

Bulletin

Institute for
Employment
Research

RECENT RESEARCH INTO EMPLOYERS RECRUITMENT PRACTICES

Introduction

One of the key factors which has inhibited research into the recruitment process has been the paucity of consistent and reliable data. Much of the process is 'undocumented' in the sense that no data is collected or else data is incomplete or inaccessible. The Employment Service (ES) collect information about vacancies notified to them for placement, but such information is incomplete both in terms of coverage and detail. There is no regular source of information about recruitment and engagements.

One consequence of this lack of regular and reliable information is that much of the current understanding of the recruitment process is based upon *ad hoc* surveys. The last survey on a comprehensive scale was conducted by *IFF Research* in 1988 (IFF, 1988). A great deal of reliance has been placed on this and an earlier survey conducted in 1982 by *Social and Community Planning Research* (Hedges, 1983), particularly with regard to estimates of the proportion of vacancies notified to ES.

In 1992 a new survey, the *Survey of Employers' Recruitment Practices (SERP)*, was carried out by *Social and Community Planning Research (SCPR)* on behalf of the Employment Service. The survey used in-depth interviews to gather information about vacancies and recruitment from over 5,600 establishments. Contextual

information relating to the enterprise and its markets was also collected. Details of up to five engagements during the 12 months prior to the survey were also collected. Details of more than 22,700 recent engagements in jobs spread across all occupations were recorded, making the survey one of the largest of its type ever undertaken.

A description of the key findings of SERP is provided by Hales (1993). The SERP provides a rich vein of information relating to recruitment practices and will provide the basis for many different analyses in the future. This bulletin is concerned with the results of a recent analysis of the factors associated with the creation of vacancies, their notification to ES and the likelihood of different recruitment channels leading to a successful engagement (Hasluck, 1994).

A Model of Vacancies and Recruitment

The origin of a vacancy lies in the labour requirements of the enterprise. With a given production technology and rate of labour utilization (for instance, normal hours of work), labour requirements are driven by the level of output or activity within the enterprise. A *potential* for vacancies occurs when labour requirements exceed actual labour resources i.e. there is a labour resource gap. This can occur because of labour turnover or because of an increase in output. It is only a potential for vacancies

because an enterprise can respond to a labour resource gap in a number of different ways:

- immediately hire a replacement employee
- hire and train a less skilled worker
- redeploy labour within the existing workforce
- increase the utilization of the existing workforce (eg. overtime)
- reduce quits, dismissals, delay retirements
- leave the job temporarily unfilled i.e create a vacancy.

The number of vacancies observed will therefore depend on the balance struck between these different responses. The number of vacancies can be reduced by raising recruitment, re-deploying employees, raising labour utilisation or by reducing quits, dismissals and delaying retirements and other withdrawals.

The choice of strategy for dealing with a labour resource gap, and hence whether a vacancy is created or not, depends upon the relative net costs of each response. Overtime may be preferable to recruitment if it is not clear whether an increase in activity is permanent. If labour is of variable quality, then employers must search out and identify potential recruits of an acceptable standard. The effort put into this search will depend upon the extent of differences between workers (and hence the costs of making a poor engagement), the costs of carrying out the recruitment activity and hiring standards.

There are many recruitment channels which employers can use. These include formal methods such as Jobcentres, private employment agencies, advertising in professional journals and newspapers as well as informal methods such as personal recommendations from existing employees or direct approaches to potential recruits. Each recruitment channel has its own associated costs and benefits in terms of coverage of potential recruits and effectiveness in identifying and selecting suitable recruits. Differences in the use of recruitment channels can be attributed to differences in the potential benefits to search (eg. the consequences of making a wrong appointment), differences in the costs of different methods and the scale on which recruitment is required. Such differences, although economic in origin, often become enshrined in custom and practice, sometimes even after the economic rationale for them has evaporated.

The importance of seeing vacancies both in terms of the external market within which recruitment takes place and in terms of organisational practices has been reflected in a number of attempts to construct a typology of employer's recruitment practices. Manwaring (1988) developed the

notion of an 'extended internal labour market' (EILM) consisting not just of the employees of an enterprise but also of the social network of friends, relatives, community and ethnic groups to which those employees belong.

