

Home prices making Valley harder sell for exec recruiters

Low salaries, higher housing prices make Phoenix less of a lure for some key job prospects

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DeeAnn Palin experienced sticker shock two years ago when she was recruited from Houston for an executive position at SCF Arizona, the state's largest carrier of workers' compensation insurance.

The Valley's housing market was heating up, and her family paid 40 percent more for a house in Cave Creek similar in size to their Texas residence.

Palin, vice president for human resources and organizational effectiveness, now is helping recruit candidates from other states, and the price jump can make it difficult to find mid- and top-level executives, even with the housing slowdown.

"It's not that it's horrible, it's not an attraction anymore, and it's becoming a point of concern," she said, adding that Phoenix has a lot of other pluses.

It's certainly a main reason Valley corporate recruiters and companies are having more and more difficulty finding executives, according to a new survey released by national search firm TowerHunter and WageWatch Inc.

Its findings include:

- During the past 12 months, 74 percent of respondents had "some difficulty" recruiting middle-management candidates, and 60 percent had "some difficulty" in recruiting upper-management candidates.

- Nearly 75 percent of participants said they experienced situations where candidates withdrew from the interviewing process *before* a formal offer.

- About 70 percent of respondents said middle managers declined to continue with the hiring process because salaries were too low. That increased to 75 percent for upper management.

- About 60 percent of respondents said the average increase in salary for middle managers and upper managers is more than what was needed two years ago.

Other recruitment hurdles included counteroffers, personal/family reasons and, of course, housing.

"Almost one-fourth of respondents stated that middle-management candidates thought housing costs were not only higher than expected but were a deterrent to relocation," the survey indicated. About "52 percent thought middle-management candidates viewed housing costs as higher than expected but not unreasonable."

Upper management appears to be taking higher housing costs in stride.

About 70 percent of respondents said those candidates thought housing was higher than expected but not unreasonable.

"Five or six years ago, we were screening out the people who just wanted to come to Arizona and retire," said Terry Hindmarch, managing partner at TowerHunter, which is based in Phoenix. "Now, the challenge is different in trying to get top talent."

The study, based on responses from 42 organizations of various sizes across industries, is not the final word on the Valley's executive workforce.

Still, it does reinforce the hurdles Phoenix faces in recruiting the best and brightest.

"Compared with eight other regions with which Greater Phoenix generally competes for highly skilled and educated individuals, the Phoenix area is rated the lowest," determined a November report by the Maricopa Partnership for Arts and Culture.

"Of concern is the comparatively low ranking given to the region by young professionals working here in sought-after fields."

Pressures on salary

Salary was less of a problem when corporate recruiters could woo those young workers and executives, especially those from the Midwest, with less expensive housing.

Maricopa County's wages did increase between the second quarters of 2005 and 2006, but they still lag behind counties of similar size.

"Data for 2005 show Phoenix wages are actually above the national average for professions, sales, and office/administrative jobs," said Lee McPheters, senior associate dean at ASU's W.P. Carey School of Business.

"They may be already able to afford higher prices without heavy negotiation, but due to their unique skills, they will probably be able to get what they ask for in higher salary.

"However, Phoenix pay for production, services and management/business/finance is below the national average," he said.

"These workers have less negotiating leverage."

Pay is closer to some areas of the United States where housing costs remains low.

During the second quarter of 2006, for example, workers made an average of \$794 per week in Phoenix; \$802 in Kansas City, Mo.; \$959 in Houston; and \$853 in St. Louis, according to the Bureau of Labor Statistics.

Yet, consider those cities' average median housing price during that same quarter: \$272,200 in metropolitan Phoenix; \$158,800 in Kansas City; \$152,700 in Houston; and \$153,000 in St. Louis.

"Phoenix is one of those areas where the cost of high-end housing has skyrocketed in the past few years, and executive salaries have simply not kept pace," said H.S. "Sam" Hamadeh, co-president of Vault.com Inc., a New York-based career Web site.

Risking equity problems

"Companies can scarce afford to increase six-figure executive salaries 50 or 60 percent over a two-year period to keep up with the cost of rising high-end housing," he added. "It's a real bind for Phoenix- area corporations who need to attract the best and brightest executive talent to the area."

It may not be in the best interest of a company to increase wages for incoming executives.

"An overwhelming 86 percent of respondents say that new-hire compensation offers have caused internal equity issues related to current middle management," the report said.

Instead, some companies are increasing the size of signing bonuses, paying a greater share of temporary housing expenses and giving executives more time to find a place to live.

"We try to structure the sign-on bonus to best meet their current needs," said Brad Holliday, vice president for employee relations and performance management at Schaller Anderson Inc.

Sign-on bonuses

The health care benefits manager in Phoenix is offering larger sign-on bonuses than in the past, and some candidates use it as a down payment on a house.

"We are hearing that (housing costs) are a challenge, but it only seems to come from folks from the Midwest or those who live in less suburban, less populated states," Holliday said.

Recruiters at Schaller Anderson also spend time talking up the company's culture and benefits, the weather, Phoenix's proximity to other areas of Arizona and the Valley's growing entertainment options.

"It's not realistic for us to expect that any organization in the U.S. today can have wages that match the real estate growth in Phoenix," he said. "You make the most creative use of dollars that you do have."

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