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DISADVANTAGES OF NOT APPOINTING A
RECRUITMENT & CONSULTING AGENCY

AVERAGE REVENUE PER LOST EMPLOYEE

Take the company's revenue per employee (which is the company's total revenue divided by the number of employees) and divide that by the number of working days in a year (c240). This provides you with the average revenue produced by an employee on a daily basis. The principal here is that if an employee is not in place, you cannot generate the revenue that that one employee would have generated on average.



REVENUE LOST

For revenue-generating jobs, you take the average yearly revenue generated by a person in this job and divide it by the number of working days in a year. The principal here is that if there is a vacant job in a revenue-generating position, that revenue will be lost if no one is in that position.

Being understaffed (due to the vacancy) will lower the probability of a department meeting its productivity targets, which could have a cascading impact on other inter-related departments.

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TEAM IMPACTS



- Team results may be dramatically impacted by the disruption caused by the lost productivity, lost experience, lost leadership and lost skills of the “vacated” person.
- If a team environment exists, a disruption in team cohesiveness may occur. This can result in a loss of focus and production.
- Vacancies may affect the idea generation of others because co-workers are frustrated or overworked.
- Vacancies may cause overworked employees (because they have to fill in) to tire, which may cause increased accidents or an increase in error rates.
- Excessive vacancies may lead to increased “whining,” grievances, and even union activity.
- If the team leader is the vacancy, then time to productivity is likely to be even more negatively impacted.
- A vacancy may make a manager reluctant to terminate poor-performing employees. Vacancies coupled with poor performers can cripple the team.



INDIVIDUAL EMPLOYEE IMPACTS

- A vacancy means that a current employee must do the work of the vacant position. This can cause a cascading effect when others have to fill in for their position, resulting in many “rusty” people doing unfamiliar jobs and decreasing productivity.
- Vacancies may frustrate other employees, causing them to lower their productivity.
- Vacancies may cause the team to miss its goals, thereby reducing the possibility of individual and team incentives, which may further reduce productivity.
- Increased stress on overworked current employees (caused by having to fill in) may cause increased absenteeism and tardiness.
- If temps or “fill-ins” must be hired, they usually have a higher error rate than the average employee and they are unlikely to generate many new ideas.
- Your best employees often resent being asked to fill in when lesser employees’ positions are vacant, which may cause them to quit also.



INCREASED MANAGEMENT TIME AND EFFORT

- Teams with vacancies require high maintenance and more management attention, decreasing the time they can spend on more strategic management issues.
- Managers often have to skip their normal management planning and responsibilities in order to fill in for the vacant employee.
- When managers fill in for vacant employees, that time can't be spent on the best employees.
- Vacancies in management and team leader positions have a multiplier effect on productivity and the recruitment of others.
- There are opportunity costs for things a manager and co-workers could have done if they didn't have to carry the extra load of filling in for a vacancy.
- If the vacancies are caused by top management decisions (hiring or budget freezes), it can cause managers to lose hope. This can impact morale and it may lead to a high management turnover rate.

