tax **5**

<http://www.wsib.on.ca/wsib/wsibsite.nsf/public/employersrates2007#table> Workers' Safety Insurance Board Premiums **6**  This is the 2007 Federal rate at the maximum employer share of 140%.

Paid Vacation  vacation weeks **7**  Default value

Statutory Holidays  paid holidays **8**  Default value

Company Contribution to Pension or RRSP **9**  Optional

Company Paid Medical Benefits (Prescription Drugs, Vision Care, etc.) **10**  Optional

**Benefits As Percentage of Hourly Rate**  **Hourly Rate Loaded**

**Supervisors' and Clerical Cost Estimates**

Average annual salary of HR clerical staff **11**

Average annual HR manager's salary **12**

Average annual supervisor's salary for this worker **13**

**Mouse over a cell to view its comment.**

**These data entry cells are not aligned with the others.**

You may want to use the data for someone who recently left the company or for a position that typically experiences high turnover when first practicing with the Turnover Calculator.

1. Enter the appropriate number for each cell numbered from 1 to 10. Remember to mouse over a cell to read its comment.
2. The Calculator determines the cost of benefits, both as a % of wages, and as an hourly loaded rate. This appears in the green field below data entry cell 10.
3. Enter the annual salary including benefits for the employee who does payroll and personnel paperwork in Cell 11. If you are not sure what this total is, use the number that was calculated above for % benefit.
4. Enter the annual salary including benefits for the person who does the interviewing and hiring of new employees (Cell 12) and for the person who supervises the worker being replaced (Cell 13).

## Step 2: Direct Costs

Enter the appropriate numbers in each data cell.

Cell 1: Include not only standard clerical time, but all associated time, such as time spent arranging for an ad to be placed and coordinating new workplace clothing and safety equipment.

Cell 2: Associated time could include time spent writing an ad for the vacancy, pre-screening resumes, preparing interview questions and checking references.

Cell 12: This includes material goods that could not be recovered from the departing employee (e.g. safety shoes paid for by the company, individually moulded ear plugs, employee handbook).

Enter values in boxes 11, 12 and 13 in Step 1 before continuing		Step 2: Estimate the direct costs of turnover	
		Hours	Dollars
Recruitment	How many hours of human resources admin time were spent in setting up the worker?	1	<input type="text"/>
	How many hours of human resources management time were spent selecting the worker?	2	<input type="text"/>
	How many hours of production supervisor's time were spent in selecting the worker?	3	<input type="text"/>
	What third party advertising/recruiting costs did the company incur in order to fill the position?	4	<input type="text"/>
	What referral bonus, signing bonus and/or moving expenses were paid on account of this worker?	5	<input type="text"/>
Training & Orientation	How many hours of supervisor time were spent in orienting and training the new worker?	6	<input type="text"/>
	How many hours did the worker spend in training during the time of employment?	7	<input type="text"/>
	What costs were paid to third parties to deliver training and/or registration fees for this worker?	8	<input type="text"/>
Termination	How many hours of admin time are required for the Record of Employment and other termination papers?	9	<input type="text"/>
	How many hours of human resource management time were spent in terminating the worker?	10	<input type="text"/>
	How many supervisor's hours were required to give the termination notice and prepare the appropriate documentation? Include time spent in warnings, grievance processes and documentation of performance.	11	<input type="text"/>
	What is the cost of materials and/or services supplied by the company not recoverable on termination?	12	<input type="text"/>
Extra costs for third-party payroll service provider transaction fees (See last worksheet tab, Extra)			<input type="text"/>
		<b>TOTAL DIRECT COSTS OF WORKER TURNOVER PER WORKER</b>	

## Step 3: Hidden Costs

Step 3 captures some of the costs that are not as easy to quantify. If you do not know the true values, some suggested numbers are listed below.

Cell 1: Estimate total cost by multiplying the number of workers by their hourly rate and adding 0.2% of your fixed costs for this line.

