



INTRODUCTION

Over the last decade there have been many changes in the Australian labour market. Between 1995 and 2005 the unemployment rate fell from 8.2% to 5.1% and the labour force participation rate increased from 63.6% to 64.4%¹.

The improvement in the labour market has been accompanied by changes in recruitment practices. Over the period 1997 to 2001 individual employers used an increasing number of methods to find suitable staff. Since 2001 there has been a slight decline in the average number of methods used by businesses, accompanied by considerable changes in the relative importance of the methods used. Most notable are the large increase in internet usage and the decline in the use of employment agencies. There were also significant increases in the use of newspaper advertising and internal recruitment and declines in the use of resumes/cold calling and labour hire companies.

Previous employer surveys have focused on the Job Network and its performance. The 2005 study examines the recruitment practices of businesses more generally. It thus provides a broader picture, from the perspective of Australian business, of the market in which Job Network and Job Placement Licence Organisations operate.

KEY FINDINGS

Following the large increase in the number of recruitment methods used over the late 1990s, the nature of recruitment has continued to change, most notably with the growth in the use of the internet and contraction in the use of employment agencies.

Surveys indicate that the number of job advertisements appearing on the internet each week is almost seven times the number of job advertisements in newspapers. Despite this, word of mouth and newspaper advertising continue to be the main means by which employers find new staff. Among the main recruiting methods, the internet is least likely to be used by itself and least likely to be successful when it is used, suggesting that it may often be used as an ancillary method.

In terms of effectiveness, employers rated newspaper advertising best followed by word of mouth, even though the latter was used to fill more of the latest vacancies filled than any other method. Newspapers are preferred for their reach and word of mouth is preferred because it provides applicants who are vouched for and appropriate.

There are significant differences in the patterns of use of recruitment methods across industries and occupations. Word of mouth is the key means of recruitment in all industries except Government administration & defence, Education and Health & community services. Newspaper advertising is the key recruitment method in each of these three industries. Semi-skilled and unskilled employees are mainly recruited by word of mouth, whereas highly skilled staff are more likely to be sought out by means of newspaper advertising, employment agencies and, for larger businesses, by internal recruitment.

Word of mouth not only enjoyed high success rates but was also one of the fastest means of finding a suitable employee. Hence it is popular amongst industries hiring larger numbers of casual and temporary staff.

Most employers used just one recruitment method for their last vacancy, although some reported using up to nine methods. Over the last 12 months, however, most employers had used more than one method. The average number of methods used increased with the skill level of the vacancy.

¹ Year averages of seasonally adjusted data.

Employment agencies are considered best by those who prefer them because of the level of service they offer, particularly in sorting and screening applicants, and their speed. Overall they are more likely to be used to fill full-time, permanent and higher skilled vacancies.

Compared to other employment agencies, however, Job Network Members are more likely to be used by employers to fill vacancies which are lower skilled, part-time, casual and lower paid. Job Network Members were faster on average in filling vacancies than other employment agencies.

Twenty-two per cent of employers had used a Job Placement Organisation² in attempting to fill a vacancy at some time over the previous 12 months, 11% had used a Job Placement Organisation in attempting to fill their last vacancy and Job Placement Organisations successfully filled 8% of those last vacancies which were actually filled.

Over 95% of employers agreed with each of the statements that applicants' attitudes were important, reliability was important and that employees must work well in a team environment. The percentages of employers agreeing that relevant work skills and previous work experience were important were somewhat lower, at 74% and 60% respectively.

METHODS OF RECRUITMENT

The employer survey was previously conducted in 1997, 1999 and 2001 and collected, amongst other things, data on the recruitment methods used by employers over the 12 months prior to the survey. Over the period 1997 to 2001 there were increases in the use of all the main recruitment methods, as shown in Table 1. Since 2001 there has been a slight decrease in the average number of recruitment methods used by businesses accompanied by substantial changes in the mix of recruitment methods used.

Table 1: Main methods of recruitment used (%)

Methods used ^a	In the last 12 months				For the last vacancy
	1997	1999	2001	2005	
	(%)	(%)	(%)	(%)	(%)
Word of mouth	25	50	69	67	34
Newspaper advertising	28	52	54	61	36
Resumes/cold calling	16	32	63	54	9
Employment agency ^b	41	48	53	37	20
Internet ^c	NA	NA	17	35	18
Internal recruitment	8	19	26	30	6
Directly from school/college	NA	NA	19	17	3
Labour hire company	NA	6	20	14	2

a. Categories are not mutually exclusive.

b. Includes CES users in 1997 and Job Network users in 1999, 2001 and 2005.

c. Net figure for internet recruitment, comprising use of on-line recruitment websites, advertising on the internet and other internet.

