



EIP

Experience Improvement Partners
eip360.com | White Paper No. 5

The Tax You Never See

What turnover really costs, and why your HR report only shows the tip

Brett Kiley, Founder and CEO, Experience Improvement Partners | October 2026

The short version

Turnover is a tax. Every time someone quits, you pay it. It never shows up on the P&L as one line, so it never gets managed like one.

Most companies only count the tip. Recruiting fees and job ads are visible. Lost output, overtime, manager time, mistakes and lost knowledge sit underwater.

The research range is huge, so you need your own number. Published estimates run from about 16% of salary to more than 200%, depending on the role and what gets counted.

When I finally did the math, it was more than \$18 million a year. That was across about 2,100 people who stayed, using the most conservative assumptions I could.

Gone before the first call

Every year we hired about 2,000 people for our busiest season. We recruited them from August through December, most of them in October and November. We screened them, ran background checks and drug tests, did the paperwork and trained them for weeks.

Day one was January 1. Trained, in a seat and taking calls.

42% of them never made it to day one.

That is roughly 840 people we paid to find, hire and train, who left before they helped a single customer. None of that showed up anywhere as "turnover cost." It was spread across recruiting budgets, training budgets, overtime and temp labor. Each line looked normal on its own.

The next year, we redesigned how we hired. We shortened the process and added new filters and screening questions, so the people we hired were the people likely to stay. The number dropped to 15%. That was about 540 more trained people in a seat on January 1.

Nobody had ever added it up. That is the problem with turnover cost. It is real, it is large, and it is invisible by default. You have to calculate it on purpose.

The tip of the iceberg

A recruiting fee is like the tip of an iceberg. It is the part you can see. Productivity loss, manager time and new hire mistakes are the ninety percent hiding underwater.

Ask most companies what turnover costs and they will add up job ads, agency fees and background checks. Those are real. They are also the smallest part.

What sits underwater

1. **The slowdown before they leave.** People who are planning to go do not work at full speed in their last weeks or months. They are on the roster. They are not fully there.
2. **The empty seat.** Someone covers it with overtime, temp labor or a supervisor doing two jobs. The cost lands in four different budget lines, and none of them is labeled turnover.
3. **The manager's time.** Every interview, every onboarding session and every hour spent covering the gap is time a manager is not running the operation.
4. **The new person's learning curve.** A replacement takes weeks or months to reach full speed, and makes the mistakes the last person already learned to avoid.
5. **The knowledge that walks out.** Workarounds, customer relationships and how things actually get done. None of it is written down.
6. **The customer.** In service work, customers feel turnover first, in errors, wait times and unfamiliar faces.

Phantom staffing

Sometimes the report does not just miss the cost. It hides the problem entirely.

During COVID, call-offs at my company were paid but carried no tracking code. On paper, our stores looked close to fully staffed. So my team built its own report of who actually showed up and how long they worked. The real staffing level was far lower than what corporate saw.

Because the people were still on the roster, nobody upstream saw a turnover or retention problem at all. Eventually a code was added. By then the damage was done.

Thirteen places the cost hides

EIP's Turn Tax™ builds the cost from the ground up across 13 categories and up to 250 variables.

Category	What it includes
1. Direct and hard costs	Job postings, agency fees, background checks, onboarding admin
2. Soft and indirect costs	HR time, manager interviews, internal coordination
3. Productivity and operations	Output lost while the role is vacant or ramping up
4. Knowledge and expertise	Institutional knowledge, client relationships, process know-how
5. Team and morale	Engagement drop and burnout on the people who stay
6. Customers and clients	Service disruption, relationship risk, revenue exposure
7. Safety, quality and compliance	Coverage gaps, error rates, regulatory exposure
8. Financial and P&L	Overtime, budget overruns, revenue tied to the vacancy
9. Strategy and competition	Delayed initiatives, competitive disadvantage
10. Management and leadership	Executive time diverted to coverage and replacement
11. Recruiting strain	Pipeline pressure, sourcing effort, offer negotiation
12. Technology and systems	Access changes, licenses, system knowledge lost
13. External reputation	Employer brand, review sites, candidate perception

