Hiring in the Modern Talent Marketplace

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Executive Summary

As the U.S. labor market becomes one of the most competitive talent markets in recent history, hiring managers are faced with a greater number of challenges.

As workers become more confident in seeking better employment opportunities, employers of all sizes across multiple industries are also struggling to hire qualified candidates. The U.S. Chamber of Commerce Worker Availability Ratio found that there are currently 0.88 U.S. workers available for each job opening, and more than half of U.S. states (28) have more open jobs than available workers to fill them. Hypothetically, this means that even if every single individual in that state who wants a job — and is available to work — could find a job, there would still be positions left unfilled.

As competition for prospects increases, hiring mangers face pressure to get innovative and deliver qualified candidates who are the 'right fit' for their organizations.

New data from the U.S. Chamber of Commerce Foundation expands on this dilemma.

• We know that hiring managers are looking for different ways to identify the right talent, and that skills are proving to be the most important factor they are considering in that process.

• We are starting to see a shift in how employers work with higher education to equip individuals with in-demand skills.

• And we know that hiring managers are prepared to reevaluate their hiring requirements to find the candidates they need.

Introduction

Many organizations readily acknowledge that the resource of utmost importance is their talent. Individuals are the drivers of success in their organizations.

In order to better understand the modern talent marketplace, the U.S. Chamber of Commerce Foundation commissioned a survey of 500 U.S. HR professionals with authority in hiring decisions in their organization. While the research amalgamated opinions of decision makers across companies of varying sizes, revenues, and industries, many patterns emerged as relevant and applicable to all organizations.

What are hiring managers looking to achieve?

According to respondents, this year's top three organizational human resource goals were to:

1. Retain more talent
2. Recruit top talent
3. Reduce the time to hire

In order to accomplish these goals, hiring managers need access to qualified candidates, but do they have it?

According to this research, nearly three-quarters of respondents (74%) agree that a 'skills gap' persists in the current U.S. labor and hiring economy. U.S. hiring managers are facing a wide variety of challenges, across industries and within their individual organizations.

How do they move forward in the modern hiring economy and strengthen their workforce to better tackle tomorrow's challenges?

74%

agree that a skills gap persists in the U.S.

Why is Hiring Hard Right Now?

Hiring the 'right' candidate is becoming a challenge for organizations across all industries. Hiring managers indicate that finding qualified candidates is difficult. Over half of survey respondents (59%) say the search to find qualified candidates has been more difficult than it was over the last three years.

As organizations grapple with the hiring challenges posed by today's competitive labor market, measuring the programs, initiatives, and strategies used in hiring will hold greater importance in determining how to successfully move forward.

The most commonly used metrics to measure success in hiring are employee turnover or retention rate, quality of hire, and employee satisfaction surveys. So what tools are hiring managers and directors using to help them hire and identify the right candidates? The most common platforms they use are career sites like Indeed (65%), LinkedIn (64%), and CareerBuilder (45%), in addition to online company website postings and job boards (41%).

Organizations are also relying on social media platforms such as Facebook (34%) and Instagram (16%). As social media starts to play a bigger role in the hiring and recruiting space, nearly two-thirds of hiring decision makers (63%) see trends such as social media recruiting increasing in the next year. Seven-in-ten (69%) anticipate an increase in mobile-device applications in the next year, allowing applicants to complete and fill out applications through their smart phones.

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What Challenges are Employers Facing?

52%
say 'time to hire' is currently a problem

1-3
months is the average time to hire for one position

53%
report that the time it takes to get a new hire to full productivity is currently a problem

While organizations are looking for different skills in potential candidates, the challenges they face are similar. The three greatest challenges organizations face when hiring are:

- **Candidates lacking the appropriate/necessary skills**
- **Candidates lacking previous work experience**
- **Low number of applicants**

Hiring managers looking to solve for these problems through curated job descriptions and hiring efforts are facing additional challenges.

When developing a job description or postings, hiring managers report the time that it takes to develop or write these descriptions is their greatest challenge.

The second and third-most reported challenges are the complicated process and lack of staff support. HR departments are struggling with the time, process, and staff it requires to post or develop job descriptions.

