

CAREERXROADS 6TH Annual 2006 Sources of Hire Study

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Forward: Authors' Notes

Study Goals

This public report, CareerXroads' (CXR) 6th Annual Sources of Hire (SOH) study, is about how one group of corporations fill their U.S. open positions...or, more accurately, what they are able to measure and report as the source of the openings they fill. We are indebted to each one of our survey respondents for their willingness to "open their books," voice their concerns and trust that the information they share will be helpful to their colleagues. Thank you.

Study Restrictions

Well-known, large, multinational firms

In January 2007 we invited more than 200 large, high-profile, name-brand firms to participate in our study and supply us with information about their hiring practices for the year 2006. We used a survey instrument that is reviewed each year with several firms we know will be able to respond. We would love to ask much more than we do but there is a limit to what firms can easily report. 54 firms responded within 30 days. Of that number, 40 had submitted hard numbers and met our size restrictions (employee populations over 5,000).

Transparent AND anonymous

As with all our work, we seek to stimulate discussion about issues rather than encourage blind acceptance of data at face value. We are often publicly critical of surveys conducted by others and would be remiss if we were any less critical of our own work. We challenged our respondents to explain their data and, indeed, had many follow up conversations during the short collection and analysis period.

On the other hand, complete transparency has potential consequences and, while we are aware of the companies and the individuals in each company who responded, no one who participated in this study will be disclosed. We can tell you they represent a cross-section of highly recognizable retail, technology, transportation, manufacturing, pharmaceutical and finance firms.

Executive Summary

The CareerXroads Annual Sources of Hire (SOH) Survey is a snapshot of how large, highly-competitive, high-profile firms maintain and track their SOH data. Very few companies are confident that their own SOH information is accurate. Data integrity – obtaining reliable and valid information about the staffing decision process – must be a paramount concern of staffing leaders going forward.

Our survey wasn't designed to be representative about how all companies find all employees or, whether any one method is better, more efficient or valuable simply because it is more frequently used. We're especially critical of studies implying that one source is inherently better than another based on the collection of flawed data.

We do believe SOH information can be better utilized at the recruiter level where it should be possible (and preferable) to establish access to SOH data for recent/similar hires in real-time. If staffing professionals have any hope of improving their investment decisions or credibility with colleagues knowledgeable in supply-chain analysis, then investment in improving the collection, analysis and dissemination of SOH data is a must.

Sometimes it is hard to imagine why the adoption of Applicant Tracking Systems and online application processes hasn't made the collection of SOH data any easier. Errors in how data are recorded, confirmed, managed and reported are extensive and pervasive year after year. And sometimes the information in the field... the record... or the file is just blank.

Survey Participants

- Despite these challenges, 40 firms met all our survey requirements;
- Combined they have 1,281,429 employees;
- And represent 1,880 Recruiters and Sourcers;
- Who filled 188,062 openings for their respective companies during 2006.

Key findings for 2006 include:

- 33.9% of all open positions were filled by internal transfers and promotions.
- Referrals (25.6%) are arguably the number one external source. *Employee referrals* make up 95% of all the hires attributed to this category.
- The impact of the Internet is so pervasive that it is reasonable to imagine that every source of hire has an Internet component. It may be the research done to find candidates or how the candidate was moved to apply. The Internet is also the means to apply and communicate no matter what the original source that triggered their interest.
- Hires attributed to the “Company Website” are suspect (we maintain that the company website is a destination not a source). Respondents report that their company website represents 20.7% of all external hires (13.7% of all positions filled).
- Hires attributed to specific Job Boards (such as Monster.com, CareerBuilder and HotJobs) and all other “Niche” Boards represent 12.3% of External hires (8.1% of All positions filled).
- There is no silver bullet for diversity hires. Affinity groups and employee referrals are still considered the most productive means to reach diversity candidates.
- The largest trends in 2006 were the growth of re-hires as a SOH and the emergence of search engine advertising as a measurable SOH. We did not find any direct measure of sites that aggregate jobs from multiple job boards.

Methodology

Late in December 2006, emails were sent to individuals known to CareerXroads principals, Gerry Crispin and Mark Mehler, at more than 200 different companies. All recipients had corporate staffing responsibilities or direct access to the company's staffing leader. Reminders were sent after one week intervals during January 2007. Additional efforts to reach a broader audience were made but the majority of respondents were similar to previous years. The Survey was closed February 2, 2007.

