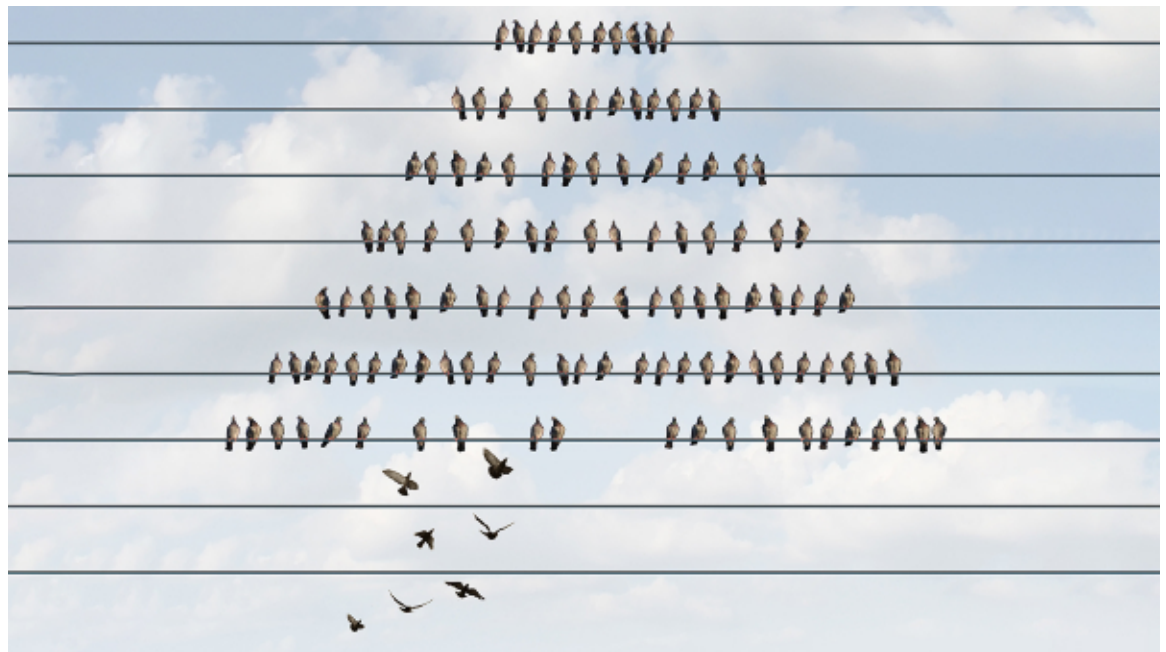


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Why Competing For New Talent Is a Mistake

by Seth Harris and Jake Schwartz

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As demand grows for new and emergent [skills](#), including UX design, cybersecurity, and data science, workers around the world — and labor markets — are struggling to keep up. According to a recent [survey](#) conducted by the World Economic Forum, nearly eight in 10 global CEOs say they're concerned about the availability of people with the right skills.

So far, organizations have responded by engaging in a war for talent — that is, buying or stealing it, rather than growing it from within. As they compete to fill roles, many have been willing to spend billions on recruiting (or poaching), while reluctant to invest in training their existing workers or

unskilled ones, perhaps out of fear their competitors will hire those newly attractive employees away. Spending per employee (around \$1,000 per year on average) remains just a fraction of cost-to-hire (which most estimates [place](#) around \$4,000). However, while overall spending on training by employers [increased](#) over the past five years, large companies actually spent [less](#) on training per employee in 2018 than they did the previous year. And, according to a [recent survey](#) that we conducted, 70% of employers either have terminated workers due to the implementation of new technology or anticipate doing so. Meanwhile, companies like Netflix have gone so far as to offer new hires [double](#) their previous pay to lure them away from their current employers.

Those numbers reflect a classic tragedy of the commons — fueled by employers who are fishing ever farther into the sea of talent [in search of job-ready workers](#) rather than helping incumbents or younger, underserved, and underrepresented groups develop the skills they need to fill tomorrow's roles.

To be sure, some companies may find their worst fears realized: They invest in talent only to see emerging stars flock to competitors. But, if more business leaders changed their approach, we predict that a virtuous cycle will develop instead: Today's "talent-donors" become tomorrow's beneficiaries of the training their competitors have provided. And [research shows](#) that employees themselves are willing and able to learn (and stay) where they are.

In Singapore, this shift is already taking place. The government offers grants that cover some costs of training at qualified organizations. As a result of this initiative, which started in 2015, companies have begun to think differently. As one Singaporean business owner [told Bloomberg](#), "[A]t the end of the day it's about uplifting the skill set of the whole industry. We have to be broad-minded."

In the United States, where the economy is [nearing full employment](#), companies are also coming around to that way of thinking. Liberty Mutual is now retraining mainframe operators to become JavaScript developers. Adobe is taking a "[build](#)" vs. "[buy](#)" [approach](#) by hiring talent from overlooked communities for web development and design roles, and providing training and apprenticeships to prepare them for full-time positions.

Companies that invest in their people also become talent magnets. Research [suggests](#) that education is among the most valued benefits for modern employees. And, while it's true that corporate loyalty is at all-time lows and mobility rates are at all-time highs, the data suggest that development programs increase retention. For example, Discover Financial reports that it has seen [\\$1.44 in savings](#) for every dollar it has spent on education reimbursement, a rate that nearly doubled for tough-to-retain call center employees. An [analysis](#) at Cigna found similar returns across their employee base.

More importantly, investing in skills offers an opportunity to mitigate historic equity gaps. Companies looking for high-skilled workers can play a powerful role in making the workforce more diverse.

As the labor market evolves, the expectations of employers must too. Poach-and-release is no longer a sustainable model for talent acquisition. Investments in talent that transcend our individual interests can help to build a far more sustainable and fruitful economic ecosystem.

Seth Harris served as Deputy Secretary and Acting Secretary for the U.S. Department of Labor between 2009 and 2014.

Jake Schwartz is the founder and CEO of General Assembly.

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