



SHRM21

ANNUAL CONFERENCE & EXPO
LAS VEGAS & LIVE ONLINE
SEPTEMBER 9-12

Sherri Merbach

Calculate Turnover Costs Like a CFO: Drive Bottom-Line Results



1 #SHRM21

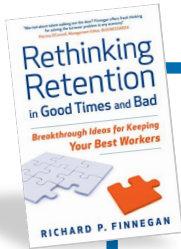


Calculate Turnover Costs Like a CFO: Drive Bottom-Line Results

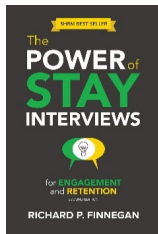
Let's do a quick in-person survey, STAND IF ...

- You are currently short-staffed
- You are losing employees you want to keep
- You are using temporary employees
- You are incurring overtime to meet customer needs
- Turnover is impacting your company's ability to grow
- You have leaders that expect HR to solve recruiting and retention issues

Introducing C-Suite Analytics



Business-driven by translating turnover %s and survey scores to the language of CEOs which is Dollar\$



Endorsed by Chief Executive Magazine, Consulting Magazine, and BusinessWeek which said, *“Offers fresh thinking for solving the turnover problem in any economy”*



Improved retention 20-70% based on our founder's top-selling, industry-changing books

SESSION OBJECTIVES

During this session, you will:

- Improve your credibility as a business leader by talking the language of business leaders
- Learn to place dollar values on turnover to move your CEO and CFO to take action on them
- Leverage a proven accountability approach that cuts turnover by 30% or more per year



Be Invited To The Table



Become a Credible Activist

- Establish credibility at all levels of an organization
- Build trust by following through on commitments
- Have a point of view
- Demonstrate perseverance
- Keep up to speed on innovative HR practices
- Be an exceptional communicator with the ability to frame complex ideas in simple and useful ways

Source: Victory Through Organization

Record-Level Turnover Coming Your Way

- According to the Labor Department, **3%** of the U.S. workforce — or about **4 million** workers — put in their “two-week” notice and left their job in **April 2021**
- Indeed’s job postings are up **13.5%** compared to pre-pandemic level
- Employers reported **9.3 million** open jobs in early June, a record for the U.S. economy

