Source of Hire Report 2014

A CareerXroads ‘Lab’ Report: Filling the Gaps
(based on hiring data from 2013)

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Publication date: September 2014
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Preface

Since 1997, CareerXroads has been analyzing where some of the world’s largest companies have been finding talent. Our annual Source of Hire (SOH) reports have offered a yearly state of the union on current and future hiring trends. They have also increasingly looked at how these firms are tracking their SOH. Are they generating a comprehensive picture of their best sources, and if not, what can they do better?

Our intent has been to help organizations make more informed decisions about how they allocate their resources for recruiting top talent.

The reports have focused on larger companies that have been at the forefront of hiring practices. They are typically the first to take advantage of new technologies.

In the early years, we chronicled the sea change from print ads to the internet and employee referrals. More recently, we’ve understandably focused on shifts to mobile technology and social media, and the widening array of choices for recruiters to find talent.

The present hiring environment is historically complex.

When CareerXroads published its first SOH paper, newspaper postings were the common currency, generating nearly as many hires as the next two SOH combined. Internet recruiting was just gaining its footing and accounted for just 2% of hires.

This year’s SOH are far more evenly distributed among the 13 categories.

The sheer volume of options in itself would be enough to occupy recruiters’ thoughts, yet this only partly underscores the challenge to them.

Recruiters face an ongoing struggle to squeeze every drop of value from their closely watched hiring budgets while keeping pace with rapid change. Where they may allocate their hiring resources from quarter to quarter may depend on the latest app, software system or web site. These technological advancements simultaneously impact their processes and job seeker behavior. “We’ll likely spend less next year as most people have been tasked with doing more with less,” said one survey respondent in the comments section of our survey, encapsulating a common dilemma for HR.

For example, if they should invest more in LinkedIn, as many companies intend to do in coming months, how quickly should they make this change and at the expense of what other resources? What are the benefits of generalist job boards versus the leading aggregators? Referrals as an SOH dropped nearly 5% from last year but that may reflect a fundamental issue in reporting, not decreasing effectiveness of referral programs.

The very defining of categories can be tricky business. Where does social media fit in? It can safely be said to touch every aspect of recruiting. We consider it more a conduit than an end station. That is, candidates may learn about job openings via social media, but formally apply for these positions via other means. Or do they? The aforementioned
LinkedIn is increasingly bridging the gap between means and end, as companies use the social media site to advertise job openings.

Recruiters must be smart, detail-oriented and fluid to new developments.

In last year’s report, we wrote, “we need to take SOH up a notch.” We meant at the time that given the widening array of ways to source potential employees, companies needed to improve their ability to track their hiring. Those without a clear picture of where they were finding talent could be less sure of their recruiting strategies. This has changed little.

Many companies continue to operate in the dark. They lack the foresight, will or financial resources to create comprehensive systems for tracking SOH. The lack of sufficient monitoring may also reflect the decentralized nature of recruiting where many individual recruiters have specific responsibilities but lack a general overview, and the rising use of recruitment process outsourcing (RPO). Just three in five survey respondents said that they touched or knew about every full time hire or move.

In addition, companies have little insight into sources for contingent workers even as they are being used more. Contingent workers accounted for one sixth of companies’ workforces. Most firms are collecting little of the potentially available information on global hiring, as well.

Last year’s report asked our audience to consider whether SOH data was complete, accurate reliable and valid. We linked these standards to a more efficient recruiting function and higher levels of employee retention and productivity.

They should remain every company’s objective.

Gerry Crispin
Mark Mehler
CareerXroads, 2014
Key Findings

Companies continue to find their best candidates in their own backyards. Surveyed companies filled more than 41% of their openings from current employees – same as last year. This may reflect the willingness of some companies to stretch workers into positions rather than spend on recruiting talent from the outside but it also suggests that organizations are doing a better job of developing talent internally.

Tracking isn’t what it should be: Many recruiters don’t have a clear picture of where they are finding large segments of their workforce. Their awareness of trends in part-time, contingent and global hiring is particularly limited. Contingent workers now account for one in six members of firms' workforces.

