SUREHAND®

The Hidden Costs of Hiring

TIME FOR A NEW ALTERNATIVE

Christopher Brenchley | CEO
SUREHAND, INC. | 17500 DEPOT ST., SUITE 170, MORGAN HILL, CA 95037

INTRODUCTION

Finding new talent can be an extremely difficult process for any organization, in any industry. Even in a job market favorable for employers, it takes a lot of time, investment, patience—and frankly, luck—to find the best person for any given open position.

Landing the best talent becomes even more complicated in the skilled trades, including NDT, NDE, industrial inspection, and quality assurance/quality control. Fragmented industry certifications and updated codes; specialized skills and equipment; travel requirements; and heavy workloads all exacerbate the talent acquisition challenge for those responsible for finding industrial inspection and QA/QC professionals.

According to the **ManpowerGroup's** 2018 Talent Shortage Survey of 40,000 global employers, 45% of companies are struggling to fill open roles, with skilled trades workers topping the list.

The **American Welding Society (AWS)** estimates that there will be a shortage of 400,000 welding operators by 2024, which will have a corresponding impact on NDT and the industrial inspection industry.

> Simply put, the challenge of finding the right person for the right job, in the right place, and at the right time is only going to become increasingly difficult for industrial employers over the next decade.

One of the key drivers of the talent shortage in the skilled industrial trades is the "big crew change" that has been underway over the past decade. As the Generation X and Baby Boomer generations reach or exceed retirement age in the skilled trades, there are fewer workers entering these industries to fill the gaps. A steady emphasis at the high school level on graduates favoring 2- or 4-year college degree programs versus vocational school or apprenticeship programs has reduced the number of incoming trades professionals.

Economic Modeling Specialists International (EMSI) estimates that 53% of skilled trades workers are over the age of 45, roughly 10% higher than the average across all jobs. Due to the physical demands of trades jobs, few skilled industrial trades workers keep working beyond the age of 65. Moreover, the institutional knowledge and experience held by those

retiring from their industries are not being adequately transferred to the smaller pool of incoming workers.

When faced with the workforce headwinds highlighted above, hiring organizations need to be mindful of the hidden costs associated with finding the best talent and focus on adapting their talent acquisition strategies and solutions for sustainable success.

HIRING TODAY

A study by the **National Association of Colleges and Employers** found that a single hire at a company with up to 500 employees costs an average of $7,645. The **Society for Human Resource Management (SHRM)** estimates that the average cost to hire an employee is $4,129, with an average duration of 42 days to fill a position. Other studies have estimated the time to fill an open position as closer to 50 days.

These figures do not include the hidden cost of bad hires, where new hires do not complete their onboarding; prove to not possess the knowledge, skills, or abilities they presented during the interview process; or exit the organization during the first year of employment.

Such outcomes increase the overall cost of hiring and onboarding and introduce the cost of job site errors resulting from ineffective or non-sustainable hiring and onboarding practices. In industrial inspection and quality assurance, the result of an incident or unplanned asset shutdown can be catastrophic—including loss of life, workplace injuries, or tens to hundreds of millions in lost revenue.

Companies typically employ three primary approaches when growing their organizations or backfilling open positions: job postings, third-party search firms, and on-staff recruitment professionals. Though these options are considered the default by the majority of organizations and appear to be both economical and effective, below we explore the true costs of using these approaches and present a new alternative.

Job Postings

Once the exact requirements of an open position are defined by HR and the hiring manager, most organizations rely on the age-old approach of posting the job on internally and externally facing job boards.

The easiest and most cost-effective approach for employers is to make job postings available on their company website, promote them via social media, and encourage current employees to refer prospective candidates to apply. While such a low-cost, "word of mouth" approach can be effective and result in good hires, it is siloed by both geography and industry and does not scale, especially in tight labor market conditions.

> Now—more than ever—talent acquisition is a strategic imperative that can provide organizations with sustainable competitive advantage against their industry peers.

