The Changing Role of Recruitment Intermediaries

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IES Research Networks

Report 420

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IES is an independent, international and apolitical centre of research and consultancy in human resource issues. It works closely with employers in the manufacturing, service and public sectors, government departments, agencies, and professional and employee bodies. For over 35 years the Institute has been a focus of knowledge and practical experience in employment and training policy, the operation of labour markets and human resource planning and development. IES is a not-for-profit organisation which has over 60 multidisciplinary staff and international associates. IES expertise is available to all organisations through research, consultancy, publications and the Internet.

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Executive Summary

Background to the report

Recruitment intermediaries, or agencies, have had a tough time since 2002, but signs are that the market is picking up, and from the second half of 2003, agencies have begun to show increased confidence. Threats such as the growth of e-Recruitment, shared services within organisations and pressure on fees are present. Nevertheless, a growing market in recruitment is predicted, and the niche positions that intermediaries occupy that will remain in the foreseeable future.

This report explores the roles of intermediaries and some of the factors that are affecting them, together with the changes in the recruitment market. Several case studies from the employer and the intermediary perspectives are included. The report discusses the implications of changes on the role of intermediaries, and concludes with some issues and questions that will need to be addressed by those intermediaries who want to respond positively to the changing demands of employers and candidates.

Purpose of the research

The purpose of this project was to provide a current 'snapshot' of the recruitment market from the perspectives of major employers and particularly recruitment intermediaries (including executive search and selection firms, temporary worker providers and niche suppliers). The report focuses on the role of the intermediaries, but sets that focus in a context of their clients' situations, which ultimately influence intermediaries' roles.

Who are intermediaries?

Intermediaries include the host of organisations and institutions that stand between companies and employees. They help to broker the employment relationship. Recruitment intermediaries typically operate in one or more of three ways:

1. Finding specific skills in specific sectors.
2. Providing workers of all kinds in a specific locality.
3. Specialist 'headhunting' or search agencies.

Changes in the recruitment market

In 2003, statistics from the Recruitment and Employment Confederation (REC) indicated a sharp reduction in the permanent placement market in 2001, an area which had experienced significant and strong growth from 1998 to 2000. REC data for the year ending March 2003 indicated that the permanent staff recruitment market value was in the region of £1.58bn per annum. This represented a 4.8 per cent decrease on the value level in 2002, a drop in revenue that followed periods of year-on-year growth.

The Centre for Economics and Business Research made more positive forcasts in June 2003, stating that the job and recruitment market would stabilise by the latter half of 2003. KeyNote reports (2004) support the view, widely held by the intermediaries themselves, that despite a relatively weak performance of the permanent placement market in early 2003, increases in business volume were experienced from September 2003 onwards. Gradual rises in the market value are expected between 2003 and 2008.

Changes in employers' approaches

When recruiting externally, organisations report becoming increasingly focused on employer branding, and on quality of the advertisements placed. Over a quarter of organisations surveyed have increased line managers' ownership of recruitment procedures, while HR involvement is most commonly seen at the selection stages. The influence of technology and the internet is clearly growing, with 70 per cent of employers reporting the use of their own websites. Of particular interest is a significant increase in the utilisation of commercial online jobs advertising which rose from 15 to 40 per cent between 2002 and 2003, though this method is still regarded as providing large numbers of largely unsuitable candidates due to insufficient screening processes, and an inability to accurately match individuals with both the job description and the organisational culture. Clearly, intermediaries might offer a service in this area. Their knowledge of the market, rates of pay and benefits, and access to suitable candidates will help to give them the edge over unstructured internet approaches.

Some constancy in employers' approaches

Recruitment agencies and search and selection services remain the most popular methods of sourcing managerial and professional candidates (75 per cent using this method). Key responsibilities for the HR function remain advertisement placement (77 per cent), making offers (67 per cent) and recruitment-associated administration (91 per cent). There still remains a minimal number of organisations who use external providers for the complete recruitment process.

Online developments

A perceived, and perhaps real, threat to the role of recruitment intermediaries, comes from the growth of e-recruiting approaches.

E-recruiting, or web-based recruiting, can be described as any recruiting process that a business organisation conducts via web-based tools, such as a firm's public internet site or its corporate intranet. E-recruiting reduces costs and is perceived to bring improved efficiency. Because of this, 55 per cent of respondents expected their organisation to reduce its use of other recruitment methods in the future. In spite of the large proportion of in-house and external recruiters who engage in online recruitment methods, there is minimal evidence that the majority use these for senior/management level positions. The bulk of activity in this area is related to volume position recruitment.

The key limiting factors to e-Recruitment most frequently reported were the abilities and motivations of HR departments, senior management attitudes and the candidates' ability to use the technology themselves. However, the technology is changing rapidly, and with more of the population using the internet the growth of this method seems inevitable. Nevertheless, the ease by which candidates can send multiple applications has led to massive over-supply of applications, bringing with it an overload of data handling for HR departments.

There is opportunity here for intermediaries to provide an added-value service by handling the candidate-attraction process, providing screening and response management. Hence the use of e-Recruitment may be harnessed even more effectively by intermediaries, and, rather than a threat, it could become an opportunity for increased effectiveness.

Some implications for organisations and intermediaries

The services that are provided by recruitment intermediaries both on a temporary contract and permanent placement basis may continue to a large extent to be invaluable to their client organisations, who often may not have the resources, market expertise or legal ability to recruit key individuals into their organisation.

The reduced number of skilled, appropriate workers who are actively seeking employment is set to continue to fall, because of predicted reductions in UK unemployment between 2003 and 2007. Within a tight labour market such as we expect to experience in the coming years, intermediaries may provide the specialist abilities and access to highly skilled candidates that organisations are not able to approach individually.

The incorporation of new labour pools from the EU accession states will provide increased access to labour supplies, which may present significant opportunities for those intermediaries able and equipped to deal with international recruitment, tax and legal systems as well as bridging cultural divides.

Case studies

The case studies were selected in order to provide as wide a spread as possible of organisational type. All the companies were large recruiters and had established dedicated recruitment functions. Aspects of each company's approach to recruitment differed from the others, providing additional insights.

The organisations featured are:

- Marks & Spencer
- T-Mobile
- BBC
- Centrica
- Hoggett Bowers
- PSD Group
- Hays
- WorkDirections UK.

Going forward

We review some of the challenges, opportunities and questions that will need to be faced. The report itself cannot answer these questions, and cannot give guidance on all the challenges, but considerations are raised for discussion.

1. Introduction

The Institute for Employment Studies 'resourcing and organisation' research network focuses on the processes and practices that affect employing organisations. Broadly, the research area includes resourcing, organisation design, and organisation development. More specifically, projects in this network encompass issues that are at the forefront of organisational change, such as: human capital management; HR function; HR measurement; work organisation; technology support to processes (*eg* eHR, online recruitment); schemes for assessment and development of key employees (such as graduates and executives).

This project forms a key part of the network activity for 2004-05, and seeks to address prominent issues in the area of recruitment. Specifically:

- An examination of the past, present and likely future of the recruitment intermediaries market across sectors and levels of recruitment.
- What market driven changes are likely to affect intermediaries and how might they respond to these pressures?
- To what extent has the continued rise in e-Recruitment and other technologies impacted on intermediaries, and will this trend continue?

1.1 Project content

The purpose of this project is to provide a current 'snapshot' of the recruitment market from the perspectives of major employers, and particularly recruitment intermediaries, including executive search and selection firms, temporary worker providers, and niche suppliers.

A literature review informed a series of interviews and short case studies to ascertain how employers and intermediaries saw the market developing into the twenty-first century. Case studies were based on discussions with representatives from Marks & Spencer, T-Mobile, Centrica and the BBC. Telephone and face-to-face interviews with key individuals in a range of intermediary providers included Hoggett Bowers, Hays, the PSD Group and WorkDirections UK. These cases feature in chapter 3,

1.1.1 Member participation and input

In January 2004, the resourcing and organisation network provided a one day event for member organisations, looking at what was new in recruitment and selection. The aim of this event was for members to gain a better understanding of the current and likely future trends in recruitment and selection, and for IES to address key concerns or needs that members have in this area, potentially with further research or consultancy. Sharing experiences, knowledge and practice were fundamental elements to the success of this event.

Our conclusions from the event were that there are clearly some significant questions relating to the methods and process of recruitment and selection that needed careful attention. Through consultation with selected members the project explored the nature and influence of the intermediary market on these processes, with the aim of looking at how changes and developments in the recruitment sector had affected the use of intermediaries to date, and how they would affect further developments.

2. The Recruitment Market and Processes in the UK – 2004

2.1 Background

Intermediaries include the host of organisations and institutions that stand between companies, and employees, and that help to broker the employment relationship. Recruitment intermediaries typically operate in one or more of three ways:

- Finding specific skills in specific sectors.
- General operators who may provide workers of all kinds in a specific locality.
- Specialist 'headhunting' or search agencies.

Industry activity, market size and composition are difficult to ascertain because the intermediary sector is typically made up of many small companies, sometimes with large turnovers. There are also distinctions between those offering permanent and temporary placements, the level of position typically recruited for, geographical coverage and market specialism.

What leads organisations to use recruitment intermediaries? Demanding economic climates have forced organisations to continually search to reduce costs, and improve flexibility and productivity, which has translated to methods of resourcing and recruitment. Technological advances and globalisation are often cited as driving forces for increasingly flexible working practices, and the need to re-assess methods by which these workers enter the organisation. Other commentators (Lepak and Snell, 1999, cited in Purcell and Cam, 2002) highlight the importance of an employer's needs for particular skill sets, knowledge and experience as directing forces in the organisation's decisions about employee resourcing strategies, and ultimately the way in which they choose to recruit.

According to the Recruitment and Employment Confederation (REC) 2001-02 annual industry survey, 93 per cent of total employment agencies invoiced sales was related to temporary placements in the UK, with permanent placements seeing a marked increase prior to 2000, and with a slight decline since entering the twenty-first century, (Purcell and Cam, 2002). It is important to note however, that although this picture looks unbalanced, in terms of market value to intermediaries, the permanent placements may be worth as much or even more than the temporary share due to the likely level and nature of permanent positions filled via intermediaries.

