REC Recruitment & Employment Confederation

Good hiring matters:

The impact of unfilled vacancies and bad hires on UK businesses, workers and growth





Good hiring matters:

The impact of unfilled vacancies and bad hires on UK businesses, workers and growth

Contents

Introduction	2
The cost of unfilled vacancies	4
The impact on existing teams	7
The cost of bad hires	9
Supporting growth through better hiring	11
AI, hiring confidence and the role of recruiters	13
Why this matters for HR, talent and workforce planning	14
The role of the recruitment and talent industry	15
Conclusion	17
Methodology	17



Good hiring matters:

The impact of unfilled vacancies and bad hires on UK businesses, workers and growth

Introduction

The Recruitment & Employment Confederation (REC) exists to support a thriving labour market. As part of our ongoing commitment to labour market intelligence and driving evidence-led policy making, we commissioned new research to better understand the impact of unfilled vacancies and poor hiring outcomes on businesses and the wider economy in the UK.

We are at a time of unprecedented uncertainty for job creation. Alongside global geopolitical instability and rapid workplace transformation driven by AI, organisations are facing higher business and employment costs, meaning every hiring decision carries greater weight. Organisations are understandably more cautious about hiring, but the costs of delaying recruitment, leaving key vacancies unfilled or making the wrong appointment are becoming harder to absorb.

AI is changing both the work people do and how employers recruit. As roles and demands for skills evolve, businesses must think more carefully about job design, workforce planning and the capabilities they need for the future. Technology can help improve efficiency, but it is most effective when combined with human judgement, labour market insight and recruitment expertise. In a rapidly changing labour market, employers need confidence not only that they are hiring the right person, but that they are hiring for the right role.

Unfilled vacancies and bad hires cost UK businesses an estimated

£99

billion a year.



Equivalent of over

257,600

days

of productive output.

Together, unfilled vacancies and bad hires cost UK businesses an estimated £99.4 billion a year, the equivalent of just over 257,600 days of productive output. The consequences extend well beyond recruitment budgets, affecting productivity, workforce wellbeing, business growth and ultimately the strength of the UK economy. The challenge for employers is not simply whether to hire, but how to hire well.

Getting hiring right is no longer simply a recruitment challenge. It is increasingly critical to productivity, workforce resilience and growth.

The cost of unfilled vacancies

For many employers, caution can feel like the safest option. But prolonged vacancies come with a significant economic cost. REC research estimates that unfilled vacancies cost UK businesses £72.8 billion in 2025, equivalent to an average cost of £14,200 or 36.8 days of productive output for every vacancy left unfilled.

What is an unfilled vacancy?

In this research, an unfilled vacancy is a period in which a business is operating with fewer employees while a role remains open. The cost estimate is based on an average vacancy length of approximately 7.3 weeks and includes both lost output and wider effects on adjacent colleagues.

The challenge is widespread, with 61.3% of employers reporting at least one unfilled vacancy in 2025. The impact is greatest for smaller firms, with the average vacancy costing £14,300 for a business with fewer than 50 employees, compared with £10,700 for a business with 250 or more employees.