The emailed invitations contained a link to our Sources of Hire survey on SurveyMonkey.com: <http://www.surveymonkey.com/s.asp?u=680323044891> . This link will be live through the second quarter of 2007.

Results from 40 corporations having "hard data" and more than 5,000 employees are included here. We eliminated guesses but it is worth noting that a significant portion of the respondents expressed concern about the quality of the data in their systems.

Respondent Profile

The 40 companies participating in the survey employ 1,281,429 people.

The roles of recruiters and sourcers are very diverse and the ability to compare and differentiate their roles in this kind of study is very limited. CareerXroads has separately surveyed its members about relative definitions of recruiter and sourcer roles. Contact CXR to discuss further.

1,880 Recruiters filled 207,702 Full Time U.S. openings in 2006.

Requisition load can be a function of a dozen variables ranging from time-to-fill, total compensation, region, level, etc. A separate survey of requisition load was recently completed for CareerXroads Colloquium members. Contact CXR to discuss further.

Approximately 60% of all the hires reported were for Exempt level employees.

58% of internal fills and 64% of external fills.


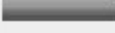


Contract, Part-time and Contingent workers as a percentage of the workforce is growing.

Only 10% of the respondents have no contract workers. 10% of the companies responding employ 30% or more contingent workers in their workforce. The study excluded sources of hire for this segment.

Staffing is as likely as not to be responsible for all the hiring that goes on around them in their company.








We asked respondents to check which of several choices best described their situation for how they hire contingent and part/time workers (See Table 1 below). Fewer than 20% of the respondents totally own the contingent hiring process.

Table 1. How contract and part-time hiring are managed.

		Response Percent
We have a master contract with a vendor for all hourly- P/T labor.		42.5%
We have a master contract with a vendor to supply contingent/contractors with professional skills in areas such as Engineering, IT, etc.		35%
We have dedicated recruiters and sourcers for these areas.		20%
We have bolted on vendor management modules to our ATS in order to better manage contingent labor.		0%
We stay out of this area as much as possible and have little or no responsibility for it.		20%

In another question we asked, “If there is hiring being done in the U.S. within your firm that you do not perform (or oversee) for functions like sales, classes of employees like union or retail store employees etc. please indicate your responsibility.” Shown below in Table 2 are the responses we received. (Half a glass is better than none.)

Table 2. The areas staffing does not recruit for.

		Response Percent
We touch or know about every hire or move.		50%
We don't hire for union positions		18.8%
We don't hire hourly workers in our Mfg. facilities		21.9%
We don't hire hourly workers for store level		18.8%
We don't hire for all functions (i.e. field sales)		15.6%
We don't hire for all locations		18.8%
We don't hire for all divisions		6.2%

Points worth noting:

- 1/3 of the responding firms filled fewer positions in the reporting year (2006) than the previous year (2005).
- 2/3 of the responding firms expect to fill substantially more positions this year (2007) than the responding year (2006).

Results: 2006 Sources of Hire

The # 1 Source of Hire is still the one right under our nose...Internal Movement

Company employees are the most likely source for filling open positions. Of the 187,746 positions reflected in Table 3 that were filled and could be identified as either Internal or External fills, more than one out of every three positions were filled as a result of internal mobility.

