

# Cost of Turnover



**DECAL**  
**Thriving Child Care**  
**Business Academy**

## Understanding the True Cost of Employee Turnover in Your Child Care Business

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Losing an employee can indeed have a significant impact on your business, but how much does it really cost you? In this guide, we'll break down the actual cost of turnover and why you need to understand it. We'll also debunk some common misconceptions about turnover costs and explore how they can affect your child care center. Finally, we'll discuss the importance of retention strategies and provide you with a helpful [calculator](#) to estimate the cost of turnover for your specific situation.

### Why Do We Need to Talk About the Cost of Turnover?

Employee turnover occurs when staff members leave your child care business, and you have to replace them with new hires. It's a topic that deserves your attention because it can be costly and disruptive, oftentimes much more costly than we realize.

Understanding these costs will help you see just what the financial impact really looks like and guide your strategies for retention.

### Common Misconceptions About the Cost of Turnover:

- 1. It's Just About Hiring Costs:** Many believe that turnover costs are limited to recruitment expenses. In reality, it includes much more, like lost revenue, training expenses, and administrative costs.
- 2. Turnover Doesn't Affect My Business:** Some child care providers underestimate the impact of employee turnover on the quality of care, the children's experience, and the overall reputation of their centers.
- 3. Entry-Level Jobs Don't Incur High Turnover Costs:** Contrary to the belief that turnover costs are primarily associated with more senior roles, even turnover among entry-level positions can significantly impact a business's bottom line due to recruitment and training, and productivity losses.
- 4. High Turnover Is Inevitable in Certain Industries:** Some industries are mistakenly thought to have inherently high turnover rates. While turnover may be more common in specific sectors, proactive retention strategies can still make a substantial difference in reducing these costs.
- 5. Turnover Costs Are Fixed and Unchangeable:** Many assume that turnover costs are fixed and cannot be reduced. Businesses can implement strategies such as improved employee engagement, professional development opportunities, and competitive compensation to mitigate turnover and associated expenses.

Dispelling common misconceptions and recognizing that turnover costs can be mitigated through proactive strategies is crucial for effective retention and financial stability.

## How Does Turnover Impact Your Business?

Employee turnover can have a number of negative effects on your business. For one, it can significantly impact the quality of care your business provides, disrupt the daily routines of both children and staff, and erode families' confidence in your business's stability.

## Calculating the Cost of Turnover

In addition to these more obvious impacts, there are also actual costs that you will incur when you lose an employee. Oftentimes, child care business owners either don't realize all the costs they have to cover when they lose an employee, or they don't realize how large they actually are. Let's break down the components that make up the true cost of turnover:

- **Cost of Filling Lost Employee Hours:** These are the expenses linked to hiring a substitute or temporary staff or paying overtime during a vacancy.
  1. Calculate the **Substitute's Salary per Hour:** Determine the hourly wage paid to substitutes while searching for a new employee.
  2. Find the **Number of Hours until a New Employee is Hired:** This is the typical duration it takes to find and hire a replacement.
- **Lost Revenue Due to Ratio Requirements:** This represents the income lost because of the inability to maintain required child-to-caregiver ratios.
  1. Determine the **Number of Lost Child Care Slots:** This is the count of children you couldn't admit due to insufficient staff.
  2. Find the **Monthly Revenue per Child:** Input the revenue generated per child each month.
- **Recruitment Costs:** Focus on expenses tied to recruitment efforts.
  1. Include the **Cost of Outsourcing for Recruitment:** If you hire external services for recruitment, include this cost.
  2. Calculate **Staff Total Number of Hours for Recruitment Activities:** Enter the hours your staff spent on recruitment activities.
  3. Find the **Average Staff Salary per Hour:** Include the average hourly rate of your staff members involved in recruitment activities.
- **Administrative Costs:** These are expenses associated with employee discharge, recruitment, and onboarding processes.
  1. Calculate **Severance and Exit Expenses:** Include costs related to severance packages, exit interviews, and administrative tasks linked to employee departure.
  2. Find **Recruitment Advertising Costs:** Account for expenses incurred in advertising job openings, posting on job boards, or using recruitment agencies.

- **Onboarding Time:** This measures the time and resources invested in getting a new hire up to speed.
  1. Determine the **Hourly Rate of New Hire Including Benefits:** Add the wage you'll pay to the new employee, considering benefits.
  2. Calculate the **Total Onboarding Hours:** Include the hours spent on training and getting the new hire up to speed.
- **Cost of Lost Expertise:** Consider all of the professional development hours that were invested in that staff person who walks out the door when they do.

To see what these costs look like for your business, also use our Cost of Turnover Calculator to see the financial impact of turnover.

## How can I prevent or reduce employee turnover?

In the world of child care, keeping a dedicated and experienced team is like the golden ticket to success. While investing in benefits like retirement plans, healthcare coverage, or offering professional development opportunities may cost you a bit upfront, the cost of turnover can often be a whole lot greater. For this reason, it's crucial to invest in retention strategies that make your employees want to stay.

These strategies can include fair compensation that reflects the hard work they put in, providing paths for professional growth within your organization, and creating a work environment where they genuinely want to be. It's true that not every child care center has the budget to offer top-of-the-line benefits. But here's the good news: there are also plenty of no- or low-cost strategies you can employ.

Things like focusing on creating a positive work environment and company culture, organizing team-building opportunities, or simply making sure your employees feel heard and respected can go a long way in reducing turnover. The key is to remember that investing in your team now can save you a bundle in the long run and ensure the success and stability of your child care center.

## Conclusion

By calculating the cost of turnover, you not only gain insight into the financial impact of losing employees but also set the stage for smart decision-making. Armed with this knowledge, you can confidently evaluate the return on investment for various retention strategies. Investing in your team not only safeguards your child care business but also fosters a happier and more stable environment for both children and staff. It's a win-win that ensures the long-term success of your center.

## Additional Resources

**If you have questions or need help, assistance is available.**

[GaPDS Website](#)

[DECAL Thriving Child Care Business Academy Website](#)

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