The Australian Recruitment Industry

A comparison of service delivery

August 2016

Executive summary

The Department of Employment commissioned a research project into the Australian recruitment industry with a strong emphasis on establishing the profile of the commercial recruitment sector and its approaches to employment services. This report outlines the findings of the research and seeks to answer the following key questions:

a. What is the structure of the Australian recruitment industry?

b. How do the services delivered and outcomes achieved by the commercial recruitment sector differ from those in the public employment services sector (jobactive), including for comparable groups of employers and job seekers?

The commercial recruitment and public employment services sector both operate within the Australian recruitment industry. In 2015-16, it is estimated the recruitment services industry consisted of almost 7,000 businesses, generated $11.2 billion in revenue and employed over 93,000 people. The size of organisations operating in the commercial recruitment sector in Australia is diverse, with over 90 per cent of organisations employing less than 75 people. These small and medium sized enterprises operate in specific geographic regions and specialise in particular sectors or industries rather than large national companies.

In its simplest form, the commercial recruitment sector is the provision of recruitment services (permanent, temporary and contract) to a third party organisation for a fee. Commercial recruitment agencies aim to operate a commercial recruitment business by supporting organisations to meet their employment needs.

The public employment services sector is a key initiative of the Australian Government to foster a productive and competitive labour market by assisting job seekers into work. The Government's current employment services system, jobactive, is funded and administered by the Department of Employment and has four key objectives: help job seekers find and keep a job; help job seekers move from welfare to work; help job seekers meet their mutual obligations; and ensure jobactive organisations deliver quality services. Operation of jobactive commenced on 1 July 2015, with 44 providers around the country contracted to deliver employment services in 51 defined employment regions.

Although both sectors aim to support a strong workforce within Australia through recruitment and related activities, there are key differences in their clientele and service delivery approaches.

Participation in jobactive is mandatory for recipients of an income support payment who also have mutual obligation requirements, and jobactive providers are contractually required to deliver services to all eligible job seekers registered with them. As a result, the profile of job seekers being serviced by a jobactive provider varies on a number of levels including educational attainment, work experience, industry specialisation/interest and barriers to employment. By contrast, commercial recruitment agencies use their discretion, and generally only represent most job ready candidates who will meet the needs of the employers they work with. For this reason, there is limited overlap in the individuals serviced by the two sectors and the commercial recruitment sector has a minimal role in assisting disadvantaged individuals to find employment.

The shift of large Australian companies to focus on building recruitment teams as they try to reduce costs was considered a significant threat to the commercial recruitment sector a few years ago. Many commercial recruitment agencies report that they now successfully work alongside and in collaboration with internal recruitment teams by focussing on specialist roles and large-volume recruitment activities.

Another driver of specialisation within the commercial recruitment industry has been the high-level and quality of service demanded by both employers and candidates, and the expectation that recruiters will bring specialist knowledge to the relationship. Many commercial recruitment agencies have responded to this feedback by focussing on their strengths, in acknowledgement that it does not make commercial sense for them to be 'everything to everyone'. This has meant that many commercial

recruitment agencies have consolidated their service offerings across the following six areas: geographies, services, industries, employers, positions and candidates. Specialisation has not been adopted to the same extent within the public employment services sector, with jobactive providers continuing to maintain a more generalist focus.

Both sectors report an increased focus on employers that are small and medium in size. The rationale for this focus within the public employment services sector is that large employers often have complex recruitment processes, strict eligibility and screening processes and are less willing to 'give someone a go'. In contrast, the commercial recruitment sector is driven by financial and quality considerations. Small and medium employers can generate higher recruitment fees and provide greater access to the hiring manager (compared to large employers, where the recruiter only works with the internal recruitment team and the volume can drive down the per activity recruitment fees).

Low levels of staff retention are being experienced throughout the industry. In the commercial recruitment sector, pressure and high risk-high reward culture is driving high levels of staff turnover. Within the public employment services sector, recent high levels of staff turnover are not surprising and even expected given 2015-16 was a 'transition year' for jobactive providers implementing new operating models.

The two sectors report significantly different levels of regulation. The commercial recruitment sector is largely unregulated with very few barriers to entry. In recent years, the key association bodies have introduced a number of initiatives aimed at improving the quality and standing across the sector including: a principles based Code of Conduct, a postgraduate accreditation program and a leadership, mentoring and recognition program. Feedback during this project indicated there continues to be concerns with the administrative requirement within the public employment services sector; this is not an issue in the commercial recruitment sector given the low levels of regulation.

This report makes a number of observations in relation to the approaches and practices in the commercial recruitment sector for consideration in the context of public employment services. These include:

Brand and profile – the commercial recruitment sector is competitive with low entry barriers, requiring a strong brand and marketing strategy to clients.

Specialisation – the commercial recruitment sector has responded to economic changes and has increased focus on specialist service delivery.

Sourcing jobs – a strong focus on employers and understanding their business is driving positive outcomes for the commercial recruitment sector. Agencies are less focussed on the candidate although there were strong examples of positive outcomes for some pre-employment programmes.

Staffing profile – flexible structures and targeted skill sets assist with the specialisation strategy mentioned above. Having the right staff who understand the employer needs is paramount to the success of commercial recruitment agencies.

Technology – improvements in technology are supporting matching the right candidates to the right jobs and attracting talent.

Regulation and quality – the lack of regulation with the commercial recruitment sector (other than normal Australian business and company laws) offers lower barriers to entry and is viewed as a positive framework, allowing greater flexibility and responsiveness to market conditions.

The report outlines in detail the evidence gathered to underpin these observations.

Contents

1. Introduction

1.1. Scope and objectives

The Department of Employment commissioned a research project into the Australian recruitment industry. This report outlines the findings of the research and seeks to answer the following key questions:

a. What is the structure of the Australian recruitment industry?

b. How do the services delivered and outcomes achieved by the commercial recruitment sector differ from those in the public employment services sector (jobactive), including for comparable groups of employers and job seekers?

In answering these questions, the report seeks to achieve the following objectives:

a. Develop a profile of the Australian recruitment industry, with a strong emphasis on the commercial sector.

b. Provide an analysis of the service approaches in both sectors commercial and public employment services of the industry and how they work to deliver effective employment services. The focus of the analysis is on the approaches used by the commercial sector.

c. Establish the strategies that work well, the situations in which they are applied and why.

d. Identify approaches and practices in the commercial sector that could contribute to performance in the public employment services sector.

e. Provide a number of observations in relation to the approaches and practices in the commercial sector that could be implemented to improve performance in the public employment services sector.

1.2. Approach

This research project incorporated the following data collection processes, using both qualitative and quantitative tools:

a. Desktop research. This covered textual and statistical analysis of published and unpublished information about the recruitment industry in Australia, including consideration of global perspectives.

b. Stakeholder consultation. Face-to-face interviews were conducted with industry peak bodies and commercial and public employment services providers. Stakeholders involved in this study can be categorised as follows:

- Six association bodies – two in the public employment services sector and four in the commercial recruitment sector.

- Seven public employment services providers located across New South Wales, Queensland, South Australia and Victoria including both private and not for profit providers.

- 18 commercial recruitment agencies – this included global, national and local agencies operating in a range of sectors including retail, tourism, manufacturing, IT, financial and professional services, trades, mining and government.

- The information gathered in these consultations focussed on the following key topics:

  ➢ The structure of the organisation.

➢ The characteristics of the labour market in which the organisation operates.

➢ The service delivery model.

➢ Organisational performance and how this is measured.

➢ Innovation in the sector.

➢ Opportunities for the future.

1.3. Approach limitations

The research project team was able to collect some data on the 'Australian recruitment industry', but encountered difficulties in collecting aggregate data on the Australian commercial recruitment sector. This is because very little data on the commercial recruitment sector is collected and published. Factors contributing to this include the low barriers for new entrants and the absence of federal legislation or regulation, so there is no central register of all commercial recruitment agencies operating within Australia or sector-wide data collection mechanisms. In addition, there are multiple peak bodies representing the commercial recruitment sector who collect minimal data from their members.

Stakeholders consulted as part of this project suggested that in the absence of more granular data, the available 'Australian recruitment industry' data provides a good indication of the scale of the commercial recruitment sector, and has therefore been used throughout this report. This industry-wide data is mostly high-level, and analysis was limited to published data. For example, there is no recruitment industry data available on the number of candidates serviced, job placements made, jobs sustained or geographic coverage within States and Territories. A list of the documents reviewed as part of this project are included at Attachment A.

The project team also took caution when comparing the approaches to service delivery between the commercial recruitment sector and public employment services sector due to the different profile and objectives of the two sectors. The key differences between the two sectors are outlined in section 1.3.

1.4. Overview of the Australian recruitment industry

The Australian recruitment industry supports organisations operating in Australia through the provision of services to search, select, refer and place employees[1]. The two sectors considered as part of this research project are defined below.

In its simplest form, the commercial recruitment sector is the provision of recruitment services to a third party organisation for a fee. Organisations operating in the commercial recruitment sector are commonly known as recruitment agencies. Their key objectives are to operate a commercial business and support organisations to meet their employment needs. In 2015-16 there were almost 7,000 commercial recruitment agencies operating across the country.

The public employment services sector is a key initiative of the Australian Government to foster a productive and competitive labour market by assisting job seekers into work. The Government's current employment services system, jobactive, is delivered by the Department of Employment and has four key objectives[2]: help job seekers find and keep a job; help job seekers move from welfare to work; help job seekers meet their mutual obligations; and that jobactive organisations deliver quality services. Operation of jobactive commenced on 1 July 2015, with 44 providers around the country contracted to deliver employment services in 51 defined employment regions. The previous employment services system was Job Services Australia (operating from 2009-2015).

---

[1] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569

[2] Commonwealth of Australia, (2015) *Portfolio Budget Statements 2016-17, Budget Related Paper No. 1.6 Employment Portfolio*. Available at: https://docs.employment.gov.au/node/36106

The following narrative provides an assessment of the key similarities and differences between the two sectors.

- **Clientele and fee structure:** the commercial recruitment sector considers their primary client to be the employers which they service. The fees for these services are set by competition in the open market, with fees paid directly by the employer receiving the service. The jobactive market considers their primary client to be the job seekers receiving services. The fees for these services are fixed, and paid by the Government in two key areas, administration fees, to provide assistance to job seekers and outcome fees, paid on the achievement of sustained employment.

- **Commercial candidates and jobactive job seekers:** commercial recruitment agencies are increasingly focusing on passive candidates (those that are currently employed and not actively seeking new employment), as these are the highly sought candidates that employers cannot directly source themselves. Commercial recruitment agencies select which candidates they will represent based on employer requirements. In contrast in the jobactive market, job seeker participation is generally mandatory and job seekers often have mutual obligation requirements to meet. All job seekers are either unemployed or underemployed, and have a vast range of educational attainment, work experience and barriers to employment (both vocational and non-vocational). jobactive providers are required to service all eligible job seekers registered with them.

- **Profile of commercial agencies and jobactive providers:** the commercial recruitment sector consists of privately held enterprises and a small number of ASX listed companies, and is dominated by small and medium sized organisations. The limited barriers to entry make it attractive for new entrants. The jobactive market is also dominated by small and medium sized organisations, and includes a mix of privately held enterprises and not-for-profit organisations. Providers delivering jobactive are selected through a competitive procurement process and are fixed for the five-year term of the jobactive contract. In the public employment services sector there is a need to ensure appropriate reporting, scrutiny and transparency which does not exist to the same degree in the commercial recruitment sector.

- **Geographic coverage:** the commercial recruitment sector operates nationally, with high numbers of recruitment agencies operating in geographic regions experiencing economic growth and skills shortages and is very agile. The public employment services sector operates in 51 defined employment regions, with jobactive providers only operating in the specific employment regions they are contracted to. Demand for jobactive services can increase in employment regions experiencing economic downturn.

- **Regulation:** the commercial recruitment sector is largely unregulated with very few barriers to entry. Outside of the Social Security Act which covers some of the requirements to be delivered by jobactive providers, there is no other governing Commonwealth legislation. Despite this, jobactive providers operate in an environment that is closely measured and monitored. Jobactive providers must comply with the requirements of the jobactive Deed 2015-2020 and associated guidelines, and must also monitor and enforce job seeker compliance with mandatory mutual obligations.

1.5. Overview of this report

The report is structured in five chapters:

Chapter 1 Introduction: this chapter summarises the scope, objectives and approach of the research project. It includes an overview of the Australian recruitment industry and approach limitations encountered during the project.

Chapter 2 Background: this chapter provides an overview of the history of the recruitment industry within Australia, including the introduction of the public employment services sector and impact of the new economy on the industry. It also considers the macroeconomic environment of the recruitment industry within Australia, including national economic growth and labour market size.

Chapter 3 The Australian recruitment industry: this chapter outlines and compares the characteristics of the commercial recruitment sector and the public employment services sector. This analysis considers: scale of the two sectors, profile of agencies/providers, geographic presence, industry focus, employers and clients, candidates and job seekers, peak bodies and fee structure.

Chapter 4 Approaches and strategies within the Australian recruitment industry: this chapter outlines the strategies adopted within the commercial recruitment sector and public employment services sector, effective service approaches and recommendations for the public employment services sector. This analysis considers: specialisation, branding and marketing, methods to engage with employers, methods to engage with candidates, staffing and resourcing, performance and remuneration and regulation and quality.

Chapter 5 Observations: this chapter summarises the key findings and recommendations from the research project.

1940s

At the beginning of World War II, there was a massive shift in the Australian labour market as thousands of workers were recruited into the armed forces. This created labour force shortfalls, particularly in low-skilled sectors such as agriculture.

Consequently, recruitment businesses became a key source of connecting candidates to job vacancies.

1960s

Australia's economy shifts gear and moves from being based in agriculture to manufacturing. With manufacturing dominating Australian economic growth, large quantities of labour were required to fill low-skilled job vacancies. With Australia's labour force relatively small at this time, the commercial recruitment industry was key to filling these job vacancies by accessing labour pools out of immediate reach of employers.

This meant that the commercial recruitment industry needed to develop more sophisticated strategies to both reach and then attract low-skilled labour to industry hubs.

1980s

The Australian economy becomes more sensitive to international markets. National borders to trade begin to erode and in doing so, the Australian economy begins to compete in the international arena.

This increase in competition means that Australia's manufacturing sector becomes less competitive, and consequently the structure of the economy again needs to adjust.

During this period we see the rise of the service sector in Australia, and with this, the need for specialist skills to compete on global levels. At this point, the role of recruiters becomes more focused. Instead of attracting any labour, recruiters now become sources to find specialist labour, across national borders.

1990

The physical barriers to skills shortages have collapsed and labour competes on global levels. Technology has changed the nature of jobs, and in doing so, the skills and capabilities required from our domestic pool of labour.

The economy is more connected to global conditions than ever before, and consequently is highly complex with high levels of specialisation. Recruiters' reach is both widening and deepening – touching more areas, with larger degrees of nuanced knowledge required.

2009

After the Global Financial Crisis (GFC) employers look for new ways to cut costs and look to technology as a substitute for recruitment – job boards and candidates are available online, without the interference of a third party.

Technology threatens the value of recruiters connecting businesses to labour, and consequently, recruiters begin to offer more specialised employment services including consulting, workforce planning and training.

At the same time as employers' expectations are shifting, so too are candidates. After large scale redundancies during the global recession, candidates realise employment is more than just a pay cheque. A job now needs to provide meaning, higher purpose and lifestyle flexibility.

The recruitment industry today is far different to what it once looked like. We see the industry being consistently influenced, shaped, and reshaped to fit the needs of global and national industry. In many ways, the recruitment industries role is to react to the needs of the market.

2016

Trends

- Employees approached by employers – LinkedIn
- Employees looking in a wide range of areas – Seek, LinkedIn, Indeed, Adzuna, TaskRabbit
- Recruitment firm branding essential

Global conditions

Cost of labour

Outsourcing

Global exchange rates

Workplace Diversity

Job hopping – Gen Y's

Diversity

Women

Migration

Ethnicity

Cost of Living

Employment market is reactive to the economy

Shifting workforce

Casual

Part-time

Temporary

2. Background

This chapter provides a background on the formation of both the commercial recruitment and public employment services sectors. Both sectors have operated in Australia since the 1940s and have adapted in line with the requirements of the labour market. Additional analysis of the macroeconomic environment of the recruitment industry (which includes commercial and public employment services) outlines the relationship between key economic indicators in Australia and the impacts on both sectors.

2.1. A history of the recruitment industry within Australia

2.1.1. The commercial job market

The establishment of the commercial recruitment industry was largely connected with Australia's social and economic history. In Australia, the commercial recruitment industry began to flourish after the start of the Second World War, when thousands of employees, mainly low skilled, joined the armed forces. At this time, the majority of jobs were low skilled, and based in the key foundation of the economy – agriculture. This mass shift in the labour market meant that many low-skilled positions needed to be filled quickly. Consequently, recruitment businesses became a key source of connecting candidates to job vacancies.

By the 1960s, Australia's economy shifted gear and began to move from agriculture to manufacturing. With manufacturing dominating Australian economic growth, large quantities of labour were required to fill low-skilled job vacancies. With Australia's labour force relatively small at this time, the commercial recruitment industry was key to filling these job vacancies by accessing labour pools out of immediate reach of employers. This meant that the commercial recruitment industry needed to develop more sophisticated strategies to attract low-skilled labour to industry hubs.

In the early 1990s, the Australian economy started to become more sensitive to international markets. National borders to trade began to erode and in doing so, the Australian economy began to compete in the international arena. This increase in competition meant that Australia's manufacturing sector became less competitive, and consequently the structure of the economy adjusted. During this period, the rise of the service sector in Australia began and the role of recruiters became more focused. Instead of attracting any labour, recruiters became sources to find specialist labour, across national borders.

By the late 1990s, changes in information technology began to challenge physical barriers to skills and labour supply. Technology has changed the nature of jobs, and in doing so, the skills and capabilities required from Australia's domestic pool of labour. The economy became more connected to global conditions than ever before, which contributed to high levels of complexity and specialisation. The recruitment industry's reach to labour pools widened and deepened – touching more areas, with larger degrees of nuanced knowledge required. Globalisation and changes in technology have transformed traditional methods of connecting people to jobs and business to labour.

In the post global financial crisis (GFC) economy (2009), more businesses turned to online recruitment to cut operating costs. Consequently, recruiters began to offer more specialised employment services including consulting, workforce planning and training. Candidate expectations also experienced a shift. Following large-scale redundancies during the global recession, candidates recognised that employment was more than just a pay cheque. A job needed to provide meaning, higher purpose and lifestyle flexibility.

The commercial recruitment industry today is far different to what it once looked like. The industry is being constantly influenced, shaped, and reshaped to fit the needs of the global and national economies.

2.1.2. Transition to the new economy

Industrial change in Australia has changed our employment opportunities. The shift away from production to service industries has reduced the opportunities for blue-collar workers, and increased the opportunities for white-collar workers. As at August 2014 the Health care and social assistance industry employed the largest number of people (1.4 million or 12%) followed by Retail trade (1.3 million or 11%)[3]. Technology has vastly changed the structure, pace and participants in today's economy. Technologies led by cloud, mobile and data analytics have offered businesses and consumers unprecedented levels of insight, convenience and speed. For example, companies like Airbnb or LinkedIn provide direct contact between end-user and service provider, stripping out an intermediary facilitator.

2.1.3. Public delivery of labour market policies

In the late 1990s, the public employment services market moved from a Government delivered service to a contracted service delivery model. The background to public employment services is outlined below.

In 1945, the Australian Government commissioned a White Paper entitled Full Employment in Australia, which outlined that the government of the day accepted an obligation to guarantee full employment in Australia, stating that *an Australia-wide employment service is an essential instrument of a full employment policy*[4]. The White Paper also committed the government to take responsibility for the coordination of linking employers to suitable labour. This policy was the catalyst for the establishment of the Commonwealth Employment Service (CES) in the then Department of Labour and Vocational Service. Between 1950 and 1974, the average unemployment rate in Australia was 2.0 per cent of the workforce[5]. On the whole, jobs occupied during this period were hands-on and physical work, associated with trades and lower skilled staff. For example, in August 1966, the most common occupations were Tradesmen, production process workers and labourers (44%); Farmers, fishermen, timber getters (12%); and Clerical (9%)[6]. The White Paper was the defining document of economic policy during this period, in which successive governments pursued labour market policies within a largely public service delivery framework[7].

2.1.3.1. Working Nation

In 1992 and 1993 during the recession, the unemployment rate averaged over 10 per cent and the average duration of unemployment was over 12 months[8]. In 1994, the Keating Government responded by introducing a workforce scheme known as "Working Nation" which had a strong emphasis on active measures to get the long term unemployed into work and introduced extensive reforms to labour market assistance arrangements[9]. The key element of Working Nation was the Job Compact, which provided a job offer to all people over 18 years who had been receiving Job Search/Newstart allowance for more than eighteen months. One of the overarching policy objectives was to entrench the notion that the receipt of welfare was conditional upon genuine job-search activity, as well as the acceptance of a job. When a reasonable job offer was refused under the programme, the clients had

---

[3] Australia Bureau of Statistics Characteristics of Employment Australia 2014 accessed at http://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0

[4] *The 1945 White Paper on Full Employment (1945)*. Available at: http://www.billmitchell.org/White_Paper_1945/index.html

[5] *The evolution of employment and Unemployment in Australia, December 1992 Economic Research Department Reserve Bank of Australia*

[6] Australian Bureau of Statistics, (2011) *50 years of Labour Force Statistics – Now and Then*. Available at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features30Dec+2011

[7] John Quiggin, Senior Fellow, Centre for Economic Policy Research, Australian National University, (1995) *Employment and unemployment in Australia - A long-term perspective - A Submission to the House of Representatives standing committee on long-term strategies*. Available at: http://www.uq.edu.au/economics/johnquiggin/Submissions/Employment.html

[8] *Journal of Social and Economic Policy*, (2005) Working Nation: Context and Consequences. Available at: http://epubs.scu.edu.au/cgi/viewcontent.cgi?article=1067&context=jesp

[9] Committee on Employment Opportunities (CEO), (1993) *The precursor to the government's response 'Working Nation' was the policy discussion paper or Green Paper, Restoring Full Employment.*

their welfare payment cut off for a period of time. Incentives, such as wage subsidies and bonuses, were provided to the private sector to provide jobs under the programme[10].

2.1.4. Purchaser-provider model

2.1.4.1. The Job Network

In the 1996-97 Budget, the Commonwealth Government announced major changes to the arrangements for active labour market assistance in Australia. The changes involved the most significant re-organisation of labour market assistance arrangements provided by the Commonwealth Government since the establishment of the CES in 1946. On 1 May 1998, the CES, and its related agencies, was replaced by $1.7 billion of funding for private and community-based organisations under a purchaser-provider contract determined by the then Department of Employment and Workplace Relations. The main aim of the privatisation was to bring flexibility, choice and competition to the provision of employment services to improve the standard of service provided to job seekers, leading to better and more sustainable employment outcomes for job seekers and enhanced value for money for tax payers[11].

2.1.4.2. Evolution of the purchaser-provider model – labour placement and hire companies

The first 2 rounds of Job Network paid providers for a placement in a job with extra payments made according to the difficulties in placing the client. Job Network round 3 (JN3) implemented an Active Participation Model of employment placement and jobsearch. The intention behind JN3 was to bring in labour placement and hire agencies into the Job Network (under license) and have them add their vacancies to the national vacancy database (called Australian JobSearch)[12]. This opened up job placement services to an additional 375 private recruitment organisations. The Australian National Audit Office (ANAO) found that the introduction of Job Placement Services involved an influx of a large number of commercial organisations that had not previously been contracted to provide government-funded services.[13] In the 2006 Job Placement Survey, 49 per cent of job seekers reported that they had not used a private employment agency or labour hire company when looking for work. The top three reasons cited (excluding 'other') were: Lack of knowledge about private recruitment agencies, lack of availability in the local area; and no knowledge of the service[14]. In 2005, private recruitment companies' market share had declined significantly, with direct internet advertising being a popular choice for employers and strong results for the utilisation of the Job Network.

2.1.4.3. Job Services Australia

In May 2008, the then Minister for Employment Participation released a Discussion Paper titled 'The Future of Employment Services in Australia', which was based on the premise that the Job Network was no longer suited to a labour market characterised by lower unemployment, widespread skill shortages and a growing proportion of job seekers who are highly disadvantaged and long-term unemployed. The new purchaser-provider model introduced under the Rudd Government in 2009, Job Services Australia, had an increased focus on skills development and training including through improved connections with vocational education and training, including Australian Apprenticeships and sought to simplify and reduce the number of job programmes for job seekers.

2.1.4.4. jobactive

jobactive replaced Job Services Australia on 1 July 2015. A key feature of jobactive is the tailored services being delivered by the employment services market and includes funding of $1.2 billion in a

---

[10] *Working Nation, A Progress Report, Current Issues Brief, Parliamentary research service (1994/5)*. Available at: http://www.aph.gov.au/binaries/library/pubs/cib/1994-95/95cib32.pdf

[11] Tony Eardley, Senior Research Fellow Social Policy Research Centre, University of New South Wales, (2003) *Outsourcing Employment Services: What Have We Learned From The Job Network,* Paper presented to the Centre for Applied Economic Research Conference on the Economic and Social Impacts of Outsourcing, 4-5 December 2003, University of New South Wales

[12] Steve O'Neill, Analysis and Policy, Economics, Commerce and Industrial Relations Group Job Network*, (2003) The 3rd Contract, E-Brief: Online Only* issued 11 August 2003; updated 26 September 2003

[13] Australian National Audit Office, (2006) *Job Placement and Matching Services, ANAO, Audit Report No.49 2005–06 Performance Audit*

[14] Evaluation and Program Performance Branch Research and Evaluation Group, Department of Employment and Workplace Relations, (2007) *Active Participation Model Evaluation, July 2003 – June 2006*

wage subsidy pool which provides financial assistance to employers of between $6,500 and $10,000 when they take on an eligible job seeker[15]. Additional features of the jobactive programme[16] include:

- new payment and performance frameworks to ensure jobactive organisations are focused on better meeting the needs of job seekers and employers.