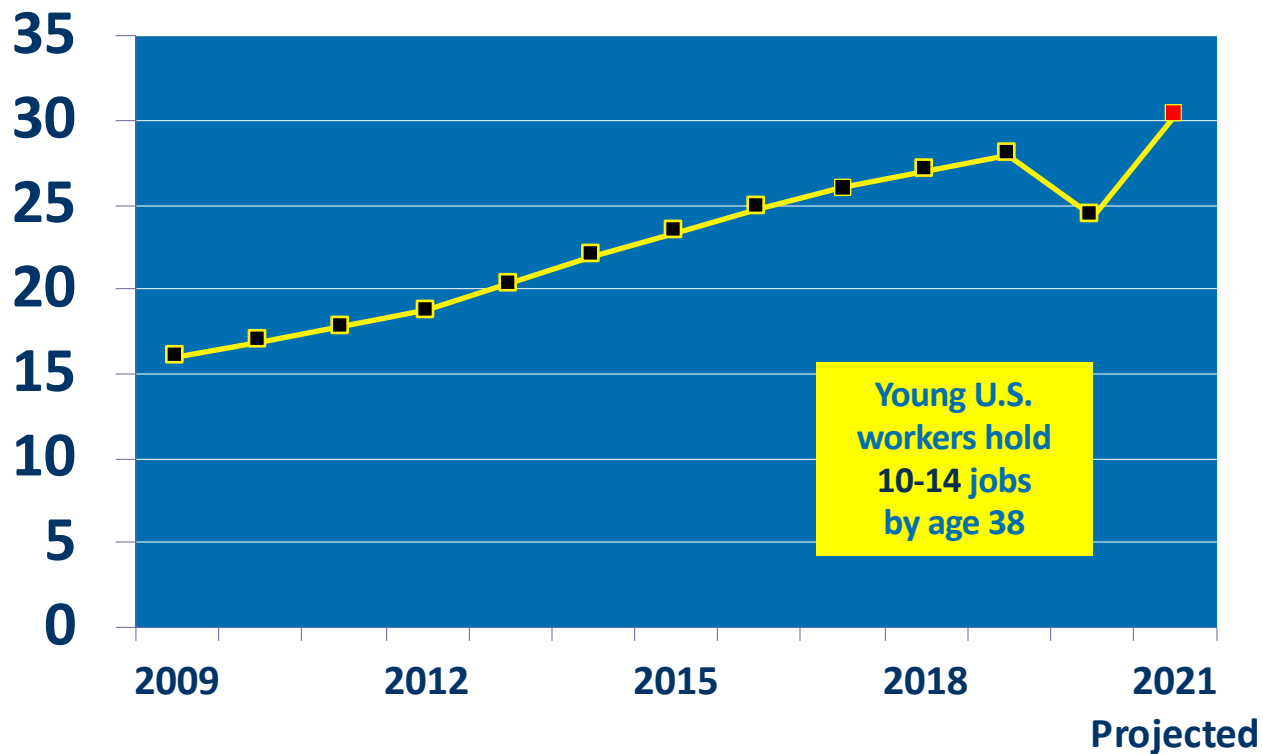


Fewer People in the Workforce



- ✓ Twice the number of U.S. workers **retired** in pandemic-impacted 2020 versus 2019, resulting in 1.2 million fewer people in the workforce
- ✓ Growth in the U.S. working-age population during the decade of 2020 to 2030 will be the **lowest** since the civil war...as the raw increase in the number of people aged 20 through 60

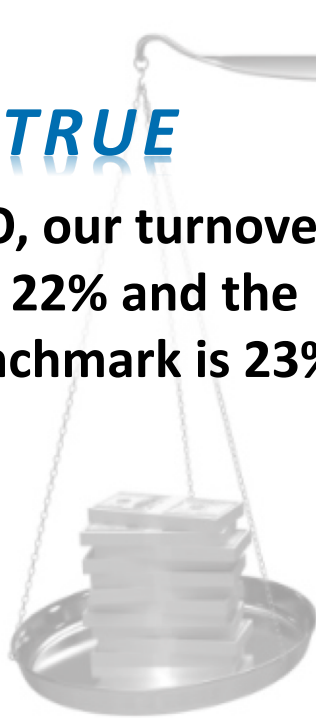
U.S. Voluntary Quits, Bureau of Labor Statistics



Why Care About Turnover?

TRUE

CEO, our turnover is 22% and the benchmark is 23%



or

BUT ALSO TRUE

CEO, our turnover is 22% and it's costing us \$3.4 MM each year



How important is calculating Turnover's Costs?

Reporting in \$s generates:

- *Urgency*
- *Accountability*
- *Action*

#SHRM

Turnover is Impacting Your Bottom Line



- Software Engineer..... \$131,000
- Nurse.....\$56,625
- Call center representative.....\$29,447
- Truck loader/unloader....\$4,955

**How much does turnover cost you when you
lose just one employee?
And top performers cost 4X as much to lose**

Turnover Cost Study

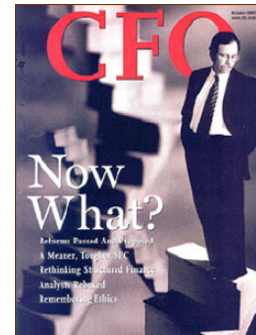
What is the ***total exit cost*** for losing one valuable employee?



The Turnover Cost Team



The Turnover Cost Team



An Accountability Clue

The secret to influencing the CEO to set retention goals is to ask the CFO to put a \$ cost on turnover first...then both the CEO and CFO become advocates for what you've always known...

Retention must be managed on the operations side of your company.



Which Jobs Should You Measure...

The
top
job

Jobs for which
turnover causes
the most
disruption and
the most cost

MEASURE



Which part of turnover's cost is usually greater?

