



2001 Employer Survey Papers

Topic 1: Recruitment in the 21st Century



INTRODUCTION

The recruitment industry in Australia is an evolving one. Over recent years, the industry has seen restructuring and new players enter the market. This, together with changing needs of employers, has given rise to changes in employer recruitment practices as measured in the Department of Employment and Workplace Relations' 2001 employer survey.

The most notable change in the recruitment market in recent years has been the establishment of Job Network as a collection of competitive, individual employment agencies to replace the well-recognised government agency that was the Commonwealth Employment Service. Almost 3 years since its establishment, with the implementation stage now behind them, Job Network agencies are operating in a more developed, maturing public employment services system.

In addition to the significant structural change of Job Network entering the market, the increased access to Internet and online business-to-business transactions has impacted on the recruitment market. Through such developments employers have seen the emergence of online recruitment agencies with an increasing ability to provide a less costly service which is fast, if not immediate, and has the flexibility of providing services 24 hours a day.

Developments in Australian employment conditions and working arrangements during the 1990s may also have affected the recruitment market. Casualisation of the workforce together with an increasing desire of employers to minimise risk in recruitment processes and hiring decisions, may explain the increased use of labour hire companies for recruitment in 2001. This may be in response to business rationalisation and cost cutting. Further, changing needs of employers appear to have impacted on recruitment choices. Employers are increasingly choosing methods that are faster and cheaper. The number of methods used by any one employer is also increasing, highlighting a more active and competitive recruitment market with more discerning employers. Employers are making choices and very few are choosing to stick with their one tried and tested recruitment method of the past.

This paper examines issues pertinent to employer recruitment practices with particular reference to the results of the *2001 Survey of Employer Use and Perceptions of Job Network*. The paper also aims to discuss the relevant issues for Job Network given the survey findings and concludes with considerations for improving the positioning of Job Network in this evolving recruitment market.

ABOUT THE EMPLOYER SURVEY TOPIC PAPER SERIES

The Employer Survey Topic Paper Series is a collection of research reports on issues of interest arising from the *2001 Survey of Employer Use and Perceptions of Job Network* conducted by NFO Donovan Research on behalf of the Department of Employment and Workplace Relations (DEWR).

NOTES ON THE 2001 EMPLOYER SURVEY:

The survey was preceded by a series of focus groups with employers to highlight relevant issues.

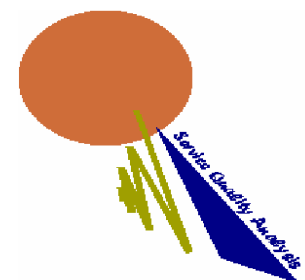
The survey consisted of 7089 telephone interviews with the most senior person in charge of recruitment in workplaces across Australia.

The sample was drawn from commercial business lists together with lists provided by the Department.

The survey responses were weighted using ABS business register data to ensure the survey was representative of all businesses.

More detail on survey methodology is available from the Service Quality Analysis Section DEWR by contacting.

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RECRUITMENT PATTERNS

The 2001 survey highlights a change in the types of recruitment methods used and the number of methods being used by employers. As can be seen in Table 1 below, the survey found that employers are increasing their use of multiple methods to recruit staff. The major method of recruitment used was via word of mouth or recommendations from personal contacts and the second most often used method was via unsolicited CVs and cold-callers. Cold calling, labour hire companies and the Internet have significantly increased their share of the recruitment market between 1999 and 2001.

