



# 2006 DirectEmployers Association Recruiting Trends Survey

Washington, D.C.  
February, 2006

# 2006 Recruiting Trends Survey Summary

- This report highlights results from a survey of seventy-three leading employers
- Responses indicate:
  - ➔ Over 50% of New Hires were sourced from the Internet in 2005
  - ➔ Employment Web Sites, Referrals, and General Job Boards (e.g., CareerBuilder) were the most fruitful sources for new hires in 2005
  - ➔ Employers spent the largest proportion of their recruitment budgets on General Job Boards in 2005
  - ➔ The greatest volume of applicants in 2005 came from Employee Referrals, Employment Web Sites, General Job Boards, and Campus Recruiting events
  - ➔ Employers were most happy with their Return on Investment from (in order of satisfaction) Employee Referrals, their own Employment Web Sites, Campus Recruiting, and Niche Job Boards
  - ➔ Our *Source Value Index* suggests that employers received the most value from their budgetary investments in Referrals, Social Networking Web Sites, and their own Employment Web Sites (Value Index = % Hires/% Budget allocation)
- 2006 will present new challenges and opportunities as the regulatory environment around online recruiting changes
  - ➔ Many employers suggested that the new OFCCP definition of an “Internet Applicant” has caused and will continue to affect significant changes in organizational practices
  - ➔ Employers expect to drive more applicant traffic through the web in 2006 – which would be a valid means for effective compliance within the changing regulatory environment

## **Sources of Hires**

1. Employment Web Site – 21%
2. Referrals – 19%
3. General Job Boards – 15%
4. Search Firms – 10%
5. Campus Recruiting - 8%
6. “Other” – 6%
7. Niche Job Boards – 6%
8. Social Network Web Sites – 5%

## **Source Value Index Ranks**

1. Referrals
2. Social Networking Web Sites
3. Employment Web Site
4. Campus Recruiting
5. Niche Job Boards
6. Commercial Resume Databases
7. General Job Boards
8. Newspapers
9. Job Fairs

# Context for the 2006 Recruiting Trends Survey

- It is clear that hiring activity on the Internet has dramatically increased in recent years, yet very little data exists providing meaningful benchmarks from which to gauge the state of hiring practices, particularly on the Internet
  - Recent events with regard to Federal Regulations around defining “Internet Applicants” is changing the way companies think about using the Internet to direct applications and find passive job seekers
  - New web technologies and behavior, such as social networking web sites, are beginning to have an impact on employer sourcing efforts
- This study sought to bridge the gap between practice and awareness by collecting data on hiring practices from leading employers
  - Seventy-three recruiters from leading employers answered questions to our survey evaluating the impact and trends in usage around eleven recruiting sources
  - The survey was completed, via the Internet, between January 18<sup>th</sup> and February 3<sup>rd</sup>, 2006

# Methodology and Description of the Sample

- A total of 76 items, clustered around six primary areas, were created based on a prior survey of Recruiting Trends (Cober & Brown, 2004 DirectEmployers Survey) and current perspectives regarding the state of the Recruiting Industry
- Invitations to participate in the 2006 Recruiting Trends Research Project were sent to Recruiting Practitioners from 270 employers
  - ➔ Survey was open from January 18<sup>th</sup> - February 3<sup>rd</sup>
  - ➔ 27% total response rate
  - ➔ 84% of respondents were from DirectEmployers Member Organizations
- Profile of Employers in this Study:

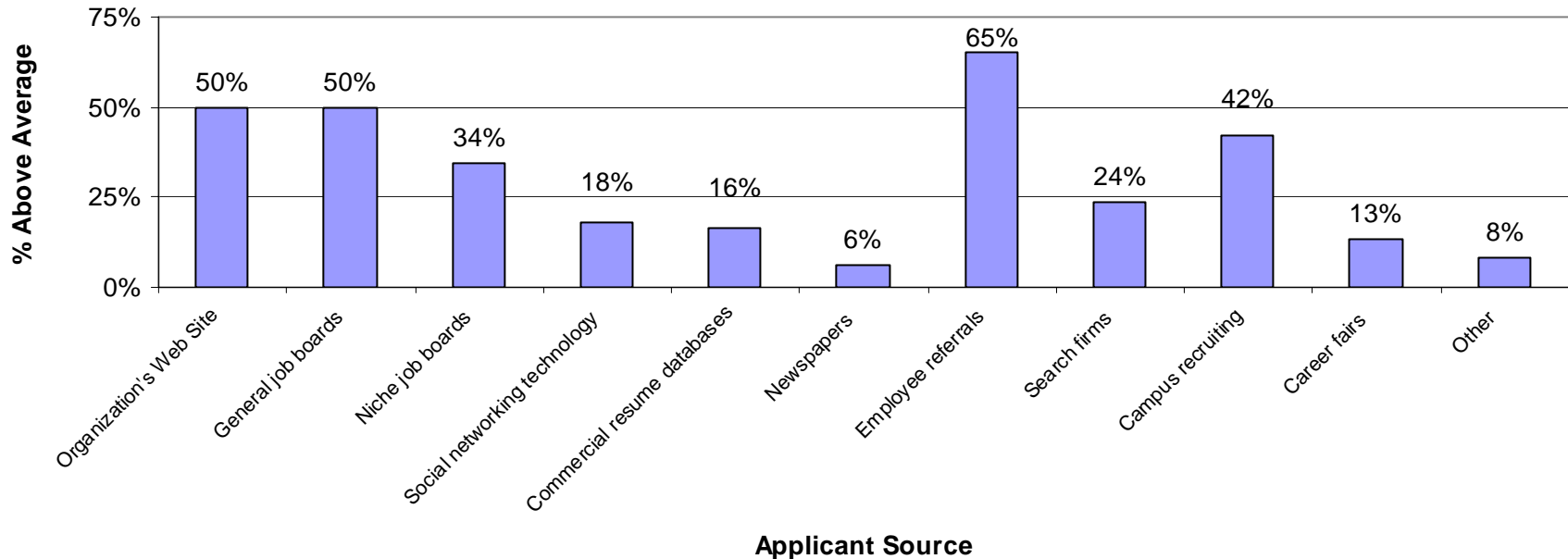
Size of Firm	Total 2005 Applicants	2005 Recruiting Budget	Hiring Freeze in 2005	2006 Recruiting Trend	% Recruiting Exempt Workers
< 5000 = 26% 5001 – 25,000 = 34% 25,001 – 50,000 = 16% > 50,000 = 23%	Mean = 139,000 Low = 200 High = 1,000,000	< \$50,000 = 6% \$50K - \$100K = 8% \$100K - \$500K = 30% \$500K - \$1M = 14% > \$1M = 43%	23% Reported a hiring freeze at some point in 2005	Decrease = 4% Stay the Same = 36% Increase = 60%	Recruiting = 62% Exempt Employees

- The relative quality of applicants in the talent marketplace seems to be on the rise and innovations in recruiting technology are facilitating employer ability to cast a wider net
  - Fifty-eight percent of respondents felt that the quality of hires in 2005 had improved relative to previous years
  - Fifty-six percent of respondents agreed that recruiting technology had made the job of recruiting easier
- As the competition for talent has increased, some employers are not providing the resources to effectively source and recruit
  - Forty-three percent of respondents felt that their organization provided insufficient funding to meet recruitment goals in the coming year
  - Perceptions of inadequate recruitment funding was particularly pronounced among respondents from the largest organizations

# Perceived Value of Recruitment Sources by Applicant Yield

- In 2005, employee referrals, general job boards, and Employer Web Sites generated above average numbers of applicants
- Very few employers attributed significant applicant flow to Newspapers