- 1 Direct costs such as recruiting, selection, and training the replacement
- 2 Lost productivity costs while the job is open and the new hire ramps up
- 3 Both are about the same

Measuring “Lost Productivity” Matters Most

“Lost productivity” measures how much work doesn’t get done and often times costs more than all other categories combined and might include:



- ❌ **Incomplete work** such as products not built, calls with increased hold times, medications delivered off schedule
- ❌ **Reduced quality** such as items returned, customer complaints, re-doing work
- ❌ **Lost customers** who move to a competitor, leave long lines rather than buy, or follow your ex-employee to their new company

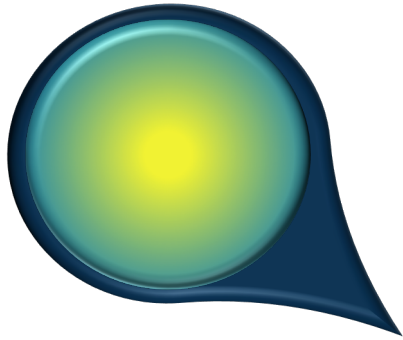
Introducing...



*The very **best**
turnover cost
calculator*



Get Your Cost Calculator



<http://c-suiteanalytics.com/cost-calculator/>

The C-Suite Analytics turnover cost calculator is designed to measure in dollars both the costs of losing and gaining an employee as well as the lost productivity endured while the position is open and the new hire is learning the job.

EXAMPLE: Calculating the Loss of One Nurse

Direct Costs



One Exit's
Cost

Lost Productivity

Based on **11**
data points



Nurse Turnover: Baseline Data

EXAMPLE:
Calculating the Loss of One Nurse

 **1** Nurse annual average compensation & benefits = **\$85,000**

 **2** Annual average compensation & benefits all positions = **\$68,000**

 **3** Projected nurse exits this year = **200**

Nurse Turnover: Direct Costs

EXAMPLE:
Calculating the Loss of One Nurse

| | | | | |
|---|--|---|----------|-------------------|
|  4 | Separation ...exit interviews, admin costs | ≡ | \$ 100 | } \$22,250 |
|  5 | Vacancy ...temp help and OT | ≡ | \$5,000 | |
|  6 | Acquisition ...advertising, agencies, referrals, travel, interviews, assessments, background checks, reference checks, physicals, bonuses | ≡ | \$12,900 | |
|  7 | Placement ...new supplies, onboarding days, training days | ≡ | \$4,250 | |





Nurse Turnover: Lost Productivity

EXAMPLE:
Calculating the Loss of One Nurse

| | | | |
|---|-------------------------------------|---|------------------|
|  8 | Annual revenue ÷ FTE |  | \$240,000 |
|  9 | Workdays per year |  | 240 |
|  10 | Average workdays position open |  | 30 |
|  11 | 50% workdays to total effectiveness |  | 10 |

Nurse Turnover: Gross Lost Productivity

EXAMPLE:
Calculating the Loss of One Nurse

| | | | |
|---|---|-------------------|--|
|  | Daily revenue per each FTE (total revenue ÷ FTEs ÷ annual workdays) | ≡ \$1,000 | |
|  | Nurse daily revenue vs other jobs (1.25 X \$1,000 based on comp and ben difference) | ≡ \$1,250 | |
|  | Lost revenue position open 30 days (\$1,250 X 30) | ≡ \$37,500 | } Total Gross Lost Productivity \$50,000 |
|  | Lost revenue ramp-up 10 days (\$1,250 X 10) | ≡ \$12,500 | |

Nurse Turnover: Net Lost Productivity

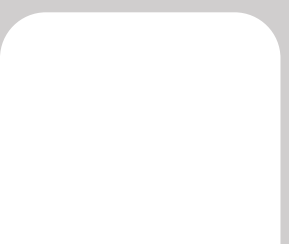
EXAMPLE:
Calculating the Loss of One Nurse



Nurse Turnover: Summary

EXAMPLE:
Calculating the Loss of One Nurse

| | | | |
|--------------------------------------|-----------------|----------|-----------------------------|
| Total Direct Costs | \$22,250 | | Total Costs Per Exit |
| | + | = | \$56,625 |
| Total Lost Productivity Costs | \$34,375 | | |



