

What's Happening in Recruitment?

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What's happening in recruitment?

Recruitment intermediaries, or agencies, have had a tough time from 2002 but signs suggest that the market is picking up and agencies have shown increased confidence since the second half of 2003.

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, so what is happening to keep recruitment businesses buoyant, and 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 online, and that shared-service functions within organisations are taking a large amount of recruitment activity from external sources. But they are not predicted to take up more than the growth of the recruitment market, and are not yet significantly eating away at the agencies' volume of work. A recent study shows that the permanent recruitment market is growing at a rate of around one per cent per year and by 2008 will have grown by just under five per cent.

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?

Organisations are putting more investment into online recruitment, but this is no panacea. Making it easy to apply for jobs can create a deluge of unsuitable applicants, that still need to be screened by a person and to be dealt with in a professional manner. Company image and reputation are affected by candidates' experiences of their applications. As organisations are becoming more polished in their online approaches, they are reaping the benefits of efficient technologies, and are taking candidates away from intermediaries, who will need to respond and become more attractive to the online job seeker. In order to differentiate themselves, agencies will need to be more efficient than their client organisations, and offer a better experience to candidates.

In a quest to reduce costs, an organisational trend is to move to the shared services approach. This creates the equivalent of in-company recruitment agencies. Often staffed by former recruitment consultants, they provide stiff competition for external agencies in selection campaigns. There are also signs that organisations will, instead of employing agencies for this type of work, use their own staff to head hunt directly in the external market. Head hunting will continue to be an area dominated by intermediaries, but demands for cost-savings in this area will see downward pressure on fees, with tougher preferred supplier agreements. Agencies will differentiate themselves with their broader appreciation of the labour market, and will also use this knowledge to good effect by advising on remuneration packages.

Innovative approaches

Organisations are also recognising that innovative approaches will bring benefits, in ways that external agencies can't easily match. An example of this (below) is T-Mobile. With a considerable recruitment target each year, it has successfully used employee referrals as a major source of good candidates.

Recruitment intermediaries will need to keep up with technology developments, devise innovative ways of finding candidates, and provide a true added-value service if they are to maintain their share of the growing market, and protect themselves from any falling market. One recruitment agency, Hays Personnel, has recognised this in its recruitment of construction staff for city building projects. Below is a summary of how they are attracting better quality staff, and demonstrating that they can be quicker to source candidates than in-house recruitment organisations.

T-Mobile

T-Mobile has successfully adopted online recruitment methods. Until recently, T-Mobile UK received only 10 per cent of its job applications online. This has now reached around 40-45 per cent, and is expected to surpass 50 per cent by 2005.

The company also recognises that its own staff can be a source of candidate provision, by encouraging them to recommend friends and contacts for vacancies in the company. This has the added advantage that staff only recommend people they would be happy to work with. The company runs an innovative 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 25-30 per cent as the scheme enlarges over the next year. Key features of the talent bank process include:

- a referral system that is available to all employees, across locations, grades and job functions.
- basic payment made to the referee based on a percentage of the successful recruit's starting salary.
- gifts of store vouchers or similar for referees whose suggested candidates are not successfully recruited.
- a 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).

Hays Personnel

Hays Montrose (part of Hays Personnel) sources temporary construction staff for areas of the country where it is not easy to recruit qualified people. It has to demonstrate that it can place suitable candidates quicker than other agencies and quicker than in-house recruitment organisations. Its challenges are twofold:

- Finding good candidates
- Getting good candidates to the hiring manager to meet urgent staff needs, before other recruiters can do the same.

To achieve its first goal, Hays Montrose is setting up innovative schemes within the accession states of Europe, to recruit people who wish to work in the UK. It is providing English language training, together with industry and other briefings for potential hires, then finding suitable roles for the people in the UK.

To handle its second challenge of quickly providing good candidates, Hays Montrose is harnessing text messaging. It is an effective, and safer, method of contacting people who are working on building sites. Interested candidates can call back when it is convenient and can be placed in their next role within a matter of hours, without ever leaving their working site.

Summary

After a difficult two years, the recruitment market is picking up, and is projected to grow by around five per cent in five years. Pressure from re-organised HR functions and innovative recruitment approaches will take business from agencies, but they will be able to differentiate themselves by becoming 'slicker' and making use of their wide appreciation of the labour market.

The full report, *The Changing Role of Recruitment Intermediaries*, will be available in February 2005, and the project will feature in the Research Networks Conference in April.