The Client Paradox:

The changing relationship between client and agency recruiter

Recruitment & Employment Confederation

Forewords

This recession has changed our labour market and this time the adjustments made in times of crisis aren't going to be reversed, even with business confidence returning. Employers are demanding more for less from their agency partners and looking at what tasks can be brought in-house.

The paradox is that the more in-house resourcing teams expand to take on more recruitment themselves, the more they will depend on the expertise of recruiters to find the hard to reach talent. In a labour market with candidate shortages in many managerial and professional areas, detailed knowledge of the market and where talent resides becomes business critical. The relationship between client and agency recruiter is becoming more complex, and more important.

To succeed recruiters will have to up their game and offer more value to their clients. Recruiters need to be at the forefront of new sourcing approaches, able to advise their clients and demonstrate how they can deliver more value and better outcomes. But equally, in-house teams would be short-sighted to think they don't need a strong network of specialist agencies in order to stay a step ahead of their competitors. When key skills and talent are in short supply, the cost of getting appointments wrong is almost incalculable.

Employers want to trust the agencies they work with so that recruiters can properly inhabit the role of brand ambassador and take the employer brand to the market. Successful recruiters are embracing this new way of working and realise that they have to go beyond just a transactional relationship with their clients. Good recruitment is a professional service, offering market intelligence, benchmarking and the latest and most sophisticated methods of engaging and selecting talent.

This is why the REC is bringing together HR professionals, talent specialists, in-house recruiters and procurement experts to define what great recruitment looks like from wherever you are positioned. Through this we have created the Good Recruitment Campaign, which aims to push the issue of resourcing up the corporate agenda. Because when it comes to attracting, selecting and retaining talent it is in everyone's interests to get it right.

Kevin Green
CEO, Recruitment and Employment Confederation

The recruitment industry in the UK dates primarily from the second half of the 20th century and has shown tremendous growth in that time, with a current turnover of nearly £27 billion. However, it has no inalienable right to continue to grow or even exist, and in order to do so it has to be of value to the organisations it serves.

This report examines some specific present and future threats to the industry: the increasing sophistication of client-side recruitment, its extra resources and budgets, the number of direct channels to candidates and direct recruiters' potential capability in optimising these factors.

More importantly, it considers the implications of these threats in detail and looks at what can be done in order to counter them. What change is needed? What value can be added? What assets does the recruitment industry have and what can it offer that clients can't do for themselves or do as well or as quickly?

The recruitment industry doesn't need to reinvent itself because some fundamental factors will always be in play, but change will be essential given the new landscape of ubiquitous social media and mobile communication.

The changes in the recruitment landscape that this report highlights are happening already in the technology recruitment sector, but other sectors will follow shortly. Therefore, this report is required reading, not just for technology sector members but for all recruiters.

Les Berridge
Executive Committee, REC Technology

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1. Introduction and Executive Summary

1.1 Introduction

In the five years between entering the economic downturn in 2008 and sensing that there may be some positive economic movement about to commence as we exit 2013, many things have changed. Unlike in previous upturns, there is a strong sense that, on this occasion, the labour market and employment practices have changed forever.

The recruitment industry is having to respond to a shift in the nature of demand and supply of labour within the context of demographic, technological and economic developments, all of which have altered the way we work.

There is much activity taking place on the hirers' side that is worthy of consideration. There is also the individual worker to consider, in terms of the evolution in the way the UK workforce is constructed today and how the sentiment towards work, working and the workplace is changing.

This report aims to discuss what this evolution in working and hiring patterns means for recruiters, with a view to determining how the recruitment industry can maintain and, potentially, enhance its position as a provider of an invaluable business service. It explores the key ingredients of a quality recruitment process including candidate experience, employer branding and the use of new technologies and more sophisticated ways of assessing candidates.

It also summarises existing research and data and, most importantly, provides some fresh insights gathered directly from recruiters' clients, business partners and competitors about the added value recruiters can bring to the equation and areas for development in the industry.

1.2 Executive Summary

1.2.1 Client needs and priorities of in-house recruitment activity

- Driven by financial pressures and awareness of the potential of access to advanced resourcing technologies, in-house talent sourcing capabilities continue to grow.
- Beyond cost optimisation, the five drivers of current activity within UK hiring organisations are:
  - Sourcing and/or developing highly skilled talent;
  - Improving quality of hire;
  - Creating talent pipelines;
  - Improving employer branding;
  - Workforce planning, including the use of contingent labour.
- The volume of candidate opportunities are increasing. It is an understanding of the underlying complexity of those candidate opportunities that will determine where the ongoing value of support from the recruitment industry lies, and, in turn, what it will be paid for.

1.2.2 Key industry strengths through which recruiters add value

- Speed and process efficiency, notably for temp and contract requirements and through pre-validation of workers, is perceived to be the industry's major differentiator.
- The provision of a real niche focus and investment of time in relationships with defined, finite and challenging-to-access talent pools.

Introduction and Executive Summary (cont.)

- The insights that sit within the recruitment industry are just not available anywhere else. The breadth and depth of a recruiter's market intelligence, extracted from transactional real-time data working across multiple hirers in numerous markets and sectors, is hard for in-house teams to replicate.
- Unique knowledge of the market and strong relationships with hirers and candidates allow external recruiters an objectivity that is valuable to both those other parties.

1.2.3 Opportunities to enhance value

- The way recruiters communicate with candidates must at least mirror improvements being made on the hirers' side, if not surpass them. The candidate will note disparity in terms of approach if the recruitment industry fails to respond.
- Candidate self-selection will continue to be honed on the hirers' side to drive fewer but high quality applicants into the process.
- The need to provide applicant/candidate feedback will increase in importance. Hirers who are deploying self-filtration measures will have a vested interest in spending more time in doing so. The recruitment industry should seek to avoid a disparity of approach emerging.
- Hirer and recruiter reputations are linked. Poor communication and service reflects on the overarching brand of both the recruiter agency and the hirer in whose name the role was advertised.
- As peer/hirer ranking of performance within professional communities and/or within work becomes more available through social channels it will also increase in value – particularly as recruitment metrics take a significant shift towards quality of hire.
- The use of video is increasingly becoming mainstream on the hirers' part – and there is real potential for the recruitment industry to deploy complementary usage.
- There is a strong case for adoption of generic psychometric profiling within the recruitment agencies to improve the chances of those it represents being hired. Moves into the education market have set a precedent for generic tests to sit with intermediaries. Those recruiters with the strongest legacy proposition should consider adding this offering before it is opportunistically seized by newer intermediary contenders such as LinkedIn and jobs boards.

1.2.4 The new opportunities manifesting themselves for the recruitment industry

- Developing specialist standalone service and technology-led solutions as sub-components of the legacy offering. The specialist focus and scale of many of the new entrants offering these sub-components in isolation should be noted.
- Harnessing new models of working, such as online and profit-share working, as part of a broader service proposition to provide new sources of talent, as channels for insight into reputational ranking and as a resource to build into broader service propositions.
- Honing and offering and/or embracing models that seek to deliver and/or support the rising trend of outcomes-based working.
- Hirers are pushing for vast improvements in candidate experience and are ready to embrace alternative resourcing models. The opportunity that exists is to understand the underpinning needs hirers are seeking to address and to build new models to address those needs.

2. Client Needs: Current and Emerging Priorities

2.1 In-house services and their priorities

In research conducted in 2013 by the Chartered Institute of Personnel & Development (CIPD), more than two-thirds of UK organisations, regardless of size or sector, admitted to conducting recruitment activity in-house (69%).[1] Only a very small minority (3%) outsource all recruitment activity – albeit these are typically larger organisations – while just over a quarter (28%) combine in-house and outsourcing approaches.

In July 2013 the REC's Employers' Advisory Panel suggested that it is in the larger corporate and public sector organisations where investments are being made.

Technology, notably job boards and social media, has also facilitated the growth of the in-house recruiter, encouraging organisations to explore doing more for themselves.

> *"The technological playing field has now been levelled between the hiring community and the recruitment industry. It's now all about having the best skills available to capitalise on the most current and forward-facing technology."*
>
> *Matt Berry, Director of Resourcing, Centrica*

LinkedIn has highlighted the top five priorities of UK hirers in 2013 and how they compare globally.

Table 1. Top five hiring priorities 2013

	UK	Worldwide
1. Recruiting/sourcing highly skilled talent	48%	44%
2. Improving quality of hire	32%	30%
3. Pipeline talent	29%	25%
4. Employer brand	25%	25%
5. Workforce planning	20%	16%

Source: LinkedIn Global Recruiting Trends Survey 2013

The prioritisation ranking is of interest in and of itself, but a deeper look at the drivers behind each area of concern and the actions being taken to address those reveals some telling insights. Cost optimisation, while not a top ranked priority, is acknowledged as an issue that cuts across many of these priority activities: an additional area worthy of consideration in terms of how this may have an impact on hirers' needs.

The section below discusses those priorities in some more detail.

1. CIPD – Resourcing and Talent Planning – Annual Survey Report 2013

Client Needs: Current and Emerging Priorities (cont.)

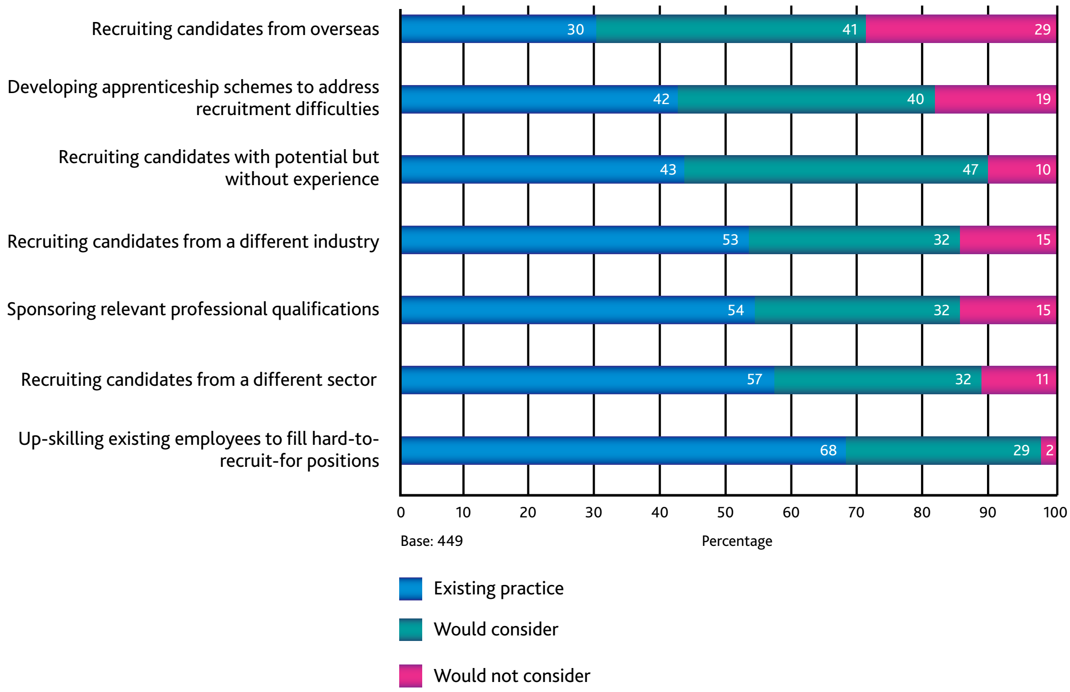
2.2 Recruiting and sourcing highly skilled talent

Without exception, all commentaries on the UK jobs market currently have one consistent and clear message. There is stark evidence that the issue is not that the people with the required skills are proving hard to source and/or encourage to move, it is that they may not actually exist in the volumes of emerging need. Organisations have vastly different personnel needs in 2013 from those they were reliant upon before going into the downturn in 2007/08, for a myriad of reasons. When considering the enormity of such change – particularly through the last five years of technological advancement – it is inconceivable that the availability of skills and experience will have been able to keep pace with emerging need.

