Modern Hire

Workforce Shortage:
How to Staff During a Pandemic Recovery

The world stands at a labour market tipping point as it emerges from perhaps the worst economic shutdown in modern times. In May 2021 demand for workers surged at the fastest rate in 23 years while at the same time, candidate supply declined at the fastest rate since 2017.[1] Though the unemployment rate in the UK is less than a percentage point higher than pre-pandemic levels, nearly three-quarters of a million jobs have not been filled.[2] Businesses can't find enough quality candidates they would want to hire, especially in sectors such as hospitality, construction and trades, and transportation.[3] Workforce shortages are being seen for both temporary and permanent positions, suggesting a lagging recovery from the pandemic coupled with a revised mental model for many job applicants of where and how they want to work.[4]

Impact on the Labour Market

As COVID-19 restrictions ease and more sectors of the economy reopen, businesses ready to hire are hampered by a lack of workers to capitalise on this economic rebound, according to the June 2021 KPMG and REC, UK Report on Jobs.[4]

One key to workforce recovery is how well employers are prepared to be able to identify and efficiently hire qualified individuals. But organisations want more than just any capable worker, they want to be able to attract and lock down candidates likely to remain on the job and perform well under new COVID-related policies.

Contrary to what many employers might think about how some selection processes uncomfortably narrow an already small candidate pool, having pre-employment assessments in place is now more important than ever.

The data and shifts in the market are evidence that individuals are changing the way they approach employment opportunities.

265.5%

Increase in Job Vacancies

Accommodation & Food Services Industry

March to May 2021

https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/

bulletins/jobsandvacanciesintheuk/latest

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1. https://home.kpmg/uk/en/home/media/press-releases/2021/06/kpmg-and-rec-uk-report-on-jobs.html

Impact on the Labour Market (continued)

One key metric is quit rate, an indicator of voluntary turnover from organisations and generally viewed as an indicator of employee confidence in finding a better career opportunity.

Nearly 60% of UK workers say they are planning to make career changes.[5] If corporations cannot effectively identify high turnover risks and low performers before making decisions about putting them on the job, they will compound their already challenging staffing problems.

In addition, it's estimated that nearly 1.3 million people left the UK during the pandemic, many of them European Union citizens who lost their jobs when businesses shut down. There's no guarantee of their return, exacerbating the UK worker shortage, especially in lower-pay roles.[6]

Population in the **UK** fell by

1.3 MILLION

during the **pandemic**

https://www.escoe.ac.uk/estimating-the-uk-population-during-the-pandemic/

Many individuals have become far more particular in the type of job they are willing to hold in a post-pandemic world, and the onus will be on employers to think beyond simply increasing wages. Offering sufficient benefits and opportunities for employees will be critical to remaining competitive once the massive return to work begins.

2. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/june2021
   https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/latest
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5. https://www.aviva.com/newsroom/news-releases/2021/04/number-of-uk-workers-planning-career-changes-as-a-result-of-pandemic-rises/
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7. https://www.forbes.com/sites/aliciakelso/2021/05/10/chipotle-is-increasing-its-wages-to-average-15-an-hour/
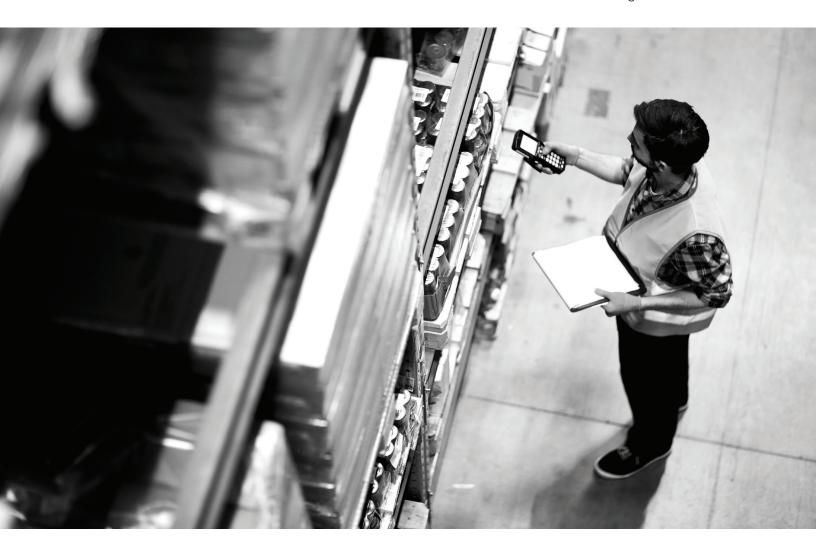
Additional Concerns

Outside of traditional compensation factors, many see entry-level jobs as not being worth the increased health risks. Some populations of frontline workers are unlikely to return to the workforce any time soon as the risk to their health may be too high. But even outside of specific populations, if one considers the increased job complexity and stress to accommodate COVID protocols now in place, people being more discerning about the jobs they are willing perform is no surprise.