Caulkin (1995, as cited in Purcell and Cam, 2002) importantly notes that *'the recruitment services industry is vulnerable to cyclical and structural fluctuations'*, and industry surveys indicate that the effects of volatile economic climates and recessions, are more acutely felt by the permanent intermediary market, than temporary placement services (1994). At a general level, the size and prosperity of the recruitment industry is often considered to be indicative of the strength and direction of the economy as a whole. This can be tracked both through the numbers of invoiced placements made and also the number of individuals working within the industry itself. REC estimates more than 2512 new intermediary branches opened between 1999 and August 2002. This, despite some difficulties in the market at the turn of the twentieth century, demonstrates an overall confidence in the recruitment industry, and could be a broader reflection of business as a whole.

There are many challenges to recruitment intermediaries at this time, which may be seen to include (but are not limited to):

- The advancement of e-Recruitment / e-assessment / e-selection
- Company owned / in-house or outsourced shared service recruitment
- Growing priority on retention, particularly in tight labour markets

- Recent legislative changes regarding online recruitment as detailed in the Conduct of Employment Agencies and Employment Business Regulations which came into effect in early 2004
- Changing nature of work, employment relationships and career paths.

This report examines the forecasts of market change in the coming years, and the challenges intermediaries might may face, particularly as a result of increasing use of e-Recruitment, and organisations choosing to retain their recruitment activities entirely in-house. It is brought to light by case studies from large organisations and a selection of recruitment intermediaries.

2.2 The recruitment market

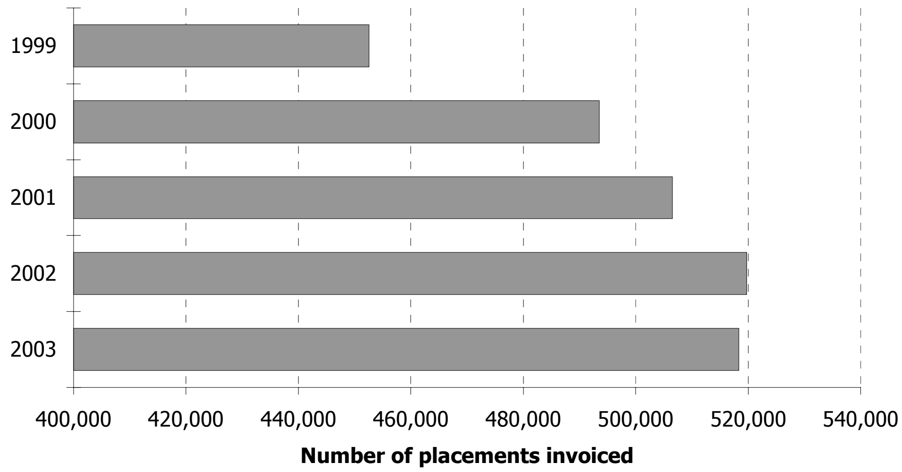
In April 2004, People Management's recruitment industry overview (CIPD, 2004) posed the following question:

> *'The bear that plagued the stock market seems to have padded back into the forest, leaving a happier scene for those who survived – and suffered – during the UK's economic downturn. But what does it mean for a recruitment market that has been beleaguered by uncertainty?'*

A year before, the same publication had emphasised the traumatic effects of the UK economic downturn on the recruitment industry, and the pressures that this placed on intermediaries. In 2003, statistics from the REC indicated a sharp reduction in the permanent placement market in 2001, an area which had experienced significant and strong growth from 1998 to 2000. REC data for the year ending March 2003, indicated the permanent staff recruitment market value in the region of £1.58 billion per annum. This represented a 4.8 per cent decrease on the value level in 2002. In line with this, statements from the British Chambers of Commerce in January 2004 perhaps painted a less optimistic picture, as they warned that:

> *'The strong improvement seen in the fourth quarter of 2003 should be treated with caution. UK economic growth is over-dependent on the upsurge in public spending and recruitment, while future increases in interest rates and taxes would pose a very real threat to that business sector.'*

Figure 2.1: Number of permanent staff placements made by recruitment intermediaries, years ending March 1999-2003

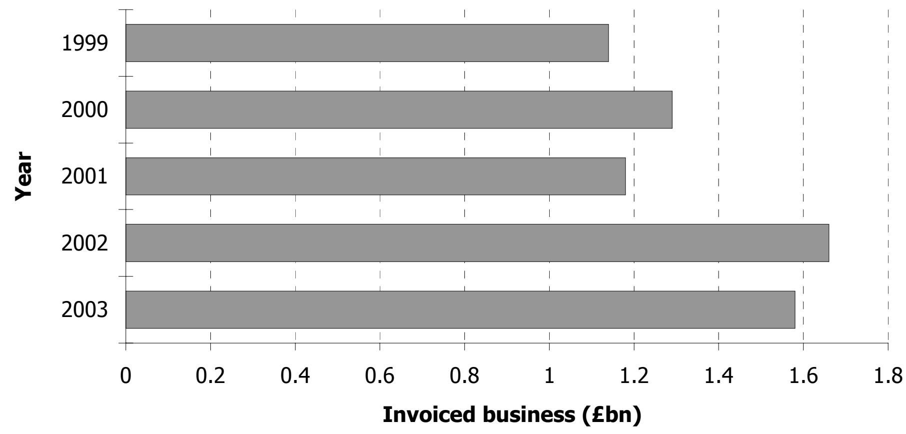


Source: REC Industry Survey, 1999-2003, in Key Note Market Report – Recruitment Agencies, Permanent, 2004

More positive forecasts were made by the Centre for Economics and Business Research in June 2003, which stated that the job and recruitment market would stabilise by the latter half of 2003, with significant recruitment drives expected in 2005. At a very broad level, since the start of 2004 there have been significantly fewer recruitment freezes, redundancies, and higher levels of recruitment related advertising: all key indicators that the market is entering more favourable times. This is supported by the REC Industry Survey, 1999-2003 (Figure 2.1).

The most recent Key Note report (2004) profiles the recruitment intermediary market, dividing between services provided to the temporary and contract sector and permanent placements sector. However, the way income is counted varies between permanent and temporary recruitment. This is because permanent recruitment activity is based on fees charged for the placement, whereas income for temporary recruitment includes the salary and wages paid to the temporary employees, as well as the fees charged to the client. Nevertheless the changes over time for each form of recruitment provide valid insights into the trends in the market.

Figure 2.2: The UK permanent staff recruitment market by value of invoice business, 1999-2003



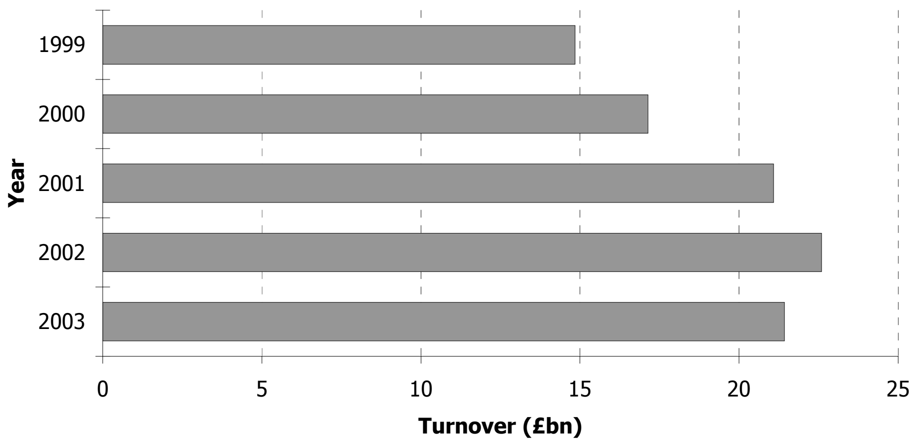
Source: REC Industry Survey, 1999-2003, in Key Note Market Report – Recruitment Agencies, Permanent, 2004

REC data indicate that now a more diverse range of positions is now being filled by intermediary services. It was noted that in 2002 around 25 per cent of roles filled by recruitment intermediaries did not fall into a specific job classification. Salary levels have been seen to rise at a slower rate than expected in 2001, which has implications for fee structures and the overall profitability of intermediaries.

The Key Note report forecasts more modest growth in the permanent intermediary sector and the UK economy as a whole and notes that this will follow the decline experienced in 2002. Strong year-on-year growth is however expected with an anticipated market value of £1.83bn in 2008.

A forecast of unemployment from 2003 to 2007 shows a drop. Though it does not necessarily mean an increase in the recruitment market, it does imply a more buoyant labour situation that might assist recruitment intermediaries. A summary of forecasts suggests that in spite of challenging economic climates, the services of intermediaries will remain in significant demand in the UK. In 2002, a TMP worldwide survey indicated increases in the numbers of organisations seeking external assistance, particularly in senior recruitment, with a 100

Figure 2.3: Total UK temporary and contract staff recruitment, by turnover, 1999-2003

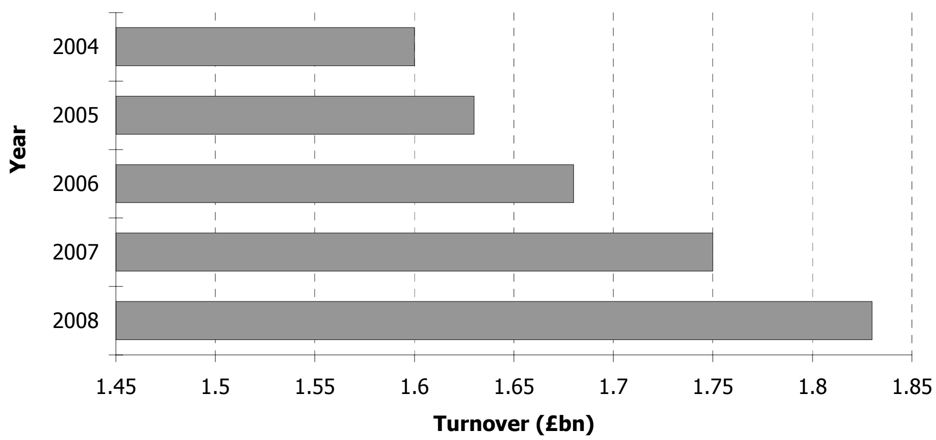


Source: REC Industry Survey, 1999-2003, in Key Note Market Report — Recruitment Agencies, Temporary, 2004

per cent increase in the numbers of senior executives being placed by intermediary assistance from 2000 to 2002.

