



The Talent Acquisition Factbook® 2011

Executive Summary

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Introduction

KEY POINT

The data provides valuable guidance to talent acquisition executives in making the right investment decisions.

Today's recruiting managers face a triple-whammy of economic anxiety, employee turnover and a shortage of highly skilled talent. Following recessionary cutbacks, recruiting departments are spread thin, leaving fewer resources to sort and seek prime candidates from a mass of résumés. In this environment, talent acquisition teams need to scrutinize every investment and reengineer their approaches – incorporating new tools that target outstanding contenders.

Our first-of-its-kind *Talent Acquisition Factbook*¹ shares insights and benchmarks to help recruiting managers make the best investments today and tomorrow.

The report provides a unique look at recruiting budgets and staffing, as well as key productivity and quality metrics. One of the differentiating aspects of this study is that it examines not just how much talent acquisition operations are spending, but how they are spending their dollars.

The primary questions answered in the study are shown in Figure 1.

Figure 1: Key Questions Answered in the Study

- How much are organizations spending on recruiting sources, technologies and employment branding initiatives?
- How are recruiting teams staffing for success?
- How are sourcing strategies changing, and how are professional networks and social media changing the recruiting landscape?
- How are organizations working to increase recruiter productivity and quality of hire?

Source: Bersin & Associates, 2011.

¹ For more information, *The Talent Acquisition Factbook® 2011: Benchmarks and Trends in Spending, Staffing and Key Recruiting Metrics*, Bersin & Associates / Karen O'Leonard, November 2011. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tafactbook.

Data for this study was collected via an online survey in June and July 2011. The key metrics contained in this study are shown in Figure 2. Detailed data on each metric is provided by three company size segments and six key industry segments. Overall, the study breaks down metrics and trends across four main categories – staffing, spending, productivity and quality.

Figure 2: Talent Acquisition Benchmarking Metrics

Spending Statistics	Recruiter Productivity Metrics
<ul style="list-style-type: none"> • Cost per hire • Year-over-year change in spending • Spending allocations by source • Percent of spending on recruiting systems and technologies • Year-over-year change in agency spending • Year-over-year change in contractor spending 	<ul style="list-style-type: none"> • Time to fill • Number of open requisitions per recruiter • Number of applications per job posting by type of position • Percent of hires filled by source
Staffing Metrics	Quality Metrics
<ul style="list-style-type: none"> • Staffing per 100 new hires • Year-over-year change in headcount 	<ul style="list-style-type: none"> • New hire turnover • Use of new hire assessments

Source: Bersin & Associates, 2011.

Our Differentiation

We realize that today a number of talent acquisition benchmarking reports are available. So what makes our study different?

First, our study contains a broad sample of respondents, providing a valid representation of U.S. organizations. We surveyed 414 talent acquisition professionals within a range of company sizes and industries. The data is weighted according to the Dun & Bradstreet distribution of companies, so that the figures reflect the U.S. market. The study also included a series of qualitative interviews to better understand issues and trends.

Based on these qualitative and quantitative inputs, this report provides detailed benchmarks, as well as in-depth analysis, using examples and cases in point from our interviews. (See section, “Appendix I: Study Methodology,” for further details on the study methodology and respondent profiles.)

**KEY POINT**

Stringent quality control ensures that the findings are valid.

Second, we use stringent quality control procedures in collecting and analyzing the data. Each respondent's answers have been checked for consistency. Our survey tool maintains a high degree of quality control by providing self-checks of data throughout the survey. Even so, people make mistakes and some inconsistencies appeared in the data. In these cases, we contacted the individuals for clarification and correction, or omitted the responses from the survey analysis. Such rigor is crucial to maintaining valid data.

Finally, the level of detail and analysis clearly sets this report apart from other studies. The insights gathered from our qualitative interviews with recruiting leaders, sourcing managers and branding specialists add a deeper level of understanding to current trends – beyond what pure numbers can provide. Using both quantitative and qualitative inputs, our analysis is geared toward helping talent acquisition professionals apply these findings to their organizations.

