WHITE PAPER

TOP 5 TRENDS IN TALENT SOURCING FOR 2013

James Lucier and Ian Tomlin
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As we commence a New Year, it's a good opportunity to reflect on the state of health of the talent sourcing sector and signpost the opportunities and challenges that lay ahead.

As part of our preparation for this article we've held end-of-year reviews with our customer group (including a sizable chunk of the Fortune 500). We've also interviewed our own front-line account managers and recruiters to get their perspectives on what's likely to meet us around the corner in 2013.

We hope you find the content both helpful and thought-provoking.

Top 5 Talent Sourcing Trends for 2013

1. More Employers Getting Back To Work

The good news story for 2013 is that companies that have been holding back on their recruitment activities as part of a 'wait and see' economic agenda are now recognizing that they can't hold on forever and, if they're not very careful, by taking an extended leave from the employment market they could find themselves missing out on the quality talent they need when they decide to turn on the taps once more. According to the latest CBI/KPMG London Business Survey, businesses in London expect to start hiring as normal in the next six months, after a period of only taking on essential recruits in the first half of 2012. They report of 168 major London employers surveyed, 61% plan to hire as normal in the first half of 2013, compared with only 16% who said this earlier this year. The numbers reporting a recruitment freeze fell from 51% in July to 31% in December. Those making redundancies shrank from 31% to 21% over the same period.

What we think.

It's good news for the economy that employers are getting back into the game of finding the right talent to grow their businesses but they will find a very different climate in 2013 to the head days before the 208 financial crisis when so much more talent was available. Employers will need to review their approaches to recruiting and consider new routes like appointing a Managed Service Provider to facilitate the talent management process, providing the skills and know-how to navigate what has become a fierce market for sourcing best-fit quality talent.

2. More Vacancies than Workers to Fill Them

Perhaps the most obvious trend we can foresee for 2013 is a growing volume of unfilled vacancies at any point-in-time. Across all geographies, managers and professionals and technical positions will continue to be the most difficult vacancies to fill. In some regions of the United States there is a 10 to 1 ratio of open positions to candidates. Similarly, in the United Kingdom the Chartered Institute of Personnel Development (CIPD) reported that in 2011 eighty-two per cent of organizations are finding difficulty in filling vacancies, up from 75% in their 2011 survey. There is much confusion over the extent of shortages and this varies by industry and geography. A report by Boston Consulting Group (BCG) in the last quarter of 2012 acknowledged there is a mild skills gap and that U.S. manufacturers could use an additional 80,000 to 100,000 highly skilled employees — less than 1% of all factory workers and less than 8% of highly skilled workers, but this is not anything like as dramatic as other pundits suggest. Nevertheless, the BCG report suggests that the 'pain' of shortages is largely being driven by employers being more selective in their on-boarding process.

What we think.

At the Workspend Institute we've said for some time that the challenges of filling vacancies is only in part about the skills shortage. Employers do also need to pay attention to 'right place, right time, right aptitude' characteristics of talent fit. It's usually a false economy simply to employ people with the right skill if everything else about them is a poor fit: usually this results in higher churn and greater costs. The best way to improve probabilities of securing the best-fit talent is to start workforce planning earlier, profile needs well and engage specialist third parties (with broad reach and track-record in the specialization) early in the planning phase.

In Europe the Agency Workers' Regulations, whilst a positive long-term step for the industry, is having a significant impact on the way organizations recruit. One in four organizations report that they have reduced their use of agency workers since October 2011 when the regulations came into force. The short-term effect of this behavior is that employers may be unnecessarily missing out on talent purely due to their inclination to switch off this route to market.

3. Growth in the Proportion of Workforce Sourced Through MSPs

In the United States, according to industry analyst firm 'Staffing Industry Analysts', the proportion of a workforce now qualified as being 'contingent' – i.e. workforce employed through a contracting partner (in Europe these organizations are called a Temporary Work Agency – 'TWA') - may reach 1 in 4 members of the workforce for most major U.S. employers by 2020. This growth in contingent labor supply has re-drawn how the U.S. recruitment industry works. Vendors engaged in the supply of contingent labor need to be managed and this is leading to the adoption of Vendor Management Systems (VMS) that govern the processes of vacancy management, time-sheets and billing and the various administrative flows that need to exist between the employer, contracting partner and contracted individual.

Managing vendor management systems and the various activities surrounding the on-boarding and management of a contingent workforce is itself a full-time job for someone and for this reason many employers are looking to outsource this activity to Managed Service Providers often originating from the recruitment industry. So-called 'spend under management' – the amount of revenue paid to MSPs who in turn transact payments via a Vendor Management System to staffing vendors to pay for their contingent labor force - grew from $84 billion in 2010 to $100 billion in 2011, a 16% increase. And it's still growing. Employers benefit from MSPs because not only do they manage the burden of administration and vendor governance but they also bring with them competencies in recruiting (i.e. the *poacher turned gamekeeper* advantage).

What we think.

Today, the MSP model is well established in the top echelons of U.S. Fortune 500 companies. The role of the MSP in the workforce management is set to grow in 2013 not simply through activity volumes but also through mid-market adoption of the model. In addition to their primary sourcing and administration role, large employers will expect their MSPs to play a more thoughtful role in supporting Statement of Work (SoW) spend and the on-boarding of contingent personnel to ensure brand values, compliance policies, systems and support mechanisms can be extended to support 'corporate indoctrination' of contingent workers. In Europe the MSP model has its challenges – in some countries it isn't legal to contract staff through two tiers of suppliers. This means that the role and definition of MSPs is somewhat different but the notion that employers need outsourcing partners to manage a contracted workforce is no less important and over-time the authors expect many of the principles of U.S. MSP model will be globally adopted.

