

Ramona Schindelheim, WorkingNation editor-in-chief:

You're listening to Work in Progress. I'm Ramona Schindelheim, Editor-in-Chief of WorkingNation. Work in Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision-makers, people with solutions to today's workforce challenges.

Ramona Schindelheim, WorkingNation editor-in-chief:

Today on Work in Progress, we're talking about a new report from Harvard Business School and Accenture, Hidden Workers, which offers recommendations on how business leaders can improve their hiring practices to uncover untapped talent pools.

Ramona Schindelheim, WorkingNation editor-in-chief:

Joining me in this discussion is one of the authors of the report, Joe Fuller Harvard Business School professor and co-Chair of the school's Managing the Future of Work project. He is also a member of our WorkingNation advisory board. Joe, as always, welcome to the podcast.

Joe Fuller, Harvard Business School professor:

Well, thank you. I'm delighted to be with you again, Ramona

Ramona Schindelheim, WorkingNation editor-in-chief:

We're 18 months into the pandemic. Companies are still desperate for workers. Just last week, the Labor Department did report 10.9 million open jobs. And on the flip side, over 8 million people out of work and looking for jobs. As I was reading the report, Joe, it seems that this mismatch is at the core of that report. That there are people out there who want work, there are open jobs, but somehow the hiring practices are not connecting them. Give me your thoughts on this.

Joe Fuller, Harvard Business School professor:

Well, I think that that is the case. Now, many of those over 10 million jobs that are available are jobs that have skills profiles and demand skills that are in short supply in the economy. And until we get a better linkage between skills providers, primarily educators and employers, and/or have a more sensible immigration policy, we're going to continue to experience those shortages.

Joe Fuller, Harvard Business School professor:

But there are a lot of jobs that are available that don't have specialized requirements, that don't require esoteric skills or graduate degrees or great facility with complex technologies. They are good, solid, middle skills jobs. And they are hard to fill.

Joe Fuller, Harvard Business School professor:

Our proposition in workers research is they're hard to fill by the way employers go about looking for candidates. We framed the phrase hidden worker because the processes is that companies use and the way they implement them, have the effect of screening off a large number of people from any kind of active consideration for a position.

Joe Fuller, Harvard Business School professor:

So they're hidden from the process. And we think often that supply demand mismatch is exacerbated in a lot of job classifications to a great degree because employers are looking for an employee and setting requirements of applicants that are unrealistic given the actual candidate pool that exists.

Ramona Schindelheim, WorkingNation editor-in-chief:

Why don't we talk about that a little bit. How are they setting these unrealistic requirements? What is going on in that?

Joe Fuller, Harvard Business School professor:

It's a couple of phenomena at once. And one thing I'd like to say is when you study this, what you find is that companies by and large are making sensible business decisions based on their understanding of the data and the incentives that they've got. And so this is not Ebenezer Scrooge on Christmas Eve rubbing his hands in glee that the marginalized workers won't find work yet again.

Joe Fuller, Harvard Business School professor:

The first thing and the most compelling finding, I think, is that the vast majority of companies, and 99% of large companies in the U.S., rely on what's called an applicant tracking system or an ATS to assess applicants for job. And those are AI-powered. And in those software tools, there are a number of variables that an employer can set to both filter in candidates, keep this person in the pool, exclude this person from pool, and to rank them.

Joe Fuller, Harvard Business School professor:

So a common filter is, does this person have a college degree? No, exclude, yes, continue. Another one is, does this person admit to having a felony conviction. A more subtle one is that almost 50% of U.S. employers will use what's called a continuity of employment filter that says if someone has a gap on their resume of more than six months, exclude.

Joe Fuller, Harvard Business School professor:

These filters aggregate in a way that causes a large number of people who might actually be 80%, 90% of the way home to being qualified, to fall out of the candidate pool, having never been assessed by a human being. They're just being assessed by the AI system.

Joe Fuller, Harvard Business School professor:

I said earlier, "Gee, companies generally make pretty sensible decisions." So how is what I just said sensible, especially given our finding that essentially 90% of employers admit that the way they apply these systems causes qualified candidates to get excluded.

Joe Fuller, Harvard Business School professor:

Well, the reason is they're trying to operate as efficiently as possible. So there's not definitive research on this, but the best research on this, which does not come from Harvard, is that for a Fortune 500 job, pays more than \$50,000-\$60,000 a year, you're going to get 250 applicants thereabouts.

Joe Fuller, Harvard Business School professor:

Well, the average number of people out of that applicant pool, that get interviewed, active interaction with a human being is generally five. And the standard deviation of that is a single candidate. So four or five or six are your most likely numbers.

