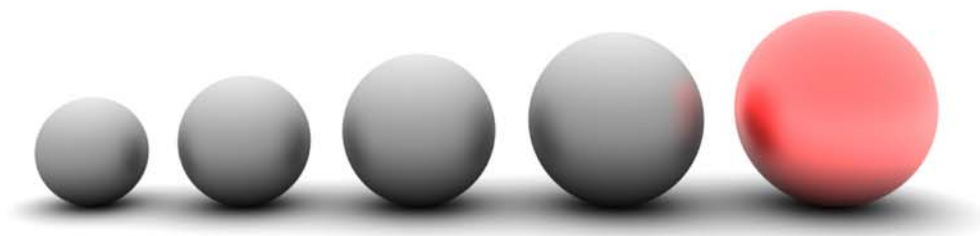
Preview Sample

Recruiting Metrics & Performance Benchmark Report

2009 Edition



Efficiency / Alignment / Effectiveness / Performance

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OPTIMUM PERFORMANCE

Preview Sample

Recruiting Metrics & Performance Benchmark Report

2009 Edition

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List of Graphs and Charts

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Chapter 2 | Pages 11-14

Recruiting Trends

Trends

Toward greater efficiency
Toward greater effectiveness
Toward improved business alignment

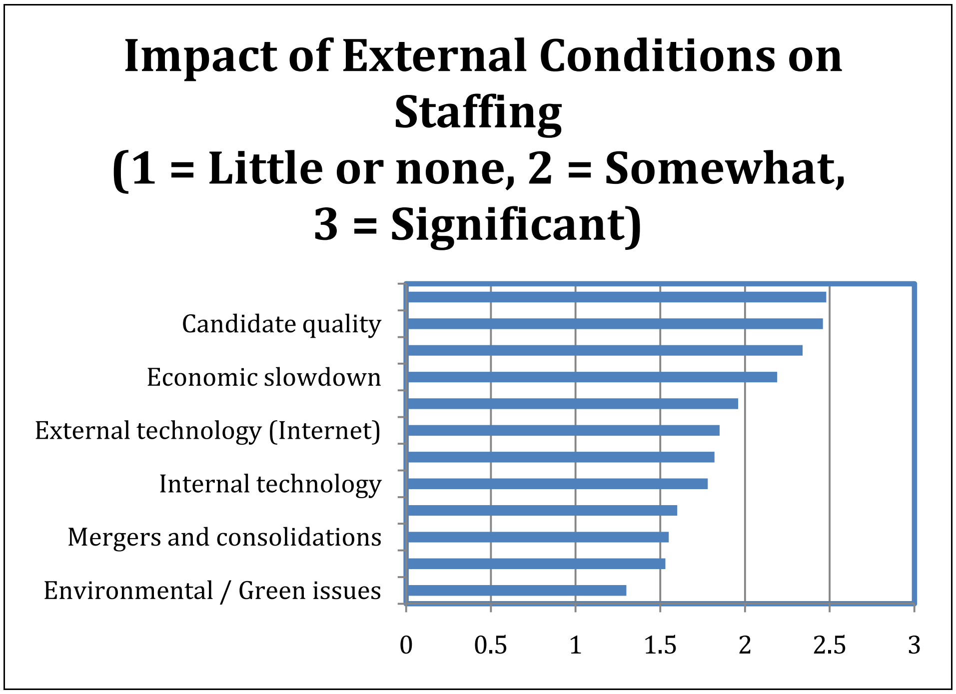
The fundamentals of the staffing equation remain constant. It may appear otherwise as we reel from the effects of the economic downturn, but the same basic market that existed before the downturn still exists today. Sharp, short-term fluctuations either up or down make headlines, but do not much change the larger landscape.

At its core, staffing remains a supply/demand equation: on the one side, the number of open jobs, where they are located and the skills required to fill them properly; on the other, available job candidates, where they live, and whether they have the skills, talent, and experience to perform well in those jobs. When the United States marketplace is operating efficiently, employment runs 94-96%. At the moment, we are out of balance. The public mood is dark.

Yet even as net monthly job numbers turn negative, staffing has not stopped. As this report goes to press, there are three million jobs that need to be filled. When the short-term supply/demand equation changes, it changes around the edges. The vast majority of people continue to work. The natural flow of young people into the workforce and older people out of it continues. Even as certain industries suffer contractions and layoffs, others expand and hire. There are always winners and losers. This dynamic does not change.

Another thing that has not changed is the stress felt by corporate staffing departments. In boom times, staffing professionals worry about worker availability, recruiter workloads, doing more with less, worker training and management succession. During contractions, they worry about retention, cost controls, defending headcount and managing layoffs. Staffing is not easy in any season and as the world globalizes and technology advances, it will become more complex and difficult to do well.

