LHH | Recruitment Development Career Transition

Hiring in an Uncertain Economy

More Talent, Less Competition

For most of the 20th century, job security was common in the US and many European countries. Mass layoffs are actually a more recent phenomenon, beginning in the late 1970s. Between the oil crisis, deregulation of stalwart industries in the early 1980s, increases in giant mergers and acquisitions, and the decline of unions, Americans came to accept the era of the "company man" was over.

More recently, it was the pop of the dot.com bubble in 2000, then the Great Recession, between 2007 and 2010, then the pandemic, which slowed hiring to a crawl and left 9.6 million US workers and 2.6 million EU workers out of work. In April 2020, US unemployment reached an all-time high rate of 14.7%, according to information released by the US Bureau of Labor Statistics.

Coming out of lockdowns, we saw a massive acceleration in remote work and automation trends. This led, in turn, to a reshuffling of the workforce—jobs in transportation, e-commerce, and STEM have grown in demand, while the number of food and customer service roles has decreased.

The pandemic also resulted in an overall decrease in labor force participation.

Then, as if recruiters and hiring managers just couldn't catch a break, the "Great Resignation" hit. Also known as the Great Reshuffle or the Big Quit, this phenomenon saw 47.8 million workers voluntarily leave their jobs in 2021.

Now, we're facing the newest challenge in the labor market: Soaring inflation, fears of recession, and labor shortages.

If you're in the hiring space, you're probably no stranger to this shifting landscape of talent acquisition. But no matter the economic climate, it's your job to find and retain top talent. How can you adapt your hiring strategy to successfully recruit during a down economy?

How an Economic Downturn Affects Hiring

Before diving into tips for recruiting in an economic downturn, let's first discuss what the current economic environment means from a talent acquisition perspective.

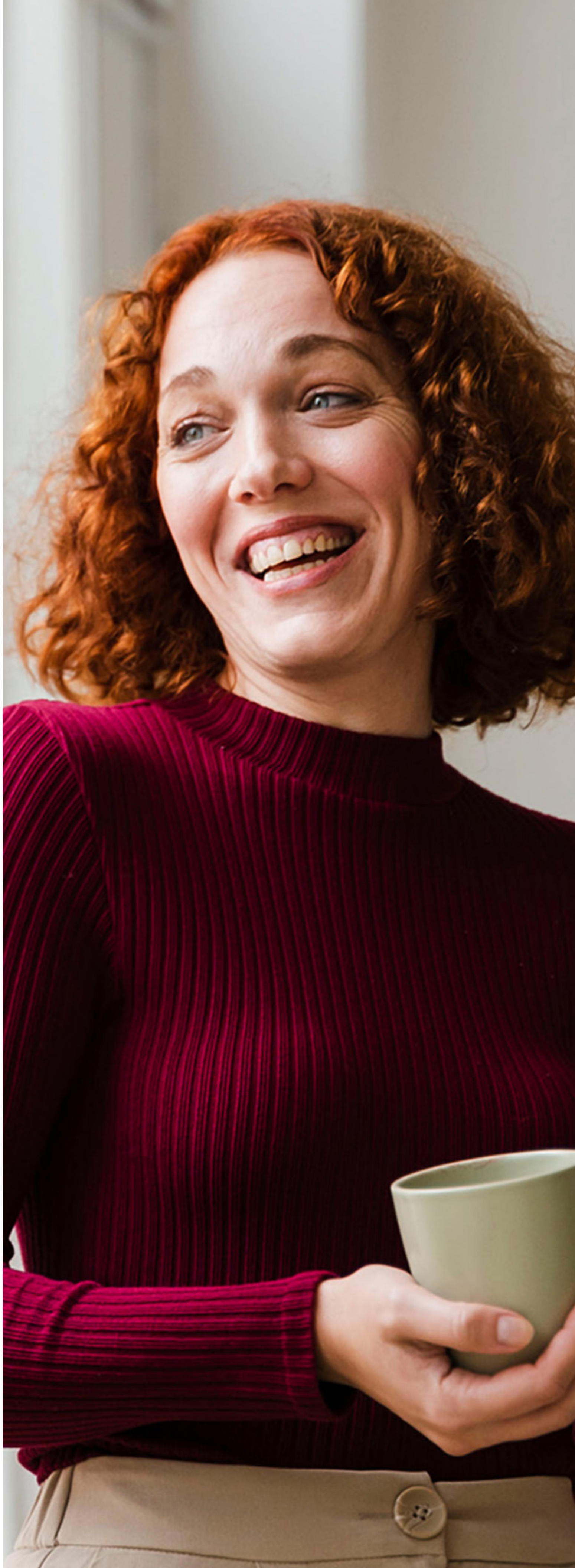
When the economy is bad and businesses are in cost-savings mode, talent acquisition is often one of the first things that grinds to a halt. From the employer's perspective, this seems a sensible move. Hiring new team members is costly and essentially a gamble when budgets are tight. Employee retention takes priority over talent acquisition.

