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ATTRACTING TODAY'S EDUCATED WORKFORCE: OPPORTUNITIES AND CHALLENGES FOR SMALL BUSINESS FIRMS

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ABSTRACT

Attracting quality employees is particularly critical for the small business; the increasingly required advanced skills of today's educated workforce present an additional challenge. This segment of the workforce is reputed to make job selection decisions based on lifestyle preferences that may disadvantage many small firms. This survey of 476 college graduates from 1979, 1989, and 2000 does not support new popularized views of job choice criteria. Results of the study suggest that small firms frequently possess numerous attributes highly valued by today's educated workforce – work challenge and variety, potential salary growth, congenial supportive co-workers, and more family-oriented atmosphere – that can be exploited in recruiting efforts. Important attributes that small firms need to improve upon include health insurance and pension plan benefits, and increased levels of autonomy. Overall, the study finds more opportunities than challenges for small businesses seeking to attract today's educated workforce.

INTRODUCTION

The critical role of competent, dedicated and energetic employees in high performing organizations is well recognized. This role is magnified in entrepreneurial and small business firms, where each employee represents a sizable proportion of the entire company workforce, and where employee responsibilities are likely to evolve as the firm grows. Attracting employees who are capable of seeing and furthering the entrepreneurial vision has been identified by entrepreneurs as a core component for basic firm survival, as well as for firm growth (Mehta, 1996). Attracting and retaining qualified employees has also been noted as an endemic problem for small business firms (Dennis, 2000; Gupta & Tannenbaum, 1989; Hornsby & Kuratko, 1990; Phillips, 2004). This problem becomes more pressing as human resources increasingly become the key source of competitive advantage in our knowledge-based society (Katz, Aldrich, Welbourne & Williams, 2000).

Advanced technology skills, developed intellect, and creativity necessary to address escalating competition through continuous improvement of products, processes, and service increasingly call for educated and possibly younger employees, popularly referred to as "the new economy workforce" or "the creative class". According to Richard Florida (2002), this group encompasses a wide range of individuals from science and engineering, medicine and law,

business and technology, architecture and design, and music and entertainment, including not just computer specialists, but artists, writers, educators, and entrepreneurs. These are the people called upon to exercise independent judgement, using their advanced knowledge and resourceful posture to engage in complex problem solving and develop creative initiatives. Satisfying this broad and critical segment of the labor force can further complicate existing staffing dilemmas for the small firm. These workers are described as mobile individualists requiring autonomy and a rich social, cultural, and natural environment, strongly favoring urban centers and a critical mass of other educated professionals for networking and socializing (Florida, 2002). The more basic structural context and substantially thinner professional ranks of small companies compared to large firms creates additional challenges for small firms, especially those outside urban areas, striving to attract and retain this vital component of today's workforce.

This paper describes a recent survey of educated workers that contributes useful insight by examining decision factors that influence an individual's choice among employment options. Respondents are college graduates from 1979, 1989, and 2000, representing many fields of study. Factors found to be most important and least important when making employment decisions were identified, leading to pragmatic implications for the recruitment and retention of today's educated workers in small business firms.

LITERATURE REVIEW

Human Resource Issues in Small Business Firms

Surveys consistently identify human resources as a major problem area for small business firms. A recent National Federation of Independent Businesses (NFIB) survey of over 4600 small business owners found employee-related issues to be their third most important area of concern, following costs and taxes. The cost of providing health insurance for employees was the most important single problem, topping the list of problems identified in each of the last four NFIB surveys beginning in 1986 (Phillips, 2004). Recruitment and retention of a high quality workforce also appear repeatedly as high priority issues (Dennis, 2000; Heneman, Tansky, & Camp, 2000; Hornsby & Kuratko, 1990; Phillips, 2004). Recruitment and retention are especially problematic in tight labor markets when the economy is strong and business growth is robust. Accordingly, "locating quality employees" was identified as the third most serious problem (from a list of 75 possible problems) in the 2000 NFIB survey which was conducted during a period of economic expansion (Dennis, 2000). This same variable was ranked 11 of 75 possible problems in the 2004 NFIB survey which followed a period of slow economic growth (with fewer new hires, and less competition for workers). However, over 18 percent of respondents still rated it as a "critical problem" in 2004, and an additional 35 percent rated it in the next two (of seven) top importance categories (Phillips, 2004). The difficulty is likely to intensify again as the economy rebounds. Predicted labor shortages associated with the retiring baby boom generation may present even greater challenges for recruitment and retention in the future (Phillips, 2005).

