



KNOW YOUR MARKET: Navigating a Candidate-Driven Hiring Landscape

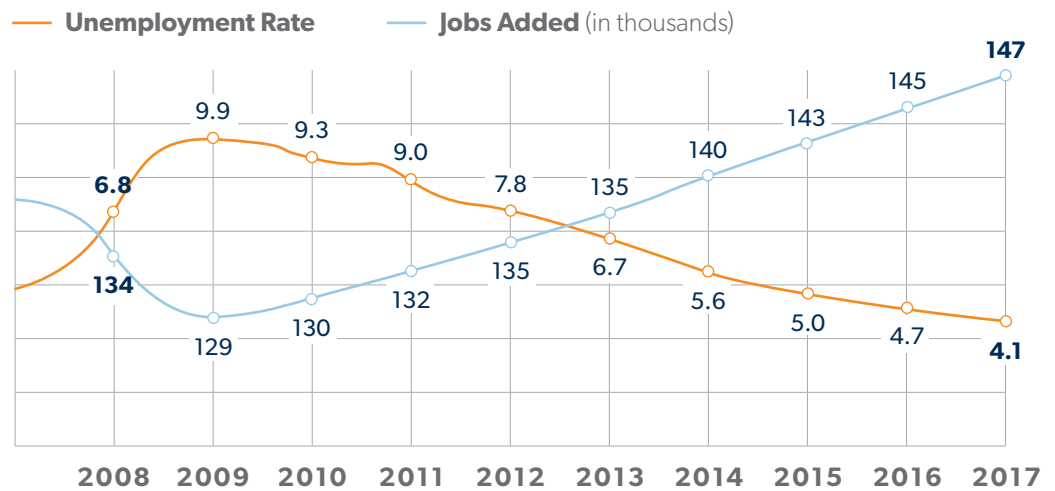


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The challenges of finding job candidates over the past decade are well-known — the War for Talent has lasted so long it's become good people are hard to find. But what are the reasons behind this immense and seemingly intractable issue? What's causing the incredible shrinking labor pool? And more importantly, how can employers create an effective, cost-efficient and sustainable talent acquisition strategy that overcomes their labor hurdles and keeps them operating at full capacity?

Although the individual circumstances of local markets preclude one all-encompassing solution, there are many broad-based factors companies should evaluate and consider. Starting with a realistic pulse on the challenges and threats your company is up against will help you develop an effective recruitment strategy.

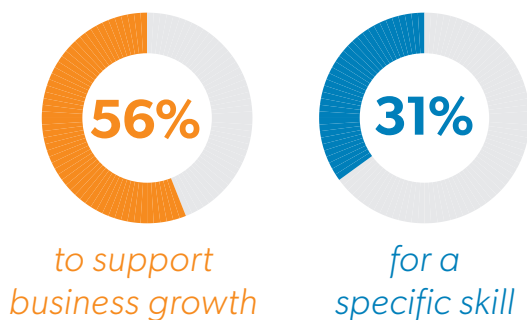


Source: Federal Reserve Economic Data

Demand for talent

The country has added jobs for 86 consecutive months — the longest streak on record — according to the Department of Labor. With the U.S. economy continuing to outperform expectations, employers are still adding jobs at a steady clip. Even though the pace of growth has slowed, the Bureau of Labor Statistics says the U.S. still added 2 million jobs in 2017.

And according to Indeed, more than 60 percent of employers surveyed expect to hire more people in 2018 than they did in 2017. The reasons vary:

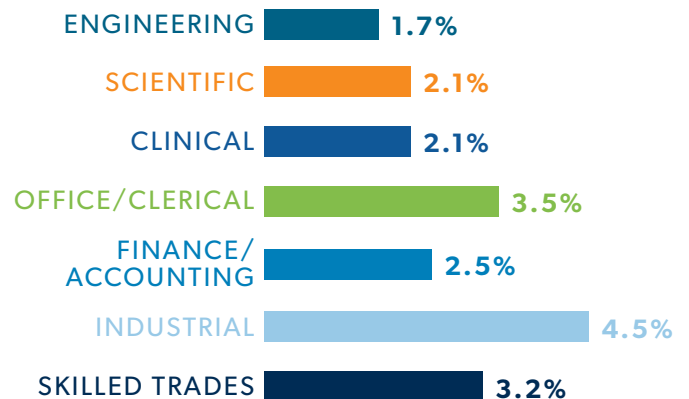


The survey also notes that 42 percent of employers are worried they won't find the talent they need to satisfy their business objectives. And while the demand for highly skilled workers gets most of the ink, this issue impacts open positions at all levels.

Unemployment rate

The unemployment rate dropped to its lowest level in 17 years when it hit 4.1 percent in November 2017, according to the BLS. To put that in recent context, shortly after the Great Recession ended in June 2009, unemployment peaked at 10 percent. Openings in the U.S. have now topped roughly 6 million for five months in a row, a record streak.

In a number of cases, the supply is even lower. Consider the unemployment rates of these high-demand labor categories:



These two opposing forces have an inevitable conflict — there are far more job openings than applicants, and have been for years. In order to understand the full scope of the issue, it's necessary to examine exactly why the available workforce falls so far short of the demand.

