

STRATEGIES TO WAGE WARS FOR TALENT

Anyone involved in staffing knows we are in the middle of a labor shortage.

The reasons for this are complex, but it is becoming increasingly clear that the number of skilled workers entering the job market is not keeping up with the growing number of skilled jobs in the economy. This shortage is exacerbated by increasing numbers of job vacancies created as baby boomers start leaving the full-time workforce.

THE IMPACT OF HIRING SHORTAGES ON STAFFING PRACTICES

The current hiring shortage is causing a variety of changes in staffing practices. Companies are spending more resources to recruit employees, redesigning jobs and compensation plans to attract a wider range of candidates and investing greater energy into retaining their current employees.

Most of these changes reflect improvements in talent management practices, but there is one trend associated with the labor shortage that should keep organizational leaders and staffing professionals on their guard: mounting pressure to lower the standards used to make hiring decisions.

As companies find themselves faced with fewer job candidates, there is a



natural and logical tendency to “lower the bar” when making hiring decisions. Candidates who would have been eliminated from the candidate pool in an abundant labor market are now being considered as potential hires.

And the longer jobs remain unfilled, the more hiring managers and recruiters shift from seeking the best candidates to simply finding someone who meets the minimum job requirements and is willing to accept the position.

Lower hiring standards are an inevitable reality in a scarce labor market. Companies need people to grow, and they are limited to hiring from the passive and active candidates available in the market.

If you have only one qualified applicant in your candidate pool for a job you have to fill immediately, then the selection decision becomes pretty easy. The problem is that companies often lower hiring standards in a way that creates unreasonable and unnecessary risk to the organization.

HIRING MISTAKES COST MORE IN A TIGHT LABOR MARKET

The cost of hiring is much greater in a tight labor market because more resources are needed to source candidates. Because bad hires often end up as early quits or terminations, hiring mistakes mean hiring for the same position more than once during a time when hiring costs are already high.

Hiring poor candidates also means not hiring other, more-qualified candidates. Good candidates exist in a tight labor market — they are just harder to find. Settling for a poorer candidate to fill a position quickly means you are calling off the sourcing process without having allowed adequate time to uncover a really good candidate.

To make matters worse, your competitors are likely to snatch up the better-qualified candidates you overlooked. To make matters even worse, hiring poor candidates can increase turnover among your existing employees — high performers like to work with high performers, and if your current star employees feel the company’s hiring standards are slipping, they might start looking for a position in another organization where they can work with a more “elite” group of professionals.

In a scarce labor market, it is wise to always assume recruiters from other organizations constantly are scouting your best employees in an effort to entice them away.

HOW TO ADJUST HIRING STANDARDS TO INCREASE YOUR APPLICANT POOL

In a tight labor market there are fewer good candidates, but the costs of hiring bad candidates are also much higher. Effectively managing this challenge requires doing two things: resisting pressure to relax your hiring standards to simply get positions filled and systematically reviewing your selection process to determine where you can gain the most benefit from relaxing existing hiring standards.

When a company decides to lower its hiring standards, it is decreasing the concern placed on addressing one or more of the following questions:

- Do they possess the minimum requirements needed to hold the job?
- Do they have the necessary experience and education needed to perform the job?
- Do they have the potential required to meet future job demands?
- Does the job match their work goals?

The problem is that any change in the hiring process that leads to

screening out fewer candidates is also likely to increase the risk that the wrong candidates will be allowed in (assuming you are using valid selection tools to sort candidates).

The key lies in balancing the need to increase applicant flow against the risk of making the wrong hiring decisions. This requires a careful review of the importance and impact associated with changing the methods used to screen applicants based on requirements, experience, potential and work goals.

- **Requirements:** Specific skills, characteristics and certifications candidates must possess to be considered for a job. In a loose labor market, companies have a tendency to establish more job requirements than necessary because they provide a quick way to screen out applicants. During a tight labor market, companies can revisit these job requirements to make sure they are truly critical to job performance. Removing a requirement does not

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imply it is not relevant to the job — it just means that it alone cannot tell you someone is totally unfit for the position. After you identify unnecessary requirements, consider reframing them as desired qualifications or removing them altogether.

- **Experience and Education:** We do not hire people for their previous experiences and education — we hire them because we assume their experience or education has given them certain skills and capabilities. But companies often screen out large numbers of candidates solely based on whether they possess some minimum level of education or job experience. Such a strategy can be effective in a loose labor market in which experienced, well-educated candidates are plentiful. But in a tight labor market, it can quickly and unnecessarily reduce the size of your candidate pools. Keep the following questions in mind when establishing selection criteria based on education and experience:
 - Why are they important?
 - What capabilities are you assuming candidates will have gained as a result of having certain levels of experience or education?
 - Are there other ways a person might develop these capabilities?