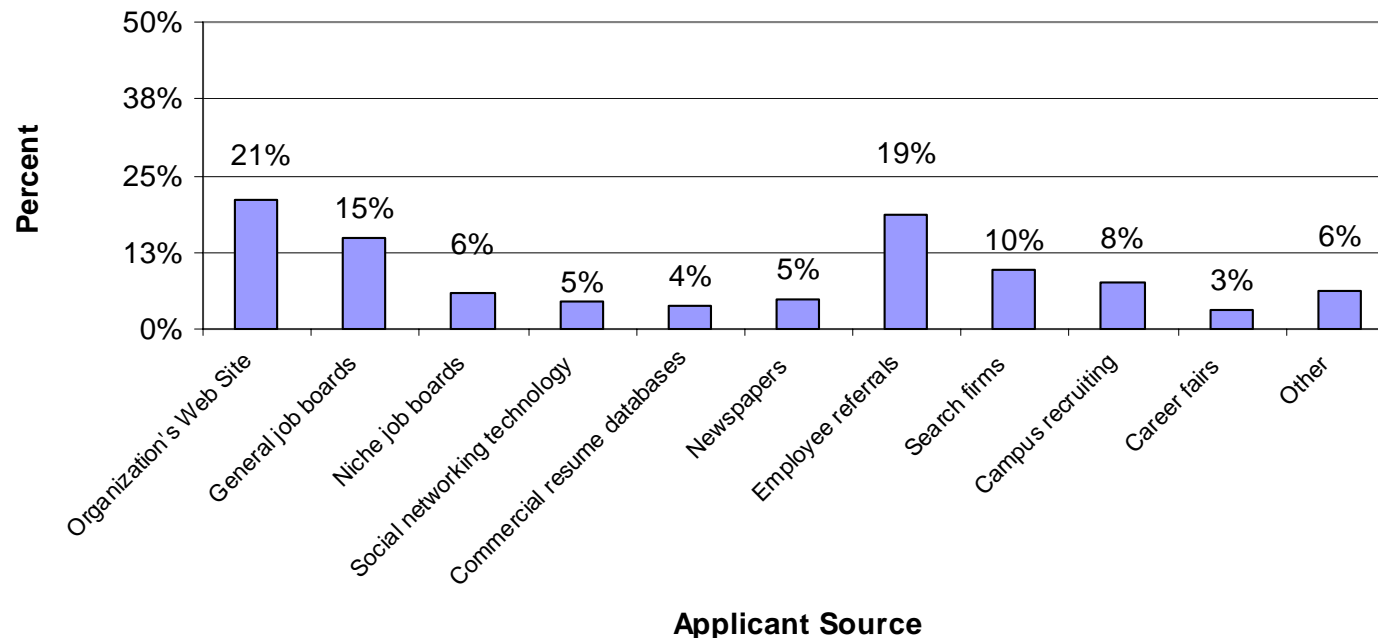
Rate each of the following sources with regard to the volume of applicants (i.e. QUANTITY) that your organization received in 2005



# Percent New Hires by Source

- Employer Web Sites were the single best source of new hires in 2005, followed closely by employee referrals
- Fifty-one percent of New Hires were sourced from the Internet

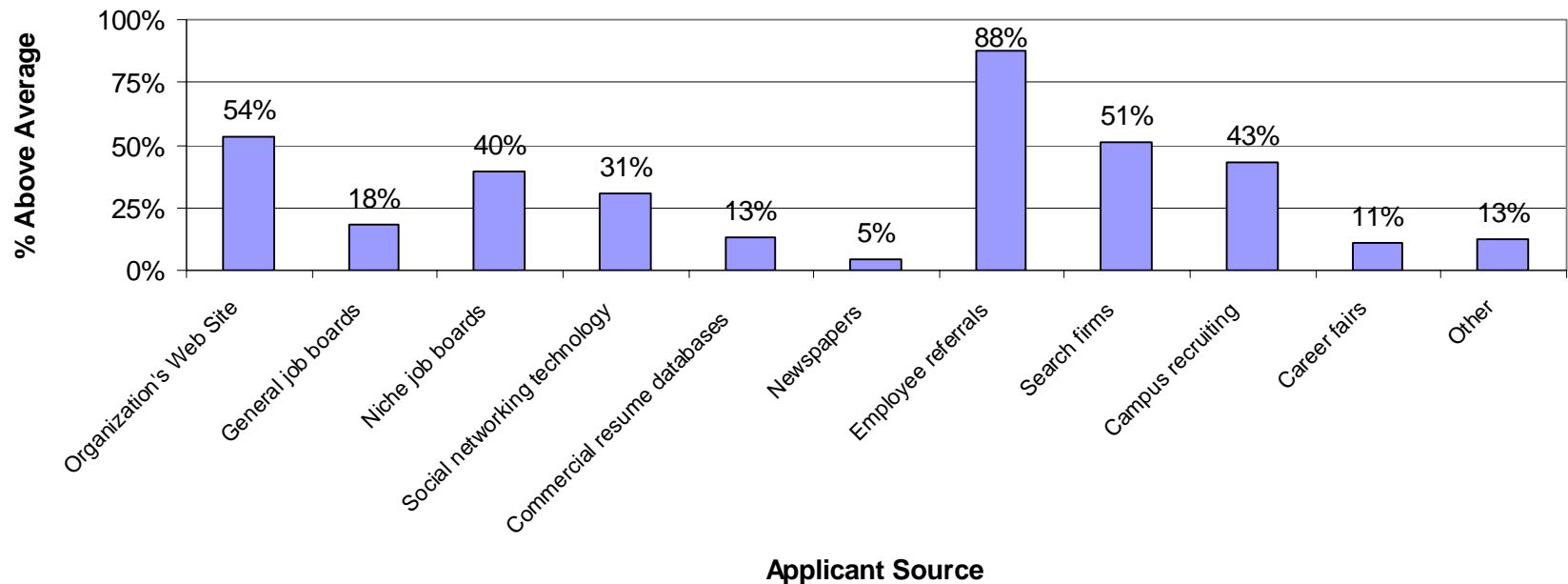
In 2005, approximately what percentage of your NEW HIRES originated from the following sources