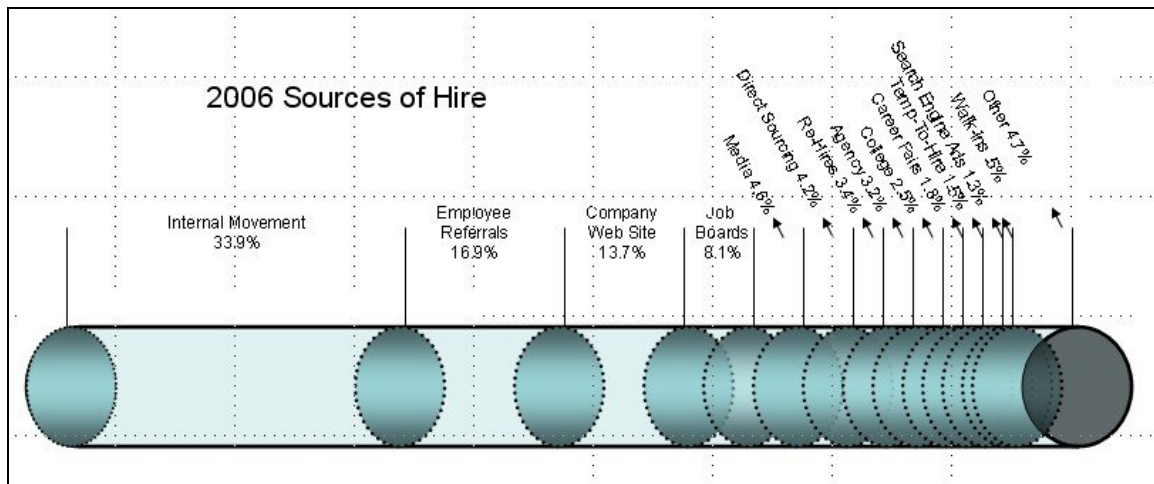
The long term trend for competitive companies is to calibrate their succession and internal development programs with their business plans. Many aspire to fill 40-50% of their core openings via internal movement in order to ensure strong retention levels for their highest performers.

Table 3: Internal vs. External Positions Filled 2003-2006

Positions Filled	2006	2005	2004	2003
INTERNAL	33.9%	32.0%	38.4%	35.5%
EXTERNAL	66.1%	68.0%	61.6%	64.5%
TOTAL	100%	100%	100%	100%

3 out of 4 hires can be attributed to just 5 sources

Table 4. 2006 Sources of Hire: A Full Pipeline Perspective



Sources of Hire (External Only)

While we continue to refine what we ask employers about their sources of hire, it is clear that employee referrals play the largest role in External Hires (see Table 5 below).

Table 5. Sources of Hire (as a % of External Hires only)

SOURCES	2006	2005	2004	2003
Referrals	25.6%	27.1%	31.7%	28.5%
Company Web site	20.7%	12.2%	15.8%	20.6
Job Boards	12.3%	12.6%	11.8%	10.3
Print/Media	6.9%	4.6%	5.5%	3.8%
Direct Sourcing	6.4%	7.4%	6%	2.6%
Re-hires "Boomerangs"	5.2%	Not surveyed	Not surveyed	Not surveyed
3 rd Party Agencies	4.8%	5.2%	3.2%	1.2%
College	3.8%	8.0%	5.6%	2.4%
Career Fairs	2.7%	5.2%	3.2%	2.8%
Temp-to-Hire	2.3%	3.2%	Not surveyed	Not surveyed
Search Engine Advertising	2.0%	Not surveyed	Not surveyed	Not surveyed
Walk-ins	0.5%	4.2%	Not surveyed	Not surveyed
ALL Other	7.0%	10.5%	15.2%	26.9%
Total	~100	~100	~100	~100

Note: The addition of all sources of hire is slightly higher than 100% because the calculation of specific job boards is based on the firms they are contracted with and this slightly inflates their contribution to SOH.

Referrals (16.9%-ALL, 25.6%-External)

Referrals are a basic source of quality hires too often taken for granted. Our respondents pointed out that 95% of their referral hires in 2006 came from employees and only 5% were referrals from other sources e.g. vendors, suppliers, alumni, "friends", etc. The growth of referral technologies and applications to enhance communication and tracking of referrals continues unabated. Lagging however is the ability to measure the quality of the referral relationship...or to just do it.

We hypothesize that employees who refer someone are not (necessarily) recommending them yet most referral programs fail to distinguish between the two. Learning whether the referral relationship is social, casual or includes a previously shared work connection may become important as this category grows. In the future, emphasis must be placed on differentiating the referrals that lead to better performance, faster on-boarding and increased retention. A separate survey of

CareerXroads Colloquium members on referral practices during 2006 indicated that the yield for referrals is extraordinary and scalable for most positions. Our members found that as few as three referrals result in a hire. Contact CXR for additional discussion on this topic.

Company Website (13.7%-ALL, 20.7%-External)

A dozen survey participants have eliminated the “company website” from their list of sources for 2006. They accept the notion that the company web site is a destination...not a source. That’s the good news. The challenge is that more hires than ever before are attributed to the company website.