Among job boards, aggregators and LinkedIn are playing a bigger role while the influence of older job boards is declining: Among outside websites, Indeed and LinkedIn have become the most significant sources of hire. Monster and CareerBuilder, which were the leaders among generalist job boards only a few years ago, have continued to see traffic trickle away. Niche boards focusing on specific types of jobs and industries will continue to serve a valuable purpose. All these sites have had to provide a wider range of services, including sourcing and analytics to meet demand, and this trend will only continue.

LinkedIn’s impact continues to grow: Nearly six in 10 companies surveyed said that LinkedIn was a critical component for their recruiters and sourcing groups. Half said that it was significant impact on their career sites. Companies also noted its strong influence in other SOH.

Employee referrals as an SOH dipped, although they remain an important piece of recruiting strategies: Companies filled about 20% of their openings via employee referrals -- down from 24% the previous year. But referrals were still the top source of hire, .1% higher than corporate websites and accounted for 100,000 hires. Moreover, a job seeker who is referred is conservatively three to four times more likely to be hired (some studies have found that a job seeker who is referred is 14 times more likely to be hired) than someone who applies for a position without a referral.

If you want to reach veteran job seekers and managers, you better be savvy to the ways these groups are communicating: Social media is already figuring more prominently in hiring of experienced professionals, and to a somewhat lesser degree, executives and entry level workers. More than half the companies surveyed said that it was a significant or dominant factor in their hiring in 2013. More than 20% of companies said that social media’s influence was growing in these three categories of workers. Mobile technology has not broken through to the same extent, although more than a quarter of the companies said that its impact was growing in the hiring of experienced professionals.
Our Methods

CareerXroads sends surveys to about 250 of the largest companies in the U.S. We do not reveal the names of these organizations in the interest of encouraging them to speak candidly. Most are well-known brands of national and international scope with widely regarded hiring practices.

The firms cover a range of major industries. In most instances, we have had ongoing dialogues with their staffing leadership, so are familiar with their strategies.

While areas of their hiring practices are widely emulated, they also face different challenges than smaller companies. Larger and smaller organizations rely on different tools for hiring and tracking SOH. Their considerations are largely cost based. Companies’ hiring practices also differ by industry. For example, large-scale retailers rely more heavily on hourly workers than other sectors.

Our reports are meant to be snapshots: Here’s what SOH looks like at a particular point in time. Our conclusions and recommendations are meant to address general trends but not as prescriptions for everyone.

Response rate

This year’s one in five response rate (20%) resembles response rates of previous years and offers a sizeable enough sample to authoritatively diagnose trends. Roughly 6000 recruiters from our respondents filled more than 507,000 positions – an average of about 80 jobs filled apiece. Recruiters carry large workloads.
Among the 50 companies responding, more than a quarter had between 10,000 and 25,000 employees. That does not include contingent workers. The size of these firms requires a multi-faceted approach to finding talent. These are organizations with sizeable divisions, each with varied needs.

We focus on U.S. SOH because of the higher volume and quality of data available in this region compared to global hiring. One in five responding companies did not hire internationally. Those that do are gathering more information about SOH but standard definitions about everything from ‘direct sourcing’ and ‘referrals’ to the ‘status’ of an equivalent F/T employee requires a separate approach.
A Study of Sources of Hire during 2013

What are recruiters’ responsibilities?

Do recruiters have the ability to analyze SOH? The data suggests that many operate somewhat in the dark about their companies’ most effective resources. About two in five (38%) do not touch or even have a view of all their firms’ full-time hiring.

Such involvement builds a stronger understanding of SOH.

Many recruiters are less likely to hire for non-exempt positions. About one in five recruiters (17%) do not hire hourly workers for manufacturing facilities and nearly the same percentage do not hire for retail store positions. This reflects the decentralized nature of recruiting at larger companies by class of employees.