A review of the literature reveals a relative lack of empirical research regarding fundamental human resource concerns of small business firms (Katz, Aldrich, Welbourne, & Williams, 2000). While surveys indicate high practitioner interest and need for human resource-related guidance, most human resource prescription stems from studies conducted in large organizational settings (Heneman & Berkley, 1999; Heneman, Tansky, & Camp, 2000). Existing studies of human resource issues in small firms are primarily descriptive in nature, and demonstrate the wide range of human resource practices – including recruitment and selection strategies, training techniques, evaluation and compensation methods – and their

extent of use in small businesses (Barber, Wesson, Roberson, & Taylor, 1999; Deshpande & Golhar, 1994; Golhar & Deshpande, 1997; Heneman & Berkley, 1999; Hornsby & Kuratko, 1990; Kotey & Slade, 2005; McEvoy, 1984). Collective results of these studies characterize human resource practices in small firms as informal and undeveloped compared to large firms. For example, recruitment is described as relying on word-of-mouth, employee referrals, interpersonal networks, and even unsolicited walk-ins; employee selection is said to rest mainly on a face-to-face interview, training is essentially on-the-job training, and compensation is based on past practice rather than assessment of market conditions. An important finding is that small firms gradually add more formal human resource practices as they increase in size: recruitment strategies expand to newspaper advertisements and placement firms, selection tools include application forms and reference checks, performance appraisals and compensation systems become more sophisticated, and human resource policies and records become more standardized and extensive (Heneman & Berkely, 1999; Hornsby & Kuratko, 1990; Kotey & Slade, 2005). One interesting exception is at the managerial level, where formalization of human resource practices was found to lag the operational level, attributed to founder/owner unwillingness to relinquish managerial control and preferences for hiring family and friends as managers (Kotey & Slade, 2005).

While empirical studies make it clear that human resource practices in small firms do not fit a simplistic or universal model, it is also evident that improvements are both needed and feasible, especially in critical activities related to recruitment and retention. However, a commonly understood set of appropriate or effective practices does not emerge from existing research, suggesting that small firms are imitating each other, following the lead of large firms, and/or generally experimenting as they strive to meet their human resource needs. In future studies, more attention to linking specific practices with desired outcomes is advised to improve the prescriptive utility of results (Heneman & Berkley, 1999). An overview of past research also suggests that complementary studies from the standpoint of the prospective employee, in addition to studies focused on the organization, could provide valuable insight for improved human resource practice in small business firms (Heneman, Tansky, & Camp, 2000).

Theoretical Framework

Research of employee attraction and retention is broad and multi-dimensional, encompassing various players, contexts, phases, and outcomes. Principal players include organizations and the individuals they are trying to attract, interacting in a context influenced by external labor market conditions and internal organizational characteristics. Major phases include recruitment and selection for organizations, and search and evaluation for individuals. Each phase involves numerous activities and considerations, followed by an assortment of possible outcomes such as employee satisfaction and retention (Barber, 1998; Schwab, Rynes, & Aldag, 1987). Clearly, it is not feasible for a single study to address each relevant dimension. Consistent with advice of Haneman, Tansky, & Camp (2000) above, the study described in this paper examines employee attraction from the perspective of the individual rather than that of the organization. Previous research centered on the individual suggests that evaluation of specific job attributes and organizational characteristics dwarf other influences on job choice and retention (Breaugh, 1992; Rynes, 1991; Rynes & Barber, 1990). Accordingly, this study will focus on the evaluation phase and specific job- and organization-related considerations involved in individual employment decisions. Acknowledging that today's educated workforce may have new preferences more strongly tied to location and/or personal pursuits, these additional considerations will also be investigated.

Job-related considerations identified in the literature date back to the classical economist Adam Smith who proposed five key job attributes relevant to employment decisions: pay, working conditions, training, responsibility, and probability of success. Recent studies of individual job choice elaborate (refining "pay" into separate attributes of salary, bonus, and specific fringe benefits, for example) but generally maintain these original job-related attributes (Schwab, et. al., 1987). Organizational considerations found to be important include company growth and profitability, job security and advancement opportunity, and co-worker relationships and various other facets of organizational culture (Breaugh, 1992).

The common "direct estimate approach" in job choice studies is to have individual respondents either rank or rate the importance of each job-related and organizational attribute listed in a survey instrument. Such studies are numerous, with no consistent list of attributes in use (Schwab, et.al, 1987). The largest of these studies is by Jurgensen (1978), who surveyed over 50,000 men and women in one company over a 30-year period. Of the ten attributes listed (advancement, benefits, company, co-workers, hours, pay, security, supervisor, type of work, working conditions), Jurgensen found that pay ranked near the middle, men ranked job security as most important while women ranked type of work as most important, and that these results were strikingly consistent over time. Another notably large study – encompassing responses of over 7000 employees from five national surveys conducted between 1973 and 1980 – found similar differences between men and women. Of five attributes (income, security, working hours, chances for advancement, and meaningfulness of work), meaningful work was ranked first, and income and advancement were also highly ranked; men rated security slightly higher than did women, and women rated meaningful work slightly higher than did men (Lacy, Bokemeier, & Shepard, 1983). A broad literature review by Barber (1998) reports waning gender difference in more recent studies (Lefkowitz, 1994; Turban, 1995; Wiersma, 1990), possibly due to reduced employment-related sex role differences (Barber & Daly, 1996). Barber's review also reveals potential differences between older, more experienced employees and those who are younger with less work experience. Two studies found the latter to place greater emphasis on pay when evaluating job choices (Zedeck, 1977; Feldman & Arnold, 1978), while older, more experienced workers attached more importance to security (Zedeck, 1977), responsibility and leadership (Feldman & Arnold, 1978). Overall, job choice studies have not produced generally consistent findings regarding importance of job-related and organizational attributes due to the variety of specific attributes, contexts, and types of individuals studied.