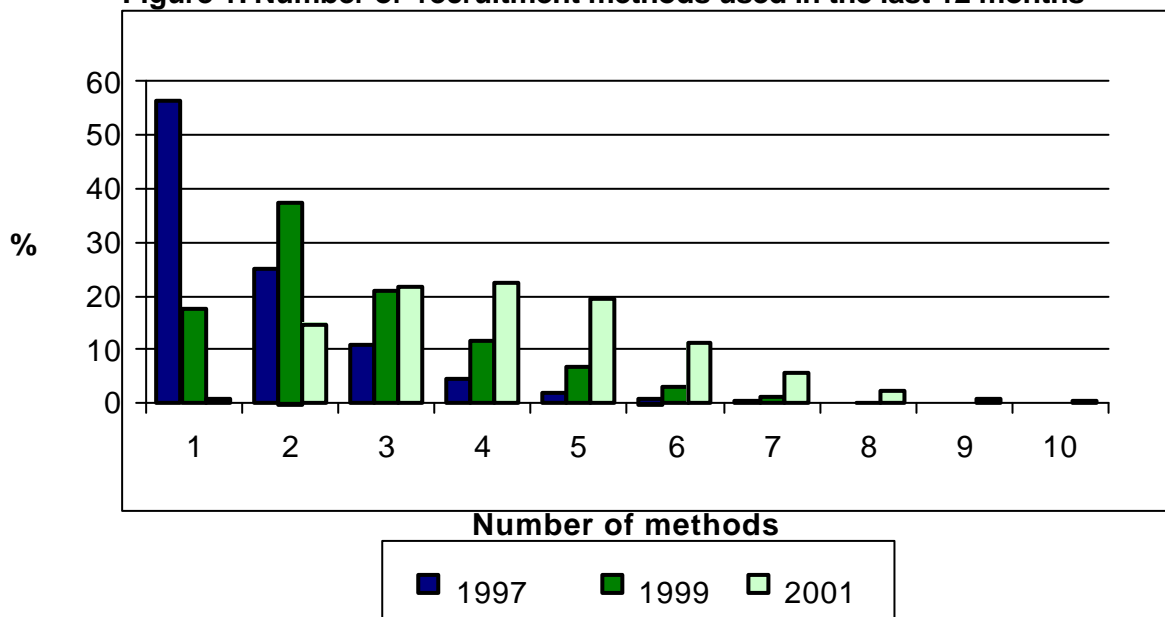
Table 1: Methods of recruitment used in the last 12 months

Method of recruitment used ¹	1997 (%)	1999 (%)	2001 (%)
Word of mouth/ recommendations from personal contacts	25	50	69
Resumes or CVs sent in/ cold caller	16	32	63
Advertising (newspaper, radio, TV)	28	52	54
An employment agency ²	41	48	53
Internal recruitment	8	19	26
A labour hire company	NA	6	20
Directly from schools/ colleges/ TAFEs	NA	NA	19
On-line recruitment website/ Other advertising on Internet	NA	NA	17

1. Categories are not mutually exclusive
 2. Includes CES users in 1997 and Job Network users in 1999 and 2001
 NA = not asked

The number of methods used by employers has been increasing over past years (see Figure 1). This reflects a change in both the recruitment methods available and a change in the recruitment behaviour of employers. Employers are choosing a wider variety of methods for filling their vacancies, rather than relying on one or two tried and tested methods, which they were far more likely to do in 1997 (56% used only one method in the previous 12 months). Employers appear to be using different methods to recruit for different types of vacancies and increasing the likelihood of successfully filling their vacancy by trying several methods simultaneously.