In contrast, generic job search sites like Indeed, CareerBuilder, and LinkedIn have become popular sourcing channels. While these sites have a broader reach than a company's own careers page, it is often difficult for prospective candidates to find a best-fit job posting unless they are searching for the exact terms associated with your post. For example, in industrial inspection, terms such as "QA" vs. "Quality Assurance" or "Level III" vs. "Level 3" can result in missed candidate engagements unless everyone is using the same terminology on both sides of the talent ecosystem.

In terms of pricing, job search sites typically charge either a monthly fee for an active job posting or offer a Pay-Per-Click (PPC) model—where employers are charged each time a prospective candidate views your job posting. Depending on your company's staffing plans, the former can quickly become a costly endeavor, and you will end up paying the posting fee whether or not you've made a hire.

The PPC model addresses the "pay for performance" issue but places you in a bidding war with your competitors, as search engine results page placement is typically based on how much you're willing or able to pay per click. The lower your bid, the lower in the search results shown to candidates your job posting will fall.
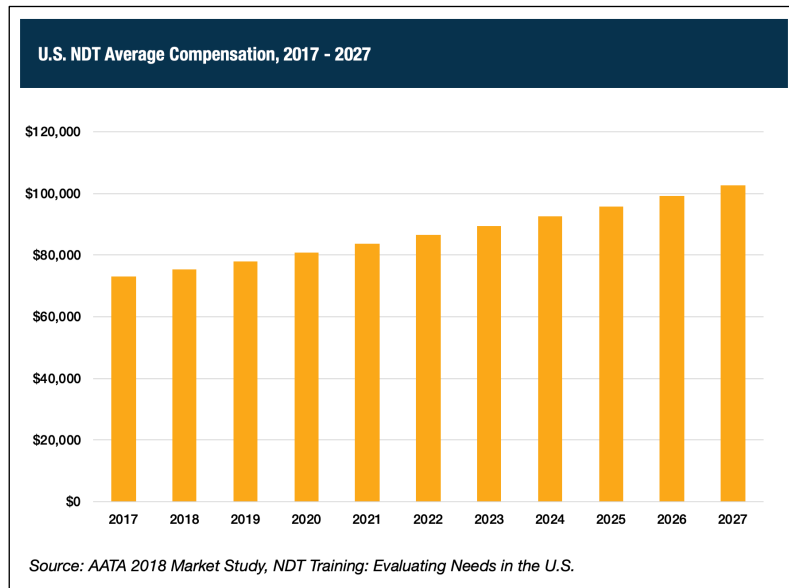
In comparing the current pricing models of generic job search sites, companies should expect to pay, on average, $300 per month per active job posting. And with benchmarks for the average overall time to fill a new position at 40 to 50 days, the direct cost per open position is likely double that.

The last, and perhaps the biggest challenge (and hidden cost) associated with job postings, is the "pull vs. push" nature of this talent sourcing approach, and how success is measured. With job boards, candidates "self-qualify" for a position that they've found or has been presented to them and apply for the job. The hiring company may receive dozens or even hundreds of applicants for a given job. That's a win, right? **Not in our view.**

The challenge of this success measurement is that in a "pull" based model, the majority of the self-qualified applicants are likely not good—let alone best—fits for the requirements of the open opportunity. This requires the organization to screen all of the job applications and resumes to get to the short list of viable candidates who should be advanced through the hiring funnel. Such screening and qualification activity conducted by your internal recruiting team, hiring managers, and other influencers presents a significant opportunity cost for your organization, especially when hiring managers and other influencers are already time-constrained by day-to-day operations.

Third-party Search Firms

Many companies still look to outside recruiting firms for assistance, particularly because most third-party agencies work on a contingency-based model where they are paid for performance—earning commissions only when they successfully place a new candidate with the hiring company.