NA = not asked

The largest changes in recruitment methods used over the previous 12 months are an 18 percentage point increase in the proportion of businesses using the internet to recruit staff and a 16 percentage point decline in the use of employment agencies. Other notable changes include increases in the proportions of businesses using newspaper advertising (7 percentage points) and internal recruitment (4 percentage points) and declines in the proportions of businesses using resumes/cold calling (9 percentage points) and labour hire companies (6 percentage points).

Word of mouth was the method of recruitment used by the most businesses over the previous twelve months, followed by newspaper advertising, resumes/cold calling, employment agencies and the internet. According to the ANZ job vacancy series, however, the average weekly number of job advertisements in major metropolitan newspapers is less than one sixth of that for the internet. There are several possible reasons for this large difference in the relative importance of newspaper and internet job advertising, including the following:

² Job Network Member or Job Placement Organisation

- The Employer Survey looks at the numbers of employers using recruitment methods, whereas the ANZ survey counts the numbers of job advertisements.
- Employers who use the internet may advertise more vacancies than those who use newspapers.
- Job advertisements on the internet may stay there for more weeks on average than job advertisements appear in newspapers.
- The average number of internet sites used by internet advertisers may be higher than the average number of newspapers used by newspaper advertisers.
- Non-metropolitan employers may be less likely to use the internet than metropolitan employers.

Australian Bureau of Statistics data³ show that job seekers are substantially more likely to look for and respond to job advertisements in newspapers than they are to internet job advertisements, thus supporting the estimates derived from the Employer Survey.

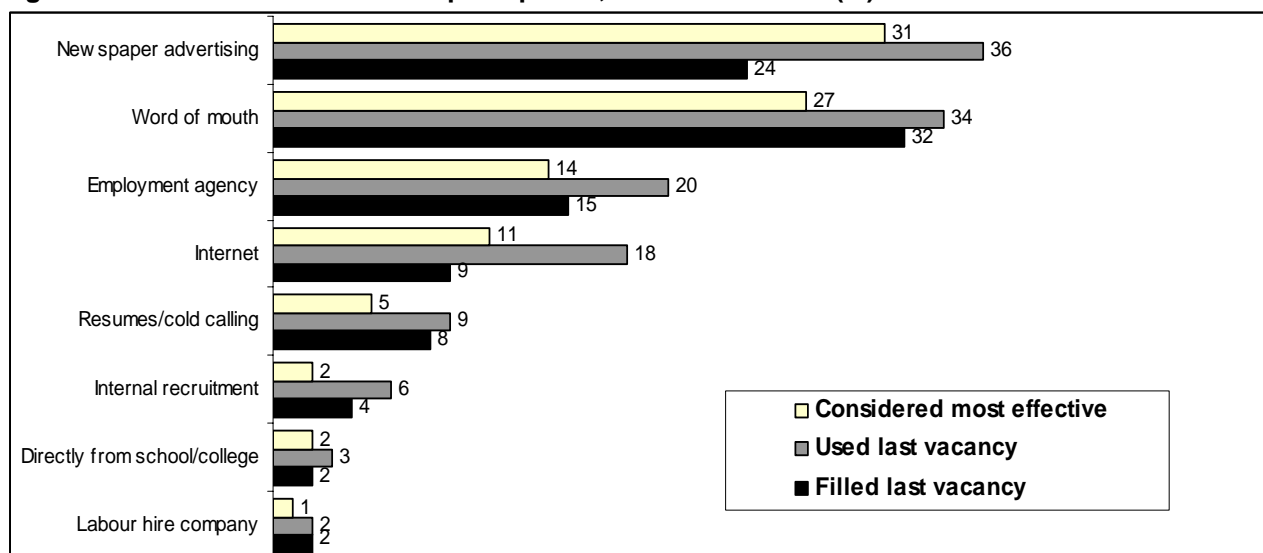
The 2005 Employer Survey also collected information on recruitment methods used by employers in attempting to fill their latest vacancy and the method which was successful in filling that vacancy. While only 21% of employers indicated that they had used only one method over the previous 12 months, 77% had used just one method in attempting to fill their latest vacancy, even though individual employers had used up to 9 recruitment methods of a possible 21⁴. Thus businesses tend to use different methods of recruitment for different vacancies.

As an example, the percentage of businesses using the 'resumes/cold calling' method was 9% for the last vacancy compared to 54% over the previous 12 months. Employer use of this method is limited by whether they have resumes or 'cold callers' from which to recruit. Newspaper advertising was the method used by most employers in attempting to fill their latest vacancies.

There is not much variation in the use of word of mouth to fill vacancies over the previous 12 months by business size. For all of the other main recruitment methods, the larger the business the more likely it is to use the method, and the average number of methods used increases with business size.

Figure 1 compares employers' views on the most effective method of recruitment to their use of methods in attempting to fill the last vacancy and the method which was successful in filling the last vacancy.