Figure 1: Number of recruitment methods used in the last 12 months



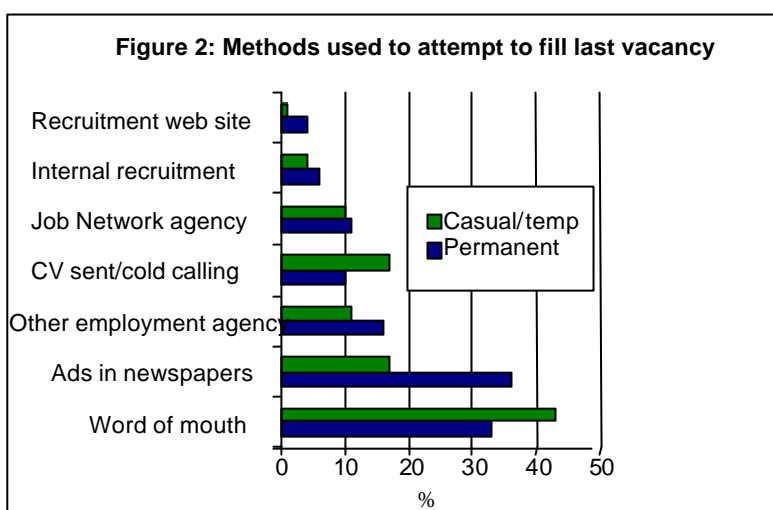
DRIVERS OF CHOICE

Several studies undertaken by the Department with employers (1997 – 2001) have found that there are a variety of influences on employer choice of recruitment method. Much depends on the particulars of the vacancy they are filling and the nature of their business such as the size of the business and the industry they operate in. Other driving factors, however, such as the time and cost involved in the filling process and the overall effectiveness of the method are common to many employers. Overwhelmingly the message from employers in the 2001 study is that wanting to get *“the right person for the job”* was the overriding factor in their choice of recruitment method. This is a recurring theme from research conducted with employers over the years and highlights the importance of ‘getting recruitment right’.

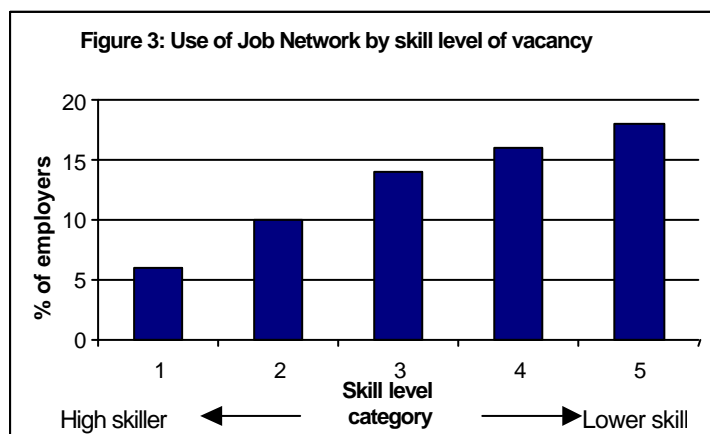
Overlaying the decision making process described above is, of course, the personal attitudes and needs of the person undertaking the recruitment and the particular policies and values of their organisation. This latter issue is a complex one and the subject of a separate dedicated study on the attitudes of employers to recruitment, being undertaken by the Department.

The type of vacancy

The nature of a position will often dictate the recruitment process an employer will follow. In focus groups employers often described a particular recruitment process for more senior, permanent or more highly skilled positions and a different process for casual, junior or temporary staff. This is reflected in the survey data which shows that employers recruiting for a permanent or full-time position were more likely to use formal methods of recruitment whilst employers filling temporary or part-time vacancies tended to use word of mouth and cold calling - both faster and cheaper methods of filling (see Figure 2). The data shows that employers are investing less time and money in filling temporary or casual positions.



Further, particular occupation categories tended to call for different types of recruitment methods. Job Network obtained a greater share of the market for lower skilled jobs and less for higher skilled jobs such as managers, administrators and professionals. Figure 3 groups occupations into skill categories with higher skilled occupations classed into categories 1 and 2 and lower skilled occupations at the other end of the scale at category 4 and 5. A clear pattern is evident: the lower the skill level, the higher the proportion of employers using Job Network to fill those vacancies.