- new outcome payments at 4, 12 and 26 weeks to ensure jobactive organisations help job seekers to take up all available work opportunities including short term and seasonal work.

- a streamlined Employment Fund for work-related items, professional services, support and targeted training that will help job seekers obtain and stay in work.

- modern online and self-help facilities for job seekers and employers.

- the establishment of new Work for the Dole Coordinators to work with not for profit organisations and government agencies to identify suitable Work for the Dole activities.

- new indigenous outcome targets to ensure jobactive organisations are helping indigenous job seekers into work at the same rate as other job seekers in their region.

- the new employment services contract is for five years instead of three years, as was offered in the past.

- greater emphasis on service quality including compulsory certification under the Quality Assurance Framework for jobactive organisations.

## 2.2. The macroeconomic environment of the recruitment industry within Australia

The fundamental role of the Australian recruitment industry is to increase productivity by efficiently matching job seekers with job opportunities. The performance of the industry relates to a range of macroeconomic, sectoral and demographic factors that drive supply and demand conditions in the labour market. This chapter explores the role of a range of economic drivers on the performance of the Australian recruitment industry. For the purposes of this section, the Australian recruitment industry encompasses the entire recruitment services industry, which includes commercial recruitment agencies, Executive job search, public employment service providers and online recruitment services.

Firstly, it is important to consider available performance measures for the Australian recruitment industry. Figure 1 presents the annual growth in revenue, value added (the industry's contribution to national GDP) and employment levels for the Australian recruitment industry since 2007-08. The fact that the industry is highly labour intensive is reflected by the close relationship between growth in value added and growth in the wage bill.

---

[15] Senator the Hon Eric Abetz, Minister for Employment and The Hon Luke Hartsuyker MP Assistant Minister for Employment, (*jobactive open for business across Australia, Media Release,* Wednesday 1 July 2015

[16] Department of Employment Budget Statements 2015-16

Figure 1: Measures of annual growth for the Australian recruitment industry
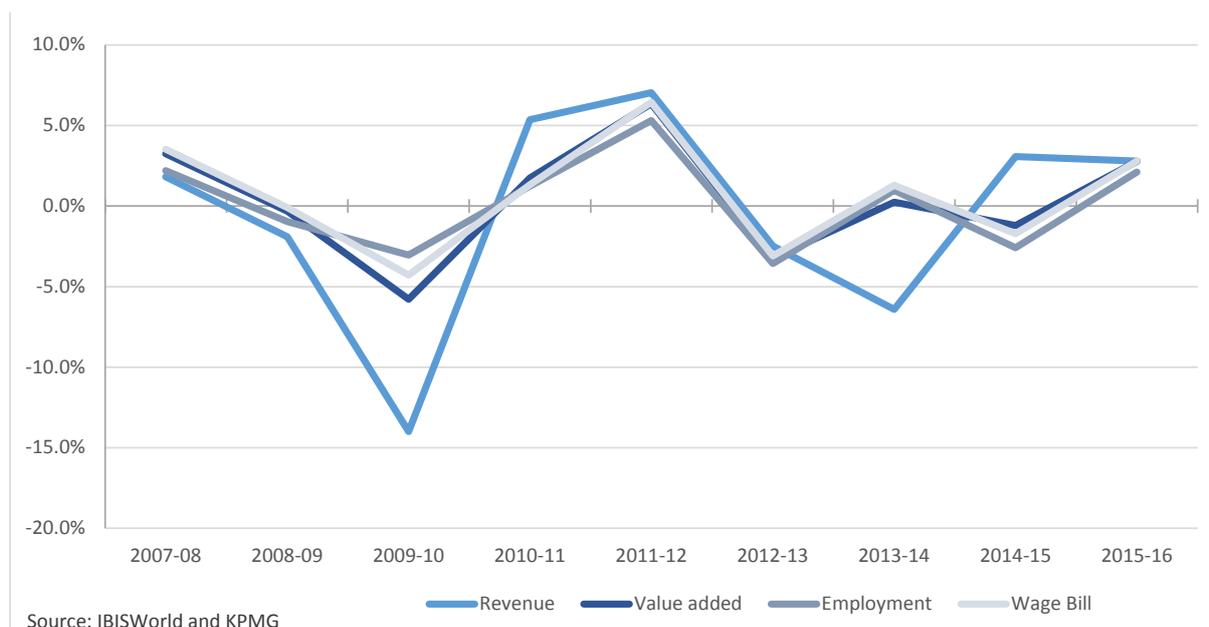
Chart data 1 for Figure 1: Measures of annual growth for the Australian recruitment industry

Year	Revenue	Value added	Employment	Wage Bill
2007-08	1.8%	3.2%	2.2%	3.5%
2008-09	-1.9%	-0.3%	-1.0%	-0.1%
2009-10	-14.0%	-5.8%	-3.0%	-4.3%
2010-11	5.4%	1.7%	1.2%	1.3%
2011-12	7.0%	6.4%	5.3%	6.4%
2012-13	-2.5%	-3.2%	-3.6%	-3.1%
2013-14	-6.4%	0.2%	1.0%	1.3%
2014-15	3.1%	-1.2%	-2.6%	-1.7%
2015-16	2.8%	2.8%	2.1%	2.8%

In the nine years since 2007-08, the Australian recruitment industry has experienced a modest growth period.

- Revenue   -0.73%
- Value Added   0.36%
- Employment   0.15%
- Wage Bill   0.64%

As can be seen, revenue is significantly more volatile than value added. This implies that profits have absorbed a large portion of the revenue volatility. A crude measure of profits is the difference between value added and the wage bill. Compound annual growth in this measure of profits for the Australian recruitment industry has been -1.43% since 2007-08.

The relationship between the Australian recruitment industry and the broader economy is complex. Over the period since 2007-08, the economy has experienced significant macro and structural disturbances. The global financial crisis that began in the second half of 2007 had a significant negative impact on economic growth and in consumer and business confidence for several years. On the other hand, the economy was supported by an unprecedented escalation in the terms of trade, from around 2003 to late 2011 and the associated investment boom in the resources sector that took off around 2005 and peaked in late 2012. While the negative impact of the financial crisis on the economy was broad-based, the positive impacts of the growth in the terms of trade growth and of the

investment boom were more narrowly focused on the resources sector of the economy, leading to the so-called two-speed economy. Since the peak in the resources investment boom the Australian economy has performed modestly. The terms of trade have fallen back sharply, although they remain at historically high levels, and business investment is down almost 25 per cent from its peak, driven largely by the collapse in investment by the mining sector. Despite the large fall in business investment, the construction sector has managed to grow modestly over this period supported mainly by residential dwelling investment.

This backdrop is important for understanding the relationship of the Australian recruitment industry with the broader economy.

2.2.1. National economic growth

Figure 2 shows that the Australian recruitment industry's value added (a measure of output) has significantly under-performed the broader economy, as measured by GDP. With a reasonable assumption about GDP growth in the June quarter of 2016 it is estimated that compound annual growth in (real) GDP from 2007-08 to 2015-16 to be 2.65 per cent. Over the same period, annual growth in real value added by the Australian recruitment industry was 0.36 per cent. The correlation between growth in the Australian recruitment industry's value added and growth in GDP[17] is close to 0.8 per cent. Figure 2 indicates that the Australian recruitment industry's output is significantly more volatile than the economy as a whole. There is some evidence that growth in the Australian recruitment industry is heavily leveraged to the GDP growth cycle with relatively small changes in GDP *growth* appearing to drive large changes in the industry's value added growth. As such, it can be deduced that the elasticity of the industry's value added with respect to GDP is just over four[18]. That is, if GDP growth increases by 100 basis points (say from 0 per cent to 1 per cent) the growth in Australian recruitment industry's value added increases by 400 basis points. This elasticity should be interpreted with caution, as it is estimated over a relatively short historical sample and likely to be sample specific.

Figure 2: Relationship between GDP and value added by the Australian recruitment industry

Source: IBISWorld and KPMG
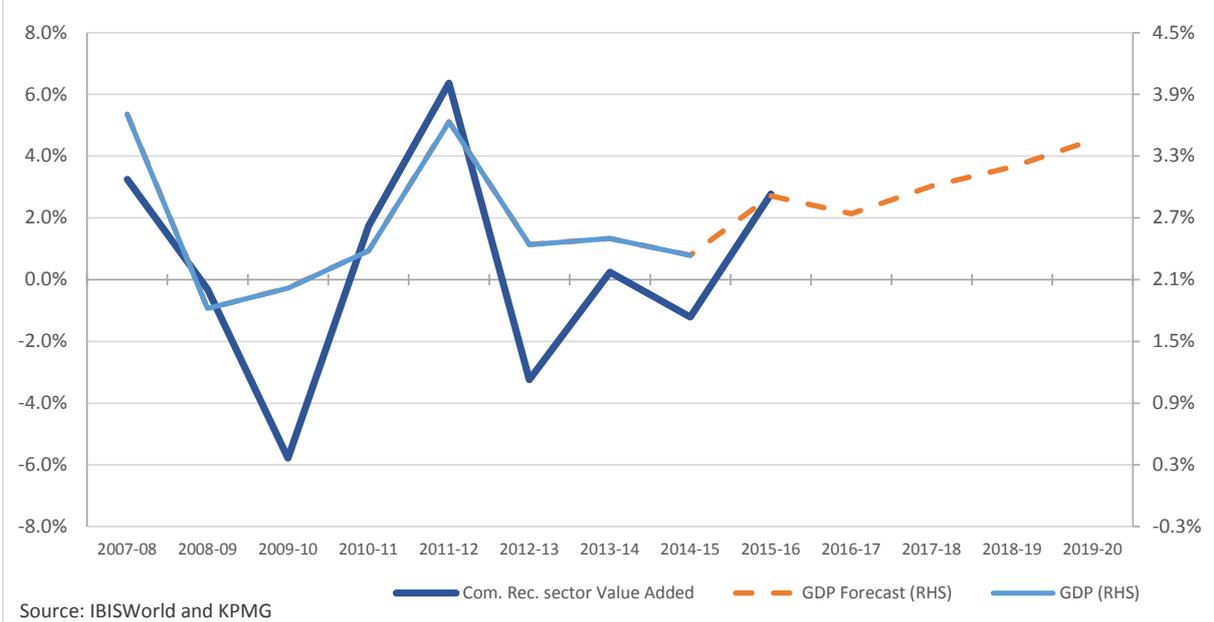
The data for Figure 2 is in the following table:

---

[17] Note that GDP close to a measure of economy-wide value added: about 93% of GDP is made up of economy-wide value added with almost all of the remainder accounted for by net indirect taxes.
[18] The elasticity can be deduced as the product of the correlation between the sector's value added growth and GDP growth and the ratio of the standard deviations of GDP growth and growth in the sector's value added.

Chart data 2: for Figure 2 Measures of annual growth for the Australian recruitment industry

-	Revenue	Value added	GDP
2007-08	1.8%	3.2%	3.7%
2008-09	-1.9%	-0.3%	1.8%
2009-10	-14.0%	-5.8%	2.0%
2010-11	5.4%	1.7%	2.4%
2011-12	7.0%	6.4%	3.6%
2012-13	-2.5%	-3.2%	2.4%
2013-14	-6.4%	0.2%	2.5%
2014-15	3.1%	-1.2%	2.3%
2015-16	2.8%	2.8%	2.9%
2016-17	-	-	2.7%
2017-18	-0.73%	0.36%	3.0%
2018-19	-	-	3.2%
2019-20	-	-	3.5%

Figure 2 implies that since 2007-08 the Australian Recruitment industry has become an increasingly smaller part of the economy. In examining what was happening to the labour market and to the composition of the economy over this period provides some insight into what may have influenced the fortunes of the industry over this period. Of particular relevance is the relationship between the value added of the Australian recruitment industry, and value added and employment at the ANZSIC Industry Division level.

The column headed (2) in Table 1 shows that the Australian recruitment industry's value added is most highly correlated with the *construction* sector's value added (0.8). Figure 3 shows the relationship between the Australian recruitment industry and the *construction* sector more clearly. The next highest correlation is with the *other services* sector (0.56, also shown in Figure 3) followed by the *retail trade*, *finance and insurance services*, *transport, postage and storage*, *accommodation and food services* and *manufacturing* sectors (recording correlations in ranging from 0.39 to 0.32). Figure 4 shows the relationship between these five sectors and the Australian recruitment industry. As suggested by the lower correlations, the relationships depicted in Figure 4 are not as strong as those shown in Figure 3. Notably, largest negative correlation in column (2) of Table 1 is associated with the *health care and social assistance* sector. One possibility is that this negative correlation reflects the counter-cyclical nature of the *health care and social assistance* sector. These correlations do not say anything about causality but they are broadly consistent with our understanding of the Australian Recruitment industry's main industry customers.

*Table 1: Correlation between the Australian recruitment industry and 19 ANZSIC Industry Divisions(a)*

ANZSIC Industry Division	Value added (2)	Revenue Value added (3)	Value added Employment (4)	Revenue Employment (5)
Agric., for. & fish	0.14	0.12	-0.12	-0.37
Mining	-0.24	-0.37	0.42	0.28
Manufacturing	0.32	0.10	0.05	0.03
Elec., gas, water & waste serv.	-0.04	0.26	0.30	0.17
Construction	0.81	0.46	0.29	0.20
Wholesale trade	0.22	0.20	-0.51	-0.28
Retail trade	0.39	0.33	0.49	0.49
Accomm., & food serv.	0.33	0.61	-0.64	-0.15
Trans., post & storage	0.36	0.28	0.06	0.19
Info., media & telco.	0.18	0.35	0.03	0.52
Fin., & insur., serv.	0.37	0.36	0.69	0.45
Rental, hire & real est. serv.	0.14	0.12	0.46	0.58
Prof., scientific & tech. serv.	-0.12	-0.22	-0.12	0.03
Admin. & support serv.	0.19	0.28	-0.14	-0.14
Pub. Admin. & safety	0.26	0.25	0.33	0.00
Education & training	-0.13	-0.33	-0.16	0.09
Health care & social assist.	-0.47	-0.60	0.15	0.16
Arts & rec. serv.	0.22	0.22	0.26	0.61
Other services	0.56	0.32	0.32	0.01
Economy-wide	**0.77**	**0.51**	**0.48**	**0.54**

Note: The Australian Recruitment industry is part of Admin. & support services (ANZSIC industry division N).

Column headed (3) of Table 1 considers the correlation between the growth in the Australian recruitment industry's revenue and value added growth for each of the 19 ANZSIC industry divisions. At the aggregate level, the correlation between growth in the Australian recruitment industry's revenue and growth in economy-wide value added is 0.51. This is less than the estimated correlation between the industry's value added and economy-wide value added. Other notable differences between the correlations in columns (2) and (3) include: (a) the lower correlation of the sector with the *construction* sector's value added when measured against revenue; (b) the higher correlation of the sector with the *accommodation and food services* sector's value added when measured against revenue; and (c) the larger negative correlation of the sector with the *health care and social assistance* sector's value added when measured against revenue.

The columns headed (4) and (5) in Table 1 report correlations between employment growth in the 19 ANZSIC industry divisions and the Australian recruitment industry's value added and revenue growth respectively. The relationship between the Australian recruitment industry and the labour market is discussed in more detail in the following sub-section. However, it is worth highlighting several results that stand out in columns (4) and (5) of Table 1. First, the correlation between the industry's value added and aggregate employment of 0.48 is less than the corresponding correlation with economy-wide value added. Second, the industry's value added and revenue correlations with employment growth in the *mining* sector are positive, in contrast to the corresponding correlations with the *mining* sector's value added. This is likely to reflect the distortions to the mining sector's value added over this period of history caused by the unprecedented investment boom. Third, the Australian recruitment industry's correlations with the *construction* sector's employment growth are lower than the corresponding correlations with growth in the construction sector's value added. Fourth, the industry's correlations with employment growth in the *financial and insurance services* and *professional, scientific and technical service*s sectors are higher than the corresponding value added correlations.

Figure 3: Annual growth in value added: Australian recruitment industry versus construction and other services sectors

Source: ABS and KPMG
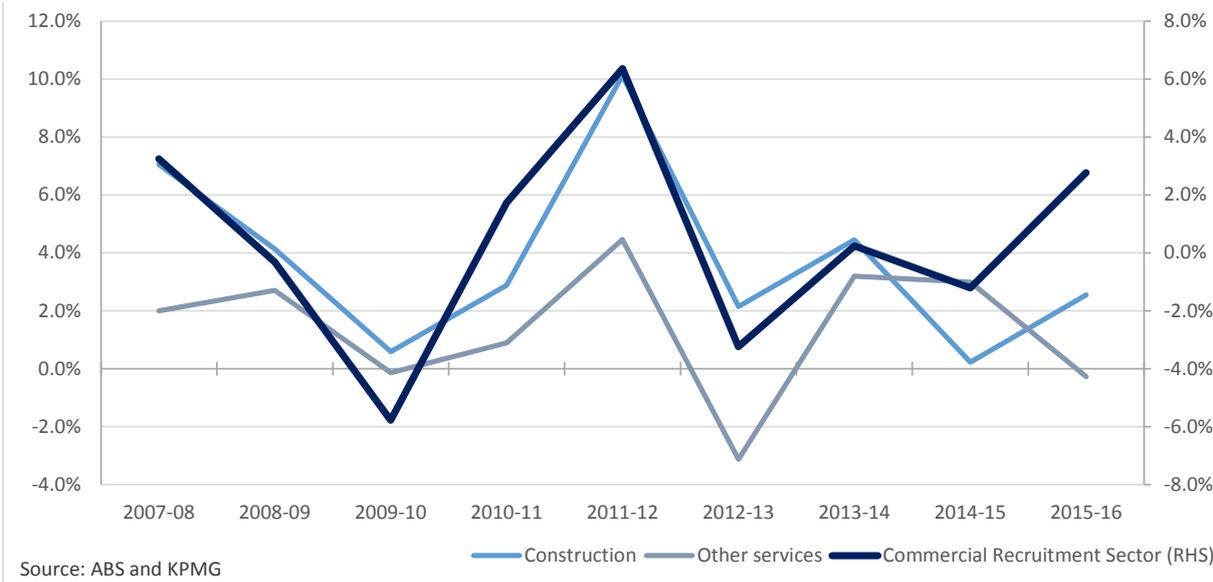
The data for Figure 3 is in the following table:

Chart data 3: for Figure 3 Annual growth in value added: Australian recruitment industry versus construction and other services sectors

-	Other services	Construction	Value added
2007-08	2.00%	7.04%	3.2%
2008-09	2.71%	4.14%	-0.3%
2009-10	-0.13%	0.59%	-5.8%
2010-11	0.90%	2.88%	1.7%
2011-12	4.46%	10.13%	6.4%
2012-13	-3.12%	2.15%	-3.2%
2013-14	3.19%	4.45%	0.2%
2014-15	2.99%	0.23%	-1.2%
2015-16	-0.27%	2.55%	2.8%

Figure 4: Annual growth in value added: Australian recruitment industry versus five sectors
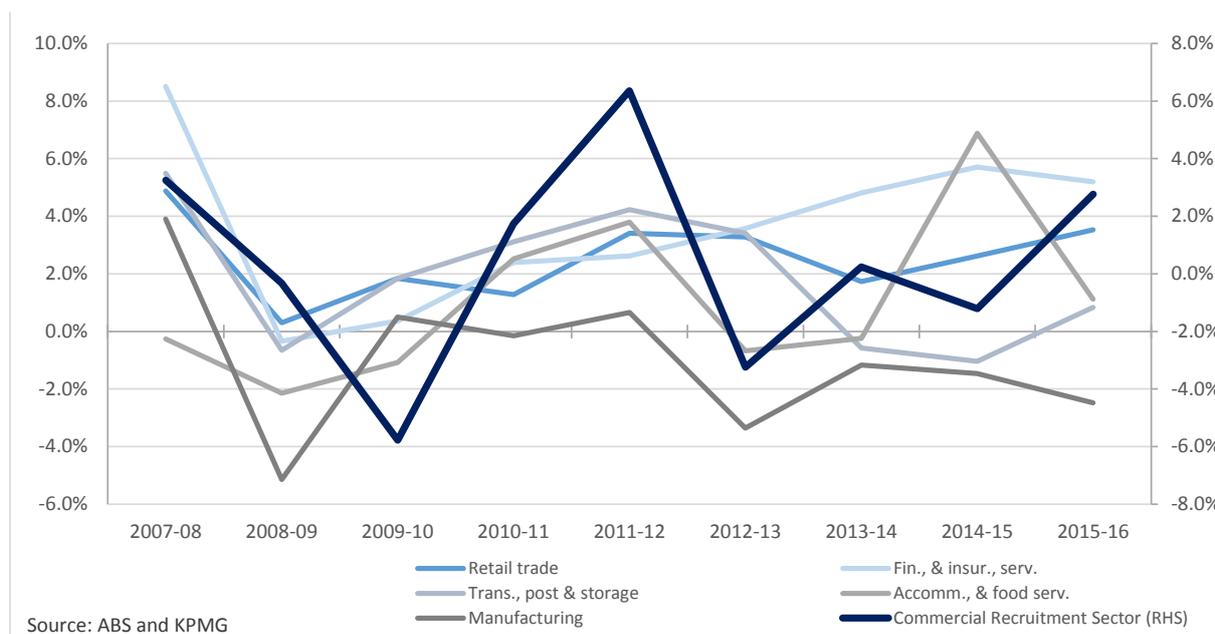

Source: ABS and KPMG

The data for Figure 4 is in the following table:

Chart data 4: for Figure 4 Annual growth in value added: Australian recruitment industry versus five sectors

-	Accomm and food services	Manufacturing	Finance and insurance services	Retail trade	Transport postal and storage	Recruitment industry
2007-08	-0.26%	3.90%	8.51%	4.88%	5.49%	3.2%
2008-09	-2.14%	-5.14%	-0.34%	0.30%	-0.65%	-0.3%
2009-10	-1.08%	0.50%	0.37%	1.84%	1.84%	-5.8%
2010-11	2.52%	-0.15%	2.39%	1.28%	3.12%	1.7%
2011-12	3.80%	0.66%	2.62%	3.41%	4.22%	6.4%
2012-13	-0.67%	-3.36%	3.58%	3.28%	3.41%	-3.2%
2013-14	-0.24%	-1.17%	4.81%	1.74%	-0.57%	0.2%
2014-15	6.88%	-1.46%	5.71%	2.63%	-1.04%	-1.2%
2015-16	1.12%	-2.48%	5.20%	3.53%	0.84%	2.8%

It is clear that the relationships between the Australian recruitment industry and other sectors in the economy are complex and may be changing over time. A significantly richer data set will be required to move beyond descriptive statistics and towards a model of the performance of the Australian recruitment industry.

2.2.2. Labour force and labour market characteristics

Other things equal, it is expected that the size of the Australian recruitment industry would be related to the size of Australia's labour force. In the longer term, the rate at which an economy grows is heavily dependent on the rate of growth in the labour force and the rate of growth in productivity. In the longer term, it is expected the Australian recruitment industry would grow in line with the economy. As discussed in the previous section, the Australian recruitment industry has not grown as fast as the broader economy since 2007-08. This may reflect cyclical factors that impact the industry and/or structural factors. The structural factors may include re-assessments of recruitment practices by business that result in permanent changes in the way that they use the (current) services of the Australian recruitment industry. If this is the case, the size of the industry must adjust to the new

circumstances before its growth rate can be realigned with that of the broader economy. There is not enough data to discern structural changes in the use of Australian recruitment industry by businesses. However, the available data can be explored to consider how cyclical factors operating through the labour market may have an impact on the sector.

Figure 5 shows that over the limited sample of five years from 2011 to 2015, the proportion of recruiting employers using private recruitment agencies or labour hire firms has fallen from just over 12 per cent at the start of this period to about eight per cent by the end. A similar trend is evident with recruiting employers using public employment services providers. The proportion of recruiting employers using either a recruitment agency *or* a public employment services provider has fallen particularly sharply from just over 20 per cent in 2011 to just under 13 per cent in 2015. Notably, most of this fall occurred between 2012 and 2013.

