

Recruiting intensity

Recruiting intensity is critical for understanding fluctuations in the labor market

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ELEVATOR PITCH

When hiring new workers, employers use a wide variety of different recruiting methods in addition to posting a vacancy announcement, such as adjusting education, experience or technical requirements, or offering higher wages. The intensity with which employers make use of these alternative methods can vary widely depending on a firm's performance and with the business cycle. In fact, persistently low recruiting intensity partly helps to explain the sluggish pace of the growth of jobs in the US economy following the Great Recession of 2007–2009.

US vacancy rates have recovered, but recruiting intensity has not



Source: Based on Figure 1.

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KEY FINDINGS

Pros

- ⊕ The recruiting intensity of an employer is an important part of hiring and job creation.
- ⊕ Changes in recruiting intensity can account for some structural or “mismatch” unemployment.
- ⊕ Businesses that are fast-growing recruit more intensely.
- ⊕ Positions that offer higher wages tend to have greater recruiting effort and generate more interviewees per job offer.

Cons

- ⊖ Most theories of the labor market ignore recruiting intensity, so complicating policy analysis.
- ⊖ Recruiting intensity is difficult to measure and is not well understood by economists.
- ⊖ Little is known about which recruiting methods matter most, or which aspects of recruiting intensity might be most responsive to policy. Existing evidence is unable to identify supply- or demand-driven changes in recruiting intensity.

AUTHOR'S MAIN MESSAGE

Recruiting intensity is important for explaining the hiring process at both the micro and macro levels. Persistently low recruiting intensity in the US since 2009 explains some of the divergence between the vacancy rate, which has recovered, and the hiring rate, which remains very low. Job creation policies that ignore how employers adjust recruiting efforts along multiple margins may fail to achieve their goals.