Figure 1: Methods of recruitment – perceptions, use and success (%)⁵



The rankings of the methods based on all three criteria are the same with one exception. Employers consider newspaper advertising to be the most effective method of recruitment and used it most in

³ ABS Job Search Experience Survey (Cat No. 6222.0), July 2005

⁴ The 2005 survey collected information on 21 methods of recruitment. All those not included in Table 1 were used by less than 3% of employers over the previous twelve months.

⁵ Methods used sum to more than 100% because some employers use multiple methods, while the other two series sum to less than 100% because all methods are not included.

attempting to fill their last vacancies, but word of mouth was the most successful method in terms of filling the last vacancy.

Employers were asked the reasons behind their choice of the most effective method of recruitment. As shown in Table 2, the most important factor to employers overall is 'Greater response/more people use', followed by 'Get appropriate applicants', and 'Level of service' and 'Speed'. Of those employers who consider newspaper advertising or the internet to be the most effective method of recruitment, large proportions attribute this to 'Greater response/more people use', indicating vacancies are advertised widely.

Advertising widely, however, is only useful to the extent that it attracts suitable applicants. Only 12-13% of employers preferring newspaper advertising, employment agencies or the internet do so because they 'Get appropriate applicants', considerably lower than the 23% of employers who prefer word of mouth for this reason.

Employers who consider the internet most effective also cited 'Speed' and 'Cost' as important reasons, and were more likely than other employers to provide multiple reasons for their preference (28% compared to 19%). The main reasons that employers nominated employment agencies as the most effective method are 'Level of service' and 'Speed'.

Table 2: Reasons recruitment method is considered "most effective" (%)

Reasons	Total	Newspaper Advertising	Word of Mouth	Employment Agency	Internet
Greater response/more people use	24	49	3	8	43
Get appropriate applicants	17	13	23	12	12
Level of service	11	9	4	31	12
Speed	11	5	7	24	22
Are vouched for	10	*	32	1	*
Cost	7	5	4	6	19
Easier to evaluate candidates	7	2	12	*	2
Convenient / simple	6	4	4	9	12
Successful	6	7	6	5	5

* estimates non-zero, but rounded down to 0%

Word of mouth was the method least likely to be used in conjunction with other methods, followed by labour hire, resume/cold calling, employment agencies, direct from school/college, newspaper advertising, internal recruitment and the internet. This helps explain why word of mouth, resumes/cold calling and labour hire had the highest success rates⁶ (76%, 72% and 65% respectively) in filling the latest vacancy when they were one of the methods used to recruit. The next highest success rates were direct from school or college (63%), employment agencies (61%), newspaper advertising and internal recruitment (both 54%). Internet advertising had the lowest success rate at 41%.

Not surprisingly, vacancies were most likely to be filled if word of mouth was one of the recruitment methods used, with 85% of these vacancies filled. In comparison only 64% of employers who used the internet to fill their latest vacancy had filled that vacancy, and 70% of those which used internal recruitment or newspaper advertising.

As demonstrated in Table 3, methods used vary significantly by industry. Government administration & defence is the highest user of newspaper advertising, the internet, internal recruitment and labour hire companies, and uses these methods substantially more than all other industries. Not surprisingly, it uses more methods on average than all other industries, despite being the lowest user of word of mouth.

Agriculture, forestry & fishing is the highest user of word of mouth and Accommodation, cafes & restaurants and Education are the highest users of resumes/cold calling. Wholesale trade and Manufacturing are the highest users of employment agencies and Education and Cultural & recreational services are the highest recruiters direct from school/college.

⁶ The success rate for a method is defined as the number of vacancies that method was successful in filling divided by the number of vacancies where it was one of the methods used.

The proportion of employers who used multiple recruitment methods for their last vacancy ranged from 53% for Government administration & defence and 32% for Cultural & recreational services to 18% for Retail trade and 13% for Agriculture, forestry & fishing.

Table 3: Recruitment methods used over the last 12 months by industry (%)

Industry	Word of mouth	Newspaper advertising	Resume/ cold calling	Employment Agency	Internet	Internal	Direct from school/ college	Labour hire
Agriculture, forestry & fishing	80	47	31	34	18	18	16	14
Manufacturing	66	65	49	49	36	31	15	23
Construction	68	62	45	33	25	18	19	19
Wholesale trade	63	55	47	51	34	24	7	21
Retail trade	71	51	57	34	23	26	15	10
Accommodation, cafes & restaurants	74	63	68	34	29	35	16	11
Transport & storage	72	62	54	45	29	30	14	18
Communication services	67	66	55	40	63	37	18	16
Finance & insurance	56	53	55	41	41	26	19	11
Property & business services	72	64	56	38	50	30	19	13
Government administration & defence	42	86	44	43	68	57	19	30
Education	62	76	67	15	49	46	23	7
Health & community services	61	75	55	31	35	39	19	9
Cultural & recreational services	61	60	61	29	42	35	22	13
Personal & other services	69	56	47	27	32	29	18	9
All industries	67	61	54	37	35	30	17	14

Table 4 shows the use of each of the main methods of recruitment in attempting to fill businesses' last vacancies by occupation. Between them, newspaper advertising and word of mouth are the first and second most used methods for all occupations except Professionals, where the internet is second. The use of newspaper advertising is higher for high skilled occupations and use of word of mouth is higher for low skilled occupations. The use of the internet and internal recruitment are lower for low skilled vacancies and the use of resumes/cold calling is higher. These outcomes are similar to those reported in 2001.

