HOW BETTER BENEFITS PAY FOR THEMSELVES

MANAGING THE HIDDEN COST OF EMPLOYEE TURNOVER

Turnover is one of the largest costs most employers never put on a budget line. This paper sizes what a departure costs, shows where churn concentrates in federal data, and works the arithmetic of how few avoided departures a benefit needs to prevent to pay for itself.

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WHITE PAPER · RETENTION ECONOMICS

EXECUTIVE SUMMARY

Turnover is one of the largest costs most employers never put on a budget line. It does not arrive as an invoice. It arrives as a position posted, a manager pulled off the floor to interview, a new hire learning the job at half speed, and a schedule run short in the meantime. The cost is real, it recurs, and in the industries that run on hourly and variable-hour staff it recurs constantly.

It can be managed, and the lever is more affordable than the cost it offsets. Workers consistently rank health coverage as the benefit that most influences where they work and whether they stay. The employer who extends coverage the workforce values reduces the rate at which people leave, and every departure prevented is a replacement cost avoided.[1]

This paper sets out that math in four parts: what a single departure actually costs, where the cost concentrates in federal quits data, how an accessible benefit reaches the variable-hour workforce conventional coverage screens out, and the return calculation that weighs benefit cost against avoided replacement cost. The figures that size the cost are third-party estimates, and the paper says so plainly; the figures that size the churn are federal data.[2]

The direction the math points is not in dispute, and the threshold the benefit has to clear to earn its cost turns out, on the employer's own arithmetic, to be low. That is the whole argument: a modest, accessible benefit applied where churn is worst is, more often than not, the cheaper side of the ledger.

HOW TO READ THIS

An important note before the analysis.

WHAT IT IS

A method for weighing the cost of a retention benefit against the replacement cost it avoids, on the employer's own figures.

WHAT IT IS NOT

Not legal, tax, or accounting advice, and not a projection of results for any employer. The worked example is an illustration tied to stated assumptions.

1 **Gallup; SHRM replacement-cost estimates**
Replacing a worker estimated at one-half to twice annual salary. Third-party estimates, not measured figures.

2 **BLS, Job Openings and Labor Turnover Survey**
Quits rate by industry; the federal data behind the churn side of the math.

The Optiv Group has a commercial interest in the structures described and publishes this paper; the analysis may not be independent. Turnover and replacement-cost figures are third-party estimates presented as ranges, not guarantees. The carrier is an A-rated, state-licensed insurance carrier and is not named.

SECTION 1 · THE COST

WHAT A DEPARTURE ACTUALLY COSTS

The cost of losing an employee is larger than the cost of hiring one, and the gap is where most of the money hides. The visible cost is recruiting: the posting, the screening, the interviews, the background check, and any agency fee. A widely cited SHRM figure puts the average direct cost per hire near 4,700 dollars, a third-party estimate, and for a finance leader it is the least of it, because it captures only the part of the loss that generates a receipt.[3]

FIGURE 1 · THE FOUR HIDDEN COSTS OF A DEPARTURE

Components drawn from standard replacement-cost analysis. Proportions are structural, not measured; cost magnitude is a third-party estimate, not a measured figure.

None of these four lands on an invoice, and that is exactly why turnover is underestimated. A recruiting fee lands in a specific account a finance leader can see; the vacancy, ramp, team-load, and knowledge costs diffuse into lower revenue, overtime, and reduced output, showing up as a general softness rather than a line anyone can point to. A cost that is never named is a cost that is never managed.[4]

PROOF RAIL

Sources for this page.

3 **SHRM, average cost-per-hire survey estimate**
Approximately $4,700 direct recruiting cost per hire; a survey estimate, excluding indirect replacement costs.

4 **Gallup; SHRM replacement-cost estimates**
Replacing a worker estimated at one-half to twice annual salary; voluntary turnover estimated near $1 trillion a year economy-wide. Estimates, not measured figures.