In addition, the screening process and time to hire also pose challenges for organizations. Over half of respondents (52%) say 'time to hire' is currently a problem for their organization. According to hiring managers, it takes an average of 1-3 months to hire in their organization. Once organizations get candidates in the door, getting a new hire to full productivity can pose a challenge and threaten organizational productivity and efficiency. In fact, over half (53%) of respondents reported that this is currently a problem for their organization.

If the Economy is Changing, Why are We Still Going Through the Same Motions?

The U.S. economy is affected by every technological innovation. From automation to remote work, no organization can ignore the impact that technology is having across industries.

Hiring managers are anticipating these changes with over half of respondents (58%) believing that automation is both an opportunity and a threat to the workforce and will likely create the same number of new roles in the workforce as those it eliminates.

As far as changes to the workplace go, most organizations now allow remote work and looking to 2020, 62% of organizations predict a further increase in remote work.

As the talent marketplace transforms, employers must be agile and responsive to change.

Here are two changes that are currently underway.

1. Skills-based hiring is becoming more prevalent in order to find candidates with the right competencies, and

2. Educational initiatives are shifting to equip individuals with skills aligned to those most in demand by employers.

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62%
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Degrees & Higher Education

Despite new ways to gain skills and enter the workforce, higher education remains principal to the hiring process.

Three-quarters of respondents (74%) report that their company requires the submission of a credential in their hiring practices. This traditional approach carries over into how employers use this information when hiring. Only one quarter (26%) of respondents say the credential is analyzed and put into a holistic view of the candidate. The plurality (41%) report that credentials mostly act as a verification of skills.

As major organizations begin to participate in discussions around the importance of skills and credentials in the future of hiring, respondents anticipate changes in their organizations' hiring requirements and the application of new criterion moving forward.

Over three-quarters of respondents (78%) agree that employers will have to reevaluate their hiring requirements to find candidates to fill vacant positions.

As skills become more of a focal point in the hiring process, hiring decision makers expect skills assessments to become more important when evaluating candidates. Over two-thirds of respondents (67%) say the use of skills assessments as part of the interview process will increase in the next year.

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Competency and Skills-Based Hiring

As employers look to reevaluate their hiring requirements to find qualified candidates and fill vacant positions, educational institutions should shift their focus as well to competencies and skills. Respondents reported that competency is more important to their organizations than a formal education when evaluating a potential candidate.

When asked to rank different types of skills such as digital skills, critical thinking and problem-solving skills, communication skills, technical skills, and other interpersonal or soft skills in importance to their company when hiring, respondents were most likely to list critical thinking skills as most important.

Despite a heavy emphasis on the digital economy and marketplace, respondents were most likely to rank digital skills as least important when hiring.

This may be in part due to the concept of teachability of certain skillsets, versus the importance of somewhat inherent skills such as critical thinking and problem-solving, as well as the variety of useful applications of such skills across all roles and industries.

Competency is the most important factor in an organization's hiring practices when evaluating a potential candidate, preferred over a formal degree.

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NOUN: **COMPETENCY**

Defined for the purposes of this study as:

1. **ABILITIES, ATTITUDES, KNOWLEDGE, SKILLS, TASKS, AND TOOLS OR TECHNOLOGIES ASSOCIATED WITH SOME TASK WHICH CAN BE OBSERVED, MEASURED, OR OTHERWISE ASSESSED**

Willingness to Change is There

While the idea of a new economy may be intimidating, individuals in these organizations not only recognize that the marketplace is transforming around them but express a willingness to change their processes to adapt and thrive in this new economy.

This enthusiasm for innovation, transformation, and modernization in hiring carries over into both department and organization-wide priorities.

Nearly half of respondents (45%) report that changing the organization's hiring process is a priority in their organization and in their HR department (49%).

While some may see undertaking this process as a lofty aspiration, respondents express confidence in their organizations ability to deliver on these priorities. Over half of respondents (58%) say it is likely that their organization will be successful at achieving these goals.

Decision makers, HR departments, and organizations alike are ready to change – the question becomes do they know where to start?

What HR Professionals Want to Happen

According to HR professionals, transforming the talent marketplace starts with partnerships, both educational and in the workforce. As more media narratives attempt to pit educational, workforce, or training initiatives against each other, respondents have a stronger message: **bring them together.**

Maintaining or improving education and workforce partnerships is a priority to over half (61%) of respondents' organizations.