Considering salient values, goals, and attitudes of the increasingly important educated component of the workforce, job location and personal pursuits might become as important as the more traditional job-related and organizational influences on job choice. Florida's (2002) widely popularized notion that rich environments are required to attract the educated and creative segment of today's workforce is echoed by descriptions of "Generation X" (individuals born 1961-1976), which also emphasize the role of location-related amenities and personal rather job-related criteria in employment decisions (Buckley, Beu, Novicevic, & Sigerstad, 2001; Losyk, 1997). Evidence to support these preferences appears to be drawn primarily from casual interview or convenience web-surveys (see Dunham, 2001; Florida, 2002; Florida & Stolarick, 2001; Losyk, 1997). While the job choice literature provides some support for the relevance of geographic considerations, systematic study of the importance of specific location-related attributes to an individual's job choice has not been undertaken (Barber, 1998). However, personal considerations related to family issues appear to be of growing significance in job decisions (Barber, 1998; Honeycutt & Rosen, 1997), with potential to impact recruitment and retention, as well as work quality and employee productivity (Jacobson & McCaul, 1996).

METHODOLOGY

Survey and Sample

Informed by the literature described above and focus groups comprised of post-secondary students (Rathge & Danielson, 2001), a survey instrument was designed to examine the relative importance of specific job choice factors representing job and organizational attributes, location, and family considerations. The breadth of issues examined resulted in a total of 59 separate factors that were included in the survey; respondents were asked to rate the importance of each factor (on a five-point scale, with 1=not important, 3=moderately important, 5=very important) in the decision to accept their current job. In addition, respondents were asked to indicate if each factor was absolutely necessary in order for a job opportunity to be seriously considered.

A draft questionnaire was pre-tested with seniors and graduate students majoring in business administration at an AACSB-accredited institution. Following modifications, the survey was mailed to a broad sample of graduates of a statewide university system located in the upper Midwest. As an effort to increase response, a cover letter on official letterhead from the governor of the state became the first page of the survey.

The survey sample is comprised of college graduates representing a broad range of academic and occupational fields. Specifically, a ten percent random sample of graduates across all majors was drawn from alumni records of ten institutions for years 1979, 1989, and 2000. The national economy was particularly robust in each of the three years selected, presuming a job context providing ample choice of employment compared to other years, and enhancing the role of the factors being examined. The population sampled imbues the study with advantages compared to most existing job choice research. Overwhelmingly, students have been used in previous studies (Breaugh, 1992; Wanous & Colella, 1989). Students are required to essentially speculate about what is likely to play an important role in their decision to accept a particular job in the future. Such results can distort true job choices (Rynes, 1991). The survey used in this study asked graduates, not students, to assess the importance of factors that played a role in actual decisions to accept their current job. Also, most studies are based on students from a limited range of majors, most often engineering (Rynes, 1991). The population sampled here includes majors from all offerings of ten institutions, ranging from comprehensive research universities with extensive professional programs, to schools with a liberal arts focus, to two-year community colleges with targeted occupational programs. Finally, the sample allows examination of potential differences between three cohorts, enabling illumination of job choice influences in various age categories.

Description of Respondents

Survey data was analyzed using the PC version of SAS for Windows. Of the 1721 surveys mailed; 495 were returned, for an overall response rate of 29 percent. While less than ideal, the response rate is considered quite acceptable in social science research of this kind. In similar studies, over 30 percent is considered a fairly high response rate, and about 20 percent is not uncommon (Barber, 1998).

A total of 476 returned questionnaires were usable for the analysis. The 2000 graduates comprise slightly more (34.7%, n=165) and 1979 graduates slightly less (32.1%, n=153) than one-third of the sample, due to relative class sizes in the population sampled; 1989 graduates comprise 33 percent of the sample (n=158). Also due to class sizes, graduates of the two comprehensive research universities contribute 46.6 percent of respondents (n=222), matched

by another 46.8 (n=223) from the six smaller four-year institutions, and 6.6 percent (n=31) from the two two-year schools within the university system. More females (50.8%, n=242) than males (41.2%, n=196) are identified in the study; eight percent (n=38) of respondents chose not to indicate their gender. Individuals whose highest degree is a Bachelor's degree predominate (64.9%, n=309); 17.4 percent (n=83) have a Master's degree, 3.8 percent (n=18) an Associate's degree, 3.6 percent (n=17) an advanced professional degree, and 1.5 percent (n=7) earned a Doctorate degree. Degree information is not available for 8.8 percent (n=42) of respondents.

FINDINGS

Importance of Job Choice Factors

Table 1 reports descriptive statistics for each factor examined in the study, including mean importance rating, frequency distribution, and percentage of respondents indicating the factor to be absolutely essential. Mean importance ratings of 3.8 or higher, indicating very important factors according to respondents in the sample, are highlighted in bold. "Absolutely essential" designations by at least ten percent of respondents are also highlighted.

The first cluster of factors (#1-#7 in the table) are common compensation components. Focusing on the mean scores in bold, three very important factors that influence job selection are health insurance benefits, potential salary levels, and pension/retirement plans. Other compensation factors that are relatively important include starting salary and a flexible benefits plan. The last column in the table shows that health insurance benefits and pension/retirement plans are considered to be absolutely essential factors for a substantial number of respondents.