If the economy gets bad enough, companies begin laying off current employees. And although we're not in a recession yet, everyone is eyeing the economy with apprehension. Rent and food prices continue to climb, and as of May 2024, inflation is hovering at around 3.4%.

A recession would result from a drastic decline in economic activity, which would inevitably lead to lower business profits, rising unemployment, an increased number of layoffs, and more hiring freezes.

But we're not quite there. Despite the troubled economy, job openings have far outnumbered unemployed workers for months—but that could be about to change. Unemployment is now back to or below pre-pandemic levels while job vacancies are on the decline.

A sharp rise in recent headcount means employers aren't as desperate to find new employees. This could signal a rough road ahead for recruiting teams.



Challenges of Recruiting in a Down Economy

Needless to say, recruiting during an economic downturn is no simple feat. But if you're tasked with doing so, it's important to know what you're up against. The top challenges of recruiting during an economic downturn include:

Layoffs

If companies must lay off employees, it's best to handle it as kindly as possible for the sake of the affected employees and to avoid damage to the employer brand. If word of an insensitive or callous layoff event or message delivery gets out, it could severely hinder your recruitment efforts now and in the future.

At LHH, we have more than 50 years of experience helping organizations successfully manage workforce reductions in a compassionate and supportive manner. If layoffs are unavoidable, it is critical to communicate with transparency, help former employees find a new direction, and reassure remaining employees that they are part of the company's strategic path forward. You can learn more about our employee outplacement services here.

Hiring Freezes

The term "hiring freeze" brings dread to the heart of every recruiter and hiring manager. If your company does decide to institute a hiring freeze, encourage management to continue recruiting for a few high-value roles. At the very least, try to ensure the freeze doesn't drag on too long. After all, it's a lot easier to nurture pipelines than to warm them up after they've gone stone cold.

Budget Cuts

As companies look to scale back costs, your own recruitment technology and talent also risk being cut. Diminishing resources make it difficult to source top talent.

Relocation Concerns

When the economy and housing market are uncertain, top candidates could be put off by relocation requirements— especially if the company isn't willing to offer relocation compensation. Focusing on individuals open to relocation or offering remote work as a possibility may help remedy this issue.

Uneven Candidate Quality

During tough economic times, the inbound labor pool may be more mixed than usual. As a result of layoffs, you might find there are a few gems floating around in a sea of "spray and pray" candidates. Prepare for an inbox or ATS flooded with resumes and to have to hunt for the diamonds in the rough.

Job Stability Issues

In an economic downturn, consider reworking job descriptions, benefit packages, and so on to be more appealing to candidates. Job stability is a big selling point for companies during tough economic times.

Why the Cost of Job Vacancy Matters

When it comes to filling positions, the Society for Human Resource Management (SHRM) reports the estimated cost to hire an employee is three to four times the job's salary.

Many assume leaving a position unfilled simply saves the company from spending. A shortterm view may show a couple month's worth of savings in salary and benefits. Better for business, right? Not so much, actually. It's a common misconception that taking longer to fill a role benefits the organization. In the longer-term view, an open position may lead to:

- Loss of productivity and revenue
- The slowdown of goals and projects' roadmaps
- Negative impact on deadlines and employee morale
- Retention issues
- Potential loss of market share.

The ripple effect of vacancies means they're not so great for business. Understand the cost of vacancy to optimize your recruitment strategy and help leadership discover how an open role is really impacting your company.

What is the Cost of Vacancy?

