



# Cost-Benefit Analysis: A Step-by-Step Example<sup>1</sup>

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## Calculating Employee Turnover Costs

### Step 1: Calculate the Current Rate of Turnover

- a. # of employees leaving per year \_\_\_\_\_
- b. average number of employees \_\_\_\_\_
- c. divide line a by line b \_\_\_\_\_
- d. % of turnover = line c x 100 \_\_\_\_\_

### Step 2: Calculate the Annual Cost of Employee Turnover to the Company

Employment Advertising – all recruitment advertising and related costs \_\_\_\_\_

Employment Agency and Search Fees – fees to employment agencies, search firms, and recruitment consultants \_\_\_\_\_

Internal Referrals – costs for bonuses, fees, gifts, etc., awarded to employees participating in a company-sponsored referral program \_\_\_\_\_

Applicant Expenses – travel and subsistence costs \_\_\_\_\_

Relocation Expenses – moving expenses and all other costs associated with relocation \_\_\_\_\_

Employment Staff Compensation – all salaries, benefits, and bonuses of the employment staff involved in recruiting, interviewing, hiring, and training new employees \_\_\_\_\_

Other Employment Expenses – all other related expenses, such as the cost of facilities, telephone, consultants, etc. \_\_\_\_\_

Orientation and Training – include management time, trainer fees, materials, and other costs for training new employees. \_\_\_\_\_

Estimated Total Costs \_\_\_\_\_

Number of New Employees \_\_\_\_\_

Average turnover cost per new employee: divide total costs by the number of new employees \_\_\_\_\_

### Step 3: Calculate Estimated Reduction in Turnover

Use data collected from needs assessment surveys, focus groups, exit

interviews, etc., to determine how many of your separating employees typically leave because of dependent care or other work/life issues. \_\_\_\_\_

Deduce how many of these probably would not have left had your proposed program or policies been in place. (Remember that employees often are reluctant to name child care as a reason for leaving. Therefore, your needs assessment may understate the problem.) \_\_\_\_\_

Estimated reduction in turnover: subtract line 2 from line 1 \_\_\_\_\_

#### **Step 4: Calculate Expected Savings in Turnover Costs**

Multiply the expected reduction in turnover (step 3) by the average turnover costs per new employee (step 2) to determine the expected savings in turnover costs.

\_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_  
(reduction in turnover) (average turnover cost)

### **Calculating the Cost of Absenteeism**

#### **Step 1: Calculate the Annual Cost of Absenteeism Per Year**

\_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_  
(# work days lost per year) (cost per work day)

#### **Step 2: Calculate the Expected Reduction in Absenteeism**

Estimate the percentage of current absences that might be due to child care problems. \_\_\_\_\_

#### **Step 3: Calculate Expected Savings in Absenteeism Costs**

Multiply the annual cost of absenteeism (Step 1) times the estimated reduction that might result from proposed work/life policies (Step 2) to determine expected savings.

Total savings: \_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_  
(annual cost) (expected reduction)

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