What the research says it costs

16% to 213%	Up to 2x
of salary, from frontline to executive (Center for American Progress)	annual salary to replace one employee (Gallup)

Gallup estimates that replacing an employee costs one-half to two times their annual salary, and calls that conservative. By that math, a 100-person company with an average salary of \$50,000 could be paying \$660,000 to \$2.6 million a year in turnover and replacement costs.

The Center for American Progress reviewed 30 case studies and found a typical cost of about 16% of salary for jobs paying under \$30,000 a year, and up to 213% for senior and executive roles. Their numbers are lower at the frontline because many studies only counted direct costs.

That spread is the point. Depending on the role and what you count, the answer swings by ten times. A national average cannot tell you what turnover costs your company. Only your own numbers can.

This is how Turn Tax prices it, before we customize it to your actual data:

1. **Frontline roles:** about 25% to 55% of annual salary per departure.
2. **Specialized and technical roles:** about 45% to 120%.
3. **Executives:** about 150% to 213%.

What it looked like when I did the math

When I added up my own results from 20 years in operations at a Fortune 10 company, I used the most conservative version I could defend in front of a CFO.

1. **Count the people who stayed.** Across my region, a distribution center and the seasonal hiring program, about 2,100 people a year stayed who, at the old turnover rates, would have left.
2. **Use real pay.** Real wages for each group: store associates, pharmacy staff, pharmacists, district leaders, warehouse workers and call center agents.
3. **Use the low end of every range.** And for the seasonal hires who left during training, count only recruiting, training and admin, because they left before we lost any customers or knowledge.

2,100

people a year who stayed

\$18 million+

a year in turnover cost avoided, at the low end

At the midpoint of the same ranges, it was about \$31 million a year. I use the \$18 million because every input can be rebuilt line by line. That is the kind of number that survives a budget meeting.

Present a recovery, not a cost

Retention programs get deferred when they are presented as a cost: here is what training costs, here is the budget for the initiative. Costs get cut.

Change the first number. Do not lead with what the program costs. Lead with what turnover already costs you every year, and how much of it you can recover.

1. **Current Turn Tax:** what turnover costs you this year, across all 13 categories.
2. **Recovery goal:** the share of it you and your partner agree to win back, tracked monthly.
3. **Program cost:** compared against the recovery, not against other budget lines.

A retention program framed as a cost competes with every other cost. Framed as recovered profit, it competes with almost nothing.

Take action this week

CEO: Ask your CFO what one voluntary departure costs in your highest-turnover role. If nobody can answer in 48 hours, that is the first problem to solve.

Manager: Pick three of the 13 categories you do not track today. Write down what they cost your team in the last 90 days, even roughly.

Supervisor: Ask the people who covered for your last departure what they had to do differently in the first month. Their answer is your team's hidden tax.

How EIP helps

Turn Tax™ puts a board-ready dollar figure on your turnover, built from your own numbers, by role, across all 13 categories. You get the cost per departure, a three-year projection at your current rate, what any improvement is worth, and where the cost concentrates.

Flight Risk Score™ (patent pending) then shows who is about to cost you next, so you can talk to them first.

Try the calculator free: eip360.com/turn-tax-calculator

Start with a conversation: eip360.com | hello@eip360.com

Sources

McFeely, S. and Wigert, B. "This Fixable Problem Costs U.S. Businesses \$1 Trillion." Gallup, March 13, 2019. gallup.com/workplace/247391

Boushey, H. and Glynn, S. J. "There Are Significant Business Costs to Replacing Employees." Center for American Progress, November 16, 2012. americanprogress.org

Stories and results are from the author's own career at a Fortune 10 company. Names, places and identifying details are withheld.