Needle in a Haystack: Finding talent when unemployment is low.

With unemployment at historic lows and demand for labor at record highs, how can your company address a competitive labor market?

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The strength of the U.S. job market is holding steady?

The unemployment rate dropping to 3.7 percent in October 2018—its lowest level since 1969.¹ Not only are unemployment rates at historic lows, but the job market itself is experiencing a sustained high level of activity. Both the number of job openings and the number of hires reached highs of 7.1 million and 5.8 million, respectively, in August 2018.²

In addition to achieving a net employment gain of 2.4 million between the third quarter of 2017 and the third quarter of 2018, the U.S. job economy continues to see employees actively shifting between companies throughout their careers. On average, today’s employees remain with a given employer for a little more than four years.³,⁴ And while low unemployment can signal economic strength, high competition introduces distinct challenges for teams responsible for sourcing new talent.

Acquiring talent is expensive, regardless of market conditions. The time and resources dedicated to recruiting, hiring, and onboarding a new employee can equate to as much as $240,000.5 A high level of competition in the market drives these costs up, because candidates have greater control and higher expectations for the application, interview and onboarding experience. While potential hires must still differentiate themselves and demonstrate their capabilities to land the job, the process by which that selection occurs has changed. Not only do candidates today have plenty of choices, but through resources like Glassdoor, they have access to more employer information than ever before. This shift in power—from hiring team to candidate—marks a departure from traditional dynamics, in which candidates had to accept the offered terms and conditions to have a chance at being selected for the position.

Because so many options and research tools are available to candidates, companies must work harder to garner interest from qualified talent. Creating a strong employer brand—one that demonstrates the company’s values, mission and key differentiators—is vital to attracting and engaging the valuable talent. An employer brand operates in diverse channels, ranging from the online presence and the interview process, to company culture and community involvement. Building a solid reputation requires significant resources in the deployment and maintenance of that brand. While these efforts can contribute to the expense of finding new talent, taking steps to showcase what the company offers to potential employees is paramount to attracting not only good talent, but candidates who are the right fit for the role and the organization.

Cost of a Bad Hire:
- Initial recruitment costs
- Training costs
- Loss of employee investment
- Turnover costs
- Costs of project disruption
- Cost of missed business opportunities

FINDING THE RIGHT FIT FOR THE JOB

Hiring teams should consider a split strategy to sourcing the right talent, which places equal value on attracting strong leads and vetting candidates properly to ensure they’re a good fit.

On the recruiting side, it’s important that all outreach and communications uphold the employer brand by treating candidates like customers. Messaging around the role should be clear and engaging, and the interview process should be used as a chance to demonstrate company culture and values. Hiring teams can set their companies apart in a competitive market by positioning open roles as exciting opportunities and cultivating an inviting environment in which the right candidate can succeed.

Regardless of how tight the competition becomes, hiring companies should maintain a disciplined approach to sourcing talent. Talent acquisition teams should work closely with hiring managers to determine requirements and goals, and they should take steps to standardize the interview process by defining key attributes or skills to screen for. If it becomes clear that a lead is not the right fit, it’s important to be patient with the hiring process and avoid a bad hire simply to quickly fill a vacant spot.

Good talent is the foundation of any company, and while finding the right talent can be expensive and time-consuming, ROI will be strong if the right efforts are made.

THE COST OF A BAD HIRE

It’s crucial to invest the necessary time and resources to ensure the person who is hired is the right fit—and not just because it’s costly to replace them. The cost of securing a good hire pales in comparison to that of replacing a bad one, which includes their initial recruitment and training, the loss of return on investment, and turnover costs, including project disruption and missed business opportunities. For example, the estimated cost of terminating a management-level employee with a $68,000 salary within 2.5 years of hiring them is $800,000.6

If the initial investment in that employee was $240,000, and assuming an employee contribution value of $126,000, the return on investment (ROI) for this hire would be -298 percent.

In addition to the expenses associated with hiring, training, and letting a bad employee go, there are costs related to employee turnover that go beyond that specific employee. These include the “hard” cost of new talent acquisition efforts and the “soft” cost of impacted team performance and weakened employer brand.

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POWER IN THE HIRING PROCESS

Candidates have more access to information and more choices. Balance of power in the hiring process has shifted from the company to the individual.

Unemployed to Job Openings Ratio

Top tips for hiring:

+ Maintain a disciplined hiring approach
+ Work closely with hiring managers
+ Determine position requirement and goals
+ Define key skills
+ Standardize interview process
+ Be patient with the hiring timeline

Source: Thomson Reuters Datastream, UMB Investment Management