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High Turnover Costs Way More Than You Think

Why does losing an employee cost so much, and in what other ways do high turnover rates impact a company? From there we look to what can be done to keep strong employees engaged and happy at the company. Not justbutat work.

By Julie Silard Kantor, Contributor

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Unhappy Depressed Woman

Written with A. Crosser

*I remember almost leaving my company in 2006. I was lying in bed, dejected and upset. My corporate mentor called me and talked me off the ledge. He told me I was highly valued at a time I was feeling undervalued. Over the course of our deep conversation, I realized that I had likely misinterpreted a situation and I needed to get out of bed, stand back up and **not** be corporate roadkill...*

It's well-known that employee turnover rates come as a high cost to companies, however very few discuss the true extended costs and the multiple ways that it impacts the business. It's important that successful business not only find the best employees, but keep them engaged as well. In one of my most [recent articles](#), we discussed losing a Millennial employee can cost the company \$15,000 to \$25,000, but it's actually a lot more when you weigh in a few additional variables.

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company going to spend in order to compensate for low retention rates? According to a [study](#) by the Society for Human Resource Management, employers will need to spend the equivalent of six to nine months of an employee's salary in order to find and train their replacement. Doing the math, that means that for an employee salaried at \$60,000 will cost the company anywhere from \$30,000 to \$45,000 to hire and train a replacement. Other research show that the average costs could be even higher. In a [study](#) conducted by the Center for America Progress, the cost of losing an employee can cost anywhere from 16% of their salary for hourly, unsalaried employees, to 213% of the salary for a highly trained position! ***So if a high trained executive is making \$120,000 a year, the true loss could be up to \$255,600 to the company!***

Perhaps getting rid of Thursday Happy Hour, flex-time, or reducing paid maternity leave was not such a good idea after all.

The question then becomes, why does losing an employee cost so much, and in what other ways do high turnover rates impact a company? From there we look to what can be done to keep strong employees engaged and happy at the company. Not just *surviving* but *thriving* at work.

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1.The Cost of Training and On-Boarding

Training seminars and classes can cost a business thousands of dollars, and they can also result in the understaffing of other departments, as training sessions will often need to be led and monitored by other employees of the company. This can result in lowered productivity, and as Zane Benefits, points [out](#) the overworking of other employees making up for those who need to conduct training.

2. Interview Expenses

Conducting interviews is a long and tedious process. Many expensive mistakes can be made here in picking the wrong candidate. In order to lower turnover rates, it's important for businesses to ensure that they are hiring the best candidates for the job, individuals who will be more likely to stay and grow with the company for an extended period. The interview process can include travel expenses if candidates from out-of-town are being considered, which add up quickly. Outside of monetary expenses, the interview process takes immense amounts of time, with company leaders needing to take hours out of their day to conduct the meetings. Much like training, time spent on interviews costs the business by way of lost productivity.

3. Advertising Costs

Posting ads promoting the vacant position can cost a company a significant amount of money, with most job boards charging a hefty fee to employers looking to advertise. These costs add up over time, meaning that the company could be looking at serious expenses to advertise new positions. Hiring a good external recruiter is a great way to decrease time on task, but the recruiter will often charge 25-33% of one year salary for senior positions.

4. Lowered Engagement

they see good people and talents leaving their companies. High turnover rates will most definitely be noticed by staff who remain employed by a business, and this can often result in lost engagement on part of these employees. They will often feel that *the ship is taking too much water* if too many people leave, overworked, and thus less satisfied and less motivated at work.

5. Productivity of New Hires

When a company is faced with the need to hire new employees, they also face a severe decrease in productivity. As discussed before, remaining employees may lose focus due to high turnover, however the **productivity of the new hires** is also an issue. According to business expert Josh Bersin, of Bersin by Deloitte, a new employee can take up to **two full years** to reach the same level of productivity as an existing staff member. Lately, I have been thinking of the workplace like a blended family. Having new stepbrothers and sisters, uncles and cousins come into the 'work' family can be a lot of fun, but also can be riddled with new and unexpected challenges, turf wars, feelings of displacement and hurt feelings if not integrated and on-boarded right.

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6. Impact on Morale & The Gossip Machine

and the gossip machine commences. If an employee leaves for a higher salary, other employees may interview for other higher-paying positions elsewhere. According to [Forbes](#), employees expecting a raise can expect to see an average of 3 percent, however being recruited for or finding a new position often results in a 10-20 percent raise, meaning that the company has to further compensate for lost staff members. Additionally, if employees left unhappily based on workplace culture issues, they will often communicate with their friends sharing a brighter life/ opportunities available on the other side. I don't want to diminish in any way the psychological impact that an employee goes through in transition regardless of who's decision it was to part ways. Transitions are tough but sometimes employees know they can't get to second base with their foot still on first/

7.Less Effective Service

When hiring for a customer service position specifically, new hires generally do not know the answers to typical questions they will face on the job. For example, if a company needs to hire several new employees to fill IT Help Desk positions, they will take longer to resolve common issues, and it could potentially result in the loss of customers, should they be unhappy with the changes.

So what is a company to do? After all transitions are a given in any company.

Perhaps we can learn something from youth in the New York City schools.

Professor Jonah Rockoff researcher out of Columbia University [illustrates](#) that mentoring not only reduces employee turnover, but also improves the skills of new employees, increasing the amount of productivity that you will see in the newly on-boarded staff members. After studying the habits of students in New York City schools and how they perform with and without mentors, Rockoff found that

all of the students observed, and that they had a lesser chance of dropping out than students who were not mentored. These observations can be applied to business as well, with the concepts of mentoring remaining the same. Rockoff [states](#) that when an employee receives specialized attention and training from a mentor, they will perform better on the job, and will be much more likely to stay in the workplace. These concepts have been proven in corporate giants like **Google**, who have one of the [lowest employee turnover rates](#) in the world, and also implement one of the most effective mentoring programs.

There are many costs associated with high turnover, but there are a multitude of ways to reduce it. Mentoring is one of the most effective, cost efficient ways of increasing employee tenure benefitting the mentor, the mentee and driving significant retention.

So when my mentor called me that day from his business trip in Hong Kong, we had a deep and honest discussion. I deleted the resignation letter I had been drafting, dusted myself off, worked through the issue and continued loving my two decade career for many more years.

Julie Kantor is Founder & CEO of [Twomentor, LLC](#) a management consulting firm focused on building mentoring cultures and retaining a diverse STEM workforce.

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