If validation of this fact were needed, the CIPD's research confirms that, "despite high unemployment, one in six reported… an absence of applicants" to meet their demands. With the most commonly cited approach for addressing recruitment difficulties among respondents being "to develop existing employees for hard-to-recruit-for positions", this issue will not be resolved by a simple adjustment of the resourcing channels being deployed to access readily available people.

The scouring of other industries and sectors for transferable and adaptable skills is also in play, as is the use of apprenticeship schemes and the sponsoring of relevant professional qualifications. It is likely that both of these strategies dovetail into another prevalent activity – hiring those with potential but without experience. The CIPD reports that two-fifths of respondents currently recruit such candidates and a further two-fifths would consider doing this.

Figure 1. Current and potential practices to reduce recruitment difficulties (% of respondents)



Source: CIPD/Hays Resourcing Trends Survey 2013 (Not all rows add to 100 due to rounding)

Client Needs: Current and Emerging Priorities (cont.)

2.3 Improving the quality of hire

"Cost of hire" and "time to hire" have been the dominant recruitment metrics of recent years; organisations have prioritised two issues and could readily measure changes. For many, the cost of hire is a purely financial metric attributable to recruiting and on-boarding an individual rather than a statement about their ongoing contribution once hired. However, similarly, driving the speed of hiring is laudable if the organisation is satisfied with the quality of those who are arriving increasingly quickly.

While measuring the ongoing productivity outcome of the hiring process is clearly a tougher challenge, "quality of hire" being the second highest priority for UK hirers suggests that a shift towards this metric is well overdue. Beyond the challenge of introducing effective measurement by the hiring organisation – an issue that CIPD, UKCES and partners have just announced that they will seek, through their "Valuing your Talent" initiative, to build a set of metrics to address – there is an additional consideration on how to reward the recruitment industry that supports that hiring.

As the LinkedIn Global Recruiting Trends Survey illustrates, the industry still maintains that it is the best place to consistently find quality staff. However, the same data shows that internal hiring is increasing in importance as a key source of effective resource, as are professional social networks.

Table 2. Top 10 most important places to find quality hires

Source	2011	2012	2013
Recruitment agencies	47%	45%	53%
Internal hires	32%	36%	44%
Social professional networks	20%	38%	36%
Employee referral programmes	34%	38%	35%
Company career website	34%	36%	32%
Internet job boards	33%	28%	30%
College/university recruiting programmes	7%	8%	11%
Internet CV databases	11%	9%	10%
Company ATS/internal candidate database	7%	7%	9%
Print newspapers, trade journals	11%	10%	6%

Source: LinkedIn Global Recruiting Trends Survey 2013

Client Needs: Current and Emerging Priorities (cont.)

2.4 Talent pipelines

As highlighted in Table 2, the internal candidate database or associated system does not seem to be delivering quality hires. This has become an area of heightened concern.

Building talent pools is one thing. Effectively managing them, with all that entails, is another matter. Thus, many companies have but don't fully exploit (or even use at all) their repositories of candidates. It is also the reason why others are reluctant to start building them until they have the necessary resource – something that will take a market uptick to afford. When that market strengthens, however, awareness of the potential value of a talent pipeline that can be gained from building candidate communities is already embedded in the psyche of in-house teams, and can be prioritised.

Hirers are also increasingly aware that providing a positive interaction for the candidate with the organisation at all touch points is an essential component of employer brand management.

2.5 Employer brand

As is to be expected when the organisational need for people increases, employers start to consider the strength of their employer brand in terms of its effectiveness in attracting and retaining the best talent. From a resourcing perspective, this is driving necessary consideration for how organisations communicate with prospective and actual candidates throughout all stages of the process. From both an attraction and retention perspective, social listening and influencing has become a prerequisite.

The links between candidate experience and customer behaviour are exceptionally strong. Data from the 2012 UK Candidate Experience Awards (CandEs) suggest almost half of candidates claim some positive relationship with the organisation prior to applying. This includes around a fifth who are existing customers and a further 11.5% who have family or friends working there.

The desire to shout out about positive or negative candidates is exceptionally strong: both to friends and family and through social channels. With social channels now providing a microphone for anyone who wishes to broadcast their opinion to the world about an organisation, 28% of those who use them will report a positive experience, 18% a negative one. This has the potential to affect not just an employer brand, but the entire brand.

Therefore, it is not surprising that, according to the CIPD, nearly three-quarters of organisations surveyed admitted to making efforts to improve their employer brand – with all that entails – over the last year.

Client Needs: Current and Emerging Priorities (cont.)

2.6 Workforce planning

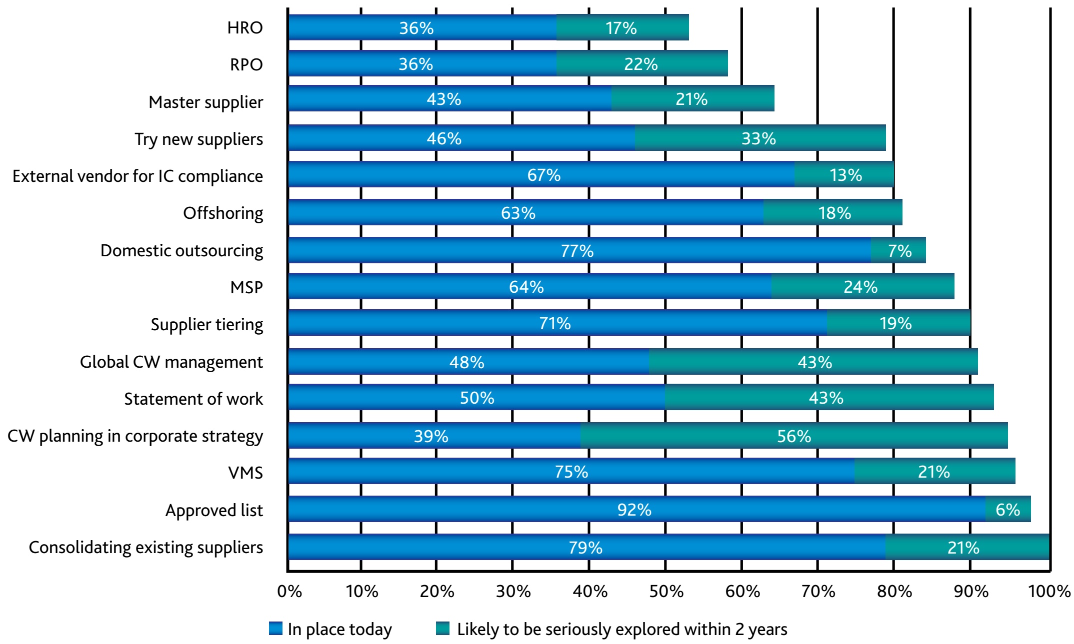
How and when organisations emerge and recover from an economic downturn of the scale that we have just witnessed is a significant juggling act. In addition, they also need to embrace all that has changed because of or in spite of that downturn. It is not surprising that organisations large and small are conscious of the need for "workforce planning".

Workforce is not a term that applies only to those on the full-time permanent payroll, however. In the UK, over 40% of workers are not in fixed full-time employment.[2] And increasingly, the remaining people who work for or on behalf of an organisation are doing so in a myriad of different means of engagement.

Data from the Staffing Industry Analysts' (SIA) 2013 European Contingent Buyers Survey show the scale of what hirers have planned or are having to plan as the workforce-planning construct increasingly fragments.

Almost half of those surveyed by SIA have a system of (global) contingent workforce management already in place. A further 43% plan to have this within the next two years. More significantly – probably as a consequence of the fact that the majority of organisations will soon have the aforementioned controls in place – contingent working is currently being factored into the corporate resourcing strategy of 39% of organisations. A further 56% plan to be at this point within two years.

Figure 2. Hirers' existing workforce-planning management



Source: Staffing Industry Analysts European Contingent Buyers Survey 2013

If ever there were questions about the perceived value that contingent workers – in all their guises – bring to bear within organisations in 2013, Figure 2 provides the answer.

2. Calculation from ONS Labour Market Statistics data, November 2013

Client Needs: Current and Emerging Priorities (cont.)

2.7 Cost

Note that the CIPD survey's finding that "the current focus on costs may be driving organisations to seek cheaper attraction methods or use recruitment agencies more selectively" does not make mention of volumes.

While not explicitly stated as a key standalone priority among respondents in the LinkedIn survey – and ranked only fourth in the 2012-2013 annual survey for the Forum of In-House Recruiters (FIRM) – cost efficiency and optimisation is undoubtedly an underlying driver for many actions.

The CIPD's survey highlights that the cost of filling a vacancy (using a blend of direct and third-party hiring) among its members continues to fall. The figures now average £5,000 for a senior manager or director hire and £2,000 for all other employees.

Table 3. Median average costs (advertising costs/agency or search fees) per hire, estimates accurate to +/– 20% (£)

Occupational group	All	Manufacturing and production	Private services	Public sector	Not-for-profit sector
Senior managers/ directors 2013	5,000 (79)	6,500 (14)	6,000 (41)	5,500 (8)	4,500 (16)
Senior managers/ directors 2012	8,000 (105)	10,000 (19)	10,000 (55)	5,000 (11)	6,000 (20)
Senior managers/ directors 2011	7,500 (150)	8,000 (33)	9,000 (74)	5,000 (15)	3,500 (26)
Other employees 2013	2,000 (82)	1,750 (18)	2,350 (40)	1,500 (8)	875 (16)
Other employees 2012	3,000 (98)	3,250 (22)	3,000 (49)	2,000 (10)	2,000 (17)
Other employees 2011	2,500 (150)	3,400 (30)	2,000 (82)	3,000 (14)	1,500 (22)

Source: CIPD (Number of respondents in brackets)

From the recruitment industry's perspective, the average permanent placement fee identified by the REC in the 2012/13 Recruitment Industry Trends Survey was £4,001. While this figure has fallen by 8.8% since 2011/12, it is clear that it is a change in the overall mix of sourcing activities that has driven reductions of more than a third in the hirers' overall costs.

Client Needs: Current and Emerging Priorities (cont.)

2.8 The need for external support

When considering the emphasis that organisations are placing on up-skilling their existing workforce and/or investing in developing skills in people with the right potential, questions arise about the volume of new hiring opportunity that is being advertised.

Indicators suggest a surge in the volume of opportunities on the open marketplace. Those advertised directly by hirers, as captured within Innovantage's register of 20 million annual online vacancies, increased by more than 120% on a pro rata basis, in the first half of 2013.

Opportunities advertised via the recruitment industry also increased significantly, albeit by a more conservative 37%.