THE TIP WITH A RECEIPT

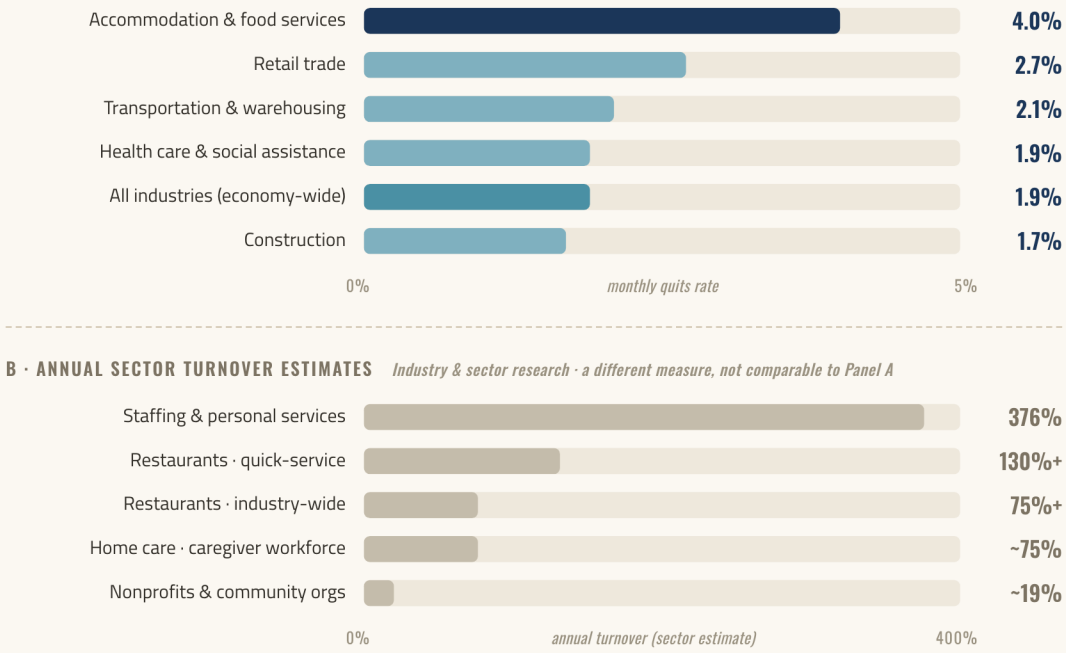
The recruiting cost is the one with a receipt, so it is the one that gets counted. It is the smaller share.

SECTION 2 · THE CHURN

WHERE THE MATH HITS HARDEST

Turnover is not distributed evenly. It pools in the industries built on the hourly and variable-hour workforce, and federal data measures the pattern directly. Through its Job Openings and Labor Turnover Survey, the Bureau of Labor Statistics publishes the quits rate, the share of employment that voluntarily leaves each month, by industry. Across the whole economy in early 2026 it sat near 1.9 percent; in accommodation and food services it ran more than double that.[5]

FIGURE 2 · QUITS RATE BY INDUSTRY · TWO MEASURES, KEPT SEPARATE



Panel A: BLS, Job Openings and Labor Turnover Survey, seasonally adjusted, April 2026 (preliminary); accommodation and food services also via FRED series JTS7200QUR (roughly 4.0 to 4.7% across recent readings). Panel B: National Restaurant Association; Activated Insights; American Staffing Association; Nonprofit HR. Panel B figures are third-party estimates, labeled as estimates, not measured federal figures; the staffing figure reflects short-duration assignment churn, not workforce distress.

The two facts multiply. Replacement cost is a per-departure number; the quits rate is how often departures happen. An employer in a low-churn industry pays the per-departure cost rarely; an employer in accommodation and food services pays it again and again across the year, on a workforce already large relative to revenue.[6] Both terms are high at once, which is why a retention lever that would barely register in a low-churn business can change the economics of a high-churn one.[7]

When departures happen matters as much as how often. In these industries a large share of separations occur in the first weeks or months, before the worker has returned the cost of hiring and training them, and an early departure is the most expensive kind. A benefit that takes effect immediately, with no eligibility waiting period, aims directly at that early-departure window, so the employer recovers a hiring investment it would otherwise write off.

PROOF RAIL

Sources for this page.

5 **BLS, JOLTS, April 2026 release**
Total quits of approximately 3.0 million; economy-wide monthly quits rate of 1.9%. Accommodation and food services 4.0%, via FRED series JTS7200QUR.

6 **BLS, JOLTS, quits by industry (April 2026, preliminary)**
Retail trade 2.7%; transportation and warehousing 2.1%; health care and social assistance 1.9%; construction 1.7% monthly, seasonally adjusted.

7 **Frequency × per-departure cost**
The high-churn verticals carry both terms high at once; the same lever applied where churn is worst earns the largest return.

SMALLER EMPLOYERS, HEAVIER LOAD

A departure that is a rounding error at a national chain is a genuine disruption at a fifteen-person operation with no bench, and it is the smaller employer that least has a benefits department to respond.