Respondents also see partnerships as a tool to provide organizations with the skills they are missing. Many organizations report a lack in the skills they see in applicants and the skills they need most in vacant positions. Defined in this survey as the concept that there is a disproportionate lack of skilled talent among the available workforce to fill the needs and jobs of U.S. employers, the skills gap has been and will continue to be ever-present in discussions around hiring, talent, and the workforce.

The top three potential solutions to fix the skills gap, according to respondents, are:

1

Greater upskilling initiatives within companies for existing employees

2

More educational/career technical education (CTE) programs (i.e., partner programs with local schools, post-secondary partnerships, etc.) **to build talent pipelines**

**3**

Improved alignment between skills and competencies taught in educational/CTE programs and in-demand skills and competencies needed in the workforce

How to Get There: Don't Take on New Frontiers Alone

As organizations look to find qualified candidates, they should use data to inform and strengthen decision making in the hiring process. According to respondents, many organizations are already using data in their hiring practices and future workforce planning, such as state workforce projections (38%), real-time LMI data (i.e. Burning Glass and EMSI) (30%), and government resources (i.e. O*NET) (26%). While this is a start, organizations should integrate job data in hiring and planning in order to find qualified candidates and better anticipate needs in their organization.

Partnerships are increasingly becoming popular among companies to assist in sourcing talent. The most common partnership mentioned by respondents are with community education programs, such as those working with association or industry programs or community colleges. The second most common are partnerships with technical or trade institutions, followed by partnerships with higher education institutions, such as college bachelor's programs or master's programs. Only one in five (19%) respondents say their organization does not actively work with an education partner.

This research found that hiring decision makers believe partnerships work. Of respondents who indicated that their organization uses partnerships to source talent, **two-thirds (65%) say those relationships are extremely or very effective at providing talent to their organization.**

22%	40%	49%	37%
High Schools	Technical/Trade Institutions	Community Education Programs	Higher Education Institutions
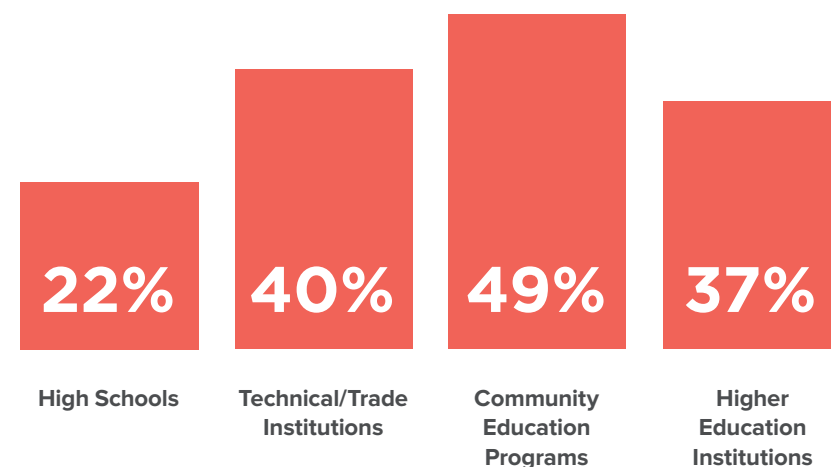
Conclusion

Companies are facing a greater number of challenges in the modern hiring economy. In order to strengthen the workforce and connect qualified candidates to the skills that are most needed in organizations, educators and employers need to work together.

This report demonstrates that employers and hiring managers are preparing for a world where competencies — not degrees — are the most important factors when filling a job, and that they are relying on their partners in education to keep pace with them and deliver the talent they need to fill vacant positions.

The U.S. Chamber Foundation workforce porfolio includes initiatives to support both the business and education communities in these efforts.

- **Talent Pipeline Management® (TPM)** is a proven employer-led workforce strategy to align what is taught in the classroom with what is required of a career. Across 33 U.S. states, this approach is helping employers save time and money by building pipelines of talent straight to their door.

- **The Job Data Exchange (JDX)** is modernizing how the internet reads job data by updating the standards we use to define what should be in a job description. By using today's technology to open up this data, we can learn about changing in-demand skills in real time.

- **The T3 Innovation Network** is making it possible for education and employment systems to talk to each other and seamlessly share data. Instead of relying on a static resume, individuals will have that information available in a secure, full digital record of their learning.

Learn more about these projects at uschamberfoundation.org/workforce-development.