

# The Cost of Gen Y Turnover & The Importance of Finding “the Right” Candidate

Every employer who hires a new, entry-level employee has hopes that this person is going to stay with their organization for a long time. Paradoxically, few employers, if any, have ever analyzed exactly “why” this so important and what it costs their organization—in terms of time, resources, productivity and revenue—to lose that employee, particularly in the first year.

Assessing the costs associated with turnover will quickly show you how imperative it is to find “the right” candidate from the start. After reading this whitepaper, you will see that the costs to build a targeted recruiting campaign quickly compensate for the costs associated with attrition. The end result—organizational stability—is another key benefit, to which we cannot attach a price tag.

## So What is the Cost of Turnover?

The cost of turnover is actually equivalent to the cost of replacing the employee. This includes the cost to hire, on-board and thoroughly train someone else. On top of these tangible costs are the more nebulous costs, such as the time it takes to get the new employee working at full capacity (which can range from three to six months). Let’s take a closer look at each of these elements.

### Hiring Costs

According to industry sources, the average cost to recruit an entry-level hire (generally from the Gen Y age category) ranges from \$3,000 to \$6,000. There are also additional indirect organizational costs which include:

- Lost revenue
  - The average revenue generated per company employee in the U.S. is \$150k per year
  - In F1000 (or fast growth) companies, this average can be as high as \$200k to \$300k per employee, per year
- Organizational confusion and aggravation over interim responsibilities (which could result in organizational instability)
- Time to interview and hire (30 days on average)

### Training Costs

- Corporate Learning Factbook and American Society for Training & Development estimate annual training costs for the average employee to be \$1,273 and \$1,083 in 2007, respectively.
- According to our Best Places to Work Survey in 2006, 47% of employers said that their new college hires received more than 100 hours of training in the first year, indicating an even higher cost for training new entry-level hires.

### Learning Costs

The time it takes for new hires to be fully productive in their new role can range from three (3) to six (6) months depending on the scope and complexity of the position. While the cost varies by job and skill set, if we assume that a new college hire needs three (3) months for on-boarding and is operating at 50% productivity in the first month, 70% in the second month and 90% in the last month, at an annual compensation rate of \$40,000, the learning cost would equal \$3,000.

## And the Total is?

When taking all of these factors into consideration, it costs approximately \$24,000 or more to replace a Gen Y employee. Therefore, the cost associated with turnover easily exceeds the cost to recruit—in fact, it’s more than four times the price.

In short, finding “the right” person to fill your positions—by matching skill sets, personality and cultural fit—is “essential,” not just to build a productive workforce but to impact your company’s bottom line.

