Appendix 3: Cost-Benefit Analysis – A Step-by-Step Example

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. Percent 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) __________

(continued)
Step 3: Calculate the 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 underestimate 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.

\[ \text{(reduction in turnover)} \times \text{(average turnover cost)} = \text{expected savings} \]

Calculating the Cost of Absenteeism

Step 1: Calculate the Annual Cost of Absenteeism Per Year

\[ \text{(annual cost of absenteeism)} = \text{(# work days lost per year) } \times \text{(cost per work day)} \]

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.

\[ \text{expected absenteeism savings} = \text{(annual cost)} \times \text{(expected reduction)} \]

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