The cost of vacancy is a figure expressing the dollars lost due to leaving a job position unfilled. These costs are often hidden in inefficiency, training hours, knowledge loss, and further attrition from team members taking on more work. Additionally, there are often costs associated with lost opportunity for research and development along with potentially hampering ability for growth or capturing market share.

The cost of vacancy also affects budget planning for recruiters and hiring managers. Calculating the cost of vacancy helps measure the budget, incorporating it for damage control. It also offers an opportunity to propose a recruiting tool for assistance in fighting vacancy-related costs.

Calculating Cost of Vacancy

We'll preface by reminding you this calculation is a general guideline for determining the cost. Every company is different!

In its simplest form you can calculate cost of vacancy like this:

Payroll & benefits savings - Gross profit lost to vacant role = Cost of vacancy

Always work with your finance team to calculate specifics for your unique company.

Lost revenue and gross profit

Working backwards, let's first calculate the revenue lost. The average employee revenue is annual revenue divided by the number of employees. Next, multiply this average revenue by the average number of working days in one year, or 260. This yields the employee's daily revenue.

Annual company revenue / Total number of employees X Working days in one year = Employee daily revenue

Always work with your finance team to calculate specifics for your unique company.

To estimate the revenue specific to the position we're evaluating, use a predetermined multiplier to help quantify the impact of the role. It might look like this:

- Multiply entry-level roles by one
- Multiply higher level roles (think sales and tech positions) by two
- Multiply leadership roles by three

Determine the level of impact for the role, then multiply that number by the employee's daily revenue. This gives you the daily revenue specific to the position, which you'll then multiply by the estimated time-to-fill to calculate the revenue lost to this vacant role.

(Level of impact multiplier X Employees' daily revenue) X Estimated time-to-fill = Revenue lost to vacant role

Note: If you work in an industry where gross profit or contribution profit is most critical, you would take the revenue number and multiply it by a margin rate to get the true incremental revenue impact.

Here's a formula chart for reference:

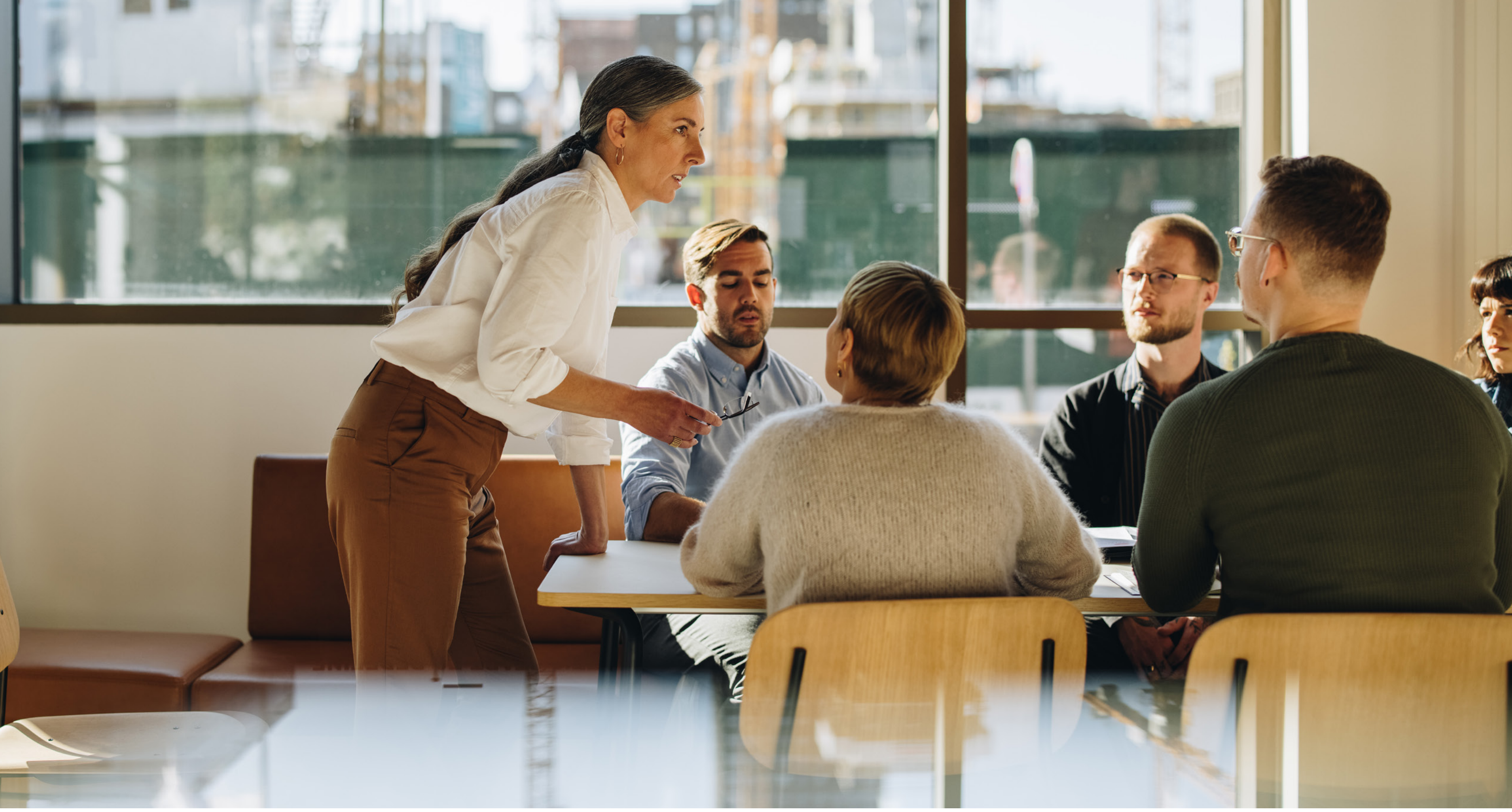
Annual revenue / Number of EE
= Average EE revenue