A Special Thank You

We want to thank all of the people who participated in this study. Without the diligent efforts of talent acquisition executives and staff across the country, this report would not be possible. We also want to thank our colleagues at LinkedIn for helping to distribute this survey.

As always, we welcome your feedback on this report. Please feel free to contact us at research@bersin.com with any questions or comments. The input from our readers is vital in helping us shape our future research.

Karen O'Leonard,

Principal Analyst

Summary of Findings

In the early part of 2011, many companies saw signals of economic recovery as a green light to resume hiring. Recent events, however, have caused many to adopt a more cautious approach, considering the European debt crisis, soaring U.S. national debt and political polarization as hazards to future growth. A recent survey shows that top U.S. business executives feel less confident about the economic outlook and their ability to hire new workers than in previous quarters.²

Nonetheless, forward-thinking companies are shoring up their talent acquisition investments – so that, when things do start to take off, they will have the right infrastructure in place to facilitate hiring. Many are funding initiatives to enhance recruiter productivity and the quality of their hires. As firms adapt to today's job market, they are relying more on contractors, and are also embracing new technology and tools that have proven to be worthwhile returns on their investments.

The following are key findings from the research, which are explored in more detail throughout the full report³.

1. The Sheer Cost of Recruiting



KEY POINT

Talent acquisition spending is up six percent over 2010 to nearly \$3,500 per new hire, with most dollars going to search agencies and job boards.

As business leaders brimmed with confidence that a more prosperous year lay ahead, companies accelerated their talent acquisition spending in early 2011. Overall, these budgets are up six percent in 2011, as compared with 2010, primarily driven by expectations for domestic and international business growth. We estimate that the total U.S. market size for talent acquisition is currently about \$124 billion – a figure that includes internal staff salaries, advertising, tools and services.

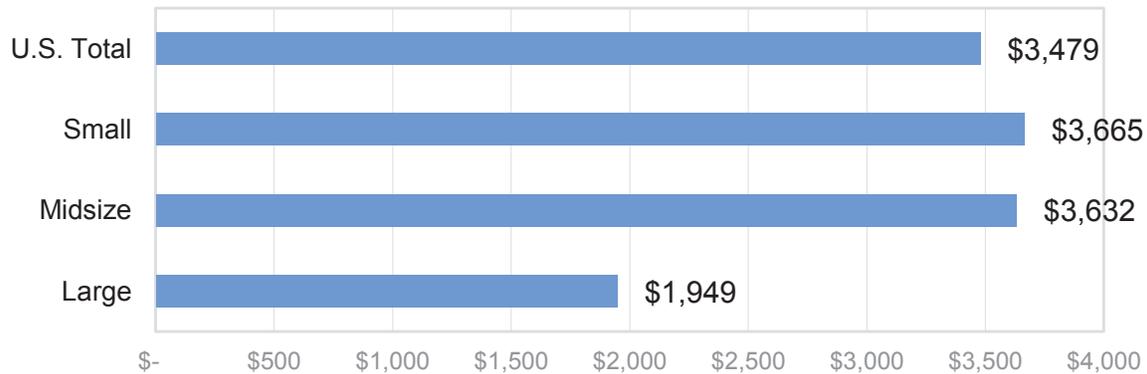
There is no doubt that recruiting is expensive, costing U.S. companies nearly \$3,500 per new hire, on average. (See Figure 3.) Most of these recruiting dollars today are going to search agencies and job boards; however, more talent acquisition teams are making investments in new

² Source: Business Roundtable Q3 survey, <http://blogs.wsj.com/economics/2011/09/29/ceo-survey-shows-less-confidence-in-u-s-hiring-outlook/>.

³ For more information, *The Talent Acquisition Factbook® 2011: Benchmarks and Trends in Spending, Staffing and Key Recruiting Metrics*, Bersin & Associates / Karen O'Leonard, November 2011.

tools, such as professional networks, candidate relationship management systems (CRMs) and video technology, to improve their recruiting efforts.

Figure 3: Cost per Hire 2011 – U.S. Total and by Company Size



Source: Bersin & Associates, 2011.