U.S. NDT Average Compensation, 2017 - 2027

$120,000

$100,000

$80,000

$60,000

$40,000

$20,000

$0

2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027

Source: AATA 2018 Market Study, NDT Training: Evaluating Needs in the U.S.

Search fees will vary by firm, but contingency-based search costs range from 15% to 25% of the employee's annual salary, with more senior positions on the higher end of the scale. With the average annual salary of industrial inspectors projected by **AATA** to increase to over $100K by 2027, contingency-based recruiting fees can prove prohibitive if not used selectively for executive-level or highly specialized positions.

The best recruiting firms will focus on a "push vs. pull" methodology, where they use their established industry networks and expertise to put your job opportunity in front of only those candidates whom they believe are best fit for the requirements of the open position, whether or not they are actively seeking new employment.

However, given the pay-for-performance model utilized by most recruiting firms and the difficulty in engaging talent that is already employed, the contingency-search based model can often become a numbers game. Search firms have a strong incentive to present a multitude of candidates to the hiring company in order to fill the position as quickly as possible and earn their recruitment fees. In addition, they must maintain a broad portfolio of clients and open projects to support their contingent business model.

As a result, hiring managers and other influencers often become heavily involved in the process on the front end, educating recruiters on the technical requirements of the open position, the company culture, and other factors. And depending on the industry specialization and expertise of the recruiting firm and its recruiters, they may also be pulled into the qualification and screening process prematurely, creating a productivity cost similar—albeit on a smaller scale—to job postings.

Internal Recruiters

Larger organizations and rapidly growing companies will often hire a full-time, on-staff recruiter or recruiting team. Depending on the positions they are trying to fill, internal recruiters will often rely on and manage the talent acquisition approaches referenced above.

Depending on the size of the company, a recruiting team will consist of HR professionals focused on talent sourcing—generating candidate leads through sourcing channels such as job boards, social media, and offline networking—and others focused on the actual recruiting of the candidates— "selling" them on the benefits of joining the organization. In smaller organizations, the internal recruiter will often perform both the sourcing and recruiting functions, often while performing other HR generalist functions.

Based on Surehand's industry research, internal recruiters at inspection companies can spend up to 50% of their time on sourcing activities, leaving them with less time to perform the higher-value recruiting work that leads to a best-fit candidate joining the organization.

> "Surehand is a game-changer. Industrial recruiting is all about relationships, and Surehand helps me build new relationships through technology-driven opportunity matching and talent engagement at scale."
>
> Marco Garza | Specialist, HR Talent Acquisition & Development | Versa Integrity Group

Assuming that the average annual salary of an industrial recruiter in the Houston market is $75K, that means the company is spending $38K—or more than $3k per month—per recruiter on lower-value sourcing activity. This dynamic also increases the opportunity costs associated with the hiring manager and other influencers becoming overly or prematurely involved in candidate screening and selection.

INDUSTRIAL INSPECTION CHALLENGES

Clearly, current recruiting practices and sourcing channels are not as efficient as they could be, wasting both time and money for all stakeholders in the talent ecosystem. Worse yet, in industrial inspection and other skilled industrial trades, they are often not effective in yielding best-fit talent either.

In Nondestructive Testing (NDT), Nondestructive Evaluation (NDE) and QA/QC, delineating the exact qualifications, certifications, and skillsets while finding a perfect match for those attributes is nearly impossible, given the wide variation in industry terminology and global fragmentation of certifications, codes, and standards. Finding and closing candidates for an open position or project that requires a highly specialized skillset is like looking for a needle in a haystack.

Not unlike their counterparts in white-collar industries, inspectors will often submit resumes to open positions for which they are not (or not yet) qualified. However, in the skilled industrial trades, it is imperative that candidates can perform the responsibilities of the position completely (and safely) on their first day on the job. As such, hiring managers and HR professionals end up wasting valuable time screening resumes to get to the short list of candidates they should engage in a hiring conversation. Instead of devoting time to recruiting and closing best-fit candidates for the job, the hiring team ends up spending excessive time on disqualifying bad-fit applicants.