The next section of the table lists factors (#8-#18) pertaining to organizational policies, general organizational characteristics, and attributes of the specific job involved. Here, the related factors of job security and organizational stability are shown to be very important influences on job selection. Three factors directly tied to the job – opportunity to use education, work offering challenge and variety, and high level of autonomy – are also very important to today's educated workforce. Mean scores approaching 3.8 are associated with promotion opportunities, training and development opportunities, and family-friendly work policies, indicating the relatively high importance accorded to these factors as well.

The third set of factors (#19-#25) describe attributes of organizational culture. Friendly, supportive co-workers (#25) is the only factor in this group noted as very important. The two factors with a mean score below 2.5 (#19, #20) suggest that working for either a large or a small organization is not an important priority for this sample of graduates.

Next, the relative importance of factors relating to job location is examined. In the first cluster of basic location factors (#26-#32), low crime/personal safety (#28) is the only item with a mean score exceeding 3.8; however, relatively high importance is indicated for the clean environment factor. The next group of factors (#33-#42) includes several items pertaining to the natural environment and population patterns. None of these factors stand out as particularly important in job selection decisions here. Factors referring to either conservative or liberal social/political climate (#41 and #42) are notable for their lack of importance; mild/warm weather (#33), urban environment (#36), and diverse population (#40) also receive low importance ratings.

The group (factors #43-#52) next to the bottom of Table 1 contains many items commonly considered to be important for attracting today's educated and creative workforce. Only one factor (#43) – outdoor recreation – exhibits a relatively high importance rating here. Vibrant nightlife/entertainment opportunities (#49) is rated as relatively unimportant.

Finally, the last cluster of factors relates to family issues. Both the relative importance rating and absolutely essential measures reveal the strong influence of spouse or partner considerations in employment decisions (#53-#55). Good environment for raising a family, and quality of public schools are also shown to be relatively important influences on job choice for this component of the workforce. Moreover, the frequency distribution suggests that the importance ratings of family-related factors are likely depressed by the portion of respondents without a spouse, partner, or children.

Table 1 - Importance Ratings for Job Choice Factors: Means[1] and Frequency[2] Distributions

Job Choice Factor	Mean	1	2	3	4	5	"Essential"[3]
1.starting salary	3.65	2.1	8.1	35.8	31.0	23.0	9.7
2.potential salary	**3.93**	3.5	5.7	22.2	31.8	36.8	7.6
3.fixed salary	2.54	25.7	23.6	28.6	15.7	6.4	3.1
4.variable compensation	2.79	22.2	19.8	24.6	23.2	10.3	2.4
5.health insurance	**4.09**	5.4	4.4	15.2	26.3	48.7	**26.8**
6.flexible benefits	3.42	8.6	9.6	32.9	29.2	19.6	3.7
7.retirement plan	**3.84**	5.6	5.8	24.8	26.7	37.1	**11.7**
8.promotion opportunities	3.67	7.8	8.6	20.9	33.7	29.0	8.6
9.training/ development	3.77	4.8	7.1	24.0	34.9	29.2	6.7
10.job security	**4.03**	3.8	3.1	20.2	32.1	40.9	9.3
11.no relocation requirement	3.27	18.8	12.5	20.0	19.8	28.9	7.5
12.opportunity to relocate	2.15	42.4	20.4	22.7	9.0	5.6	.7
13.organization's reputation	3.38	7.4	10.6	35.2	30.6	16.2	1.4
14.organization's stability	**4.04**	1.9	2.8	18.5	43.0	33.9	4.0
15.family-friendly policies	3.78	5.2	8.1	21.6	33.5	31.6	7.8
16.use of education	**4.08**	2.9	4.3	16.7	34.1	42.0	8.1
17.challenge/ variety	**4.27**	.2	1.0	11.9	45.6	41.3	8.6
18.autonomy	**3.82**	2.3	4.9	28.4	36.6	27.7	4.0

Table 1 Cont'd - Importance Ratings for Job Choice Factors: Means[1] and Frequency[2] Distributions

