



REPERCUSSIONS OF EMPLOYEE AND EMPLOYER MISALIGNMENT

THE NEED FOR CHANGE

STARTING WITH THE GRADUATE UNEMPLOYMENT FACTOR

In light of the expenditures faced by parents and students, the College Board[1] report pointed out an important fact. When students take longer than two years to earn an associate degree or more than four years to earn a bachelor's degree, there are financial implications for the future, whereby students forgo earnings from reduced participation in the labor force. Consider:

- The more quickly students earn their degrees, the more time they have to earn college-level wages and reap the financial benefits of post-secondary education. According to the US Census Bureau[2], bachelor's degree recipients between age 25 and 34 had median earnings that were 69% (US\$18,876) higher than those with high school diplomas in 2015.

- However, according to a 2013 study[3], many young adults experience a delay in the "on-ramp" from education to full-time career and family formation. The age at which young adults reach the median wage level has jumped from 26 to 30. Making the move to a decent job is difficult for many millennials, who represent 40% of the unemployed population in the US[4]. This group faces higher tuition and student loan debt, as well as stiffer competition for employment. Part of the problem is the perceived gap between education and job readiness.

Another factor involves the expectation of life-long learning and a continuous upgrading of skills necessary to adapt to new workplace technologies, both trends that have replaced the traditional on-the-job learning process. In the 2013 study[5], the author holds that organisations should consider streamlining curricula to promote college affordability, degree completion, and acquisition of competencies that have labour market value for employers.



A two-year study[6] discussed the so-called skills gap and what managers desire in an employee. When considering a composite “ideal,” the employers in the study envisioned “a hard-working individual with appropriate technical training (knowledge as well as the ability to apply technical information), solid problem-solving skills, and the abilities to communicate well, work in teams, and to continually learn new things.” The competencies they desire are not discrete skills but part of a larger whole that comprise “a person’s habits of thinking, behaving, and problem-solving.”

HR REPERCUSSIONS ON THE CORPORATE BUDGET

Once students advance to the labor market, the problem shifts to employers. The corporate world spends billions of dollars and countless hours every year to recruit qualified employees, despite sometimes-disappointing success rates not only in hiring but also retaining key staff. According to a research study[7], US companies spend nearly three times the amount on recruiting efforts than they do on training per employee.

The most mature recruiting organisations – defined as those considered strategic enablers of the business – spend US\$6,465 per employee, on average, compared with only US\$3,258 among organisations at the lowest level of maturity with reactive, tactical recruiting. But, according to the research, the investment is worth it: High-impact organisations have 40% lower new-hire turnover and can fill vacancies 20% faster.

With regards to timing, another study[8] offered a different perspective. Candidates who rejected an offer pointed the finger at employer mistakes: Companies do not streamline their hiring practices to prevent their best candidates accepting another offer. Such companies also do not fully understand the target candidates’ most important priorities – a disconnect between personal and organisational goals – thereby losing them to the competition. The report cited the time for extending job offers as three to six weeks from the candidate’s first interview, a shift from one to four weeks reported in the second half of 2015.



The higher the level of the position, the quicker the cost of a mis-hire increases exponentially.

THE ADDITIONAL BURDEN OF MIS-HIRES

According to an article[9] on employment costs, the four most common reasons for hiring mistakes include the following:

- Hiring decisions are at least 80% made as “gut feeling” or “based on appearances.”
- Scarcity and/or urgency mindset involves a belief that few candidates have the necessary skills or the recruiter is driven by outside pressures to fill the spot immediately and settle for mediocre candidates.
- The hiring manager is dazzled by first impressions, how good the person looks on paper, credentials, advanced degrees, and well-prepared interview responses.
- There is a lack of understanding about the difference between and/or having the necessary tools to discern top talent (based on qualifications) vs. best fit talent (perhaps a better fit with respect to organisational culture, and so on, not just having appropriate skills).

A costly hiring mistake - the cost of a “mis-hire” – is the unconscious avoidance, denial and/or toleration of underperforming employees. The higher the level of the position, the quicker the cost of a mis-hire increases exponentially. The article cites Brad Smart, Founder, Topgrading, Inc., regarding the potential cost for a mis-hire:

- 14 times salary for employees earning a base salary under US\$100,000.
- 28 times salary for employees earning US\$100,000 to US\$250,000.

Besides the typical direct and indirect costs of dealing with finding new employees (such as recruiting, interviewing, reference checking, lost productivity in beginning months, and so on), employers need to consider long-term opportunity costs: substandard service; lowered employee morale and substandard performance in other employees; missed deadlines; customer dissatisfaction with product quality, customer service and/or lost trust/faith in the company; and missed sales opportunities.

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Overwhelmed by mountains of candidate submissions from unqualified people, as well as internal pressure to fill job vacancies, the result is not surprising: Time is wasted, money is ill spent, and fallible decisions are made. This archaic process almost guarantees that people “who know people” are the only candidates being hired – whether or not the applicant is a good fit. Company policies that compensate for employee referrals encourage this outcome. Although employee references may (and, hopefully, should) prove advantageous, the risk of presenting individuals with the wrong skills and experience can lead to potential trouble down the road if the referral does not work out to the manager’s expectations.

In a typical situation, the hiring process drags on for weeks, sometimes months. As the employer follows the traditional recruiting method, some negative repercussions are possible:

- Time spent in preparing the job search, writing advertisements, conducting candidate interviews, evaluating meeting results, making and negotiating offers, and filling out paperwork
- Money wasted on advertisements, agency fees, external posting websites, new hire sign-on bonuses (if turnover is high), and relocating key candidates (if necessary)
- Management dissatisfaction with loss of productivity, inefficient output, and decline in potential business and company performance when a job is vacant too long or another employee (unfamiliar with the job responsibilities and unhappy with an added workload) is temporarily filling in
- Unqualified applicants responding to advertisements and overwhelming hard-pressed (and too few) HR staff who may make subjective judgment calls simply to fill another vacancy
- Displeased shareholders (and customers) if the overall performance of the company falls off



LOWER COSTS ARE A NECESSITY

As a society, we must each contribute to reducing the hidden costs of personal and corporate misalignment and struggle against complacency and mediocrity. By guiding young people in their search for education and a career, as well as adults seeking meaningful employment, our efforts can significantly cut back the waste in time and money. But the endeavor is not for the weak in spirit, as it will require time, intelligence, persistence, commitment – and the right vehicles.

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AND MOMENTUM TO YOUR DREAMS

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