Figure 5: Proportion of recruiting employers that use a recruitment firm or employment provider

Source: Department of Employment, Survey of Employers' Recruitment Experiences, 2011 to 2015.
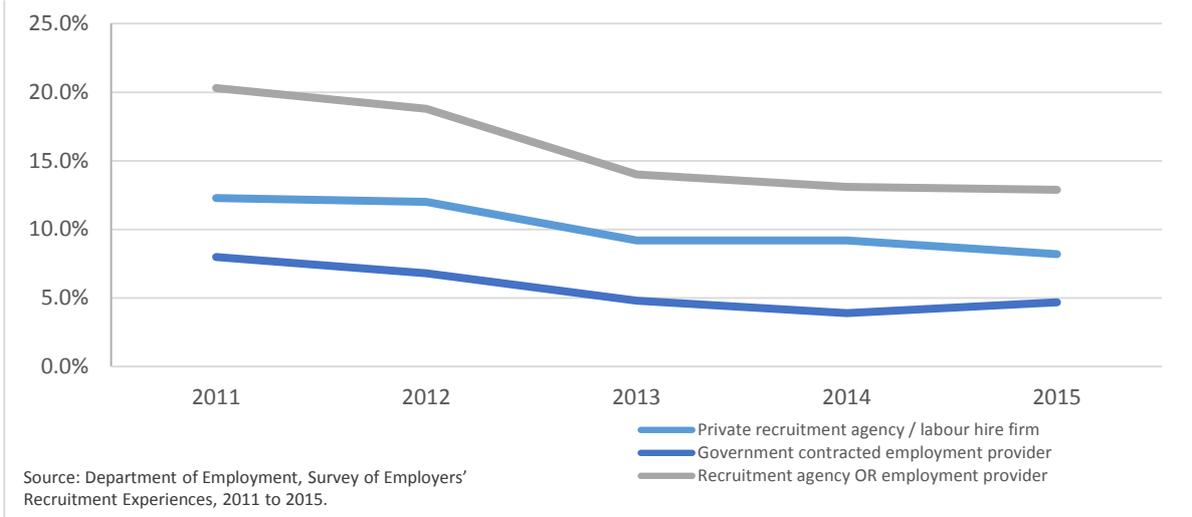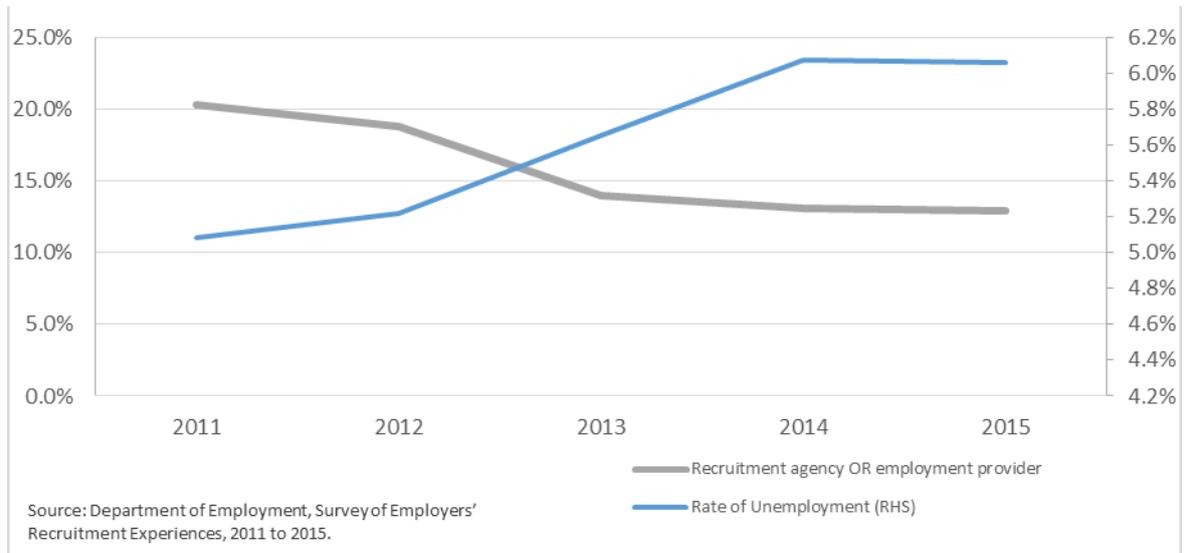
The data for Figure 5 is in the following table:

Chart data 5: for figure 5: Proportion of recruiting employers that use a recruitment firm or employment provider

Calendar year	Private recruitment agency / labour hire firm	Government contracted employment provider	Recruitment agency OR employment provider
2011	12.30%	8.00%	20.30%
2012	12.00%	6.80%	18.80%
2013	9.20%	4.80%	14.00%
2014	9.20%	3.90%	13.10%
2015	8.20%	4.70%	12.90%

Figure 6 indicates that the fall in the proportion of recruiting employers using a recruitment agency or an employment service provider may be inversely related to the rate of unemployment. The unemployment rate has increased by about 100 basis points between 2011 and 2015. The rate of labour force growth was low by historical standards over this period so the increase in the unemployment rate reflected weak employment growth. Figure 6 supports the idea that the Australian recruitment sector is challenged in periods of weak labour demand. In this environment there are fewer jobs to fill and likely to be more candidates per vacancy, without intervention from the sector, and less inclination for workers to change jobs. In addition, businesses are likely to be stressed during periods of labour market weakness and looking to cut costs and increase productivity by more fully utilising internal resources to manage their recruitment needs.

Figure 6: Proportion of recruiting employers that use a recruitment firm/employment provider versus unemployment rate

Source: Department of Employment, Survey of Employers'
Recruitment Experiences, 2011 to 2015.

The data for Figure 6 is in the following table:

Chart data 6: for Figure 6:Proportion of recruiting employers that use a recruitment firm/employment provider versus unemployment rate

Calendar year	Rate of unemployment (RHS)	Recruitment agency OR employment provider
2011	5.08%	20.30%
2012	5.22%	18.80%
2013	5.66%	14.00%
2014	6.07%	13.10%
2015	6.06%	12.90%

Figure 7 shows the relationship between the rate of unemployment and the annual growth in the Australian recruitment industry's real revenue and value added over the period 2007-08 and 2015-16. Despite the relatively short historical sample, there is evidence of an inverse relationship between the performance of the industry and the rate of unemployment.[19]

Figure 7: Relationship between the Australian recruitment industry's performance and the labour force

Source: IBISWorld and KPMG

The data for Figure 7 is in the following table:

Chart data 7: for Figure 7: Relationship between the Australian recruitment industry's performance and the labour force
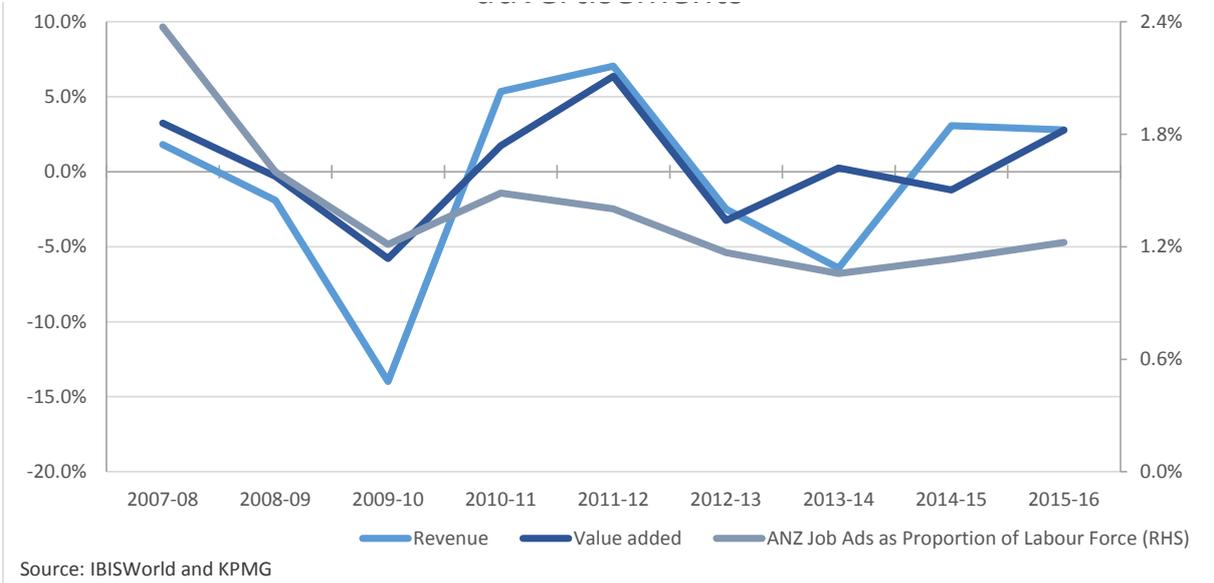
-	Revenue	Value added	Labour force
2007-08	1.8%	3.2%	2.8%
2008-09	-1.9%	-0.3%	2.5%
2009-10	-14.0%	-5.8%	1.5%
2010-11	5.4%	1.7%	2.0%
2011-12	7.0%	6.4%	1.3%
2012-13	-2.5%	-3.2%	1.5%
2013-14	-6.4%	0.2%	1.0%
2014-15	3.1%	-1.2%	1.6%
2015-16	2.8%	2.8%	1.8%

Perhaps a more direct indicator of the demand for the services of the Australian recruitment industry is the rate of job vacancies. Other things equal, it is expected that Australian recruitment industry would perform best when the number of job vacancies per available worker is high. Figure 8 shows the relationship between the number of ANZ job advertisements as a proportion of the labour force and the annual growth in the Australian recruitment industry's revenue and value added. Figure 8 indicates that the industry's revenue is leveraged to the measure of the vacancy rate. With a longer historical

---

[19] Over a longer sample it may have been worth examining the relationship between the performance of the commercial recruitment sector and the deviation of the unemployment rate from some measure of the "natural" rate of unemployment. Other things equal, we would expect that the performance of the commercial recruitment sector would be "normal" (e.g., growing in line with the broader economy) when the unemployment rate was in close proximity to the "natural" rate. When the unemployment rates pushes below the "natural' rate, indicating labour market tightness, we would expect the sector to perform well. Conversely, when the unemployment rate rises above the "natural" rate, indicating slackness in the labour market, we would expect the commercial recruitment sector to perform below par.

sample it may be possible to explore this relationship further by estimating a "normal" vacancy rate and then examining how the industry's performance reacts as the vacancy rates deviates from this normal rate (both from above and below).

Figure 8: Relationship between the Australian recruitment industry's performance and ANZ job advertisements

Source: IBISWorld and KPMG

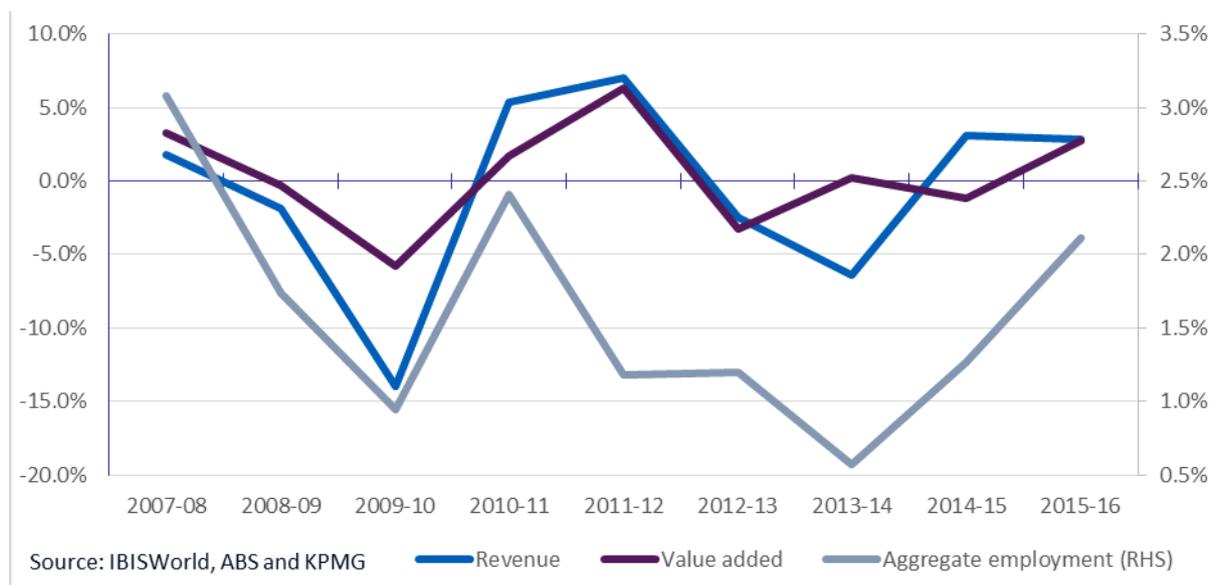The data for Figure 8 is in the following table:

Chart data 8: for Figure 8: Relationship between the Australian recruitment industry's performance and ANZ job advertisements

-	ANZ Job Ads	Revenue	Value added
2007-08	0.024	1.8%	3.2%
2008-09	0.016	-1.9%	-0.3%
2009-10	0.012	-14.0%	-5.8%
2010-11	0.015	5.4%	1.7%
2011-12	0.014	7.0%	6.4%
2012-13	0.012	-2.5%	-3.2%
2013-14	0.011	-6.4%	0.2%
2014-15	0.011	3.1%	-1.2%
2015-16	0.012	2.8%	2.8%

The Australian recruitment industry is likely to be impacted by compositional changes in the labour market as well as the performance of the labour market at the aggregate level. One dimension of labour market composition is the mix of part-time and full-time employment. Other things equal, an increase in the number of part-time jobs may be less beneficial to the recruitment industry than an equivalent increase in the number of full-time jobs. Remuneration for the successful placement of a typical part-time worker is likely to be less than for the placement a typical full-time worker. The reduction in overheads required to make a part-time placement relative to a full-time placement may not be commensurate with the lower remuneration. Thus, recruitment businesses may underperform in environments where there is a compositional shift towards part-time employment. Moreover, in periods of relatively low job-vacancy rates it may be that businesses seeking part-time employees are more inclined to manage recruitment internally. In such circumstances, there is a relative abundance of job seekers and the consequences of sub-optimal recruitment decisions may be relatively low.

Figure 9 shows a positive relationship between the Australian recruitment industry's revenue growth and the growth in aggregate employment. Figure 10 indicates that the relationship observed in Figure 9 is largely driven by growth in full-time employment.

Figure 9: Relationship between the Australian recruitment industry's performance and growth in aggregate employment
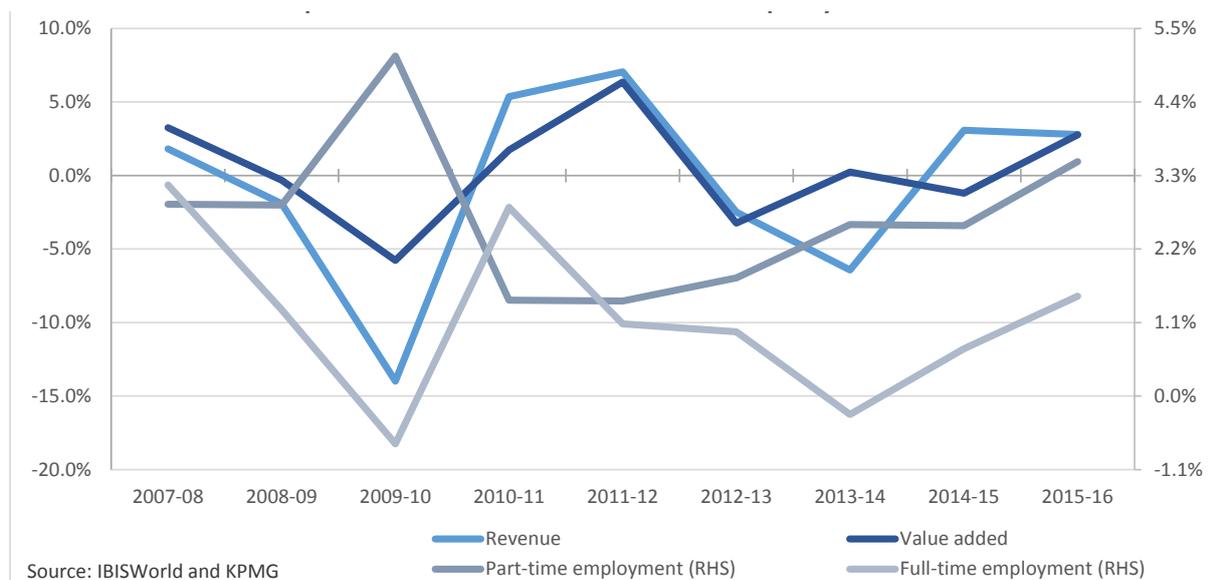

The data for Figure 9 is in the following table:

Chart data 9: for Figure 9: Relationship between the Australian recruitment industry's performance and growth in aggregate employment

-	Employment	Revenue	Value added
2007-08	3.1%	1.8%	3.2%
2008-09	1.7%	-1.9%	-0.3%
2009-10	0.9%	-14.0%	-5.8%
2010-11	2.4%	5.4%	1.7%
2011-12	1.2%	7.0%	6.4%
2012-13	1.2%	-2.5%	-3.2%
2013-14	0.6%	-6.4%	0.2%
2014-15	1.3%	3.1%	-1.2%
2015-16	2.1%	2.8%	2.8%

Figure 10: Relationship between the Australian recruitment industry's performance and growth in part-time and full-time employment

Source: IBISWorld and KPMG

The data for Figure 10 is in the following table:

Chart data 10: for Figure 10: Relationship between the Australian recruitment industry's performance and growth in part-time and full-time employment

| -	Full-time Employment	Part-time Employment	Revenue	Value added
2007-08	3.2%	2.9%	1.8%	3.2%
2008-09	1.3%	2.9%	-1.9%	-0.3%
2009-10	-0.7%	5.1%	-14.0%	-5.8%
2010-11	2.8%	1.4%	5.4%	1.7%
2011-12	1.1%	1.4%	7.0%	6.4%
2012-13	1.0%	1.8%	-2.5%	-3.2%
2013-14	-0.3%	2.6%	-6.4%	0.2%
2014-15	0.7%	2.5%	3.1%	-1.2%
2015-16	1.5%	3.5%	2.8%	2.8%

2.2.3. Business Confidence Index

The NAB Business Confidence Index (BCI) is a measure of business confidence published by the National Australia Bank[20]. The index reports the net balance of responses by non-farm businesses to a survey about current and expected financial and economic conditions. Positive index values indicate the excess of businesses recording an optimistic response and negative values indicate the excess of businesses recording a pessimistic response. Index values of zero indicate that the number of businesses providing an optimistic response is balanced by the number of businesses providing a pessimistic response. Insofar as the BCI captures conditions that impact recruitment decisions it may be useful in gauging the prospects of the Australian recruitment industry, particularly if the index provides a lead. Put crudely, if the BCI is in positive territory businesses are expressing a degree of confidence in their prospects and, other things equal, this is a positive for the labour market and the Australian recruitment industry.

Figure 11 suggest that the headline NAB BCI is a reasonable leading indicator of revenue growth in the Australian recruitment industry. It is difficult to comment on the strength of this relationship due to

---

[20] See for example, National Australia Bank, (2016) *NAB Monthly Business Survey – April 2016 - Business Research and Insights*. Available at: http://business.nab.com.au/nab-monthly-business-survey-april-2016-16549/

the short period of data. The NAB BCI averaged three for 2015-16, suggesting a modest near term outlook for the revenue growth in the Australian recruitment sector. Forecasts of the NAB BCI published by IBISWorld (shown as the dashed line in Figure 11) suggest that the Australian recruitment industry's prospects over the next few years are not bullish. Of course, this depends on the robustness of IBISWorld's forecast of the NAB BCI and on continuation of the relationship between the NAB BCI and growth in the Australian recruitment industry' revenues.

Figure 11: Relationship between the Australian recruitment industry's performance and the NAB BCI

Source: IBISWorld, NAB and KPMG
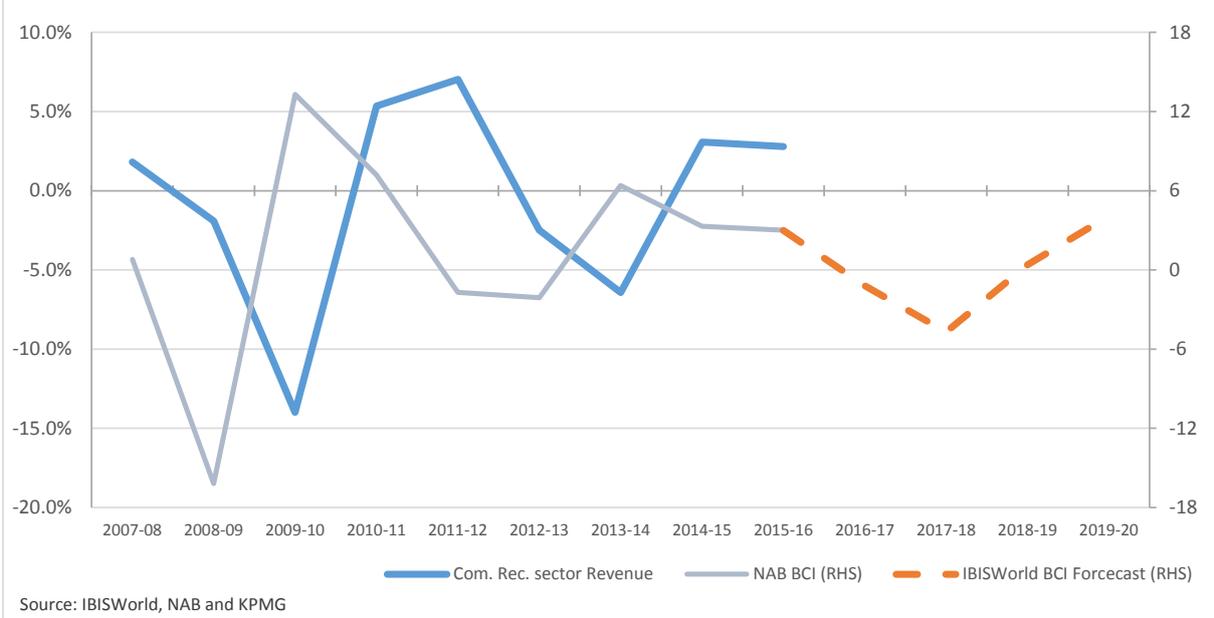
The data for Figure 11 is in the following table:

Chart data 11: for Figure 11: Relationship between the Australian recruitment industry's performance and the NAB BCI

-	Revenue	NAB BCI	IBIS World BCI forecast
2007-08	1.8%	0.8	-
2008-09	-1.9%	-16.2	-
2009-10	-14.0%	13.3	-
2010-11	5.4%	7.2	-
2011-12	7.0%	-1.7	-
2012-13	-2.5%	-2.1	-
2013-14	-6.4%	6.4	-
2014-15	3.1%	3.3	-
2015-16	2.8%	3	3
2016-17	-	-	-1.2
2017-18	-	-	-4.7
2018-19	-	-	0.4
2019-20	**-**	**-**	4.1

2.3. Key Observations

The commercial recruitment sector and public employment services have operated in Australia for over 60 years. The information outlined above shows the impact of the Australian economy on both sectors, particularly in relation to unemployment and business confidence. Since 2007-08, the recruitment industry has become an increasingly smaller part of the Australian economy. This is

primarily a result of cyclical factors, including changes in the speed of the economy such as when the mining boom eased.

Over the period 2011 to 2015, the proportion of recruiting employers using private recruitment companies, labour hire firms or public employment services has fallen. The analysis shows that as unemployment increases and there is a larger supply of candidates in the market, the proportion of employers using recruitment services falls. Additionally, in times of higher unemployment it is expected that the number of participants in public employment services will also increase; however, this does not equate to an increase in sector income due to the weighting of outcome payments (which depend on moving job seekers into sustainable employment).

The NAB Business Confidence Index appears to be a reasonable leading indicator of revenue growth in the Australian recruitment industry. Forecasts of the NAB BCI published by IBISWorld suggest that the prospects of the Australian recruitment industry over the next few years are not bullish.

3. The Australian recruitment industry

The Australian recruitment industry is large and diverse, consisting of a mix (of private and not for profit) organisations, delivering services within Australia and globally. This chapter outlines the profile of the Australian recruitment industry, focussed on both commercial recruitment agencies and the public employment services, and considers the scale, size and type, geographical and industry segmentation, clients and candidates or job seekers.

3.1. Profile of the Australian Recruitment industry

The following table provides a summary of the key characteristics of the profile of the Australian recruitment industry. These characteristics are further explored throughout the chapter.

Characteristic: Scale of the Australian recruitment industry

Commercial

- Over 6,900 recruitment agencies[21].

- Estimated $11.0 billion in revenue in 2015-16[22].

jobactive

- 44 jobactive providers[23].

- Estimated $1.5 billion in revenue in 2015-16[24].

- At any point in time, services approximately 775,000 job seekers[25].

- Made 335,000 job placements in 2015-16[26].

Characteristic: Type and size of recruitment agencies

Commercial

- Privately held enterprises and six ASX listed organisations.

- Significant proportion of small and medium sized organisations.

- No dominant recruitment agencies.

- Many medium and large sized recruitment agencies are growing using acquisition strategies.

jobactive

---

[21] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: <http://www.ibisworld.com.au/industry/default.aspex?indid=569>

[22] Ibid

[23] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project

[24] Commonwealth of Australia, (2015) *Portfolio Budget Statements 2015-16, Budget Related Paper No. 1.6 Employment Portfolio*. Available at: https://docs.employment.gov.au/system/files/doc/other/2015-16_employment_pbs_final.pdf

[25] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project

[26] Ibid

- Mix of privately held enterprises and not-for-profit organisations.

- Significant proportion of small and medium sized organisations.

- A low number of dominant providers.

- Size determined through a competitive procurement process and is largely fixed for the duration of the Deed (2015-2020).

Characteristic: Geographical presence of recruitment agencies

Commercial

- Operate in any location they choose – driven by demand and opportunity.

- There are no barriers or conditions of entry.

- Focus on geographies experiencing economic growth.

- Do not play a large role in facilitating candidate mobility.

jobactive

- Location determined through a competitive procurement process and is largely fixed for the duration of the Deed (2015-2020).

- Greater demand for services in geographies experiencing economic downturn and low demand.

- Do not play a large role in facilitating job seeker mobility.

Characteristic: Employers and clients of the recruitment industry

Commercial

- Focus on small and medium sized employers.

- Shift to internal recruitment teams is driving the need for specialisation.