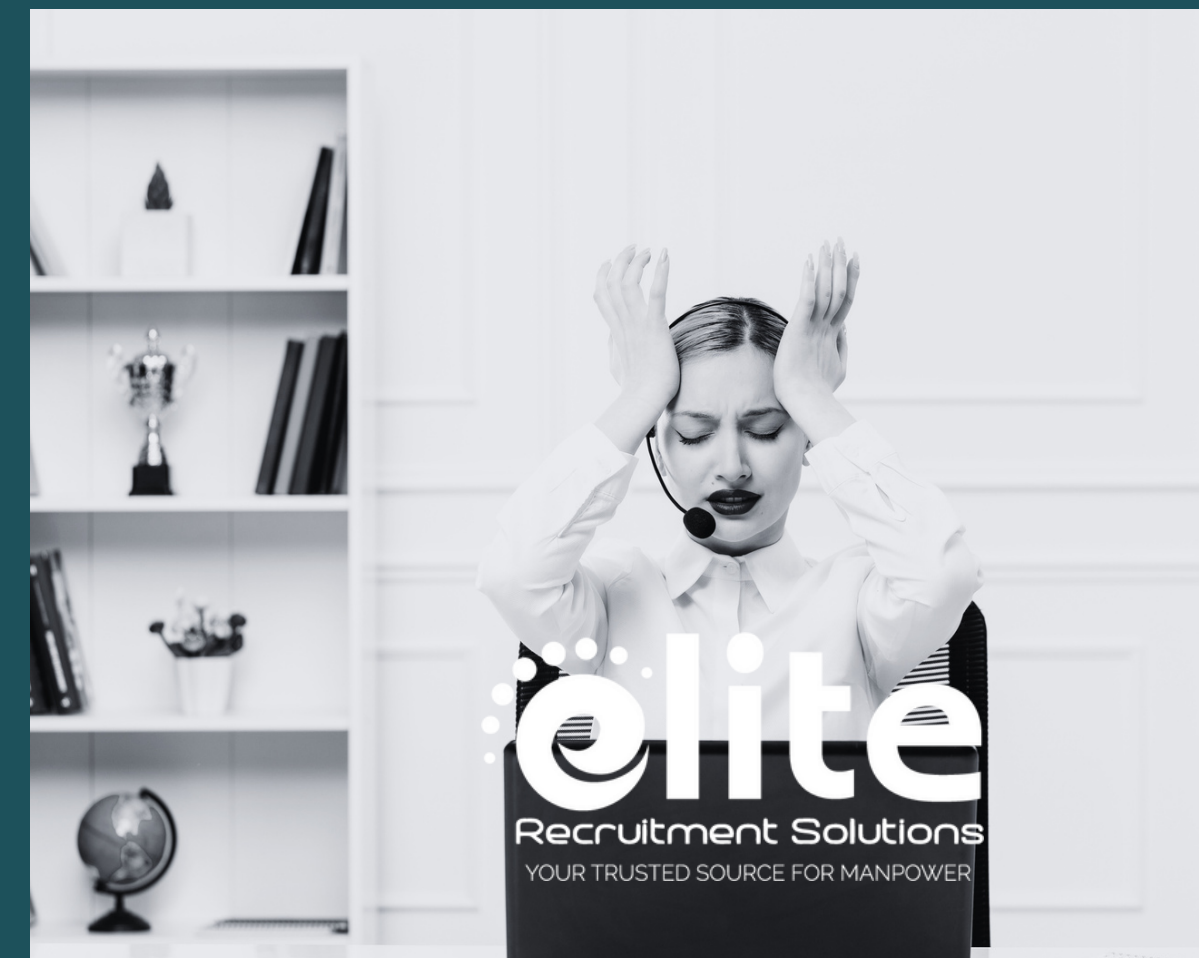


CUSTOMER IMPACTS

Excessive vacancies may send a message to customers and suppliers that the organization is getting weak or doesn't care about them. It may cause a period of confusion for suppliers and customers regarding whom they can contact and the stability of the relationship. Errors resulting from vacancies may lower productivity and occasionally result in lost customers.

Any unskilled fill-in employee may provide customers to look for an opportunity for reasons of an excuse.

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YOUR COMPETITIVE ADVANTAGE, CULTURE, AND VALUE

Excessive vacancies may cause panic and encourage the “quick” hiring of poor performers. Once a team is saddled with a large number of poor performers, you may never be able to hire any new top performers.

Vacancies at the CEO, CFO, CTO, and other top manager positions can adversely impact external financing and the willingness of others to partner or merge with the organization.

A large number of vacancies means that the organization is losing employees, which means a weakening of the corporate culture. New employees with new values may change or dilute core values and “corrupt” current employees.



YOUR IMAGE AND RECRUITING

Excessive vacancies sends a message to competitors that the organization is getting weak. This might encourage them and improve their own confidence so that they become bolder in the product and employee poaching markets.

Vacancies may impact new recruiting because vacancies send a message to future recruits that the organization is not easily able to recruit replacements.

Large numbers of vacancies may also send a message to your current employees that the organization is headed downhill.

High vacancy rates may over-stress recruiters and the recruitment process.

Vacancies may send a message to outside recruiters that the organization is vulnerable, which can lead to increased "headhunter" activity.





OUT-OF-POCKET COSTS

Having to hire high-cost consultants as “fill-in help” could mean higher costs. If hourly employees are involved, it probably means additional overtime costs.

Vacancies can mean the underutilization of plants and equipment.





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