

Flexible hours, \$10,000 referral fee: Small businesses get creative to hire in tight labor market

By: *Paul Davidson*

Over the past three months, Envision Tees, which prints and embroiders T-shirts, has lost four customer service and sales workers to larger companies in its Dubuque, Iowa, home region.

Typically, one or fewer workers defect each year.

“The bigger companies are cherry-picking people,” says Tom Rauhen, CEO of the 12-year-old business with 40 employees. “They’ll offer them a \$5,000 to \$10,000 raise. As a small business, that’s really hard” to match. Envision, he says, also can’t afford to provide health insurance, as midsize and larger companies do.

The 4 percent unemployment rate in the U.S. has depleted the pool of available workers across the country, making it harder for companies of all sizes to find job candidates. But the market is especially brutal for businesses with fewer than 50 workers, which can’t offer the pay and benefits of larger firms.

That’s taking a toll on the smaller enterprises, which often can’t meet all of the demand from customers in a revved-up economy that’s projected to grow nearly 3 percent this year.

“The big guys” are struggling to hire as well. “But they’re winning,” says Mark Zandi, chief economist of Moody’s Analytics, which helps payroll processor ADP compile its monthly private-sector employment report.

Last month, small businesses added 29,000 jobs, compared with payroll gains of 80,000 for midsize companies and 69,000 for large ones, according to ADP estimates. More telling, small-business employment grew less than 1 percent annually for the first time since 2011.

Thirty-six percent of small-business owners had job openings they couldn’t fill in June, matching the record high set in November 2000, according to the National Federation of Independent Business’s monthly survey out this week.

“When unemployment is low, small businesses aren’t able to hire” as many workers as their larger rivals, says IHS Markit economist Jim Diffley. He says smaller firms have long grappled with that disadvantage in booming economies.

In response, they’re raising wages more briskly. Pay at businesses with fewer than 50 workers rose 3.3 percent annually last month, ADP data show, the fastest among companies based on size.

Yet most still can’t keep pace with larger companies.

Rauhen says Envision instead offers less tangible perks,

such as extra time off for children’s activities and other events, and the freedom to veer at times from a 9-to-5 work schedule. “People don’t like that big company feel,” he says.

Envision, which now has three job openings, is also more actively using social media to reveal its behind-the-scenes production techniques and attract job candidates, participating in community events and emphasizing its work with local charities.

“We’re making a difference,” Rauhen says, a selling point that particularly appeals to millennial job prospects. He also touts that customer service reps don’t just sit at a desk – they work at a store, and juggle email and calls.

The strategies are helping, but it’s still taking Envision at least three times as long to fill job openings as it did a year ago. Sales are up about 20 percent in 2018, Rauhen says, but that’s below the 25 percent to 30 percent growth pace of recent years because he can’t hire fast enough to meet demand.

In Atlanta, Ankit Patel, CEO of Classic Vision Care, says larger opticians such as LensCrafters and MyEyeDr are picking off job candidates before they even come in for scheduled interviews. It’s taking Patel about two months to fill job openings, up from a couple of weeks.

Classic, with 17 employees at four area locations, has raised opticians’ hourly pay from \$13 to about \$17 the past year, but the large chains are still paying a dollar or two more. So for the first time, the 6-year-old business is hiring inexperienced workers to be front-desk receptionists and training them to handle sales and assist with eye exams. New hires typically perform all those tasks right away.

Alfredo Ortiz, CEO of the Job Creators Network, which mostly serves small businesses, says they should be able to better compete with larger companies for workers under a new federal rule announced last month that allows them to band together to offer affordable health coverage.

10Xfive, an Atlanta digital marketing company with 35 employees, is taking a more aggressive approach. CEO Jon Ostenson says he’s offering a \$10,000 referral fee to employees or others who deliver him a business development manager who takes the job and closes three deals. He’ll likely pay about \$5,000 for digital marketing specialists, he says. “It just widens the network,” Ostenson says. “If you say \$2,000, it doesn’t really get their attention.”