- Target medium to long term and permanent positions.

- Different models for servicing permanent and temporary/contract positions.

- Strong focus on relationships with employers.

jobactive

- Focus on small and medium sized employers.

- Shift to internal recruitment teams has had minimal impact.

- Target short, medium and long term positions.

- No differentiation in models for servicing permanent and temporary positions.

- Increasing focus on relationships with employers.

Characteristic: Candidates and job seekers of the recruitment industry

Commercial

- Focus on passive candidates.

- Generally highly motivated candidates.

- Discretion over which candidates they will represent.

- Candidates generally fit a 'profile' as defined by the recruitment agency.

- Candidates voluntarily request representation by a recruitment agency.

jobactive

- Only service active candidates.

- Varying levels of job seeker motivation.

- No discretion over which job seekers they represent.

- Job seekers have a vast range of qualifications, experience and barriers to employment.

- Job seeker participation in jobactive is generally compulsory and mutual obligation requirements apply.

Characteristic: Peak bodies representing the Australian recruitment industry

Commercial

- The key peak bodies are Recruitment and Consulting Services Association and the Australian Human Resources Institute.

- Current focus on increasing the credibility of the sector through accreditation and quality charters.

jobactive

- The key peak bodies are Jobs Australia and the National Employment Services Association

- Place a key role in advocating for the sector.

Characteristic: Fee structure within the Australian recruitment industry

Commercial

- Fee structure is set by the recruitment agency, and is generally a mark-up of the candidate's salary.

- Different fee models for permanent and temporary positions.

jobactive

- No differentiation in fee models for permanent and temporary positions.

3.2. Scale of the Australian recruitment industry

It is estimated that employment agencies (including private agencies, labour hire firms and Australian public employment services providers) fill approximately 15 per cent of job vacancies in Australia[27]. The remaining job vacancies are advertised directly by the employer on the internet, newspaper or social media (more than half) or through informal methods such as word of mouth (approximately one third).

## In 2015-16, the recruitment services industry[28]:

- was made up of 8,429 establishments

- consisted of 6,997 enterprises

- generated $11.2 billion in revenue

- employed 92,100 people.

---

[27] Department of Employment, (2016) *Recruitment methods used by employers,* Department of Employment – Document library, Australian Government. Available at: http://docs.employment.gov.au/node/35486

[28] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research.* Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569

As shown in Figure 12, since the GFC the number of recruitment enterprises operating in Australia has remained steady at between 6,900 and 7,000, with the exception of a peak in 2011-12. Despite this relative stability, stakeholders interviewed as part of this project indicated that the recruitment industry is becoming increasingly competitive which is driving down fees across the industry.

Figure 12: Number of recruitment enterprises in Australia 2015-16
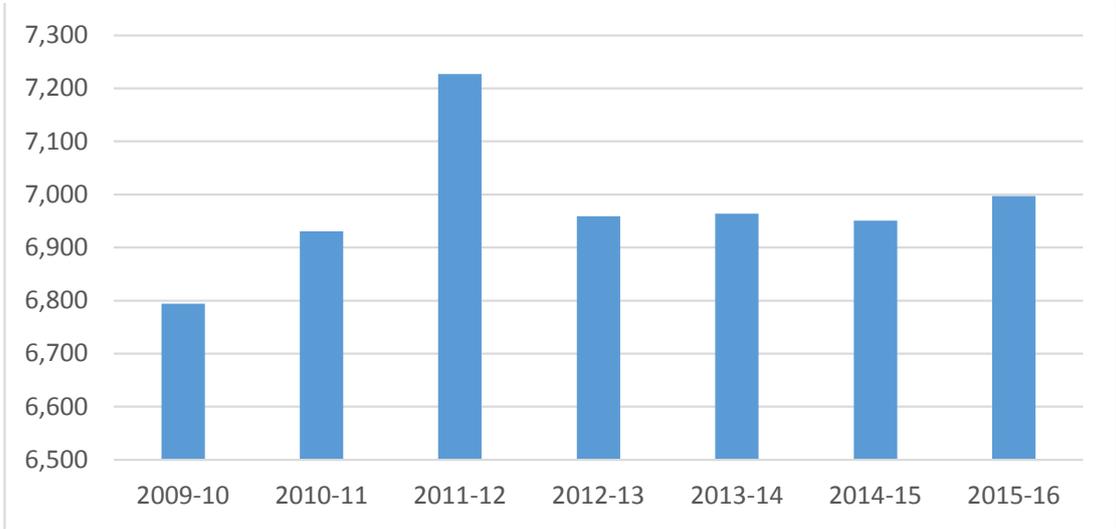
Source (of graph): IBIS world, Employment Placement and Recruitment Services in Australia Market Research[29]

The data for Figure 12 is in the following table:

Chart data 12: for Figure 12: Number of recruitment enterprises in Australia 2015-16

-	Enterprises
2009-10	6,794
2010-11	6,931
2011-12	7,227
2012-13	6,959
2013-14	6,964
2014-15	6,951
2015-16	6,997

The IBIS World industry research referenced above collates data for the entire recruitment services industry, which includes commercial recruitment agencies, Executive job search, public employment services providers and online recruitment services. There is no equivalent data set for 'commercial recruitment agencies' only. Stakeholders participating in this project suggested that in the absence of more granular data, the figures reported by IBIS World provide a good indication of the scale of the commercial recruitment sector. For this reason, the figures reported by IBIS World have been used as the baseline for analysis of the commercial recruitment sector throughout this report.

Similarly, data on the number of candidates serviced and placed by commercial recruitment agencies does not exist. Recruitment agencies often maintain candidate databases, and although these may contain hundreds of thousands of candidates, they contain records of all applications received and therefore are not an indicator of the number of candidates currently being serviced by the agency.

In 2015-16, the jobactive employment services contract[30]:

- ## was delivered by 44 providers

---

[29]IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569

[30] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project

- serviced approx. 775,000 job seekers at any one time

- achieved approximately 335,000 job placements

- generated $1.5 billion[31] in revenue for providers.

At the time of this report, the jobactive employment services contract had been in effect for only 12 months, therefore an analysis of how the scale of the sector has changed over time is not yet possible.

Key observations

Despite there being limited comparable data between the commercial recruitment sector and the jobactive market, two key observations have been made in respect of their scale:

- There are significantly more organisations operating as commercial recruitment agencies (almost 7,000) than there are delivering jobactive services (44).

- Revenue generated by jobactive providers ($1.5 billion) constitutes approximately 13 per cent of total revenue attributable to the recruitment services industry ($11.2 billion).

3.3. The type and size of recruitment agencies

3.3.1. The commercial recruitment sector

A key theme identified during stakeholder consultation is that the profile of organisations in the Australian recruitment industry is changing and becoming more nuanced. Trends consistent with this include the globalisation of Australian recruitment agencies, a reduction in the number of ASX listed recruitment agencies, local acquisition growth strategies and increasing specialisation within recruitment agencies. Each of these trends is considered further below.

A number of the large recruitment agencies had recently been purchased by an international organisation or had expanded overseas on the strength of their brand in Australia. These organisations reported the following drivers and benefits of globalisation:

- Australian employers are increasingly expanding into international markets, and are seeking a single recruitment agency to meet all their external recruitment needs.

- The mobility of employers, and the fact that certain jobs can be performed anywhere (i.e. there is no need for a staff member to necessarily be located in the same country as their employer).

- Economies of scale that can be achieved through large international businesses.

Recent examples of global acquisitions include the acquisition of Peoplebank and Chandler Macleod Group by Recruit Holdings (Japan's largest staffing organisation)[32,33] and Outsourcing Inc. (a Japanese listed recruitment organisation) acquiring a majority stake in the Beddison Group[34].

The Australian commercial recruitment sector consists of privately held commercial entities and a small number (six) of ASX listed recruitment organisations[35]

---

[31] Commonwealth of Australia, (2015) *Portfolio Budget Statements 2015-16, Budget Related Paper No. 1.6 Employment Portfolio*. Available at: https://docs.employment.gov.au/system/files/doc/other/2015-16_employment_pbs_final.pdf

[32] *Peoplebank announces acquisition by Recruit Holdings*. Available at: https://www.peoplebank.com.au/blog/peoplebank-announces-acquisition-recruit-holdings/

[33] *Chandler Macleod Group Limited enters into scheme implementation deed with Recruit Holdings Co.*, Ltd. Available at: https://www.chandlermacleod.com/page/other-pages/chandler-macleod-group-limited-enters-into-scheme-implementation-deed-with-recruit-holdings/

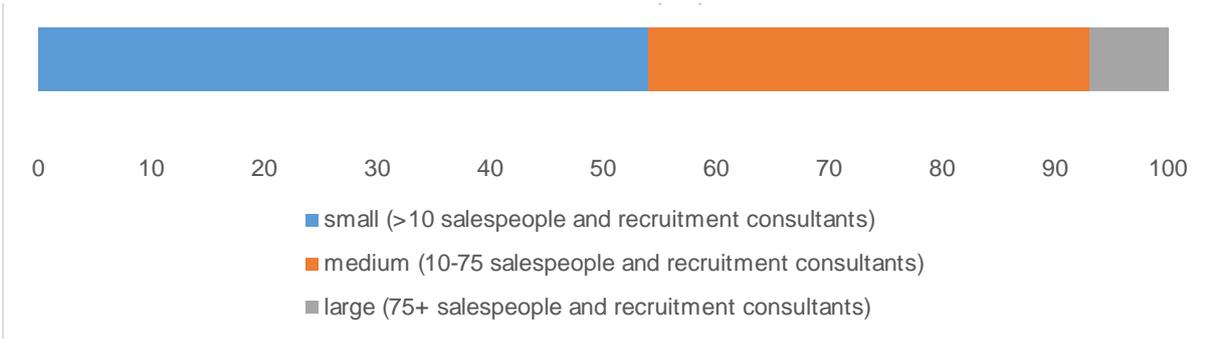[34] *About the Beddison Group*. Available at: http://beddison.com.au/about/

[35] Programmed Maintenance Services (Integrated is the recruitment arm of PMS), Clarius Group, Ambition Group, Rubicon Group, HiTech Group Australia, and SMS Management and Technology (M&T Resources is the recruitment arm of SMS). Available at: http://www.asx.com.au/asx/research/listedCompanies.do

The general feeling amongst commercial recruitment agencies is that the GFC was particularly challenging for listed recruitment companies, and the sector has increasingly come to the conclusion that other business models (in particular, large multinational companies and small specialised businesses) are more appropriate given how strongly the recruitment sector is tied to economic performance.

As shown in Figure 13, the Australian commercial recruitment sector is dominated by small and medium agencies, with only a few large organisations.[36] The four largest Australian recruitment agencies are expected to account for approximately 14 per cent of total industry revenue in 2015-16; this indicates that there is currently no dominant Australian commercial recruitment agency, and that a large portion of the industry's revenue comes from small-medium sized agencies[37].

Figure 13: The size of recruitment agencies in Australia in 2016 as a percentage

- small (>10 salespeople and recruitment consultants)
- medium (10-75 salespeople and recruitment consultants)
- large (75+ salespeople and recruitment consultants)

Source (of graph): Bullhorn Australian Recruitment Trends[38]

Although no data could be found on how the size of recruitment agencies has changed over time, stakeholders interviewed as part of this project reported a growing divide in the size of recruitment agencies. This trend has also been observed by industry experts, who report that many large Australian recruitment agencies have been organically expanding by acquiring smaller recruitment agencies[39], which is creating opportunities for new entrants particularly at the boutique end of the market. For example, in the third quarter of 2015 alone Australia's three largest commercial recruitment agencies collectively made 12 acquisitions (Manpower Group: six, Adecco: three, Randstad: three)[40]. This trend is projected to continue[41] and participants in the study predict that by 2020:

- While the proportion of large recruitment agencies will remain reasonably steady, large agencies will become larger as they continue to grow through acquisition and expansion.

- The proportion of medium recruitment agencies will decrease, as medium agencies either grow into large agencies through acquisition/expansion or are acquired by large recruitment agencies.

- The proportion of small recruitment agencies will increase, as new entrants seek to fill opportunities created by the acquisition of existing small recruitment agencies and the reduction of medium recruitment agencies.

This project identified a correlation between the size of a commercial recruitment agency and their level of specialisation. Small and medium sized recruitment agencies often operate in a specific

---

[36] Bullhorn, (2016) *Australian Recruitment Trends Report.* Available at: http://www.bullhorn.com/au/resources/2015-australian-recruitment-trends-report/

[37] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspx?indid=569

[38] Bullhorn (2016), *Australian Recruitment Trends Report.* Available at: http://www.bullhorn.com/au/resources/2015-australian-recruitment-trends-report/

[39] HHMC, (2016) *Going Up*. Available at: http://www.hhmc.com.au/2016/02/going-up/

[40] LinkedIn, (2016) *Adecco, Randstad, Manpower, Robert Half.* Available at: http://www.slideshare.net/owler-competitive-intelligence/adecco-randstad-manpowergrouprobert-half-company-showdown

[41] Bullhorn (2016), *Australian Recruitment Trends Report.* Available at: http://www.bullhorn.com/au/resources/2015-australian-recruitment-trends-report/

geographic region(s) and specialise in niche industries[42]. In contrast, large recruitment agencies often span multiple industries and geographic regions. However, they too market themselves as 'industry specialists' by operating under multiple brands; the Adecco Case Study is an example of this branding strategy.

Case study

Brands within the Adecco Group

One of the world's largest recruitment agencies, Adecco Group, builds their market share by acquiring and building different companies within their portfolio, all that operate as independent brands. From a global perspective, Adecco has over 50 unique lines of business. Adecco Group Australia currently operates with three distinct brands:

- Adecco, focused on general staffing recruitment (both white and blue collar).

- Ajilon, a specialist in IT staffing and consulting services.

- Judd Farris, looking after property, facilities management, engineering and construction recruitment.

This strategy is an innovative approach to maintaining focus and specialisation, whilst still reaching a broad client base and candidate reach. The strategy means that Adecco is able to take advantage of their centralised processes and systems, while still being seen as an industry specialist in each unique brand.

3.3.2. The jobactive programme

Employment service providers delivering jobactive include a mix of not-for-profit organisations and privately held entities.

In 2015-16, 64 per cent of jobactive providers were not-for-profit organisations and 36 per cent were for-profit organisations.[43]

The jobactive market includes a mix of small, medium and large providers. As at June 2015, the smallest provider had a caseload of 1,650 job seekers and the largest provider a caseload of 122,500 job seekers[44].

Similar to the commercial recruitment sector, the jobactive market has a significant number of providers that could be considered small medium – 60 per cent of jobactive providers have a caseload of less than two per cent of the job seeker population[45].

Figure 14 shows the business share of each jobactive provider as a proportion of the total job seeker population. This analysis indicates that there are some dominant jobactive providers with the seven largest providers servicing almost 50 per cent of the total job seeker caseload.

---

[42] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569
[43] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project
[44] Ibid
[45] Ibid

Figure 14: Share of job seeker caseload by provider in2015-16 as a percentage
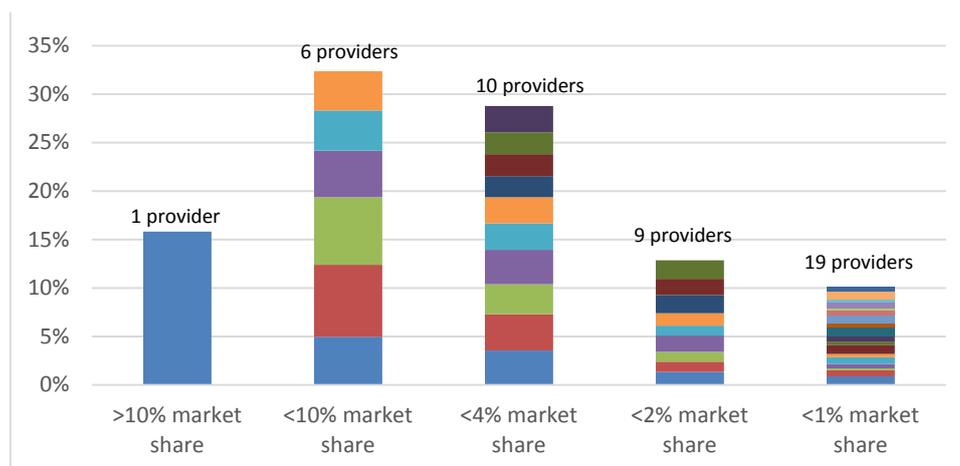
Source (of graph): KPMG analysis on data provided by the Department of Employment [46]

The size of a jobactive provider is determined through the competitive procurement process whereby appointed jobactive providers within each employment region are awarded a specific business share (i.e. percentage of the job seeker caseload). Because of this, the size of an employment service provider is expected to be reasonably stable throughout the five-year contract period, unless there are significant changes to the number of job seekers or business reallocations occur.

There are fewer employment service providers delivering jobactive compared to the previous Job Services Australia (JSA) contract, which had 79 employment service providers at March 2015[47]. One of the contributing factors was the establishment of fewer, larger regions under jobactive (there are 51 employment regions under jobactive, compared to the 110 employment service areas under JSA[48]). In addition, some small providers joined together in consortium arrangements to deliver jobactive; there are five consortiums in total[49].

Organisations delivering jobactive services often deliver a number of other services. Examples of these services identified through consultations with jobactive providers include:

- Other Commonwealth Government employment programmes, including Disability Employment Services, Green Army, ParentsNext and Transition to Work.

- Other Commonwealth or state/territory government programmes, including in health, Indigenous, homelessness and youth.

- Training, through operation of a Registered Training Organisation (RTO).

Key observations

When comparing the type and size of recruitment agencies, the key areas of similarity and distinction are:

- The commercial sector primarily consists of privately held enterprises, while jobactive contains a mix of privately held enterprises and not-for-profit organisations.

- Both have a significant proportion of small-medium sized organisations.

- Unlike the commercial recruitment sector, the jobactive market includes a smaller number of dominant providers.

---

[46] Ibid
[47] Department of Employment, (2015) *Job Services Australia March 2015 Star Ratings.* Available at:
https://docs.employment.gov.au/node/34913
[48] Department of Employment, (2015) *Job Services Australia March 2015 Star Ratings.* Available at:
https://docs.employment.gov.au/node/34913
[49] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project

3.4. Geographic Market Segmentation

3.4.1. Commercial recruitment market

As shown in Figure 15, the majority (over 80 per cent) of recruitment agencies in Australia operate within three States being New South Wales, Victoria and Queensland.

Figure 15: Geographic distribution of recruitment establishments in 2015-16 as a percentage
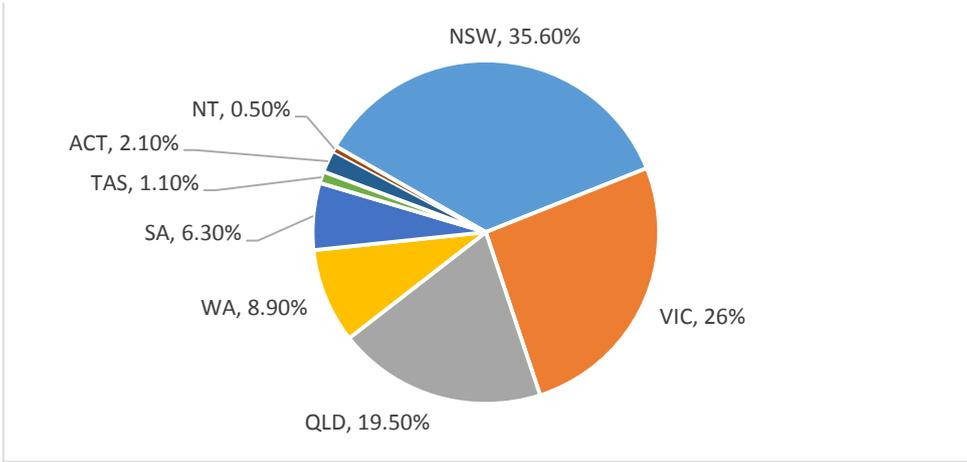
Source (of graph): IBIS world, Employment Placement and Recruitment Services in Australia Market Research[50]

As shown in Figure 16, the geographic spread of recruitment establishments largely mirrors the size of the region's population and level of economic activity. Queensland provides a good example of this correlation: 19.5 per cent of Australia's recruitment organisations operate in Queensland, it is home to 20 per cent of Australia's population and contributes 19 per cent of Australia's Gross Domestic Product (GDP).

Figure 16: Location of employment agencies versus population and GDP contribution in 2015-16 as a percentage

Source (of graph): KPMG analysis using IBIS world, Employment Placement and Recruitment Services in Australia Market Research[51] and Australian Bureau of Statistics[52]

The data for Figure 16 is in the following table:

---

[50] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569

[51] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569

[52] Australian Bureau of Statistics, (2016) *Demographic Statistics.* Available at: http://www.abs.gov.au/ausstats/abs@.nsf/0/1CD2B1952AFC5E7ACA257298000F2E76?OpenDocument

Chart data 13: for Figure 16: Location of employment agencies versus population and GDP contribution in 2015-16 as a percentage

State	% of total population	% of recruitment organisations	Contribution to total GDP
NSW	32.03	35.60	31
VIC	24.97	26	22
QLD	20.09	19.50	19
WA	10.89	8.90	17
SA	7.14	6.30	6
TAS	2.17	1.10	2
ACT	1.64	2.10	2
NT	1.03	0.50	1

The two exceptions to this correlation are Western Australia and New South Wales.

The mining sector is a significant industry in Western Australia, and is moving from the construction phase into the production phase. In the construction phase, there was a high demand for labour to construct the infrastructure required to access the natural resources available in Western Australia. In the production phase, the natural resources are translating into economic growth (as reflected in the high GDP contribution) but there is no longer a high demand for labour. At the start of the energy and resources boom, Figure 16 would have looked very different for Western Australia. According to IBIS World, in 2004, there was an increase in both the number of recruitment agencies and specialist resource sector recruiters located in Western Australia, and Western Australia's GDP contribution was less than half of its current contribution[53].

The number of recruitment agencies operating in New South Wales is comparably higher than the percentage of the population that reside there. One factor contributing to this is that New South Wales has the highest proportion of a working age population (those aged 15-64)[54], and therefore it expected that there is a high proportion of the population either in employment or seeking employment. Most commercial recruitment agencies consulted as part of this project reported that Sydney in particular is currently experiencing significant demand for their services.

A number of these agencies have adopted a range of geographic strategies for their business:

- Some large recruitment agencies operate offices in a number of States and Territories across the country, for example offices in Melbourne, Sydney, Canberra and Brisbane.

- Some large recruitment agencies operate a number of offices within a State or Territory, for example in the Melbourne central business district (CBD), Melbourne South/East and Melbourne North/West.

- Some small-medium agencies operate a single office.

- Some small-medium agencies operate a single office in two or three States or Territories.

- Some small-medium agencies operate two or three offices in a single State or Territory.

Although there is no existing data on the distribution of commercial recruitment agencies across metropolitan and regional areas, commercial recruitment agencies, which participated in this study, reported that the flexibility of the recruitment sector means that they will establish/close offices in response to employer demand. This demand generally occurs in capital city CBDs (as is currently being experienced in Melbourne and Sydney), but also extends to the outer suburbs (for instance Western Sydney) and regional centres experiencing high levels of economic growth (such as Bendigo).

---

[53] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at: http://www.ibisworld.com.au/industry/default.aspex?indid=569
[54] Australian Bureau of Statistics, (2016) *Demographic Statistics.* Available at: http://www.abs.gov.au/ausstats/abs@.nsf/0/1CD2B1952AFC5E7ACA257298000F2E76?OpenDocument

3.4.2. The jobactive market

As shown in Figure 17, there is some correlation between the distribution of Australia's population and distribution of job seekers participating in jobactive. The two key exceptions to this are New South Wales and the Australian Capital Territory whereby the job seeker caseload is lower than the population proportion (lower unemployment rate), and Queensland whereby the job seeker caseload exceeds the population proportion (higher unemployment rate).

