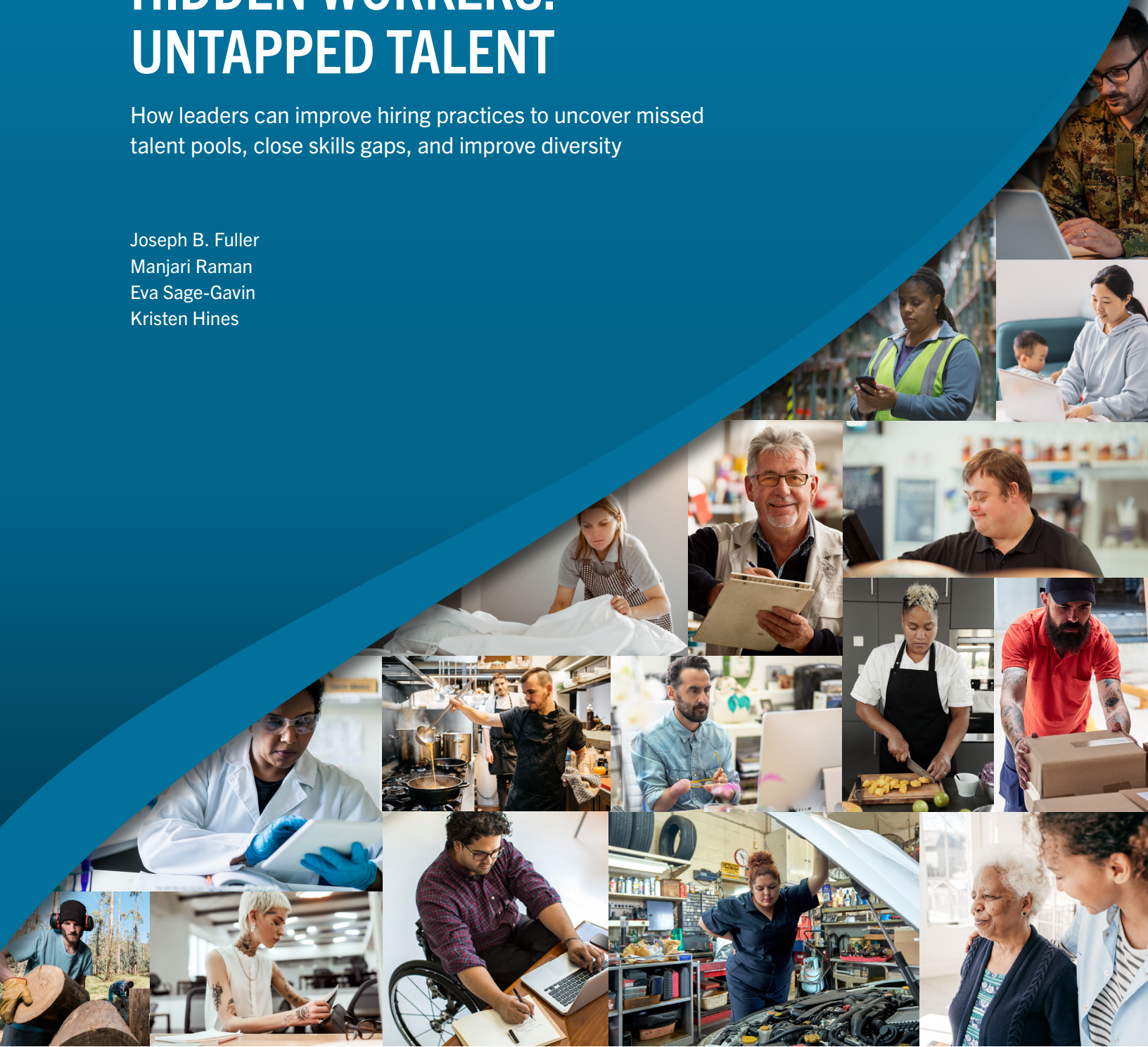# HIDDEN WORKERS: UNTAPPED TALENT

How leaders can improve hiring practices to uncover missed talent pools, close skills gaps, and improve diversity

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Executive summary

Companies are increasingly desperate for workers. As they continue to struggle to find people with the skills they need, their competitiveness and growth prospects are put at risk.

At the same time, an enormous and growing group of people are unemployed or underemployed, eager to get a job or increase their working hours. However, they remain effectively "hidden" from most businesses that would benefit from hiring them by the very processes those companies use to find talent.