SECTION 2 · THE CHURN, BY VERTICAL

NINE INDUSTRIES, ONE SHAPE

The pattern holds across the specific industries this firm serves, though the data that documents it differs from one to the next. Where the federal quits series measures the vertical directly, it is shown as a monthly rate; where it does not, the documentation is the sector's own annual research, identified as such. The two measures are never equated.

RESTAURANTS & HOSPITALITY

4.0% /mo

FEDERAL QUITS · 75%+ ANNUAL (NRA)

Highest federal quits rate of any sector; quick-service formats exceed 130% annual. The churn is overwhelmingly voluntary.[8]

HOME CARE & HOME HEALTH

~75% /yr

SECTOR ANNUAL · CAREGIVER WORKFORCE

Among the highest churn of any occupation, and fewer than one in five direct-care workers is offered employer coverage.[9]

HEALTHCARE PRACTICES & DENTAL

1.9% /mo

FEDERAL · HEALTH CARE & SOCIAL ASSISTANCE

A single front-desk or hygienist loss interrupts scheduling and patient continuity at a practice that runs lean by design.[6]

CONSTRUCTION & SKILLED TRADES

1.7% /mo

FEDERAL QUITS

Scarce skill, slow to replace; the cost of a departure is measured in lost project capacity, not only recruiting fees.[6]

STAFFING & PERSONAL SERVICES

~376% /yr

SECTOR ANNUAL · ASSIGNMENT CHURN

Reflects the short-duration nature of contract work, not distress; contract staff still respond to whether an assignment carries benefits.[10]

LOGISTICS & TRANSPORTATION

2.1% /mo

FEDERAL · TRANSPORT & WAREHOUSING

An empty seat is unmet delivery capacity and a partly trained replacement is a reliability exposure, not only a productivity cost.[6]

RETAIL & COMMERCE

2.7% /mo

FEDERAL QUITS

Runs on part-time and variable-hour staff almost by definition, the exact population conventional eligibility screens out.[6]

FRANCHISES & MULTI-UNIT

× units

INHERITS ITS INDUSTRY'S RATE

A franchise carries the churn of whatever industry it operates in, multiplied across every unit and every state at once.[8]

NONPROFITS & COMMUNITY ORGS

~19% /yr

SECTOR ANNUAL

Above the all-industry figure and overwhelmingly voluntary; a valued benefit is a rare lever where wages cannot compete.[11]

Across all nine the shape is the same even where the numbers differ. The industries that run on hourly, contingent, and variable-hour staff carry both the highest voluntary churn and the thinnest benefit offers, and the departures are overwhelmingly worker-initiated, which is the turnover a benefit can actually move.

PROOF RAIL

Sector sources for this page.

8 **National Restaurant Association**
Industry turnover above 75% annually, quick-service above 130%, drawing on BLS JOLTS data. Industry-association estimate.

9 **Activated Insights; PHI**
Caregiver turnover ~75% annually; fewer than 20% of direct-care workers offered employer coverage. Sector estimates.

10 **American Staffing Association**
Annual staffing-industry turnover of 376% for 2025; reflects short-duration assignments, not a conventional separations rate.

11 **Nonprofit HR, Employment Practices Survey**
Annual nonprofit staff turnover ~19%, above the ~18% all-industry figure, the large majority voluntary.

FEDERAL WHERE IT EXISTS

Each figure is shown at its source's level of authority, federal monthly rate or labeled sector estimate, never blurred into a single axis.

SECTION 3 · THE LEVER

HOW BENEFITS CHANGE THE RETENTION EQUATION

A retention lever only works if it reaches the people doing the leaving and moves their decision to stay. Health coverage does both. A Randstad US study found 66 percent of workers regard a strong benefits package as the largest single factor when they weigh a job offer, and 61 percent would accept a lower salary for better benefits; asked which benefit mattered most, 75 percent named health insurance ahead of every other category.[12]

The difficulty is that conventional coverage does not reach this workforce. Major-medical eligibility is keyed to full-time hours, which screens out the part-time and variable-hour staff who make up much of a high-churn payroll. An employer can offer a rich major-medical plan and still leave most of its hourly workforce uncovered, so the retention lever never touches the people most likely to leave.[13]

OPTIV ACCESS TIER 1 · FUNDED LAYER	For the contingent and very-low-hour staff who cannot make a meaningful pre-tax election, an employer-funded layer delivers day-one virtual care and prescription access on eligibility terms the employer sets. No Section 125 election, no payroll-tax recovery, no take-home effect for the worker.
OPTIV ADVANTAGE TIER 2 · §125 SUPPLEMENTAL	For the employees who can elect it, a supplemental benefit funded through a Section 125 cafeteria plan that sets its own eligibility class. Guaranteed issue, no waiting period, pairing around-the-clock virtual care and a 400-plus-medication prescription benefit with a fixed indemnity benefit on a substantiated medical event.