Since early 2018, Surehand has spent almost two years conducting R&D related to the talent sourcing challenges in the industrial inspection space, particularly NDT. After just three months of intensive research with hundreds of industry stakeholders—asset owners, inspection companies/service providers, and NDT techs and inspectors—we realized that there was a lot of friction involved the hiring process.

Key takeaways from Surehand's NDT research efforts:

Employer Pain Points

- Candidate sourcing and screening is time-consuming and costly
- Offline networks are siloed by geography and industry vertical
- Industry certifications and codes are fragmented and complex
- There is an inherent lack of trust in candidate resumes

Inspector Pain Points

- It is difficult to discover and enter the industrial inspection industry
- Career advancement is constrained by offline, personal networks
- Generic job search sites are not geared to the skilled trades
- Social media is a noisy, unreliable landscape for finding jobs
- Job hunting creates a real opportunity cost

In short, the team discovered that the old way of doing things wasn't cutting it anymore, and it was time for a new alternative.

A NEW ALTERNATIVE

What if industrial employers could save money and reduce time spent at the very top of their hiring funnels–lead generation of prospective candidates, also known as talent sourcing?

Other industries have been begun using and benefitting from sourcing solutions powered by Artificial Intelligence (AI). Advanced search algorithms and machine learning can greatly reduce the time associated with talent sourcing and dramatically improve the quality of candidate yield.

SUREHAND®

Recent case studies in the technology sector have indicated a reduction in sourcing time of up to 80% and, due to the quality of candidate yield through the use of AI-powered solutions, a reduction in hiring time of 50%.

To address the pain points experienced by all stakeholders in the skilled industrial talent ecosystem, Surehand developed a discovery-based hiring platform dedicated to NDT and industrial inspection, designed to help employers and workers find the perfect match and ultimately improve hiring outcomes.

Since Surehand's beta release in February 2019, thousands of industrial inspectors have signed up from across the U.S. and Canada, and the site is now growing at over 1,000 new sign-ups per month.

> "With a few simple clicks on Surehand, I had a curated list of qualified candidates that I could vet for myself and contact directly about the opportunity. Within just 48 hours, I had an API 653 inspector lined up who proved to be the best I've ever worked with."
>
> Jeff Lattea | NDE Operations Manager | Tulsa Inspection Resources

Surehand is focused on becoming the fastest, most cost-effective way to find the exact skilled industrial talent employers need for an open position or project. Our model is centered on the concept of **passive candidacy**, where employers have the ability to directly connect with perfectly matched talent, whether or not the worker is currently seeking new employment.

What makes Surehand better?

- **Industry-specialized:** Surehand profile templates go deep on job functions in industrial inspection. Data on certifications, licensure, skills, equipment, applications, training, etc. are all captured.

- **Normalized profiles:** Surehand standardizes the data we capture, so it's easier for workers to create and maintain career profiles and makes it much easier for employers to find the perfect person for a given job.

www.surehand.com

- **Verified data:** Surehand independently verifies select profile attributes like certifications and training, so standout workers will truly stand out, and employers will have more confidence in profile data accuracy when starting a hiring conversation.

Surehand's biggest differentiator is that we are using technology to "flip the script," putting the tired old resume and job posting constructs out to pasture and replacing them with a targeted, accurate and more effective way to find the right person for the job—faster than ever before.

Surehand, Inc. is also committed to increasing visibility and awareness of the industries it serves. Working in partnership with leading industry organizations, our aim is to provide a more efficient, less costly way for employers to find and engage the best people for the job, while offering workers more opportunities to begin or advance their career and increase their earning potential.

To learn more about Surehand's discovery-based hiring platform or request a Surehand Employer demo, please visit Surehand.com.