The irony that companies consistently bemoan their inability to find talent while millions remain on the fringes of the workforce led us to seek an explanation. How could such a breakdown in the fundamental laws of supply and demand occur? Why do companies consistently overlook large pools of talent? What changes would companies have to make to take advantage of that talent? Those became the driving questions behind our recent global study, which included a survey of more than 8,000 hidden workers and more than 2,250 executives across the U.S., the U.K., and Germany.

Our findings illuminate a situation that has worsened because of the pandemic but has, in fact, been growing over recent decades. A single data point made the intractability of the problem apparent—just under half (44%) of middle-skill "hidden workers" reported that finding work was *just as hard pre-Covid-19* as it was during our 2020 survey period.

Our research revealed that long-standing and widespread management practices contribute significantly to constraining the candidates that companies will consider, leading to the creation of a diverse population of aspiring workers who are screened out of consideration—or "hidden." But it also affirmed that companies that purposefully hire hidden workers realize an attractive return on investment (ROI). They report being 36% less likely to face talent and skills shortages compared to companies that do not hire hidden workers. And they indicate former hidden workers outperform their peers materially on six key evaluative criteria—attitude and work ethic, productivity, quality of work, engagement, attendance, and innovation.

Who are hidden workers?

In coining the term "hidden workers," we wanted to hone in on language that reflected the effects that companies' policies, practices, and deployment of technology have on their capacity to identify and access various pools of talent. The term "hidden worker" is not intended to suggest in any way that workers are hiding and wish to or actively seek to remain excluded from consideration for employment. Far from it. Our analysis indicates many such workers want to work and are actively seeking work. They experience distress and discouragement when their regular efforts to seek employment consistently fail due to hiring processes that focus on what they don't have (such as credentials) rather than the value they can bring (such as capabilities).

Ultimately, we found that hidden workers fall into three broad categories: "**missing hours**" (working one or more part-time jobs but willing and able to work full-time); "**missing from work**" (unemployed for a long time but seeking

employment); or "**missing from the workforce**" (not working and not seeking employment but willing and able to work under the right circumstances).

And critically, we found that they do not represent a homogeneous group. They include caregivers, veterans, immigrants and refugees, those with physical disabilities, and relocating partners and spouses. They also include people with mental health or developmental/neurodiversity challenges, those from less-advantaged populations, people who were previously incarcerated, and those without traditional qualifications.

In the U.S., there are, by our estimates, more than 27 million hidden workers. We estimate similar proportions of hidden workers across the U.K. and Germany. The sheer magnitude of this population reveals the potential impact that their substantial re-absorption into the workforce would have.

What keeps them hidden?

Several barriers contribute significantly to keeping companies from considering hidden workers as candidates to meet their skills needs. They include:

A widening training gap. The rapid pace of change in many occupations, driven in large part by advancing technologies, has made it extremely difficult for workers to obtain relevant skills. The evolution in job content has outstripped the capacity of traditional skills providers, such as education systems and other workforce intermediaries, to adapt. The perverse consequence is that developing the capabilities employers seek increasingly requires the candidate to be employed.

Inflexibly configured automated recruiting systems. An Applicant Tracking System (ATS) is a workflow-oriented tool that helps organizations manage and track the pipeline of applicants in each step of the recruiting process.

A Recruiting Management or Marketing System (RMS) complements the ATS and supports recruiters in all activities related to marketing open positions, sourcing key talent, creating talent pools, and automating aspects of the recruiting process such as automated candidate scoring and interview scheduling. Together, these systems represent the foundation of the hiring process in a majority of organizations. In fact, more than 90% of employers in our survey use their RMS to initially filter or rank potential middle-skills (94%) and high-skills (92%) candidates.

These systems are vital; however, they are designed to maximize the efficiency of the process. That leads them to hone in on candidates, using very specific parameters, in order to minimize the number of applicants that are actively considered. For example, most use proxies (such as a college degree or possession of precisely described skills) for attributes such as skills, work ethic, and self-efficacy. Most also use a failure to meet certain criteria (such as a gap in full-time employment) as a basis for excluding a candidate from consideration irrespective of their other qualifications.

As a result, they exclude from consideration viable candidates whose resumes do not match the criteria but who could perform at a high level with training. A large majority (88%) of employers agree, telling us that *qualified high-skills candidates* are vetted out of the process because they do not match the exact criteria established by the job description. That number rose to 94% in the case of middle-skills workers.

Failure to recognize and elevate the business case. Most companies that have engaged with hidden workers have done so through their corporate foundations or corporate social responsibility (CSR) efforts. Those are praiseworthy activities, but also inherently reinforce the myth that hiring hidden workers is an act of charity or corporate citizenship, rather than a source of competitive advantage.