Table 4. Volumes of jobs advertised online directly by hirers or via recruitment agencies

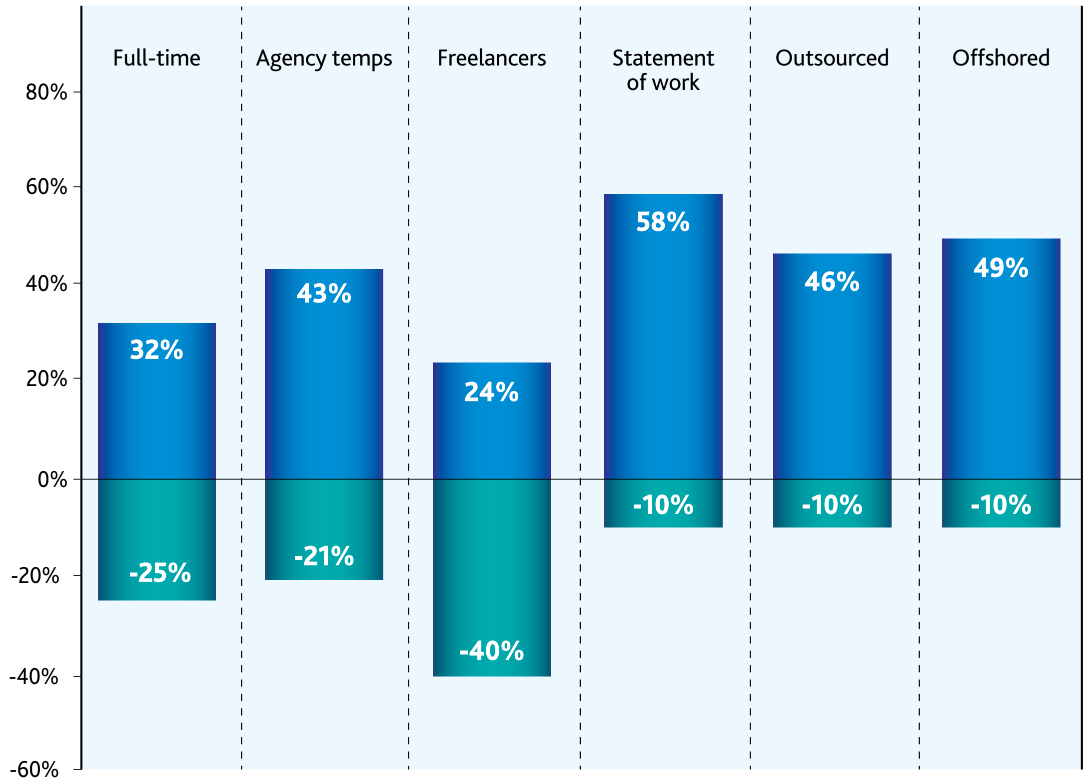
	2011	2012	To end June 2013	Pro rata increase in volume of advertised roles in 2013
All jobs directly advertised	2,875,759	2,861,329	3,183,616	123%
All jobs directly advertised via recruitment agencies	19,731,269	18,165,306	12,408,176	37%

Source: Innovantage

In terms of the ideal engagement status of those being sought by employers, SIA's data point to a notable shift in intention towards models of contingent and outcomes-based working.

Client Needs: Current and Emerging Priorities (cont.)

Figure 3. Proportion of companies' use of staffing types



Source: Staffing Industry Analysts, European Contingent Buyers Survey 2013

From the perspective of increased interest in engaging contingent workers, the REC's Employers' Advisory Panel (REC EAP) pointed to the need to get skills and capability into an organisation quickly for specific roles or projects, countered by the need to keep headcount and fixed costs down.

One pointer as to why there is increased interest in the outcomes of that contingent work – and one reason why it is likely that SIA's data point to a planned shift from contractor to Statement of Work (SOW) worker engagement – also emerged from the REC EAP. A key concern was expressed regarding poor management of flexible and contract workers, with managers struggling to manage performance and productivity. As organisations have yet to move to more sophisticated output-related management methods, they still tend to focus on the hours worked, i.e. the input.

As these hours worked by skilled and experienced workers have come under scrutiny over the aforementioned acute organisational focus on costs, there is another probable reason why the SIA data show a shift towards SOW assignments. They currently sit mostly outside the controls of contingent workforce management – as SOW is more akin to consulting – leaving engagement mostly unconstrained by procurement rules. It would appear that this will not be the case for long, however.

3. Adding Value: the Key Strengths of the Recruitment Industry

3.1 Affordability and worth

"I hear a lot of talk of good intentions from hirers – but see very little action."

DeeDee Doke, Editor, Recruiter Magazine

The backdrop to the ongoing value proposition of the recruitment industry is clear: the amount of future need will be considerable in its current format. The majority of SMEs are unlikely to build resourcing teams and, as such, in these scenarios of ad hoc need, the service requirement and associated commercial model will remain largely intact. At the other end of the spectrum, the large corporate and public sector entities that are scaling their internal resourcing capability still talk of ongoing need for support from the industry. The requirement will, however, be for far more specialised needs in general.

When those organisations that are considering different ways of engaging workers are added into the equation – a number of which are highlighted later in this report – the resulting volume of opportunity for those who do not wish to deviate from their existing model will diminish. Competition for those reduced volumes of traditional need will, as a consequence, be intensified.

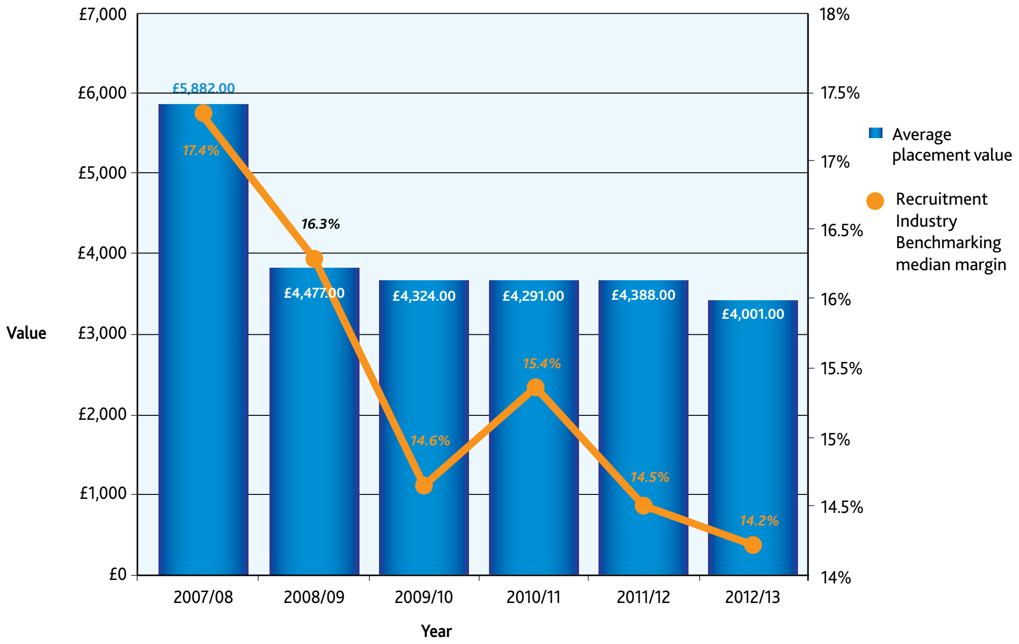
In both, the need for a company to differentiate itself from its competition and to sustain or improve the level of reward that the hirer is willing to pay, there will be an ever heightening need to deliver added value to that service.

While at one end of the spectrum some impressive capabilities are evident, the general hirer-side picture is of a function in its relative infancy. As such, the recruitment industry (in its broadest sense) has an opportunity to demonstrate that it has a profound understanding of how changes to the process of recruitment – and particularly worker sentiment – are playing out. It is a key opportunity for the industry to determine how it can use this knowledge and its sizeable infrastructure to complement and add further value to direct hiring activities, thus reaping greater rewards.

As a starting-point for looking at the probable future worth that hirers will place on the services provided by the recruitment industry, it is interesting, firstly, to consider the impact that the recent economic downturn has had upon reward for what has been traditionally provided.

Adding Value: the Key Strengths of the Recruitment Industry (cont.)

Figure 4. Average placement value per year



Sources: REC Recruitment Industry Trends Survey 2012/13 and Recruitment Industry Benchmarking (RIB)

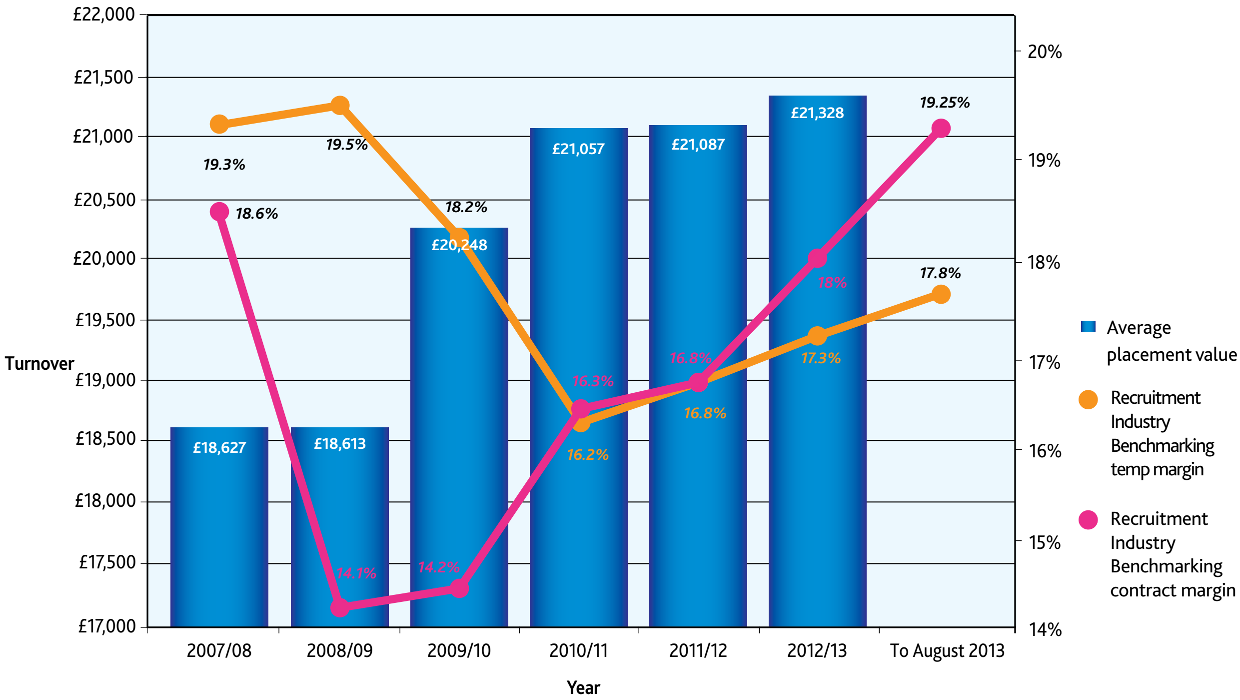
When looking at the value of fees for the average permanent placement, as charted by the REC, the industry's reward has declined year on year since the onset of the downturn in 2007/08. Underlying this, the median industry permanent fee margin charted by Recruitment Industry Benchmarking (RIB) can also be seen to have declined. Wage stagnation – compounded by the reduced hours and/or reduced pay that, in many instances, enabled organisations to avert redundancy scenarios – has also thrown in its dampening weight.

From a temp/contractor perspective, over the same time period the average annualised sales value (including wages) of each worker has been increasing. A series of underlying data gathered by the REC suggest that this is most likely a result of the rising level of seniority of the skills being placed, on aggregate, by the industry and the average length of assignment increasing among those that sit outside the Agency Worker Regulations (AWR) .

In a similar vein to the permanent fee margin, however, the median temp/contract margin recorded by those who participate in the RIB index (whose activities represent around 20% of the industry's total revenues) had also been declining until staging a recovery from the start of 2011/12.

Adding Value: the Key Strengths of the Recruitment Industry (cont.)

Figure 5. Average annualised turnover per worker



Sources: REC Recruitment Industry Trends Survey 2012/13 and Recruitment Industry Benchmarking (RIB)

An array of indicators suggest both that demand is rising and that wage inflation may have reached its nadir of 1%, all potentially pointing to the prospect of higher future reward. Two legacies of this economic downturn, however, that have the potential to be key drivers of change are worthy of consideration.

Firstly, enhanced direct hiring capability has brought into question the perceived value of traditional recruitment services. A focus on what value can be added to these services will be called for in order to address this area of perception.

Secondly, the issues of affordability and risk mitigation have driven the need and/or opportunity for hirers to consider a range of alternative resourcing solutions. With the majority of these alternative specialisms emerging from outside traditional areas of supply, the entire definition of "the industry" becomes questionable. With this comes a need for the broadening array of players within it to determine who is best to service what need, and how they may best work together.

The remainder of this report will focus on these two key areas – added value and newly emerging service opportunities – and draw some conclusions about what this new service environment will look like.