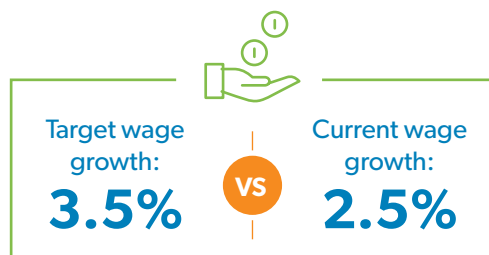
The incredible shrinking workforce

There are a number of factors that directly or indirectly contribute to the decrease in the labor pool including demographic shifts stagnant wages and “opt-outs” from the workforce.

Generational shifts: The factor with the clearest impact across all skillsets is the aging population. Beginning in 2010 and continuing until 2029, baby boomers are retiring at the rate of 10,000 a day.

Stagnant

wages: The Federal Reserve targets wage growth at 3.5 percent, but it hasn't hit that level in nearly nine years, instead hovering around 2.5 percent. States and jurisdictions around the country have instituted a higher minimum wage, to attract more entry-level workers and create a ripple effect that raises wages for higher-earning workers as well.



Opting out of work: Working-age men are leaving the workforce altogether, due to a complex set of socioeconomic factors. Men with a high school diploma or less have been affected the most — since 1964, they've seen their employment rates fall from 97 percent to 83 percent today, according to the Wall Street Journal. Although there are many theories such as globalization, technology or a shift to a service economy, no one has a definitive answer as to why men are opting out, or, more importantly, how do we re-engage them?

Pain medication: According to Princeton economist Alan Krueger nearly half of all working-age male labor-force dropouts — 7 million men — take pain medication daily. In 2017 follow-up research, Krueger found that the rise in painkiller prescriptions between 1999 and 2015 drove about 20 percent of the drop in men's workforce participation and 25 percent of women's.

Background checks: Research has shown that employers are less likely to hire ex-offenders. A Justice Department study found that a past criminal conviction of any sort reduced the likelihood of a job offer by 50 percent.

Flexible schedule: There are indications that a flexible schedule has become a driver in employment choices, which disadvantages certain industries, such as manufacturing. Local workers who formerly comprised the labor pool for that industry are choosing more flexible jobs, like retail, restaurants or health care, and earn the same pay. A primary draw of the manufacturing jobs — a higher wage — has been eliminated.

Impact of foreign workers: In an era of retiring baby boomers and a lower birth rate, the incidence of migration can have a significant impact on the size of the labor pool. In 2016, according to the BLS, foreign-born workers made up about 17 percent of the U.S. labor force. That's up from 15 percent in 2004, according to the American Community Survey. In some industries, such as construction, the percentage is even higher — nearly a quarter.

WAYS TO BEAT THE TREND

It's clear that the volume of new job openings and record low unemployment rates have made hiring an issue for many employers. However, there are ways to address the trend and it's rooted in a solid understanding of the supply and demand of talent in your market. Here are five strategic ways employers can make sure they have enough workers to sustain their business:

Know your market

Addressing this trend is rooted in a solid understanding of the supply and demand of talent in your market. It also includes being aware of the peaks and valleys of your business, when schools graduate new talent and the economic state of your market.

Ensure market-rate wages

According to Staffing Industry Analysts, after a long period of generally tepid growth in wages, “there is a palpable anticipation that continued robust growth in employment will eventually drive wages, as remaining slack in the labor market is removed.” Some major employers have already raised compensation in early 2018, which could indicate the wage growth has already begun.

In countless research reports, compensation is continuously highlighted as the most important factor candidates consider when accepting a new job. In a candidate-driven market, companies cannot afford to pay under value.

Focus on job descriptions

A 2017 Allegis Group survey found that well-thought-out job descriptions can dramatically increase a company's chances of making a successful hire. Make sure you're investing time to ensure that your job descriptions are clear, compelling, up to date — and free of unnecessary constraints. In a recent trend that's been called degree inflation or "credential creep," some employers have begun raising their minimum job requirements to higher levels than in the past. They're requiring college degrees for positions formerly held by high school graduates and demanding experience for positions that once welcomed entry-level employees.

Given today's tight talent pool, it's a good idea to take a fresh look at where you draw the line between your "must-haves" and your "nice-to-haves" when you're screening applicants for a new job — especially if speed of hire is important. Cast a wider net.

Keep an eye on competitors

It pays to have a good handle on what other companies are vying for the same talent and what they have to offer. As the stats on the shift of jobs from manufacturing to restaurants, retail and health care shows, your fiercest competition might not be in the same business, or even the same industry. There are many factors that could make the difference in how successful your recruiting efforts are versus other employers, including wages, perks and having an attractive employer brand.

Once you have a solid understanding of what factors are at play in your market, you can develop a strategy to deal with them individually when it comes to acquiring talent.

Present an attractive Employee Value Proposition

The Talent Board has found that job candidates want three primary things from a hiring company:

- › A clear understanding of the company culture
- › A sense of connection with the employer brand
- › Insight into the employee experience

A survey of nearly 5,000 employers by Allegis Group echoed these findings, reporting that high-performing companies (those who fill open positions quickly, attract top-quality talent and optimize costs) are 155 percent more likely than lower-performing companies to include employee value propositions (74 percent vs. 32 percent) in their job descriptions.

SUMMARY

Although the limited labor pool presents a significant and ongoing obstacle, there are a number of tactics employers can use to minimize the impact and keep their business running at full speed. If you'd like to know more about the strategies outlined here, contact your local Aerotek representative.

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