2. Contractors Fill the Void

The recession prompted most companies to reduce their full-time recruiting staffs. Earlier this year, as the pace of hiring began to pick up, companies brought on additional recruiters and also turned to contractors to supplement their in-house staffs. Nearly one-half of U.S. firms are spending more on contractors in 2011, as compared with 2010. Still, many recruiting departments are operating fairly lean, given the volumes of applications and time required to recruit candidates. But the good news is that most companies have more recruiting resources now than a year ago.

KEY POINT

Companies spend a whopping one-third of their recruiting budgets on agencies – but this spending is declining as companies hire additional staff and turn to lower-cost sourcing tools.

3. Scaling back on Agencies

Spending on agencies and third-party recruiters represents a huge portion (more than one-third) of the external recruiting budget. Agencies can be useful in recruiting for hard-to-fill positions, but remain an expensive option, with fees averaging 21 percent of a new hire's first-year salary.

**KEY POINT**

Nearly one-half of U.S. firms are spending more money on contractors this year.

Given these high costs, approximately one-half of all U.S. organizations have decreased spending on agencies over the last year. Instead, companies have hired additional contract or full-time staff, and many have turned to newer tools, such as professional networking sites, social media and CRMs, as lower-cost alternatives.

4. Job Boards: Not Dead, but Dying

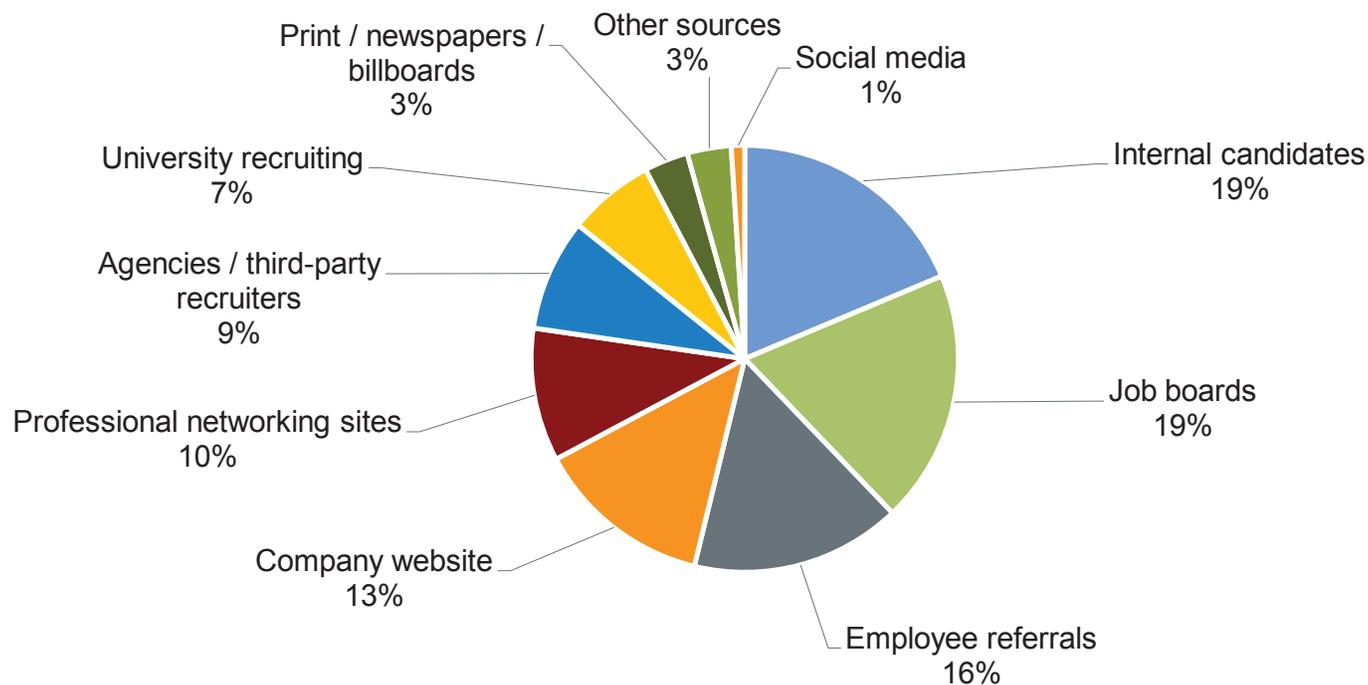
Despite claims to the contrary, job boards remain popular and are used to fill 19 percent of open positions – making job boards the number one source for candidates. (See Figure 4.) Over the years, job boards have been most successful in attracting “active” candidates – those looking for jobs. However, the landscape is changing dramatically.