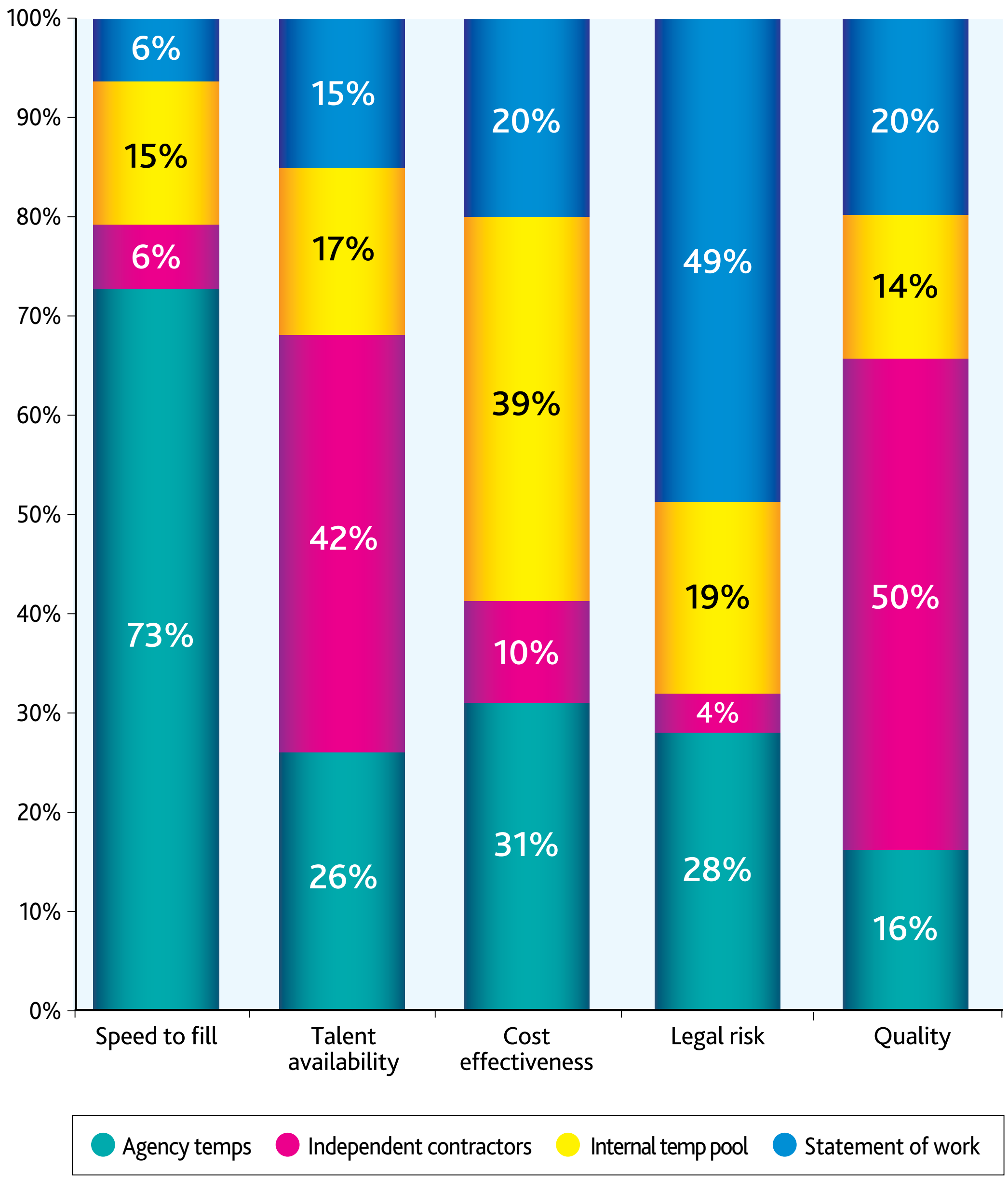
Adding Value: the Key Strengths of the Recruitment Industry (cont.)

3.2 The value added in the traditional service model

3.2.1 Speed and process efficiency

Speed in filling positions, particularly for temp and contract requirements, is perceived to be the industry's major differentiator – by a considerable extent over any other facet of supply.

Figure 6. Advantageous solutions for recruiters



Source: Staffing Industry Analysts, European Contingent Buyers Survey 2013

Adding Value: the Key Strengths of the Recruitment Industry (cont.)

For some industries, notably those with the acutest "just in time" (JIT) requirements and stringent aspects of compliance, such as education and health care, their entire delivery model is led by this value proposition. A call to an education recruiter at 7am results in a person – who has been physically met, is vetted/checked/referenced and cleared, whose personality is matched to destination, whose availability is consistently known and is carrying photographic ID – being guided to the school with route planners, downloaded lesson plans in hand, arriving on site by 8.45am at the latest.

Areas of the industry, such as education, that have an infrastructure geared to deliver a solution like this should never underestimate the value of their offering. Moreover, they should play to it, as the hiring community will be challenged to replicate it. With lessons learnt from education, health, manufacturing production and others with JIT service needs, speed could be brought to bear as an added value proposition to other areas (both temp/contract and perm), if only to emphasise the weaknesses of others' inability to respond swiftly.

One weakness of note is the increasingly protracted nature of the hirers' recruitment process. According to research published by Randstad this year,[3] the interview process has lengthened by more than 25% since 2008. Vetting checks delay hiring by an average of 15.2 days, up from 10.1 days in 2008.

Furthermore, one-third of the CIPD's survey respondents across all sectors reported that they had lost potential recruits due to the length of their recruitment process, a figure that rose to three-fifths of organisations with more than 5,000 employees.

The speed and efficiency of the UK recruitment industry in doing the one thing that is its sole reason for being – resourcing people – should never be underestimated, therefore. It may well be true, as earlier stated by Matt Berry at Centrica, that the playing field has been levelled in terms of access to technology, but an industry dedicated to just one cause and deploying a blend of available technology has the market insights, skills and drivers to create the unparalleled service efficiencies that should always be in demand from the hiring community.

Hays' insightful determination to embrace technology and digital media to do just that has resulted in it being able to deliver some key differentiators in terms of speed and efficiency. As part of its recent technology overhaul, Hays has installed a Google Search Appliance, built – according to CIO Steve Weston – with its own user interface for the search appliance, "meaning that recruitment consultants can conduct the kind of complex, Boolean searches that allow them to pinpoint very specific candidates".[4] In a quest to additionally access the ultimate candidate "currency" – "are they actually available" – Weston has also initiated integration with LinkedIn's database for Hays. "That gives us a richer dataset, with more complete data, and it's more likely up to date as well," Weston concludes.

Similarly, at Matchtech, investment in the intelligent use of technology provides it with differentiating processes efficiencies: "Our databases have been developed and refined in-house over many years. We can find and screen CVs quickly, ensuring we have 'ownership' of the best candidates by being the first recruiter to act for them."[5]

3. See http://www.mysteryapplicant.com/2013/03/21/the-recruitment-process-as-candidates-jump-further-so-must-recruiters/
4. See http://www.information-age.com/it-management/strategy-and-innovation/123457042/hays----digital-transformation
5. Matchtech Group Plc, Annual Report 2013

Adding Value: the Key Strengths of the Recruitment Industry (cont.)

Unsurprisingly, others increasingly have an eye on the same speed/efficiency prize. Organisations such as Experian, used for background-checking support by a growing raft of hirers (as well as recruiters), are being asked by their client base to look for ways to help them dramatically speed up their own validation processes. "We are increasingly being asked how quickly we can turn our background checks around by hirers. The intention, with all that we are building, is that we will be able to achieve that within a fraction of a second," states Mathew Armstrong, Experian's head of background-checking development.

All of the above suggest that both pre-validation and awareness of candidate availability (preferably with exclusive access) will continue to deliver unrivalled speed of response. It is imperative that the industry stays ahead of this curve, however, by using the best available technology and/or support, which offers the potential to add tremendous further value to the proposition for which the industry is already acknowledged.

3.2.2 Time invested in relationships with defined talent pools

"Time and access to relationships – real niche focus – that is what I am now buying from the industry," states Matt Berry, director of resourcing at Centrica. "Where we have need for a lot of similar, ongoing skill requirement, we invest that time and build those relationships ourselves. We use the industry to access lower volumes of specialist capability and deliver short-term peaks of higher volumes as it is not practical to maintain this scale/capability in-house."

Matt Yates, former lead resourcing business partner for Barclays Retail and Business Banking, agrees. While Barclays has a substantial internal team and a recruitment process outsourcer (RPO) managing permanent recruitment, he believes that, "there will always be a need for agencies who have built and maintain key relationships with the most challenging-to-access, often finite talent pools. Relationships within a critical geographical catchment area for a contact centre are as valuable to us as those forged with the limited risk community."

While already operating in 42 niche segments, further segmentation of focus is a stated focus for engineering and IT recruiter Matchtech. The company states that passive candidates account for the majority of their placements. Moreover, they represent "an unavailable talent pool to either our competitors or clients. It is only by engaging with both active and passive jobseekers, including candidates based internationally, that we can have a large enough talent pool to meet future demand."

David Smith, CEO of DS Interactive Group (which includes companies Interactive Selection and Games Contractor), agrees that a niche focus is an imperative. His group, which currently focuses exclusively on the games industry, operates 12 sub-niches. For Smith, it goes further, however. "Recruiters need to become an integral part of the industry they work in and have the social conscience to help develop that industry in the longer term, not just to service the clients and candidates they interact with in the short term." For DS Interactive, this includes encouraging women into careers within the industry and in providing exposure for students at industry events and working with them to enhance their employability.

Adding Value: the Key Strengths of the Recruitment Industry (cont.)

3.2.3 Market knowledge and insight

Acknowledged as being the hardest aspect of effective recruitment for in-house teams to replicate, there is evidence that few recruiters appreciate the latent value of their internal intelligence. For one hirer working in isolation within a vertical market, the value of the breadth and depth of an external recruiter's data insights gleaned from working with multiple hirers in numerous markets and/or subsectors is untold. Most critically, the insights that sit within the recruitment industry are just not available anywhere else.

Turning data into insights requires one key thing, however: discipline. Filling data fields with what is perceived to be non-essential data has been deemed just that by the industry – non-essential – and, as such, many valuable fields have been left optional rather than mandatory.

Four years ago, a company called Innovantage decided that it would capture, in a disciplined fashion, readily available data from the public domain focused around just one thing – jobs advertised online on job boards and/or corporate careers sites. The company now has a repository of c.100 million lines of data that a host of clients, ranging from recruitment businesses to media groups, pay to access. In response to any request or area of topical interest, Innovantage and/or its users can draw out insights that are just not available elsewhere. When the zero-hours debate surfaced, it demonstrated that 6.6% of all advertised vacancies in the UK in the first half of 2013 were for "flexible hours/variable hours" work. When concern started to rise again over the quality versus quantity of applications, it showed that 56% of all vacancies advertised directly by hirers, and 33% advertised by recruiters, carried no salary or wage information. Its data also showed the cause and effect of such actions in terms of the length of the advertised vacancy and the instances of re-advertisement.

What Innovantage does is nothing different from what recruitment businesses can do if they determine to switch a few data fields from optional to mandatory capture, however. In terms of valuable insights, the recruitment businesses can actually provide more revelations, as they can also show evidence of the human response trends and placement data. It may not be 100 million lines of data, but even one company's insights have a significant value to hirers.

One key area in which recruitment agencies are increasingly supporting hirers through access to their knowledge and insight is in workforce strategy planning. This is both delivering on growth in demand and helping organisations to secure additional work through more informed bids. "We use our research and knowledge to complement our clients' tender processes," explains Matchtech. "It is the combination of expertise that helps clients not only to win contracts, but for major projects to be delivered on time and to budget, even when there are severe skills shortages for key roles."