A portion of the population was likely to leave their job before the pandemic but chose instead to stay because of uncertainty in the market.

Now that businesses and the economy are opening back up, individuals are more selective about where they want to work.

As a result, delays in natural career transitions and retirements are catching up for over a year of lost time. Lastly, childcare, be it through schooling or professional childcare services, has remained a lingering issue for many families. Many schools still offering only remote learning and daycares with limited capacity are forcing parents to stay home with children instead of returning to work.

Changes in the Data

As a hiring solution provider with clients who use our software to assess and interview candidates, we already see the effects of the changing labour market in our data. For example, we've seen an increase in the number of people rushing through our assessments. One of our assessments for a relatively entry-level retail role has a median completion time of 30 minutes. Given multiple exercises with detailed instructions, it would be nearly impossible for any candidate taking it seriously to complete this assessment in under 20 minutes. The data bears this out, where fewer than 4% of candidates completed it in under 15 minutes in the first three quarters of 2020. That number has been over 7% every single month in 2021. On this scale for this assessment, that will be over 35,000 additional candidates who rushed through the assessment.

Our data has also shown rapid drops in assessment usage, with fewer candidates even making it to the assessment stage in recent months. Some clients have seen drops of 80% despite making no changes to their recruiting strategy. Your hiring process was likely designed to filter through large numbers of applicants and may not be prepared to handle periods of low throughput. Much of the value of assessments comes from identifying high-potential talent and low turnover risks, but if you must hire all who apply, the immediate value of assessments is less clear.

Changes in the Data (continued)

A powerful data point to determine how reduced applicant flow impacts the assessment is by looking at changes in completion rates and pass rates over time. A call centre currently struggling to fill positions recently considered suspending the use of their assessment as they believed it was inhibiting their hiring potential. The data proved that the client's assessment completion rates and pass rates remained consistent over the prior two years, including one year following the onset of the pandemic.

This data suggests that the assessment is not unfairly cutting out more talent; it is simply working the same way it always did to identify preferred talent, just in a smaller talent pool.

> **An assessment that demonstrates consistent user statistics over time proves it has been appropriately validated and normed to withstand changes in applicant flow.**

Suspending the use of assessments like Modern Hire's powerful evaluation tools would not usefully enlarge the candidate pool—it would only negatively impact hiring outcomes.

The last place you may see an impact in the data relates to test norms. Most assessments today group applicants into bands or percentiles. For example, our clients commonly institute a "hard cut" where the bottom 20% of assessment scorers are not invited to continue the application process. Given that these percentiles and bands are based on previous applicant data, a score that may qualify for the twentieth percentile a year ago may be more volatile today as some candidates are attempting to fail the test, consequently driving down norms. Resulting in test norms far less stable during the last year than any other year in the past.

The Risks of Reactionary Decisions

During tough times, it is normal for organisations to look for quick solutions to hiring problems. A common scapegoat during periods of low applicant flow is completion rates (also called dropout or attrition). In practice, not all candidates who start an application will finish it, and this fact has long frustrated those managing such systems.

Organisations see an applicant as serious when they begin the application, whereas many candidates are still browsing job opportunities even after starting a new job. Modern Hire data shows that as high as 10% of candidates opt out of the job application process on the first couple of pages, when organisations ask for basic information like name and address. Candidates are browsing and not committed.

This browsing mentality remains throughout the application, where we always see some candidates leaving in the middle of realistic job previews, as they may have learned something about the job that made them less interested. In our view, this is good attrition. Dropout during the application is not so different from early turnover and hiding information from candidates during the application process to reduce dropout manifests itself as a higher turnover problem later.

Removing a critical piece of your hiring process like an assessment may temporarily help alleviate some applicant flow concerns, but this attempt to capture more candidates at the expense of evaluation you know is predictive of on-the-job performance will do more and lasting damage to your hiring in the long term. Hiring any person who applies for a job because you don't have enough applicants to fill your seats is never ideal. This approach comes with a whole host of problems because word soon gets out that you are hiring anybody, regardless of qualifications. Your turnover will go up, and your quality of hire will go down.

What happens when applicant pools return to normal sizes and flows? From our experience, cutting a tool from the application is far easier than adding it back in, and it may be years before you can get a well-validated assessment back in place. Assessment programs that have been in place for multiple years are backed by validation, business impact studies, and algorithms calibrated to their organisations. This value is promptly stripped away to try to increase candidate flow, a manoeuvre with no guarantee of success. Until the workforce market stabilises, organisations need to make strategic compromises for immediate relief but without sacrificing the future success of their talent acquisition programs.