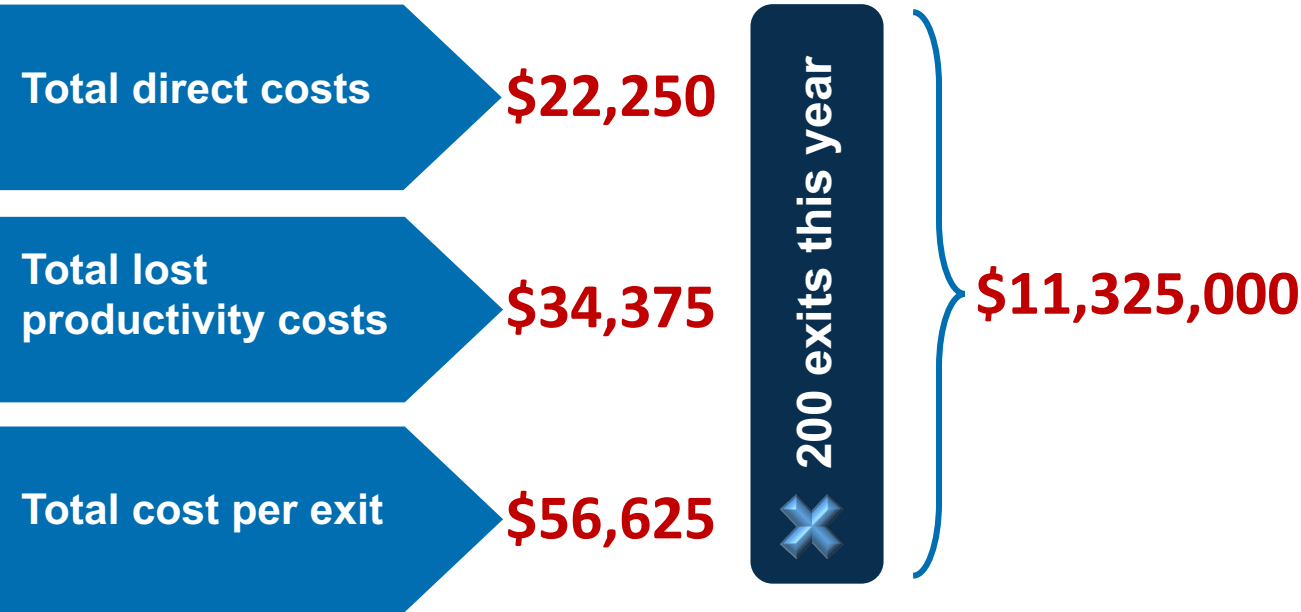
Nurse Turnover: Summary

EXAMPLE:
Calculating the Loss of One Nurse



Nurse Turnover: Summary

EXAMPLE:
Calculating the Loss of One Nurse



Annual Savings
20%:

\$2,265,000

Annual Savings
50%:

\$5,662,500

FINNEGAN'S ARROW®



**Reduce Cost
of Turnover**



**Improve
Employee
Engagement**



**Improve Revenue
& Profitability**

FINNEGAN'S ARROW®



Introducing the **Science of Retention**, Based on the Identical Ways Your Company Manages Sales and Service...Making Retention A **Business** Issue

Proven Approach That Cuts Turnover

Manufacturing

47%

Nurses

35%

Call Centers

50%

Meat
Processing

47%

Distribution Centers

58%



*Clients Include FedEx, Bank of America,
Caterpillar, & More*

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**Reduce Cost
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**Improve
Employee
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**Improve Revenue
& Profitability**

The Incredible Power of Accountability & First-Line Retention Goals

STRATEGY A

Group of hospitals
“solved” nurse turnover
with onsite child care &
flexible scheduling