Figure 17: Location of job seekers versus population in 2015-16 as a percentage
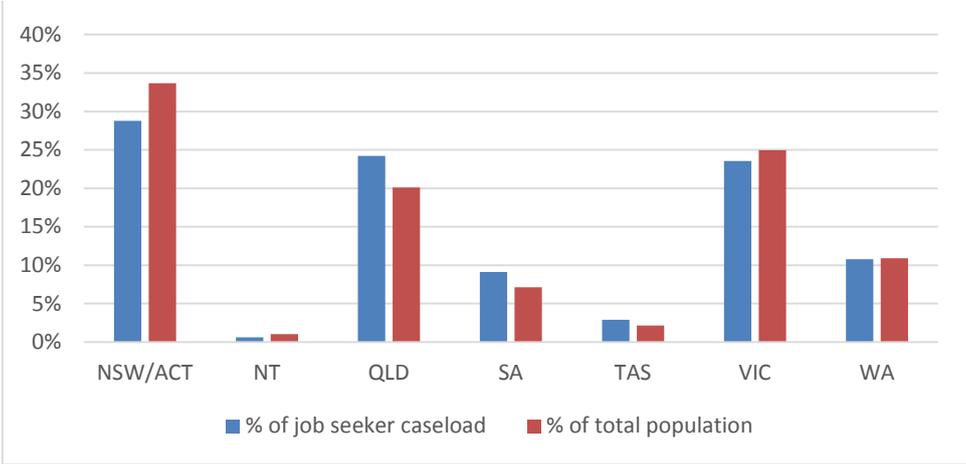
Source (of graph): KPMG analysis on data provided by the Department of Employment [55]

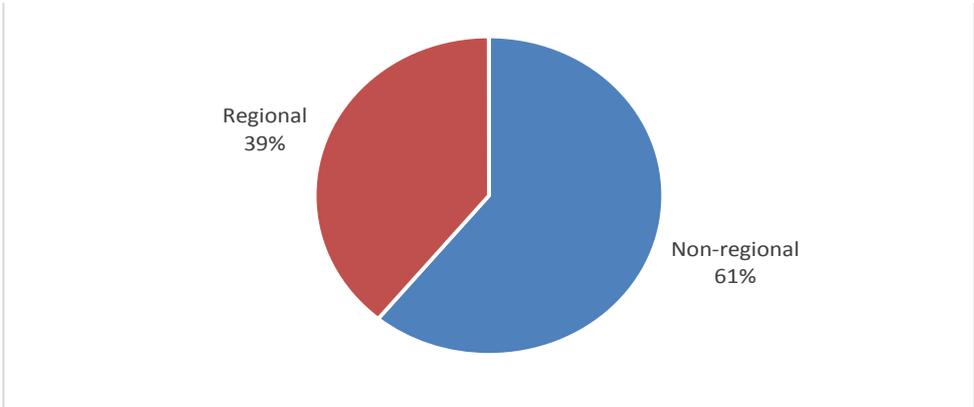[55] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project

The data for Figure 17 is in the following table:

Chart data 14: for Figure 17: Location of job seekers versus population in 2015-16 as a percentage

State	Sum of caseload	job seeker caseload as a percentage	total population as a percentage
NSW/ACT	223,200	29	33.67
NT	4,938	1	1.03
QLD	187,672	24	20.09
SA	70,631	9	7.14
TAS	22,425	3	2.17
VIC	182,700	24	24.97
WA	83,604	11	10.89

The approximate distribution of job seekers across regional and non-regional employment regions included at Figure 18 indicates that there are more job seekers in non-regional employment regions.

Figure 18: Job seekers in regional and non-regional employment regions in 2015-16 as a percentage

Source (of graph): KPMG analysis on data provided by the Department of Employment [56]

As shown in Figure 19, the majority (almost 80 per cent) of jobactive providers in Australia operate within four States being New South Wales, Victoria, Queensland and Western Australia.

Figure 19: Geographic distribution of jobactive providers in 2015-16 as a percentage
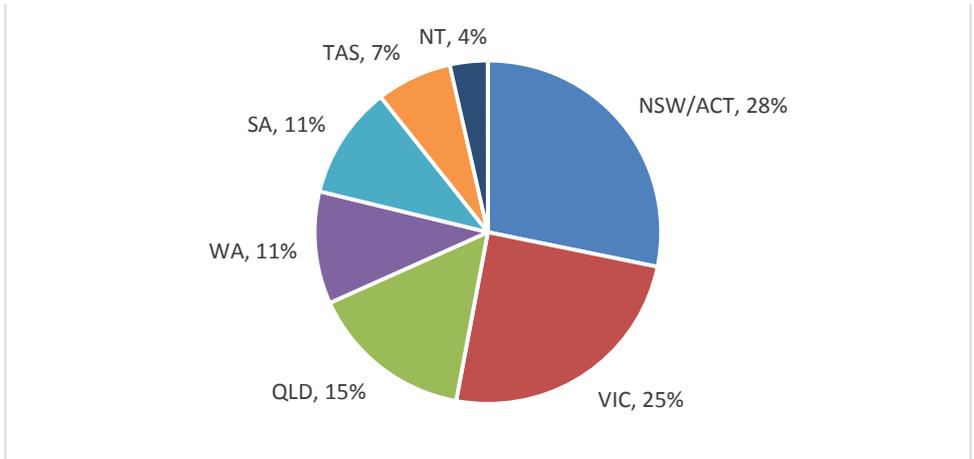
---

[56] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project

Similar to the size of jobactive providers, the geographic distribution of jobactive providers is determined through the competitive procurement process. Within jobactive an employment services provider can only deliver services in the specific employment regions to which they are contracted. Each employment region is serviced by between one and seven providers[58].

The geographic coverage of an employment service provider is therefore expected to be reasonably stable throughout the five-year contract period, as the only way a jobactive provider will expand into new employment regions is through the business share reallocation process or mergers and acquisitions. Within an employment region, jobactive providers may be required to operate a number of sites to ensure all job seekers have access to their services (physical or outreach). For example, a jobactive provider may operate up to 22 sites or more within a single employment region (including fulltime, part time and outreach sites). Providers can seek approval from the Department of Employment to open/close sites in response to changes in the number and geographical dispersion of job seekers.

In acknowledgement that large national employers often seek recruitment agencies that can service them on a national level, a number of jobactive providers have banded together to form a national network. Details are included in the National Workforce Network Case Study below.

Case study

National Workforce Network (NWN)

In July 2015, a group of five jobactive providers and one DES provider joined together to form the National Workforce Network (NWN).

Individual jobactive providers operate in specific geographic regions within Australia, which can limit their ability to attract medium and large national employers to participate in the program. Through joining together, members of NWN are able to leverage their local expertise and job seeker network to provide an efficient, multi-region recruitment solution to national businesses with multiple vacancies to fill. A key feature of this model is that the employer liaises with a central account manager, who then coordinates a national recruitment process and develops pre-employment programs as applicable.

For example, NWN recently partnered with a security industry training firm to create a pre-employment program to train nine jobactive candidates. The program lifted the jobactive candidates' skills so they were able to meet the employment requirements of a national employer for security services. Following completion of the program, all nine jobactive candidates were successful in obtaining positions with a national employer.

To date, the NWN has developed partnerships with 33 employers, which have created 532 job vacancies. Currently the program is having better success in more populated regions, such as New South Wales and Victoria. However, the NWN believes their success in other geographies will improve as their brand develops and additional members join, offering new expertise and resourcing solutions.

Key observations

The different drivers for the commercial recruitment sector and jobactive mean that the two sectors will naturally have quite a different geographic coverage. Commercial recruitment agencies generally expand into geographic regions experiencing economic growth and skills shortages, in response to the demand of employers in those localities. In contrast, the demand for jobactive services is more likely to increase in regions experiencing economic downturn and low demand (i.e. where there are higher levels of unemployment and therefore higher numbers of job seekers).

3.4.3. Geographic Mobility

3.4.3.1. International mobility

---

[57] Ibid
[58] Ibid

Both commercial recruitment agencies and jobactive providers have a strong focus on Australian candidates and international citizens already residing within Australia.

The Australian Bureau of Statistics has report that net overseas migration has averaged around 220,000 per annum since 2005[59]. Immigration is considered a principal contributor to labour supply, with migrants accounting for 52½ per cent of labour force growth within the last five years[60]. A key contributor to this is that a greater proportion of migrants are of working age compared to the Australian population.

Despite the significant contribution migrants make to Australia's labour force, it appears that commercial recruitment agencies play a very small role in facilitating the migration of international candidates to Australia for employment with Australian employers. Recruitment agencies reported placing very few international candidates with their clients. The key drivers for this are:

- In recent years, recruitment agencies have been able to meet the demand of employers using local candidates so there was no need to consider international candidates.

- International candidates previously used a 457 Visa to enter Australia. Recent changes to visa requirements have made it more difficult for candidates to receive this visa type.

Notwithstanding this, some recruitment agencies reported a shift back towards international candidates in certain areas. This is occurring where international candidates with specialist skills are required to support Australian employers to implement new products being developed in Europe, the United States and the United Kingdom. For example, one recruitment agency had sourced specialist international candidates to support technologies associated with the National Broadband Network. Recruitment agencies reported that it generally takes between six and eight weeks for a candidate to obtain a visa, so clients will only consider international candidates where there are no appropriate local candidates or the timeframe is not critical.

The eligibility requirements for participation in the jobactive programme mean that jobactive providers do not deliver services to job seekers residing outside of Australia.

3.4.3.2. Domestic mobility

Similarly, commercial recruitment agencies and jobactive providers play a limited role in facilitating geographic mobility amongst candidates within Australia. Both recruitment agencies and jobactive providers reported low levels of mobility of candidates within Australia due to the following:

- The culture and commission structure within commercial recruitment agencies does not promote the sharing of candidates, and therefore recruiters do not actively refer candidates to job opportunities in other geographies.

- Both markets are dominated by small-medium agencies/providers, which only service specific geographies.

- Where a candidate lives in a geography experiencing economic downturn and there are few job opportunities, their ability to move can be limited by ties to the local community and home ownership. If the candidate chooses to relocate, they have concerns about the market value of their house and ability to sell or rent at a reasonable price.

- Commercial recruitment agencies cited two circumstances where they do successfully facilitate the geographic mobility of candidates:

- Where a candidate expresses a desire to relocate to a specific location, a national recruitment agency will refer the candidate directly to their local office to identify relevant job opportunities.

- High-remuneration, short-term job contracts (i.e. those that exceed an annual salary of $200,000).

---

[59] Australian Treasury, (2016) *2015 Intergenerational Report.* Available at:
http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report
[60] Office of the Chief Economist, (2016) *Australian Industry Reports,* available at: http://www.industry.gov.au/Office-of-the-Chief-Economist/Publications/Pages/Australian-Indstry-Report.aspx

3.5. Industry Market Segmentation

3.5.1. Commercial recruitment market

The largest employers within Australia are currently the Healthcare, Professional Services, Retail and Construction industries[61]. The first two of these markets also observed the highest levels of job growth in 2015[62], refer to Figure 20.

Figure 20: New jobs created versus industry employment levels in 2015-16 as a percentage
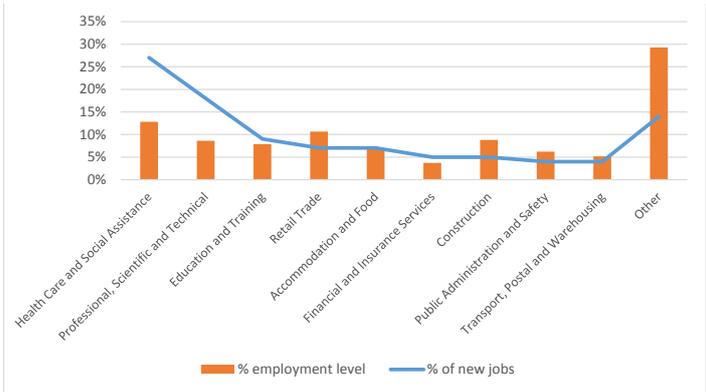
Source (of graph): Office of the Chief Economist Australian Industry Reports[63] and 2015 Industry Projections[64]

The data for Figure 20 is in the following table:

Chart data 15: for Figure 20: New jobs created versus industry employment levels in 2015-16 as a percentage

Industry	% of new jobs	% employment level
Health Care and Social Assistance	27	13
Professional, Scientific and Technical	18	9
Education and Training	9	8
Retail Trade	7	11
Accommodation and Food	7	7
Financial and Insurance Services	5	4
Construction	5	9
Public Administration and Safety	4	6
Transport, Postal and Warehousing	4	5
Other	14	29

An analysis of how industry employment levels are projected to change between 2015 and 2020 is included in Figure 21.

---

[61] KPMG analysis of Department of Employment, (2015) *Industry projections – five years to November 2020*. Available at: http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections

[62] Office of the Chief Economist, (2016) *Australian Industry Reports,* available at: http://www.industry.gov.au/Office-of-the-Chief-Economist/Publications/Pages/Australian-Indstry-Report.aspx

[63] Office of the Chief Economist, (2016) *Australian Industry Reports,* available at: http://www.industry.gov.au/Office-of-the-Chief-Economist/Publications/Pages/Australian-Indstry-Report.aspx

[64] Department of Employment, (2015) *Industry projections – five years to November 2020*. Available at: http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections

Figure 21: Projected change in industry size as a percentage, 2015 versus 2020
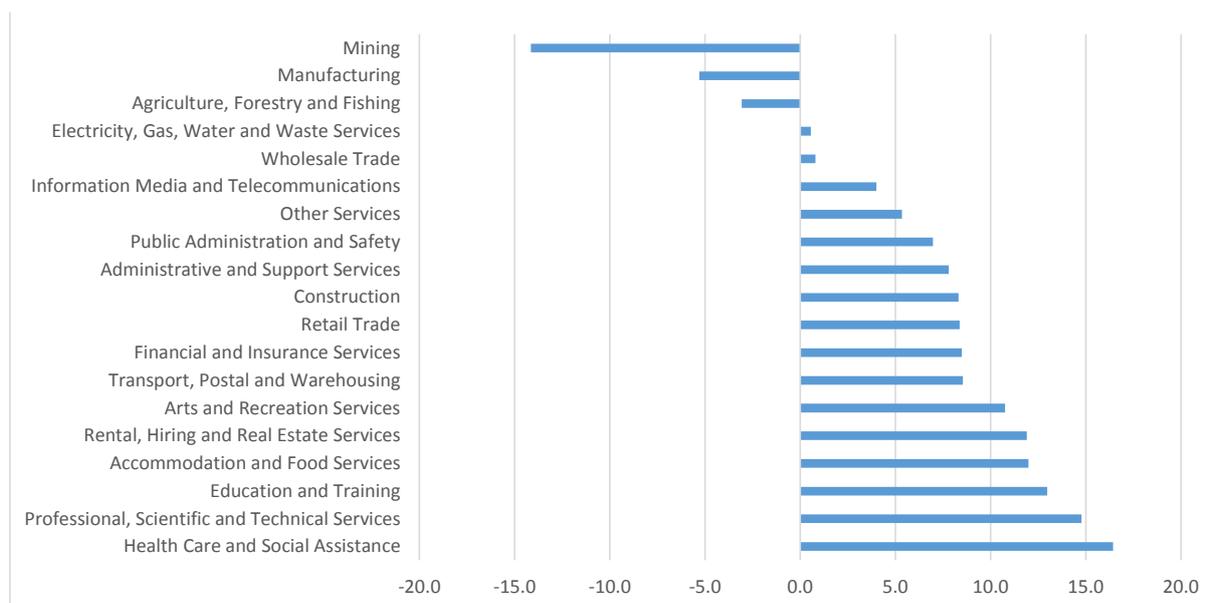
Source (of graph): 2015 Industry Projections[65]

The data for Figure 21 is in the following table:

Chart data 16 for: Figure 21: Projected change in industry size as a percentage, 2015 versus 2020

| Industry	% projected employment growth to November 2020
Health Care and Social Assistance	16.4
Professional, Scientific and Technical Services	14.8
Education and Training	13.0
Accommodation and Food Services	12.0
Rental, Hiring and Real Estate Services	11.9
Arts and Recreation Services	10.8
Transport, Postal and Warehousing	8.5
Financial and Insurance Services	8.5
Retail Trade	8.4
Construction	8.3
Administrative and Support Services	7.8
Public Administration and Safety	7.0
Other Services	5.3
Information Media and Telecommunications	4.0
Wholesale Trade	0.8
Electricity, Gas, Water and Waste Services	0.6
Agriculture, Forestry and Fishing	-3.1
Manufacturing	-5.3
Mining	-14.1

The industries projected to experience the most significant growth, due to a range of factors, include[66]:

---

[65] Department of Employment, (2015) *Industry projections – five years to November 2020.* Available at:
http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections

- Increased demand for Health Care and Social Assistance services due to Australia's aging population, services available through the National Disability Insurance Scheme, and demand for home based care services.

- Continued demand for qualified and highly educated workers in the Professional Science and Technical industry, in particular Architectural and Engineering services to support strong housing construction activity and infrastructure investment.

- Projected increase for Education and Training due to growth in school-aged population.

Figure 22 provides a summary of the key markets serviced by the recruitment industry. Although the data is not directly comparable to that in Figure 20 due to the different groupings of sub-sectors, there does not appear to be a strong correlation between which markets use the recruitment industry, compared to industry employment levels and industry jobs creation. Take the Construction industry as an example: it is the fourth largest employer (eight per cent), had moderate-low job growth in 2015 (five per cent), but is the largest user of the recruitment industry (21 per cent).

Figure 22: Market segmentation of recruitment industry in 2015-16 as a percentage
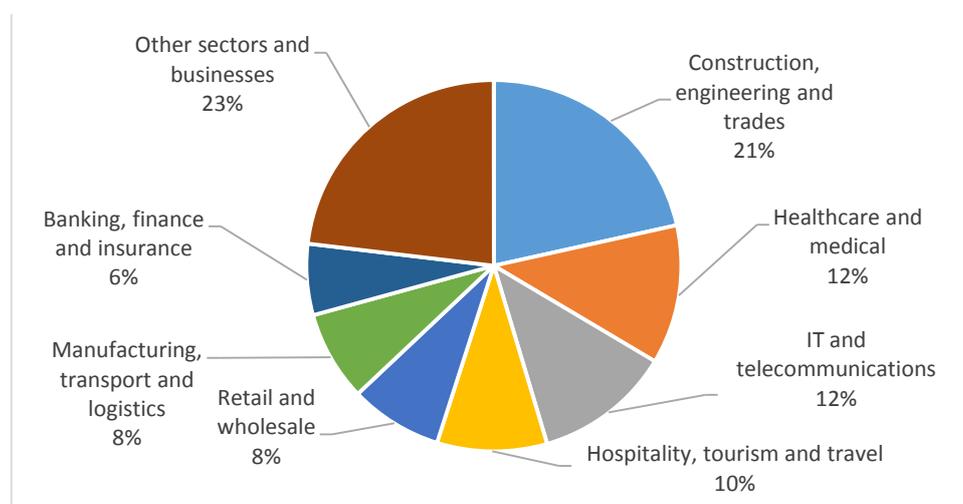
Source (of graph): IBIS world, Employment Placement and Recruitment Services in Australia Market Research[67]

A key piece of feedback received from commercial recruitment agencies interviewed as part of this project is that they are increasingly specialising in particular industries. Driving this is that employers and candidates are demanding a higher level and quality of service from the commercial recruitment sector, and have an expectation that their recruiters will bring specialist knowledge to the relationship. Many recruitment agencies have responded to this feedback by focussing on their strengths, in acknowledgement that it does not make commercial sense for them to be 'everything to everyone'.

Most agencies participating in this study have adopted two distinct models to support their industry specialisation:

- Industry vertical specialisation, which is commonly seen within large recruitment agencies. For example, an agency with several hundred staff positioned nationally could have teams focussed on a specific industry, such as banking and finance, engineering, manufacturing, technology, public sector, and resources (mining, oil and gas). These teams may then have sub-focus areas, such as auto engineering or investment banking.

- An alternative tactic, and one often seen in boutique recruitment firms, is to focus on only one or two industries and have staff members covering specialised areas within these industries. For example, an agency specialising in the financial sector would likely have staff that focus on recruiting in corporate finance and investment banking, funds management, financial planning,

---

[66] Department of Employment, 2016) *Industry Employment Projects 2016 Report*. Available at:
http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections
[67] IBIS world, (2016) *Employment Placement and Recruitment Services in Australia Market Research*. Available at:
http://www.ibisworld.com.au/industry/default.aspex?indid=569

stockbroking, and possibly management and senior appointments. Alternatively, a firm covering the resources market, may structure with focus areas on mining, oil and gas, health safety and environment, and again, management and senior appointments.

This industry specialisation has numerous benefits for the employer, candidate and recruitment agency, as the agency and its recruiters are able to:

- Develop an in-depth knowledge of their industry specialisation. This includes understanding the needs and challenges of employers, the types of roles that exist and attributes that candidates will require to successfully perform the role.

- Recruit staff with the necessary skills, qualifications and other attributes to effectively service their clients. For example, a different staffing profile is required for blue-collar jobs, compared to white collar, compared to technical IT specialists, compared to Executive positions. In addition, some recruitment agencies will recruit staff from industry to train as recruiters, to bring deep industry knowledge to both employers and candidates.

- Recruiters are able to build a network of candidates with the relevant industry skills and experience. As a result, recruiters can target their effort at a particular candidate cohort and potentially place the same candidate with multiple employers within the one industry.

- Greater experience and larger pools of candidates provide more contacts and a wider network to call on for future recruitment processes. Those unsuccessful candidates may be suitable for future processes.

- The above factors contribute to the recruiter's ability to understand and match the needs of employers and candidates, increasing efficiency and quality outcomes for both parties.

However, some of these agencies acknowledged that industry specialisation is not without its risks. For example, the significant decline of an industry or closure of sub-sectors could have a detrimental impact on a commercial recruitment agency's viability.

On balance, commercial recruitment agencies reported that the benefits of industry specialisation outweigh the risks, and as discussed in section 3.5 the shift to internal recruitment teams is also driving specialisation within the industry.

3.5.2. The jobactive market

jobactive providers place high numbers of job seekers in the hospitality, construction and retail trade industries; refer to Figure 23. This figure shows that there is some correlation between industry employment levels in 2015 and the number of jobactive placements achieved in 2015-16. For example, the proportion of job placements into the construction industry (nine per cent) correlates to the employment level within the construction industry (also nine per cent).

Figure 23: jobactive job placements versus industry employment levels in 2015-16 as a percentage
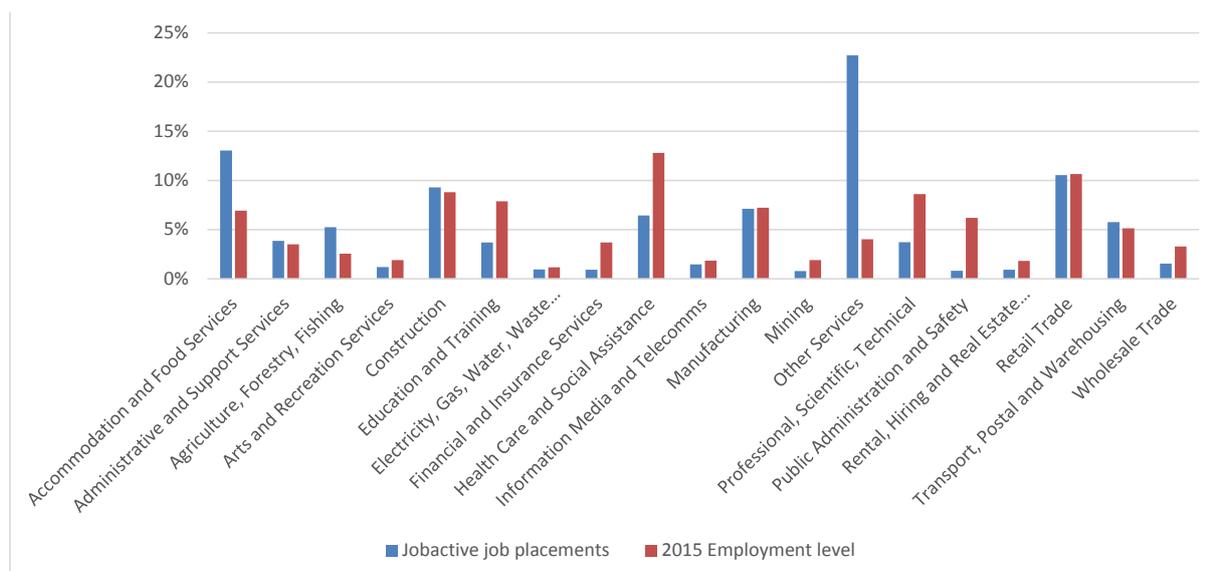
Source (of graph): KPMG analysis on data provided by the Department of Employment[68] and 2015 Industry Projections[69]

The data for Figure 23 is in the following table:

Chart data 17: for Figure 23: jobactive job placements versus industry employment levels in 2015-16 as a percentage

Employer Industry	Jobactive job placements	Jobactive job placements as a percentage	Employment level as a percentage
Accommodation and Food Services	44,006	13	7
Administrative and Support Services	12,992	4	4
Agriculture, Forestry, Fishing	17,672	5	3
Arts and Recreation Services	4,069	1	2
Construction	31,336	9	9
Education and Training	12,458	4	8
Electricity, Gas, Water, Waste Services	3,240	1	1
Financial and Insurance Services	3,114	1	4
Health Care and Social Assistance	21,759	6	13
Information Media and Telecomms	4,996	1	2
Manufacturing	24,000	7	7
Mining	2,626	1	2
Other Services	76,692	23	4
Professional, Scientific, Technical	12,548	4	9
Public Administration and Safety	2,737	1	6
Rental, Hiring and Real Estate Services	3,104	1	2
Retail Trade	35,606	11	11
Transport, Postal and Warehousing	19,486	6%	5%

---

[68] Analysis conducted by KPMG on data provided by the Department of Employment for the purpose of this project
[69] Department of Employment (2015), *Industry projections – five years to November 2020*. Available at: http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections

| **Wholesale Trade** | 5,252 | 2% | 3% |

The key exceptions to this trend are:

- Accommodation and Food Services, where jobactive placements proportionally exceed the industry employment level. This is to be expected, as jobs within this industry are often entry level with low qualification level requirements.

- Health Care and Social Assistance and Professional Services, where jobactive placements are proportionally lower than the industry employment level. This is also to be expected as a number of types of jobs within these industries (nurses, doctors, accountants, and lawyers) often have a moderate or high qualification level.

Based on consultations with jobactive providers during this project, industry specialisation is less pronounced in the jobactive market, with jobactive providers generally servicing all industries. However, local industry demand does influence job opportunities to a degree (for example, there are generally more agriculture job opportunities in non-metropolitan employment regions compared to metropolitan employment regions).

Research into the recruitment industry also suggested that the types of positions being filled by jobactive are reasonably stable, regardless of economic conditions. For example, while the manufacturing industry has contracted by 12 per cent since 2010, jobactive providers do not report any observable change to the number of placements made in the manufacturing industry[70].

Key observations

Commercial recruitment agencies are increasingly specialising in specific industries. This practice has not been adopted within the jobactive market, with jobactive providers servicing the full range of industries.