Figure 6



Changes That Do Matter

Our research suggests that efficiency, effectiveness and business alignment will be the staffing imperatives of the next decade. What new perspective will that require? Once day-to-day concerns are dealt with, where should we be focused? What should our planning - and careers - take into account? Short-term economic fluctuations aside, there are powerful long-term trends at work in the job marketplace that will have major impacts on staffing. Together, they are slowly but inexorably altering where work is done and by whom, how companies are structured and how workers look for jobs.

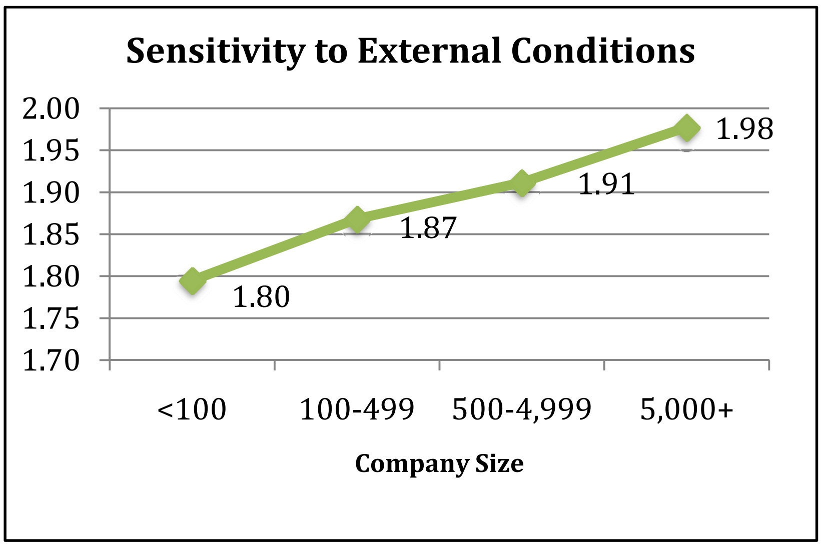
Efficiency, so important in any business climate and in every business function, will become more so. We refer to it as one of the trains barreling down the tracks toward the recruiting profession. But efficient recruiting has become more complicated in recent years and harder to do well. And as this has occurred, a gap has begun to appear between companies who have adapted and those who haven't. Into this gap have stepped third-party specialists who combine new technologies with economies of scale and sharp business focus to do the job better. The marketplace is evolving.

In a more complex, evolving marketplace, we see three segments forming:

- **Smaller employers with smaller-scale recruiting needs that can be adequately handled by staffing generalists**
- **Large employers who choose to develop sophisticated recruiting capabilities in-house**
- **Third-party staffing companies who take over staffing for companies with "average" staffing capabilities**

This market segmentation has already happened in payroll services, travel services, telemarketing, computer services and customer relationship management. Whole industries have been created and whole in-house corporate departments eliminated by this phenomenon.

Figure 7



Long-Term Trends

Globalization, demographic shifts and technological trends are all converging on the job market. They form the context in which jobs are offered and jobs are sought. They are the deep powerful currents on which the staffing boat floats.

Each trend increases the pressure on recruiting organizations to be more efficient and effective in their work while at the same time making that work more challenging. The combined effect of the following trends on finding and hiring the most appropriate workforce is both unprecedented and extremely powerful.

Avg. Ratings of Anticipated Impact of External Conditions by Industry Sector (Employees)

External Conditions Shading indicates value of 2.20 or higher	Aerospace Defense	Banking	Insurance	Other Fin Services	Software Technology	Consulting	Education	Energy Utilities	Government	Manu-facturing
Candidate quality	2.59	2.45	2.32	2.78	2.57	2.48	2.45	2.50	2.39	2.49
Competition for talent	2.71	2.76	2.40	2.46	2.65	2.48	2.59	2.81	2.44	2.58
Economic slowdown	1.82	2.31	2.20	2.36	2.18	2.29	2.27	2.13	2.22	2.44
Environmental / Green issues	1.06	1.36	1.15	1.11	1.29	1.26	1.35	1.88	1.33	1.36
External technology (Internet)	1.94	1.86	1.85	1.93	2.19	1.81	1.81	1.88	1.76	1.32
Globalization	1.19	1.55	1.37	1.67	1.81	1.70	1.45	1.69	1.28	1.32
Government regulation	1.88	1.76	1.55	1.39	1.58	1.74	1.68	1.81	2.06	1.31
Internal technology	1.76	1.90	2.05	1.58	1.92	1.84	1.81	2.25	1.94	1.33
Labor market conditions	2.35	2.43	2.32	2.46	2.25	2.10	2.45	2.63	2.28	2.55
Mergers and consolidations	1.35	1.93	1.95	1.50	1.62	1.71	1.41	1.63	1.44	1.31
Recruiting / staffing costs	2.00	2.14	1.84	2.18	2.09	1.77	2.09	2.00	2.06	1.31
The Aging Workforce	1.94	1.93	1.75	1.71	1.72	1.55	2.09	2.30	2.33	1.34