3.2.4 Objective opinion

As the hiring community continues to nurture its talent pools – as the aforementioned LinkedIn data shows that they intend to do (priority number 3 of five) – businesses will be looking for a return on investment in this area by increasing the stream of candidates from these pools into work. With only 9% of LinkedIn's respondents ranking these pools as a source of quality hires at present,

Adding Value: the Key Strengths of the Recruitment Industry (cont.)

however, there is much work to do for hirers to improve the efficiency rate of this resourcing channel. The biggest danger for hirers with a strategy driven by short-term ROI is that it narrows rather than widens horizons, replacing objectivity with subjectivity (i.e. who within our pool will work in the way we want them to and for the reward we can offer).

As per the value of the industry's market intelligence, the value of the industry's objectivity should be promoted at every opportunity. From the hirer's perspective, does the role stack up to something attractive and feasible to source for, is the salary/wage banding appropriate, who else is resourcing for similar need and what implications does this have on hiring, are these skills readily available or should a strategy of searching for home-grown or transferable skills be adopted? This all translates into the capability to create role profiles that will be effective in the market.

From a candidate's perspective, how does the value proposition of working with one organisation compare with another? Where a number of organisations have a similar role, to which is the candidate best matched culturally? This all translates into personal filtration and matching based on comparing options, rather than just looking at a person's suitability for one given role.

This level of candidate servicing is key, as there is growing evidence that candidates are becoming increasingly selective about the type of organisation they choose to represent them as an intermediary. "Skilled candidates are becoming acutely concerned about the potential of being misrepresented in the marketplace by virtue of their details being openly available in the social ether," notes Dave Pye, CEO of JM Group. "In essence, we are increasingly being interviewed by candidates who are intent on selecting only the most professional 'agents' to represent them in order to mitigate this," Pye continues. In turn, this is raising JM Group's bar in terms of the calibre of staff who are required to service a more discerning candidate.

For Pye, the by-product of this trend is heightened knowledge of the true capabilities and personality of the candidate, "which in turn translates into more informed shortlisting". The stronger relationships that are being forged are also boosting JM's closure rate with candidates selected for roles - now standing at over 90%.

The valuable objectivity that the industry can offer to both hirers and candidates alike will, in turn, help set the joining and subsequent use of talent pools in context and help, ultimately, to drive their optimal usage.

As the REC's Employers' Advisory Panel was keen to point out, however, the true value of the industry's objective opinion can only be brought to bear where relationships are strong enough. Transactional practices such as sending speculative CVs of candidates who have never been met should be traded for endeavours to build long-term relationships with both hirers and candidates, in their opinion.

4. Opportunities to Enhance Value

4.1 Communication

"The skills shortage is making candidate experience even more acute."

REC Employers' Advisory Panel

"We care obsessively about making everything perfect every time, with candidates receiving a consistent, fair and inspiring experience. Our candidate journey is creative and involving and we have tried to make everyone feel that they are an individual and their application is important to us."

ASK Restaurants, Changeworknow client

If this report were to be written about just one area where change will be an imperative, it would be in respect of the way in which candidate or, moreover, applicant communication has to improve. In addition to the fact that the vast majority of recruitment processes are built around surprisingly poor communication levels with applicants/candidates, the precedent elsewhere of highly personalised and customer-centric online interaction (e.g. retail, banks, property/estate agency, etc.) highlights recruitment as a laggard.

"Companies need to stop imposing their own structures and demarcations of social media onto channel content and management. The very best enterprises recognise that I am, at the same time, a candidate and a consumer, a brand advocate and an opinion-former for a brand – and deliver a consistent brand experience regardless of context."

Charu Malhotra, former Global Social Media and Digital Channels Manager, Unilever

A poor applicant/candidate experience has a huge impact on perception of the overall brand. Considering that an average 20% of applicants are customers of the organisation that they have applied to, it is unsurprising that the realisation is dawning on hirers that things may need to improve. If standards do not improve from the recruitment industry's perspective, not only will it continue to reflect poorly on the industry itself, but a divide in standards will emerge and have further ramifications for those who advertise in the hirer's name.

Opportunities to Enhance Value (cont.)

20% of candidates are existing customers of the organisation they are applying to.

73% would share a positive experience and 62% would share a negative one with family and friends.

28% would share a positive experience and 17% would share a negative one with a wider audience through social media

Source: 2012 UK Candidate Experience Awards

In the UK over 40% of the workforce are not employed full-time with the end-hirer. Moreover, this group works in many different ways for a host of different reasons, increasingly for more than one organisation at a time. As such, the challenge of identifying potential candidates and communicating with them through appropriate means/media with appropriate messages is intensifying.

Positioning the appeal of part-time work to someone who only wants to work a few hours is a very different from creating a proposition of the same work for someone who is portfolio working. Flexible hours may be a godsend of a proposition to someone who wants to work more for interest than income, but will require some careful positioning if you are going to attract someone whose rent or mortgage payment is dependent upon it.

> ***“Are we facing skills shortages? In certain areas, undoubtedly. In other areas, there is a huge disconnect between recruiters and their desired candidates, in terms of how to find and engage them.”***

James Herbert, MD of Brightsparks

The internal hiring function of a corporation is one cog within an entity that delivers something else as its output. The recruitment industry lives or dies by its ability to do just that. As such, it is imperative that the industry hones its understanding of the way in which the UK workforce is fragmenting, learns how to access all those pools of workers and, once there, refines its messages to attract them. A summary message from the REC Employers’ Advisory Panel: “Find the people I can’t to sell the opportunity to and then sell it better than I can.”

Opportunities to Enhance Value (cont.)

4.2 Sourcing high quality applicants for roles

60% of applicants discovered a Yes/No disqualifier at the end of the process that would have dissuaded them from applying in the first place, had they known.

Source: UK Candidate Experience Awards 2012

There are two schools of thought around the opportunity that exists, but few organisations currently action, to proactively reduce the volume of people who apply for roles through candidate self-selection.

Mark Stephens, MD of F10 Group and Smart Recruit Online, believes that embedding filtration methods at the outset of the process is foolhardy. "Why would you want to risk losing someone really good by putting hurdles in so early in the process?" He also believes that organisations that do this "are removing their ability to pursue candidates who have potential, but perhaps don't have 100% of the right on-paper match of skills and experience."

Since 2000, more than 50 large corporate employers, including Pizza Express, Sainsbury's, Metro Bank, ASK and Barrett Homes, have determined that there is more to be gained than lost by adopting this approach, however, and have embedded Changeworknow's self-filtration mechanism at the start of their process. Far from being just a mechanism through which to reduce volumes of applications for high-volume customer-facing roles, Changeworknow's clients have embedded the concept across their hiring requirements.

Barrett Homes, by way of example, uses the process for graduate, apprenticeship and experienced hires. The two-stage online process, which sits at pre-application stage, simply and quickly checks two sets of criteria. Firstly, it checks that the potential applicant has the majority of the "must haves".

"This is a set of factual criteria determined as priorities by each client, and includes anything from a UK passport or the right to work in the UK through to having a certain component of experience that is deemed essential," explains Lesley Nash, MD. The candidate is then informed of the likelihood of their progressing further in the process, "but we never remove the option for them to continue in the process," she stresses.

The second stage of the process seeks to determine whether the potential applicant has the behavioural traits that the hirer is looking for and, once completed, presents the findings to the candidate with a further indication of likely success based on those. While all are still free to continue, more than a decade's worth of experience has shown that around 80-90% of management role candidates will withdraw when advised of their low likelihood of success, and between 50% and 60% will take similar action where applying for more junior or entry-level roles.

"The key reason why organisations adopt our approach is to include the potential candidate in the decision-making process from the outset," Nash outlines. "If they opt out, they do so knowing that this allows them to spend their valuable time completing a full application for something that they are more suited to elsewhere. As a consequence, it also leaves a strong,

Opportunities to Enhance Value (cont.)

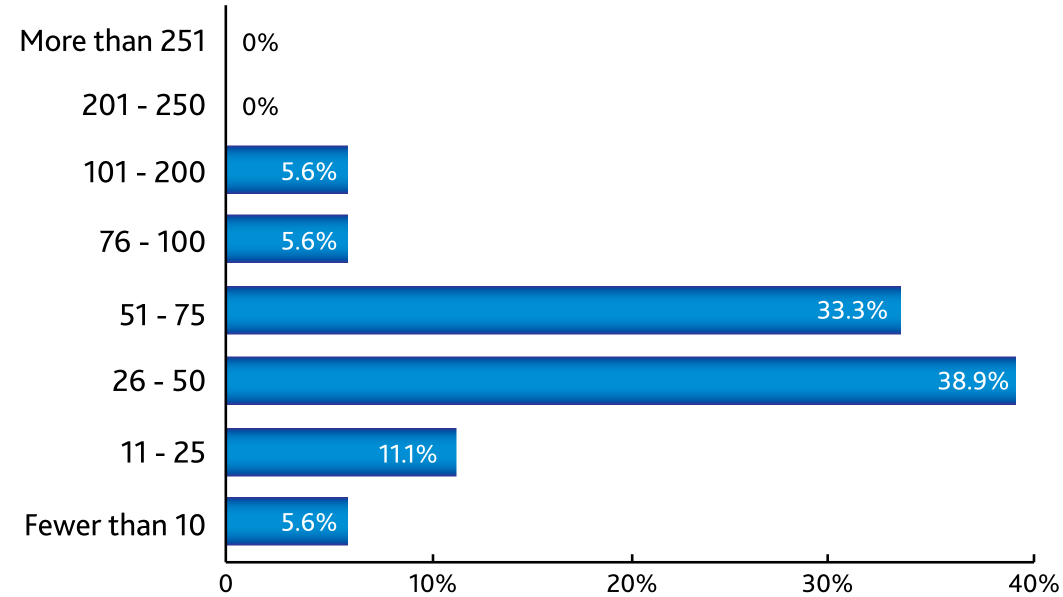
positive sentiment towards the hiring organisation for saving them that time and providing valuable feedback in the process."

Where those who do go on to apply benefit is in the increased amount of time that the hiring team can spend on fair and diligent consideration of their appropriate capabilities. "In effect, what this translates into is a model of more personal interaction and selection, which removes current over-dependency on computer algorithm selection."

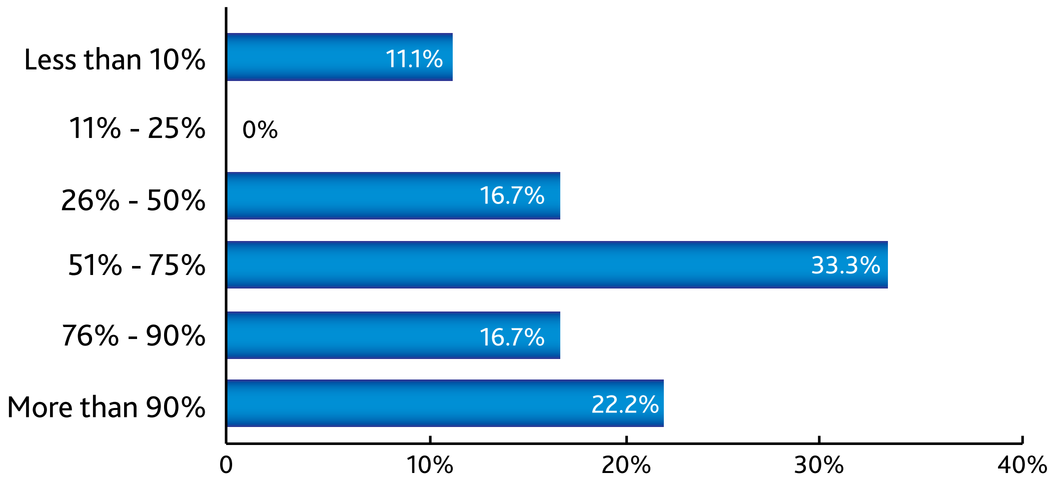
From Nash's experience, "there is also a virtual certainty that all those who complete the process, but who were unsuccessful on their first occasion, will enter the heavily utilised talent pool and will be re-contacted when a similar opportunity arises."

