

HR Zone *Feature*

The recruitment revolution - how the net has changed the rules



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Introduction

Just as the record industry is facing meltdown from web downloads, the traditional recruitment industry is facing a serious challenge in the shape of internet-based systems.

Automation can take many forms within the recruitment process, from DIY databases and adaptations of Microsoft Outlook, to integrated talent management systems that funnel applicants through the appointment process into HR databases that track their training, performance and career development within the organisation.

This first article provides a manager's-eye view of recruitment automation, with contributions from both suppliers and recruiters illustrating key issues. Some of the **different options** are explained at the end of the article, with advice on the kinds of organisation to which they are best suited. A second article, to follow soon, will look at how recruitment agencies have responded to the new environment.

Online recruitment - a new dynamic

By offering instant response times and direct interaction with candidates, the internet has transformed recruitment within the space of a decade and decimated the profit margins of many agencies and publications that depended on job advertising.

The most visible manifestation of this shift are **online job boards** that have proliferated as the UK embraced broadband internet. Based on the volume of adverts placed on sites such as Jobsite, Monster, Reed and Totaljobs, the **AlljobsUK.com Recruitment Index** doubled since 2000, hitting a peak in May 2007. With such high volumes in first half of the year, AllJobsUK is predicting 2007 could match the 25 per cent growth achieved in 2006.

Companies are also putting recruitment facilities on their own websites, ranging from simple job listings with email reply links to complete "vacancy-to-hire" portals. In many cases, these systems are designed and operated by third parties, so all the recruiter needs to do is log into a web browser and enter their password to see how applications, interviews and offers are progressing.

An **Executives Online survey** in 2006 found that 48 per cent of companies used their own website to advertise vacancies and one-third (34 per cent) reported using external job boards or websites. Companies committed an average of 42 per cent of their general recruitment advertising budgets and 33 per cent of executive recruitment advertising expenditure to online tools.

The most obvious advantage of online recruitment is that you get a better return, more quickly, for your recruitment spending. Print ad costs range from hundreds of pounds in trade journals to thousands for ads in regional newspapers. Agency fees, meanwhile, can be as high as 20-30 per cent of the position's annual salary, so going online can save 50-90 per cent on traditional methods, claims network managing director Andrew Pierson, whose company offers a web-based managed recruitment service, or will install its appoint+ software on the customer's site.

"The net gives you accessibility and speed," says Pierson. "So do you need the middleman?" Aside from money, the internet can save time and help the organisation to present itself in a more professional way, he added.

"We live in a world where most things can be done online, and candidates expect the same when applying for jobs. Offering regularly updated lists of vacancies with an easy-to-use application method may only be the beginning of the process, but getting it right presents a professional and positive image."

There are other side benefits. After installing an ActiveRecruiter system from Jobpartners, for example, Boots was able to extend the geographic reach of its talent hunt and attracted more applicants - including hard to find pharmacists - from overseas. This is a common theme among larger organisations that have put their recruitment online.

Benefits - the business case for recruitment systems

Suppliers of recruitment systems are well practiced at helping potential customers to add up the figures that will encourage them to sign on the dotted line. Richard Doherty, vice president of UK operations for Jobpartners says a quick assessment of the money spent on agencies, print media and online job ads will "set the bar" for any project, and the performance indicators would be based on how much those figures could be reduced.

Chris Phillips, European marketing director of Taleo, claims companies can expect to reduce their recruitment ad spend by at least 30 per cent or 40 per cent in year one from going online.

Doherty also recommends starting with a virtual "time & motion study" to identify who does what, how long it takes them and how much paper is shuffled. This research will help you measure both your direct and indirect recruitment costs.

Computers in Personnel's managing director Chris Berry puts a persuasive case, beginning with the reduced overhead costs that come from cutting the time spent and the manpower devoted to recruitment.

"There are a lot of ways that you can streamline recruitment processes by cutting out paper," he continues. "It's better to receive 100 CVs electronically than to pay someone to open the post. And it's quicker to move candidate information from person to person electronically than send CVs through the internal mail."

Self-service systems let managers, candidates and even external agencies take care of their own admin and track applications via the web. "You can make a lot of information available to candidates, from background about the company to specific job descriptions. So instead of calling your HR team, candidates can find answers for themselves," Berry adds.