Figures are avg. ratings of anticipated near-term impact based on 1 = Little or None; 2 = Somewhat; 3 = Quite a Bit	Hospitals	LT Care Spcly Med	Pharma Biotech	Hospitality	Retailing	Non-Profits	Pers & Bus Services	Transp Distribution	Telecom-munications	Arch Eng Construction
Candidate quality	2.63	2.29	2.56	2.21	2.20	2.32	2.58	2.41	2.62	2.38
Competition for talent	2.68	2.43	2.63	2.07	1.89	2.48	2.62	2.59	2.62	2.39
Economic slowdown	1.83	2.07	2.31	2.00	2.12	2.12	2.23	2.45	2.08	1.39
Environmental / Green issues	1.16	1.21	1.31	1.36	1.36	1.32	1.17	1.64	1.08	1.54
External technology (Internet)	1.89	1.72	1.88	1.86	1.60	1.76	1.86	2.00	2.08	1.32
Globalization	1.26	1.41	1.50	1.29	1.39	1.32	1.42	1.82	2.00	1.54
Government regulation	2.11	1.86	1.69	1.50	1.46	1.72	1.49	1.64	1.46	1.31
Internal technology	2.06	1.83	2.00	1.86	1.56	1.68	1.72	1.77	1.92	1.32
Labor market conditions	2.58	2.34	2.50	2.14	2.05	2.40	2.52	2.45	1.92	2.15
Mergers and consolidations	1.32	1.55	1.88	1.21	1.40	1.20	1.60	1.77	1.69	1.38
Recruiting / staffing costs	2.26	2.14	1.88	1.54	1.72	1.92	1.98	2.00	2.08	1.54
The Aging Workforce	2.37	1.97	1.56	1.50	1.53	1.96	1.72	1.95	1.85	1.39

Figure 8

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Candidate Availability

Trends 2007-2009 More candidates are increasingly available

Benchmarks Variation by industry, high (>50%)
Variation by company size, high (>50%)

Talent is in short supply and talent is not in short supply. Your choice!

Demographically speaking, we have entered a prolonged period of worker shortages. The trends in Chapter 2 explain why and research data confirms it. In 2006, the Corporate Executive Board reported that three-quarters of senior HR executives stated that "attracting and retaining talent" was their first priority. ("The Battle for Brainpower," *The Economist*, Oct 5, 2006)

In 2007, SuccessFactors reported that over half the firms surveyed listed talent acquisition as a key challenge ("Performance and Talent Management Survey 2007," SuccessFactors, 2007).

Our own more recent survey of more than 700 companies paints this picture in more detail. One quarter of all companies are confronting worker shortages, and only one-third considers the supply adequate. The problem exists across a wide variety of business sectors.

Paradoxically, this perceived shortage of talent occurs against a backdrop of increased workforce mobility and availability. Never in history has the worldwide supply of labor been more available and willing to move in search of opportunity. In other words, for those who can recruit effectively and efficiently there is a potentially ample supply of workers. They are moving (or will consider doing so), they are available, and they are looking.