Atkinson *et al* (1994) develop a similar four-fold typology of 'recruitment orientations' based upon two characteristics of the enterprise; the degree of market power held by an employer and the existence or otherwise of an explicit human resource management (HRM) policy. Employers with market power primarily face a problem of selection rather than attraction of recruits. Some of these dominant enterprises use positive HRM policies to achieve organisational aims such as employee flexibility and up-skilling of their workforce. These 'autonomous' recruiters use only those recruitment channels which are appropriate to their objectives and are very selective in recruiting. Recruitment by dominant employers without HRM tends to simply replicate existing patterns of employment within the organisation and tend to place great weight on informal processes involving the existing workforce. In contrast, enterprises without market power face a problem of attraction rather than selection. Some develop HRM policies in order to adapt their recruitment to their external market position. Such recruiters tend to use a wide variety of recruitment methods in order to attract as many applicants as possible and then concentrate on selection. Such enterprises are characterised by flexibility, often engaging in speculative or opportunistic recruitment and adapting job specifications to suit good candidates. The final type consists of employers without market power or any HRM strategy for dealing with their situation. This group is described as 'muddling through' which is a fairly self-explanatory label.

The Creation of Vacancies

There were an estimated 48 thousand unfilled job vacancies on average in establishments in Great Britain at the time of the SERP. This represents just over one per cent of the total number of jobs in existence at the time. However the incidence of vacancies is not uniform across all establishments, indeed more than half of all establishments reported no vacancies at all. Even amongst establishments reporting vacancies there is a significant concentration; more than 80 per cent of unfilled vacancies are to be found in less than 40 per cent of establishments. Recent research at the IER has attempted to identify the factors associated with the existence of vacancies in establishments using a model which considers the organisational characteristics of the establishment, its production processes and factor costs, the product market position of the enterprise, its human resource management regime and the local labour market and occupational

labour markets within which recruitment takes place. Data for the model was derived from SERP and other sources.

The results of the analysis show that establishment characteristics such as size, industry, capital intensity and change in establishment output are all major factors associated with the existence or otherwise of vacancies. Larger establishments are far more likely to have vacancies; employing more than 500 people more than triples the probability of having any vacancies. High capital intensity in production raises the likelihood of vacancies while high labour intensity lowers it. As might be expected, establishments reporting rapid expansion of activity in the 12 months prior to the survey are twice as likely to report vacancies as other comparable establishments.

Local labour market conditions, including local unemployment rates, appear to play little role in the creation of vacancies. The occupational mix of an establishment is also unrelated to the existence of vacancies. Human resource management variables are also insignificant.

Notification of Vacancies to Jobcentres

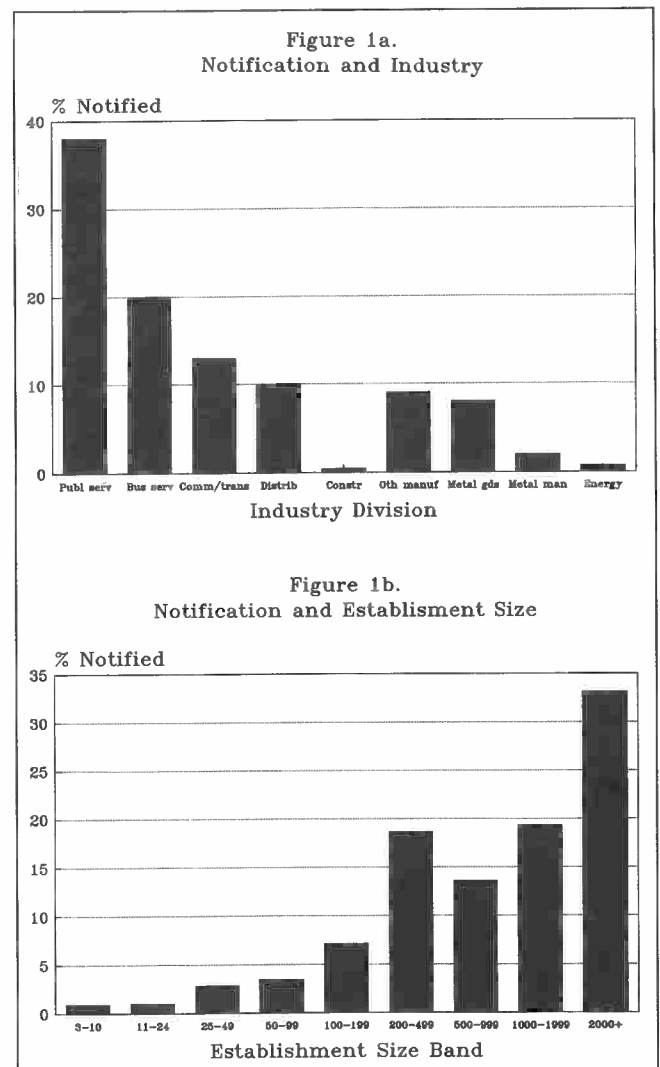
The analysis was extended to consider whether or not a vacancy was notified to the ES Jobcentre. IFF (1988) found that over half of all vacancies in 1988 were notified to ES, roughly double the proportion notified in 1982 (Hedges, 1983). Estimates based on SERP suggest a lower figure for 1992; about 40 per cent were notified. There are marked differences between industries, occupations and establishment size groups in the proportion of notified vacancies. Figure 1 illustrates some of these patterns.