Cells 3 and 4: Enter 100% for target efficiency (Cell 3) and 80% for Cell 4. These values should give you a rough estimate.

Cell 5: Automatically calculates based on the data your entered.

Cell 6: Use 3% of the value of the goods produced by this department. Enter the value in dollars.

Cell 7: Enter 10 %.

Cell 8: Automatically calculates based on the data you entered.

Cell 11: Is calculated as the difference between what the regular worker would be paid and the supervisor's pay multiplied by the number of hours worked.

Cell 12: Automatically calculates based on the data you entered.

The total turnover cost for the department will show up at the bottom of this page. This can give you a rough estimate of what you might save if you reduced turnover by following Workforce Management Best Practices.

Enter values in boxes 11, 12 & 13 in Step 1 before continuing **Step 3: Estimate the hidden costs of turnover**

The costs in this step are not worker-specific. They relate to the line or department where the worker is engaged and need to be completed by the supervisor

Productivity Penalty	What is the target total hourly cost of operating the line to which the worker is assigned?	1	\$ -	
	How many hours did this line or department operate over the course of the past year?	2	-	
	What is the target level of line efficiency that should be attainable with a skilled, dedicated crew?	3		
	As a result of turnover, leading to inexperienced workers, what was the average line efficiency attained over the course of the past year?	4		\$ -
This figure is an estimate of the <b>productivity penalty</b> that turnover caused this line or department				
Quality Penalty	What is the target cost of scrap, rework, or correcting mistakes for this line or department per year?	6	\$ -	
	How much was the target cost exceeded as a result of turnover of workers?	7		8
<b>Each of the following three questions relates to the past full year</b>				
Wage Cost Penalty	How much in total was paid to <b>temporary agencies for their mark-up</b> on base rates that would not have been necessary if there had been sufficient regular workers on payroll available to do the work?	9	\$ -	
	How much <b>overtime</b> was paid in the department to make up output lost as a result of worker turnover?	10	\$ -	
	What is the estimated <b>incremental cost for using higher-paid workers</b> , including supervisors and lead-hands, to fill in gaps as a result of worker turnover?	11	\$ -	
HIDDEN COSTS OF TURNOVER ESTIMATED FOR THIS LINE OR DEPARTMENT FOR THE FULL YEAR			\$ -	12
HOW MANY WORKERS TURNED OVER IN THIS DEPARTMENT IN THE PAST YEAR?		13		
ESTIMATED DIRECT COSTS OF TURNOVER FOR THIS DEPARTMENT				14
TOTAL DIRECT & HIDDEN COSTS OF TURNOVER FOR THE YEAR FOR THIS DEPARTMENT				15

This is an extra step that firms that use third party payroll service providers may choose to use

*Firms that do these tasks in-house may wish to assign a value to each task also*

Enter the costs below that your payroll service providers charge per transaction

Third Party Service Provider	Cost for setting up a new hire with the third party service provider	1	\$ -	
	Cost for issuing a record of employment (ROI) and any other termination documents	2	\$ -	
	Cost for issuing a T4 at the end of the calendar year	3	\$ -	
Pension Provider	Cost for setting up a worker in the pension plan	4	\$ -	
	Cost for terminating a worker in the pension plan	5	\$ -	
Benefits Provider	Cost for setting up a worker in the third party benefits plan	6	\$ -	
	Cost for terminating a worker in the third party benefits plan	7	\$ -	
Any other transaction-based service fees paid to third parties for setting up or terminating a worker		8	\$ -	
TOTAL TRANSACTION-BASED SERVICE FEES FOR SETTING UP AND TERMINATING A WORKER			\$ -	

## Summary: Using the AOFPP Turnover Calculator

Read the Introduction page.

**Step 1:** Fill in the company cost structure.

**Step 2:** Calculate direct costs.

**Step 3:** Estimate hidden costs.

If you use an external payroll service, enter these costs on the Extra worksheet.