



Spreadsheet #3: ROI Provided by Reduced Turnover

Many assessment tools are specifically designed to help organisations reduce turnover. When designed properly, these tools can reduce turnover by 10 percent or more. This spreadsheet estimates the financial value of using assessment tools to reduce turnover.

You will need the following data to use this formula:

Hires (N)

The number of people hired per year for the position(s) for which you are deploying the assessment tools.

Annual Turnover Rate (TR)

The percentage of the workforce that currently leaves each year due to turnover.

Average Time to Fill (TF)

The average number of weeks required to fill a vacant position.

Value of Performance (VP)

An estimate of the cost of the annual revenue generated by employees in this position. This is commonly set at 2.5 times the average employee salary.

Hiring Cost (HC) (default value: £3,000)

The average costs associated with hiring an employee. These include time spent by recruiters and managers sourcing and screening candidates, time and expense invested in training new hires, and any coming-on-board costs such as relocation or orientation. Industry studies place typical hiring costs at £3,000 for hourly employees and £10,000 for exempt employees. We have set the default value at £3,000.

Assessment Cost (Cy) (default value: £30)

How much the use of assessment tools will increase the cost of evaluating candidates. The cost of assessment measures specifically designed to reduce turnover commonly ranges between £10 and £75, depending on the design. An average cost might be set at £30.

Selection Ratio (SR) (default value: 5)

The number of candidates you typically assess before making a hiring decision. It is usually somewhere between 3 and 10. If you do not have this value, we suggest setting it at 5.

$$\text{Value of Reduced Turnover} = (N * TR * ((TF * VP)/52) + HC) * .10 - (Cy * SR * N)$$