Occupation Classification	Skill Level
Managers & administrators	1
Professionals	1
Associate professionals	2
Tradespersons & related workers	3
Advanced clerical & service workers	3
Intermediate clerical, sales & service workers	4
Intermediate production & transport workers	4
Elementary clerical, sales & service workers	5
Labourers & related workers	5

Australian Standard Classification of Occupations (ASCO), Australian Bureau of Statistics, 1997

More highly skilled vacancies were most often filled using advertising in newspapers whilst word of mouth was by far the most common method used for lower skilled positions (41% of employers filling labourers and related workers used word of mouth). Table 2 below shows full results for all occupation groups.

Table 2: Methods used to fill last vacancy by occupation of vacancy (% of employers)

Recruitment method	Occupation Group								
	Managers & administrators	Professionals	Associate professionals	Trades persons	Advanced clerical	Inter-mediate clerical	Inter-mediate production	Elementary clerical	Labourer/related workers
Word of mouth	26	28	28	31	22	24	39	31	41
Ads in newspapers	31	27	30	26	33	31	20	19	12
Other employ. agency	14	9	8	3	14	5	4	4	2
CV sent/cold calling	4	9	4	12	6	8	9	17	11
Job Network agency	6	6	10	14	13	15	19	16	21
Internal recruitment	7	8	7	1	3	4	4	3	2
Recruitment web site	4	3	3	0	3	2	0	1	1
Labour hire company	0	0	1	3	0	1	1	0	3

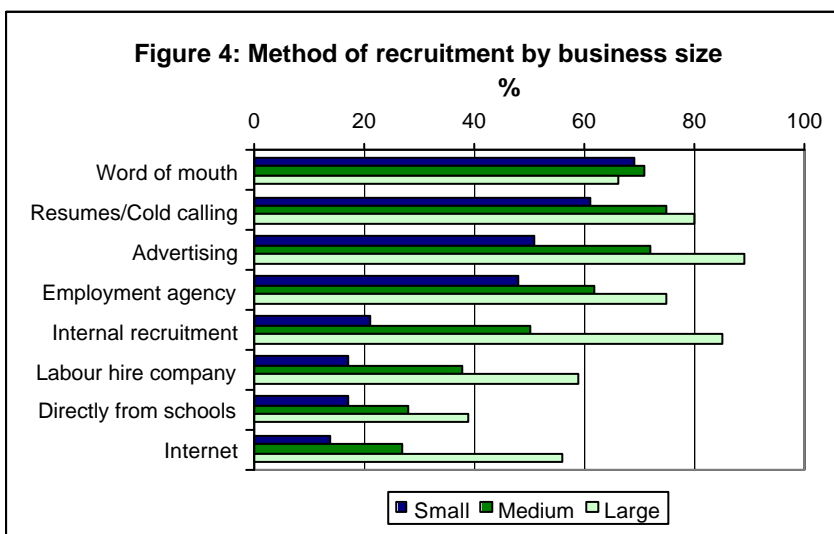
Noticeably, word of mouth and advertising in newspapers are popular methods of recruitment for all types of vacancies, with the exception of newspaper advertisements for labourers and related workers, through which only 12% of positions were filled. Overwhelmingly, the first choice of method for these types of vacancies is word of mouth (41%), followed by Job Network (21%) - some of the most cost effective methods of recruitment. Use of newspapers is considerably lower for this group than all other occupational categories. These employers would rather recruit using a cost effective and time saving method, an obvious opportunity to increase Job Network share of the market in low skilled vacancies.

Job Network rivals private employment agencies for their share in the lower skilled vacancies with up to three times as many employers using Job Network to fill the vacancy as other employment agencies. Whilst Job Network services some employers filling higher skilled positions, in the main, private employment agencies have a higher share of this market.

The business

Business size

The range of recruitment methods used appear also to be related to business size which is based on number of employees. Small businesses were more likely to rely on informal methods such as word of mouth recommendations and cold canvassing (in the sense that they use fewer alternatives) by job seekers than larger employers. Small businesses may see a bigger risk to their business in hiring the wrong person or in having too much down time during the recruitment process. For small businesses, a recommendation from someone they trust is more appealing than entering into a more formal process with which they may be less confident and which may require more of their time and money.