Together, the two layers put a usable benefit in front of essentially the whole workforce: Access for the remainder, Advantage for the employees who can elect it. The retention math depends on that completeness, because a benefit that reaches only part of the workforce reduces turnover only in that part.[14] And the effect reaches beyond the individual worker: in high-churn industries information about employers travels fast, so an employer known for real coverage shortens its time to fill and raises its applicant quality, lowering recruiting cost on top of the retention effect.

PROOF RAIL

Sources for this page.

12 **Randstad US employee benefits study (2023)**
66% rank benefits the largest factor; 61% would accept lower salary; 75% name health insurance first.

13 **Id. (departure drivers)**
42% considering leaving over inadequate benefits; 55% have left a job for better benefits.

14 **IRC §125; Optiv Advantage & Optiv Access program design**
Section 125 supplemental layer plus an employer-funded complement covering the whole roster.

STICKIER THAN WAGE

A benefit a worker could not easily buy alone is a more durable retention lever than a dollar an hour a competitor can match.

SECTION 4 · THE DISTINCTION

WHICH TURNOVER A BENEFIT CAN ACTUALLY REDUCE

An honest return calculation has to be precise about which departures a benefit can prevent, because not all turnover is the same and not all of it is addressable. An employer that credits a benefit with reducing every separation will overstate the return and lose the argument the first time a skeptical controller examines it.

Quits

Voluntary departures the employee initiates. The category a retention benefit works on, and the right denominator for the case.

ADDRESSABLE

›

Layoffs & discharges

Involuntary separations the employer initiates. A benefit does not prevent a layoff the employer chooses to make.

NOT ADDRESSABLE

›

Other separations

Retirements, transfers, and departures due to disability or death. Outside what a benefit can change.

NOT ADDRESSABLE

The Bureau separates total separations into three categories; the quits rate isolates the departures a worker chooses to make and a better offer might change.[15]

Within voluntary quits, a further distinction sharpens the picture. Practitioners separate regrettable turnover, the loss of a worker the employer would have kept, from non-regrettable turnover. A benefit's value concentrates in preventing regrettable departures, and a calculation that counts only those as addressable is the one a finance leader should trust, because it does not claim the benefit can do something it cannot.

NARROWING THE POPULATION DOES NOT WEAKEN THE CASE

The high-churn verticals carry quit rates several times the economy-wide figure, so the voluntary, addressable share of their turnover is large even after involuntary separations are set aside. An accommodation and food services employer losing workers above 4 percent a month is losing them overwhelmingly to voluntary departure. And because short-staffing itself drives the next quit, a conservative calculation that counts only directly prevented departures understates the effect rather than overstating it.

PROOF RAIL

Authority for this page.

15 **BLS, JOLTS, technical definitions**
Total separations comprise quits (voluntary); layoffs and discharges (involuntary); and other separations (retirements, transfers, disability, death).

BUILD ON QUITS

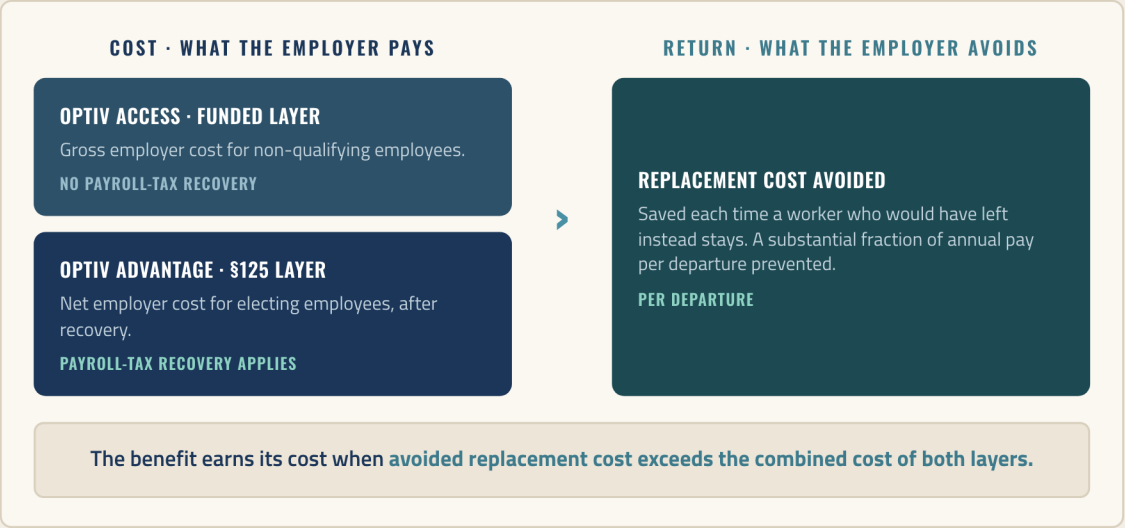
Build the calculation on the voluntary quits rate, not total separations, and treat the regrettable share as the population the benefit addresses.