Figure 7. Applicant numbers and their suitability

How many applications do you receive for a typical position?



What percentage are typically NOT qualified for the position?



Source: Candidate Experience Awards 2012

Opportunities to Enhance Value (cont.)

One other means of self-filtration that is increasingly being deployed by hirers is to explicitly state intent to carry out basic level criminal record and "adverse financial" checks. "Screening for evidence of criminal records at a basic level sits outside the legislation that currently governs Enhanced Disclosures, which, in essence, specifies that there has to be an explicit, role-based rationale for performing such a check," Mathew Armstrong from Experian points out.

With a candidate's permission, hirers can also perform a database check for any adverse financial considerations that the hirer should be aware of. "Where it is clearly stated by the hirer that these checks will be considered alongside their application, we are experiencing up to 15% reduction in applications. These checks are increasingly being deployed by hirers at some stage within the recruitment process. As such, many believe that it is better to move them upfront in that process to save everyone the time and costs associated with any application that will not result in placement for these reasons," says Armstrong.

One organisation that deploys self-selection within a host of other measures aimed at attracting fewer but higher quality applicants into its talent circle is Barclays Retail and Business Banking. "The number of external applications has decreased to an average of 17 per vacancy due to the use of video profiles, virtual tours, cultural fit and career journey Q&As, in addition to skills and aptitude testing, allowing people to self-select themselves at an early stage," Matt Yates revealed at the CIPD's 2013 Recruitment Conference. In terms of outcomes of these actions, applications have fallen from around 1,000 to 490 per day, job offers have moved from one offer for every eight interviewees to one for two interviewees and hiring manager satisfaction has moved from 59% to 81%.

One other point of note in this remarkable story of candidate focus; Barclays has extended the same self-selection process to candidates who wish to apply straight into the talent pool rather than have to wait for a suitable vacancy to apply for.

4.3 Providing candidate feedback

One key benefit of managing down volumes through self-selection is that hirers or intermediaries can allocate more personal time to those who do apply, as mentioned by Lesley Nash from Changeworknow. As a return on the increasing amount of time invested by candidates in their applications, they are becoming increasingly keen to receive communication and feedback. Built into a broadening array of filtration mechanisms is the ability to provide just such feedback, which will make a welcome change from what has become a default "standard" – an automated e-mail that suggests that if the candidate does not hear from the computer again within a given time period, they have been unsuccessful.

> *"If you don't create a space for candidates to ask questions, they'll create one."*
>
> *Charu Malhotra, former Global Social Media and Digital Channels Manager, Unilever*

Opportunities to Enhance Value (cont.)

"As more hiring companies move away from transactional recruiting based on one job towards continuing relationships with candidates through talent networks and talent communities," Bill Boorman, judge of the CandEs, notes, "extra attention will need to be paid to how the rejection message is delivered. The message should not be 'not right,' just 'not right now'."

As drives by hirers continue in the vein highlighted above, it will no longer be acceptable – if it ever was – to only respond civilly to those who may make the shortlist.

> ***"When I apply to the BBC for tickets to be part of an audience for a show, and I'm unsuccessful, they tell me. From there on in, through personalised communication based on what they can glean about my taste, they encourage me to try again and communicate with me regularly about my opportunities to do so. If the BBC can do it, for something that they are offering for free, why on earth do we think it is acceptable to provide such poor service for something that we are paid to do? There are no excuses. The technology exists to do this and it is time to realise that expectations from other walks have arrived in recruitment."***

DeeDee Doke, Editor, Recruiter Magazine

4.4 Seeking feedback from candidates

While there are a host of other aspects of candidate communication worthy of consideration, the final area of significant note, based on increasing activity levels on the hirers' side, is the desire to receive candidates' feedback on the process they have experienced. UK recruiters responding to a CandEs survey in 2012 provided revealing information.

Table 5. Candidate feedback received at each stage

Before prospects and candidates applied for positions	17%
Once prospects applied	44%
Once candidates progressed to expression of interest phase	45%
Once candidates were informed that they were not advancing to final evaluation phase	47%

Source: CandEs

Opportunities to Enhance Value (cont.)

In the case of Barclays Retail & Business Banking, this quest for feedback has been translated into a full candidate net promoter score (NPS) measurement, aligned to the internal client NPS measurement that Barclays also runs. In addition to a host of other candidate listening measures deployed at Unilever, the company also encourages prospective candidates to visit Glassdoor and read first-hand of others' experiences.

As interest in gaining feedback continues to rise on the hirers' side, candidates will increasingly believe it to be the norm. Now conscious that those they wish to work for, and apply to directly, appear to genuinely want to hear of their experiences so they can continually enhance them, candidates will increasingly note any lack of interest from an industry working on the hirers' behalf. It will also be noted by hirers, as an unwelcome disparity in candidate experience becomes evident.

4.5 Using data and knowledge to greater effect in candidate profiling

Regardless of wherever we think that we are within any economic cycle, recent technological advancements (including the internet, the cloud, access to big data, new manufacturing technologies, etc.) are fundamentally changing organisational need for people. For economic reasons, organisations need a far greater certainty that the people they engage will be productive. From a technological perspective, newly emerging ways demonstrate that they will be.

For many, the written chronology of events in a person's educational and working life is losing its relevance in an outcomes-based work environment. The key now is to determine what it is pertinent to replace it with.

4.5.1 Extracting value from online communities

Matt Berry at Centrica remains unconvinced that the information that can be obtained about an individual through social channels is reliable enough to make decisions on: "If you can't rely on it, best not to use it." His scepticism is not uncommon – only a minority (6%) of UK hirers, according to the aforementioned CIPD research, use social media "for screening candidates by previewing online profiles."

For those 6% who are, however, the lines are also beginning to blur between what they pull from that ether and what they subsequently check for via psychometrics later in the process. "It's getting closer," notes David Barrett, MD of online psychometrics company Cut-e. "Big data and digital footprints, combined with psychometric indicators and measures, are starting to grow in popularity."

As we will explore in more detail later when looking the growing prevalence of online/crowd working, the one indicator that has universal potential across all roles to be a measure of the likely outcome of a person's work is peer and hirer endorsement/ranking.

Within online work platforms, hiring based on reputational ranking is at the core of its DNA. Matt Cooper, VP of business development and international at oDesk, believes that, for both service users and the online workers alike, its buying/selling work model – based on readily provided feedback on past performance – "is a parallel model to what they do elsewhere on Amazon, eBay, Yelp, etc."

Opportunities to Enhance Value (cont.)

"Our freelancers come onto oDesk knowing that this is the model. Transparency drives a lot of accountability – and not everyone is comfortable with that. Those who are successful, however, are those who view it as akin to starting and building their own business, where the necessity is to sell yourself, market yourself to prospects, manage your work efficiently and do what you say when you say you will do it," Cooper continues. "This is a new type of professional, a new workforce to whom it is totally acceptable to work to outcomes and to be hired – or not – based on their reputation for delivery." In essence, their income is contingent upon just one person – themself.

Additionally, certain professions, e.g. programmers, have congregated within communities, such as Stack Overflow and Github, for instance, where they have been encouraged to provide feedback on what they think of peers' content. This has amassed a highly valuable reputational ranking of individuals.

In both these examples, reputation amounts to an extremely useful indication of a person's potential to deliver a valuable work outcome. The question now is how this information will be used. It will undoubtedly be used by hirers directly, but only in pockets where the infrastructure is mature. The bigger potential, for both hirers and recruiters alike, however, is for the industry to grasp its potential and add it to its own value proposition. Access to reputation-ranked communities will serve as both a source of new talent and as a further validation tool for shortlisting purposes.

4.5.2 The future relevance of psychometric profiling

If the social ether has the potential to enable greater certainty of a worker's capability to deliver outcomes (e.g. through reputation ranking) – in a world of working that will become increasingly virtual – what does the future hold for the use of psychometric profiling tools?

"Direct hirer adoption is increasing exponentially," explains David Barrett from Cut-e. "Most organisations now have an applicant tracking system (ATS) and good web services in place through which they can integrate their attraction and assessment tools in a heartbeat."

Also of note, Barrett points out that "direct hirers are moving quickly to consider quality and productivity of hire as key hiring metrics" and are shifting their psychometric assessments accordingly. The aforementioned blending of selective social profiling with assessments, "is manifesting itself in the form of realistic job previews and more organisations want to use social and business games."

Gareth Jones, partner at the Chemistry Group, is also an exponent of the belief that "gamification should be brought into the heart of recruitment and used as a selection tool, not just left as a "trivial" branding element for the front end of a hiring process.[6]

6. See http://www.recruiter.co.uk/news/2013/07/use-fun-and-gamification-in-selection-not-just-attraction-says-chemistry/#sthash.JrXWnGdr.dpuf

Opportunities to Enhance Value (cont.)

Beyond gamification's potential for experienced hirers, it also has tremendous relevance for its application in a developing market segment for psychometrics – education. "Psychometrics are used extensively in public schools and increasingly in state schools since the devolvement of power/budget/choice," observes Sally Wells, MD of Thomas Education. "In some applications, they are used to support behavioural change and attainment, but increasingly they are being used in career guidance, in conjunction with consultation. Schools are seeking to encourage self-awareness, particularly to strengths and limitations, and then apply this to educational performance and, ultimately, career choice," she points out. "The level of receptiveness to this intervention from students is phenomenal. Of the thousands of young people we have profiled, 100% say that they have benefited."

Another area within the education market where an outcome for an increasingly high level of financial input has come under the spotlight is universities. "We are developing, and are being asked to develop, more and more of these careers guidance/education guidance platforms around the world," comments David Barrett. Cut-e is also working with companies such as proversity.org, an ed-tech company that works with employers to build their own Massive Open Online Courses (MOOCs) to top up the knowledge gained from generic degree courses. These bespoke top-ups are having an impact on the use of psychometrics in as much as proversity.org is now able to create generic assessments based around the standards of professional bodies, those which the vast majority of employers have based their own legacy assessments on. The final filtration then takes place when graduates work through the bespoke top-up modules.

Of relevance from all the aforementioned activity is that investment continues to pile into the use of psychometrics. What appears to be changing, however, is both the way in which they are being performed – with a shift towards applying gamification techniques that interface with external social channels and communities – and what outcomes their use is seeking to achieve. The move into the education market heralds a move towards the use of psychometrics to help improve the outcome of their work from a careers perspective. They apply a generic tool to show the potential of a large cohort of people. In a move akin to "increasing the chances" of individuals to find work, this feels not too dissimilar to the role that the recruitment industry performs. Little evidence exists that the industry is willing to adopt similar measures soon, however.

> ***"Our experience is that internal recruiters are way further ahead in the uptake of psychometrics than agencies. They see these tools as efficient and effective risk-management tools warranting investment whereas agencies, in the main, still see these as an unwanted cost."***
>
> *David Barrett – MD, Cut-e*

Opportunities to Enhance Value (cont.)

4.6 The role and relevance of video

In another area where adoption on the hirers' side considerably exceeds that of the recruitment industry, CIPD research now shows that nearly a third of hirers use video and/or Skype for interview and candidate profiling purposes.

In seeking to find video service providers that support both the hiring and recruitment industry, only one stood out. LaunchPad Recruits has been working with the recruitment industry since summer 2012, and recruitment agencies and an increasing number of RPOs now constitute around a third of its customer base.

"While the graduate recruitment marketplace is the obvious entry point, where a candidate's CV doesn't provide currency of any value, we've seen traction from recruiters in a range of sectors and hiring a cross-section of demographic," notes Kirstie Kelly, partner at LaunchPad. "The common thread among users within the industry, however, is that firstly they recognise that their customers expect them to innovate and, secondly, they recognise the power of using technology."