Business Size:

Small: employs 1 to 19 people

Medium: employs 20 to 99 people

Large: employs 100 or more people

Larger businesses, in contrast, are more likely to use a greater variety of recruitment methods. This may be partly due to the variety of positions they need to fill but it can also be attributed to the nature of large businesses. These businesses, in general, have professional employees or dedicated personnel/ human resource departments which will be more aware and more discerning in their recruitment choices than

small businesses. Large businesses may also be targeted more often by formal recruiters such as employment agencies, labour hire companies and online recruitment providers due to the larger pool of vacancies they provide. Hence there is a “they come to me” attitude amongst some larger employers.

Small businesses also appear to be looking for different attributes in job applicants than do large business. The survey showed that of all the attributes important to employers when recruiting, large businesses were more likely to rate ‘relevant work skills’ as most important (45%) compared to small employers (29%). This trend was reversed for ‘willingness to work’ with 26% of small businesses rating this as most important compared to 15% of large businesses.

Location

There is relatively little evidence of variation in recruitment methods on the basis of urbanisation. Patterns of recruitment were largely the same in metropolitan as non metropolitan areas. Employers in non metropolitan areas, however, were slightly more likely to use an employment agency (53%) than their city counterparts (48%). Not surprisingly, non metropolitan employers used advertising in newspapers and online recruitment websites less than metropolitan employers, perhaps because these methods are not likely to be as effective in a regional locality.

Industry

The data suggest that the industry in which businesses operates is also associated with the choice of recruitment methods. Some sectors have developed ways of recruiting within that industry. Employers in Government administration & defence, for example, are far less likely to use word of mouth recommendations (32%) despite this being by far the most popularly used methods across all employers. Many public sector organisations have strict policies and more formal procedures to follow for recruitment and the survey showed they were the largest users of newspaper advertisements (80%). Those sectors most likely to use an employment agency (including Job Network) were Manufacturing and Wholesale trade. Not surprisingly the Communication industry is the biggest user of online recruitment methods. Table 3 shows full results for major industry groups.

Table 3: Methods used to recruit in the last 12 months by industry group¹ (% of employers)

Industry	Recruitment method							
	Word of mouth	Ads in newspapers	CV sent/cold calling	Employment agency	Internal recruitment	Recruitment web site	Labour hire company	Direct from schools/college
Agriculture, forestry, fishing	85	33	41	59	17	6	25	12
Manufacturing	67	55	57	60	24	10	30	20
Construction	68	48	50	49	14	11	27	19
Wholesale trade	63	52	56	60	26	8	21	11
Retail trade	70	46	64	49	24	10	12	18
Accommodation, cafes & restaurants	79	54	74	48	22	10	15	18
Transport & storage	75	49	63	50	19	8	27	8
Communication services	69	66	63	51	30	34	16	17
Finance and insurance	57	48	65	55	32	22	22	17
Property & business services	69	60	63	27	23	20	21	22
Government administration & defence	32	80	69	47	69	28	35	24
Education	61	70	72	42	41	26	20	30
Health & community services	64	75	69	34	38	14	17	21
Cultural & recreational services	75	52	70	35	36	12	11	23
Personal & other services	66	55	59	51	23	15	18	22
All industries²	69	54	63	50	26	13	20	19

1. Industry group is based on the Australian and New Zealand Standard Industrial Classification (ANZSIC), Australian Bureau of Statistics, 1993.