STRATEGY B

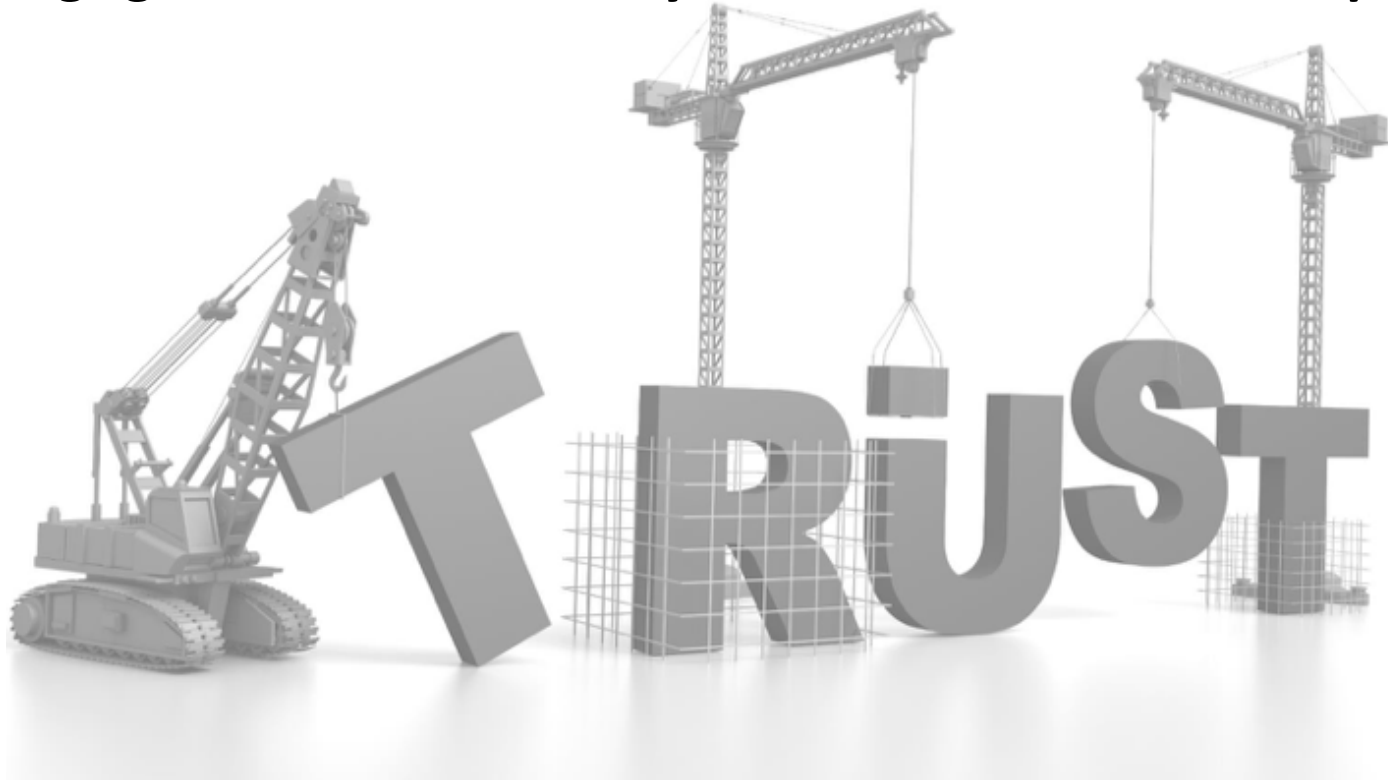
Outlier hospital assigned
retention goals to
managers and reported
progress monthly

Accountability ... one year later:

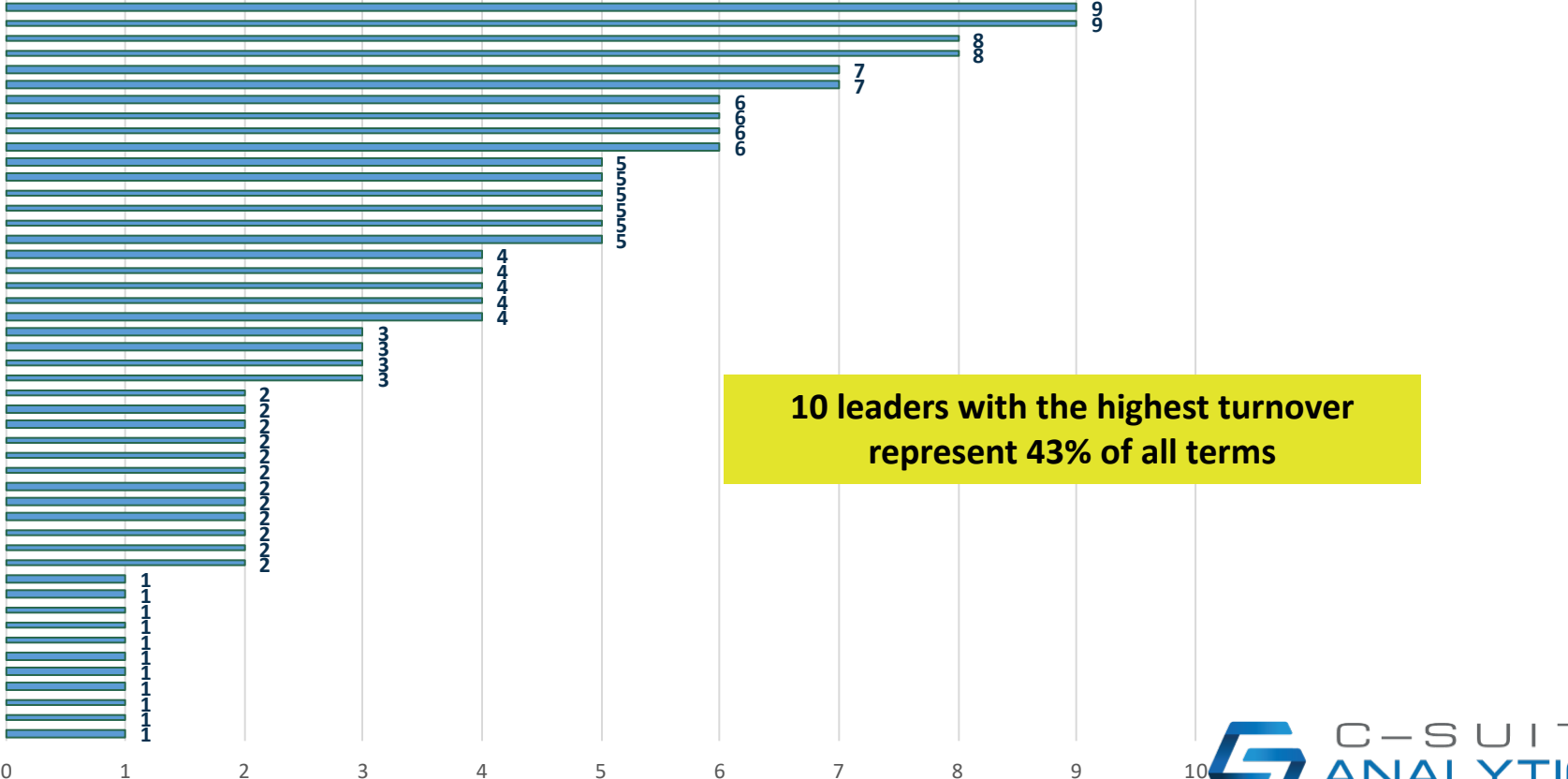


***“A” turnover % identical,
“B” down 41%, saved millions of \$s***

*The #1 reason employees stay or leave...or for that matter engage or disengage...is how much they **trust** their immediate supervisors.*



Example Chart: Turnover by Manager



10 leaders with the highest turnover represent 43% of all terms

Establish Two Turnover Goals



- ① **Reduce total annual turnover**
- ② **Reduce new hire turnover**

FINNEGAN'S ARROW®



**Reduce Cost
of Turnover**



**Improve
Employee
Engagement**



**Improve Revenue
& Profitability**



**C-SUITE
ANALYTICS**
Business-Driven Employee Solutions

The Power of Stay Interviews

A Stay Interview is a **structured** discussion a **supervisor** conducts with each individual employee to learn the specific actions he must take to strengthen that employee's engagement and retention with the organization

