

# Help Wanted

## THE HIGH COST OF JOB VACANCIES

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Monday morning. One of your operations managers walks in and announces that he's leaving for the competition. Tough loss, you think.

You review your financials and decide to forgo hiring a replacement. You know you can count on your remaining two operations managers to pick up the slack. Besides, your bottom line needs the boost.

Good decision, right? Before you pat yourself on the back, consider the story of Looks Good, a small, direct merchant of women's clothing.

### An Expensive Decision

Pat Hammond, owner of Looks Good, recently lost three customer service representatives (CSRs), one of which had been the supervisor. Instead of replacing these employees immediately, she decided to take her time finding new CSRs. By juggling some schedules and paying some overtime, Pat figured she could cut down on her personnel costs. But problems arose immediately:

- Clothes Steed, a retail store planning to offer the Looks Good line, cancelled the deal in frustration. They had been working with the departed supervisor, and his fill-in knew nothing about the discussions. Lost revenue was estimated at



\$10,000 per month.

- Remaining CSRs became overworked, and the percentage of order errors increased dramatically. The resulting returns and exchanges for the

month cost Looks Good an additional \$900.

- Emma King, Looks Good's head buyer, resigned to join another company that she believed was more stable. Because Looks Good no longer had access to Emma's overseas contacts, their costs increased by 10%. For the current month, they spent an additional \$8,500.
- As troubles in the workplace mounted, employee frustration increased. Two additional CSRs resigned to take positions with other companies.
- Because Pat Hammond was forced to help answer the phones during busy periods, she put all employee evaluations on hold, which further upset her staff.

For Looks Good, the cost of open positions turned out to be incredibly high. In one month, they lost almost \$20,000 of potential revenue. What's worse, employee morale suffered tremendously, and turnover skyrocketed. If Pat Hammond doesn't right the ship immediately, she could be out of business.

### The Real Costs

Looks Good's story may be fictitious, but the high costs of job vacancies are real. Don't be fooled into believing that open positions cost you only some overtime. The truth is, vacancies can expose your

organization to unforeseen and unacceptable expense, including the following:

**Revenue Costs**

Loss of revenue is the most obvious and most quantifiable cost associated with open positions:

- Delayed revenue resulting from longer Time To Market (TTM)
- Lost revenue resulting from

products/services that could never be introduced

- Underutilized equipment
- Decreased output because employees are performing unfamiliar jobs

**Personnel Costs**

Employees who remain in your organization are hurt by vacancies. The added workload and higher

stress levels can result in a number of problems:

- Sending a message that the company isn't performing well
- Greater incidences of illness, absenteeism, and tardiness
- Increased frustration
- Increased scrap and rework/error rates
- No opportunity to receive needed training
- Less chance of employees reaching individual goals
- Higher turnover

**Team Costs**

Open positions can also cost your work teams:

- Lost experience
- Increased chance that other members will leave
- Lost leadership
- Disruption in team cohesiveness
- Increased likelihood that poor performing team members will be retained
- More difficult to generate new ideas

**Management Costs**

Managers in charge of departments with open positions must contend with a number of headaches:

- Less time to manage remaining employees
- Increased frustration over lack of corporate support

**To Hire or Not to Hire**

Not sure whether to fill an open position? Complete the worksheet below to help you decide.

First, enter and total your estimated savings. Then, determine your estimated losses. Start by entering the worst case loss for each category in the *Amount* column. Next, enter a percentage in the *Probability* column—it's the probability that the worst case loss would actually happen. Finally, multiply the *Amount* by the *Probability* to arrive at the *Estimated Cost*. For example:

<u>Category</u>	<u>Amount</u>	<u>Probability</u>	<u>Estimated Cost</u>
Customer losses	\$100,000	25% (or .25)	\$25,000
Rework/error costs	\$10,000	60% (or .60)	\$ 6,000

Total your estimated losses. If they exceed your total estimated savings, it's time to fill the open position.

**Estimated Savings**

Salary	_____
Benefits	_____
Administrative & overhead costs	_____
Hiring costs	_____
<b>Total Estimated Savings</b>	=====

**Estimated Costs**

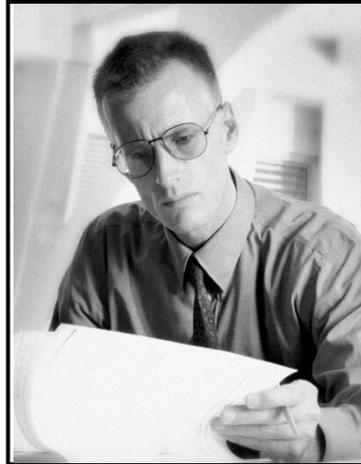
<u>Category</u>	<u>Amount</u>	<u>Probability</u>	<u>Estimated Cost</u>
Potential revenue losses	_____	_____	_____
Rework/error costs	_____	_____	_____
Personnel losses	_____	_____	_____
Opportunity costs	_____	_____	_____
Customer losses	_____	_____	_____
Decrease in sales volume	_____	_____	_____
<b>Total Estimated Costs</b>	=====		=====

- Higher turnover in middle management (and often in senior management)
- Increased opportunity costs because managers have to spend valuable time performing fill-in duties

### **Customer Costs**

Vacancies in critical areas can affect customer satisfaction levels, sometimes with serious consequences:

- Loss of sales volume because of inability to fill orders
- Loss of sales volume because of reduced service quality
- Increased chance that customers will conclude you are getting weak or you don't care about them
- Customer attrition



### **Competitive Advantage Costs**

Open positions can affect your ability to remain competitive in the marketplace:

- Sends a message to analysts that you are weak
- Sends a message to competitors that you are vulnerable
- Sends a message to prospective employees that the company is

in trouble (this problem can be especially acute for high-demand positions)

- Erodes your corporate culture

### **An Ounce of Prevention**

Don't let your organization fall victim to the "we'll just make do" attitude. Take the time to evaluate the risks and consequences of vacancies in your workforce. Then, if appropriate, design a plan to eliminate these vacancies. Start by hiring people with the skills and temperament to succeed in your organization. Then make sure you keep these valuable employees satisfied and happy to be working for you. Yes, there are costs involved in developing well-functioning hiring and retention procedures. But the time and money you spend will be far less than the alternative.

## **Need Help Reducing Costs?**

When it comes to minimizing the cost of job vacancies, Employers Overload can be a vital resource. We can provide any or all of the following services:

### **Direct Placement Services**

- search our extensive candidate database for people with needed skills
- screen candidates thoroughly and quickly to determine those who are qualified
- administer personality tests to discern whether a candidate can thrive in your corporate culture
- develop orientation programs to introduce new hires to the company and help them become productive

### **Temporary Staffing Services**

- supply temporary personnel for openings caused by seasonal workload fluctuations or special projects
- supply temporary personnel to fill open positions while you search for the right person for direct hire

### **Temp-to-Hire Services**

- supply a potential employee on a temporary basis so you can decide whether to hire him or her directly
- supply a potential employee on a temporary basis so you can determine whether the workload warrants a full time employee

If you'd like more information about any of these services, please call us at 1-800-757-2902.