# Perceived Quality of Applicants by Source

- Employee Referrals, Employer Web Sites, and Search Firms were rated as generating the highest quality of new hires
- Newspapers and Career Fairs received relatively negative ratings with regard to applicant quality

Rate each of the following sources with regard to the QUALITY of applicants that your organization received in 2005

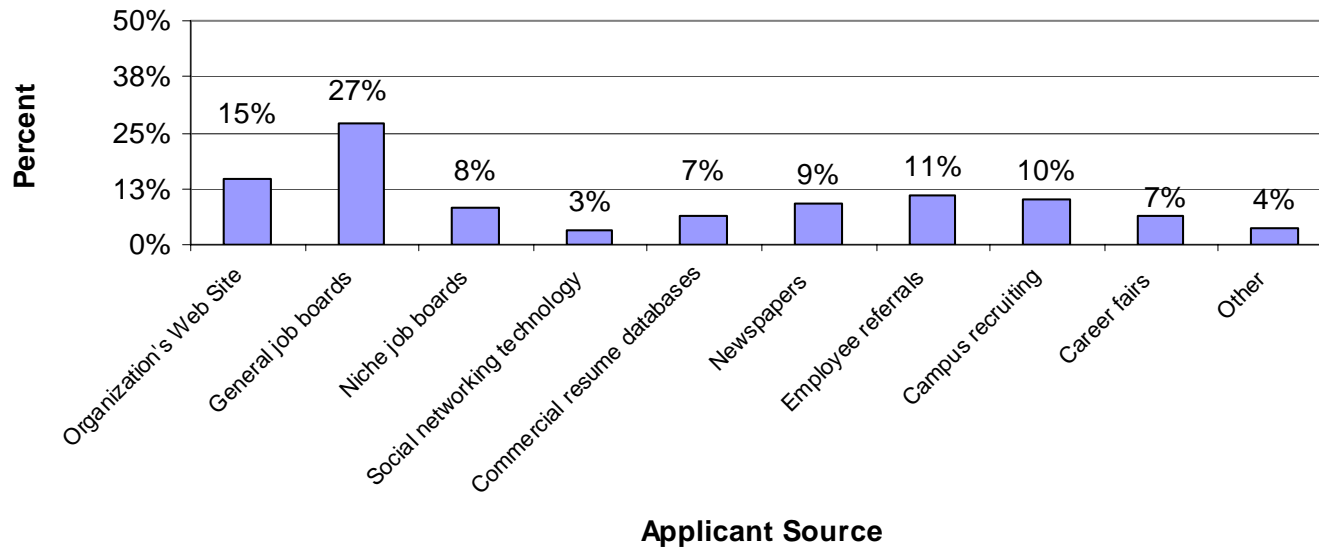




# Distribution of Recruitment Advertising Budget

- General job boards accounted for the largest percentage of an organization's advertising/attraction budget

