Replacing an employee costs more than posting a job and paying a recruiter. A business may also spend money on overtime, manager time, training, equipment, payroll taxes, and lost productivity while the role is vacant and the new hire gets up to speed.

There is no single turnover-cost figure that applies to every business. A useful **turnover cost estimate** starts with the costs you can count, then makes a reasonable estimate for the work that gets delayed or missed. For a small business, that can be enough to set a realistic **recruiting budget**, compare retention investments, and avoid being surprised by **onboarding expenses**.

This guide walks through the math, shows a worked example, and explains how free paycheck calculators from QuickBooks and Gusto can help with one part of the planning. Calculator results are estimates—not a substitute for a payroll run or tax advice.

What Does It Cost to Replace an Employee?

Replacement cost is the total business cost of an employee's departure and the process of getting someone else into the role. It usually includes three stages:

- **Before the new hire starts:** offboarding, recruiting, interviews, temporary coverage, and vacancy-related disruption.
- **On the new hire's first day:** recruiting fees, background checks, equipment, software, and administrative setup.
- **After the new hire starts:** orientation, training, manager time, and the period before the employee is fully productive.

Some costs are easy to document, such as a job-ad invoice. Others are estimates. A manager may spend 12 hours interviewing candidates, for example, but those hours will not appear as a separate line on the company's bill. Recording both types—while labeling estimates clearly—makes your calculation more useful.

A Practical Turnover Cost Estimate Formula

Start with this formula:

Turnover cost = vacancy costs + recruiting costs + hiring administration + onboarding and training + productivity impact

Build each part from your own business records rather than relying on a universal "cost per employee" rule. A role that is filled in two weeks has a different vacancy cost from one that stays open for two months. A specialized position may also require a higher recruiting budget than an entry-level role.

1. Estimate vacancy costs

List the work that is not completed while the position is open. Then estimate the financial impact. Depending on the role, that might mean lost sales, delayed customer work, missed production, or overtime paid to other employees.

You know what's funny? do not automatically count the full salary as a saving while the role is vacant. The business may avoid some wage and benefit costs, but it may also lose revenue or pay other people to cover the work. Calculate the net effect using the costs and output that actually apply.

2. Add recruiting and hiring costs

Include job-board charges, recruiter or agency fees, referral bonuses, background checks, skills tests, and interview expenses. If the owner or a manager handles recruiting, estimate the hours spent and multiply them by an appropriate hourly labor cost. Be consistent: if you include manager time here, do not count those same hours again as onboarding time.

3. Add onboarding expenses

Onboarding expenses can include payroll and HR administration, orientation, training materials, a laptop or tools, software seats, uniforms, and time spent by the employee and trainer. Separate one-time purchases from recurring costs. For example, a computer may be reusable, while a software subscription may continue each month.

4. Estimate the productivity ramp

A new employee generally needs time to learn the the job, systems, customers, and internal processes. Estimate how long that ramp will last and how much of the employee's expected output is unavailable during that period. Keep the assumptions visible. A rough estimate is better than treating a guess as a precise accounting figure.

Worked Example: Replacing an Employee Paid $60,000 a Year

Here is a back-of-the-napkin example for a small business. These numbers are illustrative, not a benchmark. Pretty simple.. Your actual costs will depend on location, role, hiring method, benefits, and how quickly the position is filled.

Cost category Illustrative calculation Estimated cost Vacancy coverage Overtime and temporary coverage $2,400 Recruiting and screening Job ads, checks, and interview-related expenses $1,200 Manager recruiting time 18 hours × $45 loaded hourly cost $810 Onboarding and training Trainer time, setup, and materials $2,000 Productivity ramp Estimated temporary output gap $4,000 **Estimated total $10,410**

The salary is not added again as a replacement cost in this example: the employee's wages are part of the ongoing cost of having the role filled, not necessarily an incremental cost of turnover. The estimate focuses on costs caused by the departure and replacement process. If your analysis is meant to show the full cost of the role during a particular period, handle wages and benefits separately so the comparison stays clear.

How to Set a Recruiting Budget

Use your turnover estimate to set a budget by role or hiring scenario. A useful budget has line items, not just a round number labeled "recruiting." Consider including:



- Job posting or sourcing expenses
- Recruiter or agency fees, if applicable
- Referral bonuses
- Background checks and assessments
- Interview travel or other candidate expenses
- Manager and team time spent on hiring
- Temporary coverage and overtime
- Equipment, software, and training for the new hire

For a small company, track actual spending for a few hires and compare it with your initial assumptions. That gives you a better basis for future budgets than a generic online estimate. Keep separate figures for different job types when their hiring processes differ substantially.

Use Free Calculators for Paycheck and Take-Home Pay Estimates

Paycheck calculators help you estimate what a new hire might take home after taxes and payroll deductions. They can also help you explain the difference between an employee's gross pay and net pay during compensation discussions. They do **not** calculate the full employer cost of hiring by themselves.