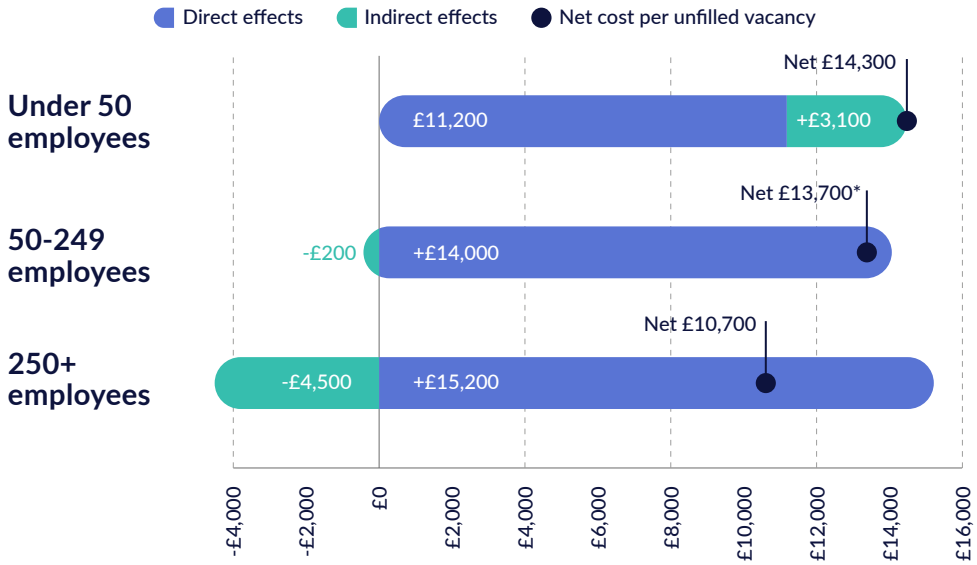
Smaller businesses are hit harder

This estimate reflects both the productivity lost while a role remains unfilled and the wider impact on existing teams. Smaller businesses are disproportionately affected because they typically have less capacity to redistribute work, absorb productivity losses or manage the knock-on effects of vacancy strain. As a result, smaller businesses are more exposed to both the productivity impact of a vacancy and its wider effect on workforce resilience.

Vacancies also create additional costs beyond the role itself. Employers may need to recruit and train replacement staff, while managers and colleagues invest time in bringing new employees up to speed. Although training costs were found to be lower among smaller firms, this was not enough to offset the wider impact of vacancies on productivity and workforce resilience. When all factors are considered together, a clear pattern emerges: the cost of a vacancy falls as business size increases.

The research estimates that a single vacancy costs the equivalent of 37.3 days of lost productive output for a small business, compared

Figure 1: **Direct and indirect effects per unfilled vacancy instance, broken down by employer size.** Source: REC, Cebr analysis



*Net figures reflect underlying (unrounded) estimates, not the sum of the rounded direct and indirect figures.

with 21.5 days for a large employer. With small businesses making up the overwhelming majority of UK employers, the wider economic impact of vacancies is felt most acutely across this part of the economy.

£14,300

per vacancy

the average cost for businesses with fewer than 50 employees, compared with £10,700 for employers with 250 or more.

The wider impact on growth

The cost of vacancies should not be viewed purely as a recruitment challenge. Across the economy, unfilled roles are estimated to result in the equivalent of more than 188,700 lost days of productive output each year. As businesses operate below capacity, opportunities are delayed, investment decisions are postponed and growth potential is constrained. In sectors already facing skills shortages, these effects can be felt far beyond the individual organisation.

This matters because economic growth depends on businesses having the people they need to operate, invest and expand. At a time when policymakers are rightly focused on improving productivity

and strengthening workforce participation, especially for those not in education, employment or training (NEET), the findings highlight the importance of creating the conditions that give employers the confidence to hire. While employers need time and space to make good hiring decisions, the evidence suggests that leaving roles unfilled for extended periods carries significant costs of its own.

For employers, the message is clear: unfilled vacancies are not simply empty seats. They represent lost productivity, unrealised growth and increasing pressure on existing teams. For policymakers, they are a reminder that helping businesses hire successfully is not just a labour market issue but an economic growth issue. The ability to hire flexible workers as well as permanent staff is essential for a thriving labour market and to maintain the flexibility employers need and workers themselves want. Agency work has the added benefit of the employer getting to see a candidate in action and to assess performance and fit before offering them a permanent position if one is available.





The impact on existing teams

The effect of an unfilled role extends beyond lost output. Adjacent colleagues increase their workload and working hours by an average of 8%, while vacancy-related burnout is associated with just under two additional sick days per employee a year.

This additional pressure often falls on those already performing critical roles, creating challenges for managers trying to maintain service levels, team morale and performance.