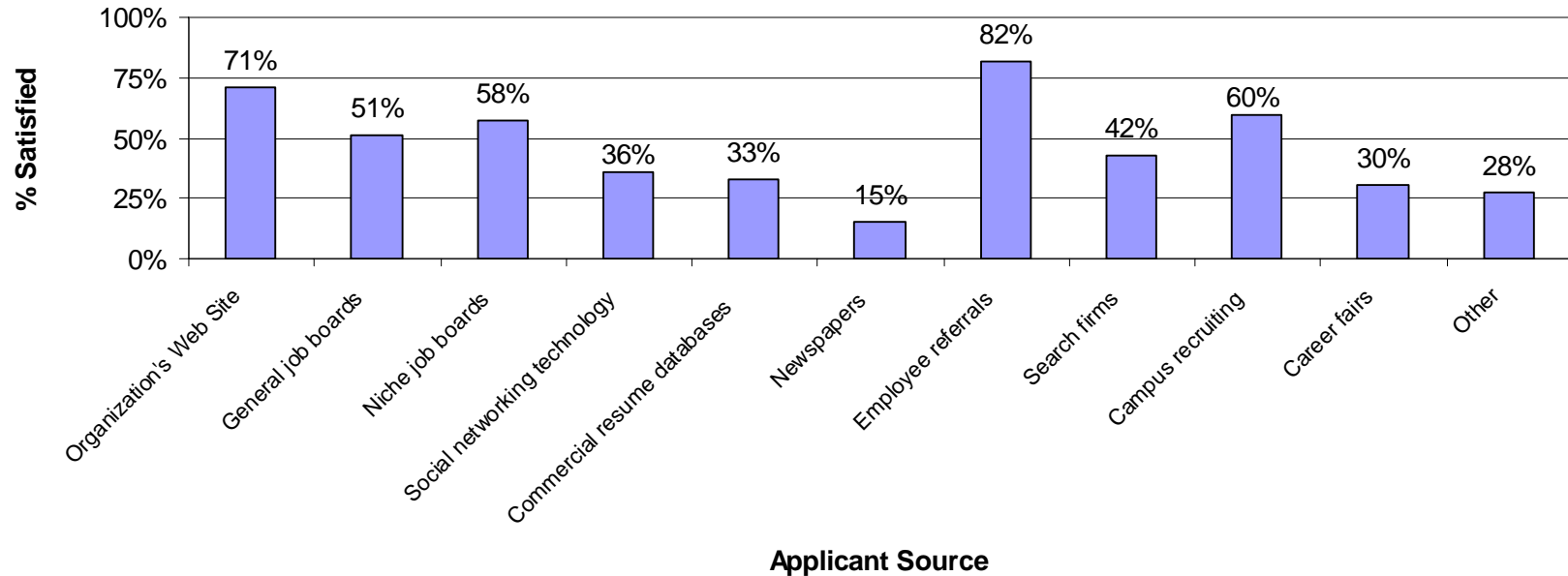
Approximately what percentage of your recruitment advertising/attraction budget is devoted toward utilizing the following sources



# Satisfaction with Recruiting Source ROI

- Respondents were most satisfied with the Return on Investment provided by Employee Referrals and their own Employment Web Sites
- Niche Job Boards were perceived more positively than General Job Boards with regard to ROI

What is your organization's level of satisfaction with the Return on Investment it gets from the following sources of applicants



# The Source Value Index

- The Source Value Index provides an indicator of the value of a source from an investment perspective

$$\text{Source Value Index} = \frac{\% \text{ New Hires From Source}}{\% \text{ Recruitment Budget Allocation}}$$

- For the most part, participant satisfaction with ROI reflects Source Value Index scores and rankings
  - ➔ Source Value Index for Social Networking Web Sites was relatively higher than ranking with regard to perceived ROI
  - ➔ General Job Boards were perceived more positively by respondents than the Source Value Index would suggest

