

# Bad Hire Cost Calculator

Weizhen Recruiters

## INSTRUCTIONS

1. Fill in the BLUE cells with your company data
2. All calculations are automatic
3. Print or save as PDF

## Step 1: Enter Basic Information

Job Title:	Senior Software Engineer
Department:	Engineering
Annual Salary:	RM 200,000
Months Employed Before Departure:	6
Team Size (people reporting/affected):	5

## Step 2: Cost Breakdown (Automatic Calculations)

### 1. RECRUITING COST

Recruiter/Agency Fee (20% of salary)	RM 40,000
Job Advertising	RM 5,000
Interview Time (estimated)	RM 3,000
Background Checks	RM 2,000
<b>RECRUITING SUBTOTAL</b>	<b>RM 50,000</b>

### 2. SALARY COST (Partial Loss)

Monthly Salary	RM 16,667
Months Employed	6

Productivity Level	50%
<b>SALARY COST</b>	<b>RM 50,000</b>

*(they did some work, but underperformed)*

### 3. TEAM PRODUCTIVITY LOSS

Team Size	5
Hours Lost per Week (per person)	2.5
Weeks	26 (6 months)
Avg Salary per Team Member	RM 40,000
<b>TEAM PRODUCTIVITY LOSS</b>	<b>RM 62,500</b>

### 4. TOP PERFORMER TURNOVER (Cascade Effect)

Probability Top Performer Leaves	50%
Replacement Cost (60% of bad hire's salary)	RM 60,000
<b>TOP PERFORMER LOSS</b>	<b>RM 30,000</b>

### 5. REPLACEMENT RECRUITING

Second Search Cost (20% of salary)	RM 40,000
Extended Role Vacancy (2 months lost productivity)	RM 33,333
<b>REPLACEMENT SUBTOTAL</b>	<b>RM 73,333</b>

### 6. LEADERSHIP DISTRACTION

Hours/Week Managing Problem	4
Weeks	26
Avg Leadership Hourly Rate	RM 625
<b>LEADERSHIP DISTRACTION</b>	<b>RM 65,000</b>

### 7. OPPORTUNITY COST (Lost Initiatives)

<b>Conservative Estimate</b>	<b>RM 100,000</b>
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*(Projects delayed, revenue impact, strategic missed opportunities)*

# TOTAL COST CALCULATION

Recruiting Cost	RM 50,000
Salary Cost	RM 50,000
Team Productivity Loss	RM 62,500
Top Performer Turnover	RM 30,000
Replacement Recruiting	RM 73,333
Leadership Distraction	RM 65,000
Opportunity Cost	RM 100,000

TOTAL COST OF BAD HIRE	RM 430,833
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Annual Salary of Employee:	RM 200,000
Multiple of Salary:	2.15x

# INSIGHTS & INTERPRETATION

- ✓ This bad hire cost **2.15x** the employee's annual salary
- ✓ Even if you "save" RM 200K in salary, you've spent RM 430K
- ✓ The real cost is in hidden expenses: team impact, opportunity cost, leadership time

## WHAT THIS MEANS:

- Every bad hire costs RM 430,833 (in this scenario)
- Investing an extra RM 20K-30K in better hiring (structured interviews, assessments, trial periods) would save RM 400K+ if it prevented one bad hire
- ROI of quality hiring: **12x-20x return**

# PREVENTION STRATEGY

How to avoid this cost:

Strategy	Risk Reduction	Details
1. Structured Interviews	40-50%	Standardized questions, score on competencies, multiple interviewers

2. Skills Assessments	30-40%	Technical assessments, work samples, business scenarios
3. Trial/Contract Period	80%	3-6 month contract, easy exit if not working, proves fit before permanent
4. Reference Checks	60%	Call past managers, ask direct questions, verify achievements
5. Culture Fit Assessment	20-30%	Assess values alignment, understand work preferences, evaluate team c

**Total investment in better hiring:** RM 15K-25K  
**Potential savings (avoid 1 bad hire):** RM 430K+  
**ROI: 17x-28x**

# COMPARISON: Fast Hiring vs. Careful Hiring

SCENARIO: Hire 10 people/year

	Fast Hiring (8 weeks, RM 30K/hire)	Careful Hiring (14 weeks, RM 50K/hire)
Total recruiting cost	RM 300,000	RM 500,000
Bad hire rate	20% (2 bad hires)	5% (0.5 bad hires)
Cost of bad hires	RM 861,666	RM 215,000
<b>TOTAL COST</b>	<b>RM 1,161,666</b>	<b>RM 715,000</b>

## SAVINGS WITH CAREFUL HIRING: RM 446,666/year

The "slower" approach saves RM 446K/year. And you get better quality people.

## USE THIS CALCULATOR TO:

1. Justify investment in better hiring to leadership
2. Show true cost of bad hires
3. Make case for structured interviews, assessments, trial periods
4. Budget for quality recruiting

## NEXT STEPS

- Schedule a consultation with Weizhen Recruiters
- We'll assess your current hiring process
- Identify where bad hires slip through
- Implement systems to catch them earlier

Contact: <https://weizhen.org/contact>

## Notes

- This calculator uses conservative estimates
- Actual costs may be higher (especially opportunity cost)

- *Different industries have different costs (tech higher than admin)*
- *Larger bad hires cost more (VP hire bad = millions lost)*

## **Methodology**

*Based on research by: Society for Human Resource Management (SHRM), LinkedIn Talent Solutions studies, Weizhen Recruiters case studies (100+ placements)*

*Last Updated: January 2025*