

Human Capital Replacement Cost Calculator:

Step 1: Evaluating the Cost of Replacing One Employee

- A. Average employee's annual salary including benefit package _____
- B. Estimated *Replacement Cost Percentage* (25%, 50%, etc.)
of employee's total annual salary* _____ %

*Each *Replacement Cost Percentage* will vary. Factors affecting this variance include the complexity, seniority & profile of the position, educational requirements, orientation requirements, relocation expenses, etc. Try different *Replacement Cost Percentages* to better understand the variable cost of replacing employees from different levels.

- C. Cost of replacing one employee (A × B) _____

Step 2: Determining Annual Replacement Cost

- D. *Annual Employee Turnover* (Total number of employees
leaving annually) _____
- E. *Annual Replacement Cost* of employee turnover (C × D) _____

Step 3: Advantages of Reducing Employee Turnover

Next, try different numbers for *Annual Employee Turnover* (D) to better understand the financial benefits of retaining quality employees.