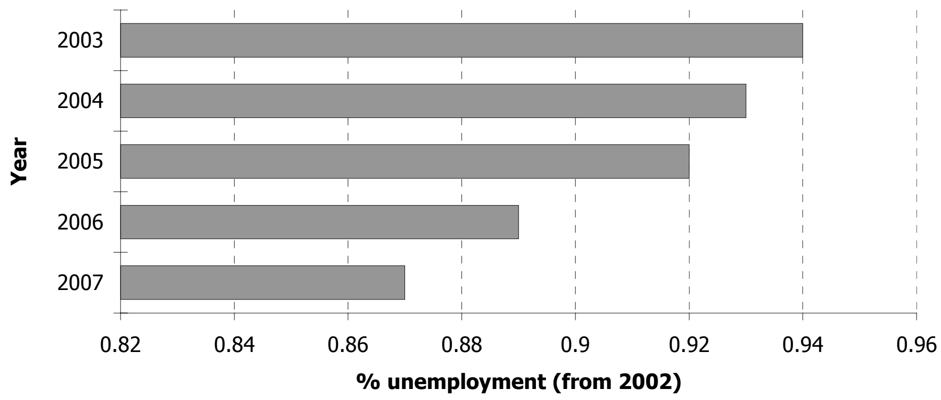
The Key Note reports (2004) support the view, widely held by the intermediaries themselves, that despite a relatively weak performance of the permanent placement market in early 2003,

Figure 2.4: UK permanent intermediary market forecasts, 2004-2008



Source: Key Note Market Report — Recruitment Agencies, Permanent, 2004

Figure 2.5: Predicted fall in unemployment, 2002-07



Source: Projects database, Government Actuaries Dept/Forecasts for the UK economy, Nov 2003

increases in business volume were experienced from September 2003 onwards. Gradual rises in the market value are expected between 2003 and 2008.

2.3 Recruitment, turnover and retention in 2004

The recruitment intermediary market is obviously intrinsically dependant on the recruitment market as a whole, and careful consideration of the economic and business contexts in which these services are seeking to operate is needed in order to assess their current and future market influence.

The CIPD survey, *Recruitment, Retention, and Turnover* (2004a) was based on the responses of 876 HR practitioners in the UK and Ireland. Key findings included:

Recruitment, retention and redundancies

- More than 85 per cent of organisations reported having experienced recruitment difficulties in 2003 (this was 93 per cent in 2002).
- Prominent reasons for recruitment problems included lack of specialist skills and inadequate experience levels of candidates.
- In 2003, labour turnover in the UK continued to be stable at 16.1 per cent, whilst in Ireland the rate rose from 10 to 15.7 per cent.

- 'Promotion outside the organisation' is the most commonly cited reason for labour turnover having affected 44 per cent of organisations.
- Methods for tackling retention issues varied considerably, but the most frequent responses included improving employee communication and involvement (46 per cent of responding organisations).
- Redundancies involving more than ten staff members occurred in over 30 per cent of organisations surveyed.
- Recruitment freezes had been experienced by over 25 per cent of responding organisations.

Methods of attracting and selecting

- In 2003 the most frequently used advertising medium for vacancies in the organisations surveyed was local and/or national newspapers or publications.
- Intermediary use, including temporary worker suppliers, executive search and selection and public service intermediaries was widespread — 81 per cent used these methods in the UK overall, with some sectoral variation.
- The highest level of intermediary use was reported by the manufacturing and production sector (91 per cent), with the lowest in the public sector services (55 per cent).
- Seventy per cent of employers were using e-Recruitment on their own corporate websites, with 40 per cent using commercial websites.

Recruitment responsibilities

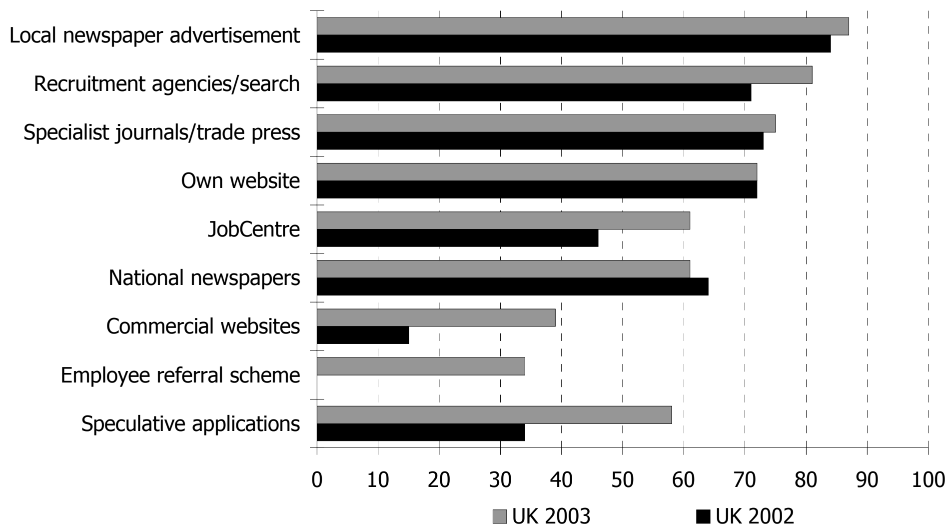
- Over 25 per cent of organisations are increasing the responsibility for recruitment to line managers, although at the selection stage involvement of a central/departmental HR function is still commonplace.
- HR responsibility appears to lie within the areas of advert placement, recruitment administration and procurement management with intermediaries.

2.4 Attracting key individuals — sector and occupational differences

When recruiting externally, organisations report focusing increasingly on employer branding, and on quality of the advertisements placed. The influence of technology and the internet is growing; 70 per cent of respondents report using their own websites. Of particular interest is a significant increase in the use of commercial online job advertising which rose from 15 to 40 per cent between 2002 and 2003, though this method is still regarded as providing large numbers of unsuitable candidates because of insufficient screening, and an inability to accurately match individuals with the job description and the organisational culture. From 2002 figures, significant increases can be seen at a UK level in the reported use of recruitment agencies, search and selection, Job Centre services, commercial websites, and the encouragement of speculative applications.

Significant increases in the use of intermediaries during the last year, most notably recruitment agencies and search and selection services, can be seen at an aggregate UK level; from 71 to 81 per cent of responding organisations reported using these services.

Figure 2.6: Methods used to attract applicants, by sector (per cent)



Source: CIPD, Recruitment, retention and turnover survey, June 2004

At a sector-specific level, the utilisation of such services increases from 84 to 92 per cent in the manufacturing and production markets, a trend that was also seen in the private sector service industries (increasing from 77 to 87 per cent) and the public sector (which also experienced a significant increase from 45 to 55 per cent). Only the voluntary / not-for-profit sector remained static in reported utilisation rates, which remained at 70 per cent in both 2002 and 2003.

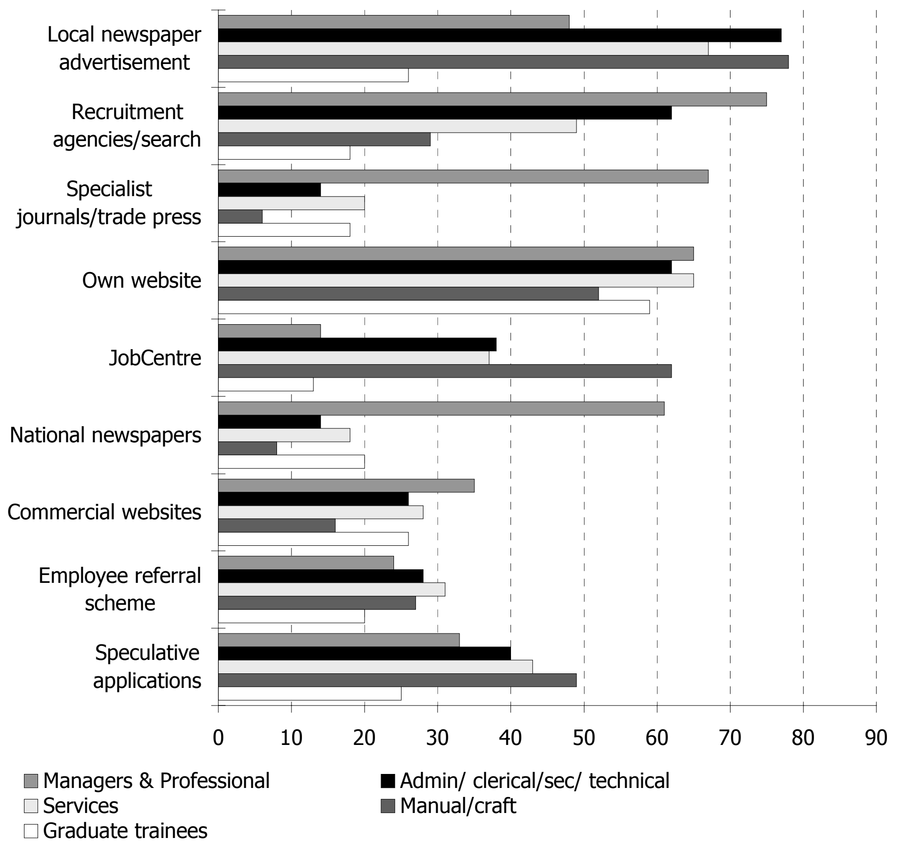
At an occupational level, key distinctions can also be made in the methods used for attracting key candidates. Recruitment agencies and search and selection services remain the most popular method of sourcing managerial and professional candidates (75 per cent use this method) though this is closely followed by the use of trade journals/specialist publications (67 per cent) and by advertising vacancies on companies' own corporate websites (65 per cent). Beyond managerial positions (with the exception of graduate trainee recruitment, which is most frequently associated with links with educational institutions) local newspaper advertisements are the most widely utilised medium for attracting candidates in all other occupation groups (Figure 2.7).

Assessment of where recruitment responsibility lies within organisations also reveals interesting patterns. Over a quarter of organisations surveyed have increased line managers' ownership of recruitment procedures, while HR departments are most commonly involved at the selection stages.