The argument that customers buying products online might be tempted to “cross” to the company website’s jobs pages or, that job seekers just know that they want to work for a specific company and go directly to the site (branding) is legitimate but then these behaviors should be measured and not fall into a catch-all category labeled “Company Website.” We applaud efforts to eliminate a job seeker’s ability to self-report that their originating source is the “Company Website.” We hope to live long enough to see its demise, however, as a true source of hire.

Job Boards (8.1%-ALL, 12.3%-External)

Hires attributed to both specific and generic niche job boards may seem small here but these numbers are significant, and, viewed in perspective, they are growing.

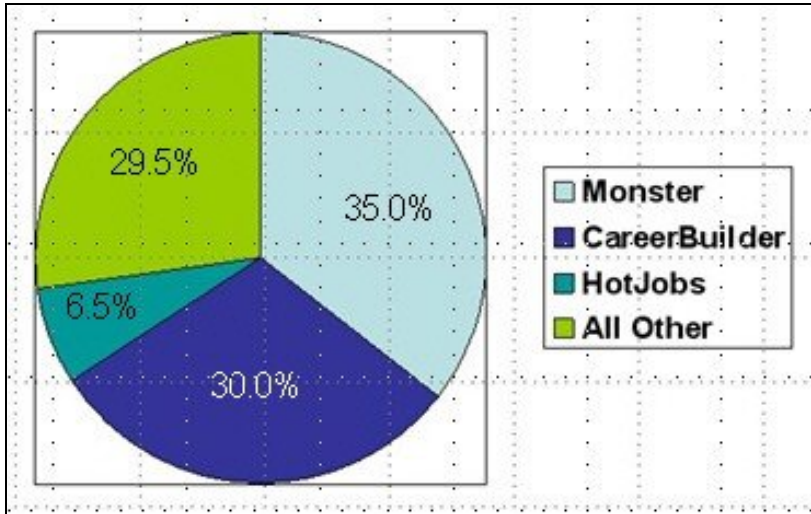
The “Big Three” (CareerBuilder, Hotjobs and Monster) constitute the bulk of all job board hires despite the fact that there are 10s of thousands of boards.

Monster	(2.9%-ALL, 4.3%-External)
CareerBuilder	(2.5%-ALL, 3.7%-External)
Hotjobs	(0.5%-ALL, 0.8%-External)
All Other Niche Job Boards	(2.2%-ALL, 3.5%-External)

The numbers above are slightly inflated as a result of calculating only the hires for firms that reported they had contracts with Monster (32), CareerBuilder (27) or HotJobs (16). Had we included firms that did not have contracts, their respective hires would have been lower.

Proportionately, the share of the pie that job boards are cutting up is shown in the chart below. During the last four years the proportion of hires attributed to “all other niche job boards” and HotJobs have declined.

Chart 1. Proportion of the 12.3% External hires attributed to job boards.



It is worth noting that we did ask in our survey about a fourth specific job board – Direct Employers/Job Central but found that only 8 firms indicated a connection to the site and they attribute no more than 57 hires to it so we lumped it back into “all other niche boards” (see our commentary on Aggregators). In a related manner, in discussions with respondents before and during the study it became apparent that companies were not yet able to identify contributions to hiring of sites that aggregate other job boards i.e. Indeed, Simply Hired, etc.

In response to an open-ended question about the names of the top “Niche” sites where hires could be attributed, 44 different sites were named. The three mentioned most frequently were Dice, Craigslist and Medzilla.

Media/Print (4.6%-ALL, 6.9% External)

Publishers have claimed a major comeback since 2003 and these numbers are the highest we’ve seen in a decade. Part of the rise may be the increasing convergence of job boards aligned visibly with print partners. CareerBuilder, Hotjobs and Monster are all sporting a blended look these days depending on where you encounter them. Sites like ChicagoJobs.com are also increasingly a blend of print and online.

Our view of a true media convergence, however, is far from today’s reality. Last year we referenced a Conference Board study, *Looking for Employees in All the Right Places*, which would also support the assertion that print may have found its floor. The Conference Board study’s authors, Linda Barrington and June Shelp, did not track what *actually worked* just what jobseekers *used* to find their jobs. It was an extremely well designed piece of research and the sample of 5,000 job seekers surveyed included carefully calculated representation by age, location and income. The results clearly showed that as income increased, the shift to the Internet from print was apparent. They also confirmed what we all know (but never research) that job seekers are unlikely to have used a single source in their job process and this

study is the first to outline the combinations that are used.