Joe Fuller, Harvard Business School professor:

Now why is that happening? The company is just trying to talk to people who they have a reason to believe is really going to be a good fit for this job. And they're trying to reduce the amount of time they spend screening resumes, leave it to the AI, actively considering resumes. No one's going to hit print 250 times. Then getting someone in who they think is going to be quite qualified and acceptable to their future supervisor. So that contributes to... There's another phenomena, too, which is that the job descriptions on which the postings are founded are very seldom revisited.

Ramona Schindelheim, WorkingNation editor-in-chief:

So you're saying basically that job candidates are being penalized for maybe not working, maybe having a gap in their resume, for not having the college degrees, and they're not necessarily being considered based on their skills.

Joe Fuller, Harvard Business School professor:

Yes. I mean, I might push back a little bit on the word penalized. It's just that this is the way the system works. And it's very important the job applicants be aware of that because to be a stronger applicant, you want to do things like use the language in the job description to the extent you can to describe your skills because the AI is not good nuance. It says project management with budget authority, and what you want to say in your little essay about your job experience is project management with budget authority, literally verbatim.

Joe Fuller, Harvard Business School professor:

But put that point aside. Yeah, and companies acknowledge that phenomena you just illuminated in two ways. One is they acknowledged in our survey of them, 90%, that they are excluding qualified candidates.

Joe Fuller, Harvard Business School professor:

The other thing which is perverse is look at the data about a company's commentary on how ready the people they actually hire are to do the job. Two thirds of companies say the people I end up hiring aren't really job ready. I have to invest in them more.

Joe Fuller, Harvard Business School professor:

So you get this very perverse cycle where the company is trying to be very specific about what it wants, acknowledges that potentially qualified people are falling off the back of the bus, if you will. But at the same time, they end up with someone that still needs remediation in some way or up-skilling to get investment to make them productive in their new work setting.

Joe Fuller, Harvard Business School professor:

So the fact that what I call in the report, companies rely largely on negative filters because zero one outcomes of no college degree, exclude and not five years of experience in a highly similar job, exclude,

seven month unexplained gap, exclude. As opposed to affirmative filters where they've really studied questions like what are the attributes of recent hires who have been a success in this job?

Joe Fuller, Harvard Business School professor:

Can we find some variables that are common to them? And also excluding lots and lots of these kinds of accumulated accretive skills that were once included in a paragraph in 2006 and 2011 rewrite and whatnot, which caused the Christmas tree, if you will, of the job description that all these ornaments and tinsels of flashing lights, when really what you want are the four or five core capabilities.

Joe Fuller, Harvard Business School professor:

Those could be embedded in systems through the creation of what I described as affirmative filters. So let's start looking for what we want, not exclude candidates based on the lack of a variable that we infer suggests that there'll be good at the job.

Ramona Schindelheim, WorkingNation editor-in-chief:

So does that mean hiring managers and companies should be constantly updating their job descriptions to match how the world of work is changing now?

Joe Fuller, Harvard Business School professor:

The common language system says the hiring manager is actually going to be the supervisor who's hired, and the person that does the recruiting is generally called the recruiter. To spin that a little bit, recruiters I believe, certainly for jobs that are mission critical. And that doesn't mean high paid. Jobs that are hard to fill, jobs that are essential, the fulfillment of strategy jobs that have historically high turnover, that the recruiters should be much more active and engaging the hiring manager or the supervisor or the chain of command this person's going to work in, in terms of what do we actually need here, as opposed to what we might like to have.

Joe Fuller, Harvard Business School professor:

And then I think AI is an immensely powerful tool, but it can be a power for good or power for ill. And we ought to be harnessing AI to answer questions like who's actually good at this job, gets productive fast and stays as opposed to we're using AI to say let's scan for whether or not someone has a gap in their employment history, which could be a period of depression, a problem pregnancy, they're a military spouse and they moved from Camp Lejeune to Twentynine Palms or to Okinawa.

Joe Fuller, Harvard Business School professor:

The reliance on these indirect inferential tools to deduce who's going to be effective, stands in the way of companies achieving their goal, which is to get somebody in a position who's going to be productive.

Ramona Schindelheim, WorkingNation editor-in-chief:

One of the things that you also say in here is that what's keeping people hidden is a widening training gap. So by that, do you mean that workers maybe don't have the necessary skills that they need?

Joe Fuller, Harvard Business School professor:

Yes. And I think we're facing something that, I admit, I'm worried about. That increasingly to qualify for a job in lots of better paying jobs, certainly high skill jobs at higher end middle skills jobs, the only way

you'd really be qualified is to be employed today. Maybe on an adjacent job, maybe in a feeder job, or maybe in the job itself. Why do I say that?