Growth in the contingent market and RPO

About one in six workers are contingent. This ratio has risen gradually since our first survey in 2001 and a similar SHRM/EMA survey in 1997. It reflects an ongoing strategy among companies to remain flexible and cost-conscious in managing their workforces. Companies may achieve both goals partly by limiting their full-time employees and consequent commitment to hefty benefits packages.
Yet the increasing reliance on contingent workers combined with many recruiters’ un-involvement in hourly hiring fosters a huge gap in companies’ strategic understanding of how they are sourcing a sizable part of their workforce.

How then can these organizations sufficiently strategize where they should allocate their resources in the future?

Compounding the difficulties in SOH tracking is the growing number of companies who are relying on outside recruiters. More than half (53%) of the companies in our survey said that they outsourced at least part of their recruiting. Recent growth of RPO at large firms offers additional proof of budget consciousness.
Shortcomings in tracking global SOH

Companies continue to struggle with how to track their SOH, particularly for global hiring. About one in five firms (21%) said that they have no data on global hiring or that collecting this data would be a major undertaking, while another 16% said that they could break down hires by country but little more. This type of information is hardly useful for the type of nuanced decisions companies face about where they should invest their recruiting budgets.

These organizations have been unwilling or unable to spend on SOH analytics. Yet we were encouraged that more than 40% of companies indicated that they would be willing to track global hiring if they had the opportunity. A fuller analysis would only boost their ability to compete for talent in the global economy.

Internal hiring is still going strong

Companies are continuing to find their best candidates within their organizations. They filled nearly 42% percent of their openings – almost 192,000 positions -- through current staff. No other source produced more hires. The percentage is nearly identical to last year’s and is likely to remain about the same or grow, although it was interesting to note that five companies did not track internal hiring. These firms are missing an opportunity to learn about SOH.
Internal moves as companies’ number one source of hiring underscores the strong link between talent acquisition and management functions. Clearly, companies have developed a stronger awareness than ever in recent years of the importance of developing their own workers. This willingness to promote from within has become part of the corporate brand and a selling point for recruiters.
The rise of sourcing groups

Six in 10 companies feature their own sourcing groups. This percentage has steadily increased, an encouraging sign.

An additional 30 percent of the respondents said that recruiters handle their own sourcing, while about 10 percent purchase their sourcing through outsourcing arrangements. These companies know the value of sourcing but may be looking to keep expenses low, at least until they see a more pressing need for establishing their own sourcing groups.

We expect more companies to create sourcing teams. “The biggest focus this year is to create a new sourcing team to build pipelines for our hard to fill roles,” wrote one respondent. The goal is to reduce the time to find for those pivotal positions to 0 days and to dramatically decrease agency spending.” Another employer wrote of placing an “emphasis on the sourcing of our hires in 2014 with identified full-time sourcers in the identified markets.”

Methods of tracking

More than three in four companies (77%) still rely on drop down menus that are part of job applications forms to collect sourcing data. However, it is important to note that an increasing number of firms are using multiple means to confirm or automate the collection of SOH vastly increasing the reliability of the data and the confidence of firms about their SOH.

Two in five companies ask their recruiters to note SOH during interviews. About three in 10 companies use reports from job distribution services.
Sources of hire

Referrals, career web sites and job boards continue to be the most significant SOH. “We continue to try to try to improve our percentage of hires from referrals,” said one recruiter in the comments section of our survey.

Still, there was an interesting twist. The percentage of hires via referrals and career sites dropped about 4%. We see these decreases as a sign that companies are using a wider range of resources more frequently. The days of one or two more dominant resources may be over – at least for now.

On the other hand, a similar decline in hiring through job boards reflects a loss of traction. Job boards are no longer as effective an SOH as other means. No less than eight recruiters said they would be cutting their use of job boards. One recruiter said that they were “minimizing job boards,” while another said that they had already “moved away from job board spend.”