Annual EE revenue / 260 working days/year
= Daily EE revenue

Average daily EE revenue X Revenue-impact multiplier
= Discover what skills participants want to develop through leadership programs. The best way to do this is simple: ask them.

Daily role-specific revenue X Estimated time-to-fill
= Revenue lost to vacant role

Revenue lost to vacant role X Gross Profit or Contribution Profit %
= True lost impact to vacant role



Payroll & Benefits Savings

To calculate the payroll and benefits savings from the vacant role, divide the daily employee cost by 260 (average working days). Multiply your answer by time-to-fill and you have your savings calculation.

The impacts of leaving a position vacant

Again, it's difficult to tie the specific vacancy cost to a standard formula as companies are unique and there are numerous factors to incorporate. But identifying the cost for unfilled positions regularly generating revenue is a bit easier because of the quota unmet while the role is empty. This falls under hard costs, and includes overtime pay, contractor fees, and turnover expenses as applicable.

For non-generating roles, it's tougher to quantify the detriment to morale, productivity, and project goals. These are the soft costs of vacancies.

Here's a formula chart for reference:

Cost of employee / 260 working days/year
= Daily cost of EE

Daily cost of EE X Estimated time-to-fill
= Payroll and benefits savings

Always work with your finance team to calculate specifics for your unique company.

Advantages of Recruiting in an Uncertain Economy

Yes, recruiting during an economic downturn can be challenging, but it also has its upsides, including:

The chance to gain an edge over competitors

Other companies' losses can become your gains in a rough economic climate. There will inevitably be some good catches on the job market during hard economic times. You may find phenomenal, formerly passive candidates, are suddenly active due to circumstance. Focusing on a candidate's expertise and experience can bring a strong competitive edge to your company.

Opportunities to focus on sourcing

During recruiting downtimes, you could have extra time on your hands, which you can use to source or reconnect with passive candidates. Showing interest in prospects during an economic downturn helps signal your company's stability during otherwise uncertain times.

This could be the motivating factor that triggers an individual's career jump. Worstcase scenario, prospects will appreciate your interest and keep you in mind for future opportunities.

The chance to create an impressive employer brand

When most other employers are faltering, now is your time to build your employer brand. Hiring during an economic downturn positions you as an industry leader.

Many customers also prefer to support stable companies that treat their employees well, which could help drive sales and get business back on track.

Increase team morale

Hiring during an economic downturn means a lot to new hires. Whether they're solo or part of a mass layoff, it's a disruptive time in a person's life. Someone new recognizing their value and potential often buoys the individual, inspiring many things including loyalty. They'll bring their best work to the table, boost team morale and productivity, and create healthy competition that improves your organization's bottom line.

