

Searching for Workers

Managers spend considerable time searching for new employees. Thus, it is important for them to know when to continue searching for another employee and when to stop searching by hiring one who has already been interviewed. How many applicants does the average manager reject before finding an employee willing to work for an acceptable wage? How much time (a component of search costs) is spent engaging in these activities? A recent study provides answers to these questions.

The average manager searching for an employee sees about 3.7 applicants before finding a qualified worker willing to work at a wage below the firm's reservation price. The time cost of searching for workers is substantial; the average manager spends about 6.4 hours examining each applicant he or she sees. There is, however, considerable variation in these numbers for managers seeking different types of workers. For instance, managers tend to search more when hiring workers who require a lot of training. For

each 10 percent increase in the amount of training required, firms spend about 1.8 percent more time per applicant. Firms also search more heavily when hiring a manager or a professional worker—about 33 percent more time per application—than when hiring a blue-collar worker. Firms also search more intensely for permanent workers than for temporary or seasonal workers; in fact, firms spend about 24 percent less time per applicant when hiring temporary workers.

Larger firms also spend much more time searching than smaller firms: A firm with 500 employees spends about 80 percent more time per applicant than a firm with 100 employees. Thus, managers of large firms should expect to spend more time searching for workers than managers of smaller firms.

Source: John M. Barron, Dan A. Black, and Mark A. Loewenstein, "Job Matching and On-the-Job Training," *Journal of Labor Economics* 7 (January 1989), pp. 1–19.