Law of Supply and Demand

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Is this a Candidate Driven Market or a Client Driven Market? This is an interesting question that has been getting a lot of discussion in the Recruiting Community. While politicians are touting a poor economy and there is much talent available for work, it really goes back to something I learned in college – "The Laws of Supply and Demand."

The basics of supply and demand are simple. If demand increases but supply remains the same, there will be a higher equilibrium price and quantity. On the other hand, if demand decreases and supply remains the same, there will be a lower equilibrium price and quantity. Changes in supply levels can also impact price and quantity. If supply increases and demand remains the same, a lower equilibrium price and greater quantity can be expected. If supply decreases and demand remains the same, the result will be a higher price and lower quantity.

How does this apply to Recruiting? In the current market, there are plenty of people available to do construction work; given the downturn the construction market has seen for the past few years. If we apply these laws in the construction industry, there are many workers to choose from, at a potentially lower rate than was previously expected. Now let's look at Engineers, who design valves, these individuals are part of a group that is in higher demand. The placement of these Engineers is one my firm's areas of expertise; we know there is a greater demand by companies than there is a supply of engineers. Again, using these laws, companies can expect to pay more for an individual who is working in this capacity, if they are currently trying to recruit them.

I've seen a phenomenon lately, where companies want to lump every person into the same bucket. Given overall economic conditions, companies are expecting to get a deal when hiring candidates, either at a lower market rate or equivalent to what they are paying their current employees. The problem with that is that most companies are looking for a competitive advantage and want to hire the best of the best. When they do that, they don't get a deal and are unable to pay top talent the same as they pay their current employees, who work in similar roles. Managing internal equity and recruiting the best talent on the market are competing objectives. Companies have to make a choice. Don't get me wrong, once in a while a company will get lucky and get a thoroughbred for a deal, but understand, this is not the norm. The best of the best know their value, and expect to be treated appropriately when they are courted by new suitors.

So, is this a Candidate Driven Market or a Client Driven Market? It all depends. If your company is looking for people, evaluate your target market and define the competitive landscape. Your company may not have the resources or ability to attract the best, and that's okay; but don't fool yourselves. Figure out what side of the fence you're on when you're looking for people and then plan/budget appropriately!

Finally, make sure you are taking care of your top talent, because if you're not, these individuals will be hired out by companies that understand the laws of supply and demand. It's easier to keep your existing talent than to find and train new talent – it will cost you a lot more in the long run.

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