These softer benefits are harder to quantify, but they still matter, Berry argues. Speeding up recruitment doesn't just cut overheads, it can make the difference between hiring a top-quality candidate or losing them to a competitor.

Recruitment is also about keeping track of good quality candidates over time, and being able to alert them when a suitable vacancy arises. This kind of "candidate relationship management" is not something you can do with paper CVs locked away in a filing cabinet, but becomes possible with electronic databases and automated alerts.

Why McDonald's is moving recruitment online

For the UK operation of global restaurant chain McDonald's, one of the reasons for adopting a web-based Peopleclick automated recruitment system was the benefits it would bring to the corporate brand, explains reputation and resourcing consultant Nicky Ivory.

With 1,200 UK stores employing more than 67,000 employees, the company needed a system that could deal with a huge number of applications efficiently and turned to a US-based supplier to deliver the necessary capacity. "It's a different situation than if you are recruiting 250 people a year," Ivory says.

After moving over the past year from entirely paper-based processes, she explains: "We believe Peopleclick will give a more professional experience to our applicants, and provide much more information about McDonald's, the brand and the job, which is really, really key. It's taking away the subjective, human element and will mean certain things get done automatically."

As with Boots, online recruitment will broaden the talent pool for McDonald's and bring all recruitment - for hourly restaurant staff as well as senior management positions - into a standardised environment.

"Because we didn't centrally track our hourly recruits, we didn't have any data on how long it takes to go through process," Ivory says. "Reporting in Peopleclick is very comprehensive, so we can drill down to certain restaurants and look at their time-to-hire and how many they have in their talent pool. It's very useful for area managers to know which restaurants are employing and which aren't."

"We can look where we have people in our talent pool, and suggest they apply to nearby restaurants. It allows greater flexibility for candidates as well. With location and availability search facilities, they can select a restaurant online rather than having to go along in person or phone up to check for vacancies."

Having put together a detailed business case, Ivory says the Peopleclick system will lead to substantial cost savings, starting with the costs of paper application forms and replacing the first screening interview stage with an online test.

"It's all about saving managers' time, so they can focus on later stages of recruitment process," she says.

A comparison of the cost of recruiting staff has produced very favourable results so far, and the automatic screening has reduced the costs of unsuccessful applications, she added.

The Lanes Group experience

While not faced with a challenge on the McDonald's scale, drainage specialist The Lanes Group shared many similar objectives, according to HR director Barbara Tattersall.

"Our costs were running out of control and recruitment was falling to managers with other things to do," she says. "The board was pushing us to centralise recruitment and control it in a better manner. It was not difficult to show how it would save us money on newspaper ads."

The Lanes Group has a company website, but had not been using it for recruitment. The web hosting company was looking for a fee every time the company sought to change the site by posting a recruitment ad.

The solution Tattersall and her team turned to was a web-based managed recruitment service provided by networkx. The Lanes HR team drafts the ads for any new positions and emails them to networkx, which posts them on external sites (and the company's own website) using its appoint system.

As applications come in from different sources, networkx registers them in appoint, grades them and sends them on to Lanes. "They do the basic communication, contacting candidates and arranging interviews. If we decline the candidate, they decline for us - they speak to the candidates and take care of any extra feedback," says Tattersall. "At the point we make an offer, we take over."

Tattersall says that the service is not like operating a software system: "We're in regular communication and they are very much part of the team."

So far, the arrangement has cut the company's costs by 50 per cent. "It's much easier to handle than reams of paper and we're getting better information," she adds.

However, there are some minor downsides about using a managed service, she notes. "Some candidates are a little confused by our system and think we're an agency. While networkx build a very good rapport with candidates, we can sometimes appear a bit shadowy and we have to explain that we are not a recruit company, but the employer who is offering a contract."

The costs and risks of automating recruitment

How much will electronic recruitment cost? Larger systems such as the Peopleclick system employed at McDonald's can run into six figures, while £1,000 per named user is a typical cost for mid-range, in-house systems from the likes of Taleo, Computers in Personnel and Snowdrop. You should also expect to incur up-front setup costs for on-premise systems.

Hosted "software as a service" systems are usually cheaper to set up and have lower per-user licence costs - £250 is a popular price point - but you will pay this as an annual subscription rather than just paying maintenance fees (usually around 15%) for self-managed systems.