Challenge hiring managers to justify why high levels of education and experience are needed to perform the job. Remind them that experience itself does not guarantee learning — high performers might develop capabilities from one year of job experience that other people might not gain from five or more years in the same job.

Encourage hiring managers to also consider candidates with alternative types of experiences and education that can provide job-relevant capabilities, even if they come from working in a seemingly unrelated field.

For example, many retail companies consider teachers to be good candidates for managerial positions.

Although being a teacher and being a store manager might seem quite different at one level, they actually require many similar types of competencies in terms of planning, organization and people skills.

- **Potential:** We don't hire people for what they have done. Rather, we hire them based on what we think they will do. The reason we place so much emphasis on assessing job candidates' work experience is because experience is a good indicator of potential. It is not the only way to assess potential, but it tends to be used as the primary method for selecting candidates because it is fairly easy to measure.

There are other ways to assess potential other than measuring experience. Behavioral assessment tools such as personality measures and ability tests can provide considerable information about a person's aptitude for different kinds of jobs.

In fact, these tools often predict job performance far better than evaluations of work experience. These tools are relatively complex, however, and must be used with care. Using an appropriately validated behavioral assessment will result in systematically increasing the quality of your hires, but a poorly designed assessment can have just the opposite effect.

Making greater use of behavioral assessment tools to evaluate candidate potential can provide considerable advantages during a tight labor market. These tools greatly increase the size of applicant pools by reducing the use of experience and education as the primary means for screening candidates.

They also maintain standards regarding applicant quality by evaluating candidates directly based on their potential for job success. Emphasizing candidate potential in addition to experience also can help companies attract larger numbers of candidates oriented toward high achievement.

A common theme among high-performing employees is the desire to find jobs in which they can develop new skills. Companies that emphasize hiring based

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CANDIDATE WORK GOALS

1. Compensation and benefits
2. Schedule
3. Location
4. Security or job stability
5. Growth potential
6. Type of work
7. Type of company

on assessments of future potential rather than evaluations of experience send candidates a message that says, "We are hiring you because we believe in what you are capable of doing in the future, and we want to help you realize your full potential."

UNDERSTANDING HOW CANDIDATES' WORK GOALS INFLUENCE STAFFING DECISIONS

One of the biggest shifts that occurs in a tight labor market is the degree to which candidates can emphasize different personal goals when considering employment opportunities. In a loose labor market, most candidates are concerned primarily with meeting basic life goals that require having a paycheck.

This changes in a tight labor market — candidates are able to say to companies, "A lot of jobs will pay me what I want. What else can you give me that I desire?"

What people want from work varies widely, depending on the person and where that person is in his or her career. Most candidates' primary work goals can be linked to one or more of the following seven categories:

1. **Compensation and benefits:** For most jobs, this will depend on candidates' desired standard of living and/or their status as caregiver within their family. But for some candidates, it might have more to do with status than actual financial needs.
2. **Schedule:** This is a particularly important issue when recruiting hourly workers.
3. **Location:** This is becoming an increasingly impor-

tant issue, as applicants are showing more reluctance toward relocation now than in the past.

4. **Security or job stability:** Despite popular press articles that discuss increasing turnover levels and the end of "lifelong employment," many candidates place a lot of value on job security.
5. **Growth potential:** This goal is particularly important for high-performing individuals, regardless of whether the job is an entry-level hourly position or senior-level professional role.
6. **Type of work:** This has to do both with the actual job tasks and how they are carried out. For example, a computer programmer might perform the same task either working alone or in a highly collaborative, team environment. Which environment that individual prefers is largely a matter of personal taste.
7. **Type of company:** Some candidates are very concerned about working for a company they view as socially responsible or whose public brand image fits their personal beliefs. Other candidates maintain a strong separation between their personal views and the values and public image their employer espouses.

If you are having difficulty sourcing adequate numbers of applicants, it might be worthwhile to systematically examine the value proposition you are making to candidates in each of these areas. Review what you provide to employees and how well you are communicating these things to candidates.

What are the "competitive differentiators" that you can offer to candidates in terms of type of work, compensation or lifestyle? Do candidates have perceptions of the job that might cause them to self-select out of the hiring process for the wrong reasons?

When it comes to making specific job offers, encourage recruiters and hiring managers to actively engage candidates in discussions about what they want from a job. All candidates want to work for a company that will directly or indirectly support their personal goals and ambitions. Showing candidates that you take their work goals seriously is a great way to establish trust and credibility with them.

The labor shortage we are experiencing is unlikely to stop anytime soon, and it is practically a certainty that companies will have to learn how to "do more with less" in terms of staffing. This means finding more-efficient ways to source, select and hire quality employees.

Companies can increase the number of qualified applicants through changing how they evaluate candidates. But when making these changes, remember every hire is an opportunity and a risk — good hires create value, and bad ones destroy it. This remains true, regardless of the labor market. **TM**

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