CALCULATING ABSENTEEISM AND TURNOVER RATES AND COSTS

High absenteeism and turnover rates can drain an organization's bottom line. One of the first steps in determining whether or not a problem exists is to calculate the rates and costs of absent and exiting employees.

There is a wide range of approaches available. The following formulas provide the basic methods and can be modified to focus on specific criteria. For instance the data may be broken down by weekly, quarterly, seasonal, semi-annual, and annual figures or by location, department, division or shift.

CALCULATING RATES

Absenteeism Rate

The first step is to determine what data to include under the term "absence". When calculating absenteeism, organizations often differentiate between *excused* and *unexcused* absences and collect data only on the *unexcused* since these absences are most disruptive to the workplace and have the most impact on productivity. Long term leaves of absence, as defined as 5 or more days in duration, are usually excluded.

Monthly Absenteeism Rate

1. Total number of days lost through job absence in the month: _____
2. Number of employees on 1st of the month: _____
3. Number of employees on the last day of the month: _____
4. Average headcount for the month (Line 2 + Line 3 divided by 2): ____
5. Number of available workdays in the month: ____
6. Average number of workdays for the month (Line 4 x Line 5): _____
7. Monthly absenteeism rate (Line 1 divided by Line 6 x 100): _____

Example:

1. Total number of days lost through job absence in the month: 16
2. Number of employees on 1st of the month: 62
3. Number of employees on the last day of the month: 60

4. Average headcount for the month: 62 + 60/ 2 = 61
5. Number of available workdays in the month: 21
6. Total average number of workdays for the month: 61 x 21 = 1,281
7. Monthly absenteeism rate: 16/1,281 x 100 = 1.2%

Turnover Rate

The first step is to determine which employee separations should be included in the definition of terminations. (The definition usually includes permanent voluntary and involuntary terminations. Layoffs, retirements, deaths and the release of temporary personnel are generally excluded from the calculation.)

Monthly Turnover Rate

1. Number of employees on 1st of the month: _____
2. Number of employees on the last day of the month: _____
3. Average headcount for the month (Line 1 + Line 2 divided by 2): _____
4. Number of terminations from the 1st of the month through the last day of the month: _____
5. Monthly turnover rate (Line 4 divided by Line 3 x 100): _____

Example:

1. Number of employees on 1st of the month: 62
2. Number of employees on the last day of the month: 60
3. Average headcount for the month: 62 + 60/ 2 = 61
4. Number of terminations from the 1st of the month to the last day of the month: 3
5. Monthly turnover rate: 3/61 x 100 = 4.9%

Annual Turnover Rate

If headcount figures are not kept for each month of the year, use the formula below. If monthly headcount figures are available, then determine the average annual headcount by totaling the 12 monthly headcount figures and dividing by 12 to get your figure for Line 3.

1. Total headcount in January: _____
2. Total headcount in December: _____
3. Average annual headcount (Line 1 + Line 2 divided by 2): _____
4. Total number of terminations for the entire year: _____
5. Annual turnover percent (Line 4 divided by Line 3 x 100): _____

Example:

1. Total Headcount in January: 55
2. Total Headcount in December: 63
3. Average Annual Headcount: (55 + 63)/2 = 59
4. Total number of terminations for the entire year: 12
5. Annual turnover rate: 12/59 x 100 = 20.3%

CALCULATING COSTS

Not only are rates important to calculate but the real impetus for establishing methods to control absenteeism and turnover lies in discovering what these rates are costing the organization. The following formulas quantify the cost of losing employees and operating with absent employees.

The Cost of Turnover

ASSUMPTIONS

The average cost of turnover is 25 percent of an employee's annual salary and benefits.

(*Source: Saratoga Institute)*

Typical benefits amount to 30 percent of wages (this considers medical, dental, and life insurance, paid sick, vacation and holiday benefits, pension, 401k, social security tax, unemployment tax and worker's compensation). If the benefit rate is known for your organization, then substitute your percentage rate on Line 2.

1. Annual salary of position: $_____
2. Annual salary plus benefits: Line 1 x 1.30 = $_____
3. Turnover cost of position: Line 2 x .25 = $_____
4. Total number of employees in the position who left during the year: _____
5. Total cost of turnover (Line 3 x Line 4): $_____

Example:

1. Annual salary of position: $30,000
2. Annual salary plus benefits: $30,000 x 1.30 = $39,000
3. Turnover cost of position: $39,000 x .25 = $9,750
4. Total number of employees in the position who left during the year: 3
5. Total cost of turnover: $9,750 x 3 = $29,250

The Cost of Absenteeism

There are many more variables when calculating the costs of absenteeism. Some of the more common costs to identify are:

- Lost wages/salaries (in the case of paid sick leave)
- Benefit payments
- Premium pay of temporary help
- Premium pay for overtime work
- Substandard production (quantity and quality)

The example below provides an idea of how these costs can be calculated (assumption: benefit amounts equal 30 percent of salary).

1. Total work hours lost to employee absenteeism for the month: ____
2. Average wage/salary per hour per employee: ____
3. Cost of employee benefits per hour per employee (Line 2 x .30): ____
4. Total compensation lost per hour per absent employee
   a. If employee absences are paid (Line 2 + Line 3): ____
   b. If employee absences are unpaid (Line 3): ____
5. Total compensation lost to absent employees (Line 1 x Line 4a or 4b): ____
6. All other costs incidental to absenteeism not included in the above items (premium pay, overtime pay, rework, etc): ____
7. Total cost of absenteeism for the month (Line 5 + Line 6): ____

Example:

1. Total work hours lost to employee absenteeism for the month: 124
2. Average wage/salary per hour per employee: $10.00
3. Cost of employee benefits per hour per employee ($10.00 x .30): $3.00
4. Total compensation lost per hour per absent employee
    a. If employee absences are paid ($10.00 + $3.00): $13.00
    b. If employee absences are unpaid (Line 3): $3.00
5. Total compensation lost to absent employees (124 x $13.00): $1,612 (paid sick leave)
6. All other costs incidental to absenteeism not included in the above items (for the purposes of illustration only, this is a **random number**): $2,500
7. Total cost of absenteeism for the month ($1,612 + $2,500): $4,112