Key responsibilities for the HR function remain advertisement placement (77 per cent), making offers (67 per cent) and recruitment-associated administration (91 per cent). The use of external services increased in 20 per cent of responding organisations during 2003, which typically related to the utilisation of recruitment agencies, search and selection services and other outsourced offerings. Organisations tended to use these providers for screening applications but there still remains a minimal number of organisations who use external providers for the complete recruitment process.

The level of transactional recruitment activity remains high for the HR function. Of the 964 respondents' organisations, 22 per cent had seen an increase in the use of external providers, although a further 18 per cent had seen a decrease whilst the

Figure 2.7: Methods used to attract applicants, by occupation (percentage)



Source: CIPD, Recruitment, retention and turnover survey, June 2004

remaining 61 per cent saw no change in this area. This overall increase is consistent with the findings of the Key Note report (2004).

2.4.1 Online developments

A perceived, and perhaps real, threat to the role of recruitment intermediaries, comes from the growth of e-recruiting approaches. We explore this approach, and discuss whether e-Recruitment methodologies and the use of intermediaries conflict or in fact complement an organisation's resourcing strategy.

E-recruiting can be described as any recruiting processes that a business organisation conducts via web-based tools, such as a firm's public internet site or its corporate intranet. The surge of online recruitment methodology coincides with developments in the use of technology in the HR function as a whole, for example e-HR initiatives and online learning and development applications. Clear business cases for the adoption of online recruitment methods include improved candidate relationship management, and increased competitiveness in the returning 'war for talent'. There is also evidence that organisations are using internet technology and the world wide web as a platform for recruiting and testing candidates.

The IES survey (Kerrin and Kettley, 2003) of 50 organisations using e-Recruitment, reported that the primary drivers behind the decisions to pursue e-Recruitment were to:

- improve corporate image and profile
- reduce recruitment costs
- reduce administrative burden
- employ better tools for the recruitment team.

Fifty-five per cent of respondents expected their organisation to reduce its use of other recruitment methods in the future. The key limiting factors to e-Recruitment most frequently reported were:

- the cultural approach of the organisation towards recruitment
- the lack of knowledge of e-Recruitment in the HR community
- capability of internet usage by target candidates
- commitment of senior management.

Issues raised as causing concern with e-Recruitment included the quantity and quality of candidates applying using web-based tools (*eg* organisations being inundated with CVs attached by email, many of whom were not suitable for the post), the relevance of shortlisting criteria (*eg* the validity and legality of searching by keywords), confidentiality and data protection, and ensuring diversity of applicants.

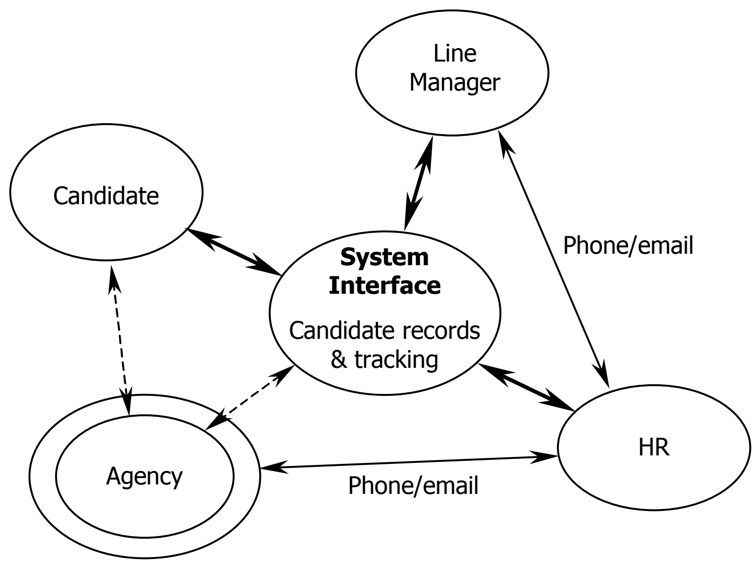
The trends in e-Recruitment use suggest a changing landscape whereby in future the candidate is connected to the central system and the line manager is involved in the process.

In addition to the reported benefits such as cost efficiencies, the role of HR in this model is viewed as more of a facilitative role, in theory allowing time for recruiters to become involved in the strategic issues within resourcing.

2.4.2 Evaluating impact

The experiences of IES members suggest that the emergence of fundamentally new e-enabled recruitment processes not only increases the opportunities, but also the risks associated with the resourcing process. Hence, evaluation of those risks and benefits becomes more important. It is suggested that current measures of impact in this area focus on efficiency (input and output measures), as opposed to measures of effectiveness and quality of output. The evidence from the IES survey, which asked organisations to indicate which evaluation measures they currently use, suggests that the former is true. Number of successful applications, cost per hire and internet/intranet site

Figure 2.8: Landscape of e-recruitment



Source: IES, 2002

traffic analysis, were the most frequently used measures in our sample; all input-output measures. Measures of quality were less evident.

Working with a small number of the case study organisations, a framework was developed and used as a mechanism for exploring the availability, and validity, of the data each organisation held on their staffing processes. The intention was to determine the usefulness of a supply-chain approach to measurement in making optimal investment decisions in e-Recruitment systems, and in measuring the value of e-Recruitment. The categories of measurement we explored with the participating companies were:

- cost of recruitment and selection activities
- time taken to fill
- volume/yield
- diversity and legal compliance
- candidate and employer satisfaction
- quality/value of the recruit.

IES' case-study members shared the researchers' conclusion that better information about the end-to-end process should lead to better decisions about any investment in e-Recruitment. An evaluation approach linked to the staffing process, as a 'value chain' we argue, is the way forward if organisations are going to truly understand the value of e-Recruitment.

2.4.3 Implementation challenges

The findings from the survey indicated that key implementation challenges were the cultural approach of the organisation towards e-Recruitment, and the lack of knowledge within the HR community. This has implications for training within HR to develop the capability to deliver e-Recruitment, and also elsewhere within the organisation (*eg* at line manager level). Finally, cultural and behavioural change was reported as the significant challenge in ensuring that e-Recruitment delivers. For intermediaries, the difficulties faced by organisations in developing, and maintaining a highly effective online recruitment methodology, may provide opportunities for expanding their services, or indeed working collaboratively in order to manage the online process for such clients.

Key messages for recruiters:

- Acknowledge that the adoption of e-Recruitment is not just a question of technology.
- End-to-end, recruitment systems are actually about being able to attract the right candidate.
- The selection process must be based on sound and credible criteria .
- The tracking process must integrate with existing systems.
- e-Recruitment requires significant cultural and behavioural change, both within HR and at line management level.

E-Recruitment and intermediaries: complementary or conflicting?

The role of recruitment intermediaries has been frequently questioned due to economic climates, market pressures, and the seemingly unstoppable technological advancements in this arena. Practitioners and commentators alike predicted several years ago that:

> *'Large companies would advertise job vacancies on their own websites and that jobs boards would have the rest of the market sewn up.'*
>
> CIPD, 2004

Practice and organisational testimony suggest that this trend has not yet evolved and that the traditional methods such as using intermediaries still have a significant role to play, a view that is supported by the intermediaries themselves. CIPD evidence supports the intuitive view that the use of online methods for recruitment continues to increase in a wide range of organisations. In 2003, 15 per cent of organisations surveyed used job boards in order to advertise their vacancies, though this represented a significant decrease from 2002, when almost 29 per cent had reported using such methods in order to attract candidates. More than 85 per cent of recruiters used online methods to accept recruitment enquiries and applications. Seventy per cent of organisations accepted applications online, advertising vacancies and providing links to career opportunities on their own corporate websites. Hence the use of e-Recruitment may be harnessed even more effectively by intermediaries, and, rather than a threat, it could become an opportunity for increased effectiveness.

As technology continues to improve, developments in the automated online processes, through the whole hiring lifecycle are likely to evoke greater use of the following online:

- Advertisement
- Application/CV submission
- 'Intelligent' online CV screening/analysis
- Talent screening/online testing
- Interview scheduling
- Applicant self -selecting/de-selecting
- Applicant-organisation 'cultural fit' assessment.

The anticipated benefits of increased development and use of online methods by recruiters (whether organisations or intermediaries) are likely to be reducing time to hire and cost to hire, reducing overall operating costs thanks to less labour intensive methods and potentially improved candidate experience. However, it has been suggested that the online experience of potential applicants will be significantly linked with their perceptions of the organisation, and ultimately their future dealings with the organisation, which could well be as a customer. This raises significant questions for companies seeking the potential cost benefits of taking recruitment processes away from intermediaries in favour of self-managed online methods.

Inappropriate, ineffective or simply difficult-to-use systems are likely to have a great effect on candidates' experiences of the process, and their perceptions of the organisational brand. Meticulous consideration needs to be given to the cost-benefit element of moving recruitment online, where users' negative experiences ultimately may affect sales, and remove the financial benefits the organisation was seeking by implementing technology-based recruitment methods.

Despite the large proportions of in-house and external recruiters who engage in online recruitment methods, there was minimal evidence that the majority used these for senior/ management level positions. The bulk of activity in this area related to 'volume' position recruitment, and most notably graduate trainee programmes, which candidates may expect to be able to apply for online.

2.4.4 Collaborative working

Collaborative working between organisations and intermediary suppliers is increasing in prominence. More and more frequently, consultancies operate alongside organisations in online recruitment. There is a recognition that candidate management methodologies tend to differ between organisations and intermediaries. Collaborative working may well require significant investment on the part of intermediaries if they are to integrate technologies with their clients. In such situations, consultancies may still be responsible for the screening and expectation management of candidates, simply using their clients' online recruitment methods.

Recruiters and HR practitioners see the key to cost-effective recruitment to be in the strength and depth of the consultancy–client relationship. Maximum benefit from intermediaries may well be achieved through the following:

- Clear points of contact — beyond 'preferred supplier list gatekeepers'
- Strong internal 'mandates' for the vacancy to be filled
- Time invested into developing relationships, sharing knowledge and market experience
- A confident approach to using the skills of consultants as opposed to 'fear of fees culture'.