Job Choice Factor	Mean	1	2	3	4	5	"Essential"[3]
19.large organization	2.41	27.3	25.7	30.1	12.3	4.6	.7
20.small organization	2.37	25.9	28.0	32.4	10.5	3.3	.5
21.professional interaction	3.53	4.9	7.8	32.5	39.1	15.8	2.1
22.visionary organization	3.38	5.4	14.6	29.6	37.4	12.9	1.7
23.fast-paced organization	2.88	14.0	22.6	32.6	23.3	7.5	.5
24.low stress organization	2.81	13.1	23.1	39.2	19.1	5.6	.2
25.friendly co-workers	**3.86**	2.1	5.4	25.1	39.4	27.9	4.0
26.overall cost of living	3.39	9.8	7.4	35.1	29.1	18.6	2.1
27.housing costs	3.35	10.0	8.6	35.4	28.2	17.8	1.4
28.low crime/ personal safety	**3.82**	4.7	4.7	26.3	32.6	31.7	4.0
29.clean environment	3.76	3.9	4.2	28.3	38.7	24.8	1.4
30.access to higher education	3.42	11.5	9.9	26.6	29.2	22.8	2.6
31.competitive air travel	2.55	27.4	21.7	28.5	13.7	8.7	1.9
32.short daily commute	3.43	8.4	10.8	30.2	30.2	20.4	2.6
33.mild/warm weather	2.34	34.5	21.8	24.8	12.7	6.3	.9
34.four seasons	2.85	19.9	15.0	34.3	21.5	9.3	.5
35.nature's beauty	3.20	11.0	12.4	33.3	32.4	11.0	1.9
36.urban environment	2.40	28.2	23.6	31.9	12.0	4.2	.7
37.rural/small town	2.49	28.7	21.1	27.8	17.4	5.1	1.2
38.population density	2.89	11.1	17.6	46.5	20.4	4.4	.7
39.specific city or region	3.06	14.0	16.1	33.4	23.1	13.3	2.3
40.diverse population	2.34	30.4	24.4	30.6	9.9	4.6	.7
41.conservative climate	2.21	37.2	21.0	29.3	8.8	3.7	.2
42.liberal climate	2.15	37.5	27.1	23.6	6.9	4.9	.7

Table 1 Cont'd - Importance Ratings for Job Choice Factors: Means[1] and Frequency[2] Distributions

Job Choice Factor	Mean	1	2	3	4	5	"Essential"[3]
43.outdoor recreation	3.64	5.0	9.0	24.9	39.6	21.6	3.1
44.cultural events	2.97	12.8	20.0	35.3	21.6	10.4	1.4
45.spectator sporting events	2.68	21.6	23.2	28.5	19.3	7.4	.9
46.shopping options	2.90	14.6	17.1	37.5	25.5	5.3	.2
47.dining options	2.94	13.7	16.9	38.9	23.1	7.4	.9
48.social opportunities	3.19	9.3	13.7	37.2	28.4	11.4	1.9
49.vibrant nightlife	2.31	29.6	28.2	26.6	12.3	3.2	.9
50.area's economic growth	3.21	8.4	13.0	36.7	33.2	8.8	1.4
51.job mobility in area	3.08	13.9	15.5	29.6	31.4	9.7	.9
52.jobs in a specific field	3.46	9.0	8.7	29.2	34.0	19.1	5.7
53.spouse's employment	2.86	39.3	5.8	12.2	15.0	27.7	**11.9**
54.spouse's opportunities	3.08	31.4	5.7	16.2	17.0	29.7	**10.7**
55.quality of public schools	3.53	17.1	7.6	15.6	24.9	34.8	5.0
56.good family environment	3.73	10.0	6.5	17.0	33.7	38.8	5.3
57.close to family and friends	3.48	10.3	10.8	24.8	29.3	24.8	4.0
58.familiarity with area	3.10	14.7	19.2	28.7	25.2	12.1	1.6
59.spouse's preference	**4.06**	12.8	12.8	30.0	24.6	19.7	**13.7**

[1]average (mean) importance rating on 5-point scale where 1=not important; 5=very important
[2]percent of respondents indicating each rating category for the job choice factor
[3]percent of respondents indicating that the factor is absolutely essential in job choice

Insights from the survey's descriptive statistics reported in Table 1 are summarized in Table 2, which lists (in order, based on mean relative importance ratings) the ten most important and the ten least important factors in the job selection decisions of this sample of educated employees. Incorporating frequency distribution data into the discussion can help us better appreciate the relative importance of these factors to the respondents.

Looking first at the "most important" factors, we find about 87 percent of respondents rate *work offering challenge and variety* in the top two importance categories. The next five factors all have about 75 percent of respondents indicating high importance. About 70 percent

of the sample give high importance ratings for *potential salary level* and *friendly, supportive co-workers* (also for *good environment for raising a family*, which is not included in the list above). Nearly 65 percent of respondents indicate high importance for the remaining two factors, as well as for *promotion opportunities, training/development opportunities, family-friendly work policies,* and *clean environment.* It should also be noted that nearly 27 percent of respondents identify *health insurance benefits* as absolutely essential for job acceptance; about 12 percent indicate *pension/retirement plan* as absolutely essential, and between 11-14 percent cite *spouse/partner employment and preference* as essential criteria.

In contrast, about 65 percent of respondents rate *opportunity to relocate* and *liberal social/political climate* in the bottom two importance categories. About 60 percent rate *conservative social/political climate* and *vibrant nightlife/entertainment opportunities* in these lower categories; and about 55 percent give low importance ratings to the next four factors on the "least important" list. The remaining two factors, as well as *access to competitively priced air travel*, are given low importance ratings by about 50 percent of respondents.

