You're hired—next year

The recession is changing the way American firms recruit people.

Illustration by David Simonds

Ii sounds like something for a racing driver, rather than a company in a recession. But Allan McKisson of Manpower, an employment-services company, insists that companies should be adopting a “ramp-up plan” and hiring new talent now, to ensure that they are firing on all cylinders when the economy rebounds. According to a survey carried out by Watson Wyatt, a consulting firm, three-quarters of American companies have implemented a hiring freeze. But that means around a quarter of companies are still hiring, despite the economic gloom. They are, however, doing so in new ways.

Most obviously, the hiring of freelancers and consultants has become more common, allowing companies to avoid spending on employee benefits and delay hiring decisions until the economy picks up. When they do take on new employees, companies are taking longer to make an offer, knowing that they no longer have to move fast to prevent competitors from stealing their prospective hires. Firms are also marketing themselves differently to job candidates, says Rosemary Haefner of CareerBuilder, a popular job-search website. Lucrative bonuses and international travel were once the main attractions for prospective employees, but companies no longer mention glitz. Their new selling points are sandwiches with the boss, opportunities for advancement, flexible working hours and more holiday time.

Another shift comes from companies’ attempts to reconcile their desire to cut costs now with their need for talent later. One solution, popular in many industries, is to offer deferred start dates to new hires, giving them six months or a year to travel or do public service. This approach has been embraced by consulting firms, law firms and banks. Some, like Credit Suisse, offer around six months’ salary to new employees who agree to start a year later. Others, including several consulting firms, offer the option without any pay incentive. New hires may be reluctant to accept such an offer, however, in case the economy sinks further and new lay-offs are announced while they are on the beach.

The recession has also changed relations between companies and universities, where recruiting events used to be nearly as prevalent as raucous parties. Not so this year. Because of the slowdown in recruiting, colleges and business schools are going on the offensive. Some have set up networks to help place students with firms run by alumni. Others are organising “job treks”, where they send students to network and interview with companies on the university’s tab. Some schools have come to terms with the idea that finding full-time work for all graduates might be unrealistic and are creating new schemes to find temporary placements for graduating MBAs. The Johnson School of Business at Cornell, for example, has set up a programme that links MBAs with short-term projects over the summer. This way, students can at least get a foot in the door.

But many doors are slamming in the faces of international students who came to America to study and secure a job. A provision in the Troubled Asset Relief Programme requires companies that receive government funds to hire Americans before foreigners. Bosses such as Lloyd Blankfein of Goldman Sachs have railed against the provision, saying it will harm American firms, but it is likely to stay. Foreign students, it seems, will not.

As companies cut their budgets for hiring, tricks to cut recruitment costs are gaining popularity. Maury Hannigan, who runs a consulting firm called MBA Scouting Report, which identifies promising MBA students for companies but charges less than headhunters, has seen business increase by 40% since the recession began. Sales are also strong at TalentDrive, a firm that makes CV-screening software which helps companies sort through thousands of applications. Some cash-strapped firms are making connections with potential hires in an even cheaper way: through social-networking sites like LinkedIn and Facebook. These are tough times indeed.

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