Joe Fuller, Harvard Business School professor:

Well, back in the day in the ancient history of 2010, the tools and the systems environment, and the digital technologies being employed by jobs, it didn't change. The half-life of those technologies were not 18 months. There were four, five, six years. You had nothing like the dynamism we've got now in a lot of the tools that are used in good paying jobs.

Joe Fuller, Harvard Business School professor:

Part of that, of course, is the shift from proprietary or on-premise systems to SAS systems. I talked to a lot of large companies, and the CIO's in those companies are largely changing their philosophy that for the last 20 years have been one of the lots of centralizations, strict control on what is used to viewing systems that's almost disposable because I'm not buying the server, and I'm not owning the code and I'm not maintaining the code. It's all being done in the cloud.

Joe Fuller, Harvard Business School professor:

So my fear of using this for five years and then reviewing it and maybe changing it out, has gone from abject terror to nil. So how do I get that exposure to these high velocity technologies, if I'm outside the workforce? And how do I know what they are, so if I am a high self-efficacy learner, how do I know what to go study? How do I know that the place I go study it is viewed as a credible source of skills by an employer? And by the way, where do I find the time and money to do that?

Joe Fuller, Harvard Business School professor:

I think one of the big dilemmas, and as you saw the biggest population of hidden workers are people in part-time employment, who aspire to full-time employment. Think through what we said about filters and think about what we just said about skills acquisitions. If you're paying your rent by maybe working one or two part-time jobs, it could be shift worker, let's say in a QSR, quick service restaurant or a retail setting, or driving Uber or Lyft or delivering for DoorDash, you're working pretty hard. And the notion that you can stop all that, stop that world and go and study for nine months in a local community college, or do MOOC courses to get a skill where you've got the money to pay for that. And you're highly confident if you get that, it's going to be the tipping point skill that when added to your resume gets you a job, that's the stuff of a Hollywood script. That isn't real life.

Joe Fuller, Harvard Business School professor:

So we end up people with lock in, in the lock in gets picked up by the AI because, oh, they're working as a part-time sales assistant at Macy's. The AI sees that as this is someone who should be applying for a job as a sales assistant somewhere, not as someone who should be applying for a job as a merchant buyer of goods for a department store.

Joe Fuller, Harvard Business School professor:

So you get more and more typecast, and more and more things, whether it's your income level or your continuity and employment, or what actual skills you're able to put in your application to start getting you in a shoot, an ever narrowing funnel of what technology will consider you for as a next step.

Ramona Schindelheim, WorkingNation editor-in-chief:

So that goes to the idea that if we can eliminate that or change it... I'm not saying eliminate it because I do understand the efficiency part of it as you've described. But if you're broadening the descriptions of the people that you want to bring into the workforce and accept that you may have to upskill them to a certain degree, but they have the underlying talent, I saw in your report that when these hidden workers are hired, the outcome for the company is amazing.

Joe Fuller, Harvard Business School professor:

Yeah. The companies that have a program that engages one or more populations of hidden workers, which could be anything from someone with cognitive diversity. You see tech companies hiring people with autism, for example. Or people with physical challenges or caregivers. If they invest in understanding that subpopulation. We're not suggesting companies just try to hire every hidden worker they can, but focus on understanding one or two of these populations, partner with people that serve that population, understand what type of supplementary training or combination they're going to need in the workplace.

Joe Fuller, Harvard Business School professor:

Companies that do that say this is a business decision. It's a sound decision. The workers we've hired are equally productive with those who are not from hidden worker populations. And by the way, we have higher retention and higher productivity for many of them. So the many American companies particularly saying we do not engage hidden workers because we think it's going to be too expensive and be a profit drag, that isn't the actual experience of companies who have done it.

Ramona Schindelheim, WorkingNation editor-in-chief:

What are the next steps then? What does a company need to do now? I mean, I think that we see this mismatch, to go back to the beginning of the conversation. Open jobs for many reasons, a lot of workers who are not able to take those jobs for many reasons, or don't want to take those jobs. So how do we move this all forward to get people back to work?

Joe Fuller, Harvard Business School professor:

Well, I'm going to start with something that might be a little controversial. I think companies have got to understand that they're using a definition of the metrics by which they should evaluate recruiters and their hiring process that's passe. They've got a false definition of efficiency.

Joe Fuller, Harvard Business School professor:

If you define efficiency as I minimize the cost, either direct cost or I pay a platform to recruit somebody or a head hunter if it's a very high level job, and I minimize that cost, I minimize the indirect cost by minimizing the number of people I interview, the number of resumes I actually review, get reviewed by a human being, and I seek to minimize the amount of time a job is open. If those are your definitions of efficiency, that isn't fit for purpose of today's labor market. Because what you keep finding is I can't get enough applicants and the people I end up hiring aren't really a great fit for my skills profile anyhow.