Table 2 - Most Important and Least Important Job Choice Factors[1]

Most Important Job Choice Factors	Least Important Job Choice Factors
1. Work Offering Challenge and Variety	1. Opportunity to Relocate
2. Health Insurance Benefits	2. Liberal Social/Political Climate
3. Opportunity to Use Education	3. Conservative Social/Political Climate
4. Preferences of Spouse or Partner	4. Vibrant Nightlife/Entertainment Opportunities
5. Stability of Organization	5. Diverse Population
6. Job Security	6. Mild/Warm Weather
7. Potential Salary Level	7. Opportunity to Work for Small Organization
8. Friendly, Supportive Co-Workers	8. Opportunity to Work for Large Organization
9. Pension/Retirement Plan	9. Urban Environment
10. High Level of Autonomy (tie)	10. Rural/Small Town Environment
10. Low Crime/Personal Safety (tie)	
[1]Ranked by Mean Relative Important Rating	

Subgroup Differences in Importance of Job Choice Factors

Further investigation using analysis of variance (ANOVA) procedures reveals some interesting differences in the relative importance of job choice factors between subgroups represented by graduation cohorts, and type of educational institution. However, consistent with a previously identified trend (Barber, 1998), no significant differences between male and female respondents were found.

Table 3 reports each of the significant differences in mean importance ratings found between the 2000 graduates compared to 1989 and/or 1979 graduates, listed in an order to facilitate discussion. Clearly, family issues are not as important an immediate consideration for the more recent graduates. A higher proportion of this subgroup is likely to be single and without children, so they are less influenced by dual employment and family environment factors at this stage of their lives. Not surprisingly, the analysis also shows that 2000 graduates, representing the younger and oft-focused upon Generation X segment of today's workforce, place more importance on social interaction and vibrant nightlife/entertainment opportunities. Even in this group of graduates, however, nightlife/entertainment has a relatively low importance rating. With respect to job-related attributes, the 2000 graduates appear more accepting of relocation, more interested in training/development opportunities and fixed compensation, and somewhat less concerned with potential salary or high levels of autonomy

compared to 1979 graduates. This finding is similar to that of studies from the 1970s where younger employees gave more weight to pay, and older employees gave more weight to responsibility and leadership in their job choices (Feldman & Arnold, 1978; Zedeck, 1977). It is also interesting to note that despite popular claims of strong lifestyle- and environment-related priorities making this younger group of potential employees difficult to attract, significant differences between the three cohorts are found for only two of the top eleven job choice factors (potential salary; high level of autonomy) and one of the ten least important factors (vibrant nightlife/entertainment opportunities).

Table 4 displays the significant differences in importance ratings between graduates of the comprehensive research universities compared to graduates of the relatively smaller four-year institutions. (Due to inadequate size of the subgroup representing graduates of two-year schools, results for this segment of the sample are not reported.) Obtaining jobs in a specific industry or field is rated as more important by graduates of the comprehensive universities. This subgroup also appears more willing to relocate, with greater preference for an urban environment compared to the notably higher importance rating given to a rural environment by graduates of smaller four-year institutions. Attributes of the rich cultural and natural environment said to be favored by the creative class – including cultural events, dining options, beauty of natural surroundings and a climate with four seasons – are found to have significantly higher importance ratings in the subgroup of graduates from comprehensive universities. Considering together the results reported in Tables 3 and 4, it appears that preferences commonly descriptive of today's educated and creative workforce are more tightly coupled with type of educational institution, rather than a particular age group.

Table 3 - Significant Differences in Importance of Job Choice Factors by Year of Graduation

Job Choice Factor	ANOVA Sig.	Pairwise Sig.	Mean Importance Rating[1]		
			2000	1989	1979
Spouse's Employment	.001	.003 (2000 vs 1989) .001 (2000 vs 1979)	2.44	3.04	3.13
Spouse's Job Opportunities	.052	.029 (2000 vs 1989) .046 (2000 vs 1979)	2.80	3.23	3.21
Quality of Public Schools	.001	.001 (2000 vs 1989) .001 (2000 vs 1979)	3.16	3.73	3.72
Good Family Environment	.000	.000 (2000 vs 1989) .042 (2000 vs 1979)	3.45	4.03	3.72
Social Opportunities	.022	.008 (2000 vs 1979)	3.38	3.13	3.04
Vibrant Nightlife	.000	.000 (2000 vs 1989) .000 (2000 vs 1979)	2.73	2.15	2.03
Proximity to Family/Friends	.000	.000 (2000 vs 1989) .002 (2000 vs 1979)	3.71	3.57	3.12
No Requirement to Relocate	.009	.002 (2000 vs 1979)	3.01	3.31	3.55
Training/Development	.035	.010 (2000 vs 1979)	3.92	3.78	3.59
Fixed Compensation	.040	.012 (2000 vs 1979)	2.69	2.56	2.33
Potential Salary	.036	.011 (2000 vs 1989)	3.79	4.11	3.89
High Level of Autonomy	.000	.022 (2000 vs 1989) .000 (2000 vs 1979)	3.59	3.84	4.07

[1]average (mean) importance rating on 5-point scale where 1=not important; 5=very important

Table 4 - Significant Differences in Importance of Job Choice Factors by Type of Institution

Job Choice Factor	ANOVA Significance	Pairwise Significance	Mean Importance Rating[1] Lg4yr	Sm4yr
Jobs in Specific Field	.052	.006	3.59	3.18
No Requirement to Relocate	.006	.005	3.11	3.65
Urban Environment	.018	.003	2.50	2.06
Rural Environment	.000	.000	2.38	3.02
Cultural Events	.040	.007	3.05	2.65
Dining Options	.017	.024	2.96	2.63
Outdoor Recreation	.001	.017	3.86	3.53
Nature's Beauty	.023	.003	3.33	2.88
Four Seasons	.006	.002	3.00	2.52