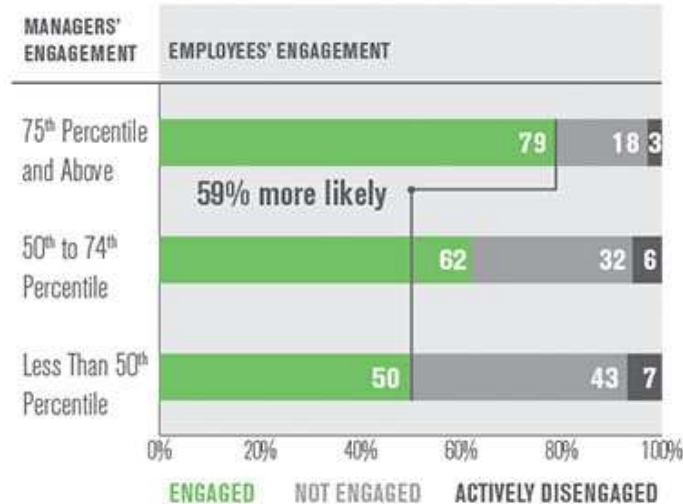
Stay Interviews...

- Bring information that can be used **today**
- Focus on **individual employees** including top performers
- Put **supervisors** in the solution seat



The Cascade Effect

EMPLOYEES WHO WORK FOR ENGAGED MANAGERS ARE 59% MORE LIKELY TO BE ENGAGED



GALLUP®

If the manager is not engaged, then likely that 50% of their employees are not engaged and a retention risk.



C-SUITE
ANALYTICS
Business-Driven Employee Solutions

FINNEGAN'S ARROW®



**Reduce Cost
of Turnover**



**Improve
Employee
Engagement**




**Improve Revenue
& Profitability**





**C-SUITE
ANALYTICS**
Business-Driven Employee Solutions

Supervisors Forecast Retention



 Likely to *leave* in less than 6 months

 Likely to *leave* in 6-12 months

 Likely to *stay* a year or more

* Can be **changed** at any time **if** new information

FINNEGAN'S ARROW®



**Reduce Cost
of Turnover**



**Improve
Employee
Engagement**



**Improve Revenue
& Profitability**



**C-SUITE
ANALYTICS**
Business-Driven Employee Solutions

What is the lever to create change?

| MANAGER | RETENTION GOALS | YTD ACTUAL % | COST OF TURNOVER |
|----------------|-----------------------|--------------|------------------|
| Jose Rodriquez | All T/O 25% | 18% | \$105,378 |
| | 90-Day Retention: 80% | 85% | 31,254 |
| Sue Michaels | All T/O 25% | 14% | \$71,598 |
| | 90-Day Retention: 80% | 81% | 49,560 |
| Bob Jones | All T/O 25% | 32% | \$221,369 |
| | 90-Day Retention: 80% | 64% | 88,321 |