Progressive organizations are reducing their spending on job boards in favor of new tools that source both active and “passive” candidates – those who are not actively job-seeking. These tools include professional networking sites, search engine marketing, CRM technology and others. As an example, CH2M HILL, a full-service engineering and construction firm, diverted \$500,000 from job boards to professional networks, such as LinkedIn and Viadeo, as well as to general social media tools, such as Twitter, Facebook and blogs.

While these new sourcing tools are still in their infancy, our interviews with talent acquisition leaders suggest that they are generating higher-quality leads at lower cost than traditional job boards. As a result, we expect the number of hires from these sources to continue to grow as these tools further revolutionize recruiting.

**KEY POINT**

Job boards remain the number one source for external candidates – but the market is changing rapidly and job boards risk becoming obsolete.

Figure 4: Open Positions Filled by Source – U.S. Total 2011

*Numbers may not 100% due to rounding.

Source: Bersin & Associates, 2011.

5. Looking in Your Own Backyard

KEY POINT

Internal mobility programs can help not only in filling vacancies, but also in bolstering employee engagement and triggering an influx of fresh ideas.

Recognizing the costs of external recruiting and difficulty in finding qualified candidates, more recruiting teams are working to find and foster good candidates within their own firms. These employees may move laterally to another unit, function or job role – or they could be promoted upward. Such internal mobility became essential after the recession forced many firms to enact temporary hiring freezes; with external hiring forbidden, companies had to look within for candidates. Our research found that at least one in every five open job requisitions is filled by an internal candidate. The figure for internal moves is likely even higher because some positions may be filled with internal employees without a requisition going to the recruiting department.

Today, retaining top talent is difficult and will become even more difficult when there is a broad economic turnaround. In anticipation, progressive companies are creating and promoting internal mobility programs – not only to fill vacancies, but also to bolster employee engagement and trigger an influx of fresh ideas.

For example, we talked with a global financial services provider which is staging its first-ever internal career fair in London. This one-day, employee-only event aims to make employees keenly aware of opportunities outside of their individual departments, while keeping them within the corporate “family.” Another example is CACI, a professional services and IT solutions firm. Last year, its internal mobility program filled 701 positions from within – increasing its retention rates while simultaneously reducing hiring costs.⁴

6. Finding the Needle in the Haystack

KEY POINT

Firms are receiving an average of 144 applications for every entry-level / hourly opening.

It sounds counterintuitive, but it is true – finding quality candidates can be tougher in a tough economy. Many recruiting departments are running lean and managers have less time to devote to hiring. Talented workers who have jobs are harder to convince to make a change. At the same time, unemployed workers are inundating companies with résumés. Finding quality candidates has been likened to finding the proverbial needle in the haystack.

Indeed, the volume of applications is high, with firms receiving an average of 144 applications for every entry-level / hourly opening. Volumes are less acute for professional positions, with firms receiving 89 applications per job opening, on average. But these positions are often harder to fill due to skills requirements. Companies need to find ways to make recruiters more efficient and productive by looking at their sourcing strategies and systems, as well as by implementing targeted training initiatives, which are discussed next.

7. Training Sharpens Recruiting Efforts

Successful recruiting managers know that it is vital to keep training their staff and other managers on the evolution of cutting-edge tools, such as social media, professional networks, video interviewing and CRMs. As they begin to staff up, these managers also rely on good systems to train newly hired recruiters, and to keep existing recruiters updated on changing policies and procedures.