Figure 25

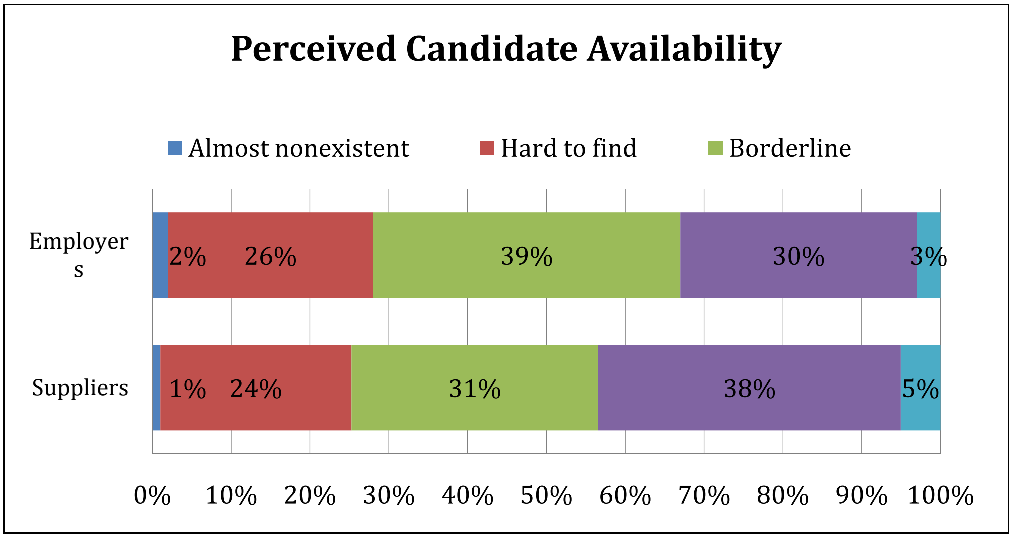


Figure 26

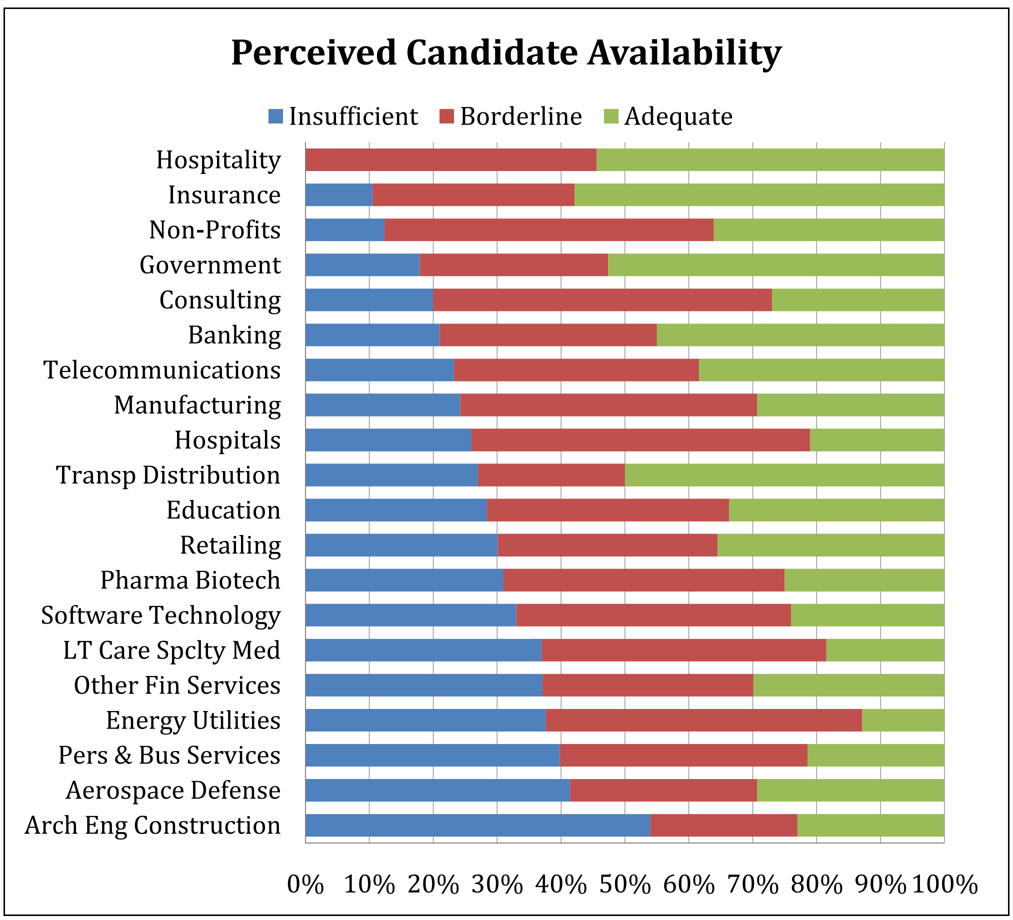
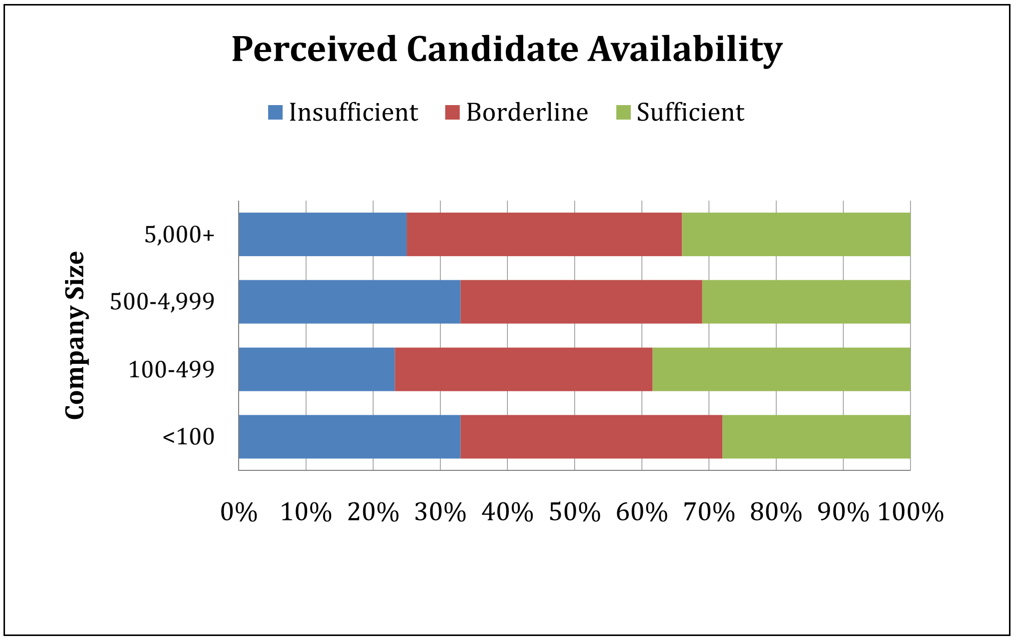


