The Hidden Costs of Understaffing

An unfilled position reduces payroll expense, but the work rarely disappears. Evaluate what happens to output, customer service, and the people covering the gap.

LOOK BEYOND THE OPEN POSITION

1. **Capacity and missed work.** Record jobs declined, overdue orders, growing backlogs, and delayed projects. Estimate lost contribution margin, not just lost revenue.

2. **Quality and recovery.** Track preventable errors, rework hours, refunds, expedited shipping, and customer escalations. Connect each cost to evidence rather than assumptions.

3. **Team workload.** Monitor overtime, missed breaks, schedule changes, and repeated coverage demands. Ask employees where the workload has become unsustainable.

4. **Retention and continuity.** Watch for resignations, absence patterns, and dependence on one person. Cross-training and documented procedures can reduce disruption.

5. **Management time.** Include the time leaders spend covering vacancies or resolving avoidable issues instead of managing their core responsibilities.

Treat the cause

Compare added coverage with process changes and reprioritization. More headcount will not fix every bottleneck.

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Build a capacity cost comparison

Use a consistent period, such as one month. The example below is illustrative, not a market benchmark or a promise of savings.

Cost during the month	Illustrative estimate	Your estimate
Incremental overtime or coverage cost	$3,600	_____
Rework, refunds, and service recovery	$1,400	_____
Lost contribution margin on declined work	$3,000	_____
Total estimated gap-related cost	$8,000	_____
Less avoided regular payroll and benefits	($5,000)	_____
Net estimated cost of leaving role unfilled	$3,000	_____

In this example, filling the role at a total monthly cost of $5,000 would be favorable only if it prevents enough of the $8,000 in gap-related costs. Allow for onboarding time and the possibility that some losses will continue.

BEFORE YOU DECIDE

Use contribution margin after variable costs for missed work. Count each expense once. Separate measured costs from estimates, and use a low/high range where the impact is uncertain. Consider one-time recruiting and training costs separately.

Agree on a trigger for action: a sustained backlog, missed service target, repeated overtime, or another measurable capacity issue. Revisit the decision after 30 days.

Find the right coverage

Murray Resources can help you plan for an immediate vacancy, a project, or ongoing growth.

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