



CALCULATING AND APPLYING TOTAL COST-PER-VACANCY

Leaders intuitively know that vacant positions increase the workload of other team members, reduce productivity, harm employee morale, negatively impact quality, and ultimately result in lost revenue. To measure the overall impact of open positions on your bottom line, there is one critical business indicator: **total cost-per-vacancy (CPV)**.

Understanding the cost of vacancies is imperative to managing expenses. With this information, leaders can:

- Determine the true business impact of talent shortages
- Make decisions about how quickly positions need to be filled
- Transform recruitment approaches
- Achieve organizational cost-efficiency



Defining Total Cost-Per-Vacancy (CPV)

In its simplest form, CPV is the cost to an organization for having unfilled positions, such as hiring manager time, overtime expenses and contingency or agency spend.

IMPACT OF VACANCIES

Relying heavily on cost-per-hire metrics often leaves soft and hard costs related to unfilled positions unattributed. For example, after adopting CPV measures, organizations have found that 33-50% of overtime costs stem from unfilled positions. A formal calculation of CPV offers clear transparency into the direct and indirect impact of open vacancies, and enables organizations to mitigate the known risks.

DIRECT AND INDIRECT IMPACT

Financial

- Increases agency usage
- Increases contract salaries
- Increases overtime costs
- Increases misuse of staffing incentives/bonuses
- Increases competitive pressures

Culture/Engagement

- Damages the morale of permanent staff
- Reduces ability to hire for cultural fit
- Puts quality of hire at risk
- Makes talent initiatives reactive, not strategic
- Limits leadership opportunity to focus on employee development
- Increases voluntary turnover rates

Productivity

- Leads to under-performance and loss of idea generation
- Creates reluctance to terminate substandard employees
- Increases need for management supervision of teams
- Limits leader focus on strategic initiatives

Calculating Total Cost-Per-Vacancy

To realize the benefits of understanding the financial impact of unfilled positions, use the following worksheet to calculate your organization's CPV. If your HR data allows, consider adding more in-depth measures such as a quantitative measure of the cost of hiring manager time spent on recruitment activities.

| | | |
|---|-------|-------------------|
| Salaries and benefits of recruiting staff | _____ | |
| Technology costs | _____ | |
| Administrative and overhead expenses of recruitment staff | _____ | |
| Temporary staffing/agency costs | _____ | |
| Incurred overtime due to unfilled positions | _____ | + |
| TOTAL COST OF ALL VACANCIES: | _____ | (/ - divided by) |
| Average number of vacancies | _____ | |
| AVERAGE COST-PER-VACANCY: | _____ | |

Example: An organization with an average cost-per-vacancy of \$5,500 that averages 2,500 open positions results in more than \$13 million total cost of unfilled positions for the system.

WHERE HR CAN BEGIN

Calculating total cost-per-vacancy and learning the full ramifications of open positions enables organizations to make a positive impact on employee engagement, productivity and, most importantly, financial performance. Sharing this information with executive leadership validates HR's critical role in driving organizational performance. On a more actionable level, calculating CPV provides the transparency HR leaders need to inform their strategic workforce plan and transform their approaches to talent acquisition and management - ultimately creating a highly efficient and effective talent function that attracts, engages and retains the right talent.



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