[1]average (mean) importance rating on 5-point scale where 1=not important; 5=very important

IMPLICATIONS FOR SMALL BUSINESS FIRMS

In view of the widespread concern for and central importance of attracting and retaining quality employees, results of this study of prospective employees are generally encouraging for small business firms. The often difficult task of workforce attraction is further complicated today by high demand for educated and often younger employees equipped with the latest technological and professional skills. This important segment of the workforce has been linked to organizational and lifestyle preferences that exacerbate disadvantages of many small firms. However, evidence from this survey of college graduates suggests that commonly touted new preferences are not as influential in job decisions as popularly assumed, even in a robust economic climate. Rather, many revealed preferences can feasibly be addressed by small firms through careful attention to human resource practices.

For example, the list of ten most important factors (refer to Table 2) includes three common components of compensation and benefits. Regarding compensation, it is interesting that *potential* salary is among the most important factors, rather than *starting* salary. It has been shown that small firms often feel resource constrained and set salary based upon internal consistency rather than market rates (Heneman & Berkley, 1999; Hornsby & Kuratko, 1990), revealing a vulnerability in their approach to employee attraction using salary criteria. But the greater importance of potential rather than starting salary provides wider latitude for small (especially growing) businesses to address salary expectations of today's educated workforce. Accentuating salary potential while paying closer attention to market rates can strengthen the small firm's ability to attract and retain quality employees.

With respect to benefits, health insurance and pension plans were both found to be extremely important job choice criteria for college-educated employees. On the positive side, research has shown that except in the smallest firms these benefits are not uncommon, and the benefit features are enhanced as firms become larger (Hornsby & Kuratko, 1990). A recent National Federation of Independent Businesses (NFIB) poll reports that 78 percent of small firms with 20 or more employees offered health insurance to their employees; however, only 41 percent

of firms with fewer than ten employees offered a health insurance benefit, leading to 48 percent of small businesses overall offering health insurance (Morrisey, 2003). Similarly, just over 70 percent of firms with more than 100 employees have a firm or union pension plan (Dennis, 2000). Clearly, stepped-up efforts by small firms to ensure provision of these valued employee benefits is needed to attract the type of workers surveyed here. It is equally clear that providing health insurance is an increasingly worrisome struggle for the small firm, especially in view of the double-digit cost increases of recent years. Given the convergence of this critical job choice factor with a major small business problem, both public policy as well as individual firm initiatives are likely required to address the issue. Potential remedies include proposed Association Health Plans, which would allow small business owners to create national purchasing coalitions to lower costs, and high deductible Health Reimbursement Accounts to encourage employees' more careful use of healthcare services (Dennis, 2000; Phillips, 2005). Business assistance programs should also increase the apparently low awareness of the tax advantages of employer-sponsored health insurance programs, which could lead to both increased coverage for employees and lower costs for employers (Morrisey, 2003).

Leading the list of most important factors for today's educated workforce is work offering challenge and variety, generally a strong point for small firms that warrants emphasis in recruiting efforts. With fewer narrow specialists, broad responsibilities provide extensive task variety. Employees are especially challenged in growing firms, when responsibilities both expand and become more complex. On the other hand, small firms may have more difficulty providing positions that directly or immediately utilize specific degree education. The important factors of organizational stability and, by inference, job security, may also disadvantage the small firm. While these attributes may be difficult for an individual firm to address, especially in the short run, simple awareness of their importance to prospective employees is useful to avoid spotlighting relative limitations during the recruitment process.

The remaining two organizational factors in the "top ten" list can be cultivated over time in small firms. Instead of a strong preference for interaction with similar professionals – as emphasized by popular descriptions of today's educated workforce and, by nature of size, difficult for small firms to provide – respondents rated the presence of friendly, supportive co-workers as very important. Small business' general reputation for a personable, congenial work environment is a useful advantage to be highlighted here. Finally, provision of the preferred high levels of autonomy is likely to require more direct attention by owner-managers in the small firm. A tendency toward autocratic or patriarchal management style is a known hindrance in small firms which seems to persist at the managerial, compared to operational, level (Kotey & Slade, 2005). Considering together the expressed preferences for challenge, opportunity to use education, and autonomy, it seems that owner-managers need to adjust their management style if today's educated workforce is to find small business positions appealing. In general, more extensive delegation by owner-managers has been recommended for a variety of reasons (Hodgetts & Kuratko, 2001; Kemelgor, 2000) and appears advisable for employee attraction purposes as well.

Only two of the top ten job choice factors – preferences of spouse or partner, and concern for low crime and personal safety – are not directly tied to job or organizational attributes. Even these factors can be attended to by the conscientious firm, by involving and catering to the spouse or partner throughout the recruiting process and by ensuring a safe workplace environment. In view of the more personal atmosphere possible with smaller numbers of employees, small firms may have advantages over large firms with respect to these dimensions.