Appropriate intermediary involvement, especially when considering online recruitment options, may be seen in resourcing situations such as:

- When the vacancy is senior and/or confidential or market sensitive
- Constant/volume recruitment in a particular area
- When building employer branding beyond superficial statements
- Taking a national approach — consistency of recruits across locations.

On-site intermediary presence in large corporations can clearly provide the benefits of consultants' dedicated attention and expertise based on intimate knowledge and experience of the organisation, whilst also enabling significant organisational involvement. Some organisations that have developed such departments report a reduction in cost to hire of roughly 25 to 30 per cent, with the time to hire also being reduced by the in-house involvement of a focused intermediary team. For example, a Financial Times Report from 2003 indicated that having centralised all vacancies to one website, the Arcadia fashion group estimate to have saved in the region of £220,000 per year in recruitment costs alone. Similarly, Tesco supermarkets have reported a saving of at least £2,000 per graduate hired per year, having moved this process away from traditional and intermediary-assisted methods to in-house, organisation managed online selection processes (The Financial Times, 23 October 2003).

3. The Implications for Organisations and Intermediaries

Recruitment intermediaries, or agencies, have had a tough time since 2002, but signs are that the market is picking up. Agencies have shown increased confidence since the second half of 2003. But what are the threats to this potentially lucrative area of business? With the growth of e-Recruitment, shared services within organisations and pressure on fees it would be easy to conclude that the days of plenty must be coming to an end for agencies. However, while there may be difficulties ahead, recruitment agencies still have a viable future. What is happening to keep recruitment businesses buoyant? Where are the threats?

The recruitment market is predicted to grow steadily, and it is this prospect that is providing the sense of security for recruitment intermediaries. It is true that many more people are seeking their next career move through online approaches, and that shared service functions within organisations are taking a large amount of recruitment activity from external sources. This might give the impression that there is space for all players in the market, but what will happen if the market tightens? How can intermediaries differentiate themselves, and harness new approaches?

The services that are provided by recruitment intermediaries both on a temporary-contract and permanent-placement basis may continue to a large extent to be invaluable to their client organisations, who often may not have the resources, market expertise or legal ability to recruit key individuals into their organisation, especially when this occurs between competing companies. There is a continuing level of confidence that such services at a senior executive level will remain relatively stable though market intelligence. Evidence from organisations and intermediaries suggests that challenges may be faced at the lower end of the recruitment market in the coming years. The Key Note reports (2004) show that during 2003, there was a continuing difficulty in finding appropriate candidates — an issue that was felt by both organisations and intermediaries because of the low levels of unemployment.

The reduced number of skilled, appropriate workers who are actively seeking employment is set to continue to fall, because of predicted reductions in unemployment within the UK between 2003 and 2007. Within a tight labour market such as we expect to experience in the coming years, intermediaries may provide the specialist abilities and access to highly skilled candidates that organisations are not able to approach individually. Labour shortages will however continue to affect not only organisations seeking new recruits, but also the recruitment companies seeking to fill these placements. The incorporation of labour pools from the new accession states will provide increased access to labour supplies. This may present significant opportunities for those intermediaries able and equipped to deal with international recruitment, tax and legal systems, as well as bridging cultural divides.

3.1.1 Employer and intermediary experiences

Pertinent questions for recruitment intermediaries and employers involved in developing strategies that incorporate or move away from using such services include the following:

- Are intermediaries aware of the moves within their client organisations towards increasingly innovative recruitment methods?
- Will online methods increasingly take over various areas of organisations' recruitment — moving into more senior areas as well as continuing success in lower level/volume recruitment?
- As technology develops — especially with the introduction of more 'intelligent screening' systems — will paper-based application methods and the need for intermediaries reduce further?

- Will organisations begin to appropriately measure the time to hire and cost per hire using the newer methods, and how can this be done?
- How does this impact on intermediaries — will they need to develop new services or products, or interact with their clients in a different way?
- Will senior-level executive recruitment be affected significantly?
- Will those intermediaries at the lower end of the intermediary service spectrum begin to lose market share?
- How will intermediaries tackle the challenges posed by organisations' increased use of online methods, shared services, and more innovative recruitment schemes?
- Are intermediaries realistically aware of the challenges they may be facing?
- What kind of approaches are intermediaries likely to use to develop and maintain market growth?

These questions formed the basis for discussions with case study participants, the results of which follow in chapter 4.

Selection of case studies

The case studies were selected in order to provide as wide a spread as possible of organisation types, whilst recognising the small number of cases. All the companies were large recruiters and had established dedicated recruitment functions. Also, each had aspects of their approach to recruitment that differed from each other, and would provide additional insights to the reader.

In particular, Marks & Spencer has a reputation for working very closely with its suppliers of goods and services. It was also going through considerable change in its business, having experienced long periods of falling sales; hence its approach to recruitment was interesting. Would it want to sacrifice recruitment quality for lower costs through lessening the relationships with intermediaries?

T-Mobile was interesting because, as a rapidly growing company, it is very active in recruiting for a wide range of roles. We wanted to explore how it would keep costs of volume recruitment down, and how, why and where it would use intermediaries.

The BBC has been going through great change, dictated in part by the changing offerings made to the public, which themselves reflect the changes in taste of the viewing and listening public. Since it has to answer directly to the public for its expenditure we were interested in finding out how it would recruit for the changing demands, and how it would best use intermediaries as part of its recruitment strategies.

Centrica had made significant effort to recruit all of the recruits to its British Gas Academy through online approaches, though this was not the only method used throughout the group. We were interested in discovering which levels of role are most suited to which recruiting methods.

The intermediaries we selected were, again, intended to give a spread that typified the range of intermediaries. Our aim was to cover intermediarys' permanent recruitment activity in the areas of:

- search consultancy
- mid-level management and professional
- trades.

We also wanted to explore the role of organisations in volume recruitment of temporary posts.

As not all recruitment activity stems from recruiting people who already have jobs, we wanted to gain an overview of how intermediaries contribute to welfare to work schemes. We included in one such organisation as a case study. Clearly, one case does not fully describe this sectors' activity, but it gives a real of example of how an organisation has tackled this role and therefore should provide some enlightenment.

4. Case Study 1: Marks & Spencer

4.1 Organisation profile

Marks & Spencer plc is one of the UK's leading retailers of clothes, food, home products and financial services. Some ten million people shop within their group each week in over 375 stores. Marks & Spencer plc also has 155 stores managed under franchise in 28 territories, mostly in Europe, the Middle East, Asia and the Far East, the Republic of Ireland and nine wholly owned stores in Hong Kong. Marks & Spencer plc owns the US supermarket group, Kings Super Markets. Marks & Spencer's UK workforce currently stands in the region of 55,000 employees nationwide, including those at a store- and office-based level.

4.2 Current and future recruitment practices

The scale and composition of Marks & Spencer's workforce requirements demands a highly structured yet flexible recruitment plan, and in times of continuing organisational change the company needs to respond appropriately by maintaining their exceptional staff base. Current use of intermediaries such as recruitment agencies and search and selection services, is generally limited to the more specialist roles, whilst volume and lower-level recruitment is handled directly in house, and increasingly via an enhanced online application and talent screening service. For intermediary activity, a strong and well maintained preferred supplier list is in operation, which is reviewed by both the HR function and line managers in collaboration with the corporate services procurement department. The use of intermediaries is based on a constant demand for increased value-added services from these providers. Key areas where Marks & Spencer is seeking improved performance from intermediaries include:

- reliability
- reduced time to hire
- market intelligence
- contact network
- fee reductions.

Of particular importance to Marks & Spencer's recruitment process is the development and enhancement of brand/employer perceptions. The role that intermediaries play in creating and maintaining this on behalf of Marks & Spencer is likely to form an integral component in the decisions to continue using such services. Increased in-house development of technology-based application procedures which have now been widened beyond graduate recruitment may also indicate a shift away form intermediary use. Senior and highly specialist roles are likely to still depend upon the market experience and exposure of boutique type intermediaries, where access beyond the active job seeker is essential. There were no significant changes in intermediary activity foreseen beyond the coming six months, when reductions and refinements in suppliers are planned.

4.3 Online recruitment activities

The Marks & Spencer online recruitment offering, allows digital access and application to vacancies in stores and offices in UK and Ireland. This is divided into five key areas or potential staff groups :

- Stores and head offices
- Customer assistants
- Section managers
- Graduate futures
- Business placements.

For each staff grouping, further options and additional information are made instantly available to potential candidates and applicants, including rewards/benefits, lifestyle options, training and development, a day in the life, is Marks & Spencer for you? and of course details and hyperlinks for submitting applications. The realistic preview of both the organisational culture and the roles within it are seen as key drivers to the success of the online recruitment package at Marks & Spencer, and of integral importance not only to appropriate recruitment, but to healthy retention levels of staff.

Graduate recruitment has been a digitally enabled process for Marks & Spencer in the UK for over three years, and it is estimated that this has streamlined the 'time to hire' from more traditional paper-based methods by approximately three months, with significant cost and administrative reductions. At the time of launching the online recruitment for graduates, approximately ten per cent of UK organisations used such methodology, a figure that today lies in the region of 80 per cent for graduate recruitment processes.

July 2004 saw the inclusion of store vacancies in the Marks & Spencer online recruitment offering, marking a distinct shift away from more traditional methods of applicant attraction, such as in-store and local press advertising, that were previously used for these roles. The online procedure available to candidates encompasses not only application and personal details submission, but also integrates talent screening tools in order to refine the candidate pool more appropriately, along with several stages at which self selection/de-selection are possible.

Future plans regarding online recruitment are unconfirmed at the time of writing, but are likely to involve significant further research and investment in technology-based recruitment methods. Of key interest is the meeting and exceeding of expectations of the online recruitment experience at Marks & Spencer, in line with an organisational recognition that the potential candidate pool is likely to contain current and future customers. There is also an increased interest in enhancing the talent-screening process to include selection tools for candidate self selection/de-selection, and also more refined methods of accessing key skills and attributes through online assessment tools.