Increase team morale

The hidden truth of recruiting in a tough economy is it's often a great window of opportunity for finding top talent. Consider Apple in the early 2000s. During the dot-com crash, the company continued developing its team and products. Apple even experienced successful releases of the first iPod and iPhone models during the post-9/11 economic downturn and the Great Recession, respectively. Apple's CEO Tim Cook has been quoted saying, "We believe in investing during downturns."

An analysis of 4,700 companies conducted by the Harvard Business School found that 9% of companies come out on top of previous recessions by adopting a "progressive focus." These companies did cut back on expenditures, but they also continued to invest strategically in their people, products, and more.

How to Recruit During an Uncertain Economy

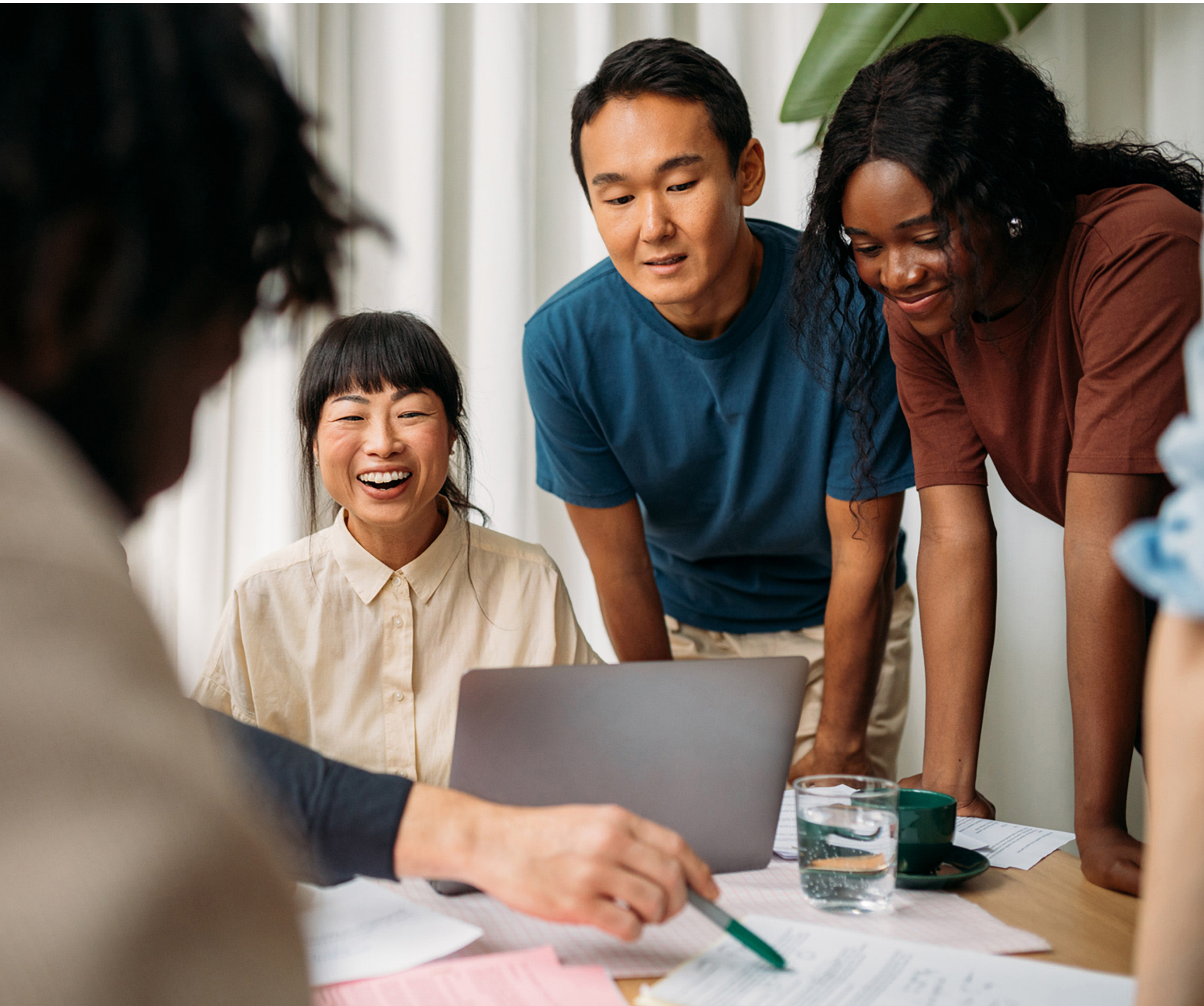
So, how can you incorporate a progressive focus into your own hiring strategy?