The average number of the main methods used in attempting to fill vacancies tends to decline with the skill level of the vacancy, from 1.6 for Managers & administrators to 1.2 for Labourers & related workers.

Table 4: Methods used in attempting to fill the last vacancy by occupation ⁷ (%)

Occupation	Word of Mouth	Newspaper Advertising	Resumes/ cold calling	Employment Agency	Internet	Internal Recruitment
Managers & Administrators	35	45	3	26	32	14
Professionals	27	41	8	16	35	11
Associate Professionals	31	45	5	22	23	9
Trade Persons	39	40	9	17	11	3
Advanced Clerical	36	34	4	26	22	6
Intermediate Clerical	29	39	9	23	18	6
Intermediate Production	32	34	8	29	13	2
Elementary Clerical	44	25	17	13	9	3
Labourers & Related	41	26	10	16	11	3
Total	34	36	9	20	18	6

⁷ Occupations are coded to the Australian Standard Classification of Occupations (ASCO), Australian Bureau of Statistics, 1997.

Analysis of successful recruitment methods by occupation, summarised in Table 5, shows that word of mouth and newspaper advertising are either the first or second most successful method for all occupations. Newspaper advertising is marginally more successful for Professionals, Associate professionals and Intermediate clerical, sales & service workers and word of mouth is the most successful method for all other occupations. Word of mouth is the successful method in filling 40% or more of all vacancies in the Advanced clerical and service workers, Elementary clerical, sales & service workers and Labourer & related worker occupations.

Table 5: Successful method used to fill the last vacancy by occupation⁶ (%)

Occupation	Word of Mouth	Newspaper Advertising	Resumes/cold calling	Employment Agency	Internet	Internal Recruitment
Managers & Administrators	30	22	-	20	12	13
Professionals	23	26	6	11	17	5
Associate Professionals	28	29	4	16	7	7
Trade Persons	36	24	9	9	4	2
Advanced Clerical	40	25	1	17	11	2
Intermediate Clerical	26	27	7	19	12	5
Intermediate Production	30	24	8	25	7	1
Elementary Clerical	41	18	17	10	5	2
Labourers & Related	41	19	9	11	8	2
Total	32	24	8	15	9	4

The table also shows the relative success of employment agencies for Intermediate production, sales & service workers, the internet for Professionals, resumes/cold calling for Elementary clerical and internal recruitment for Managers & administrators.

EMPLOYMENT AGENCIES AND THE ROLE OF JOB NETWORK⁸

The names of employment agencies provided by employers were used to identify whether the agency was a Job Network Member or a Job Placement Licence Only organisation (JPLO) and hence a Job Placement Organisation or a non-Job Placement Organisation⁹. Use of Job Placement Organisations is understated to the extent that employers used a Job Placement Organisation but could not remember its name or provided a name that didn't match departmental records. On the other hand it should be noted that Job Placement Organisations, particularly JPLOs, may also place general job applicants.

Of those employers who used an employment agency 75% were able to provide a name. Of these, 35% nominated a Job Network Member, a further 23% nominated a JPLO, and 42% nominated a non-Job Placement Organisation.