What combinations of sources are the ones your highest performers are likely to use? Unfortunately, the answer to that question would be totally hypothetical seeking future research.

Direct Sourcing (4.2%-ALL, 6.4% External)

Internal sourcing efforts by employers include just about any proactive strategy to collect leads and contact individuals who have not actively responded to advertising. We asked about these practices with follow up questions and were told:

Table 6. Direct Sourcing Practices.

	We don't consider this Direct Sourcing.	We don't do this at all.	This is a small part of our Direct Sourcing hire number	This is a significant part of our Direct Sourcing hire number	This is the primary way we Direct Source.
Mining our internal resume databases to identify candidates that haven't applied for a specific job.	24% (9)	3% (1)	32% (12)	32% (12)	11% (4)
Mining externally purchased or free resume databases to identify candidates who may not know anything about our company.	18% (7)	5% (2)	18% (7)	45% (17)	13% (5)
Cold calling individuals identified through research generated internally or externally.	3% (1)	18% (7)	24% (9)	26% (10)	29% (11)

Rehires or "Boomerangs" (3.4%-ALL, 5.4%-External)

Technology and changing attitudes about former employees have combined to create new ways to develop and maintain relationships with alumni. Website content specifically designed to keep in touch with former employees seems to be bearing fruit.

We believe smaller, lesser-known firms will probably not tap Alumni as readily as larger firms but the emergence of social network applications targeting specific types of affinity groups i.e. corporate alumni, college alumni, etc. are bound to add to referral numbers as well.

3rd Party Agency (3.2%-ALL, 4.8%-External)

Placement hires have leveled off in the last year but they have rebounded significantly since 9/11. We see new models of staffing exploding and some of these may not even be tracked by internal staffing organizations.

College (2.5%-ALL, 3.8%-External)

The bulk of college hires are from on-campus programs. Our data fluctuates around college more as a function of who the study respondents are than the economy and is probably not as accurate a reflection of trends for campus hiring. See www.NACEweb.org for more on college hiring. There are, however, increasingly serious issues about the future availability of college graduates with specific degrees, eligibility to work in the U.S. and hyper competition for MBAs (another 2006 CXR study) that will drive the future of this category.

Career Fairs (1.8%-ALL, 2.7%-External)

According to some sources Career Fairs are staging a comeback. Career Fairs may become a minor issue despite recent resurgence and interest by vendors except in specialized areas like diversity, college or as a part of a professional association conference. Many companies no longer accept paper resumes at these events thus complicating the way they are seen by employers and attendees. New formats with extensive online components are needed although they have been tried with limited success.

Temp-to-hire (1.5%-ALL, 2.3%-External)

Temp-to-hire and Contract-to-Hire are increasingly important sources as contingent workers make up a larger and larger segment of the workforce. We're no longer surprised that the number of hires from such a large and accessible source isn't higher as we believe the "firewalls" between employers and the suppliers of contingent workers presents challenging barriers – both in cost and communication. Break 'em down! This is an incredible missed opportunity.

Search Engine Advertising (1.3%-ALL, 2.0%-External)

Small but growing, we feel the advantages of search engine advertising techniques will drive pipeline recruiting activities and develop into a major force.

Walk-ins (.3%-ALL, .5%-External)

Walk-ins are among the many traditional sources. We wonder about innovations to revise this component in specialized areas like health care. Remember, C-suite candidates usually don't "walk-in." Every source has value – no matter how small its impact overall when put into context of likely scarcity, level, geography, training, experience, etc.

All Other (4.7%-ALL, 7%-External)

What "we don't know" is the largest component of all other...unfortunately. It will take recruiting process discipline to reduce this further. Other sources such as Community Agencies and specialized relationships with alumni organizations were also mentioned. Still, we are pleased to see the "All Other" number coming down year after year.

Recommendations:

Changing the Model, One Hire at a Time

Assess and analyze SOH...at least yearly. *Think yield. Invest in it.*

Just about everyone has an employee referral program. Too often it is (re)evaluated on the basis of how much money and time it takes to administer it rather than the value it delivers. Imagine if every 3rd referral in a critical high volume job family was a quality hire who, on average, came “up-to-speed” in their job 10 days faster and stayed 1 year longer. Wouldn't you want to scale this source of hire from 30% to 40%? Invest the resources to find out.