The first step is to take a long-term approach to talent acquisition. Think big picture. That means keeping a company's long-term goals in mind, focusing on what immediate gaps need to be filled, and rethinking your capacity to source new candidates.

Work with company leaders to monitor the organization's financial well-being so you know when to double down on hiring and when to slow things down.

Then, you can build a recruiting plan designed for the current economic climate. You'll need to constantly reassess the state of things, but a plan will give you a solid starting point.

Once you have an overview of your hiring goals, you're ready to implement the following strategies to make the most of recruiting during a down economy.



12 strategies to help you hire talent during an economic downturn

1. Focus on quality rather than quantity

When job openings are limited, focus on the roles that may deliver the most value to the company. You might face steep competition as other companies lean on a similar strategy, but don't let that deter you.

Maybe an individual can cover multiple roles or bring an innovative mindset to the table. Even if you have to offer a higher compensation package to an experienced candidate, it could pay off in the long run. Hiring for high-importance, high-impact roles will make all the difference in a company's longevity.

And future-proofing can set a company apart from the crowd in today's fastmoving business environment.

2. Think long-term rather than short-term

Besides prioritizing in-demand roles, an economic downturn requires a shift to a more long-term perspective. After all, hiring is an investment. When the economy eventually picks back up, will yours be one of the businesses ready to hit the ground running? Or will you have to start from square one, with a cold pipeline, sourcing talent in a much different labor market?

3. Build a strong talent pool

To make the recruitment process easier for you and your team, consider using this time to build a strong talent pool. Doing so will make the recruitment process easier and faster. It'll also reduce your spending on job advertisements and postings.

Here's how to get started:

- Put out feelers to individuals who seem like they'd be a good fit for your organization. Even if there are no immediate wins, you'll be keeping your pipeline warm and putting your name out there. Besides, economically challenging times are when many people reevaluate their current employment. Check in with passive leads to stay ahead of the game.

- Invest in a good applicant tracking platform. Staying organized can make a world of difference in recruiting. It can also save you hours of flipping through resumes and allow you to easily find the best-fitting applicant for each job opening.

  Plus, a good applicant tracking platform acts as a built-in database for the future, helping talent acquisition and hiring teams automate and track candidates in the process more easily

- Build your employer brand online. Wordof-mouth marketing is great, but it's not the only way of marketing your employer brand. Videos and social media posts featuring your workplace culture, in addition to targeted ad campaigns, are just a couple of ways to spread the word your company is hiring (and a great place to work).

4. Offer an appealing work environment

You should always listen to your candidates, but when the economy isn't in great shape, it's even more important to understand a potential hire's career move. Whether they've been laid off or are simply looking for a change of pace, quality candidates will likely have multiple offers on the table.

Align with their career goals by ensuring your employee benefits (including health insurance) are up to par. Flexible, remote, or hybrid work is also a priority for many job seekers today. Workplace culture is another big one—what are your company's values, and how do they shine through in the everyday working environment? Also, consider:

- Paid time off benefits
- Retirement plan benefits (matching, immediate vesting)
- Performance-based bonuses
- Stock or equity offerings
- Signing bonuses
- Tuition reimbursement
- Mental health and wellness benefits
- Caregiver assistance (paid parental leave, elder or childcare reimbursement, etc.)

If you can offer the kind of work environment an applicant is looking for, they'll be much more likely to accept an eventual offer.

5. Act fast

The security of reemployment is a strong motivating factor for unemployed candidates. Often, this security even takes precedence over compensation and benefits offerings.

And, because competition for top candidates can be stiff in a trying economy, getting an offer on the table as soon as possible is key to winning over competitors. An efficient hiring process also shows candidates how much you value their time and expertise.