On the other hand, the percentage of hires resulting from direct source hiring grew from about 7% to 12%. College and third party resources saw more modest gains, and we were interested to see a nearly 3% increase in temp-to-hire. This dovetails with the trend to generate full-time employees from part-time and contingent workers.
Companies made heavy use of interns. They reported that they had a weighted average of 450 interns working for them. But they also hired just one third of those interns to whom they made offers. We would hope this percentage improves, solidifying the value of internship programs for SOH.

We have not included separate SOH categories for mobile devices and social media. These resources are part of the fabric of all our 13 SOH categories, and their influence will only grow.
What’s the impact of social media?

More than half (54%) of companies said that social media played a significant or dominant role in companies’ hiring of experienced professionals. Nearly two in five (39%) said that it played a significant or dominant role in the hiring of executives and almost three in 10 (28%) said the same regarding their hiring of entry-level professionals. Moreover, more than 20% of companies reported that it was a growing influence in hiring for all three groups.

Only in the lower rungs has social media yet to play a major role. Nearly three in four companies (74%) said that it was rarely an influence in their hiring of hourly workers and just over one in 10 (11%) said that its impact was growing. This may reflect both a different hiring dynamic – hourly workers are more likely to apply for openings on site – and lesser usage of computers and mobile devices among job seekers to find work.

What is the impact of mobile technology?

Nearly three in 10 companies (28%) said that mobile capability had a growing influence on hiring of experienced professionals. Yet for the most part, mobile has not yet figured as prominently. Seven in 10 companies said that it rarely played a role in the hiring of executives. Roughly the same ratio of companies said the same for their hiring of hourly and entry-level employees. Given the proliferation of mobile devices, we expect that companies will be feeling their impact more on recruiting in coming years. One recruiter said they were “trying to shift more to mobile and social sources.”
The decline of résumé searches

Social media and mobile devices have impacted job board usage. Half the companies said that hires from job boards stemmed predominantly from postings rather than resume database searches, while only 8% of companies said that job board hires resulted predominantly from database searches.
Continuing shifts in job board usage: advancers and decliners

Job boards themselves are in the middle of a seismic shift from websites that once dominated the space to models that followed them. Of the 15% of hires that companies attributed to job boards, just over about one in 10 occurred via CareerBuilder and a somewhat smaller number resulted from Monster.

On the other hand, the aggregator Indeed generated nearly one in three of these hires, while the professional/social media site LinkedIn was responsible for an additional one in five hires.

LinkedIn’s influence builds

LinkedIn’s rising power in SOH activities could be seen in myriad ways. Roughly six in 10 companies (58%) of companies called it a critical component for recruiters and sourcing groups, and more than one in three (35%) said that LinkedIn had a significant impact in this area. More than half (52%) said that it was critical or significant in their talent pipelines and job boards. Half (50%) said that it had a significant impact on company career sites.
LinkedIn started as a professional networking site and many companies continue to use it as a sourcing tool. Recruiters can find specific candidates or simply connect with both active and passive job seekers. The “use of social media/LinkedIn to fuel referrals is a major focus,” said one recruiter.

Yet they are increasingly also relying on LinkedIn to post jobs. More than four in 10 companies (41%) said that they filled more positions on LinkedIn predominantly or slightly more through job postings than via profile searches – roughly 12% more than companies who said that they had had more success via profile searches. These trends will gain momentum. Another recruiter said that the company would “continue to better utilize LinkedIn,” while a third said that they would “spend more money on LinkedIn, both recruiter seats and corporate page(s).”
More than half the companies said that they would be adding recruiters to their LinkedIn contracts. Nearly the same number said that their recruiters would participate more in LinkedIn groups, while more than 40% said that they would be posting more jobs.
Final Thoughts

Companies change. The employment market changes. Technology changes.

But sound principles in SOH change little over the years. Last year, we distilled our approach into four words:


Do companies have a thorough picture of their SOH?

Is this picture based on accurate and reliable information that connects to their hiring challenges?

Last year we wrote that in an ideal world, companies would have “100% complete” information on every hire.