QuickBooks and Gusto offer online paycheck or salary paycheck calculators. Check each tool's current page for what it includes and whether the calculator is available at no charge; features and availability can change. A typical estimate asks for information such as pay frequency, gross wages, work location, and withholding details. Some tools may also let you enter deductions or other assumptions.

Back-of-the-napkin paycheck example

Suppose a salaried employee earns $60,000 a year and is paid twice a month. Before deductions, the gross paycheck is:

$60,000 ÷ 24 pay periods = $2,500 gross per paycheck

That is not the take-home amount. Federal income tax withholding, Social Security and Medicare taxes, state and local taxes where applicable, benefit premiums, and retirement contributions can reduce the deposit. A calculator can provide a planning estimate, but the actual result depends on the employee's withholding form, benefits elections, location, and payroll setup.

For budgeting, distinguish three numbers:

- **Gross wages:** the employee's pay before deductions.
- **Employee take-home pay:** gross wages minus employee withholding and deductions.
- **Employer cost:** wages plus employer payroll taxes, benefits, workers' compensation, and other applicable costs.

Do not use a take-home estimate as the company's labor cost. The employee's net pay is only one piece of the payroll picture.

What Paycheck Calculators Do Not Capture

A paycheck calculator can help estimate employee withholding, but it usually does not produce a complete hiring-cost estimate. Depending on the tool and inputs, it may not reflect your exact benefits plan, workers' compensation rate, state unemployment insurance rate, local taxes, or other employer-specific expenses.

State and local differences matter. Tax rules, paid-leave requirements, final-pay deadlines, and other employment obligations can vary by jurisdiction. A company hiring across state lines should confirm the applicable rules for the employee's work location instead of assuming its home-state process applies everywhere. For payroll setup, check current government guidance and consult a qualified payroll or tax professional when needed.

How QuickBooks and Gusto Fit Into the Process

QuickBooks and Gusto are payroll-related tools, but a free calculator and a paid payroll service are different products. A calculator is for estimating. Payroll software is used to run payroll and handle related workflows, with features and costs that depend on the plan and business setup.

When reviewing either vendor, check the current pricing page and terms rather than relying on an old quote or an advertised starting price. Keep a list of potential fees and gotchas, including:

- Base subscription charges and per-employee charges
- Whether tax filing, benefits administration, or other features are included in the plan you need
- Charges for add-ons, extra services, or particular payment methods
- Setup, migration, or support terms that could affect your first-year cost
- How the service handles employees in multiple states

Neither a vendor's marketing page nor a paycheck calculator replaces a cost model tailored to your business. Use the calculator to estimate americanbusinesscenter.org pay, then add employer payroll costs and the turnover-related items from your own records.

How to Make Your Estimate More Accurate

1. **Choose a time period.** Measure costs from the employee's departure through the new hire's ramp-up period.

2. **Use actual invoices and time records.** Pull recruiting bills, overtime, equipment costs, and time spent by managers or trainers.
3. **Separate cash costs from estimates.** Mark lost productivity and internal labor as estimates so readers of the calculation can see what is firm and what is assumed.
4. **Avoid double counting.** Do not include the same manager hours in recruiting and onboarding, or count the same lost output in both vacancy and ramp-up costs.
5. **Compare similar roles.** Use role-specific assumptions where hiring time, training, or revenue impact differ.
6. **Update the model.** Review it after each hire and when wages, benefit costs, or hiring practices change.

Frequently Asked Questions

Is there a standard cost to replace an employee?

No single figure fits every employer. Replacement cost varies with the role, time to hire, recruiting method, location, coverage needs, and time to full productivity. A company-specific estimate is more actionable than a broad average.



Should I include the employee's annual salary in turnover cost?

Usually, do not add the full annual salary as a turnover expense. Let me tell you about a situation I encountered made a mistake that cost them thousands.. Salary is generally the ongoing cost of filling the role. Instead, estimate incremental costs caused by the vacancy and replacement process, and show wages and employer payroll costs separately if you want a full labor-cost view.

Can a free paycheck calculator tell me my total cost to hire?

No. A paycheck calculator can estimate gross-to-net pay based on the information entered. You still need to account for employer taxes, benefits, recruiting, vacancy coverage, onboarding expenses, and productivity impact.

The Bottom Line

To answer “How much does it cost to replace an employee?” add up vacancy coverage, recruiting, hiring administration, onboarding and training, and the estimated productivity gap. In the sample above, those items total about $10,410—but your result could be much lower or higher.

Use free QuickBooks or Gusto paycheck calculators as a starting point for employee take-home pay estimates, not as a complete hiring-cost calculator. Then validate your recruiting budget and turnover cost estimate against actual invoices, payroll records, and the rules that apply in each employee’s state.