The pressure can also create further workforce gaps. Among businesses reporting at least one vacancy, 57.5% recorded at least one instance of a linked employee leaving because of vacancy strain. What begins as a single vacancy can therefore create a wider cycle of workload pressures, disengagement, absence and turnover, increasing the demands placed on the employees who remain.

8%

more workload and working hours.

The average increase for colleagues affected by an unfilled vacancy.

The research found that the likelihood of a vacancy contributing to another employee leaving falls from 35.0% among businesses with fewer than 50 employees to just 24.5% among organisations with 250 or more employees.

For employers, this highlights an often-overlooked workforce planning challenge. The impact of a vacancy cannot be measured solely through the responsibilities of the missing role. It can also affect employee wellbeing, retention, team stability and an organisation's ability to successfully manage change.

As AI transforms the workplace and the skills organisations need, employers must balance addressing immediate hiring needs with planning for future capability requirements. In a labour market where skills remain in demand, protecting existing teams is just as important as attracting new talent.



58%

of businesses with at least one vacancy reported another employee leaving because of vacancy strain.

The cost of bad hires

Employers are right to want confidence in recruitment decisions, because making the wrong hire also comes at a significant price.

Bad hires cost UK businesses an estimated £26.6 billion a year. On average, a bad hire creates an additional cost of £36,400 beyond salary costs alone, equivalent to approximately 94.4 days of productive output.

What is classed as a bad hire?

The research defines a bad hire as an employee who is ultimately terminated for underperformance. The additional cost estimate covers forgone productivity during their tenure, payment in lieu of notice, training their eventual replacement and the vacancy created while that replacement is recruited.

Based on the survey data, the average threshold for termination is 57.4% of an employee's expected contribution.

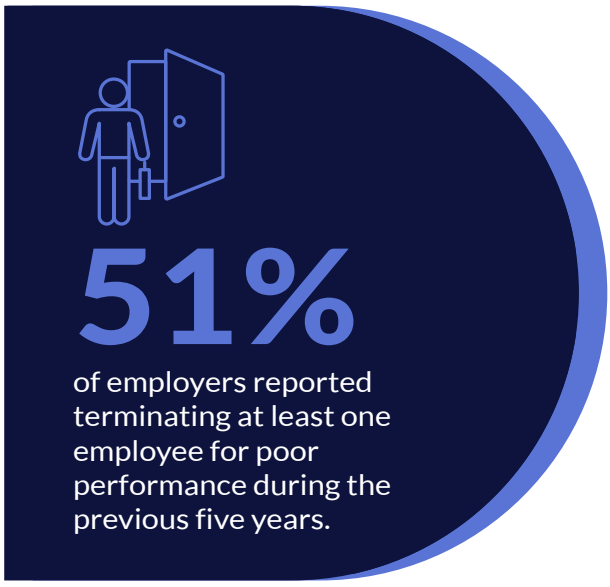
The additional cost reflects:

- Forgone productivity during the employee's tenure.
- Payment in lieu of notice.
- The cost of training the eventual replacement.
- The direct cost of the resulting vacancy while a replacement is recruited.



Figure 2: **The additional costs of a bad hire and its components, scaled up to a UK-wide cost estimate.** Source: REC, Cebr analysis





The total cost of a bad hire can reach 2.5 times the employee's salary over their tenure.

The issue is not uncommon either. In the previous five years, 50.6% of employers reported terminating at least one employee for poor performance. Across the UK, businesses are estimated to make approximately 730,000 bad hires each year.

Employers therefore face a genuine balancing act. Moving too quickly can increase hiring risks but becoming overly risk-averse can create a different set of costs through prolonged vacancies, delayed growth and pressure on existing teams.

The evidence suggests that the answer is not to hire less.

It is to **hire better.**



Supporting growth through better hiring

For policymakers, the findings demonstrate that hiring confidence is central to productivity, participation and growth.