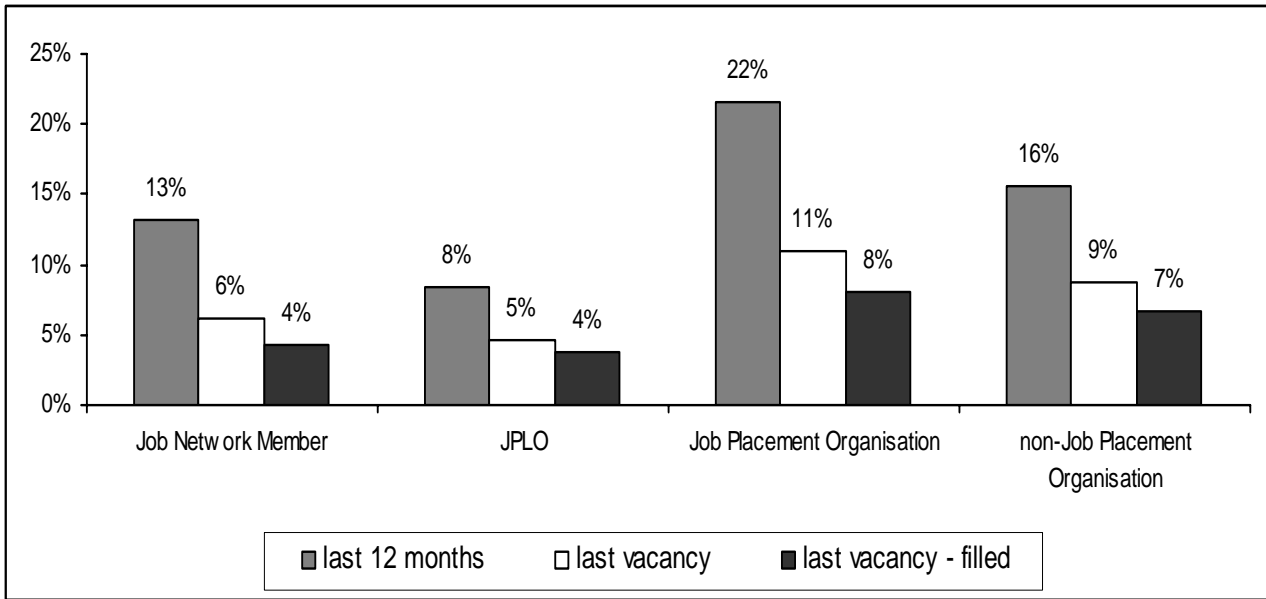
Figure 2 charts the percentages of employers who used an employment agency over the last 12 months and which used an employment agency in attempting to fill their last vacancy, as well as the percentage of latest vacancies successfully filled by an employment agency, all by type of agency. As shown, 22% of employers had used a Job Placement Organisation in attempting to fill a vacancy at some time over the previous 12 months, 11% had used a Job Placement Organisation in attempting to fill their latest vacancy and Job Placement Organisations successfully filled 8% of those latest vacancies which were actually filled.

Thirty-eight per cent of employers using a Job Network Member also used at least one other recruitment method, compared to 29% of users of JPLOs and 34% of users of non-Job Placement Organisations. Where Job Network Members were used in attempting to fill the latest vacancy, they were successful in 56% of cases compared to 67% for JPLOs and 62% for users of non-Job Placement Organisations. The lower success rate could be attributable to the fact that employers who used a Job Network Member were more likely to have used other recruitment methods as well.

⁸ This section is based only on those employers who had used an employment agency in the last 12 months.

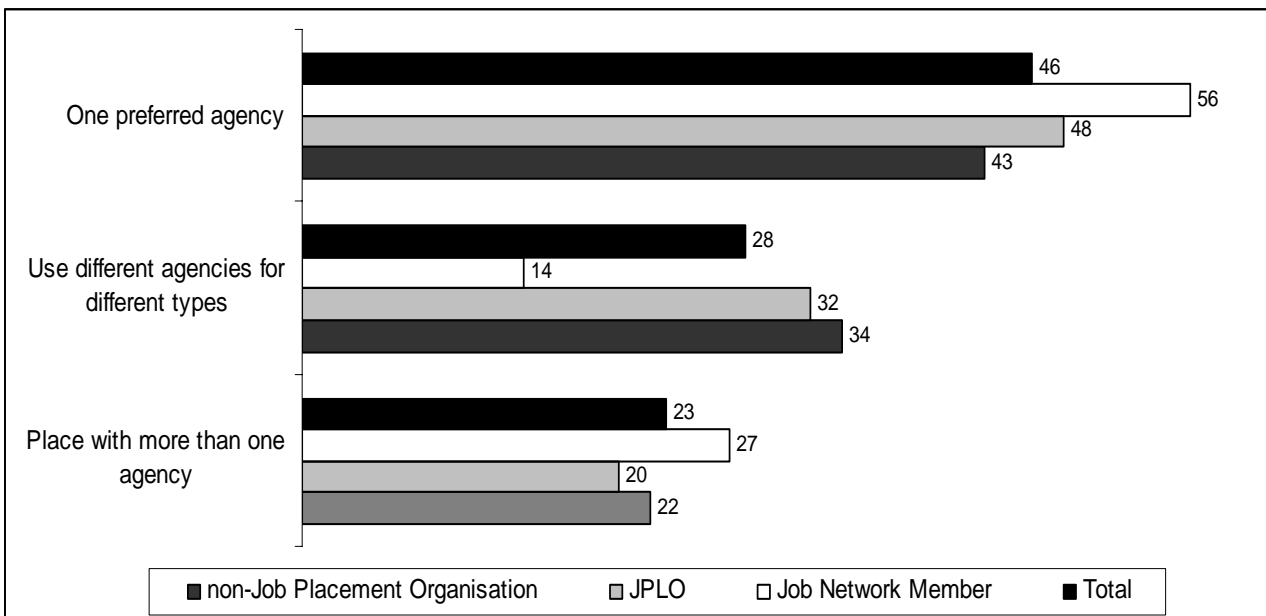
⁹ Job Placement Organisations include Job Network Members and Job Placement Licence Only organisations.