Figure 27



A Controllable Problem

We believe that for the astute firm willing to study the data and the trends and to modify their recruiting programs accordingly, worker shortages are a problem that can be not merely contained, but solved. In other words, the problem can be relative rather than absolute, presenting a competitive scenario of winners versus losers rather than one where everyone struggles equally.

The first step is to understand the trends related to:

- Mobile workers
- Pools of untapped workers
- The size of the labor force relative to economic conditions.

Mobility

The starting point is to understand the pool of available workers. Since from a macro perspective globalization fosters mobility, what matters from a recruiting perspective is the ability to move work to workers, or workers to work. Mobility has been increasing for decades, driven by steady decreases in the cost of transportation and communication. Where work is to be had, word now quickly circulates around the globe and workers respond.

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Candidate Sourcing

Trend Away from volume, towards efficiency

Variations By company size, extreme (>100%)
By industry, extreme (>100%)

The major sources of candidates are mostly familiar and well understood. However, the newest ones, those that are Internet-related, continue to roil the waters of candidate sourcing.

These relatively new Internet sources have risen to the #2 and #3 places on the sourcing list, both in terms of efficiency and effectiveness. Employers are experiencing this as a mixed blessing: more viable candidates overall, but at the price of increased processing inefficiency. In other words, more wheat but also more chaff.

The quantitative increases in Internet-based sourcing are stunning.

Jobs Posted Online
- 1996 1.2 million
- 1998 28.7 million
- 2008 48 million

Employment Websites
- 1996 3,500
- 2008 50,102
- 2012 105,000 *(projected)*

Resumes Posted
- 1996 1 million
- 2008 77.7 million

In an absolute sense the new channels have succeeded extremely well. Employers can access huge numbers of resumes and candidates can access huge numbers of job openings. However, that success has created new problems, including:

- **Clutter – An enormous amount of extraneous material in the system that buries what one is looking for in a large amount of what one is not looking for, the classic needle in the haystack problem.**
- **Quality – Poorly defined job postings intersecting inaccurate resumes, otherwise known as "garbage meets garbage"**
- **Noise – Increasing communication of decreasing significance**
- **Measurement – Inadequate systems to measure productivity against more traditional recruiting channels.**

