

# Are you ready to grow?

2010 outlook and review of the candidate selection challenges for your business.



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The 2010 labour market is shifting into a new cycle which will present unique challenges for those looking to grow their business. A pain point will be created for firms who have not updated their candidate screening and selection processes. Let's have a look at why by reviewing the 2 separate labour markets we have seen in recent years compared to what will be different in 2010 and beyond.

## **Market 1**

**2005 - 2008**

### **Pre GFC – Labour Shortages / War for Talent**

Before the downturn, the Australian economy experienced sustained growth, high recruitment demand and limited labour. Between 2005 and 2008 job ads in print media and online increased by over 25% year on year, with internet jobs ads soaring 66.5% in this period.<sup>1</sup>

Not surprisingly, unemployment reached 30 year lows at 4.1% in February 2008 as demand for labour exceeded supply<sup>2</sup>. A combination of our aging population, overseas talent drain and skills shortages ensured that the challenge was finding suitable candidates from a limited pool.

As a result, recruitment processes were geared toward multiple sourcing channels to find candidates and assessing them as quickly as possible to secure the rare skills and experience.

## **Market 2**

**2009**

### **Downturn Shift**

The GFC saw a dramatic shift in the market with economic growth reversing and companies downsizing. Hiring plummeted with recruitment advertising decreasing by over 55% from April 2008 to July 2009; while at the same time, a flood of new candidates entered the market after 180,000 full time roles were made redundant<sup>3</sup>.

This oversupply of labour created a problem for only a handful of organisations who were actually recruiting in this period, as understaffed HR teams had to deal with high volumes of unsuitable candidates.

While the vast majority escaped this problem by not recruiting, the market as a whole is about to catch up as organisations across sectors look to grow. Few are ready.

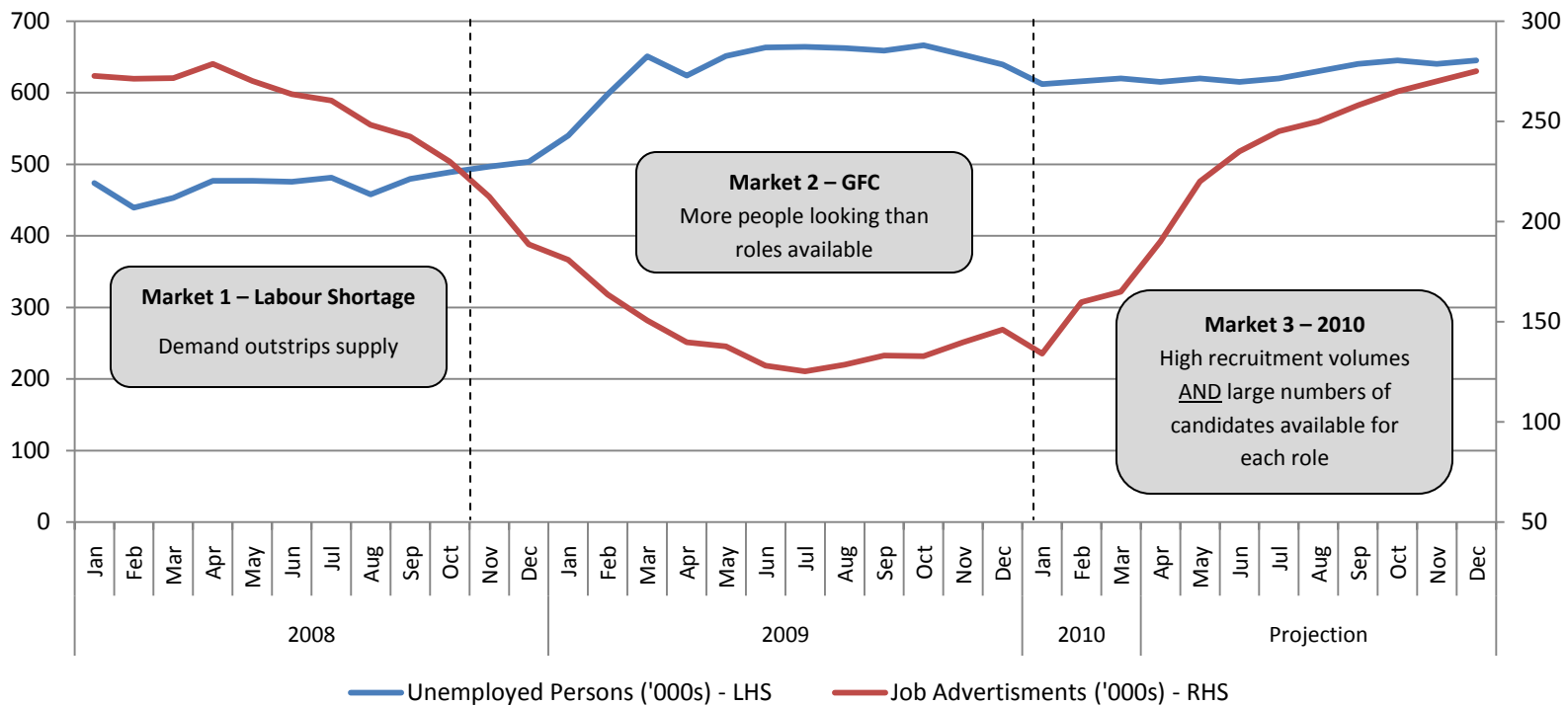
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<sup>1</sup> ANZ Job Advertisement Series