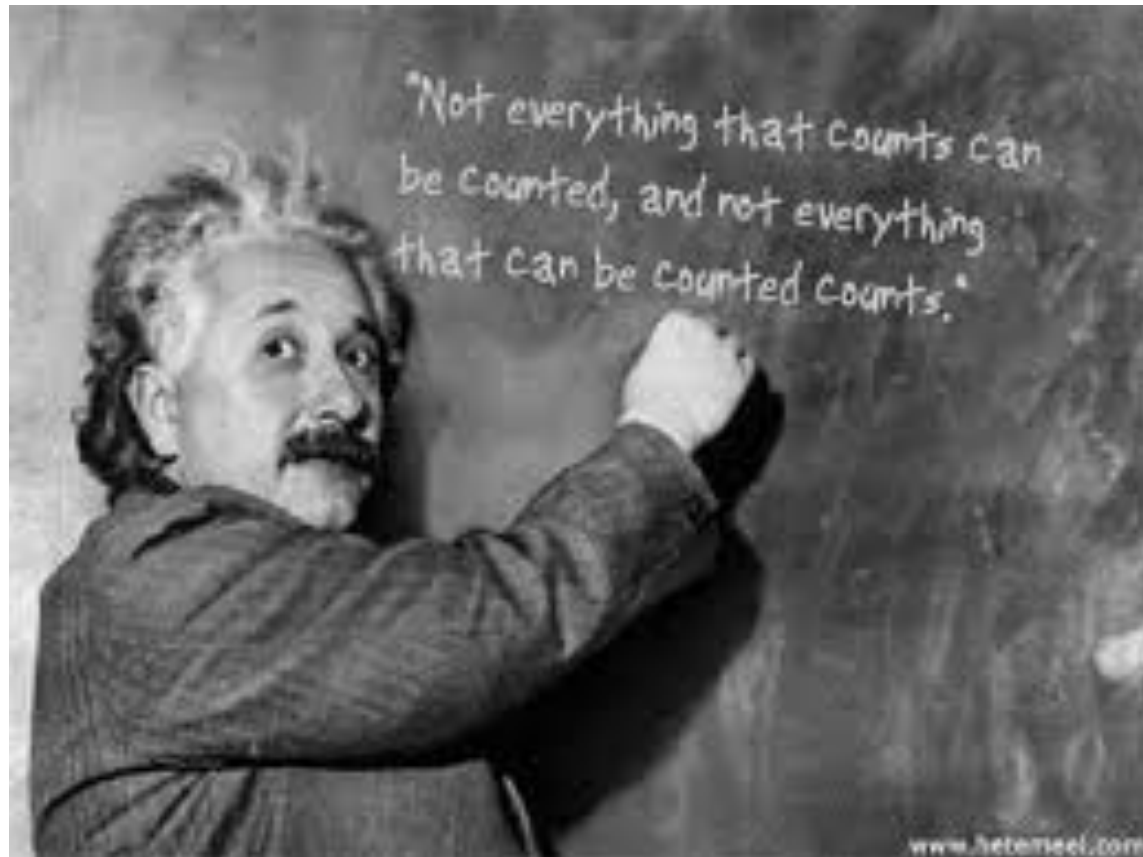
Report on Cost of Turnover by Supervisor



Einstein Knows Best

B62f

WUOMD





To Obtain:

- ➔ White Paper on How to Cost Turnover & Engagement
- ➔ Engagement Correlations to Productivity

TEXT Your Full Name and Email NOW to: 866-674-1137

Direct Costs

for one employee leaving and replacement costs

Separation costs

- Exit interviews
- Administrative functions to remove from payroll

Vacancy cost

- Temporary help
- Overtime

Recruiting costs

- Advertising, agency fees, employee referrals
- Calculate by summarizing the total recruiting department budget divided by number of hires

Direct Costs

for one employee leaving and cost for replacement

Selection Costs

- ✓ Value of interviewer's time
- ✓ Selection assessments, background checks, drug tests, physicals, and reference checks

Hiring Costs

- ✓ Hiring Bonuses

Onboarding and Training Costs

- ✓ Wages of employee while attending onboarding and on-the-job training
- ✓ New supplies and materials, ex. nametags, uniforms, training materials
- ✓ Trainer costs

Lost Productivity Calculation

for one employee leaving and replacement costs

Factors used in our Cost of Turnover Calculator

- ✘ **Average Annual Compensation and Benefits** for one employee
- ✘ **Average Annual Compensation and Benefits** for all employees in all jobs in the organization
- ✘ **Annual Revenue per Full-Time Equivalent Employees** across the organization, i.e. total revenue divided by total FTE's
- ✘ **Average Number of Workdays per year**, average number in USA is 240
- ✘ **Average Number of Workdays Position Stays Open until filled**
- ✘ **50% of the Average Number of Workdays** for each new hire to execute their jobs completely with the same productivity as an experienced employee

<http://c-suiteanalytics.com/cost-calculator/>

You can access available slides via the app or presentations.shrm.org

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