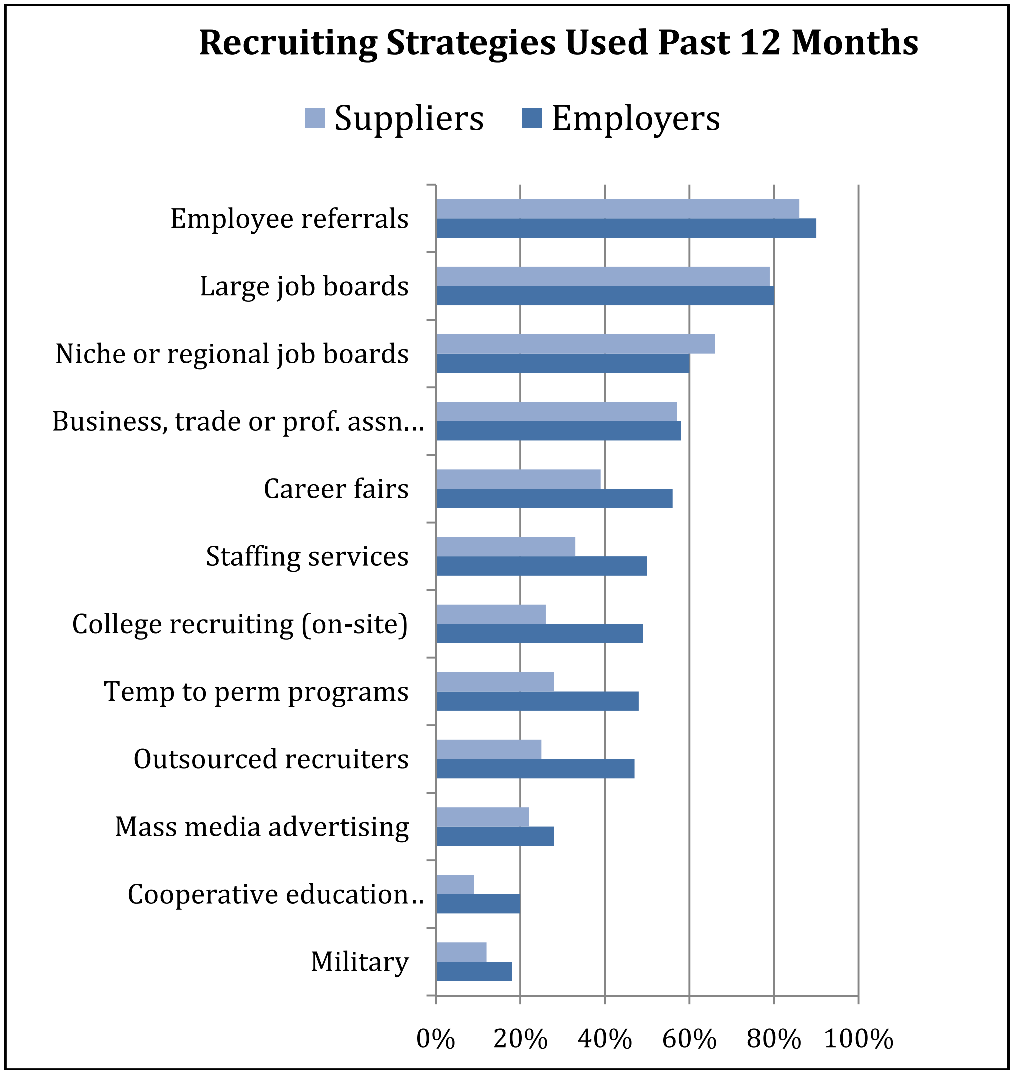
Figure 41

	Source Popularity		Source Effectiveness
1	Employee referrals	1	Employee referrals
2	Large job boards	2	Large job boards
3	Niche job boards	3	Niche job boards
4	Trade media	4	Temp to perm
5	Career fairs	5	Recruiters
6	Staffing services	6	Trade media
7	College recruiting	7	Staffing services
8	Temp to perm	8	College recruiting
9	Recruiters	9	Career fairs
10	Mass media	10	Co-op education
11	Co-op education	11	Mass media
12	Military	12	Military

To confront these problems, best-in-class companies are focusing on:

- **Yield analysis – to determine the sources providing the highest percentage of qualified candidates per dollar spent**
- **Quality control – to better identify and filter candidate leads**
- **Process improvement – to create less friction, more transparency, and better communication for the candidate throughout the application and selection process**
- **More and better public information – concerning job openings, benefits, career tracks and corporate culture**
- **Candidate communities – pools of pre-screened, pre-disposed applicants**
- **Magnetic branding – to create experiences that pull desirable candidates into and through the recruiting funnel**
- **Integrated systems – that optimize both internal and external recruiting channels.**

Figure 42


Recruiting Strategies Used Past 12 Months
Suppliers
Employers
Employee referrals
Large job boards
Niche or regional job boards
Business, trade or prof. assn…
Career fairs
Staffing services
College recruiting (on-site)
Temp to perm programs
Outsourced recruiters
Mass media advertising
Cooperative education..
Military
0%
20%
40%
60%
80%
100%

Chapter 9 | Pages 81-83

COST

Trend Negligible changes from 2008

Variation Significant (>50%) variations by company size, number of hires, and percent of recruiting outsourced

Four issues surface most frequently in our conversations with clients:

- **Using cost by itself as a measure of staffing efficiency**
- **Using cost per hire to compare the results of different recruiting channels**
- **Using partial costing instead of total costing**
- **Justifying their costs against a benchmark**

Important Notes on Costs

For those clients who have used our cost statistics in the past, 2008 RCRs, which averaged 10.6% for all 710 respondents providing sufficient data, are lower than the average of 14.9% in our 2007 report. We attribute this to the fact that the improved survey sampling procedure of 2008 resulted in larger numbers of high-volume recruiting departments participating in the study. A contributing factor was the redefinition of some industry sectors for the purpose of better comparability with U.S. Census and other statistical services.