Overall, greater emphasis on the personal atmosphere in the small firm is advised to enhance its attractiveness to prospective employees. While small firms possess appealing elements of organizational culture, research has shown that such intrinsic rewards are underutilized (McEvoy, 1984). Similarly, although reputed to be family-oriented, research has documented a lack of strategic attention to family-related human resource policies and programs in small firms (Jacobson & McCaul, 1996). Both of these dimensions offer potential for attracting and retaining high quality employees.

A review of the least important job choice factors does not support popular descriptions of today's educated workforce. An urban environment rich in population diversity and entertainment options are among the least important factors in job choice, as are size of organization, social/political climate, weather, and relocation opportunities. Job choice factors that would be most difficult for small firms to address, especially those in low-population locations, do not appear to present major obstacles for small businesses seeking to attract today's educated workforce. Subgroup analysis indicates that even the most recent graduates, while understandably less concerned with family-related attributes, are not strongly influenced by the location and lifestyle factors. It appears that younger graduates also may be more attracted by the on-the-job training and development experiences that small businesses could provide, while requiring less autonomy than graduates from previous years. Although fixed compensation is significantly more important for this younger group than for graduates from 1979, compensation expectations are likely to be lower for this less experienced group just beginning their careers. Clearly there is potential for small firms to attract young college graduates. On the other hand, the importance of salary potential paired with predictably greater salary expectations of more experienced workers could pose a challenge to attract this group using compensation inducements; however, the greater importance of family-related attributes provides an avenue to attract the older, experienced employee. These examples demonstrate the general utility of knowledge about prospective employee decision criteria; the small firm can more effectively portray the attributes it has to attract quality employees. Similarly, results of the institutional subgroup analysis suggest that in some circumstances, small firms may want to consider emphasizing smaller universities in their recruiting efforts. Graduates of the larger research-comprehensive universities exhibit higher expectations for the rich environment and lifestyle attributes and more specialized jobs within their particular field of study that might be difficult for many small businesses to provide. Small firms seeking more generalized talent and firms located in non-urban areas may find greater success recruiting at smaller universities.

SUMMARY AND CONCLUSIONS

Attracting quality employees is particularly critical for the small business firm; increasingly required advanced skills of today's educated workforce presents an additional challenge. A review of relevant literature finds a strong need but lack of empirically-supported guidance for small firms seeking to improve their human resource practices. Human resource prescription accentuates the need to provide and even showcase the particular job and organizational attributes sought by prospective and current employees. Results of this survey of job choice influences of college-educated employees are interpreted to help small business firms make informed choices to improve their recruiting and retention efforts.

Results of the study are consistent with existing research showing the dominance of job attributes and organizational characteristics in job choice models (Rynes, 1991); the consistency extends even to the younger and little researched Generation X segment of the workforce, purported to have other priorities and incongruent job choice influences. The important job attributes and organizational characteristics can generally be modified by the

employer, providing opportunity to adapt to target employee preferences. This study does not support assertions of Florida (2002) and others that emphasize the primary importance of location and environmental amenities, generally out of the firm's control, to today's educated workforce.

Results of the study are instructive for small businesses seeking to attract today's educated employee. Awareness of desirable attributes offered by the small firm is a first step. The study suggests that small firms frequently possess numerous attributes highly valued by today's educated workforce – challenge and variety, potential salary growth, congenial supportive co-workers, and more family-oriented atmosphere – that can be exploited in recruiting efforts. Rather than imitating large firms or taking a random trial-and-error approach, these specific characteristics can be emphasized to enhance recruitment success. Attributes important to job seekers that small firms need to improve upon include health insurance and pension plan benefits, and increased levels of autonomy. Overall, the study finds more opportunities than challenges for small businesses seeking to attract today's educated and creative employees.

Limitations and Suggestions for Further Research

Use of the "direct estimation method," as in this survey where respondents provide importance ratings for each individual job choice factor, has been criticized as too simplistic and potentially distorted by social desirability bias. However, the alternative "policy-capturing method", where respondents rate job alternatives that are richly described to capture and manipulate numerous embedded job factors, is limited by its complexity leading to respondent fatigue and lack of breadth in factors considered (see Breaugh, 1992, and Schwab, et. al., 1987). A second limitation involves the sample. While the breadth – in terms of age, majors, and size/type of institution attended – of graduates (rather than students) surveyed are advantages, the ten universities involved are all located in the upper-Midwest. This region is less densely populated than the nation as a whole, with lower average wages (employment in government, service and retail industries account for about half of total per capita income), which together may steer the job choice factors away from urban amenities and towards compensation-related factors. On the other hand, the population is highly concentrated in a few major cities and exhibits about the same proportion of college graduates as the rest of the country (Census 2000), suggesting that geographic limitations should not be ignored, nor should they be exaggerated.

In view of the narrow region sampled, clearly a similar study of graduates from other (especially more populous) regions would be useful and potentially of great interest. Further sample refinements in terms of age or occupation categories would also be beneficial. A related study examining the relative importance of job choice factors for employees of small firms compared to employees of large firms would likely provide additional valuable contributions. Broadly, future studies of actual and potential small business employees are needed to complement the existing body of research focused on human resource practices in small business firms. Together, insights from both perspectives will facilitate efforts to attract the quality workforce so critical for sustaining viability and growth in the small business firm.

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