The SERP data suggests that notification rates are highest in tight labour markets. However, some researchers have maintained that this is a spurious association. Elias and White (1991), for instance, argue that structural factors such as establishment size, the sectoral distribution of employing organisations and the relative importance of public sector employment are the main factors affecting use of Jobcentres. In their view, once local or regional differences in these factors have been taken into account, no significant difference in the probability of notification will remain. In the light of this debate it is important to attempt to separate out the independent effects of such factors as sector, occupation, recruitment procedures and labour market conditions.

Multivariate analysis based upon SERP lends support to the view of Elias and White. Although neither industry or establishment size affects the likelihood of vacancy

notification, the labour intensity of an establishment and its labour turnover are positively related to notification rates. Significant differences in notification rates are also observed across different occupations. When these factors are taken into account, local labour market conditions still affect the notification rate but not in the way initially suggested. Notification rates tend to be positively related to local unemployment rates. An area with an unemployment rate 5 percent points above the average is likely to have a notification rate that is almost 10 per cent above a comparable area with lower unemployment. This result contradicts the widely held view that high Jobcentre notification is a function of a tight labour market.

Figure 1
Variations in vacancy notification rates



Most striking of all the results relate to human resource procedures in the establishment. Those with standard procedures for recruitment and those normally using formal methods are significantly more likely to notify a

vacancy. Those using internal notices to the existing workforce are less likely. However, the greatest impact is previous use of the Jobcentre and the satisfaction or otherwise with which this contact is regarded.

Recruitment Channels and Engagements

Many organisations, notably Training and Enterprise Councils (TECs) collect information about vacancies in the belief that such information will reveal something about labour demand and skill needs. In fact, vacancy information is flawed; first, because labour needs may result in an engagement rather than an unfilled vacancy and, second, because until a vacancy is filled little is known about the job that will actually be done or the characteristics of the recruit. Thus engagements may provide a better picture of the jobs market than studying (as yet unfilled) vacancies.

The SERP data contains a great deal of data on engagements. Up to five engagements in each establishment are reported. Engagements were selected in a specific manner designed to ensure that the engagements reported are relatively recent and representative of typical recruitment in the establishment.

It is conventional to distinguish between two broad types of recruitment channel. The first type is formal, which involve some form of public announcement of a vacancy (for example an advertisement in a newspaper or a notification to the Jobcentre). Alternately, informal methods of recruitment may be used. These are often based upon personal contacts and do not usually involve any form of announcement. Examples include direct application or personal recommendations. Formal channels are sometimes referred to as 'open' channels because they are ostensibly open for all applicants to see and make application. Informal methods, by contrast, are often represented as 'closed', since the number of potential applicants who can be aware of the existence of a vacancy and in a position to apply for a job may be limited.