Figure 2: Employer use of employment agencies by type of agency (%)



Employers were asked questions concerning their perceptions of their use of employment agencies, and the results are summarised in Figure 3. Based on the responses, users of Job Network Members are considerably more likely than those using other agencies to have one preferred agency and considerably less likely to use different agencies for different types of vacancies. Users of Job Network Members were also more likely to use their employment agency for all their vacancies (38% compared with 26% for Job Placement Organisations and 25% for non-Job Placement Organisations).

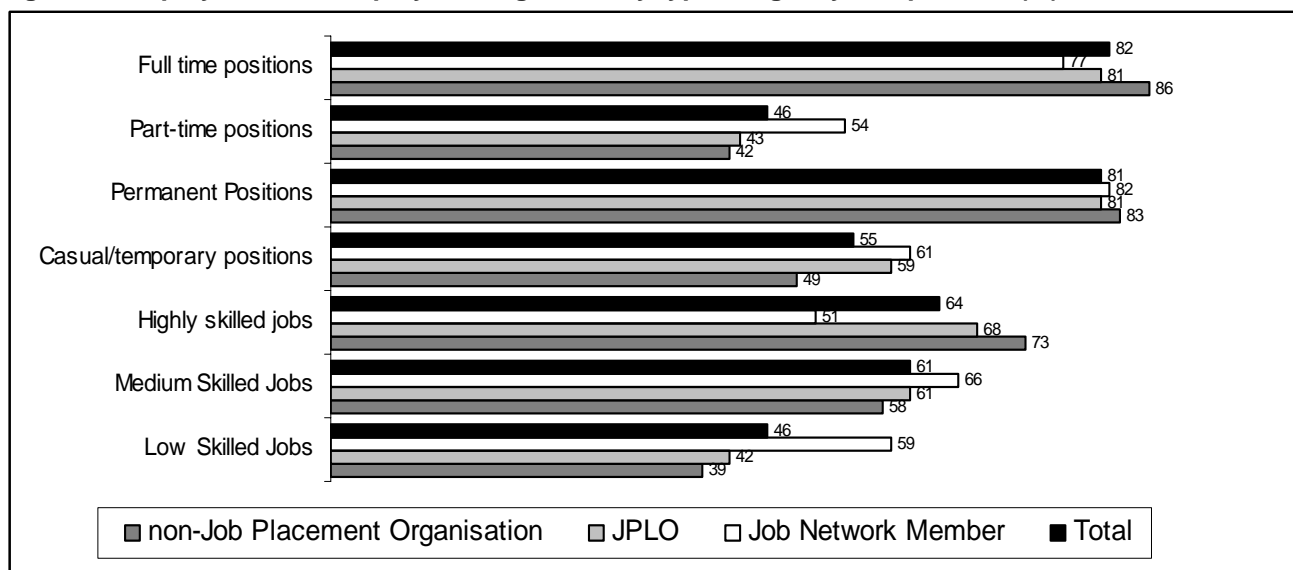
Figure 3: How employers use employment agencies by type of agency (%)



Data on actual use of employment agencies, however, show that only 47% of employers who had used a Job Network Member over the previous 12 months used them for their last vacancy, compared to 55% of users of JPLOs and 56% of users of non-Job Placement Organisations. Of those employers who had used an employment agency in the previous 12 months, 40% nominated non-Job Placement Organisations, 37% nominated JPLOs and 35% nominated Job Network Members as the most effective recruitment method.

Figure 4 demonstrates that employers are considerably more likely to use employment agencies to recruit full-time, permanent and higher skilled employees than casual/temporary, part-time and low skilled employees.

Figure 4: Employer use of employment agencies by type of agency and position (%)



Employers who use Job Network Members are substantially more likely than users of other employment agencies to use their agency to fill part-time and low skilled vacancies, and substantially more likely than users of non-Job Placement Organisations to use their agency to fill casual/temporary positions. While 63% of the latest vacancies for which Job Network Members were used were full-time and permanent, compared to 79% for JPLOs and 78% for non-Job Placement Organisations.

There are large differences between Job Network Members and other employment agencies in the proportions of vacancies serviced by occupation. The highest proportions of the vacancies serviced by Job Network members are for Trades persons, Intermediate production & transport workers, Elementary clerical, sales & service workers and Labourers & related workers, with lower proportions for Managers & administrators, Professionals, Associate professionals, Advanced clerical & service workers and Intermediate clerical, sales & service workers.

The main differences between JPLOs and non-Job Placement Organisations in terms of occupations serviced are that JPLOs are used for a higher proportion of Managers & administrators and a lower proportion of Professionals.

In terms of industries serviced, Job Network Members are substantially more likely to service employers in Manufacturing, Retail, Transport & storage and Accommodation, cafes & restaurants and less likely to service employers in Finance & insurance and Property & business services. This is despite the fact that Property & business services has high numbers of part-time and low skilled jobs, which would appear to favour Job Network Members.

