

Leading retailers know their real people costs.

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A good costing exercise will not only tell you how much it costs to recruit, keep and lose good staff, but will also:

- help you identify problem areas
- feed into the business planning process, and
- inform people management strategies and budget allocation.

There are a number of ways to calculate costs and estimates can vary widely. Some methods relate strictly to turnover and direct costs such as advertising and recruitment. Others take a broader approach and incorporate 'opportunity costs' such as loss of productivity, giving wrong change to customers and improper use of equipment.

Knowing your people costs puts you in control of your people management strategies.

International comparisons

In the USA, the Coca-Cola Research Council (Frank 2000) calculated the direct and indirect costs of employee turnover (in \$US) in supermarkets at:

- for a store manager - \$13 936 direct and \$20 799 indirect
- for a department manager - \$1658 and \$5387
- for a cashier - \$736 and \$1550, and
- for other hourly (casual) employees - \$309 and \$3063.

Many fast food companies calculate the cost at \$US500 to replace one crew person, and about \$US1500 to replace a manager.

A USA society of Human Resource Management (Society of HRM 2000) survey estimated that the average cost per hire was lowest in the retail industry, but still significant at \$US1810.

Australian stories

A leading Australian supermarket told us it had estimated costs per lost staff member at:

- \$3800 per full-time staff member
- \$2000 per regular part-timer, and
- \$1200 per each casual staff member.

Have you considered all the costs?

- What are the costs of advertising for new staff?
- What are the costs of engaging a recruitment agency?
- How much time is spent interviewing for new employees?
- How long does it take for new employees to become fully effective?
- Do accidents to people or property occur as a result of new staff unfamiliarity with equipment and procedures?
- How many customers receive a negative signal about your turnover?
- How much do you invest in training and development for each lost employee?
- How much business or revenue is lost due to employees leaving?
- How many customers take their business elsewhere because you lost good employees?
- What is the negative impact on other employees (for example, sick days, low productivity, low morale)?
- Do you lose customers because your staff do not reflect the make-up of your local community?
- Are there any added costs due to grievance procedures or discrimination claims?

Calculating the cost

You can download an electronic tool that will assist you to calculate the cost of employee turnover from the EOWA website. Visit them at: www.eowa.gov.au