In terms of how these recruiters use video to interface with the hiring community, "in most instances, recruiters are bringing this technology to their customers and are either using video profiling as a way to market candidates to clients more effectively, or improve efficiency in their own end-to-end process," Kelly continues.

As a user of LaunchPad's technology, Mark Stephens, MD of F10 Group, believes that the value proposition for the industry integrating video into its construct has started to become clear. "We are starting to use our clients' own corporate videos to help attract and influence candidates to apply for their roles," notes Stephens. "Additionally, for our retained business, we provide the clients with short candidate video summaries for those selected in our shortlist, as part of our candidate presentations. They work very well alongside the behavioural assessment, competency-based summary and background checks that we also perform and submit." Stephens strongly believes that "being able to see and hear the candidates makes a massive difference to the client, especially where communication skills are at the forefront of requirements."

For Kelly and Stephens, video's future role in the process of recruitment is a given. "There is a real sense from the hirer's perspective that the question of adoption within the industry that supports it comes with a 'when' rather than an 'if'," Kelly adds.

There are two key barriers to adoption that LaunchPad noted in talking to the industry. "Firstly, there are those who have scoped it out but are reluctant to adopt any cost that will affect their overall margin," Kelly notes. "With those recruiters who are servicing need at the higher end, they are rightly concerned about the tone and positioning of video interviewing, particularly where passive and/or senior candidates are concerned. After all, you don't ask senior candidates to 'stand out from the crowd', so they need to be sure their video interviewing provider has the capability to create bespoke branding style and messaging."

"This approach will become commonplace, however, as it puts cultural fit right at the start of the recruitment process," believes Kelly, a point on which Carla Murray, graduate resourcing manager at WM Morrisons agrees. "Having started within our business with graduate recruitment, the use of video is now being extended across a range of other functions we recruit for."

Opportunities to Enhance Value (cont.)

> *“The value proposition of video for us is that it makes us so much more efficient. We can be out running assessment centres knowing that the next batch of candidates are preparing their submissions – and these will be waiting for us when we return.”*

Carla Murray, graduate recruitment manager, Morrisons, and user of Sonru technology

Murray also expresses surprise at the recruitment industry’s apparent reluctance to embrace it. “Our use of video cuts right to the heart of a value component that the industry has traditionally been used for – selling the benefits of a particular individual to us. We will be doing this anyway, as will many of our major competitors within food retail now that they have seen us take the first mover advantage, but I am surprised that the industry hasn’t recognised a need to respond.”

One person who did recognise that need was Alistair Rennie, MD of Foosle.com. Having formerly held senior positions within Hays, Kellan Group and Spherion, he continually heard clients’ frustrations over the inability of the old-fashioned CV and traditional recruitment process to deliver real insight into the applicant. “All recent research told us that both employers and jobseekers want the ability to connect in a more effective, efficient and personal way.” In building Foosle.com, Rennie identified “a range of modern capabilities – digitally enriched profiles, social media channels, CV syncing and ‘on demand’ video interviewing – and pulled them together into one place.”

Unsurprisingly, Foosle’s on-demand video interviewing has been widely adopted within customer-facing industries – notably retail, hospitality and leisure. “These markets place emphasis on specific attributes such as presentation, communication and personality,” Rennie notes. “Imagine how much more effective reviewing a dozen short video interviews is rather than trawling through endless, faceless CVs.” From the candidates’ perspective, this approach also favours the less-experienced, graduate or entry-level jobseekers, “who historically have had challenges in differentiating themselves.” Foosle also has initiatives underway with schools consortia and the Enterprise Education Trust to help pupils develop “the greatest candidate profile you can create”.

On a final note, LinkedIn has just formed a joint collaboration with HireVue that will allow customers to view LinkedIn profiles directly from its Talent Interaction Platform. With similar ease, candidates will also be able register for video interviews using their LinkedIn profiles, all of which denotes one more significant step towards video’s future being secured within recruitment.

> *“A CV and cover sheet alone have limited ability to properly represent an applicant. Video certainly adds another dimension to support the individual’s personality, which is always going to be considered within the decision-making process.”*

Mark Stephens, MD, F10 Group

5. New Market Opportunities

5.1 Service efficiency solutions

Beyond the areas of traditional supply of permanent and contingent workers, consideration of the areas in which there are significant levels of new activity all point to one conclusion: the recruitment industry is diversifying beyond its historical definition and, from a hirer's perspective, now includes a raft of new service providers.

These providers split into two areas. Firstly, there are technology-led solution providers that enable the hirer run more efficient and effective recruitment practices. There is also a range of alternative resourcing solution providers whose propositions have the potential to disrupt tradition resourcing models. Both are worthy of consideration, particularly in relation to whether some may be solutions that traditional recruiters may wish to replicate – or collaboratively build into their offering.

Table 6. Employers' use of third-party solutions to enhance recruiting efforts

Solution	Percentage of respondents
Employer branding services	78%
Background verification services	83%
Sourcing/mining services	72%
Reference checking provider	61%
On-boarding solution	39%
Social media services	67%
Job distribution services	83%

Source: UK CandES

Add to this the psychometric and video tool providers, the payroll companies, jobs boards, CV and market intelligence databases, and the raft of intermediaries offering to manage component parts of the resourcing need and a view of how the hiring community views "the recruitment industry" starts to emerge. When taking a cold, hard look at these niche service offerings, most form just one component of the traditional recruitment industry service offering.

The fact that hirers are willing to engage with specialists in these niche service areas poses a number of questions. Did they not perceive that they could come to traditional recruitment agencies for these component services or were they seeking to replicate/exceed the industry's capabilities in order to reduce its dependency upon it? Undoubtedly a raft of companies identified a need and built capability to service it. How many of these emerged from the traditional recruitment industry by adding capability to their traditional recruitment service offerings? And how much of a threat do those who have emerged into the hirers' consciousness from adjacent industries pose to traditional recruiters? Moreover, how could an awareness of this need be turned to the industry's advantage?

New Market Opportunities (cont.)

5.2 Background checking services

Experian holds a unique place within its own legacy marketplace. Its operations are now of such a scale that not only do its competitors buy data from it but its more traditional customers are willing to contribute their data in return for the amassed insights that Experian can determine for them. So when the company decided to enter the background-checking arena, as it relates to candidate verification services, the recruitment industry had a significant new entrant.

"On the one hand, it was a logical next step for high-volume users of contingent labour to come to us and integrate our solution with their ATS," explains Mathew Armstrong, who operates within Experian's background-checking business development function. "Their objectives are always to minimise costs, to prioritise time spent by their internal teams to drive effectiveness and to enhance speed – one of their key legacy challenges."

Far from it just being the hiring community that has engaged these solutions, it is encouraging to see that a raft of both recruitment intermediaries, e.g. managed service programmes (MSPs) and RPOs, and recruitment agencies have also sought to incorporate their capability into their own service offering. "We also have a number of smaller recruitment agencies who have come to us who see an opportunity to outsource something that they see as non-core. As the market is beginning to pick up, they also want to prioritise their consultants on what they should be doing – sourcing against need," Armstrong continues.

From a background-checking perspective, therefore, there is clear evidence of the recruitment industry harnessing something for its own operational and business development purposes that also has significant appeal for direct hirers.

5.3 On-boarding/engagement solutions

While 39% of the CandEs respondents admitting to using an external solution for on-boarding services, it is a solution that, from the wider recruitment industry's perspective, it has yet to harness as a fully fledged offering.

From a contingent labour perspective, a huge requirement exists exists in the US through which one key service need is delivered: the compliant engagement of the nation's 17.7 million independent contractors.[7] This marketplace is made up of engagement specialists who focus on just that – compliant engagement – from the worker and the hirers' perspective. Sitting comfortably alongside direct sourcing teams and staffing companies, the independent contractor engagement specialists are held in exceptionally high regard by all parties.

In the UK, the lines are still blurred in terms of who will shape up to address a similar need with a bespoke service. One significant community that has emerged – an amalgam of accounting and umbrella service providers – currently works largely in support of the legacy recruitment industry. Time will tell whether this is the position that they will occupy in the longer term.

7. MBO Partners: The State of Independence in America, September 2013

New Market Opportunities (cont.)

5.4 Alternative resourcing solutions

In the same vein as the earlier message that candidate communication will be the one issue that will necessitate the greatest shift in necessary operating procedures for the recruitment industry, there is one alternative resourcing solution to watch and, potentially, embrace: online working.

5.5 Online working

When considering that the global online work industry, led by companies such as oDesk and Elance, generated revenues of just $1 billion in 2012, and are forecast to reach only $2 billion in 2014,[8] its potential to emerge as a key alternative resourcing channel could easily be dismissed as unlikely.

Given that to date smaller enterprises have comprised the vast majority of users, large corporates could dismiss this option on the grounds that the solutions are unlikely to be scalable and/or an acceptable working practice for them.

However, SIA's 2013 Contingent Buyers' Survey for North America revealed that 41% of large buyers in 2013 said they were aware of online staffing, which is up from 32% in 2012. When considering the top 10 fastest-growing skills being deployed globally through oDesk – many of which are emerging as areas of key shortage – it is not surprising that awareness is rising.

Figure 8. Top 10 fastest-growing online work skills

Top 10 growth skills

Fastest-growing global categories: *(By gross services, based on 2-yr CAGR)*

1. Engineering & technical design
2. Project management
3. Translation
4. Copywriting
5. Game development
6. Writing & translation
7. Mobile app development
8. Phone support
9. Data entry
10. Advertising

Technical skills
Non-technical skills

Source: oDesk database

8. "The workforce in the cloud", The Economist, 1 June 2013

New Market Opportunities (cont.)

While oDesk counts large corporates such as Unilever, Panasonic, AOL and D&B among its clients, Matt Cooper notes that many "are intrigued by the model but are generally unsure how to put it to work. With large corporates, you have to wrap your solution around them rather than the other way round," Cooper explains. "This may drive the need for us to add a service layer on top of our existing solution."

In terms of the development of online work in the UK, in 2012 it ranked fourth globally in terms of client spend and 10th in relation to dollars earned by UK workers.

Figure 9. UK global position for oDesk hiring and working

Client country (dollars spent in 2012)	Freelance country (dollars earned in 2012)
United States	India
Australia	Philippines
Canada	United States
UK	Ukraine
UAE	Pakistan
Germany	Russia
Netherlands	Bangladesh
France	China
Denmark	Canada
Israel	**UK**

UK (client): **54,959 UK clients**; **76k jobs posted in 2012**

UK (freelance): **121,175 UK freelancers**

Source: oDesk database

Legacy usage in the UK shares a similar path to global trends. Among the skills driving current growth, however, are some surprising new entrants, including game development, accounting and PR.

New Market Opportunities (cont.)

Figure 10. Top UK skills requirements

Top jobs UK businesses hire for

Tech skills dominate, but lots of non-tech hiring

Q3 2013 Top categories: *(by dollars spent)*

1. Web programming
2. Mobile apps
3. Web design
4. SEO (search engine optimisation)
5. Graphic design
6. Desktop applications
7. Blog/article writing
8. Ecommerce
9. Web research
10. Data entry

Skills driving growth of online hiring by UK clients

Fastest-growing categories: *(based on 2-yr CAGR of gross services)*

1. Technical support
2. Accounting
3. Email response handling
4. Game development
5. Public relations (PR)
6. Advertising
7. Presentations
8. Copywriting
9. Web research
10. Illustration

Technical skills
Non-technical skills

Source: oDesk database

New Market Opportunities (cont.)

Among the skills that online workers in the UK are increasingly making available to a global audience, sales and lead generation makes a startling emergence into the top spot. Reward for these services is likely to add a new and interesting dimension to online working – one of ongoing or eventual payment when the fruits of these sales initiatives are realised.