⁴ Source: ERE Excellence Awards: Best Practices in Recruiting, April 2010, <http://www.drjohnsullivan.com/articles-mainmenu-27/articles/recruiting-strategy-mainmenu-36/507-best-practices-in-recruiting--ere-excellence-awards-2010-part-4-of-4>.

**KEY POINT**

New tools for video interviewing and 360-degree reference checks can help to ensure that finalists are indeed the best candidates.

Line managers are also a key part of the hiring equation, and they need to be trained on how to screen and interview more effectively. While most recruiting operations teach managers the basic “dos and don’ts” of what they can legally ask a candidate in an interview, many do not train managers to ask the kinds of questions that will allow them to compare candidate responses quickly and consistently.

To improve the process, some firms have begun providing managers with better training and tools. L-3 Fuzing & Ordnance Systems, for example, recently implemented a new, behaviorally based interview process – providing managers with training and structured interview guides to enable them to screen for competencies and to determine whether the candidate is a good fit. As a result of improved interviewing and other talent initiatives, the quality of new employees has increased significantly, as measured by new-hire assessment data and the division’s overall performance has dramatically improved.

8. Honing in on Finalists

Once firms connect with applicants, the recruiting team must expend more time and effort to winnow the list to the top finalists. As workplaces have grown more collaborative, candidates often must meet not only with the hiring manager, but also with peers and other key stakeholders. Then hiring teams must coordinate all of this feedback.

Rushing through the process can result in costly hiring mistakes. Today many progressive companies are investing in new tools, including 360-degree reference checks and video interviewing, to ensure that finalists are indeed the best candidates.

9. Quality of Hire: Need Less Talk, More Action



KEY POINT

Few companies have a comprehensive and systematic approach to measuring quality of hire.

Most firms are at least trying to evaluate new hire quality by measuring metrics, such as new-hire turnover, new-hire performance, and the satisfaction of both the candidate and the manager. The most prevalent means of measuring quality is through a 90-day new hire assessment, used by nearly one-half of all companies.

But, while many companies talk about quality of hire, few companies have a comprehensive and systematic measurement approach. Even companies that do collect some type of data often fail to properly distill the metrics and make changes necessary for improvement. Progressive firms, however, continually measure new-hire quality and use that information to fine-tune the recruiting process.

Ryder, for example, surveys its hiring managers every 90 days for feedback. The survey is designed to provide leadership with immediate awareness about what is going well and what issues need to be addressed. Ryder uses this information to address issues with recruiter performance, compensation, workload and recruiter staffing needs.



Appendix I

Study Methodology

Appendix I: Study Methodology

KEY POINT

When viewing overall figures, keep in mind that the data is weighted in favor of smaller organizations to represent the U.S. market.

This year's study was conducted in June and July 2011, when contacts from the Bersin & Associates and LinkedIn databases were emailed invitations to participate in an online survey. Only U.S.-based organizations with 100 or more employees were included in this analysis. The final count of qualified respondents was 414.

