

OVER-HIRING – ECONOMIC ADVANTAGE OR COMPANY SUICIDE?

We have all heard the recent statistics of rising unemployment rates along with candidate -to-position ratios being the highest we have seen in decades. Almost every time I open the paper there is a depressing story of how one job posting attracted hundreds of applications. One story even told us of a job posting for a single position that attracted more than 14,000 applications in 5 business days – almost 3,000 applications a day!

What is even more interesting than the actual volume of candidates is the response I hear from business leaders on how they are dealing with this issue.

Overwhelmed:

The most common response is that corporate recruiters are now overwhelmed by the number of resumes they must review. ATS systems are bursting at the seams with unqualified applicants who are taught to apply to every posting available in order to get their resume in front of a recruiter. Once again recruiters have to focus on the transaction of recruiting. They don't have the time to develop the right relationships with the right candidates for the right time.

Speaking with the SVP of Talent Acquisition at a large financial institution, she indicated that her staff of over 100 recruiters only review the first 30 to 40 applicants (on average) per requisition. They disposition the remaining due to the sheer volume they must review. Whether organizations admit this openly or not, this is a common practice today that results in recruiters missing many exceptionally qualified candidates that did not happen to be one of the first 40 to apply to the position or posting.

Although a real issue, being overwhelmed can be dealt with by adding additional resources to properly review all the candidates that apply. Expensive? Yes. Possible? Also yes. Smart? Definitely yes.

Over-hiring:

A second theme currently pervasive among business leaders at all levels is the concept of over-hiring during poor economic times where candidates are plentiful. As I recently listened to discussions about this topic on Sirius radio, I began to grow concerned about the impact this will have on the long term success of certain organizations. The commentator was interviewing the Chief Operating Officer of a large manufacturing facility located in the Southern United States that was extremely proud of the fact that he only hires candidates with a Bachelor of Science degree in Manufacturing or Engineering. On the surface this sounds like many organizations – the difference is that these positions were primarily production floor operators with an average wage of \$12.00 per hour.

This well respected COO went on to say that his organization is taking advantage of the current economic conditions by over-hiring and under paying at all levels within his organization. He continued by stating that he recently hired a plant manager that most recently was the president of his closest competitor, at a salary level that was less than 60% of his previous compensation.

As I thought about this story I began to wonder how prevalent this attitude is today, and what the impact will be tomorrow to these same organizations. As I reflected on a number of meetings I had recently with company executives who were of like opinion to this COO, I picked up my cell phone, called into this executive's organization, and asked for the Plant Manager! Within 10 minutes I was engaged with this President turned Plant Manager, discussing his current circumstances and long term career outlook. As I spoke to this individual (let's call him 'John'), I soon found out that there were many others like him within the organization that were considered over-hired and grossly underpaid.

John and these other individuals are currently learning how the organization operates, who their customers were, what their long term strategy is and even learned certain proprietary manufacturing methodologies used by the organization. John went on to explain that a large number of the current employees were just waiting for the opportunity to leave their current employer as soon as the economy improved, leaving the COO to find replacements, train them, and potentially lose a substantial amount of intellectual capital.

I realized after my conversation with John that the United States may find itself in an employment situation not unlike what we experienced in 2005 and 2006. Companies across the country were struggling to find the "right" candidates for the "right" amount to sit in the "right" seats on the bus. Many organizations who have taken advantage of this over-hiring mentality risk having a mass exodus of experienced talent leave their organizations as the economy improves. It might not be this month or next month, however the economy WILL improve and these candidates WILL find better paying jobs closer to their skill levels and expertise. These companies may pride themselves on saving money at the time, but they aren't thinking of the amount of time, money, and productivity is wasted when new talent has to be hired and trained...AGAIN!

After speaking with John, I continued my search for information and validation and began speaking to both executive and middle management candidates that are either contemplating a job change or recently accepted a position that could be considered beneath their current skills and/or abilities. The overwhelming theme was that they are basically biding their time until the economy improves, at which point they would be seeking more meaningful employments. I heard comments that included "I am only here until a position opens up with our main competitor", or "This organization has shown their lack of commitment to me by taking advantage of my situation, I will be gone in a matter of months".

Although shocked by many of these comments, I began to understand their perspectives and began to wonder about the impact a mass exodus of candidates could have on some of these organizations. The bigger question is what can organizations do to avoid circumstances such as these and protect themselves from a potential loss of talent and intellectual capital? In speaking with these candidates they would tell you loyalty is built on two basic principles:

1. Fair Compensation – This does not mean pay equal to what a candidate had in the past in better economic times. Fair compensation is a fair wage for the work being performed and the impact being made on the organization with planned and incremental increases based on hitting specific and defined objectives. Being fair in tough times will create a level of loyalty that is vital, tremendously strong and virtually guarantees the employer will keep their top talent as the economy improves and qualified candidates become sought after.
2. Honesty – If you are over-hiring a candidate for the short term, tell them. Most candidates stated they were OK with knowing that the role could be temporary, or there was little room for real advancement. Honesty from the employer regarding the circumstances of the positions and the financial situation of the organization goes a long way to building a dedicated and loyal workforce, even if for a short time.

So what does all of this mean? If you are going into the market with a short term view and the intent of over-hiring and underpaying due to the economic conditions, start preparing for future fallout and loss of employee loyalty. If you value your employees and are focused on long term gain, being fair in such an economy will pay large shareholder dividends in the future.

There is some truth to the saying: “Short term pain leads to long term gain, and short term gain often leads to long term pain”.

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