6. Give everyone a chance

This doesn't mean extending an offer to the first candidate that hits your inbox. Rather, it means creating a level playing field in your search and considering unconventional candidates.

Is an applicant considering a career or industry change? Are your hiring processes equitable? Do you have someone inhouse who might be interested in switching roles? Focus on transferable skills rather than ticking off all your checkboxes, and you might just find the candidate of your dreams.

7. Dig into the data

When every dollar counts, numbers help justify hiring decisions. They also show companies exactly how much value new hires bring to the organization. With so many recruiting technologies at your fingertips, there's no excuse not to make data-driven hiring decisions.

Analytics can help on the front end of the hiring process as well. How do you first interact with candidates? Which social media outreach tactics work best? What kind of experience have top-performing candidates had in the past? Quantifying your impact as a recruiter can help you deliver better results and back up your own value proposition.

8. Be transparent with candidates

There's nothing more frustrating than nearing the end of the recruitment process only to discover that salary expectations don't align. By communicating the salary upfront, you won't outprice yourself or waste an applicant's time.

Today's candidates want to know exactly what they're getting into with each role. Never is that more true than during economically hard times. Adding transparent salary data to your website, as well as positioning yourself as a leader in DEI initiatives are just a couple ways of increasing companywide transparency.

9. Prepare for lots of applications

As you might imagine, layoffs and hiring freezes have implications for your talent pool. A decrease in new job openings leads to steeper competition for the few available slots.

For recruiters and hiring managers, that translates into an influx of applications (and less time to spend reviewing each one). Knowing how to quickly sort quality applicants from mediocre ones ensures you make the best use of your time.

10. Be proactive, not reactive

A massive number of applicants can be overwhelming for recruiters. In times like these, proactivity can be a lifesaver. Via outbound sourcing or other talent-finding tactics, you can find the best person for the position before posting. This cuts back on the time you spend skimming resumes and allows you to fill positions without overexerting yourself. You can even take it a step further, and source talent before job openings are available.

When positions do open up, you'll have a ready-to-go talent pool full of cherry-picked experts.

11. Upskill, upskill, upskill

The recruitment process isn't just about what abilities candidates bring to the table. Your own skills come into play as well, and there's no better time to develop your skills than when hiring is slow. Now that you have the time, take advantage of online, industry-specific training to hone your recruitment capabilities and meet the needs of the current labor market. Agility is key to finding your niche and successfully recruiting in an economic downturn.

12. Leverage technology and hiring resources

Recruiting is a tough job, especially in a tricky economic climate. But you don't have to do it completely on your own. Technology is a recruiter's best friend.

During the pandemic, 95% of companies changed their hiring processes, according to a McKinsey survey. Video interviews, for instance, are now ubiquitous and have the potential to significantly expedite the interview process. Tools like applicant tracking systems and hiring partners like LHH also make it easy to sort the best from the rest.

Be better prepared to hire in a down economy (and any economy)

Attracting, hiring, and retaining top talent can be a challenge in all economic climates. Partner with us today to give your recruiters and hiring managers the support they need to move candidates through the hiring funnel quickly, optimize the candidate experience, enhance your employer brand, and fill your open roles with the very best talent.

ABOUT LHH

LHH empowers professionals and organizations to achieve bold ambitions and lasting impact through unique advisory services and talent solutions.

Our full suite of offerings connects solutions that are traditionally siloed, making LHH your single talent partner. In a rapidly evolving landscape with complex challenges, we create value across the entire professional talent journey. From hiring great people, developing skills and nurturing leaders, to advancing individuals to the next stage of their careers, LHH makes talent your competitive edge.

We believe the future of work lies at the intersection of exceptional human care and innovation. Powered by science, technology, and proprietary data analytics, LHH's approach is crafted to align with your business strategy and culture, delivering powerful, sustainable, and measurable impact.

LHH has a team of over 12,000 professionals, across 60+ countries and more than 50 years of experience. As part of the Adecco Group, we bring together global excellence, local knowledge and centralized coordination for thousands of companies and millions of people worldwide.

To learn more about how we can support your talent needs, **visit us at lhh.com or call us 1.800.611.4LHH**.

Recruitment. Development. Career Transition.

LHH. A beautiful working world.