Estimating the Cost of a Bad Hire

Use your own costs to understand the impact of an unsuccessful hire. Avoid broad salary multipliers: the result depends on the role, time in the job, and what happened.

BUILD AN EVIDENCE-BASED ESTIMATE

1. **Define the scope.** Choose a time period and a comparison: the actual outcome versus a successful hire. Keep ordinary employment costs separate from avoidable loss.

2. **Track hiring investment.** List advertising, recruiting fees, assessments, and interview time. Record hours by person and multiply by a consistent loaded hourly cost.

3. **Identify the avoidable impact.** Document additional supervision, rework, errors, vacancy coverage, and any verified business loss. Deduct recoveries and value produced where relevant.

4. **Include replacement costs once.** Add a new recruiting cycle and incremental onboarding where applicable. Do not count the same vacancy hours or recruiting expense twice.

5. **Use the findings to improve.** Look for unclear expectations, missing skills checks, weak onboarding, or poor manager support. Turn the lesson into a specific process change.

Improve the next hiring decision

Start with clear success criteria, a consistent interview process, and a realistic onboarding plan.

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Hiring cost worksheet

Role: _____ Period: _____
Prepared by: _____ Date: _____

Cost category	Basis / evidence	Amount
Initial recruiting and selection	Fees + advertising + staff hours × loaded rate	_____
Incremental onboarding / supervision	Additional hours beyond normal onboarding	_____
Rework or error correction	Documented additional labor or direct expense	_____
Vacancy / temporary coverage	Incremental cost beyond normal staffing	_____
Verified business impact	Lost contribution margin; avoid overlap	_____
Separation expenses	Actual, applicable expenses confirmed by HR	_____
Replacement recruiting / onboarding	Incremental expenses, counted once	_____
Less refunds or other recoveries	Documented recoveries	(_____)
Total estimated impact	Add included costs and subtract recoveries	_____

If you include compensation paid during the unsuccessful hire, explain why it represents a loss and account for productive work received. Do not automatically treat every salary dollar as wasted. Label assumptions and separate direct cash expense from estimated opportunity cost.

Priority improvement: _____

Owner / review date: _____

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