A statistical comparison of the rank ordering of RCRs by industry sectors for 2008 and 2007 showed, with the exception of three segments, a high degree of similarity. This solidifies our conclusion that the observed differences resulted from the 2008 database containing a higher and more accurate proportion of organizations with large recruiting volumes than had been the case in prior studies.

Statistical comparisons between 2008 and 2009 data show very small overall differences in recruiting cost ratio (RCR), a mere .2%. This year's overall numbers are therefore identical to last year's for practical benchmarking purposes. Variation by company size, number of hires and percent of recruiting outsourced are, as we explain, much more significant.

Figure 69

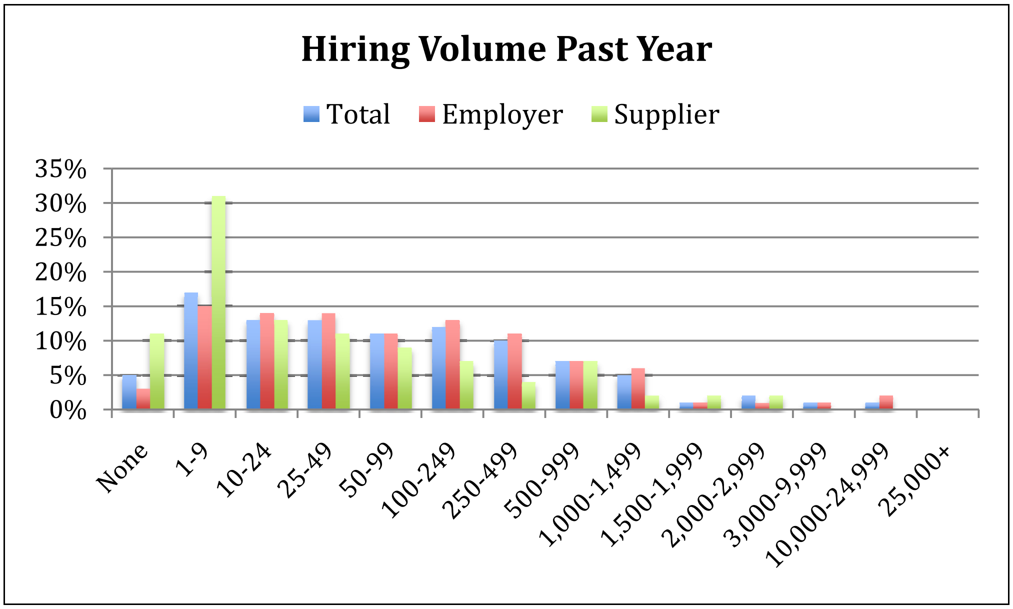


Figure 70

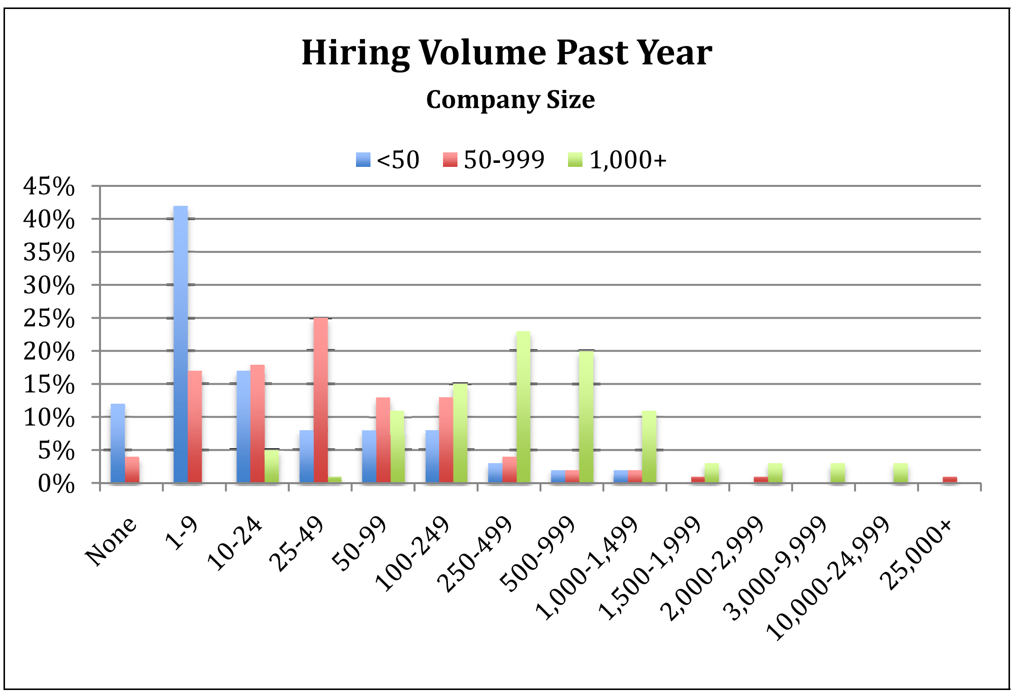


Figure 71

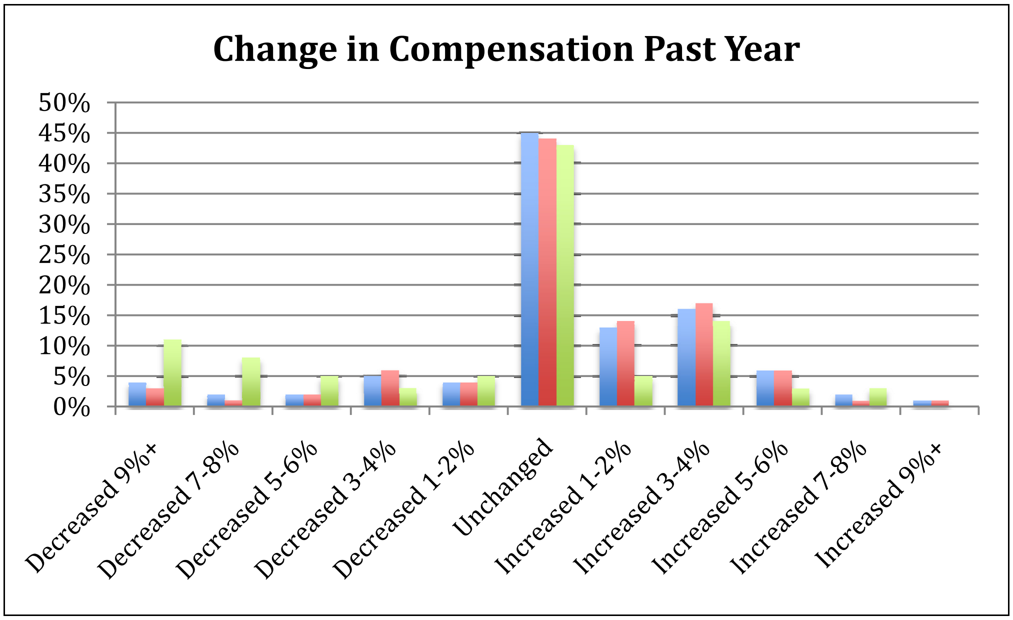
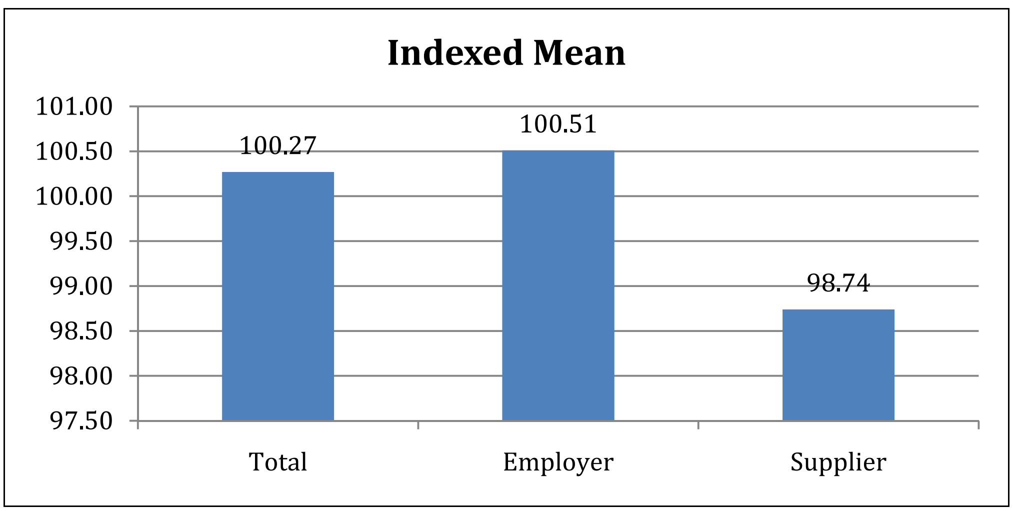


Figure 72



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