

Easy Employee Turnover Rate Calculation

Turnover is a telling HR metric, so calculating and monitoring its fluctuations is crucial to your workforce management strategy. Calculate turnover rate with the following formula:

$$\text{Turnover} = \# \text{ of Exited Employees} / \text{Average} \# \text{ of Employees} \times 100$$

Calculating # of Exited Employees

First, understand that the number of exited employees refers to both voluntary and involuntary terminations. It does not include employees who are on leave, furlough or temporarily laid off. **Do not** include temporary workers or those who are not on payroll. An HRIS, payroll or talent management system should be able to provide this information.

Calculating Average # of Employees

Unlike calculating exited employees, the average number of employees requires organizations to determine the total headcount. That includes all employees on payroll, direct-hire temporary workers and those on temporary layoff, furlough or leaves of absence. **Do not** include independent contractors or temp workers who are paid by their agency.

Again, an HRIS, payroll or talent management system should be able to provide these numbers. It's recommended that companies collect these reports weekly or at the beginning, middle and end of each month. Calculate average # of employees with the following formula:

$$\text{Average} \# \text{ of Employees} = \text{Total Headcount from All Reports} / \# \text{ of Reports Used}$$

Why Determine Your Annual Turnover Rate?

With these two numbers, you can now calculate your overall annual turnover rate. Monitor this number each year, but don't feel confined to specific seasons or dates. This formula can be used to track the turnover rate for the year to date (YTD) with the following formula:

$$\text{YTD Turnover Rate} = \text{Month 1's Turnover Rate} + \text{Month 2's Turnover Rate} \dots$$

With a baseline idea of turnover, companies can better understand process and program adjustments while observing the effects of their changes. If the company changes policies or goes through a large organizational adjustment, this number, along with other HR metrics, will help you understand the effects on your workforce.