10% of Candidates **OPT OUT** of the job application process on the first couple of pages

Resolving the Issue

In the long term, we fully expect to see hiring return to pre-pandemic levels. Of course, many organisations need solutions today and cannot wait for the labour market to correct itself. Chipotle recently announced an increase in base salaries for front-line workers[7], new employee benefits, and career advancement opportunities for individuals who remain with the company for a certain period of time.

Other companies have offered bonuses to people who show up for interviews, retention bonuses for staying on the job for a set period, and referral bonuses for getting other people to apply. Enhanced compensation and the reopening of schools and facilities will eventually draw people back into the workforce and ease labour shortages.

Resolving the Issue (continued)

There is no silver bullet for solving the issue of low candidate flow, and this issue is not likely to resolve itself in the long term. There are still steps and actions to consider that may help alleviate some of the pressure hiring teams are facing. Opportunities to remedy low candidate flow include:

- Lower or temporarily remove cut scores on assessments to increase pass rates

- Offer secondary "soft cuts" that require some authorisation for areas with difficulty sourcing candidates

- Increase investment in sourcing and recruiting initiatives to widen candidate pools

- Extend the expiration date of existing scores from applicants to make hiring decisions to decrease time-to-fill

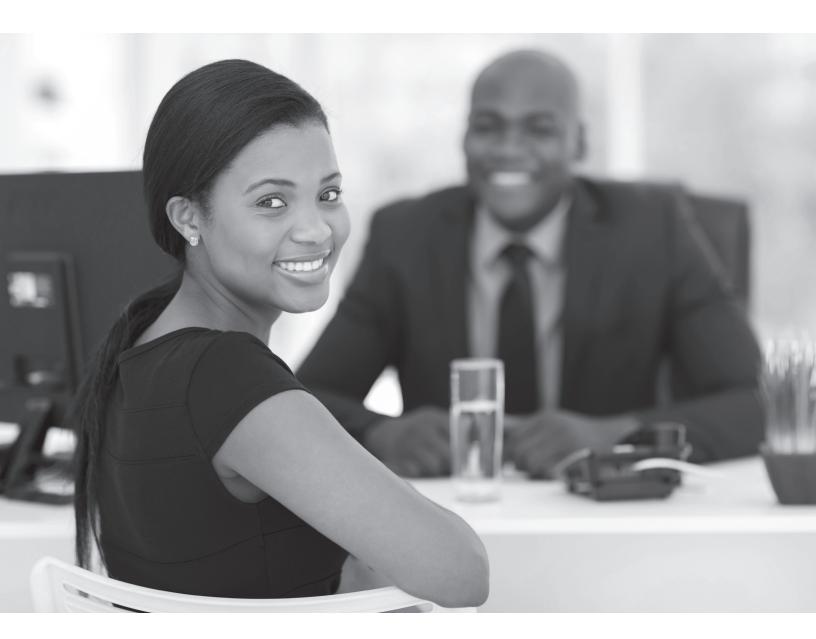- Re-engage past applicants who passed assessments but otherwise were not moved forward

- Evaluate the end-to-end hiring process to identify and eliminate friction points (e.g., remove low-value, high-resource requirement steps like a hiring manager interview and rely more on validated tools such as pre-hire assessments)

- Add automation to hiring (e.g., automated interview scheduling) to reduce time-to-fill

- Streamline the integration/application process, making it as user-friendly and intuitive as possible (e.g., emails come from your company name and not your ATS)

- Provide incentives to make the job more attractive (e.g., sign-on or retention bonuses)

- Step up candidate engagement and make applying easier (e.g., reminders to complete the application, lengthening submission deadlines)

- Build or expand employee referral programs

- Increase compensation for work

Resolving the Issue (continued)

While the above suggested ideas may help organisations in the coming months, we recognise there is no universal solution. This list is not exhaustive. But can serve as a starting place for organisations to discuss their options for addressing candidate flow.

This is a challenging time for those managing selection systems. In the coming months, talent acquisition departments must get comfortable listening, understanding, educating, and most importantly, being flexible to the needs and demands of their stakeholders in the field. Our task in the current labour market is to ensure we handle the challenges of today without sacrificing the value provided to organisations in the future.

Modern Hire | Change Hiring for Good

Modern Hire was formed by the bringing together of Shaker International, Montage and Sonru Video interviewing and is built on these three legacies of innovation, rigorous science, and commitment to creating better hiring experiences. It continues to make substantial forward progress while prioritising clients' ROI, valuing positive candidate experiences, and leading with best-in-class science and technology.

The Modern Hire platform combines this trusted science and technology to predict performance, ensure fairness, and automate workflow—enterprise-wide. It includes AI, predictive analytics, assessment, interviewing, and scheduling technology in a single SaaS solution that integrates with leading HCM systems.

Discover how we're helping 47 of the Fortune 100 make hiring personal to continuously improve experiences and results.

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