IN ANY STAFFING PROGRAM, THERE ARE THREE SIGNIFICANT RESTRICTIONS CONSTANTLY AT PLAY: COST, SPEED AND QUALITY.

BY: JIM WEAVER

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The jobless rate fell to a 16-year low of 4.3% in May, many of us have ruminated that this current talent shortage is beyond anything we have seen in our lifetimes. It has certainly hit our light industrial business harder than anything we have seen in 20 years in business. In the past two cycles of full-employment, the economy has had a large South and Central American immigrant workforce to ease the tight supply of workers in entry-level positions. Because of this shift in government policy, the evolving sentiment toward the first-generation immigrant workforce and a labor participation rate of less than 63%, this talent shortage is no longer limited to select technical or professional positions. On a macro-level, it is hard to see how our economy will hit the 3% GDP growth rate that President Trump has projected when we don't have the employees to fuel this type of growth. But, the politicians can wrestle with immigration and the labor participation rate; we have businesses to build. Today the human resource pinch is felt most acutely in the entry-level and mid-skilled ranks of companies that manufacture, move or process things. The war for talent has come right here to the proverbial heartland of the US economy.

In any staffing program, there are three significant restrictions constantly at play – cost, speed and quality. The three constraints are interdependent, so none of them can be altered without affecting one or both of the others. For example, if the skill requirements are increased, it is likely to take longer and/or cost more to fill the role. Likewise, an immediate start date is almost certain to either require more money or less ambitious screening requirements. The more competitive the recruiting environment, the more acute constraints become. No one gets what they want in all three of these areas, especially when the unemployment rate is 4.3%. We call this the Staffing Trilemma. It is also referred to in project management circles as the “triple constraint”, “project management triangle” or the “iron triangle”. Regardless of the name we give it, this is a reality we need to contend with.
Generally, the issue with unfilled openings is that most employers are unwilling to make price and screening requirement (quality) concessions, therefore speed is sacrificed, leaving unfilled openings until there is a shift in the employment market. Unfortunately, the decision to stick to our guns on price and screening standards is the costliest decision of all as we shell out time-and-a-half in overtime to meet production or simply miss production all together.

After the resourcefulness and dedication of your internal recruiting team and staffing partner has been verified, we need to ask a scary question: “Why would people want to work here?” It is time to get real – if I have an average environment, average pay, average opportunity and make no unique hiring accommodations, how can I expect to win in this recruiting environment? If I am below average in any of these categories without offsetting that weakness in another category, I’m in big trouble! Most staffing agencies are not helping matters because they are acting as though it is still 2012. They’re not doing any deep analysis either. Instead, they respond to client requests with, “Yes ma’am, Mrs. Staffing Customer, we will do the impossible,” and then failure is the result. We have put ourselves in this rut and only realized the cycle we found ourselves in toward the beginning of 2017.

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**WHY WOULD ANYONE WANT TO WORK HERE ANYWAY?**

The first step in answering this all-important question is to take a close look at your local employment market and see how your company stacks up. How many people are there actually in your target demographic once we start winnowing available employees down based on screening requirements? What is our local unemployment rate? What is the pay range for positions similar to ours? Who am I going head to head with in the war for talent, and how do we stack up? We also need to understand how our state and federal social programs work and the incentives and disincentives these programs create. Furthermore, we need to look at turnover and the reasons our company loses employees. It is a complex bit of calculus we are dealing with here, and it takes a lot of honest work to truly understand where we find ourselves. The companies tackling this challenge are the ones who are winning, and the rest are running on a brutal treadmill.

Once we have taken a good hard look at the employment landscape and have taken a hard look at how our opportunity stacks up, we can take the next step of defining our unique hook. There are exceptions, but, generally, if someone is unemployed for any amount of time in this market, we probably don’t want them. We are not going after the 4.3%. We need to attract the 95.7%. Some call it “accessing the passive candidate pool”, while others call it “employee extraction”, but I’m going to shoot you straight – we need to steal people. Our future employees are working somewhere else right now, and we need an opportunity good enough to get them to quit what they are doing and a recruiting plan to get our opportunity in front of the right people.

Back to the Staffing Trilemma – from the employer perspective, something has to give. We basically have three levers to pull to deal with this tough employment environment: increasing compensation; creating a unique opportunity, environment or benefit; allowing unique exceptions or flexibility.

