

Employee Costs Commonly Left Off Budget Plans

“An ounce of prevention is worth a pound of cure” said Benjamin Franklin. This is certainly true in budget planning for employee costs. Including budget estimates for the expected and unexpected losses relating to having employees is a crucial step in making sure your staffing plans will hold up over time.

Here are some of the predictable, yet commonly overlooked, costs of having employees:

Paid Leave Accruals, Usage, and Payouts

How much time did each employee take off over the last few years? Do they have more or less time accrued now than last year? If so, you can expect that more of that accrued time might be used. The amount of time accrued compared to the amount of time actually taken each year is a ratio that should be considered in setting an estimate for next years' expected leave usage.

For departments that require 24/7 shift coverage, you may want to include a calculation for the cost of replacement workers for extended leave periods, such as vacations and sick leave.

Incidental Costs of Fatigue or Burn Out

If you try to use a small existing staff to fill in for others' vacations, sick leave, or workers' compensation absences; you may overwork your remaining staff and diminish the productivity benefit of retaining a refreshed and relaxed staff. This may create more turnover, costly job mistakes due to fatigue or stress, and greater staff turnover costs or liability costs.

Cost of Job Vacancies, Expected Vacancy Rate

How many employees might you expect to quit or retire next year? Employees who quit must also be replaced. How many openings can you expect, for which you may have to post, advertise, interview, train, and possibly hire temporary workers? A cost ratio for filling each job can be calculated by looking back at the additional costs for new hires that you have incurred in past years.

Incidental Training Costs

Don't forget to include required costs for training courses, certifications, and double staffing while a new hire learns the job.

Costs for Departing Employees

Employees who quit or retire generally take some accrued benefits with them. A long term employee may have accrued paid leave in various categories that the county has to pay out if they quit.

What This Means For Counties

In proposing or finalizing a budget, be sure to include all items which are reasonably predictable from your payroll or expenditure history.

If your payroll history is not expected to be the same, or your department overran your overtime budget last year, use budget notes to explain the discrepancies from the past budgets and how they will be managed differently this year.

For more information, contact CTSI at 303-861-0507.