SECTION 5 · THE RETURN

CALCULATING THE RETURN AGAINST REPLACEMENT COST

The retention case becomes a financial case when the cost of the benefit is set against the replacement cost it avoids. The cost side has two components, and an honest calculation keeps them separate.

FIGURE 3 · THE RETENTION EQUATION



Structural. Payroll-tax treatment per IRC §§3121(a)(5)(G), 3306(b)(5)(G); the funded layer carries no pre-tax election and so no recovery. No dollar values in this figure.

The Section 125 supplemental layer generates a payroll-tax recovery, because the amount a worker elects pre-tax is excluded from the Social Security and Medicare wage bases, which for 2026 carry a combined employer rate of 7.65 percent up to the Social Security wage base. That recovery offsets part or all of the employer's cost of the supplemental layer. The funded layer, by contrast, is a flat employer cost with no recovery, so it enters the math as a cost the employer chooses to absorb to cover the workers the supplemental layer cannot reach.[16]

PROOF RAIL

Authority for this page.

16 **IRC §§3101, 3111; §§3121(a)(5)(G), 3306(b)(5)(G)** *Combined 7.65% employer FICA and Medicare rate up to the 2026 Social Security wage base of $184,500; pre-tax §125 elections excluded from the wage base.*

KEEP THE LAYERS SEPARATE

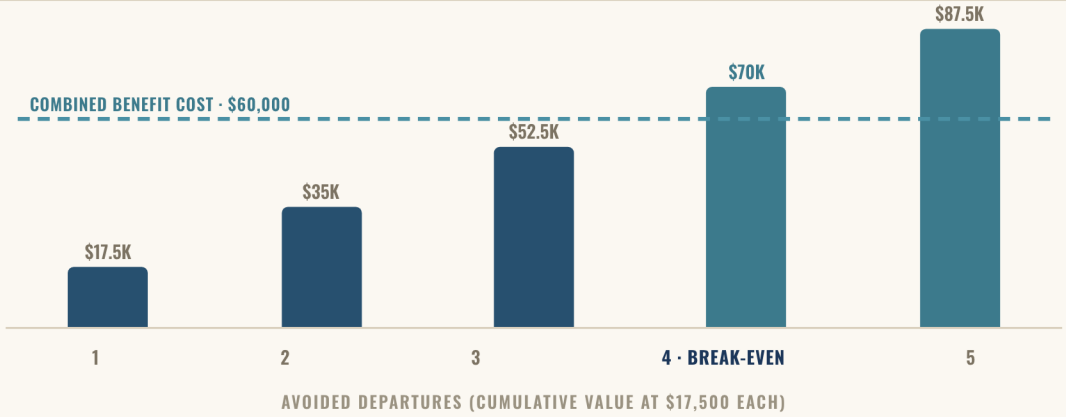
Crediting the funded layer with a tax recovery it does not produce would overstate the return. The math keeps the two costs apart.

SECTION 5 · THE BREAK-EVEN

HOW FEW AVOIDED DEPARTURES IT TAKES

Because a single avoided departure saves a substantial fraction of a worker's annual pay, a benefit only has to change a modest number of stay-or-go decisions to cover its own cost. The illustration below shows the shape of the calculation. It is not a projection.

