

The Impact of Hiring Shortages on Staffing Practices

By Steve Hunt

The current hiring shortage is causing a variety of interesting 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 the employees they already have.

Most of these changes are positive shifts in workforce management. It's hard to argue against making jobs more available, appealing, and engaging to the people who fill them. But there's 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's 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.

The longer jobs remain unfilled, the more managers are tempted to 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 only have one qualified applicant in your candidate pool for a job you have to fill immediately, then the selection decision becomes pretty easy.

Relaxing hiring standards can make good business sense, provided it's done the right way. 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

As applicant pools begin to dry up, it becomes common to hear people say things like, "In today's labor market we can't afford to use rigorous selection techniques," and "We just hire whomever is available and hope they work out."

These statements reflect a failure to appreciate one of the hidden realities of a tight labor market: hiring mistakes cost more when there are fewer good candidates.

There are three reasons for this:

1. Hiring poor candidates increases hiring costs. The cost of hiring is much greater during 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.
2. Hiring poor candidates 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 in order 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, the better-qualified candidates you overlooked are likely to be quickly taken off the job market by one of your competitors.

3. Hiring poor candidates can increase turnover among your existing employees. High performers like to work with high performers. If your current star employees feel that the hiring standards of your company are slipping, then they may start looking for a position in another organization where they can work with a more elite group of professionals. In a scarce labor market, assume that your best employees are being constantly scouted by recruiters from other organizations who would love to entice them away.

In a tight labor market there are fewer good candidates, but the costs of hiring bad candidates are also much higher. This places companies between the proverbial rock and a hard place.

Two factors are key to managing this challenge:

First, resist pressure to relax your hiring standards in order to simply get positions filled. Remind yourself that it is usually better to have no employee than one who is highly incompetent or who quits shortly after being trained on his/her new job. It may help to remember that most of the headaches caused by hiring poor candidates are owned by the managers who hired them.

Second, systematically review your selection process to determine where you can gain the most benefit from relaxing your hiring standards in a way that will not overly increase the risks of making a bad hire.

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