An analysis of remuneration reveals that the vacancies filled by Job Network Members tend to attract lower pay than those filled by other employment agencies. Full-time permanent vacancies filled by Job Network Members attracted median weekly pay in the range \$500-599, compared to \$700-799 for JPLOs and \$800-999 for non-Job Placement Organisations.

LATEST VACANCY - RECRUITMENT AND EMPLOYER ATTITUDES

The majority of businesses (82%) had filled their latest vacancy. There was little difference by industry, with the exception of Communication services which had filled only 62% of its latest vacancies. The success rates for other industries ranged from 78% for Property and business services and Construction to 87% for Education.

In terms of occupation there was a clear distinction in the proportions of vacancies filled between high skilled and low skilled occupations. For each of the four highest skilled occupations¹⁰, the percentage of vacancies filled was 77% to 78%, compared to a range of 83% to 88% for the other five occupations.

¹⁰ Managers and administrators, Professionals, Associate professionals and Trades persons

Of those businesses that had filled their latest vacancy, more than half (53%) had done so in less than 2 weeks, 81% did so inside a month and 95% took less than 3 months. As would be expected, the longer it took employers to fill vacancies the greater the proportion who were dissatisfied with the time taken.

As shown in Table 6, the average length of time taken to fill vacancies was about 3 weeks. Employers who used labour hire companies filled their vacancies the fastest, reflecting the nature of the labour hire business.

Table 6: Average weeks taken to fill a vacancy by successful recruitment method

Method	Weeks	Method	Weeks
Labour hire company	2	Family or friends	3 ½
Resumes/cold calling	2 ½	Internal recruitment	3 ½
Word of mouth	2 ½	JPLO	4
Job Network Member	3	Direct from school or college	4
Internet	3	non-Job Placement Organisation	4 ½
Newspaper advertising	3	Total all methods	3

Job Network Members are faster on average at filling vacancies than JPLOs, which are in turn quicker than non-Job Placement Organisations, which were the slowest recruitment method. This may be partly because Job Network Members are more likely to service lower skilled vacancies and the average time taken to fill vacancies increases with the skill level of the vacancy, from 2 weeks for Labourers & related workers to 5 weeks for Managers & administrators. Also, unemployed job seekers are available to commence work immediately whereas other people seeking employment through agencies may be employed and need to serve notice to current employers.

With respect to industry, the average time taken to fill vacancies ranges from 2 weeks for Accommodation, cafes & restaurants and 2 ½ weeks for Retail and Transport & storage to 4 weeks for Communication services, Finance & insurance and Health & community services and 4 ½ weeks for Government administration & defence.

At the time of the survey, 95% of the permanent and 86% of the temporary most recent recruits were still employed. Table 7 refers to the 7% of employers where the most recent recruit had already left their employment, and shows the main reasons cited by employers for the departure by whether the recruit was a temporary or permanent employee. There is no dominant reason why employees recruited to permanent positions are no longer in the job, whereas over two thirds of temporary employees who left did so because of the temporary nature of the position.