4.4 Current recruitment challenges

Marks & Spencer identified several key areas where the HR function and organisation as a whole is seeking to enhance the recruitment process and workforce. This most notably included the following:

- How will recruitment processes change in organisational restructures?
- Which HR metrics are needed to 'win the war for talent'?
- How can 'the expectation of change' be incorporated into the recruitment/screening process?
- How can increased internal and external labour movement be encouraged?
- How can corporate branding and CSR impact on recruitment be monitored and developed?
- Internal talent assessments and skills/competency audits to strategically align recruitment needs and processes.
- Reward and benefits review.
- The potential impact of the forthcoming 14 to 19 White Paper, and appropriate responses to its findings/recommendations.

The involvement of intermediaries in responding to these challenges, particularly those relating to the external perception of Marks & Spencer could be significant, and indeed subject to change with pending restructuring and organisational change. Marks & Spencer is, along with many organisations facing and embracing periods of change and development, and the effectiveness of the recruitment processes is vital to the long terms success of these changes.

4.5 Innovative recruitment and community initiatives

'Marks & Start' is a new flagship community programme. It gives the opportunity of work experience to people of different ages and walks of life, helping them get ready to access the world of work. It aims to enable over 2,500 people each year into work, many of whom face significant barriers getting a job. These will include the people affected by homelessness, people with disabilities and the young unemployed. It will also include

school children, students who are the first in their family to aim for higher education and parents who want to return to work.

Six individual strands make up *'Marks & Start'* each tailored to the needs of its target group but all featuring:

- a two-to-four week placement either in a Marks & Spencer store or office in UK and Ireland.
- the allocation of a 'buddy' (a Marks & Spencer employee) as a mentor to each participant.
- the provision of travel expenses, lunch, a uniform and a reference.

The Work Foundation's evaluation (Jones *et al.* 2004) of the two pilots conducted prior to the roll out of the *Marks & Start* programme indicated that the programmes had been:

> *'Better connected to the company's HR processes, and deeply rooted in business need'.*

Whilst also appropriately and proactively impacting the issues of worklessness and social exclusion.

5. Case Study 2: T-Mobile

5.1 Organisational profile

T-Mobile is part of one of the largest mobile companies in the world. It is the UK network of T-Mobile International, one of the four strategic pillars of Deutsche Telekom AG. Deutsche Telekom's subsidiaries and affiliated companies serve over 80 million mobile customers worldwide. As well as the UK, it operates mobile companies in the USA, Germany, Austria, the Netherlands, Czech Republic, Poland, and Russia.

Within the UK, T-Mobile currently has a staff in the region of 7,000 people, distributed between head-office operations, key call-centre locations, retail outlets and nationally located engineers. Rapid growth in the mobile communications market in the last eight years has had significant impacts on the way in which such organisations are resourced and the demand and supply for the skills and individuals required to drive these companies.

5.2 Current and future recruitment practices

T-Mobile UK operates its resourcing on a low-cost, high-quality strategy, with differing models and processes for different areas of the business. For example, all recruitment for the customer services and retail areas are outsourced to a third-party supplier, whereas more specialised roles may be outsourced to intermediaries, dependent on the requirements and content of the role. Like many organisations, these tend to be when the role is sensitive, confidential, senior, though in 2003, T-Mobile UK self sourced over 50 per cent of its roles in this area.

In the future, T-Mobile UK feels that intermediaries will always be used for some roles, though there may be moves to change the type of intermediary that T-Mobile UK chooses to utilise, and the relationships that it develops and maintains with them. This potential shift may well be driven by increasing skills shortages within the UK, and the growing need to source and develop talent globally. Of key importance to the T-Mobile UK recruitment offering is the development and embedding of a strong employer brand, which for a relatively young organisation with a global basis can be challenging at a local/national level.

5.3 Online recruitment activities

As a technology-based organisation, online and electronic recruitment methods are a key to the process, and have been firmly grounded in the resourcing of T-Mobile UK for some time. In April 2003, the T-Mobile e-Recruitment department was formed, with an in-house team of five dedicated specialists, and it is estimated that currently approximately 17 per cent of UK recruitment is achieved through these sources. This department was specifically given the remit of reducing the cost-to hire, and increasing the skill level of successful candidates.

The e-Recruitment department at T-Mobile UK encompasses a wide range of activities, and is not simply focused on online advertising and application processes. Particular areas of the online offering include realistic previews of the organisation, roles, culture, vision and values, global job search portals, and online CV storage. Less common techniques developed and used with success by the e-Recruitment department at T-Mobile UK include:

- targeted direct approach e-enabled sourcing
- search engines
- strategic use of jobs boards
- online involvement with alumni associations
- significant employer branding elements
- internally developed databases (Hot Talent) of individuals to directly target for key roles.

A key consideration was addressing the internal and external perception of e-enabled recruitment methods, and challenging views on what online services can provide and the benefits that they may bring. Initial figures indicate that the cost to hire may have been dramatically reduced for T-Mobile UK, from an approximate average of £2,700 to £800 per vacancy successfully filled. Sourcing appropriate candidates is understandably considerably quicker that traditional methods, which typically took 40 to 45 days for the successful candidate to be located. Online methods used by T-Mobile UK mean this figure is now nearer 20 days.

T-Mobile UK previously received only ten per cent of applications through online methods. This has now reached around 40 to 45 per cent, and is expected to surpass 50 per cent by 2005. Future plans for the continuing evolution of T-Mobile UK's online recruitment offering focus on more proactive organisational branding, and more in-depth talent filtering/ candidate self-selection mechanisms, which will more accurately assess individual or organisational cultural fit.

Significant involvement in, and continuing development of the T-Mobile UK online recruitment offerings, have clearly had an impact on the level and nature of intermediary usage. Whilst it is felt that there *'will always be a place for intermediaries'*, there is a significant internal drive to minimise the use of such service. At present, it is estimated that intermediary usage lies in the range of 20 per cent of all recruits annually, with very specific areas and occupational groups having the highest levels of success in using intermediary services.

As with many organisations, T-Mobile UK still feels that intermediaries are currently needed, and will still be in the future, for their specialist skills and market knowledge in resourcing senior executive roles, especially when these positions are confidential. Of particular interest is the T-Mobile UK finding that online methods can work across a variety of levels: it has successfully recruited in this way at middle-senior executive level. However, certain niche areas still need intermediary involvement, including finance and procurement.

5.4 Innovative recruitment and community initiatives

T-Mobile UK runs an in-house employee referral scheme or Talent Bank with great success, which currently accounts for in the region of 17 per cent of all successful recruits annually. It is aimed that this figure will rise to 25 to 30 per cent as the scheme enlarges over the next year. Key features of the Talent Bank process include:

- Referral system available to all employees, across locations, grades and job functions
- Basic payment made to the referee based on a percentage of the successful recruits' starting salary
- Gifts of store vouchers or similar for referees whose suggested candidates are not successfully recruited
- Monthly prize draw of two of the referees — a gift for each delivered to the employee at work to raise awareness and interest in the scheme
- Further incentives and large prize draws (including Red Letter Days or similar).

6. Case Study 3: BBC

6.1 Organisation profile

Across the UK, the BBC operates eight television channels and ten radio networks, 46 local and national radio stations, and the online site www.bbc.co.uk. Internationally, BBC World Service broadcasts on radio in 43 languages; BBC World delivers a global television news service, and the online site bbcnews.com offers international news and audio. These services are not supported by the licence fee but are paid for either by Grant-in-Aid from the government or by advertising. In addition to broadcast and online services, the BBC works in the community in many different ways including BBC Children in Need which raises large sums to help disadvantaged children in the UK.

The main strategic business of BBC People (the new name for Human Resources & Internal Communications) has been continuing to develop and implement the 'Making it Happen' culture change process designed to transform the BBC into the world's most creative organisation. There have been new initiatives to improve the quality of leadership, succession planning, recruitment and induction. As well as training its own staff, the BBC acts as a trainer to the wider broadcasting industry and it has continued to develop its free online courses. An important part of the BBC's role is to find and develop new talent, on and off air. BBC Talent is the key project in this area.

6.2 Current and future recruitment practices

The BBC aims to use intermediaries as little as possible, primarily because of cost, the highly specialist nature of some of the roles that are recruited for and its desire to make jobs accessible to as diverse an audience as possible. Where they are used this is primarily for 'hard to find jobs' and/or where confidentiality is essential. It was estimated that less than ten per cent of the 4,200+ placements at the BBC a year come via intermediary services. Intermediary use at the BBC can be differentiated into three distinct categories:

- hard to find
- confidentiality
- niche market specialists (*eg* head of BBC Sport).

When asked how the trend is likely to evolve in the BBC, Bob Forster gave the following response:

> *'It will change, and we will be aiming to keep use of intermediaries as low as possible. In this respect, we'll cut down the number of recruitment companies we use, and develop better relationships. It will lower costs and we'll get a better service because the recruitment companies will know they have to look after us. For niche market specialists, we are moving to do some of our own search work, by keeping an eye on the market and the likely people we may want to recruit. This approach is most likely with scarce people in jobs we know in other television/radio companies. For harder to find people, we may contract the research part of the assignment to outsiders, but use our own people to call the prospective candidates. Our recruitment consultants are experts, and probably around 60 per cent are from ex-recruitment companies, so the recruitment companies can't offer much added value here. We'll then operate in the way a search organisation does, but it will save a lot of money, and will get the people we want.'*

A key message that emerged is that for organisations such as the BBC, traditionally there has been little or no difficulty getting people to come to join them. This is still the case for some core jobs that people clearly associate with the BBC, but not for all, and there is a highly competitive market. In order to contend with this, and to find the people for jobs less obviously associated with the BBC, the internal recruitment consultants are having to develop the skills that agencies employ, and use them.

6.3 Online recruitment and shared services activities

The online recruitment offering of the BBC forms an integral part of the resourcing strategy and, indeed, provides the basis for a large volume of placements. A key strength of the corporate website is that it that allows people to 'break off part way through' and come back to their application, as well as providing CV storage and filtering, self selection systems together with leadership questionnaire responses that help in formulating interview questions. New technology also provides potential candidates with job alerts so that they will automatically be informed of jobs that meet their search criteria.

The BBC has found that it needs to be clear on job role as it has found that it is easy to become swamped with poor quality applicants. Specificity and realistic previews of the roles seem to be key to the success of the BBC's online offering, as well as appropriately forming the corporate brand and communicating this to potential employees who are likely to be potential 'customers'.

