



# To solve labor challenges, update hiring practices



# Introduction

The Federal Reserve's recent interest rate hikes are designed to slow rising inflation, a policy that also works to tighten the labor market. And while the unemployment rate is beginning to tick up, companies are still having significant issues finding the right people for the right jobs. According to data from the U.S. Bureau of Labor Statistics, the current ratio of job openings to people looking for those jobs is 1.67 to 1.<sup>1</sup> To address this ongoing labor market scarcity and find the talent they desperately need, companies can draw inspiration from some surprising places in their own organizations: procurement and marketing.

## Inefficient labor market

Finding suitable employees is especially difficult today because the ways companies look for talent have not evolved along with the ways people look for work. The labor market remains highly inefficient for a range of reasons:

- **Lack of visibility:** Despite LinkedIn and other job platforms designed to aggregate job postings and candidates, organizations can't see all of the candidates available in a given market (supply), and applicants can't see all of the relevant job openings (demand).
- **Lack of measurement:** Each applicant has a unique set of experiences, knowledge, and interests—no one is simply a collection of skills that can be measured objectively.
- **Lack of role and pay transparency:** Job descriptions seem more like a combination of marketing soundbites and a laundry list of responsibilities, making it hard to ascertain what a job really is, and few include accurate, believable details on pay. Even when compensation is disclosed, the ranges are often too wide to be meaningful.



<sup>1</sup> Source: "Job openings and labor turnover summary," U.S. Bureau of Labor Statistics, Oct. 4, 2022

# Standard employer practices

Unfortunately, most companies exacerbate these challenges with counterproductive hiring practices. Too many continue to rely on traditional processes that are unable to match the right person with the right position at the right time. These include:

- **Relying on résumés and referrals**, and raising the required number of candidates in candidate pools, even though research shows that these approaches do not improve the chances of hiring a candidate who succeeds in the role. A compelling study published in 1998, for example, showed that education and job experience were almost useless in predicting candidates' success.<sup>2</sup>

- **Focusing on candidates not looking for new jobs.** Research shows that non-job-seekers tend to care more about compensation when considering a new employer. Highly motivated candidates, in contrast, tend to care more about remote work policies and a company's brands and reputation.<sup>3</sup>
- **Discounting or ignoring internal candidates** whose capabilities and loyalty to the company are well established. They are also already familiar with your organization, have the required skills, and may even be looking for opportunities to grow.
- **Posting long "wish list" job descriptions** that don't reflect day-to-day responsibilities and can

discourage candidates who do not meet every criterion.

- **Strictly adhering to requirements that do not tie to role success**, such as four-year degrees for software engineers, which can exclude talented and qualified candidates for skilled roles.
- **Taking too long to screen and hire workers.** Many candidates pursue multiple opportunities out of necessity and then drop out of the lengthy process because they accept positions elsewhere.



<sup>2</sup> Jasper Spanjaart, "Why resumes don't predict job performance and talent leaders should 'pay attention to research,'" ToTalent.edu, June 24, 2021

<sup>3</sup> Tallulah David, "What passive candidates want most. Hint: It's not higher pay," CareerArc, March 10, 2021

## Applying supply chain principles

Supply chain professionals strive to match supply and demand, monitoring market signals, consolidating demand, and improving supply visibility across their organizations. While the talent market has its own unique features, recruiters can apply many of the same approaches.

One basic principle in supply chain management is pooling demand to reduce variability and improve outcomes. By contrast, in the hiring process, companies typically go to the market only when they need a specific role filled, build candidate pools role by role, and tag each candidate to just one opportunity. This creates a challenge because supply is sourced only when demand is imminent.

A more efficient approach, grounded in supply chain best practices, is to build candidate pools well ahead of hiring. They can be put together using input from strategic workforce planning for necessary skills and growth roles and predicted by understanding turnover patterns, production schedules, and work patterns. Recruiting teams can monitor talent pools for skill mix and diversity, ensuring that hiring activities are not limited by job market timing, and offer broader access to talented people who are interested in joining the organization.

Pools should not be limited to external candidates. Mobility within organizations has historically been limited—just 28 percent of talent

acquisition managers say internal candidates are an important source for filling open roles, according to Peter Cappelli, a professor of management at the Wharton School and a director of its Center for Human Resources. Skill inventories and internal talent market tools can help managers understand where to find talent across the organization. Policies and processes should support employee mobility and eliminate any stigma or politics in internal movements. And being transparent about skills that will be in demand—an output of the strategic workforce planning process—encourages existing workers to master new, relevant skills that will advance their careers.

## Applying marketing principles

Successful companies have always invested in marketing to identify, acquire, and retain customers. Marketers develop detailed insights into what customers want and need to influence their buying decisions and create highly engaging customer experiences.

The process of identifying, recruiting, and retaining employees should borrow leading practices from marketing. For instance, companies utilize advanced analytics to identify potential customers, but when it comes to identifying possible hires, they often resort to having

recruiters search LinkedIn profiles, advertisements, and job fairs close to their location, and posting jobs frequently in hopes of landing at the top of candidate searches. Organizations can use data to more effectively find candidates, looking at their own hiring history as well as information about their local areas to identify patterns of successful hiring.

Another lesson from the marketing organization is that helping potential customers find products that are a good fit for their needs is key to success, and that data can be incredibly useful in making “good

matches.” Contrast that with the typical job application process, where candidates select and apply for a job at an organization based on limited information from a job description. The hiring process could be reimagined as an opportunity to engage with job seekers—an exchange of information on the various roles in the organization and candidate preferences and experience, culminating with mutually agreed-upon matches that are likely to be a better fit.

<sup>4</sup> Peter Cappelli, “Your Approach to Hiring Is All Wrong,” Harvard Business Review, May-June 2019

## How KPMG can help

With proprietary and tested approaches, KPMG consistently helps clients improve overall hiring processes and outcomes with a detailed approach that includes:

- More efficient sourcing through analytics tools that identify specific geographic areas with more candidates and a better likelihood of hiring success
- Streamlining the hiring process by pooling candidates more effectively for consideration against all the roles they may be eligible for

- Onboarding employees using data-driven strategies to master job requirements rapidly
- A tested retention program that focuses on the critical first 120 days, including research-backed approaches that connect new joiners to their teams, leadership, and organization

Improving the hiring process, producing better hiring outcomes, and raising retention have real, bottom-line implications for organizations. Recruiting a candidate can cost up to 50 percent of the annual salary for the

role, and estimates for the total cost of replacing a departing employee range from 150 to 200 percent of annual salary. Additional cost benefits include reducing overtime and the use of contractors, plus safety, quality, morale, and other operational considerations.

## Case study: Data improves sourcing efficiency

At KPMG Lighthouse, our center of excellence for data, analytics, and AI, we use machine learning to gain a deeper understanding of a company's hiring history. We then harness hundreds of millions of economic and

demographic data points drawn from public sources to help the recruiting team determine which surrounding zip codes have the highest likelihood of candidates who are likely to thrive, whether they're being sought for the

factory floor or the corporate office. In more than two dozen unique manufacturing locations across the country, this approach helps our clients increase the number of applicants by 20 to 40 percent.

# Authors



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DASD-2023-10763