The Government has set ambitious goals around economic growth, productivity and workforce participation. Yet this research identifies a significant and often overlooked barrier: unfilled vacancies cost UK businesses £72.8 billion in 2025, while bad hires cost a further £26.6 billion a year. Together, the estimated annual impact is £99.4 billion, the equivalent of just over 257,600 days of productive output.

Growth depends on confidence; confidence in future demand, access to talent and the ability to expand when opportunities arise. When that confidence weakens, employers may delay recruitment or leave roles open for longer, creating further pressure on productivity, workforce capacity and growth.

As policymakers implement reforms to the labour market, including the Employment Rights Act, they must balance effective protections for workers with the confidence employers need to invest in people.

For example, the Government's Industrial Strategy will only achieve its full potential if employers can access the talent needed to support growth and investment. As organisations expand, adopt new technologies and adapt to changing skills needs, the ability to hire well will become an increasingly important driver of productivity and competitiveness. This reinforces the importance of a policy and regulatory environment that enables employers to access the recruitment expertise, labour market insight and talent they need to succeed. The same principle applies across the public sector, including the NHS, where effective hiring is essential to delivering high-quality services and value for taxpayers.

The high cost of a bad hire is particularly relevant for SMEs, which make up the overwhelming majority of UK businesses and, according to this research, experience some of the highest costs associated with unfilled vacancies. For these employers, every hiring decision carries significant weight, and the consequences of both a poor hire and a prolonged vacancy can be substantial.

Supporting growth is not simply about encouraging employers to create more jobs; it is about enabling them to hire well. This requires effective resource planning, skills development, labour market flexibility and access to professional recruitment expertise that improves the hiring process and reduces hiring risk.

AI, hiring confidence and the role of recruiters

AI is reshaping both the workforce and the way organisations recruit. Employers are navigating a labour market where skills requirements are evolving rapidly, job roles are being redefined, and there is understandable uncertainty about which capabilities will matter most in the future.

AI is increasingly being used to identify candidates, assess skills, improve efficiency and widen access to talent. Used responsibly, these tools can speed up recruitment and help employers make informed hiring decisions, but their value depends on the quality of the data, criteria and human oversight behind them.

Technology alone does not eliminate hiring risk. It can process information and identify potential matches at scale, but cannot fully understand the context of a business, team dynamics or all the human qualities that influence success in a role.

Reducing hiring risk through recruitment expertise

As AI becomes more embedded in recruitment, professional recruiters and talent specialists become more important. Their expertise and oversight help ensure tools are used responsibly, decisions remain fair and effective, and efficiency does not come at the expense of long-term outcomes.

The strongest approach combines AI-enabled efficiency with professional judgement, labour market knowledge and a clear understanding of the employer's needs.

> The goal is not simply to hire faster, but to hire better. Recruiters have a critical role.

In an AI-enabled economy, the goal is not simply to hire faster, but to hire better. Recruiters have a critical role in helping employers deploy AI responsibly while continuing to make high-quality decisions that benefit businesses, workers and the wider economy.

Why this matters for HR, talent and workforce planning

For HR leaders and talent professionals, these findings reinforce that workforce planning is a strategic business issue with direct implications for productivity, employee wellbeing, organisational resilience and long-term growth.

When vacancies remain unfilled or hiring decisions do not deliver, the impact reaches far beyond recruitment. Existing employees absorb additional workload, managers address capability gaps and organisations face greater risks of burnout, turnover and disruption – weakening their ability to respond to new opportunities.

The true cost of a workforce decision therefore goes far beyond recruitment spend or salary. It includes the impact of roles left open too long and hiring decisions that fail to identify the right skills and potential. As demographic and technological change reshape the workforce, employers need to think beyond filling today's vacancies and focus on how they attract, develop and retain the talent they will need for future growth. Hiring well is therefore not simply a people strategy but a business strategy.

For HR and talent leaders, the priority is to create the conditions for better decisions, stronger workforce outcomes and sustainable growth.





