

# THE VACANT CHAIR

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It seems as though it was just yesterday when everyone was downsizing, right-sizing, de-layering or reorganizing. Back then, we apparently had the luxury of too many workers for the tasks at hand. In some instances, we were actually thrilled to have some people resign or retire. Today, with turnover rates running in the double digits for most companies, we feel great pain when people quit.

In the early part of this decade, virtually every organization in this country was running lean and mean. When even one person left, it put a strain on the entire organization. Why? When the economy is booming and there is a shortage of workers with the requisite skills, finding replacements is difficult and expensive.

Modern companies have generally adopted the team concept for producing quality work products. But when a slot on one of those teams is vacant, the workload and stress increases for every other member of that team, often adversely affecting the team output.

For most teams, a vacancy of thirty days or less can be endured. But longer-lasting vacancies start to create unreasonable overtime demands, morale problems, and declining productivity, if not additional turnover.

## The Costs of Turnover

The costs of turnover or vacancies will vary based upon the duration of the vacancy, the job function, and, in most cases, the level of the position. The factors that should be considered when calculating the cost of a vacancy should include: a) lost revenues, sales, or production, plus overtime and temporary replacement costs; b) recruitment and relocation costs; and c) training costs and learning time.

Assuming a vacancy of more than 30 days, the losses can run from 3 to 10 times the monthly salary of the vacant position. The recruitment and relocation costs are usually 15 to 20 percent of the annual salary of the position. Training costs are usually directly measurable—the learning curve can be from one month to six or more months until full productivity is achieved. For a professional level, \$50,000 per year position in a typical corporation, we conservatively estimate the costs for a position vacant for more than 30 days could be at least \$25,000 per month, or at least \$833 for every day it is vacant. For many technical positions or sales account management positions, that same level position could cost the company \$75,000 per month or \$2500 per day.

In these two scenarios, the accumulated costs of this vacancy over 60 days could be \$50,000 to \$150,000—for a \$50,000 a year job!

Whether your organization uses the conservative or the more aggressive calculations, the effect on the bottom line is still very significant. A company with 80 vacancies in this salary range could be losing between \$4 million and \$12 million as a result! Your COO and CFO may not be using these same exact numbers, but they know there are these kinds of costs affecting the bottom line. It should be no surprise to any recruiter, then, to hear: "I don't care what it costs, just fill it and fill it fast!"