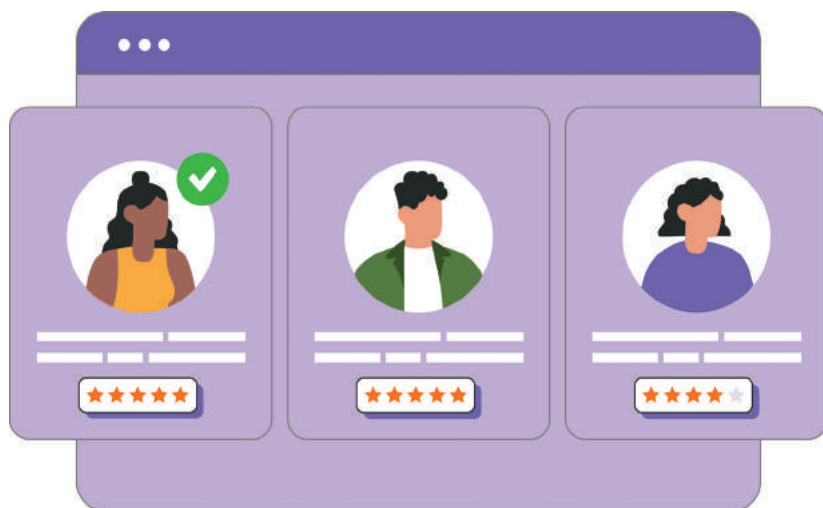


Compete for —And Win—The Best Employees

Finding the right talent has never been tougher, but some smart solutions may give small and midsize businesses (SMBs) a competitive edge.



High inflation, the threat of recession, and uncertainty in the banking sector may be ringing alarm bells in some segments of the economy, but the labor market had encountered no such headwinds well into the first quarter of 2023. U.S. applications for unemployment benefits were at historically low levels and continuing to drop. Job creation remained robust, with 311,000 new openings added in February alone. What all that means is even greater challenges for small and midsize businesses (SMBs), already at a perennial disadvantage to larger organizations in the competition for talent.

When the National Federation of Independent Business surveyed SMB owners earlier this year, 45 percent

reported having job openings they could not fill—almost double the 49-year average of 23 percent. Overall, 57 percent of SMB owners reported hiring or trying to hire early this year, and 91 percent of that cohort found few or no qualified applicants for the positions they were trying to fill.

“The biggest challenge SMBs face in attracting and hiring the workers they need most is the limited availability of skilled talent and candidates,” says Andrea Teich, ADP’s division vice president of human resources, small business. “Many small businesses also struggle with the ability to offer attractive pay and benefits.”

Top challenge: finding candidates
Nela Richardson, chief economist and head of ADP Research Institute,

cites a 2023 ADP Research Institute Small Business Pulse Survey that shows finding qualified candidates continues to be a top challenge for SMBs. “Candidates expect fair pay—reflective of their skills and the current economic environment—as well as benefits offerings that extend beyond the conventional areas of health, retirement, and leave options,” Teich says. “They are looking for flexibility, such as hybrid working or flexible work hours, as well as financial wellness support—things like student loan support or education subsidies.”

While worker shortages are a problem across most industries, some sectors have been particularly hard hit. In the leisure and hospitality sector, for example, almost 90 percent of hotels are experiencing a staffing shortage. “That’s a shockingly high number, especially given concerns over an economic downturn,” says Tate Hackert, co-founder and president of ZayZoon, a provider of benefits consulting and earned wage access (EWA) services.

Durable goods manufacturing, wholesale and retail sectors, and health care services are also facing major labor shortages, according to a U.S. Chamber of Commerce analysis of recent U.S. Bureau of Labor Statistics (BLS) data. Each of these industries is facing more unfilled job openings than there are unemployed workers with experience in their respective industries.

Other sectors are struggling with increasingly brief employee tenures. The restaurant industry is only holding on to employees for an average of 110 days, according to a survey by 7shifts, which provides employee scheduling software for restaurants.