The outsourced, managed recruitment service Easyweb offers yet another pricing model, with a £499 flat rate fee to circulate your position to a collection of job boards. During the course of a four-week campaign, the online agency will screen CV responses and handle the initial communication with candidates. More expensive add-on services are available including candidate tracking.

While the claimed savings are particularly attractive for all of these recruitment systems, no automation project will deliver its benefits without a good amount of planning and hard work. Installing a new software system, or adopting a web-hosted, self-service recruitment suite, will still demand changes to your internal processes. A useful [DTI guide](#) on e-recruitment for public sector bodies emphasises the need to factor in hidden costs such as having to bring in-house tasks that might previously have been done by search and selection and advertising agencies.

Taking good care of personal information should be second nature to any recruiter, but shifting your processes to a computerised system will require you to understand and implement appropriate IT security measures. The DTI also reminds recruitment managers of their obligations under the Data Protection Act to store personal information securely, ensure it is accurate, relevant and not excessive and not kept for longer than is necessary.

All of these issues would usefully be addressed by that other essential cost element - training. Ensure that your budget includes a component to orient your team on the new system, and include a provision for regular refresher training.

Is there a danger of losing the human touch?

Not everyone is enamoured by the role technology within HR departments - especially the recruitment agencies who have lost significant portions of their business to computers.

Steve Carter, managing director of finance recruiter Nigel Lynn, recently sounded off about over-reliance on automated systems. "One of the major problems is the way applications are filtered through automated checking procedures," he thinks.

"You may have the ideal candidate with exactly the right experience for a senior position. But if there's no human being involved in that first CV filter then the company is going to lose out. Why? Because of the ridiculous scenario where good candidates will get deselected by what they forgot to put on their CV."

In one case, a senior tax specialist who was rejected by a major employer because they did not have phrase "indirect taxation" on their CV, Carter says.

"The very best candidates are not going to spend time optimising their CVs with keywords in order to try and beat an online system when they know they can go to a recruitment consultancy and get four interviews. People recruit people - not computers."

This may well be the battle cry of a professional trying to fight back against a bandwagon that is threatening his livelihood. The follow up to this article will examine how recruitment agencies have adapted to the electronic revolution.

Recruitment software and e-recruitment options

Job/candidate boards

Job boards are websites containing databases of job advertisements. Electronic storage and indexes make it easy for candidates to search for jobs according to criteria such as salary and location, and usually include a "click to apply" link to solicit responses. Job boards are a good choice if you have a low volume of positions that become available infrequently. Some of the leading sites include [CareerBuilder](#), [Monster](#) and [Reed](#). If you'd like to run your own job board, [Madgex](#) offers a software system for £500 a month.

Job board interfaces

Multiple posting companies who bulk buy positions on job boards and manage the posting and payment processes for you. These services may include the ability to track applications from different boards or software tools to help you manage the process yourself. Suppliers in this field include [Broadbean](#) and [Candidateplus.com](#).

Software as a service suppliers

Hosted, web-based e-recruitment systems are at the forefront of the internet revolution, allowing recruiters and candidates to sign in via their browsers to process and progress applications. In its purest form, the supplier will operate the recruitment site for you on their servers, but some will offer hybrid solutions that they can place on your own web server. With so many software developers and recruitment services moving to the web, it's difficult to compartmentalise them into strict categories. For example, managed recruitment service providers such as [networx](#) rely heavily on web-based interface tools, while many [integrated HR software suites](#) will also offer self-service recruitment facilities as part of their packages. Among the many companies offering SaaS services are [Arithon](#), [Easyweb](#), [networx](#), [Skillstream](#) and [Stepstone](#).

Corporate recruitment specialists

No self-respecting [corporate HR software or service supplier](#) can present itself to the market without recruitment management facilities, and many of those focused on [talent management](#) have developed systems that integrate recruitment with HR records, appraisals and development history. However several companies have specialised in corporate recruitment alone, without branching out into the HR systems. Hireserve managing director Jeremy Ovenden argues that recruitment is well suited to outsourcing via the software as a service approach: "A lot of people want to keep HR and payroll in-house because it involves personal information. But recruitment brings up a lot of stuff that people don't need to see. For large numbers of people, there is no need to keep the information in-house, or to capture it into your HR system - the two can remain successfully disconnected." Key players include: [First Advantage Hiring Management Systems](#); [Hireserve](#); [Jobpartners](#); [Peopleclick](#) and [WCN](#).

References

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