3.6. Employers and clients of the recruitment industry

3.6.1. Relationship with employers

Employers operating within Australia are the primary client of the Australian commercial recruitment sector. Employers may engage a commercial recruitment agency to identify, screen and place candidates into the employer's job vacancies. Commercial recruitment agencies reported that their clients include a mix of for-profit, not-for-profit and Government organisations. They also reported a strong focus on repeat clients, which they achieve through the development and maintenance of strong relationships with employers and placement of quality candidates. In the commercial recruitment sector, fees are set by competition in the open market and are paid directly by the employer receiving the service.

In jobactive, the funding model supports the placement of job seekers and intrinsically requires jobactive providers to develop relationships with employers (to facilitate placements). For this reason, jobactive providers place some focus on developing and maintaining relationships with employers, however the employer is seen as a secondary client (and the job seeker as their primary client). In the jobactive market, employers receive services free of charge, with the Government paying jobactive providers for the achievement of sustained job outcomes.

The relationship with employers is clearly stronger in the commercial recruitment sector. This is because the commercial recruitment sector focuses on the employer as their primary client, and will

---

[70] Office of the Chief Economist, (2016) *Australian Industry Reports.* Available at: http://www.industry.gov.au/Office-of-the-Chief-Economist/Publications/Pages/Australian-Indstry-Report.aspx

seek appropriately skilled candidates to meet client job orders. In contrast, the primary focus of jobactive providers is on the job seeker and supporting job seekers to become employment ready.

3.6.2. Shift to internal recruitment teams

Following the GFC, across the world a sharp decline in the use of recruitment agencies was observed[71]. One of the contributing factors is that many large companies elected to bring their recruitment functions in-house in order to reduce costs[72]. Throughout this period, economic growth slowed and in line with this recruitment activity slowed as well as highly skilled labour being retrenched and re-entering the job market which made it easier for business to source qualified labour.

For large organisations that regularly arrange job appointments throughout the year, having a centralised recruitment team makes commercial sense. Technology platforms have provided internal recruiters with access to many of the same tools as commercial recruiters (for example, job boards and candidate databases), without the need to pay placement fees to a third party. In addition, an internal recruitment team is well positioned to gain specialist knowledge of the employer's technical and cultural requirements, and can apply this insight to effectively match a candidate and a vacant position.

Not surprisingly, the in-housing of recruitment functions was initially considered to be a significant threat to the commercial recruitment sector. However, many commercial recruitment agencies interviewed as part of this project reported that they now successfully work alongside and in collaboration with internal recruitment teams. This required commercial recruitment agencies to adapt their business models, particularly in the following two areas:

- Specialist roles. Internal recruitment teams are generally well positioned to recruit for the businesses' core 'middle market' skillset[73], for example a bank's internal recruitment function is good at recruiting mortgage brokers, tellers and finance managers. However, they are not necessarily effective in recruiting for specialist roles such as IT. The internal recruitment team will therefore outsource the recruitment of specialist roles to commercial recruitment agencies that have access to a network of specialist candidates. According to some commercial recruiters, this shift to internal recruitment functions has driven them to specialise so that they can add real value to clients.

- Large volume recruitment. Given the fixed structure and capacity of internal recruitment teams, they can only service a limited number of job vacancies at any one time. This means that in peak periods, internal recruiters will seek assistance from commercial recruitment agencies to fill excess vacancies. Geographic shifts e.g. moving head office to another city, will also support this model where a large proportion of the workforce does not move.

Commercial recruitment agencies reported that there are two key challenges experienced when working with internal recruitment functions, and that these challenges are driving certain behaviours within the broader commercial recruitment sector:

- The commercial recruitment agency is often quite removed from the recruitment process: a recruiter may receive little or no context about the job vacancy and does not have direct access to the hiring manager. The commercial recruiter is then required to 'sell' the vacancy to a candidate for a position/employer/supervisor they cannot confidently vouch for. This also impacts on the ability of the commercial recruiter to successfully match candidates and employers based on role, experience, qualification and culture.

- Very short timeframe turnaround: a recruiter may need to fill a role in one or two days. This impacts on the ability of a recruiter to identify and screen appropriate candidates, and therefore may make a placement that is not necessarily in the long-term interests of the candidate or employer.

[71] Koncept Analytics, (2010) *Global Recruitment Market Report: 2010 Edition*. Available at: http://www.catenon.com/inversores/pdf/Global-Recruitment-Market-Report-2010.pdf

[72] Sangster, K. n.d. *Staffing trends: A changing recruitment market in Australia [Blog]*. TMS Consulting. Available at: http://www.tmsconsulting.com.au/staffing-trends-a-changing-recruitment-market-in-australia-blog/

[73] Sangster, K. n.d. *Staffing trends: A changing recruitment market in Australia [Blog]*. TMS Consulting. Available at: http://www.tmsconsulting.com.au/staffing-trends-a-changing-recruitment-market-in-australia-blog/

Based on comments made by jobactive providers interviewed as part of this project, the shift to internal recruitment functions has had a minimal impact on their businesses as they have traditionally focused on small and medium employers.

3.6.3. Employer size

jobactive providers cited a number of reasons for focusing on small and medium employers, rather than large employers. The first reason is that the application process of large employers can be highly complex. Job seekers may not have the confidence or capability to successfully complete the application, or may decide that their time is better used (i.e. it is easier and quicker to send out multiple Curriculum Vitae, than complete an online application for a role they believe they have a low chance of success).

The second reason is that large employers often have strict eligibility and screening practices which job seekers may not pass, such as police checks, literacy requirements and drug testing. The third reason is that the hiring manager within small employers is more readily contactable by jobactive providers and often more willing to 'give someone a go'. Lastly, motivated job seekers are also likely to be actively seeking work in places where large organisations may be advertising or seeking employment where small to medium enterprises may not. As a result, jobactive providers can be more focussed on small to medium enterprises.

Notwithstanding this, a small number of jobactive providers have successfully targeted and developed longstanding relationships with large employers. The specific strategies for engaging with large employers are further discussed in section 4.3.

While there is no published data on the size of employers that use the services of the commercial recruitment sector, many commercial recruitment agencies reported an increasing focus on small and medium sized employers. Working with small and medium sized employers enables commercial recruitment agencies to:

- Have greater direct access to the hiring manager and information about the position (as opposed to an internal recruitment function in large employers). Commercial recruiters feel that greater involvement in the recruitment process means that they are better positioned to successfully match candidates and employers based on role, experience, qualification and culture.

- Achieve higher fees and profit margin. Large employers are more likely to have sophisticated recruitment processes and greater negotiation capacity based on high-volume (to drive down fees). Recruitment agencies reported that minimal economies of scale are realised from large-volume recruitment (as the same effort goes into screening candidates for a single position compared to 10 positions), and therefore working with large recruitment agencies often reduces their profit margin.

3.6.4. Position Type

Within the recruitment sector there are two primary types of employment. Permanent positions are ongoing, and do not have a specified end date. Temporary (or contract) positions are for a defined period of time, this may be a single shift, a week, a month, six months, 12 months.

All commercial recruitment agencies interviewed as part of this project place candidates into both permanent and temporary positions, and reported that each position type has its advantages:

- Permanent roles generally involve a one-off payment at the time of placement, providing a significant cash injection. In contrast, temporary roles provide stable revenue over the term of the contract (the recruitment agency generally invoices the employer on a monthly basis).

- Candidates placed into permanent roles become an employee of the employer, while candidates placed into temporary roles generally become an employee of the recruitment agency itself (or another third party provider). Temporary roles therefore have higher ongoing overhead costs (but often attract higher fees), for example to manage the timesheet and payroll process. However, some large recruitment agencies generate supplementary income for their temporary roles by offering candidates payroll and insurance services (for a fee).

- Recruiting for a permanent role often has a larger upfront cost for the commercial recruitment agency, as the application process is often longer and the screening process more thorough.

Commercial recruitment agencies reported that demand for contracting positions is increasing, as employers seek to achieve a flexible workforce. As all contracting positions (whether they be one week or six months) require a similar level of effort, commercial recruitment agencies reported a focus on medium to long-term contracting positions.

Commercial recruitment agencies generally adopted one of the following business models for recruiting for the two position types:

- Separate teams or recruiters to manage permanent and contract recruitment job orders.

- Teams and recruiters that manage both permanent and contract assignments.

Each model has its advantages. The first model allows a recruitment agency to divide work between recruiters based on their individual strengths (i.e. certain recruiters are more suited to the fast-paced nature of contract work and others to the more thorough permanent recruitment process). In contrast, the second model allows an employer to be serviced by a single recruiter or team for all their recruitment needs, thus enabling a stronger partnership/relationship between the recruiter and employer.

All jobactive agencies interviewed as part of this project also place candidates into both permanent and temporary positions, and reported the following attributes of these positions:

- There is no difference in the fee structure between permanent and temporary positions (as detailed further in section 3.8), with jobactive providers paid fees for achieving sustained employment outcomes. For this reason, jobactive providers will generally seek permanent or medium to long-term contracting positions for their job seekers.

- Candidates placed into both temporary and permanent roles become an employee of the employer. For both position types, the jobactive provider has an ongoing role to ensure eligibility requirements for outcome payments are met.

- There is generally no difference in the cost to the jobactive provider when recruiting for temporary compared to permanent roles.

Because the primary goal is to place job seekers into sustained employment and temporary and permanent positions both achieve this within jobactive, jobactive providers do not target specific job types within their business model.

Key observations

- Commercial recruitment agencies have a strong focus on developing and maintaining longstanding relationships with employers as their clients. This is increasingly becoming a focus within jobactive too, but there is scope for more work.

- The shift to internal recruitment teams by large employers has driven commercial recruitment agencies to specialise, but has had minimal impact on the jobactive market.

- Both commercial recruitment agencies and jobactive providers focus on small and medium employers, although their drivers for this are different.

- Both sectors focus on permanent and medium to long term contracting positions, although there are differences in how the roles are managed within the sectors. For example, jobactive job seekers in temporary positions are employed by the employer; commercial recruitment candidates in temporary positions are generally employed directly by the agency.

# 3.7. Candidates and job seekers of the recruitment industry

3.7.1. Active and passive candidates

Candidates, talent and job seekers are all terms used to describe the individuals that fill the 'demand' side of the recruitment sector, and can be classified as either 'active' or 'passive'.

Active candidates are those individuals that are actively seeking new employment. This includes the unemployed and underemployed (estimated to be between 1.8 and 2.5 million Australians, as noted in section 2.1.2) and individuals currently in employment that are looking to change employers.

As summarised in Figure 24, a survey conducted by LinkedIn estimates that a quarter of the employed workforce fall into this latter category and are actively looking for work.

Figure 24: Active and passive candidates in 2015-16 as a percentage
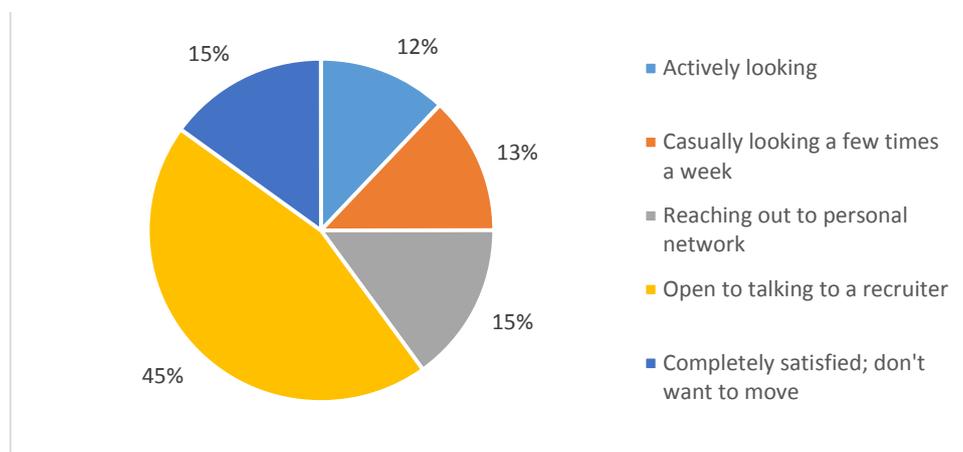
Source (of graph): LinkedIn Talent Blog[74]

In contrast, passive candidates are currently employed and not necessarily seeking new employment. The LinkedIn survey estimates that an additional 60 per cent of the employed workforce would respond positively to passive recruitment techniques, with only 15 per cent of the workforce emphatically not wanting to change employers.

Key observations

While only a quarter of the employed workforce are actively seeking new employment, the majority would be willing to consider the 'right' employment opportunity making passive candidates a target for commercial recruitment agencies.

3.7.2. The commercial recruitment sector

There is no defined 'profile' of candidates using the commercial recruitment sector. They have varied levels of qualification, years in the workforce and level of experience.

Commercial recruitment agencies indicated that they would generally only choose to represent those candidates that will meet the needs of the employers they work with. For this reason, many candidates that apply for representation by commercial recruitment agencies do not pass the agency's screening process as they do not have the requisite skills, experience or qualifications. Commercial recruitment agencies reported that they generally seek to represent candidates who meet the following criteria:

- The appropriate qualification level (for example, Bachelor degree).

---

[74] LinkedIn Talent Blog, (2014) *Active vs Passive Candidates: The Latest Global Breakdown Revealed.* Available at: https://business.linkedin.com/talent-solutions/blog/2014/03/active-vs-passive-candidates-the-latest-global-breakdown-revealed

- The appropriate technical specialisation if applicable (for example, IT in the banking industry).

- The appropriate experience level (for example, five years' experience in financial reporting).

- Currently employed or recently unemployed, so that work history and experience is current.

- Highly motivated individuals with the appropriate 'culture match' for the employer.

- Passive candidates, who often have highly sought after skills that employers cannot access directly (because passive candidates generally do not frequently browse job boards).

With the exception of labour hire firms, commercial recruitment agencies rarely consider candidates with no work experience.

Increasingly, recruitment agencies are recognising candidates as a client (albeit a secondary client to the employer, who pays for their services) rather than just a commodity. This shift in the agency-candidate relationship is reflective of the competitive nature of the commercial recruitment sector and recognises the key role that candidates play within the sector. Commercial recruitment agencies consulted as part of this project indicated that:

1. Employers expect recruitment agencies to delivery 'quality', through the attraction, placement and sustainment of high-quality candidates. To achieve this, recruitment agencies need to invest time in screening and getting to know the candidate to ensure that the employer-candidate match is appropriate.

2. A key challenge that recruitment agencies experience is the availability of quality candidates. Recruitment agencies will therefore seek to place an individual candidate in multiple positions throughout their career. For example, where the job placement comes to an end (for defined term contracts), the recruitment agency has the opportunity to represent the candidate for future employment opportunities.

3. Members of a recruitment agency's candidate pool could be future employers, and therefore potential clients of the recruitment agency.

3.7.3. The jobactive market

Participation in jobactive is mandatory for recipients of an income support payment, such as Newstart Allowance, Youth Allowance (other), or Parent Payment, who also have mutual obligation requirements. There are also some voluntary participants in jobactive; these individuals must meet the defined eligibility criteria[75].

Before commencing in jobactive, an assessment of the job seeker's work readiness is completed through either the Job Seeker Classification Instrument and/or and Employment Services Assessment.

Following this assessment, job seekers are assigned to one of three streams[76]:

- **Stream A:** these job seekers are the most job ready, and will receive services to help them understand what employers want, how to navigate the local labour market, build a résumé, look for jobs and learn how to access self-help facilities.

- **Stream B:** these job seekers need their jobactive provider to play a greater role to help them become job ready and will be referred for case management support.

- **Stream C:** these job seekers have a combination of work capacity and non-vocational barriers that need to be addressed so that they can take up and keep a job.

The level and nature of services delivered to a job seeker by the jobactive provider is tailored for each stream.

---

[75] Department of Employment, *jobactive – helping you find work fact sheet*. Available at:
https://docs.employment.gov.au/documents/jobactive-helping-you-find-work
[76] Department of Employment, *jobactive fact sheet*. Available at: https://docs.employment.gov.au/documents/program-fact-sheet-jobactive

jobactive providers are obliged to deliver services to all eligible job seekers that are registered with them. Because of this, the profile of job seekers being serviced by a jobactive provider varies on a number of levels including educational attainment, work experience, industry specialisation/interest and barriers to employment. Jobactive providers deliver services to recently unemployed people who are well qualified and have low barriers to work however other individuals face different barriers to employment including:

- Limited or no qualifications and work experience.

- Significant qualifications and work experience, but have been out of the workforce for a prolonged period of time, for example due to redundancy, medical reasons or personal factors.

- Recent migrants, with varying levels of qualification, work history and English proficiency.

- Intergenerational unemployment barriers.

- Homeless and experiencing mental health issues.

Those job seekers participating in jobactive are generally either unemployed or underemployed, and are therefore considered 'active' candidates (although personal motivation to enter the workforce and sustain employment varies between job seekers). jobactive providers do not play a role in the recruitment of passive candidates.

Key observations

There is limited overlap in the candidate profile between the commercial recruitment sector and jobactive. The key differences between the two markets are:

- Candidates voluntarily register with commercial recruitment agencies, while job seeker participation in jobactive is mandatory in return for receiving income support. Related to this, job seekers receiving services as part of jobactive generally have mutual obligation requirements.

- Commercial recruitment agencies choose which candidates they will represent, while jobactive providers are required to service all eligible job seekers registered with them. Related to this, commercial recruitment agencies will generally not service candidates with limited relevant work experience or barriers to employment.

- Commercial recruitment agencies generally focus on candidates with particular attributes (qualification, experience and industry); job seekers serviced by jobactive providers have a vast range of qualifications, industries and experience levels.

- In jobactive, the job seeker is often seen as the primary client (and the employer the secondary client); while in the commercial recruitment sector, the candidate is seen as a secondary client (and the employer the primary client).

- The commercial recruitment sector is increasingly focusing on passive candidates, while jobactive providers only deliver services to active candidates.

3.8. Fee structure within the Australian recruitment industry

3.8.1. The commercial recruitment sector

Study participants indicated that there are two primary fee structures within the commercial recruitment sector, one for permanent placements and one for temporary placements.

For permanent placements, the commercial recruitment agency generally receives a one-off fixed fee calculated as a percentage of the successful candidate's annual salary, paid on placement. While the commercial recruitment agencies consulted as part of this project were not able to share the precise calculation due to commercial reasons, they indicated that the mark-up is generally between 10 and 30 per cent of the successful candidate's annual salary. Some recruitment agencies charge a fixed percentage for all job placements, while others reported using a range of percentages depending on the position, client and market competition.

Table 2 calculates the fee value a commercial recruitment agency would receive in a range of scenarios:

- A mark-up of 10 per cent, 20 per cent or 30 per cent of the successful candidate's annual salary.

- For placement of a candidate into a position earning minimum wage[77], average wage[78] or average wage for the accommodation and food services industry[79], which had the lowest average full-time wage of all industries.

Table 2: Commercial recruitment fee analysis (permanent)

Scenario	Annual wage	Agency fee: 10%	Agency fee: 20%	Agency fee: 30%
Minimum wage	$34,980	$3,498	$6,996	$10,494
Average wage - accommodation and food services industry	$55,931	$5,593	$11,186	$16,779
Average wage – all industries	$81,146	$8,114	$16,229	$24,343

Importantly, the above analysis only considers a selection of the positions being filled by the commercial recruitment sector. For example, it does not include candidates placed into positions that earn above the average wage. The analysis does show that even for the lower subset of the market (i.e. for placing candidates into below average wage positions) the fees earned by commercial recruitment agencies for permanent placements has a significant range (in these examples of between $3,500 and $24,300).

Some commercial recruitment agencies reported that they provide a 'placement guarantee': if the candidate placement does not work out within a defined period (e.g. three or six months), the commercial recruitment agency will either refund the placement fee or find a suitable replacement candidate at no cost. This however does not appear to be common practice, with many commercial recruiters noting that such a guarantee is not necessary as the ongoing success of their business depends on their ability to make and sustain quality placements.

For temporary placements, the commercial recruitment agency generally receives a monthly fee calculated as a percentage of the candidate's monthly salary based on actual hours worked.

Table 3 and Table 4 calculate the fee value for a commercial recruitment agency in a range of scenarios:

- A mark-up of 10 per cent or 20 per cent of the successful candidate's annual salary.

- For placement of a candidate into a position earning minimum wage or average wage.

- For a duration of two months or six months.

---

[77] Fair Work Commission (2016), *Annual Wage Review 2015-16 Order.* Available at:
https://www.fwc.gov.au/documents/sites/wagereview2016/decisions/c20161-order.pdf
[78] Australian Bureau of Statistics (2015). *6302.0 Average Weekly Earnings, Australia, Nov 2015*. Available at:
http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0
[79]Ibid

Table 3: Commercial recruitment fee analysis (temporary) 2 months in duration in dollars

Scenario	Jan	Feb	Mar	Apr	May	Jun	Total
Minimum wage (10%)	292	292	-	-	-	-	**583**
Minimum wage (20%)	583	583	-	-	-	-	**1,166**
Average wage (10%)	466	466	-	-	-	-	**932**
Average wage (20%)	932	932	-	-	-	-	**1,864**

Table 4: Commercial recruitment fee analysis (temporary) 6 months in duration in dollars

Scenario	Jan	Feb	Mar	Apr	May	Jun	Total
Minimum wage (10%)	292	292	292	292	292	292	**1,749**
Minimum wage (20%)	583	583	583	583	583	583	**3,498**
Average wage (10%)	466	466	466	466	466	466	**2,797**
Average wage (20%)	932	932	932	932	932	932	**5,593**

Similar to permanent placements, the fees earned by commercial recruitment agencies for temporary placements has a significant range (in these examples of between $580 for a two-month contract and $5,600 for a six-month contract).

3.8.2. The jobactive market

The fee structure for jobactive providers is outlined in the jobactive Deed 2015-2020[80]. jobactive providers receive a six-monthly administration fee for all job seekers and outcome payments after achieving a four week, 12 week and 26 week outcome. The value of outcome payments varies for Stream A, B and C job seekers, and also by their period of unemployment. Both administration fees and outcome payments have a 25% loading for jobactive providers operating in regional employment regions. jobactive providers can also access the 'employment fund' for reimbursement of certain costs associated with servicing the job seeker for example purchasing work boots for a job seeker to ensure they have appropriate safety equipment to start a job.

3.9. Key Observations

The scale of the Australian recruitment industry has remained relatively constant over the past six years. In contrast, the number of providers delivering services in the public employment services

---

[80] Department of Employment, *jobactive Deed 2015-2020*. Available at: https://docs.employment.gov.au/documents/final-jobactive-deed-2015-2020

market has evolved in response to programme changes: from Job Network, into Job Services Australia and now jobactive. The public employment services market is made up of a number of larger organisations with the seven largest providers servicing more than 50 per cent of programme participants. Conversely, the commercial recruitment sector is dominated by small and medium agencies with only a few large organisations.

Over 80 per cent of recruitment agencies operate in three states being New South Wales, Queensland and Victoria. This spread largely mirrors the size of regions' populations and contribution to GDP. The commercial recruitment sector employs a number of geographic based strategies by targeting where their local industries, sectors and clients. Flexibility in their service delivery models also allows commercial recruitment agencies to set up small offices in multiple cities aimed at targeting particular clients; this was reported as being successful.

There were two distinct industry segmentation models identified in this study, the first an industry vertical specialisation. Medium to large commercial recruitment agencies often have teams focussed on a specific industry, for example banking and finance. The second model focuses on specialist roles within one or two industries, for example, corporate financial in investment banking.

The primary focus of the commercial recruitment sector is on the employer, contrasted with the public employment sector, which has a greater focus on the job seeker. This makes sense given the funding model for the commercial recruitment sector, as commercial recruitment agencies generally target job ready candidates as opposed to developing candidates to be job ready.

The shift to internal recruitment teams following the GFC affected the commercial recruitment sector and was a key driver for specialisation across the sector. There are instances where commercial recruitment agencies now successfully work alongside and in collaboration with internal recruitment teams rather than in competition.

The commercial recruitment sector and jobactive market have different fee structures. Fees in the commercial recruitment sector are generally calculated as a percentage of the successful candidate's wage. jobactive providers receive a six-monthly administration fee for all job seekers and outcome payments after achieving sustained outcomes. The value of outcome payments varies for Stream A, B and C job seekers, and also by their period of unemployment.

4. Approaches and strategies within the Australian recruitment industry

This chapter explores the different service delivery models and strategies operating within the Australian recruitment industry. This includes the different operating models focussed on specialisation of services, engagement with employers and candidates, staffing and performance and regulatory environment.

4.1. Specialisation within the recruitment industry

4.1.1. Comparison of commercial and public employment services

Commercial:

- Specialise across a number of areas including geographies, services, industries, employers, positions and candidates.

jobactive:

- The design of public employment services requires jobactive providers to operate as generalists.

- Some areas of specialisation occur due to local conditions, particularly in respect of industries and job seekers.

4.1.2. Areas of specialisation

This section expands on the profile information detailed in chapter 3 and feedback from stakeholders regarding specialisation.

4.1.2.1. Commercial recruitment sector

A key theme throughout chapter 3 is the shift of the commercial recruitment sector towards specialisation. This is being driven by employers and candidates demanding a higher level and quality of service, and the expectation that their recruiters will bring specialist knowledge to the relationship. Many commercial recruitment agencies have responded to this feedback by focussing on their strengths, in acknowledgement that it does not make commercial sense for them to be 'everything to everyone'. This has meant that many commercial recruitment agencies have consolidated their service offerings across the following six areas: geographies, services, industries, employers, positions and candidates.