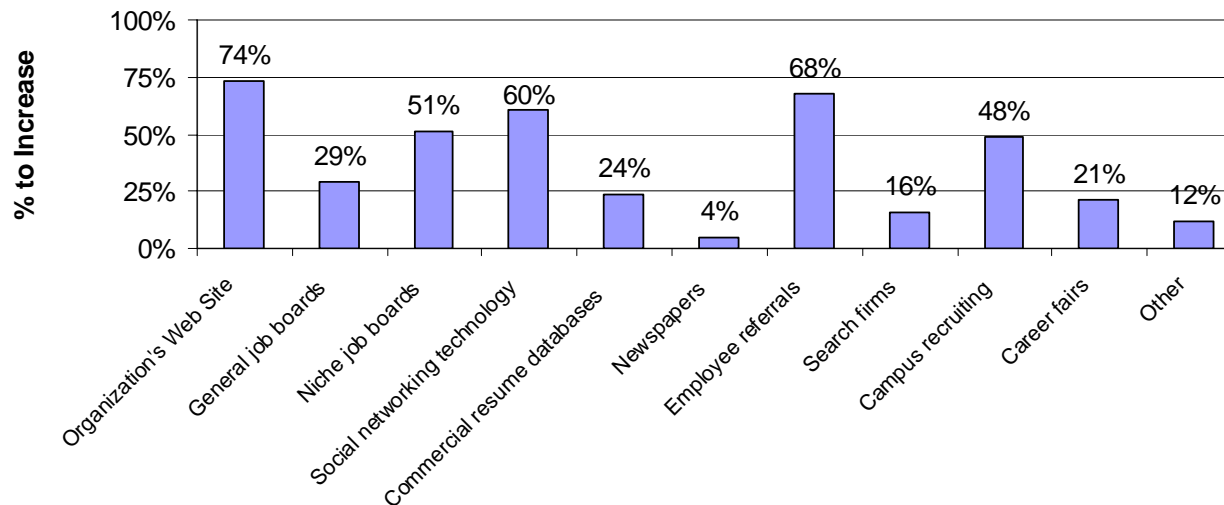
**Source Value Index Ranking**

Source	Value Index
1. Referrals	1.72
2. Social Networking Web Sites	1.46
3. Employment Web Site	1.41
4. Campus Recruiting	.76
5. Niche Job Boards	.71
6. Commercial Resume Database	.58
7. General Job Boards	.50
8. Newspapers	.50
9. Job Fairs	.47

# 2006 Recruiting Projection

- Most respondents anticipate their organization relying more heavily on their own Web Site and Employee Referrals as a source of applicants in 2006
  - Responses indicate significant movement toward increased use of technology to facilitate the hiring process
  - This trend represents one effective means for responding to and complying with new regulations released by the OFCCP

Think of your recruiting outlook for 2006. Please indicate the extent to which you anticipate your organization's use of the following sources of applicants will increase or decrease.



# Appendix A: Excerpts from Participant Comments

<b>Category</b>	<b>Comments*</b>
Online Challenges	<ul style="list-style-type: none"> <li>▶ Significant increase in the cost to post on name brand sites</li> <li>▶ I think that we need to leverage better and increase our effectiveness of our own website</li> <li>▶ We see the internet as a double edged sword. It is a valuable tool that is all too often misused or used as a proxy to truly building a relationship and dialogue with candidates</li> </ul>
Regulatory Environment	<ul style="list-style-type: none"> <li>▶ The OFCCP's new definition of an internet applicant will create new challenges in record keeping</li> <li>▶ We have just implemented a new applicant tracking system due to OFCCP requirements. We do have concerns on our candidate flow may suffer</li> <li>▶ More burden associated with use of Resume mining and the new ruling from OFCCP</li> <li>▶ The new OFCCP guidelines have been a challenge for us this year. It is difficult to compete in a challenging labor market while meeting the documentation standards that are dictated in the newest guidelines</li> </ul>
Sourcing Applicants	<ul style="list-style-type: none"> <li>▶ Attracting passive candidates continues to be a challenge. Job boards are becoming the newspapers of 20 years ago. Challenge to find quality</li> <li>▶ The lack of talent, and the lack of use of job boards by the internet talent pool we are seeking</li> </ul>
Screening Applicants	<ul style="list-style-type: none"> <li>▶ Job boards / sourcing &amp; referral tools need to focus on providing employers effective and efficient screening/pre-qualification features/functionality. The volume of applications/job seeker inquiries is an area that needs to be addressed</li> </ul>
Building Recruiter Talent	<ul style="list-style-type: none"> <li>▶ Internet has become a crutch for too many of my recruiters - relying too heavily on merely posting and getting away from the basics of networking and cold calling</li> </ul>
Using Technology	<ul style="list-style-type: none"> <li>▶ Opportunities would be to increase our own website's technical capabilities as well as stronger recruitment marketing to specific segment areas</li> <li>▶ Need for a better applicant tracking system</li> </ul>

\* Comments provided on this slide represent verbatim excerpts of comments provided by survey respondents

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