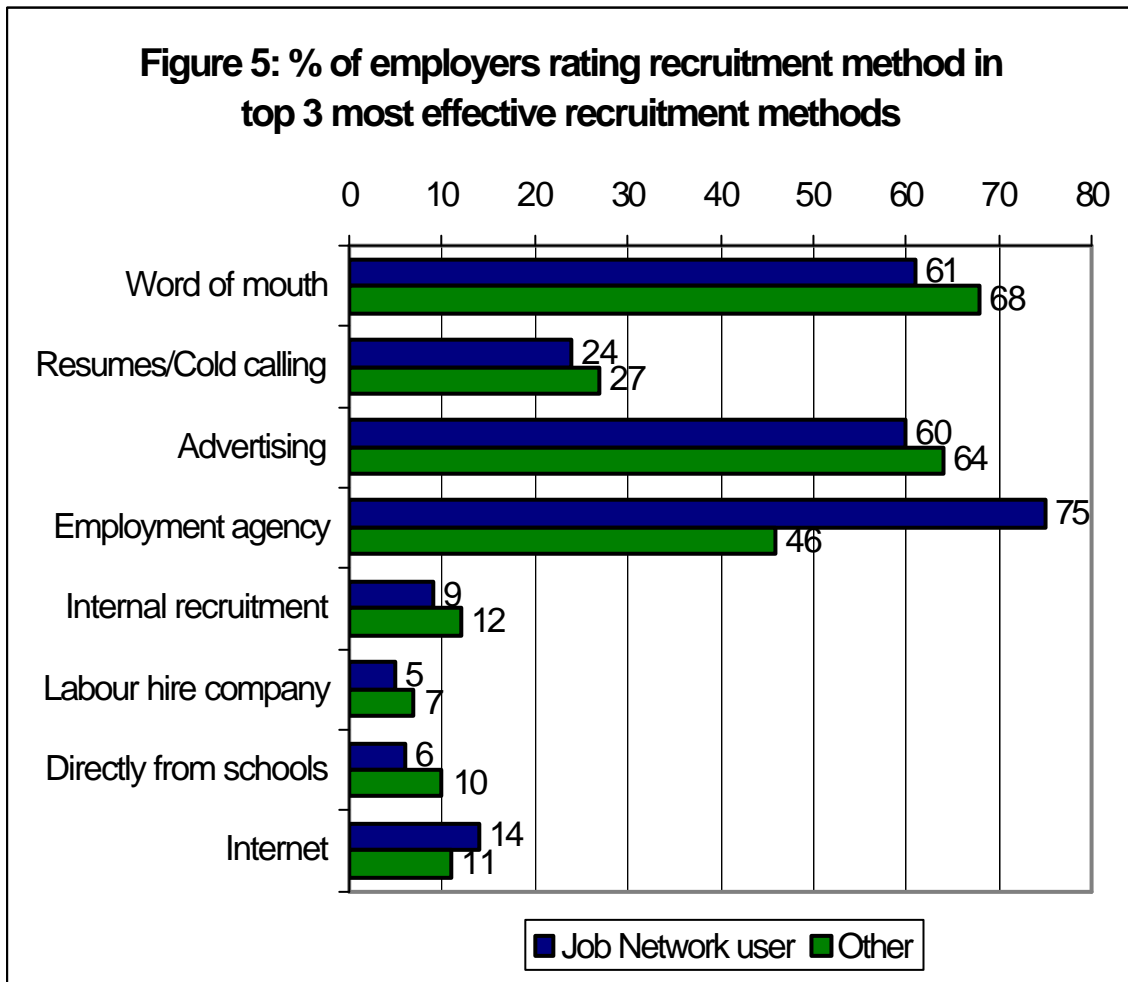
2. All industries includes Mining and Electricity, gas & water supply industries which are not listed separately as the recruitment activity for these sectors was small.

PREFERRED METHODS OF RECRUITMENT

Qualitative research with employers has highlighted the importance of two factors - time and cost, in filling a vacancy. This appears to be reflected in a greater move towards cheaper and faster ways of recruiting with the increase in use of word of mouth recommendations, cold canvassing and the Internet for recruitment.