There are a number of drivers for geographic specialisation across the commercial recruitment sector. Commercial recruitment agencies are required to have a presence in their target geographies to

enable them to effectively network to build both their client base and their talent pool. Related to this, geographic specialisation enables agencies to embed themselves in the local community and use their knowledge of local industry to service local employers and candidates. This study identified that there are currently two geographic growth strategies occurring within the sector:

- Recruitment agencies that are small and large in size are generally not looking to expand into new geographies, rather they are focusing on growth within existing locations, so not to spread their resources too thinly.

- Some recruitment agencies that are medium in size are looking to expand into new geographies experiencing economic growth, to better position themselves to compete with large recruitment agencies that already have good geographic coverage.

While not looking to expand into new locations, one small commercial recruitment agency operating in Melbourne reported that they had recently established a partnership with another small commercial recruitment agency operating in Sydney. The driver behind this partnership is that the two agency's respective clients were seeking representation in both capital cities. For example, clients of the Melbourne agency wanted to recruit for positions in Sydney. In this case, the Sydney based agency would conduct all face-to-face interviews on behalf of the Melbourne agency.

Within the commercial recruitment sector, there has been a shift towards service specialisation and the elimination of non-core recruitment activities. Commercial recruitment agencies that are small in size indicated that core recruitment activities have always been and will continue to be their focus. In contrast, some of the large 'generalist' recruitment agencies had previously operated non-core recruitment services such as Registered Training Organisations. Financial pressures following the GFC have required recruitment agencies to focus on their strengths and core set of services, and therefore recruitment agencies had eliminated these non-core services.

Industry specialisation across the commercial recruitment sector is being driven by a number of factors, including the shift to internal recruitment teams and the high levels of service expected by both employers and candidates. Most commercial recruitment agencies focus on a single industry or suite of industry sectors. There were three industry growth strategies identified in this study occurring within the sector:

- Continue to focus on current industry specialisation (for example, engineering), and look to achieve growth in certain sectors (for example, construction engineering). This strategy supports recruitment agencies to increase their market presence within their specialist industry.

- Expand into new industries that are experiencing growth (such as education and health) but focus on current specialist technical service offering (IT in education and IT in health). Similar to the above point, this strategy supports growth within the recruitment agency's field of expertise.

- Continue to maintain a representation across a number of subsectors, and expand into new subsectors where there are opportunities (e.g. aged care carers). Commercial recruitment agencies that had adopted this approach reported that working across a portfolio of subsectors makes their organisation less vulnerable to industry specific fluctuations.

To an extent, large recruitment agencies that are considered 'generalist' also specialise through the use of separate brands to represent different industries.

Within the commercial recruitment sector, employer specialisation does occur, albeit to a lesser extent than industry or geographic specialisation. Although recruitment agencies will target a particular profile of employer (for example small and medium employers, or ASX 200 employers), most consulted as part of this project reported servicing a mix of employers.

In respect of position type, while a number of commercial recruitment, agencies indicated position type growth strategies (either permanent or temporary places); all agencies fill a mix of both.

There were two position type strategies identified in this study occurring within the sector:

- A few large commercial recruitment agencies are looking to increase the number of permanent places filled, as these provide a significant and immediate cash inflow.

- Others are focusing on contracting positions in recognition that many employers are seeking an agile workforce. This is particularly the case for recruitment agencies that source technical specialists, as employers often only require their skillset for a defined period. The other benefit of

contracting positions is that the candidate remains in the commercial recruitment agency's talent pool.

A recruitment agency's approach to specialising across the five areas noted above will determine the profile of candidate they require as our sixth service offering. For example, it drives the candidate attributes in terms of location, industry, experience, and employment expectations and requirements.

4.1.2.2. The jobactive market

Within the public employment services sector the below commentary considers the specialisation debate across the same six areas: geographies, services, industries, employers, positions and job seekers.

Geographic specialisation occurs to an extent due to the competitive procurement process within the public employment services sector. However, unlike the commercial recruitment sector jobactive providers cannot grow either within their existing locations (as business share is pre-determined) or to new locations (due to the use of employment regions).

Service specialisation is also less apparent in the public employment services sector. jobactive providers involved in this study deliver a number of other services including other Commonwealth Government programmes, state/territory government programmes and operation of a Registered Training Organisation. The two primary reasons cited by jobactive providers for delivering a range of services include:

- Government programmes are generally for a finite period of time (one year, three years or five years). Delivering a mix of services reduces the risk that the organisation would need to close if they lose a significant government contract or a government programme closes.

- There are a number of similarities between some of the government programmes (for example, they may have the same objectives but target different cohorts). Because of this, jobactive providers are able to achieve economies of scale and sharing of better practices through delivering a number of programmes.

Within the public employment services sector, while jobactive providers do not specialise in particular industries they often focus on local skills shortages (and therefore the industries experiencing these shortages). Increasingly, some jobactive providers are recognising the potential benefits of industry specialisation and structuring their service delivery model accordingly, as illustrated in the case study below.

Case study

Industry specialisation

A jobactive provider segments their job seekers based on the occupational or industry interest.

Once a job seeker referral is received (to either stream A, B or C), the provider further segments job seekers based on the type of work they are interested in engaging in. The job seeker will then attend specific group recruitment sessions. For example, all job seekers interested in working in a warehouse will attend a group recruitment day, with employers and current employees from the warehousing industry.

This industry segmentation has been successful for the jobactive provider, as they are able to efficiently and effectively service a pool of candidates using a targeted service delivery model, including pre-employment programmes. Job seekers are able to connect with people from within the industry and hear real life experiences about working in the industry. The employer is able to engage with a group of job seekers and select those they believe will be suited to their organisation.

A degree of employer specialisation does occur within the public employment services market, with most jobactive providers targeting small and medium sized employers.

Aligned with the objectives and fee structure of the jobactive programme, the focus of jobactive providers is on long-term contracting positions (at least six months in duration) and permanent positions. However, as availability of these types of positions can sometimes be limited jobactive providers report that they will often accept job positions of any duration.

Within the public employment services sector, no job seeker specialisation occurs due to the design of the programme. Notwithstanding this, some geographies naturally have a higher proportion of certain cohorts due to the population make-up (such as Indigenous, mature and migrant), which does drive the jobactive provider to specialise to a degree.

Although the drivers for the commercial recruitment sector to specialise have largely been outside of its control, for the most part the specialisation strategy is working effectively for them.

The public employment services sector should consider opportunities for greater specialisation, particularly in respect of industry specialisation.

4.2. Methods to engage with and service employers

4.2.1. Comparison of commercial and public employment services

Commercial:

- Effective branding and maintaining a professional network is important.

- Commercial recruitment agencies adopt a range of talent branding strategies.

- Methods used to source new employers include existing relationships, procurement processes, targeted call campaigns.

- Methods used to contract with employers include Preferred Supplier Agreement (PSA) and individual contracts.

- Ongoing relationship activities vary depending on the individual recruiter, sector specialisation and employer.

jobactive

- A growing focus on branding.

- jobactive providers have adopted different strategies for marketing themselves and their job seekers to potential employers.

- Methods used to source new employers include existing relationships, targeted awareness campaigns and reverse marketing.

- Ongoing relationship activities vary depending on the individual business development manager or employment consultant, and the employer.

4.2.2. Branding and marketing

4.2.2.1. Commercial recruitment sector

Within the commercial recruitment sector, effective branding is considered to be a key contributor to a recruitment agency's ongoing success.

Because there are a large number of commercial recruitment agencies, being able to differentiate through their branding strategy is important. Branding strategies sighted by commercial recruitment agencies include:

- Being a trusted industry specialist.

- Providing reliable and high quality services.

- Being a large, visible recruiter.

- Adopting an active talent branding strategy.

When asked which branding strategy is the most effective, the majority of stakeholders interviewed as part of this project reported that there is no single 'better practice' strategy. This is because the

strategy needs to be crafted to reflect the objectives of the individual agency and their target client base.

Commercial recruitment agencies had adopted a range of talent branding strategies aimed at raising their profile within their target market, and developing and maintaining their network of employers and candidates. Examples of talent branding strategies adopted by agencies as part of this project include:

- Adopting different market brands to differentiate the recruitment business. For example, Adecco Group Australia currently operates with three distinct brands (Adecco, Ajilon and Judd Farris) to reach different groups of employers and candidates.

- Sponsoring scholarships programs. Such initiatives reflect good corporate citizenship, while building the profile of the agency with students before they enter the job market.

- Organising social and networking events. Examples include conferences, a breakfast event with a panel or keynote speaker, or a social golf day. Employers, candidates and potential candidates are invited to attend events, to network and receive insights from industry guest presenter 'experts'.

- Maintenance of an industry blog, whereby the recruitment agency will maintain a blog and invite industry 'experts' to contribute articles. This enables the recruitment agency to demonstrate thought leadership and contribute to their reputation as an industry specialist.

- Active use of social media and professional network platforms, such as Facebook and LinkedIn, to build their network.

- Industry Awards, whereby all relevant industry professionals are invited to nominate for an award. The case study below provides an example of such an Award Program. In addition to building the profile of the recruitment agency, the Awards Night provides an opportunity for recruiters to network with potential candidates and employers.

Case study

Talent Unleashed Awards

"Since 2013, Talent has been awarding the amazing individuals and businesses that are driving innovation and disruption across the technology community in the annual Talent Unleashed Awards. Each year we are overwhelmed by the high calibre of entries we receive from across the globe, which are judged by our unrivalled panel of expert judges including Sir Richard Branson and Steve Wozniak. At Talent we are passionate about recognising and supporting those exceptional people and organisations who are making the world a better place. And while that doesn't fit within the traditional narrative of a recruitment agency, that doesn't bother us."

Award categories are:

- Best Start Up – Social Impact.

- Best Start Up – Tech Innovation.

- Best Digital SME – Tech Innovation.

- Most Disruptive CIO/CTO.

- Best Tech IPO/Venture Capital Raising.

These awards are open to all professionals, not just clients or candidates of Talent International.

As discussed further in section 4.3.2.2, talent branding strategies can also form a key part of a commercial recruitment agency's passive recruitment strategy.

In addition to branding, commercial recruitment agencies use a variety of more traditional approaches to develop relationships with potential employers. Small recruitment agencies reported that they primarily use soft sourcing strategies such as relying on positive word of mouth, hosting small scale networking functions and attending industry events to find new potential clients. In contrast, larger recruitment agencies reported more assertive strategies such as:

- Where an employer has publically advertised a job vacancy, contacting the hiring manager to suggest candidates from the agency's existing talent pool.

- Requesting that existing clients refer the agency to similar employers.

- Targeted call campaigns to employers that match their desired client profile.

Commercial recruiter interview:

"When calling employers, it's not just about 'sell'; it's about what value you can add to them. For example, calling and providing them salary updates, white papers, intelligence about what is going on in the market, union details, and award details. If they call without having established a relationship, no-one will use them, it's about making themselves valuable and useful to potential clients."

4.2.2.2. The jobactive market

The recent efforts to improve the brand of the public employment services sector were viewed as valuable, but there is still further work to do.

Feedback from stakeholders indicates that there are some brand awareness and brand dissociation issues within the public employment services sector. Examples of these issues include:

- Some commercial recruitment agency representatives had little knowledge of jobactive and misconceptions about the attributes of job seekers participating in jobactive. For example, the perception that all job seekers lack motivation and are experiencing multiple and complex barriers to employment.

- One of the benefits sighted by jobactive providers that source job placements through a commercial recruitment agency is that the job seeker is dissociated from the jobactive programme, as they essentially become a candidate of the commercial recruitment agency. This suggests that the public employment services brand is not necessarily well known or understood by some employers.

- Some jobactive providers have experienced difficulties getting employers to identify who the local jobactive providers are.

The Government has also recently undertaken an advertising campaign to promote the use of jobactive providers to meet the requirements of Australian businesses. While this has been recognised as a positive step within the public employment services sector, some jobactive providers suggested that the advertisement could represent a more diverse range of job seekers.

When approaching potential employers, jobactive providers reported that the following strategies are most successful:

- Encouraging job seekers to approach local employers directly (who have not necessarily advertised a vacancy), as this demonstrates that the job seeker is committed and proactive in their job search.

---

[81] Talent International, *Talent Unleashed Awards.* Available at: http://www.talentunleashedawards.com/

- Reverse marketing a specific job seeker to a local employer directly (again, who have not necessarily advertised a vacancy), as employers are often willing to give someone a go when approached directly.

- Where an employer has publically advertised a job vacancy, contacting the hiring manager to suggest job seekers from the jobactive provider's caseload for no cost and possible wage subsidy eligibility.

- Targeted awareness campaigns. One jobactive provider consulted as part of this project undertakes targeted email campaigns to offer a 'free recruitment service and potential for wage subsidies'. This provider reported that approximately 10 per cent of email recipients request further information on jobactive following this email contact. Another jobactive provider conducts an afternoon 'calling campaign' every two months using a list of target employers.

Within the public employment services sector, jobactive providers take additional action to raise their profile within the local community including participation in local association bodies and community groups.

Branding within the public employment services sector is complex as it occurs on two different levels: at a whole of sector level (for the jobactive programme) and for individual jobactive providers. It is suggested that the public employment services sector:

- Work collaboratively to improve branding at the programme level, increase awareness and reduce current misconceptions.

- Continue to develop branding at an individual provider level. In doing so, consider the applicability of talent branding strategies similar to those adopted in the commercial recruitment sector.

4.2.3. Service delivery models

4.2.3.1. Commercial recruitment sector

Within the commercial recruitment sector, recruitment agencies use a number of different models to engage with employers:

- A Preferred Supplier Agreement (PSA), which is similar to a panel arrangement. The benefits and disadvantages of commercial recruitment agencies contracted under a PSA are considered in the diagram overleaf.

- One-off contract, used to engage with an employer on a nonrecurring basis.

Commercial recruitment agencies noted that generally a single person (usually the business development manager) is responsible for developing and maintaining relationships with an employer. Benefits of this approach include the fact that the business development manager can develop a deep and trusted relationship, and the employer has a single contact point within the recruitment agency. The frequency (weekly, monthly) and style (telephone or face-to-face) of contact depends on the individual recruiter and employer.

4.2.3.2. The jobactive market

Similar to the commercial recruitment sector, jobactive providers also typically reported having a single individual (either a business development manager or employment consultant) responsible for developing and maintaining relationships with an employer. The frequency and style of contact also depends on the individual recruiter and employer.

Within the commercial recruitment sector, Preferred Supplier Agreements are often used to foster long-term relationships with employers. The public employment services sector could consider whether a similar contracting format could be applied to foster long-term relationships within employers.

4.2.3.3. Preferred supplier agreements (PSA)

A preferred supplier agreement (PSA, also referred to as a panel arrangement) is a contractual agreement between the employing organisation (client) and recruitment organisations performing

the service (identifying and placement of candidates). Recruitment organisations will be invited to tender and a comprehensive procurement and assessment will take place. Generally, preferred supplier agreements are used by larger employers, particularly those organisations with operations nationally. Governments (state and federal) also employ the practice of a PSA. A panel can consist of any number of recruitment organisations and can be structured in a variety of ways, including:

- All panel providers receiving and servicing every client assignment.
- Dividing the panel into specialisations e.g. technology, administration executive search, etc (see Victorian Government case study below).
- Maintaining a tier one provider panel as well as a tier two provider panel (recruitment organisations on the tier two panel may have higher placement fees, however will only receive the assignment if tier one providers are unable to successfully fill the role/s).
- Typically panels range from five to ten recruitment organisations. There are panels, however, which extend to in excess of 50 and 100 providers.

Benefits

- Time savings, such as time to hire or internal staff members' time.
- Financial savings and cost controls.
- Standardised placement fees.
- Stronger negotiating position to bring recruiters' fees down.
- Understanding of the employer's business and culture, and the type of candidate that would suit the organisation, etc (the building effective partnerships or trusted adviser approach).
- Structure of the panel can have generalist and specialist providers.
- Standardises terms and conditions, making risk management easier.
- Dedicated recruitment agency team servicing the recruitment assignments.

Disadvantages

- If the panel comprises more than five recruitment organisations, it is likely that they won't place their best consultants or account managers on the job. For example, if the panel consists of 10 recruitment organisations, all of them receive the client's assignment at the same time. This means the recruiter will be competing against nine others.
- The agreement is locked in from one to four years, some with extension options. If the recruitment organisations aren't performing, the employer is nonetheless locked into a contract with them.
- If a recruitment organisation on the panel is also a service provider to the employer's competitors, it limits the opportunity to poach staff from competitors.

Case study

Victorian Government

State purchasing contract for the provision of staffing services.

- The current contract commenced on 1 January 2016 for a period of three years and expires on 31 December 2018 with two one year extension options.
- Usage is largely for on-hire staffing services (mandatory) and permanent personnel (optional).

- There are three service classifications: administration, information technology and specialised cover roles that comprise specific professions not covered by the other two categories and which recruitment agencies specialise in.
- There are eight master vendors.
- The website address is www.procurement.vic.gov.au/state-purchase-contracts/staffing-services

4.3. Methods to engage with and service candidates

4.3.1. Comparison of commercial and public employment services

Commercial:

- Primarily use active recruitment channels.

- Increasing use of passive recruitment channels.

- Some partner with jobactive providers to identify suitable candidates.

- Generally provide similar services to all candidates.

- May target a specific cohort of candidate (e.g. Indigenous/gender/disability) to meet a specific employer need.

jobactive

- Some partner with commercial recruitment agencies to develop and deliver pre-employment programmes and refer suitable candidates.

- Generally provide tailored services to Stream A, B and C candidates.

- May also tailor services for a specific cohort of candidate (e.g. Indigenous/youth).

4.3.2. Recruitment methods

4.3.2.1. Commercial recruitment sector: active recruitment methods

Active recruitment generally involves a commercial recruitment agency or employer advertising a job vacancy and inviting candidates to apply. As recently as 15 years ago, print newspaper was the key active recruitment channel. In the current market, while more than half of all vacancies are advertised on the internet, only 18 per cent are advertised in newspapers[82].

The key active recruitment methods used by the commercial recruitment agencies are online job boards, websites, social media and professional networks. The use, benefits and limitations of each of these methods is considered further below.

Online job boards, including SEEK and Indeed

The number of job advertisements posted on job boards each month is significant, SEEK alone has over 135,000 job advertisements every month and over 35 million visits[83].

Key benefits sighted by recruitment agencies using job boards is their convenience and wide audience. A downside is that often a large number of varied quality responses are received, increasing the time taken for recruiters to screen for 'quality' applicants. For this reason and the cost associated

---

[82] Department of Employment. (2015) *Recruitment methods used by employers*. Available at: http://lmip.gov.au/default.aspx?LMIP/RecruitmentAnalysis
[83] SEEK. (2015) *SEEK Annual Report 2015.* Available at: http://ir.seek.com.au/FormBuilder/_Resource/_module/NCkygw0x0kmQG8Q1PXfUNg/file/2015_Annual_Report.pdf

with advertising on job boards, some recruitment agencies are moving away from posting advertisements on general job boards.

One recruitment agency reported that they advertise 100 per cent of jobs on job boards. However, of all job placements made, only 15-20 per cent of candidates were sourced through job boards.

The extent to which a commercial recruitment agency uses job boards is determined, at least in part, by how effectively they use other recruitment methods. A few of the small recruitment agencies indicated they do not advertise on job boards at all. Their rationale is that they are able to achieve a good reach into their target candidate market through building their network, leveraging their existing candidate pool and other passive recruitment techniques. Recruitment agencies that frequently use job boards reported that they are generally less effective in their use of other active and passive recruitment methods.

Websites

Recruitment agencies generally advertise all job vacancies on their website. Where a recruitment agency advertises hundreds of jobs, the format is often similar to an online job board whereby candidates can filter by job type, location and key terms.

Commercial recruitment agencies noted that while website advertising does attract some interest from 'browsing' candidates, the key benefit is the ability to link social media and professional network posts to the website advertisement for further detail of the job vacancy.

Social media, such as Facebook and Instagram

As noted in section 4.2.2, commercial recruitment agencies frequently use social media platforms to promote their brand, and to build and communicate with their network. When advertising jobs on social media, commercial recruitment agencies reported the following approaches:

- Advertise the job directly on the agency's social media page.

- Advertise the job directly on a community, special interest or member social media page.

- Purchase advertising space on a social media platform.

Social media is considered to be low cost, as additional fees generally only apply when purchasing advertising space.

Social media provides opportunities for recruitment agencies to promote job advertisements and be innovative in the advertisement format, such as videos, pictures and cartoons.

One recruitment agency has trialled video job advertisements on social media platforms, in place of written advertisements. The trial has been deemed a success, as while fewer applications were received compared to written advertisements, the applications were of a higher quality.

Another benefit of using social media to advertise job vacancies is that the recruitment agency directly targets their existing network or other specific groups likely to be interested in the position. This reduces some of the quality issues experienced when advertising on general job boards.

Despite the benefits of social media advertising, there are a few risks associated with its use as an advertising channel. Firstly, it relies on the recruitment agency having an existing social media network of their target audience. It also relies on the effectiveness of the recruitment agency's social media posts, their ability to quickly catch the interest of the target audience and convey the key message of the job vacancy.

Professional networks, such as LinkedIn

Professional platforms also provide an opportunity for recruitment agencies to target their candidate audience. When advertising jobs on professional networks, commercial recruitment agencies reported the following approaches:

- Advertise the job directly on the agency's professional network page, for viewing by their existing network.

- Purchase advertising space on the professional network platform. For example, members of LinkedIn are 'recommended jobs' based on their listed profile and experience (for example, structural engineers based in Sydney).

LinkedIn also operates a platform similar to a jobs board. In 2014, LinkedIn purchased Bright.com so that candidates can more efficiently connect with their best opportunities using artificial intelligence[84]. Bright.com uses an algorithm, the *Bright Score* to "examine thousands of data points to find the best fit between job seekers and job openings[85].

The benefits, costs and risks of advertising on professional networks are similar to social media. It is generally low cost, as additional fees only apply where targeted advertising space is purchased. In addition, the recruitment agency directly targets their existing network or other specific target groups, and applications are generally of a higher quality than those received through general job boards.

4.3.2.2. Commercial recruitment sector: passive recruitment methods

As noted in section 3.6.1, while only a quarter of the employed workforce are actively seeking employment, the majority would be willing to consider the 'right' employment opportunity. As passive candidates are unlikely to be engaging with active recruitment methods (such as reading job boards), passive recruitment is a key strategy for many commercial recruitment agencies.

A key objective of recruitment agencies is to 'access high quality candidates with rare skills that employers could not otherwise find themselves'. The rationale behind this is that an employer will not be willing to pay a fee to a recruitment agency if they could source that same individual themselves. Therefore, recruitment agencies view building their network as critical to their success and remaining relevant in the market.

The key passive recruitment methods used by the commercial recruitment agencies are candidate referrals and technology platforms, such as LinkedIn and SEEK Talent Search. The use, benefits and limitations of each of these methods is considered further below.

Candidate referrals

A candidate referral occurs where a current or past candidate refers a friend/colleague to the recruitment agency. Recruitment agencies reported a key benefit is that a 'quality' vetting process has already been conducted through the referral process, as current/past candidates are unlikely to refer a candidate who is not quality. Three key referral models identified through this project are:

- Referral, no fee attached.

- Referral, fixed fee attached.

- Referral, variable fee attached.

Some recruitment agencies use referrals as a key channel to attract new candidates, reporting that 60 to 90 per cent of all candidate placements occur as a result of referrals.

The first model was the most common model within the sector. As there is no fee, the motivation for current/past candidates to refer a friend/colleague is based on their satisfaction with the service and outcome they received through the recruitment agency. For example, 'my recruitment agency was

---

[84] LinkedIn, *Bright.com*. Available at: https://www.linkedin.com/jobs/?trk=
[85] ibid

able to find me a really great job opportunity; perhaps they will be able to find something similar for you too'.

The second model of attaching a fixed fee to the referral was less common. Whilst it also relies on the current/past candidate being satisfied with the service received, the fee provides an additional incentive to identify friends/colleagues actively seeking new employment and those that would be open to passive recruitment channels. The referring candidate is rewarded with a one-off payment (in one agency, this was $1,000) on the successful placement of a candidate into either a permanent or temporary role.

The third model was only observed in one recruitment agency. They had introduced a variable referral fee to support their growth strategy in the contracting market. The referring candidate receives a fixed amount ($1) for each hour the referred candidate works (this equates to up to $40 per week or up to $2,040 per year). This fee structure also encourages the referring candidate to play a role in post placement support to ensure the placement is sustained.

While the latter two referral models are a cost for the recruitment agency, recruitment agencies that had adopted these models reported that the benefits of receiving 'quality' candidates outweighed the financial cost of the referral.

LinkedIn

Professional networks such as LinkedIn are also used by commercial recruitment agencies as a passive recruitment method. A commercial recruiter will directly contact LinkedIn members who have certain attributes (for example, an accountant with 3-5 years' experience based in Brisbane) to invite them to apply for a relevant job vacancy.

The extent to which LinkedIn is used as a passive recruitment method varies between recruitment agencies and individual recruiters. Some commercial recruitment agencies frequently use LinkedIn in passive recruitment as they have found it an effective recruiting mechanism, while others do not.

SEEK Talent Search

SEEK Talent Search is a CV database of both active and passive candidates. Candidates upload their CV to SEEK Talent Search, which employers and recruitment agencies can then search. SEEK reports a talent pool of over five million, with 5,000 new CVs added daily[86].

Those commercial recruitment agencies that rely heavily on passive recruitment methods in particular reported frequent use of SEEK Talent Search.