There is a clear recognition that the BBC needs to personalise their offerings to attract good candidates from a diverse population. To do this they try to give prospective applicants the option of human contact, through a phone or email. The phone lines are directed to their shared services representatives who have expertise in handling such queries, and assessing the most appropriate direction for the caller to take. The BBC offers a service for applicants without a PC, or internet access, to advise them where they can access the internet free of charge. It will also provide printed material instead.

> *'We do what we need to in order to make it possible, and personal, for anybody who wants to apply to us.'*
>
> Bob Forster

The BBC has considered contracting out this service, though this idea was rejected as the recruitment offering is seen internally and externally to play a part in building public value for the BBC, and in developing corporate branding, candidate perceptions *etc.*

The BBC has several key areas of focus for the future of its recruitment practices. These are likely to include:

- putting even more emphasis on recruiting in accordance with BBC values. The organisation has defined BBC values, which will be mapped to competencies and used to inform their recruitment criteria alongside the key skills and abilities required.
- leadership potential and capability is a major issue for the BBC as it is needed at all levels from team member to senior leaders. Recruitment procedures will need to take this into consideration in attracting the appropriate and required selection of candidates.
- giving more information to prospective candidates , especially regarding BBC values and expectations, *eg* online questionnaires, so that candidates who are obviously a poor fit will de-select themselves and not progress their applications.
- utilising innovative methods such as 'chat rooms' to communicate with prospective job seekers.

7. Centrica

7.1 Organisational Profile

Centrica was formed in February 1997 following the demerger of British Gas plc, and has the mission to be a leading supplier of essential services in its chosen markets, principally energy supply, home services and telecoms. In Great Britain it seeks to do this through two consumer brands, British Gas and OneTel. Centrica Business Services also provides a range of products and services tailored to the specific needs of commercial customers. The group includes two non-customer facing businesses in the UK, Centrica Energy and Centrica Storage. Centrica Energy sources the gas and electricity to supply customers through upstream gas production and electricity generation facilities and through wholesale and gas trading activities. Centrica Storage provides gas storage services for a wide range of customers including other businesses within the group.

Centrica has recently announced the acquisition of DynoRod, the UK drains specialist. In North America Centrica is the market leader in the unregulated sector of energy supply through their subsidiary in Canada, Direct Energy. In the USA, under the Energy America brand, the business supplies electricity and natural gas to customers in the states of Michigan, Ohio and Pennsylvania. In Texas, it operates as Direct Energy, WTU and CPL Retail Energy. Centrica's commercial division, Direct Energy Business Services, provides comprehensive, integrated energy solutions for businesses across Canada and Texas. In Europe Centrica are supplying customers in the newly deregulated energy markets of Belgium, through their Luminus joint venture, and in Spain, where they have launched Luseo Energia.

7.2 Current and Future Recruitment Practices

Across the Centrica group, there are over 5,000 new recruits each year. The diverse nature of the Centrica portfolio means that recruitment activity can include hiring contact centre staff from engineers through corporate function to energy traders, to name just a few areas.

To help it meet its resourcing challenge, Centrica has created two lists of preferred recruitment organisations. For middle management and below there are approximately 30 suppliers, a number that will be reduced over the coming year as Centrica exploits the use of their newly launched e-recruitment system. There also exists a preferred supplier list of search and selection organisations who work on Centrica's behalf to fill senior executive and confidential roles. All Centrica suppliers have clear service level agreements in place and have quarterly reviews to monitor performance. The reviews are a two-way process whereby both parties are able to give feedback and learn from previous assignments.

Centrica's resourcing strategy is to increase the use of technology through e-recruitment to source and manage candidates for them, reducing their reliance on intermediaries. The area that piloted this strategy was Centrica's Engineering Academy. The Academy was developed at a time when the UK economy was experiencing a significant period of growth and faced a national skills shortage of qualified servicing and installation engineers. British Gas took the initiative by investing in, and creating, its own engineering academy.

The academy is responsible for attracting and selecting high calibre candidates and through a UK-wide network of training centres it delivers a consistently high standard of professionally accredited and fully trained engineers to the business. It also plays a key role liasing with external bodies including the government and the utilities industry to promote engineering training. Through the academy, British Gas participates in the 'ambition energy' project, which is committed to recruiting gas engineers through the government's New Deal initiative.

7.3 Online Recruitment

Centrica's e-recruitment system was piloted in the engineering academy. The application procedure, which is online, offers vacancy search functionality and the option to be texted when appropriate jobs are added to the site. The system screens out candidates who do not meet the minimum criteria the academy requires, and redirects candidates to, roles that are more suitable. The e-recruitment solution has an applicant tracking system which allows the academy to manage the applicant professionally through the whole recruitment process. Candidates are also able to undertake bespoke online psychometric tests and book themselves in for interviews through the system.

Following the success of the engineering academy pilot further roll-out of the system is already underway, and a number of job boards are already linked to the system in order to reduce media expenditure.

Centrica's e-recruitment portfolio is seen as a key mechanism for employer and indeed corporate branding, which is regarded as especially vital for a diverse organisation, with a large variety of business units. Integrated into the system are applicant feedback systems to monitor satisfaction with the application procedure, and the origin of such applications. Data gained in this way has recently revealed that over 75 per cent of the engineering academy's online applicants are able to complete the process via internet access in their own home, which emphasises the prevalence of, and need and indeed business case for, implementing and extending online recruitment offerings.

8. Intermediary Experiences

This project sought to address not only the employer perspective of the changing role and nature of intermediaries, but also the views of the intermediaries themselves. Leading executives from four distinct intermediary services were interviewed in order to assess the extent to which the intermediaries' views of their future roles and market presence are consistent with their clients, including the case study organisations discussed in chapters 4 to 7.

The intermediary examples were selected for market presence and coverage and the different capabilities and likely perspectives possessed by each. The descriptions that follow are not intended to encompass all aspects of the intermediary market as this was beyond the scope of the study, rather they are intended to be indicative of some of the views and opinions within this market.

8.1 PSD Group

PSD is a leading international recruitment services organisation operating across a range of markets and countries providing specialist expertise in each area. This unique combination of breadth and depth enables it to deliver innovative recruitment solutions for clients and expert career advice for candidates, as well as pinpointing the specific requirements of each project.

PSD covers nine specialist disciplines operating through eight locations across the world including finance, technology, marketing/sales, HR, property, law, IT and purchasing. Key market focuses for PSD include mid- to upper-level executives within the £30,00 to £100,000 salary bracket, and although placements are strong in Europe and also the Asia Pacific region, approximately 75 per cent of invoiced placements are based in the UK. Interviews were conducted with the Chief Executive of PSD, Francesca Robinson, and Mur Snook, both of whom are located in the UK offices.

Several key changes in the recruitment market and practices that have occurred over the past 12 to 18 months were identified by PSD representatives, and included:

- lower levels of income, but generally improving markets
- more risk aversive potential career moves from candidates
- reducing head count in the recruitment intermediary sector
- higher client expectations of the speed, accuracy, and quality of service
- control of preferred supplier list agreements by procurement or purchasing departments
- Introduction of e-portals for submitting CV's to clients or online bidding and fee negotiation
- clients moving away from master vendor agreements
- increasing awareness that preferred supplier list arrangements may not always perform adequately.

Such changes in the market and practices provided PSD with the opportunity to assess its service offerings and explore reward and recognition programmes. Considerable efforts have been made in recruiting and retaining the highest calibre of consultants, which has resulted in the introduction of enhanced bonus schemes to reward loyalty and revenue.

Views of how the market will progress in the coming 12 to 18 months were positive, though clearly this is seen as explicitly dependant on macro-economic conditions. The development and maintenance of vendor-client relationships were seen as key to this, along with moves away from stringent preferred supplier list / master vendor arrangements. The effects of in-house e-Recruitment and shared services had not been acutely felt by PSD, as their business model was seen as not suited to 'cut price, volume recruitment', and increasingly it was felt that this may in fact provide opportunities for consultation with employers who may not be equipped/able to effectively manage the process as the market improves.

Current challenges for the PSD Group relate to economic pressures, and challenging organisational perceptions of the level and quality of service it seeks to provide. Recent technological advances including online fee agreement bidding systems, were identified as new procurement methods that hinder the relationship with organisations, the level of partnership and ultimately the quality of the recruitment process.

8.2 Hoggett Bowers

Hoggett Bowers is a senior executive recruiter, operating internationally across a range of industry sectors. It provides consultancy in executive search, advertised selection, combined search and selection and interim management solutions. Practices include financial services, energy and utilities, consumer goods and services, international healthcare, technology, transportation, and professional services. The organisation operates out of three offices with a total staff of approximately 40 people. Key industry sectors include financial, consumer, retail, technology, healthcare, energy and interim management, with approximately 40 per cent of placements occurring outside the UK. Interviews were conducted with Peter Sandham, who is the Chief Executive of Hoggett Bowers and is located in the UK.

Hoggett Bowers defines itself as having a distinct values-based culture that promotes empowerment, innovation, satisfaction, integrity and excellence in all their operations. The organisation seeks not only to provide recruitment and resourcing expertise to a variety of clients on a global scale, but also provides 'thought leadership' on several HR-related issues, increasing the 'value-added' services available to clients. Some years ago, Hoggett Bowers adopted a strapline of 'Delivering Leadership' to support the corporate badging. Part of the rationale is that recruiting leaders who can 'shape and inspire organisations to future success' is central to the Hoggett Bowers mission. Issues addressed in the last 12 months, have included:

- the leadership question
- changing work patterns
- visioning workshops.

Several key changes in the recruitment market and practices that have occurred over the past 12 to 18 months were identified by Hoggett Bowers' Managing Director, Peter Sandham, and include:

- definite growth in key markets
- 'recruitment has not yet reached full recovery but is on the road'
- stronger influences of procurement/purchasing departments in preferred supplier list 'gate-keeping'
- growth in shared services
- a move from output viewpoint to process viewpoint — perhaps using more commodity-type values.