4. Growing Specialization of Talent Agencies

There is a growing demand for specialization in the roles and competencies of contingent workforce suppliers. Savvy organizations are coming to recognize that organizations with exposure to an industry and its role skills is better placed to source the best-fit talent they need. In 2013 we can expect this trend to perpetuate in the market as employers start to natively select through their procurement protocols better-fit contingent suppliers based on their ability to demonstrate their account management and recruitment personnel have direct knowledge, qualifications and competencies in the domain they are recruiting for.

What we think.

Expect to see industry and discipline *specialist* contingent workforce suppliers enjoy growth that outstrips their competitive peers.

5. Increasing Use of Social Media in Recruiting

Social Media sites like LinkedIn, Facebook and Google+ are becoming a vital resource for recruiters seeking to reach out to specialist skills and in 2013 will assert their position as *primary* sources of talent.

- In the last quarter of 2012 **LinkedIn** reported 105% YoY growth in revenues to $167.7 Million but the real story is the huge jump in revenues from LinkedIn's recruiting services ("Hiring Solutions"). Revenues in this segment grew by 136% to $84.9 Million, making the company the fastest growing public provider of corporate recruiting solutions; and to give some sense of how dramatic this is; LinkedIn's revenue from recruiting is now greater than Taleo's - just acquired by Oracle for $1.9 Billion - and within the year could reach the size of Monster.com that achieved revenues of $250 million last quarter, only growing by 2%. LinkedIn Recruiter, the company's recruiting platform, gives companies access to the entire database of 150 million professionals to find and seek passive candidates.

- In November 2012 **Facebook** announced its long-awaited job board this morning, ushering in a new era of online recruiting and, eventually, what's likely to be an important new source of revenue for the company. The sheer size of Facebook's user base means that the company can slice its population a number of different ways. Facebook has already been shown to be highly effective in recruiting lower-skilled workers. Following a yearlong "Social Jobs Partnership" with the U.S. Department of Labor and other government agencies, Facebook released its Social Jobs Partnership application in November 2012. It's an interactive job board that aggregates 1.7 million openings from recruiting companies already working on the platform, including BranchOut, Work4 Labs, Jobvite, DirectEmployers and Monster.com. According to Facebook, half of employers in the U.S. use the social network during their hiring process. Of those companies using Facebook to engage with customers, 54 percent anticipate using it more widely in their recruitment activities in 2013. Given the huge numbers, the lucrative nature of the recruitment industry and the success of companies like Work4 Labs—not to mention increasing pressure from unhappy shareholders—Facebook will look to monetize their recruitment activities.

- The other major social media platform that shouldn't be ignored, although it is relatively late in the game, is **Google Plus** ('+'). Google Plus is Google's latest attempt to offer a social media platform that works following the early death of its Google Wave project. Google Plus has in principle some added value attributes over both

LinkedIn and Facebook for recruiters:

- **Ability to search through millions of profiles** - Google is ultimately a search engine company, first and foremost. Although the search features of Google Plus are poor today, pundits speculate that its search features will improve as the platform evolves. In the meantime, recruiters are turning to FindPeopleonPlus.com to search for specific individuals by profession, name or location.

- **Organizing contacts** – Google Plus enables its users to organize their contacts into "Circles," or different groups of contacts, painlessly by dragging names into separate circles or by simply clicking on the name of the circle you'd like to add the contact to. This means recruiters can segment their recruitment prospect profiles into groups and post a communication to all of the people in a specific group.

- **Hangouts and video conferencing** – One of the major strengths of Google Plus is the quality of its video conferencing. All U.S. recruiters need to do is click the button that says, "Start a hangout," and they can start a video chat with any Google Plus contact. Features are provided to use instant messaging within a chat, show a YouTube video, or invite additional people into the hangout.

Pundits are already suggesting that revenues from recruiting activities will ultimately become the primary source of revenues for both social networking companies. The growth in use of social media sites for recruiting is bad news for traditional online job boards like Monster.com. While Monster has seen its market share plummet in recent years, LinkedIn has soared and Facebook's developer partners– BranchOut, Work4 Labs and Jobvite–have raised many millions of dollars to pursue social graph-based recruiting models. All indicators suggest that the future of recruiting is decidedly social.

What we think.

Recruitment agencies not already engaged in social recruiting will need to be getting in the game in 2013 (and getting their heads around how social recruiting works if they're unfamiliar with this new discipline). That said, social media platforms are not a panacea solution and currently focus more on the lower skilled (though this too is set to change in the next couple of years as individuals become more accustomed to using platforms like LinkedIn to promote their skills. Expect to see individuals building extremely comprehensive profiles on sites like LinkedIn, Google+ and Facebook as time moves on – and we can anticipate the quality of recruiter tools – specifically search and aggregation tools – will become far more 'designed for purpose' as social media sites work harder to cash-in on recruitment sector revenue sources.

Learning Lessons

We expect when we look back on 2013 it will prove to be a period when the talent sourcing sector matured many of the new models and tools of sourcing talent that it has pioneered over the last few years including VMS, MSP, Social Media Recruitment and Specialized Contingent Workforce Vs. This will enable market leaders in these disciplines to press home their commercial advantages in the market and will signpost troubled waters for *general* vendors that have failed to focus their business activity towards a specialization.

Contact information

About the Authors

James Lucier and Ian Tomlin are Directors of The Workspend Institute, the consulting division of Workspend Inc., the talent Managed Service Provider (MSP).

The Workspend Institute

The world of work is changing both for employers and employees. The Workspend Institute invests in acquiring and sharing insights on how flexible workforce strategies are evolving to assist its community of Fortune 500 partner organizations. For further information please visit www.workspend.com.

Workspend Inc.,
(Americas) +1 201 524 9600
(Europe) +44 207 0431940