Recommendations

Companies can take several steps to include hidden workers, and in doing so, create a new and valuable pipeline of talent. Chief among them: reforming their approach to talent acquisition overall and developing a customized approach to hiring hidden workers.

Reforming the approach to talent acquisition

Refreshing job descriptions. Most companies add new skills and experience preferences to existing job descriptions rather than re-evaluating those descriptions from scratch. As a result, they end up with a candidate profile that is larded with legacy requirements and "nice to have" attributes rather than a focus on a limited list of "must-have" skills and experiences that correlate to performance in the role.

Shifting from "negative" to "affirmative" filters in an ATS or RMS. An ATS/RMS largely relies on "negative" logic to winnow the applicant pool. Workers are excluded from consideration due to variables such as the lack of a college degree or a gap in their employment history. While employers may infer that applicants who have those attributes are undeserving of consideration, applying an "affirmative" logic would seem a more logical approach for seeking talent. Configuring systems to identify applicants with the specific skills and experiences associated with fulfilling the core requirements of the role would promise to be more efficient and inclusive.

Establishing new metrics for evaluating talent acquisition. The current system emphasizes and rewards expense minimization. It should emphasize human asset maximization. Recruiters and the talent acquisition processes ought to be evaluated on metrics such as the time it takes for a new employee to achieve expected levels of productivity, attrition rates, and rates of advancement.

Developing a customized approach to hiring hidden workers

Shifting the justification for hiring hidden workers from corporate social responsibility (CSR) to ROI. A company that relegates a group of workers to a special recruiting status is not only acknowledging that its routine recruiting processes are failing to access that population, but also that the ordinary metrics by which candidates are being assessed are being waived. That undermines the legitimacy of the hidden workers' employment in the eyes of colleagues and could undermine the ability and confidence of those workers to perform to their full potential. It also ignores the experience of the many employers that have found employing hidden workers to be a means of alleviating skills shortages.

Targeting segment(s) of hidden workers best suited to the work of your organization. By focusing on specific sub-populations of hidden workers, companies can customize investment in training and accommodations to maximize the rate at which newly hired hidden workers become productive. It also allows recruiters, human resources professionals, supervisors, and co-workers to become familiar with these workers' needs.

Additionally, by concentrating on a few segments, companies can more easily invest in developing relationships with skills providers, educators, social entrepreneurs, and other social agencies with knowledge and supportive programming tailored to those groups. They will also be better positioned to address any legal, administrative, or regulatory issues related to employing individuals from that category of hidden workers.

Adopting a customer-experience mindset in designing recruitment and onboarding processes. Most hidden workers (84%) told us they find the application phase difficult. To remediate this problem, companies can apply a user experience (UX) lens to redesign the

application process to ensure that the skills and credentials requirements are accessible at the beginning of the process and that the time-table and criteria for decision making is clear. Companies should also broaden their selection of skills providers to include those that hidden workers frequent. For example, 35% of middle-skills hidden workers report that job centers are their primary channel for seeking work, but only 26% of employers prioritize them.

Laying the groundwork with the workforce. Mounting a sustained commitment to engaging hidden workers requires preparing the organization to integrate them. To that end, companies should ensure that the incumbent workforce understands the underlying business case. They should also help employees—and in particular immediate managers and colleagues—better understand the circumstances faced by former hidden workers. Ongoing efforts in CSR can help provide a bridge to a strategic approach to hiring hidden workers. Previous CSR efforts might have targeted relevant worker segments. The stories of employees who were once a member of a hidden worker group can also help introduce hidden workers to the workplace.

Enlisting a senior leader to champion, direct, and monitor the evolution of hiring and onboarding practices. Hiring hidden workers is a strategic response for addressing a pressing challenge—filling the ever-widening skills gap. Making hidden workers integral to a company's talent management strategy by reforming the relevant human resource policies will require ongoing sponsorship and oversight.

A clear need for immediate action

Companies are confronting the need to recon-figure their organizations to reflect changing competitive threats, worker interests, and soci-etal and environmental imperatives. Addressing the skills gap is essential to mounting an effec-tive response. Widening the aperture through which companies view talent to include hidden workers and removing the barriers that have contributed to their marginalization will not only advance employers' interests, but those of the communities they serve.

Leaders can leverage technology to help enable culture change and adopt new ways of working. With active management of what goes into our systems solutions, leaders can monitor for and address bias, manage performance, and scale for adoption. While technology is important, it is the active management of leaders, enabled by technology, data, and digital nudges that change outcomes. They can foster a culture of inclusive hiring practices that enable them to access the broadest skilled talent pools.

We cannot envision a more timely, more compelling call to action.