In the SERP, 17 different recruitment channels are distinguished. Looking at the recruitment channel which led to the first contact with/by the person recruited, just eight – five formal and three informal – account for over 80 per cent of all engagements. The five formal channels are paid for press advertising (16 per cent), Jobcentre (12 per cent), trade press (9 per cent), internal notices (7 per cent) and fee-paying agency (5 per cent). The three informal channels are direct application (17 per cent), recommendation (8 per cent) and re-employed employees (5 per cent). These patterns are broadly consistent with

those reported in other, albeit often smaller, surveys and case studies (Hedges, 1983; IFF, 1988; Ford *et al.*, 1986).

The advantages and disadvantages of the different recruitment channels have been well rehearsed in the literature. Informal channels, it has been claimed, offer employers lower costs of recruiting, greater speed in filling vacancies, better knowledge of the recruits, better quality recruits and more control over the recruitment process. However, comparable claims have been made for formal channels which, it is argued, are more cost effective and open to a wider range of abilities. Similarly, there is no consensus as to the effect of labour market conditions upon the employers choice of recruitment channels. Some have argued that more informal methods will be selected in times of labour market tightness (Mackay *et al.*, 1971) while others argue that it is formal methods which tend to increase in such periods (Jenkins *et al.*, 1983). Yet others argue that cyclical factors have little role to play in the selection of recruitment channels (Elias and White, 1991).

Data from SERP sheds some light on the issue of the perceived cost and benefits of different recruitment channels. Formal methods such as the Jobcentre and press advertising rate highly in terms of the number and quality of applicants (although there is some division of opinion on this latter point in respect to Jobcentres). The cost of advertising is seen as a disadvantage but the Jobcentre is highly rated in respect to cost, speed of filling vacancies and standard of service. Direct application and waiting lists are seen as low cost and quick methods of obtaining recruits but of little advantage in terms of generating large numbers of applicants. The quality of direct applicants is well recognised.

The Characteristics of Engagements

Whatever the employers perceptions of the relative merits of different recruitment channels, some channels will tend to be more successful than others. Moreover, some will tend to be successful in certain situations and not in others. In order to deal with these kinds of issues the research examined the characteristics of jobs filled by different recruitment methods with particular emphasis on the distinction between formal and informal channels and that between the Jobcentre and other formal methods.

Job vacancies successfully filled through formal recruitment channels tend to be in non-manual and higher skilled occupations. Compared to managers and administrators or professionals, a semi-skilled operative or an unskilled worker is only half as likely to have been recruited through formal channels. The terms and

conditions of the job itself are also important. Appointments to permanent as opposed to temporary jobs are twice as likely to have been made through formal channels as are jobs with supervisory responsibilities. Major differences are evident between industries. Generally, manufacturing industries are less likely than service industries to have recruited by formal means, while the likelihood of a formal recruitment channel leading to an engagement in construction appears very low indeed.

Certain categories of people are more likely to be recruited through formal channels than others. Females are slightly more likely than men to be recruited by formal methods, but people not in the labour force prior to an engagement are more likely to have been recruited via informal methods (probably direct application). Formal channels are less likely for younger workers (under 25 years) and older workers (35 years and above) reflecting different positions on the career ladder and differences in access to social and employment networks. Workers with disabilities appear very unlikely to be recruited through informal channels as are non-white recruits. This dependence upon formal channels for potentially disadvantaged groups in the labour market clearly has equal opportunities implications.

Figure 2 contrasts the overall shares of different recruitment channels with their shares of successful engagements. This provides a rough guide to the relative efficiency of different recruitment methods. For instance, while over 30 per cent of all vacancies leading to an engagement had been notified to Jobcentres, the Jobcentre led to the first contact with the eventual recruit in only 12 per cent of cases. In part this is a result of the use of multiple recruitment channels which inevitably means that the proportion of successful engagements is always less than the proportion of vacancies covered by the method. Nonetheless, there are important differences in the effectiveness of recruitment channels as measured by the ratio of successful engagements to number of engagements which had used the method. Jobcentres were around 38 per cent 'effective'. This was much more effective than methods such as internal notices (22 per cent) but less effective than local newspaper advertising (71 per cent), trade press (77 per cent) or private employment agencies (83 per cent).