The role of the recruitment and talent industry

The recruitment and talent industry has a direct role in reducing the costs identified in this research, helping employers fill vacancies sooner and reducing the risk of lost revenue due to poor hiring decisions.

Every successful placement represents more than a recruitment outcome. It helps a business access the skills it needs, relieves pressure on existing teams, and enables growth. The costs of vacancies and bad hires are significant and professional recruitment expertise helps employers find the balance between hiring quickly and hiring well.

The scale of that contribution is considerable. The REC's 2024/25 Recruitment Industry Status Report estimates that the recruitment industry contributed £40.6 billion to the UK economy, accounting for 1.6% of UK Gross Value Added (GVA). The sector facilitated more than 536,000 permanent placements and 21.6 million temporary and contract placements during the year, while an estimated 872,000 temporary workers were on assignment on any given day.

At this scale, recruiters make a tangible contribution to addressing hiring challenges. Every placement made reduces the productivity losses associated with an unfilled vacancy. Every successful match lowers the risks and cost of a poor hiring decision. At a national level, this activity keeps businesses operating, enables projects to move forward and helps organisations access the people they need to grow.

The value of recruitment expertise

Talent and recruitment specialists are becoming increasingly important as employers navigate economic uncertainty and the impact of AI on jobs and hiring processes. Whilst technology is changing how talent is identified and assessed, it does not eliminate the need for human expertise and judgement. In fact, as organisations increasingly adopt AI-enabled recruitment tools, the role of professional recruiters in ensuring those technologies are used responsibly and effectively is vital.

Good recruiters do not simply fill vacancies. They interpret labour market trends, test role requirements, assess emerging skills and apply professional judgement where an algorithm cannot understand the full context. This combination of technology, market insight and human expertise helps employers make better-informed decisions and reduce costly mistakes.

The industry's impact extends well beyond individual organisations. Recruitment businesses help people enter work and progress and support labour market mobility. Whether supporting growing SMEs, public services or sectors central to the UK's Industrial Strategy, recruiters help turn talent into productive capacity across the economy.

By shortening vacancy periods, improving hiring quality and supporting workforce planning, the recruitment and talent industry contributes directly to stronger businesses, more resilient teams and sustainable economic growth.



Conclusion

The cost of getting hiring wrong and leaving roles unfilled is not marginal. At £99.4 billion a year, it represents a material challenge to business performance and UK growth. The impact is felt in lost productivity, pressure on existing teams, sickness absence and further turnover, as well as the direct cost of unsuccessful recruitment decisions.

The answer is not to lower standards or recruit at any cost, but to create the conditions for employers to hire with confidence and hire well. That means proportionate policy frameworks, effective workforce planning, responsible use of AI and access to professional recruitment expertise. Get those conditions right and better hiring can strengthen teams, connect more people with work and unlock the productivity and growth the UK economy needs.

Methodology

The findings in this report are drawn from independent analysis undertaken by the Centre for Economics and Business Research (Cebr) on behalf of the REC. The research combines data from the REC's JobsOutlook survey, which gathered responses from 235 employers, with official labour market statistics and external economic data sources. The analysis estimates the direct and indirect costs associated with unfilled vacancies and bad hires, both at business level and across the wider UK economy.

The figures presented should be viewed as indicative estimates designed to illustrate the scale of the challenge facing employers rather than precise predictions for any individual organisation.

The Recruitment & Employment Confederation (REC) is the voice of the UK recruitment, staffing and talent industry – driving professional standards and empowering our members to lead effective workforce planning across the labour market. We are champions of an industry which is fundamental to the strength of the UK economy.

Find out more about the REC at www.rec.uk.com

20 Queen Elizabeth Street
London
SE1 2LS

T. 020 7009 2100
E. info@rec.uk.com
recruitment-&-employment-confederation
www.rec.uk.com

Registered in England, company registered no.: 3895053

This report was produced with:

Cebr

REC Recruitment & Employment Confederation