Yet this year’s report shows that this remains far from the reality.

We’ve highlighted in our report that two in five recruiters do not have a picture of large and important swathes of their SOH. Many companies do not know where they are finding a good portion of their contingent workers. Most companies possess only a murky knowledge of their international hiring. A few companies are not tracking their internal hires, although this practice fills more jobs than any other.

This reflects the decentralized nature of many large companies’ recruiting infrastructures. We sympathize with the challenge of monitoring hiring at every retail outpost, logistics hub and manufacturing facility. We see the difficulties in creating an all-encompassing system that enables firms to record information even from third-party vendor and RPO. Clearly, the present patchwork approach of drop-down menus, externally generated reports and interview feedback is a start point that also leaves gaping holes. We understand the challenge in even defining mobile technology and social media. Are these resources the means to SOH or the end in itself?

Concerns over budgeting discourage companies from spending on initiatives that produce comprehensive, minutely detailed SOH reports. We did not allocate a separate category for social media in our list of SOH categories.

But a clearer SOH picture remains a worthy goal because it allows organizations to make better choices about where they spend their recruiting dollars – SOH that generate a higher volume of quality employees. The main after effect, an improved workforce, carries its own benefits in on operational efficiency and growth.

We note a second major theme in this year’s report: LinkedIn’s rising influence in hiring. The professional network has proven to be among the most effective in reaching potential candidates. This is particularly helpful in building relationships with highly valued passive candidates.

LinkedIn now accounts for one in five hires of the 15% of job openings filled via job boards. Roughly 9 in 10 companies said that it was the critical component or had a
significant impact on company recruiting and sourcing groups. Half of them rated LinkedIn the same regarding talent pipelines, job boards and company web sites.

Companies are generating more hires via job postings than candidate searches and LinkedIn is at the heart of this phenomenon, not to mention the increased impact of social media on hiring. It is not surprising that approximately half the companies said they would be boosting the number of recruiter seats using LinkedIn, and that nearly the same percentage would do the same in their recruiter participation in LinkedIn with groups.

We will look with interest at LinkedIn’s continued role in the hiring landscape, as well as companies’ improvement in tracking SOH. In last year’s report, we asked companies to ask fundamental questions about both where their hiring was effective and lacking. They should continue to ask these questions until they arrive at a solution that ensures they are finding the best talent.
About CareerXroads: The Staffing Strategy Connection

Gerry Crispin and Mark Mehler are the personalities behind CareerXroads® and the CareerXroads® Colloquium. Mark and Gerry have worked for and with corporations of all sizes in career planning and placement, contract recruiting, executive search, recruitment advertising and human resource management. After years working on the front lines of recruiting, these two saw a new potential in the Internet and in 1994 came together to create CareerXroads®

These Internet Recruiting Pioneers have formed a thriving international consulting practice that works with many of the world’s most competitive corporations to better understand and adopt cutting-edge, recruiting technology solutions to their staffing strategy and process.

Gerry and Mark do not sit on “for-profit” boards, advisory or otherwise, and have no stock in any of the firms in the industry. Nor do they represent any firms in the industry but their own. Gerry does lead a standards task force as part of his volunteer activities with SHRM.

You can reach Gerry and Mark at 732-821-6652 or mmc@careerXroads.com

You can also find them participating at conferences, or catch their comments on Linkedin, Twitter, ERE, RecruitingBlogs…for starters.

More about the CareerXroads Colloquium

The CareerXroads® Colloquium was created in 2002 to bring together corporate staffing professionals who share a passion for critical analysis and sharing what really works (and what really doesn't) in their firms. The group has evolved into a forum for some of America's top staffing leaders and meets eight times a year across the country, hosted by members. Regularly scheduled webinars on hot topics, monthly commentary on breaking trends and a variety of research and networking activities ensure that members are armed with information and connections.

For more on CareerXroads and the CareerXroads Colloquium go to http://www.careerxroads.com or http://www.careerxroads.com/colloquium/colloquium.asp