Figure 11. Top skills sought by UK contractors

Top skills for UK contractors

Q2 3013 Top categories: *(by dollars earned)*

1. Web programming
2. Blog/article writing
3. Desktop applications
4. Website content
5. Personal assistant
6. Web design
7. Copywriting
8. SEO (search engine optimisation)
9. Technical support
10. Server administration

Technical skills
Non-technical skills

Fastest-growing categories: *(based on 2-yr CAGR of gross services)*

1. Sales & lead generation
2. Copywriting
3. Software QA
4. Mobile apps
5. Search engine marketing (SEM)
6. Translation
7. Technical writing
8. Database administration (DBA)
9. Business plans & marketing strategy
10. Website content

Source: oDesk database

New Market Opportunities (cont.)

Emerging from the most senior end of the skills spectrum is another new form of remote/virtual working with significant potential to disrupt the status quo. It also appears to have the potential to bump right into the aforementioned fledgling delayed/deferred payment model that appears ready to creep into online working.

The Innovo Network is a product of 12 years' investment of significant amounts of time and money to develop a model designed to enable organisations to scale their capabilities without the need to hire a single additional resource.

According to Martin Kelly, Innovo's founder: "Organisations have an unlimited range of initiatives – ranging from procurement to business development and, notably, innovation – that they dream of working on, but are hampered from doing so due to cash or investment constraints." He also contends that, "most companies don't give employees a fraction of the worth of their innovation, connections or influence". In both instances, the model seeks to enable those with a vested interest in the projects succeeding "to achieve so much more".

Innovo's model works by encouraging senior executives to invest their time and effort in projects that they believe they can bring to fruition. The main difference, and one that is key to enabling organisations to scale up capability, is that they perform this work unpaid but share in the profits of their successful endeavours.

"The audiences that this model is initially appealing to are obvious," Kelly notes, "and include senior interims between assignments, portfolio workers and the massively untapped pool of professional parents. The audience for their work ranges from the smallest to the largest enterprise."

Far from seeking to rival those who currently provide people resource in alternative ways – through consulting, outsourcing, traditional recruitment models, etc. – Innovo's intention is to scale through alignment with them. Likewise, the online work platforms recognise that their rise will, potentially, be faster in collaboration with others than through working in isolation.

Matt Cooper believes that for oDesk, and its peers, "the tipping point towards collaboration will come with an increased awareness and acceptance of online work". The key question now is which community will be the first to realise the potential of such collaboration. "For those with an established infrastructure, be they a major jobs board, contractor engagement specialist or large recruitment business, there is a real opportunity to add a totally different delivery model into their range of services," Cooper concludes. While collaborations have started to form in the first two areas, the recruitment industry has yet to respond.

New Market Opportunities (cont.)

5.6 Models associated with outcomes-based working

When models such as online working and profit-sharing initiatives kick in, there will be an increasing opportunity for an array of complementary services to evolve. All will form part of the bigger and broader sum of specialist parts that the recruitment industry will be in the future.

Historical use of the word co-employment has had challenging connotations for users and providers of contingent labour. A new co-employment model developed by Originem seeks to enable organisations to invest in the alternative use of increased fixed headcount to accelerate their potential without taking on all of the associated employment liabilities directly.

"In light of the sharp rise in the use of flexible hours employment models," an average of 6.6% of all vacancies online in the first half of 2013,[9] notes Chris Clowes, Originem's MD, "a greater degree of certainty and security, based on full employment status with Originem, is being increasingly welcomed by both hirer and worker alike."

Additionally, the impending Offshore Intermediary legislation will see supply chains come under increased scrutiny, which Clowes believes will trigger an increasing desire among hirers to move away from any areas of potentially unknown risk.

In terms of Originem's risk, it has wholeheartedly embraced the concept of outcomes-based working by, in one notable instance, accepting outcomes-based reward. Its payment for employing the graduate intake that is building some of the underpinning infrastructure of the Innovo Network, is a share of the profits their endeavours will generate.

As to whether this feels like a risk too far for the recruitment industry to embrace, it is worth noting that the adjacent business process outsourcing (BPO) industry, which itself is having to increasingly accept reward for outcomes, is extremely adept at managing the risks associated with engaging people. If demand drives the necessity for associated providers to accept greater risk for its reward, the recruitment industry can either grow its own solutions, such as that offered by Originem, or prepare for the entrance of new, heavyweight competitors.

A growing number of organisations are also making investments in supporting their placements to achieve the desired outcomes for hirers. HR recruiter Oakleaf Partnership offers exclusive access to their significant industry wide network of talent to provide the placed candidate with an HR mentor for the first 100 days in their new role, an offering that is proving valuable to the placed candidate and mentor alike. "For the new starter, they benefit from an external support function to help them through early days and ongoing queries. The mentor benefits from gaining experience of providing coaching and support, and to deal with communications with remote workers", notes CEO Nicola Grimshaw.

9. Innovantage, "Unclouding the truth behind the UK's flexible working practices".
See http://innovantage.co.uk/news/uncloudingthetruthbehindtheuksflexiblerecruitmentpractices

New Market Opportunities (cont.)

Founder of Hubstaff.com, Dave Nevogt, formed his company to respond to his own need for managing remote workers. “The tool helped me to ensure that work was actually being done by virtue of the fact that workers are logging details of the work they are assigned to,” Nevogt explains. “My biggest pain point was dealing with the need to track time on various aspects of a project for clients, and to accurately capture time spent against each.” Unlike other solutions that are built to support the worker, such as those embedded within online work platforms, “Hubstaff was built for employers, to enable them to gain better data around productivity”. Similarly, the prospect of online working becoming embedded within a wider service offering offers potential for Hubstaff’s outcomes-orientated solution to sit within a wider value proposition, particularly the management of SOW contractors. “How much more appealing would that management proposition look if it were able to demonstrate, to the second, proof of time worked and outcome delivered?” Nevogt asks, but ultimately knows the answer to.

One final innovative model that demonstrates a preparedness to operate on an outcomes basis enables others to secure and deliver MSP/RPO solutions. With a background in Accenture BPO solutions, Hyphen and Matchtech’s RPO solution, Peter Collis had the knowledge and connections to develop a solution in Haduma that the vast majority of the recruitment industry doesn’t yet have but, at some point, may realise that it needs. “While they may need to develop this capability, for example to secure an existing client,” Collis notes, “it may not be the best thing for them to do from a business perspective.” As such, Haduma has emerged to offer access to a broad church of capability – ranging from bid strategy support, proven procedures to leading technology (Skillstream, with £3bn spend under management) – without investment or distraction for the business.

From an outcomes-based working perspective, the assistance that Haduma provides in helping new entrants to secure business is a prelude to their needing ongoing services – or not. Equally, for Haduma to build the delivery infrastructure that it seeks to encourage its clients to avoid, it needs to fall back on the systems and process know-how and legacy BPO/RPO cost-modelling experience that, conveniently, sits within its DNA.

6. Key Recommendations

Development	Issue	Action
Hirers are increasingly using external expertise and technology to drive the speed and efficiency of their own processes – the recruitment industry's legacy number one value add.	The industry's speed and efficiency will need to be enhanced accordingly. Access to, and the ability to communicate with, an increasingly fragmented workforce – through time invested in finite talent pools – has the potential to replace speed/efficiency, the top ranked value proposition.	Combine enhanced speed, efficiency, access and unrivalled candidate experience/service into a new value proposition that drives candidate loyalty to your organisation. Candidate loyalty brings with it the ability to build your own reputational ranking mechanism, based on your own knowledge of past performance.
The data and market intelligence that sits within the recruitment industry is unique and will rise in value as new skills, and their associated shortages, become evident as the UK emerges from the downturn.	The insights of even just one recruiter working across multiple clients and adjacent markets are of extreme value to an internal recruiter resourcing for one organisation in one vertical market.	Determine which aspects of your internal intelligence have the most value. Make capture of this data mandatory. Consider accessing additional data sources that add further value to your data when combined. Create generic and bespoke outputs for clients, candidates and media.
Effective candidate communication with all potential applicants and candidates is becoming an acute priority for hirers and will be increasingly so as skill shortages bite.	The recruitment industry needs to make communication its priority or a disparity in approach will become clearly evident, to detrimental effect. Poor communication reflects badly on both those that advertise and those on whose behalf they advertise. It is in all parties' interests that fewer, more qualified people apply for available opportunities.	Consider a range of measures that will help optimise the volume of quality candidates that apply for roles. Enhance communication with all applicants/candidates through the provision of signposts, updates, feedback, etc. The technology is readily available to assist in this process. A shift in messaging for unsuccessful applicants from "not right" to "not right on this occasion" will become an imperative.

Key Recommendations (cont.)

Development	Issue	Action
Candidates' work reputation and peer rating/rankings will increase in importance as hirers move to using quality and outcome of hire as their key metric.	A major drive within the HR community is encouraging the creation of a set of metrics that enable measurement of productivity/outcomes of work. Hiring for outcome will subsequently prevail.	Harness the increasingly available sources of credible information about candidate performance/ rating (in professional communities, online work platforms, etc.) Consider building your own candidate performance rankings based on knowledge of past performance. The success of this strategy within online work platforms offers insight into how this could be built. Build all credible sources of productivity insight into candidate profiles.
The use of video/ recorded visual interface is becoming mainstream among hiring organisations.	Hirers express surprise that the recruitment industry has yet to determine a complementary use of these enabling technologies.	Map the ways in which hirers are using video/recorded visual interface within the recruitment process. Identify ways in which you can enhance that proposition: role and organisational profiling, candidate profile enhancement, etc.
The role and positioning of the use of psychometrics is shifting within hirers' recruitment process as a result of the increasing perceived value of accessing social content and visual representation at an earlier stage in the process.	The precedent set within the education sector is evidence that generic tests can sit with appropriate qualified intermediaries. Those with a strong vested interest in improving the chances of available talent will secure work.	Consider ways in which the use of generic aptitude (e.g. measured against professional body standards) and behavioural (e.g. integrity) tests can enhance the chances of your candidate pools securing work. Consider ways in which you could add these measures to the candidate's profile or passport of capability.

Key Recommendations (cont.)

Development	Issue	Action
Standalone service efficiency solutions (e.g. background checking and contractor engagement services) are increasingly being adopted by hirers.	The solutions that are being engaged are components of the legacy end-to-end service offered by the recruitment industry. This may affect the ongoing perception of worth for services provided by the industry.	Service efficiency solutions are available to both the hiring community and recruitment industry. When embraced within an infrastructure whose sole focus is to deliver timely and appropriately qualified resource against need, the outcomes are likely to be far more powerful than anything that can be built within a singular hiring organisation.
Online working and true contingent working (payment for eventual outcomes) will increasingly be adopted by hirers. It is a readymade model of the quality of hire/ outcome of hire working that HR will shift its focus of attention to.	Historically adopted by smaller enterprises and new start-up businesses, large enterprises and online work providers are collaboratively looking at ways of navigating access to online and contingent workers through the appropriate corporate channels.	Explore the potential of building these forms of working into your own delivery models. These channels for working offer access to new sources of talent, insights into candidate reputation/ ranking and the potential for you to expand your offering to clients.

Appendix

Methodology

The report was produced by Belinda Johnson at Worklab for the REC in September/October 2013. It has been formulated through a distillation of opinion, gained through 32 face-to-face and telephone interviews with senior figures, further supported by quantitative data from substantive third-party sources.

The majority of those interviewed are named within the acknowledgements. A small minority of those interviewed preferred their opinion to remain anonymous. The sources of quantitative data are highlighted throughout the report.

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- **Recruitment's biggest lobbying voice**
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- **Developing successful careers in recruitment**
- **Exceeding members' expectations through business support**

The Recruitment & Employment Confederation (REC) is the professional body for the recruitment industry. The REC represents 3,506 corporate members who have branches across all regions of the UK. In addition, the REC represents 4,744 individual members within the Institute of Recruitment Professionals (IRP). All members must abide by a code of professional practice. Above all, the REC is committed to raising standards and highlighting excellence throughout the industry. To find out more visit www.rec.uk.com

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