These changes in the market and practices have affected Hoggett Bowers in a number of ways. Strategic focus has been given to raising its organisational profile, through initiatives such as thought leadership, with a greater importance placed on networking and external communications. Relationship building and maintenance are imperative to the success of Hoggett Bowers. Peter Sandham has observed the detrimental effects of organisations implementing shared services centres. He feels that such arrangements do not always allow full understanding of organisational cultures, and therefore may not provide the most appropriate service for the clients' recruitment needs. Consultant staffing levels at Hoggett Bowers have risen, indicating a return of confidence in the market, and a positioning for the future expansion of new growth areas, such as technology and healthcare recruitment.

Peter Sandham expressed positive views of how the market will progress in the coming 12 to 18 months with predicted market growth and a 'return to form' of the industry's strength. Hoggett Bowers has identified a.) assessing whether shared services and outsourced recruitment arrangements are working and b.) the return to relationship development as a core attribute as key areas for attention.

Views about the increase of shared-services centres, company delivered e-Recruitment and outsourcing offerings indicate an awareness that many organisations had pulled recruitment activities 'in-house'. This was not felt to be of serious concern to those intermediaries —like Hoggett Bowers — operating in the senior-executive range, because such methods only access the *active* job seeker and rely on methods that may only be suited and attractive to lower-level candidates. Current challenges for Hoggett Bowers include fulfilling the organisation's aspiration to be placed in the top ten of the Executive Grapevine market share league table, through raising the brand profile, where it has made rapid progress in recent years. The business has become acknowledged as a top-level search consultancy.

Visioning exercises in 2003 involving all Hoggett Bowers staff have been used to reformulate business plans and aims for the organisation. Key developments that are expected are increasing the global reach of the organisation, as well as corporate perceptions of the consultancy service. One innovative way that this is being addressed is by 'thought leadership' exercises, which include developing and enhancing the board-level practice through seminars, publications, career counselling and creating a stronger association between Hoggett Bowers and wider HR-related issues.

8.3 Hays

Hays is a FTSE 100 company and comprises a range of component recruitment intermediaries, including Hays Montrose, Hays Logistics and Hays Education, which together contribute to 30 per cent of the organisation's total revenue. A total of around 1,000 employees are spread throughout the UK, with further offices in Europe and Australia. Hays Montrose was established in mid 1950s as a temporary staffing agency for construction companies in central London. The organisation has significantly expanded since then with growth year on year. Areas of specialism include permanent placements within the £20,000 to £60,000 bracket and a vast range of temporary staffing solutions.

Robert Smith, Managing Director of Hays Montrose, Hays Logistics and Hays Education, noted the following changes in the recruitment market and practices in the last 12 to 18 months:

- record growth, month on month
- booming construction
- public and private sector recruitment both buoyant, shortage of skilled people
- sub-contracting increasing

- supply of people has been positively affected by the influx of foreign workers.

The ways in which such changes are perceived to have affected the Hays group can be divided into two key areas — strategically the focus is increasingly on the supply and demand for foreign workers, and accordingly seeking new sources of labour from more global labour pools. Operational effects include the need to locate consultants in other countries who can make judgements about those staff who can work in the UK. This is coupled with the need to develop language capability in the European country prior to individuals coming to the UK. Innovative practice from the Hays group in this area includes language and cultural acclimatisation programmes, for example, they are currently looking at linking up with appropriate college courses in these countries.

When looking to the coming 12 to 18 months, Hays viewed that the key developments in their market are likely to be the growth of the temporary market. This is related to the trend for people who want a better work-life balance as temporary or contract based employment in all sectors, which allows greater work flexibility. Flexible employment patterns are a key to the Hays business growth plan.

Robert Smith has noted that Hays is not unduly affected by technological advances and the increase in shared services/ outsourced recruitment options. It uses online recruitment, which is proving popular for higher-level jobs. Hays is also involved in e-marketing, e-shots (electronic mail shots) client micro-sites, internet search engine advertising and so on. In its key markets, SMS messaging gives Hays a competitive advantage, as it is able to reach potential temporary workers very quickly.

Challenges facing the Hays group in the coming months are seen to include:

- skill shortages, which though generally to its advantage, will eventually constrain its business.
- accession states' workers, who provide opportunities as well as challenges.
- increased cost and delay in employing teachers because of increased security (police checks *etc.*).

8.4 Welfare-to-work

8.4.1 The welfare-to-work market in the UK

'Welfare to work' is an umbrella term for government programmes aimed at helping people to move off benefits and into employment, and for those incentives devised to 'make work pay'. They are active programmes stressing interventions to help the client prepare for work and focus on the needs of employers. The approach has been described as 'work-first' because of the clear focus on employment. This increased provision of support looking for, and sustaining, work is supported by the fact that receipt of benefits is increasingly conditional on participation in welfare to work schemes.

The best-known programmes are the New Deals. The New Deal for Young People was launched in April 1998. Aimed at young people aged from 18 to 24 who have been unemployed for six months or more, it seeks to prevent long-term unemployment in providing young people with skills, work experience and ultimately employment. This was followed by the New Deal 25+, and subsequently by New Deal programmes for those over 50, partners of unemployed people, disabled people, and lone parents. The latter four programmes are all voluntary.

The private sector has been integrally involved in the delivery of these welfare-to-work schemes. There are 12 private sector led New Deal areas (approximately ten per cent of the total), of which two are delivered by WorkDirections. There are also 15 Employment Zones, which are delivered by private sector organisations. In some areas (multiple provider Zones) these are delivered by more than one organisation.

8.4.2 WorkDirections UK

WorkDirections UK is part of the Ingeus international human services group, which has been providing a range of employment-based services to governments, businesses and individuals since 1989. The group now employs over 850 people, with significant recruitment expansions under way in the UK.

The Ingeus Group was founded in Australia where there are now over 60 offices nation-wide, providing key employment services, including:

- accredited training programmes
- health and safety management
- injury management
- recruitment services
- contract labour hire.

The largest area of operation in the UK is:

> *'Helping socially excluded and disadvantaged individuals to find suitable, sustainable employment.'*
>
> Work Directions Annual Report, 2003

The welfare-to-work programmes delivered by WorkDirections UK help people who have been unemployed in the long term, single parents and those who have become incapacitated through injury or sickness. Key clients are typically those claiming job seekers' allowance, who are referred to the service by JobCentre Plus. WorkDirections places its clients into sustainable appropriate employment with a wide variety of employers. Roles tend to be at entry-level, though this will depend significantly on the previous work and experience of the claimant.

During their first two years of operation in the UK, WorkDirections has:

- grown its internal workforce from four people to a team of 200, over eight sites.
- secured seven of the largest outsourced welfare to work contracts in the UK.
- commenced delivery of the largest single New Deal for Disabled People contract in the UK.
- seen over 10,000 clients.
- helped more than 50 per cent of their clients find and maintain secure and sustainable employment.

The core principle that defines WorkDirections UK is the client-centric approach, which seeks to develop key work habits, interpersonal skills, and support clients where necessary in terms of cognitive behavioural therapy, occupational health, and medical services. Data indicate that over 50 per cent of the New Deal placements that have been made through WorkDirections UK and have been achieved through reverse marketing methods. WorkDirections UK market to employers for each individual client rather than blanket cold calling for multiple vacancies which may not be relevant. The client and advisor work together in order to identify a job that fits with the clients' experience, ability and interests. From here, the client is prepared for the exact requirements of the job, and the advisor then seeks to find the organisations where the positions of that type are likely to be vacant. WorkDirections UK view the end result as:

> *'…job-matching that works and creates lasting relationships'.*

8.4.3 Recent developments and future goals

With a strong and proven track record in delivering human services in Australia, the WorkDirections UK operation has to date followed suit, with a very successful first two years. In 2004, WorkDirections UK began delivering the employment zones in Nottingham, Brent, Haringey, Southwark and Birmingham. Employment zones were originally designed to help long-term unemployed people aged 25 or over find sustainable employment, and were designed to operate in 15 key areas with significantly high levels of unemployment. The Department for Work and Pensions (DWP) manages these zones, and in a major innovation, contractors from the public, private and voluntary sectors such as WorkDirections UK run the day-to-day operation of them.

WorkDirections UK currently delivers:

- private sector led New Deal programmes in Hammersmith and Westminster in London.
- New Deal for Disabled People in Birmingham.
- employment zones in Nottingham, Birmingham, Southwark, Brent and Haringey.

Interviews with representatives from WorkDirections UK identified the following as key developments in the recruitment sector.

- The rise in e-Recruitment has led to a de-personalisation of the application process. This is generally a less effective method for WorkDirections UK's clients, and is therefore used less than traditional cold and warm calling, or in-person applications.
- The move to outsourced recruitment processes raises branding issues for some job seekers, as the expected terms and conditions may not be replicated by the outsourced provider (most notable in public sector/local authority recruitment).
- Hard-to-fill vacancies exist in areas with high numbers of people on benefits. A creative approach to recruitment, procurement and in-work support can result in sustainable wins both for employers and unemployed individuals. Partnerships between employers and organisations like WorkDirections UK can result in the implementation of practices that improve recruitment and retention.

9. Looking Forward

Intermediaries are optimistic about future business, with some good reason. However, sustained business growth is more related to changes in predicted employment levels which will benefit intermediaries, than employer intentions. They will need to remain aware of the various threats to their business, stemming from the growth of online approaches and the plans of organisations to reduce involvement of intermediaries. Themes from an organisational perspective within this report include the following.

- Organisations are seeking to reduce intermediary use significantly. However, a predicted growth in the market may hide this effect.
- These services are likely to continue to be used (to varying extents) at senior level and for confidential appointments.
- Increased use of in-house online methods is likely to reduce intermediary use for volume and lower-level recruitment in the long term.
- More organisations are looking to innovative and community-based recruitment initiatives in order to strategically reduce dependence on intermediaries.
- Those intermediaries that are used are likely to be more rigorously selected on relationship development and management along with specialist knowledge and access to key candidate pools.

Key challenges, and opportunities facing intermediaries at this stage are therefore likely to include:

- working in partnership with organisations to develop, enhance and manage their online recruitment offerings.
- diversifying into shared-service centres or master-vendor relationships.
- offering significantly different services, *e.g.* to include testing services, HR advice, legal counsel and career development consultancy or coaching services.
- providing unique access to diverse labour pools including workers from the new EU states.
- Offering a more holistic, value added, full cycle recruitment service based on quality as opposed to price.

10. Information Sources and Further Reading

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