Covid’s long shadow

Lingering effects of the pandemic on the workplace are part of the problem. “A hot labor market combined with ‘The Great Reshuffle’ in 2021 and 2022 empowered workers to quit their jobs and look for better pay and benefits elsewhere,” Hackert says. At the same time, employees started to prioritize flexibility and wellness, prompting them



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to seek jobs that better aligned with their work-life balance needs.

“While remote work and competitive wages skyrocketed in certain industries, jobs that required in-person attendance and paid lower wages were disproportionately abandoned,” he says. “Now those industries are facing a seemingly endless war for talent.”

To improve their odds of winning the talent wars, SMBs must be willing to think outside the box. “One of the best recruiting strategies is to continue to recruit those who are already on your payroll,” says Jill Chapman, director, early talent programs at Insperity. “Commit to keeping your current employees satisfied and engaged by providing learning and growth opportunities. Take a look at your compensation and benefits. They don’t need to lead the pack, but they do need to be competitive, both to attract talent and to retain it.”

Of course, no matter how good a job they do of hanging on to their best employees, SMBs—especially growth-minded ones—still need to recruit new talent into the organization. Success in that endeavor requires strategic targeting in job postings and carefully crafted

messaging to “sell” the company to the right candidates.

Engage passive candidates

“Active job seekers with the skills, abilities, and potential to meet an employer’s requirements are hard to find today,” Chapman says. “Therefore, SMBs must target passive candidates who are currently employed in order to fill their open positions. By enlisting the help of a recruiting firm, SMBs can leverage recruiters’ experience and networks in sourcing and screening qualified candidates.”

One of the biggest challenges SMBs face in attracting and hiring the workers they need is stiff competition from larger organizations with more resources. “SMBs may also struggle to attract top talent due to a lack of brand recognition and limited recruiting budgets,” says Kevin Miller, an angel investor and CEO and cofounder of GRO, which helps brands build and scale profitably.

To improve their odds in the talent wars, SMBs should leverage all the technological and strategic tools available to them. “For example, brands can leverage social media and online job boards to reach a wider audience

and attract more qualified candidates,” Miller suggests. “SMBs can partner with local colleges and universities to find top talent and offer internships leading to full-time employment.”

While SMBs may not be able to match the scope of recruitment and retention resources available to larger organizations with deeper pockets, they do have unique qualities and advantages they can leverage to make themselves more attractive to candidates.

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—Jill Chapman, director, early talent programs, Insperity

“It sounds simple, but use your culture as a competitive differentiator,” Chapman says. “Small businesses have a unique advantage because they can offer candidates more supportive

cultures designed with the individual in mind." For example, SMBs often have the ability to offer better work-life balance and to demonstrate the kind of connection between purpose and people that enables candidates to truly thrive. "This is all great for recruiting, but even better for retention," she says.

Embrace creativity and innovation

ADP's data suggests that expanding benefit offerings beyond traditional retirement and health care plans with enhancements such as mental wellness programs, flexible schedules, paid time off, and even pet insurance can be effective in helping SMBs bolster their recruitment success.

Because they have more control over company culture and its impact on the local community, small businesses can differentiate themselves from larger companies and make their organization more attractive to today's best employees. Additionally, SMBs can offer opportunities for promotion, skills growth, and experience that might be harder to get in a larger organization.

"Putting all these benefits in your job description can really help with attracting talent," says Jim Sperduto, ADP's president of small business, retirement, and insurance services. "Additionally, many workers may prefer the unique culture and opportunities that come with working in a smaller workplace. Communicating your work culture in your posts can help attract the kind of worker who shares your values."

Finally, with the stakes so high in the talent wars, it is important that SMBs avoid "bad" hires whenever possible. Insperity offers personality and cognitive assessments as well as skills-based assessments to assist in that effort. "You can reduce 'bad' hires and costs by identifying the best candidate for your job opening with a job-specific skills assessment that measures knowledge, skills, and ability," Chapman says. "Labor costs are easily some of the largest costs in a small business. Managing those costs by hiring and retaining good talent is important to financial success." ■

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