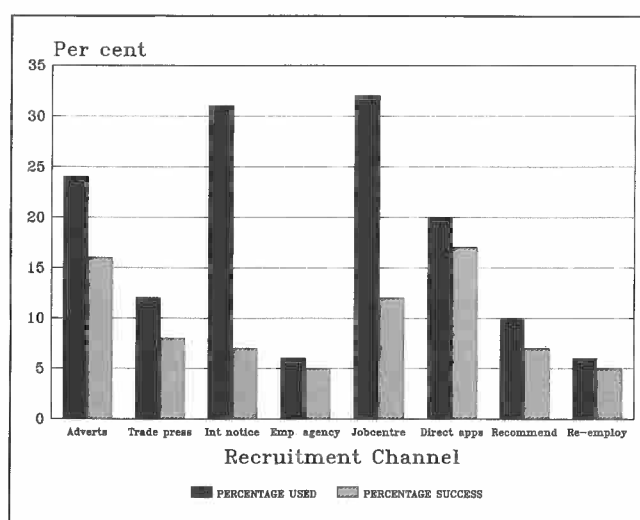
Jobcentres and Engagements

In considering the role played by the Jobcentre, the relative net benefits of different recruitment channels must be kept in mind. The Jobcentre provides a comprehensive, convenient and very inexpensive

recruitment channel. Not surprisingly it is used *extensively* rather than *intensively*. Large numbers of vacancies are notified (often at the same time as other recruitment methods are being used) and a relatively small success rate is sufficient to 'pay back' the costs to the employer of using this channel. Sharply contrasting with this situation, newspaper advertising and private employment agencies will be used intensively because they are expensive and a high success rate is necessary to justify their continued use by an employer.

Given that a large number of vacancies are notified to the Jobcentre but not filled by this means, what are the characteristics of jobs filled through the Jobcentre? Such recruitment tends to be of manual occupations, of part-time and temporary jobs, in manufacturing and in high unemployment travel to work areas. In order to explore these relationships further, multivariate analysis of the probability of an engagement being successfully recruited from the Jobcentre was conducted and the results compared with the analysis of recruitment channels.

Figure 2
The relative effectiveness of recruitment channels



There are important contrasts between the characteristics of formal engagements in general and Jobcentre engagements in particular. While permanent jobs are more likely than temporary jobs to be filled through formal channels, they are much less likely to involve the Jobcentre. Similarly, jobs recruiting through the Jobcentre are much less likely to be supervisory than non-supervisory and more likely to be low paid than high paid. After other factors have been taken into account, larger establishments are more likely to make engagements through the Jobcentre.

Occupation is an important influence on the likelihood of recruitment through Jobcentres. Professional and managerial occupations are significantly less likely than manual and semi-skilled non manual occupations to be recruited in this way. Relative to the production sector, all service sector industries are significantly less likely to fill vacancies through the Jobcentre. This negative association is particularly acute in transport and communication.

As with Jobcentre notification of vacancies, a positive relationship between Jobcentre recruitment and the unemployment rate in the TTWA in which the establishment is located is observed (after other factors are taken into account). However, engagements are less likely via the Jobcentre in labour markets characterised by high wages and high status employment growth.

Females are rather less likely to have been engaged through the Jobcentre but there is no significant difference between people not previously in the labour force and others. There is no more likelihood of Black, Asian or other ethnic minority labour being recruited via the Jobcentre than White labour. People with disabilities, however, are over four times as likely (other things being equal) as people without disabilities to be recruited in this way.

It is interesting to note that the initial choice of recruitment channel appears significantly related to the successful outcome. In cases where an establishment selected some other formal recruitment channel as its first choice, the likelihood that the recruit who fills the position came from the Jobcentre is significantly lower than where the Jobcentre was selected from the outset.

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TRAINING AND THE PRIVATE SECTOR: International Comparisons

Ed. Lisa M. Lynch

How can today's workforce keep pace with an increasingly competitive global economy? As new technologies rapidly transform the workplace, employee requirements are changing and workers must adapt to different working conditions. This latest volume in the National Bureau of Economic Research *Competitive Labour Markets* series compares new evidence on the returns from worker training in the United States, Germany, France, Britain, Japan, Norway, and the Netherlands. Contributors to the book include:

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