

Financial Model – to calculate staff turnover

The following method will enable you to roughly calculate the annual cost of staff turnover.

Staff Turnover (T)

Total number of leavers over a period x 100

Average total number employed over a period

The total leavers includes people who left due to dismissal, redundancy or retirement.

Example

T = Turnover eg 7%

X = Number of employees eg 82

R = Average cost of replacing 1 person eg £3,000

S = Approximate total cost of replacing staff in one year

$$X \times T \times R = S$$

$$82 \times 7\% \times £3,000 = £17,220$$

$$S = £17,220$$

Annual Cost of Absenteeism

X = Number of employees eg 82

Y = Absence rate per year eg 5%

Z = Average wage eg £14,000

A = Annual wage bill

C = Cost of absence per year

$$X \times Z = A$$

$$82 \times £14,000 = £1,148,000$$

$$A \times Y = C$$

$$5\% \text{ of } £1,148,000 = £57,400$$

$$C = £57,400$$

If the employer in this example reduced absenteeism by 1% a saving of £11,480 per year would be achieved.

Source - Advance Personal Development –WCC Work-Life Balance Training Course