Define SOH Carefully. *Referrals come in all flavors. So do College hires. They all do.*




Are employee referrals the only kind or can you build a channel of referrals from customer, vendors, suppliers, former employees and more? Do you only count college hires as those from your target colleges, intern programs, MBAs etc.? We see many disconnects in definitions that tell only a part of the picture.

Confirm Your Data. *Prove it to yourself.*

As shown in Table 7 below, 84.6% of our survey respondents used pull-down menus on their online application form. Several published experiments with self-report approaches have demonstrated high error rates.

We believe multiple sources can and should be used to confirm data. For example, automated tracking of the IP addresses where a candidate originated from can be used to confirm self-report. We also believe that survey instruments, properly designed, can be easily deployed with new hires to map the way a company finds, targets, contacts and engages their candidates.

Table 7. “How do you collect SOH data?”

		Response Percent
"Pull-down menus" on our online application form		84.6%
Recruiter question during interview.		51.3%
New Hire self-report during onboarding.		20.5%
Pure Guess		0%

Track and Collect SOH for Every Hire. *“Just Don't Know” Doesn't Cut it.*

About one of every four firms can account for every hire...at least the ones they are responsible for. Unfortunately that is only half the problem since 50% of the firms do not have responsibility for some of the hires in their company (class, location, level, etc.). The staffing function must be disciplined enough to collect ALL the data to ensure the picture they are creating about talent acquisition is complete. Maybe 6 sigma is unreachable but 1 sigma is unacceptable. The supply chain isn't a just a visual concept it's a process that requires disciplined measurement.

Drill Down. All Sources are Not Equal – Nor Are All Employees.

It is a mistake to assume all sources are equal. Every channel has a target audience and it may be more productive for hiring in one location, level, skill or function and useless for another. Executives are unlikely to be found as walk-ins and it is doubtful you will hire a search for many non-exempt positions. Employers need to analyze each segment independently.

We believe a best practice is to “tag” each family of jobs that is core to your business and to establish if there are source differences by performance, retention, etc.

We especially think it is useful to examine diversity hiring practices and sources (see below). We could not get specific hire data and this was the one question we asked staffing leaders to speculate. It would be good to compare their actual results with their perceptions. During 2006, we conducted several separate diversity surveys for CXR Colloquium members to better understand specific practices. Contact CareerXroads to discuss further.

Table 8. Which of the Sources below are the most effective means to hire diversity?

	Very Productive	Productive	Somewhat Productive	Not Productive	Not Applicable
Affinity Groups	9%	18%	21	21	32
Niche (Diversity) Job Boards	3%	18%	24	41	15
Major Job Boards	6%	28%	43	20	3
Diversity Career Fairs	11%	11%	34	40	3
Dedicated Diversity Recruiters	3%	6%	15	6	70
Dedicated Diversity Sourcers	6%	3%	9	3	79
Placement Agencies	3%	15%	32	26	24
Employee Referrals	11%	23%	46	14	6

Research How Multiple Sources Interact. Bet You Can't Have Just One!

Just as it is unlikely that a person will use one method to find their next job, it is just as unlikely that a single source will be the tipping point to qualified candidates applying. Your branding strategy coupled with advertisements and potentially someone reaching out from a sourcing group, followed by a discussion with a neighbor (your employee) might just be the combination that brings them in. Which one SOH would you choose? Why limit to one? Why indeed. Ask your ATS vendor.

About CareerXroads: The Staffing Strategy Connection

Gerry Crispin and Mark Mehler are committed to writing, researching and sharing their adventures, opinions and data about evolving staffing models with members of the HR profession, Colloquium members, clients and friends. Passionate about how firms design and build staffing processes, the technology to enhance them and the systems to manage them, Gerry and Mark strive to observe and influence new and evolving models that aspire to world-class, measurable standards and satisfy every stakeholder.

They want to know more about the 'playing fields' where candidates and employers meet and they are more than a little curious about how they treat one another: specifically how Job Seekers 'game' their next career move while Employers tout their latest opportunities.

They are always on the lookout for stories about staffing challenges, benchmarks, and results as well as the people who live the stories they tell.

(For more on CareerXroads and the CareerXroads Colloquium go to www.careerxroads.com or www.careerxroads.com/colloquium/colloquium.htm)