<sup>2</sup> ABS Labour Force Report

<sup>3</sup> ABS, Full time employed persons, July 2008 – Sept 2009

## Supply vs. Demand



### Market 3

2010

#### Recovery

Australian business is returning to growth and recruitment demand is up. February 2010 saw a 19.1% jump in job advertisements with increases in both online advertising (up 19.6%) and newspaper advertising (up 13.1%)<sup>4</sup>. This result consolidated in March, showing another increase in overall job ads and providing the first annual growth since July 2008.

This time however, the increase in demand is partnered with a high supply of available labour with the number of people looking for full time work increasing by 9,200 in February alone. This trend will continue through 2010 with the unemployment rate remaining steady at 5.3% in March and Treasury estimates predicting that this will level off at 6.5% in 2010/11<sup>5</sup>.

Added to this, 66% of staff currently employed are actively looking to move (95% actively or passively looking), with 75% of these looking outside of their current industry and 62% looking beyond their current specialty<sup>6</sup>. What we know then is that as jobs become vacant, a large number of people will apply and a very low percentage of these will be suitable.

So HR / recruitment teams now have to deal with a much higher workload compared to pre-GFC levels and accurately identify this very low percentage of suitable candidates with a fraction of the headcount – something has to give.

<sup>4</sup> ANZ Job Advertisement Series

<sup>5</sup> Intergenerational Report 2010

<sup>6</sup> Chandler & MacLeod, Post GFC Talent Study Report, January 2010

## **The 2010 Challenge**

### **High Quantity, yet Low Quality**

Most businesses currently have pre GFC recruitment and assessment models. These are built for low candidate volumes compared to the roles available. As roles become open in 2010, these systems will be overloaded by much higher volumes. For instance, a mid level role typically receiving 30-40 applications will now receive over 200. The second, equally critical issue is that the candidate suitability is highly variable. Now candidates are being forced to look at multiple career avenues, some suitable, others not so.

So put simply, for the hiring business:

- your candidate loading per role is going to increase by a multiple of 5+
- the ratio of suitable candidates is going to decrease.

If you don't adapt your recruitment infrastructure to meet this challenge you can forecast:

- limited internal resources unable to accurately sift through the volume
- a massive time drain on management as they interview unsuitable candidates
- increased time to fill open roles
- blown out recruitment cost (particularly if you need to rely on agencies to pick up the slack)
- your employment brand will suffer as your internal resources struggle to keep up
- bad selection decisions will be made as poor candidates get through the cracks

## **The Good News**

Progressive companies have an opportunity now to get their houses in order and tighten up their recruitment, screening and assessment processes. The good news is that this requires thought and planning not investment in expensive consulting or technology.

## **Top Tips for HR**

The following tactics are proven methods to manage high candidate volumes accurately and cost effectively.

Companies who foresee and prepare for the challenge ahead will experience significant cost savings, better staff acquisition and more productive businesses, leaving the competition in a swamp of unsuitable CVs, poor interviews and bad decisions.

## Your Checklist

### Turn Job Descriptions into Job Profiles

Don't stop at skills, experience and qualifications. Profile what differentiates successful people in the role. A valid profile will help you recruit more accurately and hire more successful staff. Build this benchmark into screening, interview, assessment and selection processes.

### Attach smart online screening to low cost sourcing channels

Job boards give us access to a large number of candidates cost effectively, however the challenge is screening these to a manageable number. Funneling these through an application process on your corporate website with an initial screening tool is the most efficient and cost effective way to reduce time spent on unsuitable candidates.

*SCREENING TIP – Go for a tool that is validated AND tailored to the role. Most online screens fail to deliver because they are either off the shelf or not validated in your business.*

### Referral still the most effective channel

Staff referrals have consistently been shown as an effective way to get access to high quality candidates. A good internal referral scheme not only overcomes the challenge of candidate unsuitability; it's either free or low cost (Australian referral bonuses typically run from \$500 to \$5,000 for successful hires).

### Up-skill your hiring managers

A well oiled process will deliver great candidates to the business. This falls down when hiring managers either don't have the interview skills to make effective selection decisions or manage the interaction poorly. From our experience, over a third of candidates have turned down a role solely due to a poor interview.

Make sure your managers know how to ask (appropriate) behavioural questions and conduct the interview professionally.

### Rigorous Candidate Assessment

For the final short list, psychometric assessment and job simulations ideally marry with your interview process and are proven ways to increase your selection accuracy. With a complete view of your potential hire, you've put the business in the ideal position to make good selection decisions and build a high performance workforce.

**For details on how Human Chemistry can advise or assist your business to adapt to this new market, contact Christopher Paterson at [christopher.paterson@humanchemistry.com](mailto:christopher.paterson@humanchemistry.com) or 0411 526 748.**