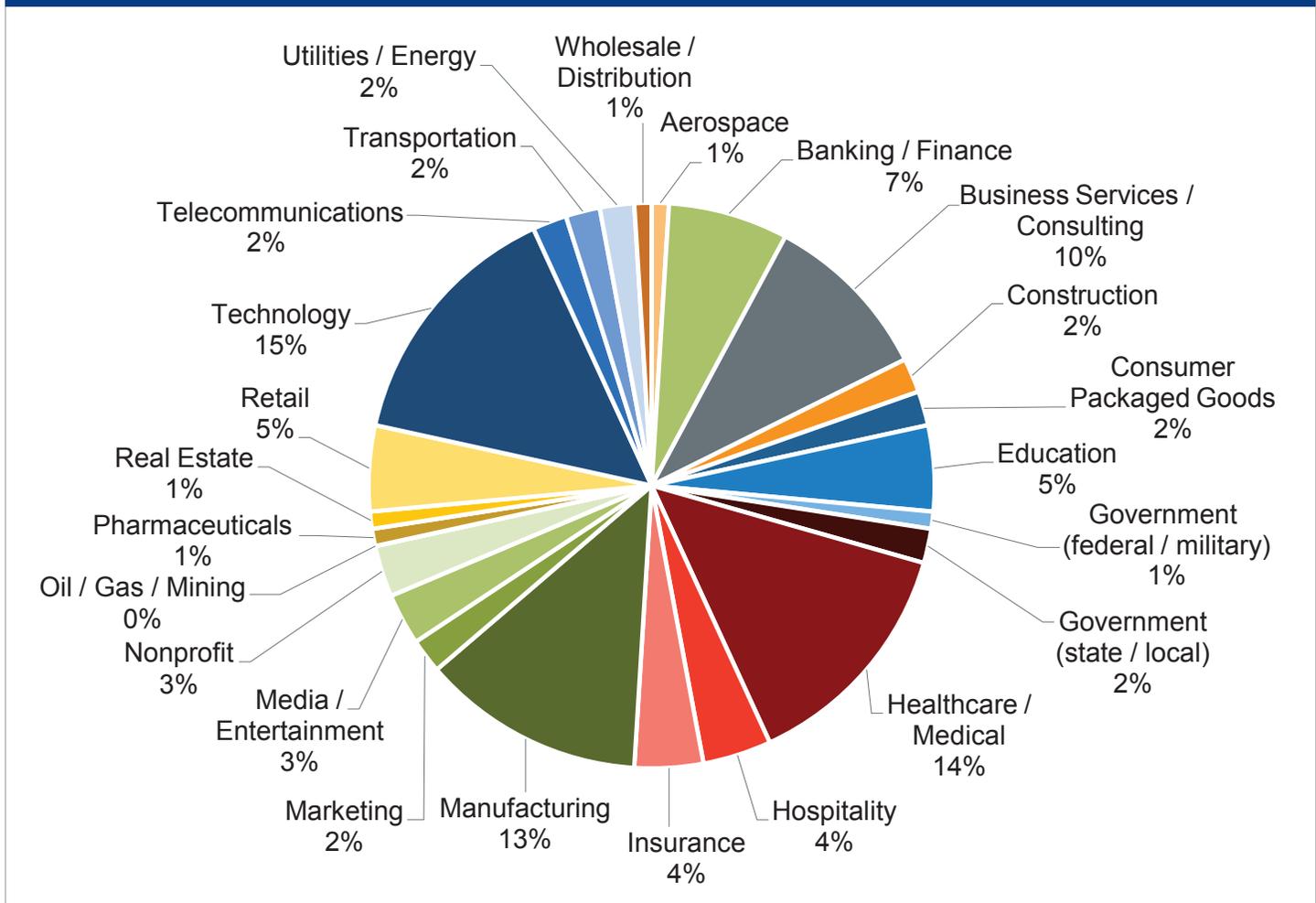
The data represents a broad cross-section of industries and company sizes. Note that the figures in this report are weighted by company size and industry according to the Dun & Bradstreet database of U.S. companies. Since small companies dominate the U.S. market, in terms of sheer numbers, these organizations receive a heavier weighting, so that the data accurately reflects the U.S. market. Throughout this report, we break out the results by organization size to show the differences between small, midsize and large organizations.

In addition, in-depth interviews were conducted with talent acquisition managers and executives from a range of industries and company sizes. These interviews were designed to gain a keener understanding of trends and current practices. The full report cites numerous examples and best practices based on these interviews.

Figure 5: Respondent Count (unweighted)

Small companies (100 to 999 employees)	132
Midsize companies (1,000 to 9,999 employees)	158
Large companies (10,000 or more employees)	124
Total Respondents	414

Source: Bersin & Associates, 2011.

Figure 6: Respondents by Industry (unweighted)

Source: Bersin & Associates, 2011.

Industry Definitions

Throughout this report, we break out results for certain industries. These industries are as follows:

- Banking / Insurance – Banks, insurance companies and financial services firms;
- Business Services / Consulting;
- Healthcare (healthcare organizations);

- Manufacturers (durable and non-durable goods);
- Retail; and,
- Technology (computers, software, ISPs).

All industries are weighted to reflect the U.S. market. The exception is the retail sector which, in this study, is comprised primarily of large companies. This segment is representative of large, brand-name retailers.



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