**INCREASE COMPENSATION**

This lever obviously works on the "cost" side of our Trilemma Triangle. Increasing pay is a sensitive subject, as many of our business models are built around certain labor price points. I am not someone who believes in just throwing money at problems, which is often a shortcut to thinking. But at the end of the day, regardless of how great the work environment or opportunity is, a pay rate that is in the lower 35th percentile based on the job requirements is VERY difficult to overcome. Sometimes the solution is, in fact, a matter of coming off the money. Simple economics of supply and demand apply to the workforce too, and when supply is low, we end up paying more.

In a competitive market when pay-rates really need to be increased, the company that goes first wins. Think about it - if you are the first or second employer in your space to raise rates, you will have the pick of the litter as you steal employees from your competitors. If you are one of the last ones to raise rates, then you need to go higher than the first movers to steal folks to your facility. Most latecomers will match new rates or barely beat them. So as long as the early movers couple higher pay with a good work environment, they should be able to hang onto most of their team when the latecomers finally start playing ball.

**UNIQUE OPPORTUNITY, ENVIRONMENT OR BENEFIT**

Creating a unique opportunity and a truly exceptional environment is the most time-consuming and complex way to draw talent. Creating such an environment is a long-game, and then even when you have a great environment, effectively promoting it to the labor pool is quite challenging. I would, however, argue that creating a healthy team ecosystem gives us the best return on investment in the long-term. Great things really start happening when our team becomes a tribe of loyal contributors who feel and act like owners. While this lever also impacts the cost side of our Trilemma Triangle, it does so in a less direct way. It takes years of planning and innovating to create a unique career opportunity for our teams, and there is a real cost to creating great work environments.

This is also an area where we can easily operate in a state of delusion, thinking our environment and opportunity is something special when it really isn’t. Simply having a “temp to perm” opportunity or offering consistent hours is really not a unique opportunity. I think a good way to think about the health of your field or floor managers and supervisors is to ask the question, “In an alternate universe, could I work for this person?” We do an annual employee satisfaction survey and have facilitated net promoter score surveys for several customers to give leadership an objective snapshot of their corporate environment. If we take a look at our environment and opportunity and conclude that we do indeed have something special, the next step is to promote it to
our labor pool. Building an employment brand and then taking that brand to market takes work and will cost some money, but if we have something special that no one knows about, we are like the tree that falls in the forest with no one around.

**UNIQUE EXCEPTIONS OR FLEXIBILITY**

When we pull this lever, we are compromising on the “quality” side of the Trilemma Triangle. Some of us have financial constraints leading to below market pay, and/or we don’t have time or the resources to create the opportunity or environment that will attract people. In the make, move or process sectors we operate in, there is immense pressure to get to market quickly and cheaply. If this is the case, a more flexible approach to screening or scheduling is a way to increase the number of potential candidates without necessarily increasing the pay rate or compromising the quality of work done. Are we willing to hire ex-felons or people on probation? Can we waive drug tests or loosen our testing requirements? Will creative scheduling drive new applicants? These are somewhat controversial compromises to consider, but something must give, and if we are unable to pull on the compensation or opportunity levers, this is the one we are left with. As mentioned earlier, many employers pulled the unique exceptions or flexibility lever in the last two full-employment cycles when they waived the requirement to speak English in order to tap a workforce with fewer options for work. Pockets of immigrant labor are tougher to find this go around, so progressive problem solvers are looking for other places to give up something to get the team they need.

If we are expecting people to work at a wage that is below the living wage threshold, we must understand that there is a reason that a person is willing to work at that pay rate. Perhaps they are just getting started in the working world, and that is the reason their “market value” is below the living wage level or even at the poverty level, but in most cases, folks in the lower strata of the workforce come with some constraints or even “baggage”. Hear me out: Clearly I am not talking about someone’s value as a human being. Rather, I am talking about market value - what they can command for their time in the marketplace. If I expect to run my operation with a pay-level somewhere between the poverty level and the living wage threshold, I need to take a hard look at my “must-haves” and be willing to compromise on my “wishes” if I want to keep production going.

Of course, the other option is to change nothing at all and wait this trend out. This option impacts the “speed” side of the Trilemma Triangle. Speed is so significantly impacted in this tough recruiting environment that many employers have perpetual unfilled openings. There certainly is a cost to falling short of required staff-levels, which includes overtime, lost production and burn-out, just to name the most obvious. It is difficult to make the changes outlined above, so most employers have chosen the “wait it out” option, but at what cost?

This labor shortage challenge can certainly be overcome. We have partnered with several of our more progressive customers to objectively face the brutal reality of this recruiting environment and adapted new recruiting strategies based on both the external and internal realities of their businesses. The companies who are willing to do what it takes, are winning the war for talent.