Joe Fuller, Harvard Business School professor:

Change your definition of efficiency. What I'm looking for is to fill this job with someone who's going to be productive in it and going to stay with us and is going to be a candidate for advancement. What are

the skills that I can discern, the affirmative basis for selecting people that have accomplished those things, that have manifested those attributes in my current workforce?

Joe Fuller, Harvard Business School professor:

That's going to lead you to things like partnering with skills providers like educators. It's going to lead to more compensated work-based learning opportunities, rent to own model for the employer, but also critically an opportunity for the employee, the potential employee to understand the type of work environment they're going into, so they can validate this is something I actually want to do. A lot of voluntary turnover is someone who signed up for something they thought they were going to enjoy, and then six months in say, "I just don't like doing this. Or I don't like this kind of work environment." I'm not talking if it's hostile or there's harassment going on. Just, this is kind of a loud, big place with warring machines and, I don't like it.

Joe Fuller, Harvard Business School professor:

So I think it's redefining that and really thinking in terms of what are those core skills and attributes on which I can build as an employer. We need to pivot to start engaging people in a dialogue about work that'll fill these unfilled jobs, to draw people back into work who are viewed as a long-term structurally unemployed. Many of whom have just flat given up because look, how many of us like applying for something once a month and not even getting the courtesy of a reply, which is what happens in most settings.

Joe Fuller, Harvard Business School professor:

You ultimately say, nobody wants me, and realizing that, as I said, unless we're going to have a significant overhaul of immigration policy in the short term, and a significant overall in the way we get people job ready in the K through 12 system. And in the the grade 13, 14, like in community college systems, we have to access this pool of talent, and it's there, and it's available.

Joe Fuller, Harvard Business School professor:

And many of those people have got the self-efficacy and more importantly, a good strong basis to be turned in to important human assets for companies if companies are willing to accept the proposition that someone who's highly qualified and dying to work for you on the terms and conditions that you specify your job description, that's going to be an increasingly rare event.

Ramona Schindelheim, WorkingNation editor-in-chief:

This month marks the five-year anniversary of the first content that WorkingNation has put out. And five years ago, we were looking at the changing way people work. And we were already seeing issues. It seems to have accelerated with COVID. It has accelerated. Where do you see we're at? Do you see more changes coming faster? Has that speed kept up? Is there a way to qualify that?

Joe Fuller, Harvard Business School professor:

Well, I do think we're in a rather dangerous cycle right now. When companies can't find someone to do important work for them, they do not say, "Oh, shucks. I guess we won't grow," or "Awe, shucks. We won't install that new labor saving technology," or, "Awe, shucks, I guess we won't move to cloud-based architecture."

Joe Fuller, Harvard Business School professor:

They find a different way to solve the problem, and that can be off-shoring. It can be outsourcing. It can be adopting technology that's labor saving, which tends to have the effect of permanently eliminating positions. That has all accelerated under COVID because of things like the need to support primarily white collar workers remotely because digitalization and the ability to rely on third party infrastructure and remote infrastructure was significantly required in COVID.

Joe Fuller, Harvard Business School professor:

At the same time, you've got people changing their expectations of work and what they're willing to do for whom and for how much and for how long. So you have a significant group of people now who are rethinking the role of work in their lives.

Joe Fuller, Harvard Business School professor:

All of those things can compound to accelerate the cycle of technology adoption that has two consequences in the workforce, further marginalizing those that don't have the background and aptitudes or experiences to deal with that technology easily and quickly to become productive in using it.

Joe Fuller, Harvard Business School professor:

It also means that the jobs that are created are still more high level jobs, requiring high level skills and familiarity with cutting edge technology, which gets us back to this paradox of your parents might've told your older siblings' coworkers, the easiest way to get a job is to have a job. That's more and more true in good paying jobs in the United States. The more we make that the standard, the more we create a permanently ever growing population of workers who will ultimately be hidden from employment opportunities, given the way companies go about hiring today.

Ramona Schindelheim, WorkingNation editor-in-chief:

So the time to act is now.

Joe Fuller, Harvard Business School professor:

It was actually several years ago, but failing that, now's a good time.

Ramona Schindelheim, WorkingNation editor-in-chief:

Joe, thank you so much for joining me on Work in Progress. It's always a pleasure to hear from you.

Joe Fuller, Harvard Business School professor:

Ramona, great to talk to you.

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking to Joe Fuller, Professor at Harvard Business School and also on the WorkingNation Advisory Board. I'm Ramona Schindelheim, Editor-in-Chief of WorkingNation. Thank you for listening.