The qualitative research indicates that unsolicited cold calling and leaving resumes is viewed positively by many employers. The consensus was that making the effort to come in and leave a resume showed initiative and indicated a genuine desire to find work. The research, however, also indicated that employers view recruitment as a risk. The increased use of labour hire companies may be seen as one way of averting this risk by allowing employers to take on employees on a temporary basis, and this in turn allows them to trial the job seeker. How effective the recruitment method is at achieving a good recruitment result is the most important consideration for employers.

As can be seen from Figure 5 the recruitment methods which are identified by employers as being most effective are word of mouth recommendations or personal contacts, advertising, employment agencies and resumes or cold callers. Whilst resumes or cold callers are very commonly used methods with 63% of employers having used them in the past year, only around a quarter of employers rate them as effective methods relative to alternatives. It is also interesting to note that the majority of Job Network users view the use of an employment agency as an effective method of recruitment, indicating that their experience with Job Network is a positive one.



Emphasise benefits of Job Network against competitors

The choices employers are making are often driven by the need for timely and cost effective recruitment methods. Job Network can just as easily meet these needs. Job Network members can highlight their ability to provide a free (or relatively inexpensive) and fast service for filling their vacancies to lure employers away from alternatives such as labour hire companies and the Internet and JobSearch. Emphasising its strengths and the extra benefits such as personalised service and understanding of employer needs that it can provide over and above the alternatives may also be useful. Not only can Job Network provide a cost effective and fast service but it also has the flexibility to provide extra support and extra services such as employee equipment, transport and training, if required.

Minimise risk

For most employers recruitment is a risk. One employer in a focus group went so far as to say “*recruitment is a real nightmare*” and this view was shared by many others! Employers choice of recruitment methods such as relying on personal recommendations of someone they trust or using labour hire companies to hire employees on a temporary basis is aimed at minimising risk. The rise in popularity of labour hire companies reflects the changing nature of employment arrangements in Australia (Waite and Will 2001) and indicates that in some cases an employer’s choice of recruitment methods is dependent on the terms under which they hire staff. Employer perceptions of the risk in taking on employees, particularly unemployed job seekers, may also explain the increased usage of labour hire companies. Job Network can address these concerns through more innovative strategies such as trialing job seekers with employers, and providing employers with guarantees. By guarantees, we are referring to the idea of replacing staff if the initial job seeker(s) was unsuitable or providing active support to the job seeker/employer pre and post employment to minimise the risk of making the ‘wrong decision’. Basically it is the idea of reassuring the employer that the agency will make every attempt to provide suitable job seekers and if the individual is inappropriate/unsuitable (and there-by a reflection of the recruitment process) the agency will endeavour to rectify the situation. By developing a relationship of trust with these types of employers Job Network will be able to become their reference point for personal recommendations.

Manage expectations

Employers have high expectations. Employers desperately want the right person for their job and hence they look for particular attributes in their future employees. The survey results showed that employers who used Job Network look for similar attributes in their employees as those who use other methods, that is, they have the similarly high expectations. Job Network members have the sometimes difficult task of managing these expectations. If employers expect high skill levels and lengthy work experience, they can be disappointed when their often unrealistically high expectations are not met by the job seekers placed through Job Network.

Cold canvassing with support

A specific strategy amongst many Job Network members is that of encouraging job seekers to canvass local employers for work and this is often built into job search plans developed between job seekers and their case managers. This is likely to be contributing to the increase in cold calling as a method used and favoured by employers in 2001. Whilst this may be a cost effective way of job seekers and employers connecting, the increase in canvassing also means increased competition for vacancies amongst job seekers. Job Network members may need to provide additional support and even advocacy with employers to ensure that their clients are competitive in the eyes of employers. Job seekers, particularly the more disadvantaged job seekers, need the formal support of the Job Network and their Job Network member to gain the skills to canvass successfully and to be competitive when looking for jobs using this method. Being enrolled with a Job Network member gives the job seeker credibility against which a prospective employer can verify the job seekers resume – in a sense the Job Network member acts as a referee by status and association.