FIGURE 4 · ILLUSTRATIVE BREAK-EVEN · AVOIDED-DEPARTURE VALUE VS BENEFIT COST



STATED ASSUMPTIONS

- 100 hourly employees, average pay $35,000/yr
- Replacement cost 50% of pay (low end) · $17,500 each
- Combined benefit cost $600/employee net · $60,000 total
- Annual voluntary turnover 50% · 50 departures/yr
- Total annual turnover cost ≈ $875,000
- Break-even at 4 avoided departures ($70,000 > $60,000)

ILLUSTRATIVE ONLY

Figures are assumptions chosen to demonstrate the method, not results promised to any employer. Actual turnover costs and benefit costs vary. Run your own numbers in the Turnover Cost Estimator.

Illustration. Replacement-cost range is a third-party estimate (Gallup, SHRM); the figures shown are assumptions, not measured values.

The durability is the point. Even a deliberately conservative version, turnover of 30 percent rather than 50, replacement cost held at the low-end 50 percent of pay, and benefit cost doubled to $1,200 per employee, pays for itself by preventing roughly seven of 30 departures, a reduction of less than a quarter of the voluntary turnover. The case rests on the structural gap between a cost measured per departure and a cost measured per employee, not on an optimistic multiplier.

PROOF RAIL

Assumptions for this page.

+ **Illustrative model, this paper**
  Every dollar figure is an assumption tied to the stated case, not a guaranteed result. Two illustrations: a typical case (4 of 50) and a conservative stress test (7 of 30).
+ **Gallup; SHRM replacement-cost range**
  One-half to twice annual salary; the illustration uses the low end. Third-party estimates.

BUILT TO UNDERSTATE

The return side omits recruiting saved, secondary departures prevented, and replacement cost above the low end. Each omission runs in the employer's favor.

CONCLUSION

TURNOVER IS ALREADY IN THE BUDGET

Turnover is a large cost that hides because it never arrives as a single bill. Federal data shows where it concentrates: the industries built on hourly and variable-hour workers carry quit rates several times the economy-wide figure, and they pay the per-departure replacement cost over and over across the year. The size of that cost is an estimate, and the practitioner range is wide, but even the low end is large enough that the direction of the math is not in question.

What is in the employer's control is the rate at which people leave, and the most direct lever on that rate is a benefit the workforce values and can actually use. A supplemental design that sets its own eligibility, paired with a funded layer for the employees who cannot elect it, reaches the whole workforce, which is the condition the retention math requires. Because one avoided departure saves a large multiple of what the benefit costs per employee, the benefit has to change only a small number of stay-or-go decisions to pay for itself.

There is a reframing worth stating directly to the finance leader. Turnover already sits in the budget; it is simply not labeled. It is in the overtime to cover open shifts, the recruiting spend, the training hours, and the lost output of empty seats. The question a benefit poses is not whether to add a new cost to a clean budget, but whether to move spending from an uncontrolled, unlabeled line, the cost of people leaving, to a controlled, predictable one, the cost of giving them a reason to stay.

The question is not whether you can afford the benefit. It is whether you can keep affording the turnover it is built to reduce.

RUN YOUR OWN FIGURES IN THE TURNOVER COST ESTIMATOR · INFO@OPTIVHEALTH.US · 833-MY-OPTIV

SUPPORTING AUTHORITY

SOURCES AND DISCLOSURES

GOVERNMENT DATA

U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, April 2026 release and industry quits-rate series; technical definitions of separations (quits, layoffs and discharges, other separations). Quits rate for accommodation and food services, seasonally adjusted, retrieved via Federal Reserve Bank of St. Louis, FRED series JTS7200QUR.

THIRD-PARTY ESTIMATES AND SURVEYS

Gallup, estimates of per-employee replacement cost (one-half to twice annual salary) and aggregate annual voluntary-turnover cost (on the order of $1 trillion). Society for Human Resource Management, estimates of average cost per hire (≈ $4,700) and per-employee replacement cost. Randstad US, employee benefits study (2023). National Restaurant Association, industry turnover estimates drawing on BLS data; Activated Insights (formerly Home Care Pulse), caregiver Benchmarking Report; PHI, Understanding the Direct Care Workforce; American Staffing Association, annual staffing-industry turnover; Nonprofit HR, Nonprofit Employment Practices Survey. Reported as estimates and survey findings, not measured figures or guarantees.

STATUTE AND REGULATION

Internal Revenue Code §§3101, 3111; §§3121(a)(5)(G), 3306(b)(5)(G); §125. The 2026 Social Security wage base ($184,500) and the combined 7.65% employer rate were verified against current Internal Revenue Service guidance before publication.

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