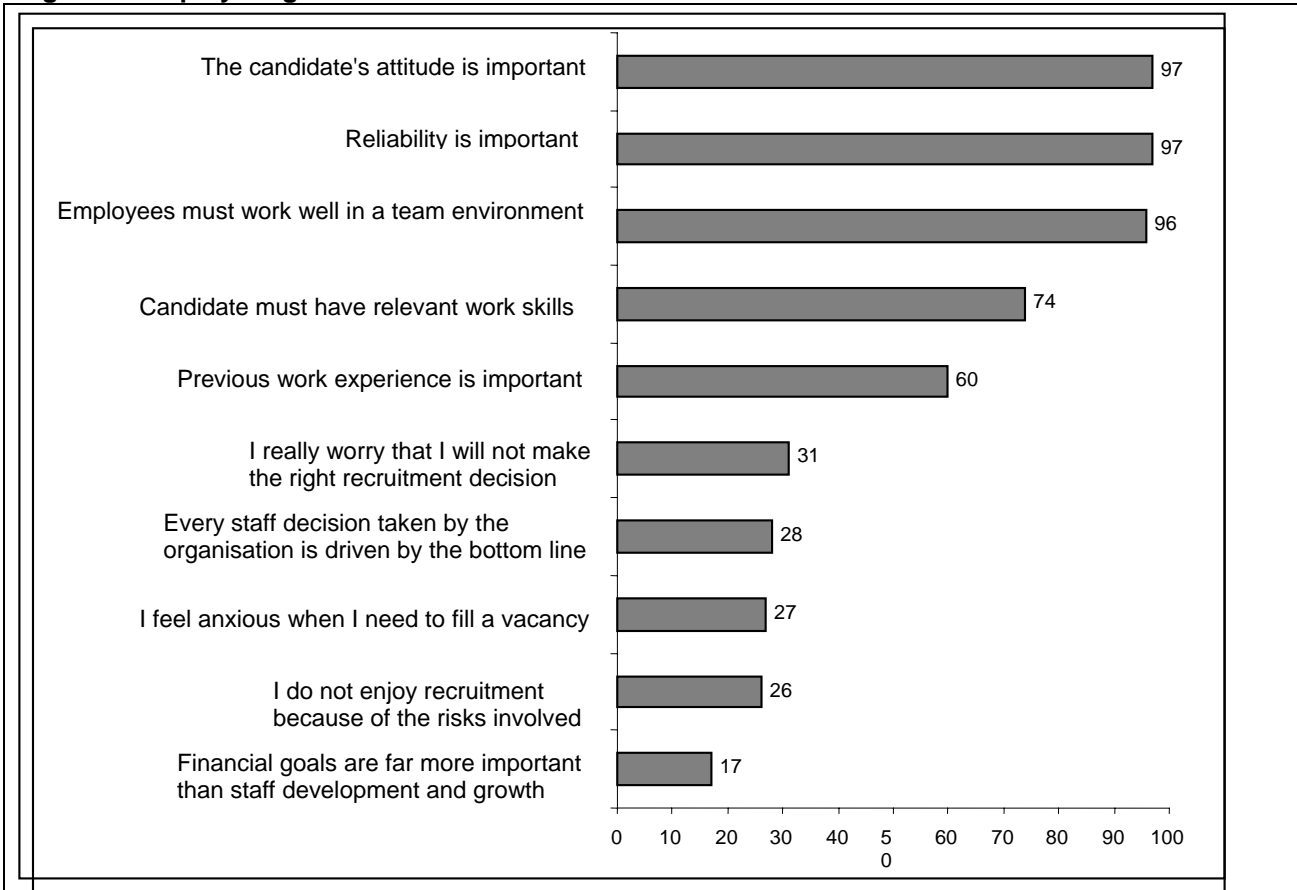
Table 7: Reasons most recent recruit no longer employed, by permanent/temporary (%)

Method	Permanent	Temporary
Found another job	16	7
Under-performing	16	4
Didn't like job	12	8
Didn't have relevant skills	9	0
Temporary position only	9	69
Personal reasons	8	1
Insufficient work	7	6
Attendance unsatisfactory	7	3
Poor attitude to work	6	3
Didn't get on with other workers	6	2

Of the latest vacancies filled, 12% were for trainees (7%) and apprentices (5%), of whom 94% were still employed at the time of the survey. The distribution of successful methods of recruitment for apprentices and trainees was broadly similar to that for other recruits, with the main exception being the higher percentage recruited directly from school/college (10%) compared to other recruits (0%).

Employers were asked how strongly they agreed with the ten statements listed in Figure 5 concerning their attitudes to the recruitment process and candidates' characteristics. Employers were virtually unanimous in agreeing that job candidates should have a good attitude, be reliable and be able to work in a team environment. Three quarters of employers agreed that candidates must have relevant work skills.

Figure 5: Employer agreement with statements about recruitment



Overall, 51% of employers agreed that recruitment caused them worry or anxiety, or was unenjoyable due to the risks involved. This proportion increased as business size decreased, reinforcing a finding of earlier qualitative research that "for most employers in small businesses recruitment was a chore and something they didn't have time for."¹¹

Survey Methodology

The 2005 Employer Survey Report is based on data that was collected by Wallis Consulting Group on behalf of the Department of Employment and Workplace Relations (DEWR). The data was collected through telephone interviews conducted in February 2005 with the most senior person in charge of recruitment in each of 6,000 workplaces across Australia, all of which had undertaken recruitment action in the previous 12 months. The sample was drawn from commercial business lists and lists provided by DEWR. Of the 6,000 workplaces, 2,249 had used an employment agency to fill their last vacancy and were able to answer the questions relating specifically to use of employment agencies.

Survey responses were weighted on the basis of the number of employees by business location size and industry sector using ABS Business Register data to make the survey results more representative of all employing businesses with 5 or more employees.

The industry coding follows the Australian and New Zealand Standard Industry Classification (ANZSIC), Australian Bureau of Statistics, 1993. Small business locations are those employing 5 to 19 employees in total, medium employ 20 to 99 and large employ 100 or more.

Because the data are weighted by business location size it is not possible to provide accurate estimates by actual business size. Where data are reported by industry, the Mining and Electricity, gas & water industries are not reported separately due to their low recruitment levels. These data are, however, included in the totals.

Further information on survey methodology can be obtained from Research and Data Analysis Branch on 6121 6461 or e-mail Beth.Lawrence@dewr.gov.au.

¹¹ Employment Recruitment Practices - A Research Report. August 2004 TNS for DEWR - unpublished.