Expert360

Expert360 is an online platform connecting businesses operating in specific industries with experts and consultants. The customers of the platform include listed companies, investment firms, consulting firms, subject matter experts, entrepreneurs and freelance individuals[87]. Their mission is to enable businesses of all sizes to directly engage top consulting talent for project based work.

Expert360 is not used frequently by those commercial recruitment agencies consulted as part of this project.

Other passive recruitment channels

Recruitment agencies reported that the branding activities discussed in section 4.2.2 are also considered valuable passive recruitment channels as they build the agency's network of target candidates.

4.3.2.3. The jobactive market

Although participation of job seekers in jobactive is generally compulsory, job seekers are able to choose between the jobactive providers operating within their designated Employment Region. In

---

[86] SEEK. Proactively connect with quality candidates. Available at: https://talent.seek.com.au/
[87] LinkedIn (2016), *Expert 360.* Available at: https://www.linkedin.com/company/expert-360

selecting a jobactive provider, job seekers may take into account the experience of a family member or friend, or the star ratings published by the department[88].

As jobactive providers are generally not required to build a talent pool in the traditional sense or advertise jobs beyond their allocated job seeker caseload, those participating in this study conduct limited active or passive recruitment of job seekers. Rather, they focus their effort on achieving a high star rating.

The Commonwealth Government has also established a jobactive job search tool 'Australian Job Search' for use by job seekers. Australian Job Search has a similar functionality to a job board, but collates job advertisements from a range of sources including:

- Public Employers.

- Employment Service Providers.

- Other job search engines, such as Adzuna and CareerOne.

There has been some evidence of providers also referring job seekers to other online job boards including Seek and Indeed, a common practice between public employment services and the commercial recruitment sector.

4.3.3. Service delivery model – general

4.3.3.1. Commercial recruitment sector

The general candidate service delivery model for commercial recruitment agencies identified through stakeholder consultation is outlined below.

Step 1: Candidate registration. Candidates will register with a commercial recruitment agency by either applying for a job advertised by the agency or submitting their CV directly to the agency (for example, via the agency's website).

From here, the process is generally triaged and only successful candidates progress through the process.

Step 2: Screen CV. The recruiter will review all submitted job applications and CVs for quality. Key considerations include whether the candidate has the relevant qualifications, work experience and skills. Due to the large quantity of CVs received, commercial recruitment agencies do not provide any feedback to those candidates who are unsuccessful at this stage.

Step 3: Candidate phone call. The recruiter will call the candidate to provide further information about the advertised role and to better understand the candidate's skills and job expectations. If at the end of the phone call the recruiter considers the candidate would be suitable for a position or representation by the agency, they invite the candidate for a face-to-face interview.

Step 4: Candidate interview with agency. All commercial recruitment agencies consulted as part of this project prefer to conduct face-to-face interviews (as opposed to telephone or Skype interviews) where possible. They report that face-to-face interviews provide them with insight into how a candidate would present at an employer interview or on the first day of a job. Commercial recruitment agencies reported that they would generally interview between three and ten individuals per advertised vacancy.

It was identified that candidates have different motivations and personal requirements when seeking new employment opportunities. Some are driven by remuneration, but increasingly candidates are seeking opportunities that will provide them with a flexible environment, work-life-balance and meaningful work. In addition, the high levels of passive recruitment occurring within the commercial recruitment sector has provided candidates with increased negotiation power and choice, this is particularly so for candidates that have specialist skills and are in high-demand. To ensure job matches will meet these requirements, commercial recruitment agencies reported that it is particularly important to gain an understanding of the candidate's motivations and priorities as part of the candidate interview.

---

[88] Department of Employment, *jobactive Star Ratings for Job Seekers.* Available at: https://jobsearch.gov.au/provider/help_provider.aspx#Star

High quality candidates who are in high demand have increased negotiation power and choice. One candidate placed by a recruitment agency wanted a job where they could 'walk to work and take my dog with me'.

Step 5: Short-list applicants. Depending on the role and employer requirements, commercial recruitment agencies reported that they would generally short-list between one and three individuals per advertised vacancy. As part of the short-list process, the recruitment agency will generally check the candidates' referees. The commercial recruitment agency will then provide an assessment of the short-listed applicants and their CVs to the employer.

Step 6: Applicant testing. Commercial recruitment agencies reported that where psychometric or technical testing is part of the screening process, the employer would often conduct the necessary testing themselves.

Step 7: Candidate interview with employer. Depending on specific role and employer requirements, the employer may request a candidate interview. Commercial recruitment agencies reported that an employer interview is more common for permanent or longer-term contracts. The recruitment agency may provide some feedback and coaching to the candidate in preparation for the interview.

Step 8: Make an offer. Recruitment agencies will make an offer to the successful candidate, either on behalf of the employer (for permanent positions) or for a contracting position with the agency directly (for temporary positions).

Step 9: Debrief. Recruitment agencies will debrief unsuccessful applicants that were short-listed, and identify other potential job vacancies currently advertised by the agency, which presents an opportunity to grow their business.

Step 10: Post placement support. Recruitment agencies often maintain contact with candidates once placed in a job. The frequency (weekly, monthly) and style (telephone or face-to-face) of contact depends on the individual recruiter. Common practice is for the recruiter to contact the candidate in their first week, after the first month and after three months. For contracting positions, the recruiter will often contact the candidate and the employer a few weeks before the contract is due to end to discuss possible contract extensions or other job opportunities.

Commercial recruitment agencies generally do not conduct or refer candidates to specific training courses. This is because they generally expect that their candidates will have the necessary skills and qualifications to meet employer needs. Notwithstanding this, a number of the more 'generalist' commercial recruitment agencies do have a suite of online training modules available to their candidate pool. Although training and development is generally not a focus of commercial recruitment agencies, there are examples where commercial recruitment agencies have identified and sought to fill an industry skills gap. The case study below provides an example of this. Aquent is a commercial recruitment agency operating in Australia that specialises in temporary and permanent staffing for high-end creative and web experts.

Case study

Aquent Gymnasium

'Aquent Gymnasium' was launched three years ago to bridge "the skills gap by taking what we've learned from our clients and developing free, online courses for [anyone working in the marketing, creative and digital industry] today's most in demand skills".

The first module 'coding for designers' was developed in response to feedback from industry that web designers were having difficulty transitioning their skills to design web material. This course enables participants to "learn HTML and CSS and become the Web Designer that Developers love. Professional design experience is a prerequisite, but no prior web or cording experience is necessary".

Aquent Gymnasium now has a suite of 15 full courses, all available at no charge. Around 50,000 people world-wide have completed courses and some of Aquent's local clients have also incorporated the Gymnasium courses as part of their staff development program.

Source: Aquent89

4.3.3.2. The jobactive market

The general job seeker service delivery model for the public employment services sector identified through stakeholder consultation is outlined below. The model is defined based on 'activities' rather than 'steps' as the process is not linear and a number of the activities often occur concurrently.

Activity 1: On boarding. The initial interview is generally scheduled at the time a job seeker referral is made. The initial interview with the job seeker is conducted face-to-face and will[90]:

- Confirm the job seeker's identity.

- Explain the services that the jobactive provider will provide to them.

- Identify their strengths and any issues they may have relating to finding employment.

- For job seekers with mutual obligations, explain their rights and obligations under the Social Assistance Law and the consequences of not meeting their mutual obligation requirements.

- Prepare or update a Job Plan for the job seeker. The Job Plan provides details of the terms the job seeker must comply with in order to satisfy their mutual obligation requirements and details of any vocational or non-vocational activities tailored to help the job seeker overcome any barriers.

- Provide details of the current National Minimum Wage, the Fair Work Ombudsman website and contact details for the Fair Work Ombudsman.

As part of the on-boarding process, as detailed in the below case study one jobactive provider has developed a tool to assess job seeker motivation levels.

Case study

Personal motivation of job seekers

One jobactive provider has developed an in-house application to assess job seeker motivation levels. The application does not consider standard barriers to employment; rather it allows employment consultants to tailor their service approach to the level of motivation of the job seeker. The key thinking behind the assessment is that some people will consciously undermine the system – the jobactive provider can do everything to get the job seeker into employment, but they self-disrupt when in a role. Once the job seeker's level of motivation has been assessed, the jobactive provider has three options:

- Unmotivated job seekers – focus on soft skills training for example resiliency training. The jobactive provider considers that at this stage, there is limited value referring these job seekers to certified training because they do not have the motivation to stay in a job. Employment consultants tend to use the 'stick' approach with these job seekers and be more stringent on compliance related issues.

- Semi motivated people – stronger candidates to undertake a certified training course through a Registered Training Organisation.

- Motivated people – these are easy to move into positions. Employment consultants actively find and place these job seekers.

Activity 2: Job search. The jobactive provider will support the job seeker's job search activities through a combination of the following activities:

- Refer the job seeker to suitable vacancies, which have either been sourced by the jobactive provider or advertised publically.

---

[89] Aquent. *Gymnasium.* Available at: http://gymnasium.aquent.com
[90] Department of Employment, *jobactive Deed 2015-2020*. Available at: https://docs.employment.gov.au/documents/final-jobactive-deed-2015-2020

- Provide self-help facilities, including computer stations for job seekers to use in job search activities.

- Group-based facilitated job search sessions, whereby an employment consultant will provide support to a group of job seekers undertaking job search activities.

- Encourage job seekers to make direct contact to local employers in their industries of interest.

- Reverse market job seekers to employers. This was reported as being particularly effective for Stream B and C job seekers, who may otherwise not be successful in a competitive recruitment process. When employers are contacted directly by the jobactive provider, they are more 'willing to give someone a go'.

A number of jobactive providers commented that they have reduced the effort invested in some of the most effective job search strategies, such as reverse marketing. They report that they are unable to effectively conduct these activities within their limited resources.

Activity 3: Vocational and non-vocational activities. The jobactive provider will refer the job seeker to relevant training activities and other support services. Examples of these activities are detailed below.

jobactive providers deliver to all job seekers access to a suite of online training modules, to support job readiness and work skills. Examples of training modules include work health and safety, workplace bullying, industry specific workplace etiquette (for example, working in a factory).

Some jobactive providers frequently work with commercial recruitment agencies and/or employers to design and deliver pre-employment programmes to a group of their job seekers. Pre-employment programmes focus on the capabilities and behaviours that a job seeker will need to be successful in an interview/screening process and sustain their job placement. They are often designed to meet a particular employer or industry need where there are multiple position vacancies, and for this reason can vary in duration from a few days to several weeks. Pre-employment programmes often cover topics such as:

- Job interview techniques, such as appropriate clothing, making eye contact and practice responding to interview questions.

- What to expect on the first day of the job, including the type of work they would be conducting if successful.

- Workplace etiquette, such as use of mobile phones, interacting with supervisors.

- Technical skills, including the obtainment of specific licences or training/qualifications.

Examples of positions where pre-employment programmes are sometimes used include cleaning, security, operation of heavy machinery (e.g. forklift roles), food preparation/processing. jobactive providers reported that pre-employment programmes are highly effective, as they build the confidence of job seekers and provide them with a specific outcome to work towards. One of the commercial recruitment agencies consulted as part of this project reported success in partnering with a jobactive provider for the delivery of pre-employment programmes, as detailed in the case study below.

Case study

Pre-employment programmes

One of the commercial recruitment agencies frequently partners with jobactive providers to place job seekers in entry level contracting positions. The recruitment agency identified that a key barrier of jobactive job seekers is their ability to pass recruitment agency and employer screening processes.

The recruitment agency conducted a trial, whereby a selection of job seekers underwent the standard screen process. All job seekers failed to pass. The jobactive provider then developed a tailored and targeted five-day job ready pre-employment programme and delivered it to the trial participants. A significant improvement was found, with approximately 60 per cent of participants passing the screening process.

This recruitment agency sources approximately 20 per cent of their candidates from jobactive.

Many commercial recruitment agencies suggested that the ability of agencies to access a group of relevantly trained and screened candidates at no cost is very attractive and should be further explored. They suggested that greater partnerships between the commercial and public employment recruitment sectors would provide the following benefits:

- For jobactive providers, they are able to refer job seekers to employment opportunities with large Australian companies, who they may not have existing relationships with. This may change some of the negative views about participants in the jobactive programme.

- For commercial recruitment agencies, they are able to access a large pool of pre-screened candidates for entry-level and less desirable employment types, thereby meeting the needs of their clients.

Activity 4: Post placement support. Where the job has been sourced by the job seeker or jobactive provider directly (rather than publically advertised), the jobactive provider may provide post placement support to the candidate. This role has two objectives:

- To ensure that the job seeker is settling well into the workplace, whether any additional support is required and ensuring longer term sustainability of the job.

- To ensure that the jobactive provider will be able to meet their outcome claim documentation requirements, as outlined in section 4.6.2.2.

As outlined below, one jobactive provider had found a 'buddy' system an effective approach for transitioning job seekers into employment.

Case study

'Buddy' programmes

One jobactive provider had trialled a 'buddy' programme whereby job seekers are placed with employers in a six-week automotive work experience programme in pairs. They have found that this initiative has been particularly successful as it provides the job seeker with someone in the workplace who is going through exactly what they are, and is often a pathway to securing a formal apprenticeship. Starting a new job can be scary enough, and it can be particularly challenging if you are labelled as 'jobactive'. Having a buddy in the workplace provides someone to talk to, have lunch with, and debrief with.

In respect of pre-employment programmes, many commercial recruitment agencies suggested that the ability of agencies or employers to access a group of relevantly trained and screened candidates at no cost should be very attractive.

4.3.4. Service delivery model – specific cohorts

4.3.4.1. Commercial recruitment sector

As noted in section 3.6.2, the profile of commercial recruitment sector candidates has minimal focus on disadvantaged cohorts. Some commercial recruitment agencies reported that while they may help their clients to meet specific diversity targets (such as gender or Indigenous), disadvantaged candidate cohorts are not a key consideration for the majority of their work. Some of the limitations cited by commercial recruitment industries in servicing specific cohorts are discussed further below.

A general consensus amongst commercial recruitment agencies was that candidates with no experience or limited relevant experience generally will not pass their screening process, as it would be difficult for the recruitment agency to demonstrate the value proposition to the employer. The key exception to this appears to be the low skilled temporary pools that fill short term roles (i.e. 1 shift, 1 week, or 2 week roles) offered by some large recruitment agencies. The downside of these roles is that once a candidate is assigned to a temporary pool there appears to be limited opportunity (based on feedback from commercial recruiters) for these individuals to be developed or transitioned by the recruitment agency into more stable employment. The key cohorts impacted by no or limited relevant work experience are:

- Youth: who often have no or limited work experience. Even for junior roles, commercial recruitment clients generally expect candidates to have at least one year of relevant work experience.

- Women, long-term unemployed or returning to workforce: who may have limited recent experience in the workforce. Therefore, they may not be familiar with new technologies used in the workforce, impacting ability to hit the ground running.

- Refugees: who generally have no or limited local experience and/or qualifications that may not be recognised.

- Redundancy: who may possess a skillset that is not easily transferrable to other roles.

In recognition that the commercial recruitment sector is currently not equipped to service candidate cohorts with limited work experience, some commercial recruitment agencies have implemented other initiatives aimed at supporting disadvantaged individuals enter the workforce. The below case study provides an example whereby a commercial recruitment agency has established a charity aimed at supporting youth to enter the workforce.

Case study

Youth Case Study: Talent RISE

"Talent RISE is the foundation of Talent International – a global IT&T recruitment and services specialist. Through Talent RISE, we can showcase the world in a better light, and help young people move from merely wanting to get ahead to being inspired! We believe by inspiring young people, we can help them make better choices; help them become more confident, and in turn, help them become better influencers of their peers. Talent RISE and Whitelion have joined forces to create the Launchpad program: educating young Australians and making them job ready, finding work experience and employment, and providing mentoring and ongoing support."

Talent International created Talent RISE to provide their staff with an opportunity to use their significant experience in the recruitment agency to support youth (particularly those experiencing disadvantage) to find employment through training, job placements and mentoring. The foundation helps fund items such as professional clothing for the youth, as well as reviewing CVs, cover letters, LinkedIn profiles.

Talent International also encourages its network of clients and candidates to get involved, through donations and identifying possible job placements for youth participating in the program. A key challenge for Talent International is to help the program's participants find suitable positions to apply for, as receiving multiple knock-backs can be particularly disenfranchising for youth. To date, Talent RISE has assisted approximately 30 youth to enter the workforce and is seeking to increase this over the coming years.

Where a candidate has a disability that impacts on their capacity to work, this may involve a tailored recruitment process (where the individual may not be competitive in an open recruitment process) or placement process (where the individual will require specific placement and ongoing support). While many commercial recruitment agencies reported that they do not have the necessary skills or experience to support such a process, there are some examples where agencies have successfully recruited candidates with a disability for specific roles. The Dandelion Program outlined in the below case study is a good example of this.

Case study

Dandelion Program

Recognising that a typical commercial recruitment process is not geared towards all candidates, Paxus have been working with Hewlett Packard Enterprise (HPE) and Specialisterne (A Danish Social Enterprise) on an unconventional recruitment process for candidates on the Autism Spectrum who wish to apply for permanent IT roles with HPE. This initiative is known as the Dandelion Program and

has been recognised by the United Nations at World Autism Day in 2015 and 2016, and awarded for Outstanding Services to the Autism Community in 2015 at the Asia Pacific Autism Conference.

The Program recognised that traditional recruitment practices often mean candidates with autism are overlooked during the first interview as they do not perform well under social pressure, in unfamiliar environments. To counter this, they designed a recruitment process that was less focused on social and interview skills, and instead allowed candidates to demonstrate their curiosity, practical and analytical abilities – all key attributes in IT roles.

"This program is unique because it attacks the problem of employment for people with an ASD, not simply by pushing harder the peg into the square hole, but instead by addressing the supports needed on both ends…"

Professor Cheryl Dissanayake - Director, Olga Tennison Autism Research Centre

The program looks at the holistic support needs of people with autism not just the recruitment process, but also the additional support needed through on boarding, employment, job retention and career progression within HPE. It is recognised that initially these candidates require higher than average post-placement support. The innovative recruitment process has been highly successful and has a 90%+ retention rate.

The initiative is a great example of how a candidate's biggest barrier to employment can be the recruitment process itself. In this instance, the recruitment interview was a barrier to the candidate being considered for the role, rather than the candidate themselves. By designing a process that was built to showcase candidate strengths, the recruiter, host organisation and candidate all win.

Other limitations sighted by commercial recruitment agencies working with specific cohorts of candidates include:

- The expectation is that candidates will be 'job ready', as an employer is unlikely to pay a commercial recruitment agency to recruit staff who are not able to hit the ground running on day one.

- There are some roles that are more suited to youth than mature workers. For example, manual labour roles of a physical nature or roles that have a high risk of injury to employees. In addition, roles of a high-speed nature (such as processing) are more suited to youth candidates and those from a fast-paced retail or service industry.

Many of the commercial recruitment agencies indicated a willingness to play a role in helping candidates within these cohorts into work, but noted that there would need to be a commercial reason for doing so. At this point they do not have a need or driver to support these candidate cohorts (unless specifically request by an employer), particularly where they have other more suitable candidates who are immediately job ready.

4.3.4.2. The jobactive market

As noted in section 3.6.3, the profile of jobactive job seekers is very broad. The comparison to the commercial recruitment sector is quite stark, there appeared to be very little cross over in the participant cohorts or candidates serviced by the public employment services sector and the commercial recruitment sector.

Job seekers in jobactive belong to different cohorts, have different levels of disadvantage and have been allocated to different streams. This study identified through engagement with jobactive providers that within the public employment services sector, jobactive provider services are often tailored to the individual job seeker based on those three factors. Examples of these tailored services are detailed below.

Feedback gathered in this study indicated that jobactive providers have designed their service levels commensurate with the fee structure (i.e. less time is invested in Stream A job seekers compared to stream C).

To ensure that job seekers have access to appropriate non-vocational services, jobactive providers often develop partnerships with local service providers. This includes referring job seekers to services that can assist with homelessness, financial matters, youth support, migrant support and Indigenous support.

Some jobactive providers provide customised programs to support Indigenous job seekers. This has been prompted by the recognition that on average Indigenous job seekers have significantly more disadvantage than non-Indigenous job seekers, as well as jobactive's introduction of specific targets for Indigenous job seekers as part of the star rating performance system.

One jobactive provider offers career open days specifically for Indigenous job seekers. In these open days, a respected elder from the local community will attend to inspire and offer support to each candidate. Successful Indigenous job seekers also attend to showcase the benefits of jobactive, and offer advice to their peers. This jobactive provider reported that this initiative has increased the engagement of participating Indigenous job seekers in the jobactive program.

The case study below provides an example of one jobactive provider that has structured their organisation around cohort specialists.

Case study

Structure to support specific cohorts

One jobactive provider structures their organisation around cohort specialists. The structure is built deliberately around ensuring employment consultants can access ethnic groups which are often not catered for by larger, generalist recruitment firms. According to the CEO, structuring the organisation has numerous benefits including:

- **Stronger Insights**: consultants get better insight into the way the labour market operates for specific sections. For example lots of people do not realise there are more indigenous people in Western Sydney than anywhere else in Australia. This sort of insight is lost or misunderstood by most recruitment generalists.
- **Relationship building, genuine empathy:** Recruitment consultants are placed in regions where they can become part of the community – Arabic consultants in a branch in Lakemba, Sydney. This means that they can respond to the job seekers in a way which is genuinely culturally sensitive. For example, if Ramadan is approaching, will be a decline in job seekers' motivation to find a job in this period. An Islamic consultant is aware of and can appreciate or better accommodate the changes in behaviour.
- **Targeted responses:** Recruitment consultants are able to provide culturally relevant, specific services to each cohort. For example, their indigenous team has community connections to local aboriginal elders.

Greater impact: Particular cohorts will be impacted by the social policy agenda, which means providers can better target a single cohort. For example, currently the indigenous cohort has great demand from large organisations in meeting the 'closing the gap' social initiatives.

While a number of jobactive providers reported similar success stories for different cohorts of job seekers, there does not appear to be a strong evidence base across the public employment services sector of which particular strategies work well in which scenarios.

The commercial recruitment sector has a minimal role in assisting disadvantaged job seekers find employment.

However, there does appear to be an opportunity within the public employment services recruitment sector to build the evidence base on what strategies and job attributes are most effective for specific cohorts of job seekers. Based on stakeholder feedback, the department currently collects a significant amount of information that could be used for the purpose of this data analytics. The public employment services sector could then take this evidence base to potential employers and industry groups as a marketing strategy, as well as using the knowledge to guide job seekers in their job search efforts.

While a number of jobactive providers reported similar success stories for different cohorts of job seekers, there does not appear to be a strong evidence base across the public employment services sector of which particular strategies work well in which scenarios.

4.4. Staffing and resourcing of recruitment agencies

4.4.1. Comparison of commercial and public employment services

Commercial:

- Common positions include recruitment consultants, account managers and business development managers.

- Commercial recruitment agencies use two key staffing structures: 180° and 360°.

- Recruiters may work individually or within a team, depending on the size of the employer/contract.

- Staff often have previous recruitment or sales experience, or industry-specific experience.

- Some recruitment consultants have a university qualification.

- High staff turnover, estimated to be 30 to 40 per cent.

jobactive

- Common positions include employment consultants, business development managers, training officers and compliance officers.

- jobactive providers generally adopt a 180° staffing structure, with some functions (such as compliance and processing) centralised.

- Employment consultants generally have a specified caseload of job seekers.

- Staff often have a sales, retail or service industry background.

- jobactive providers generally adopt a 180° staffing structure, with some functions (such as compliance and processing) centralised.

- High staff turnover, estimated to be 40 to 50 per cent.

4.4.2. Staffing structure

4.4.2.1. The commercial recruitment sector

Commercial recruitment agencies generally have three core client facing staff positions: recruitment consultants, account managers and business development managers:

- **Recruitment consultants:** generally focus on talent identification, rather than business development or servicing employers. Tasks include searching for candidates (either for a specific client assignment or to build a talent pool), conducting phone screening and face-to-face interviewing.

- **Account managers:** are responsible for managing a portfolio of clients (or one major key client) and lead a team of one or more recruitment consultants. The account manager will generally conduct all steps within the recruitment cycle (business development, obtaining client assignments, sourcing candidates, interviewing, shortlisting, presenting shortlists, managing the negotiations between client and candidate, post placement support).These individuals are usually experienced recruitment professionals with a successful record delivering on client assignments, and are adept in hands-on recruitment activities and business development.

- **Business development managers:** are solely focused on identifying and winning new clients and job orders. This may include responding to tender processes and involvement on recruitment panels. Business development managers do not conduct hands-on recruitment activities.

Commercial recruitment agencies will generally either adopt a 180° model (whereby one individual sources job orders, and another individual fills job orders) or a 360° model (whereby a single individual sources and fills job orders). The differences and benefits of the two models are:

180 degree model

Account manager supported by one or more consultants (also referred to as resourcers, sourcing specialists or researchers).

180 degree model benefits

- The account manager is able to focus on building deep, fruitful relationships with the client
- The client has one point of contact and has confidence the account manager appreciates the employer's culture, strategy etc.
- The team of consultants supporting the account manager can focus on identifying the talent aligned to the client's requirements.
- This is also an effective approach if some staff are well-skilled in a client facing role, and others are adept in searching for hard to find candidates.
- Speed to market, gathering market intelligence for example the consultants (or resourcers) gathering a wide range of information, including possible leads for the account manager to then undertake business development.

360 degree model

The recruitment consultant manages the full cycle.

360 degree model benefits

- The recruitment consultant owns the entire cycle and thus builds relationships with both clients and candidates.
- The cost to the recruitment business could be lower as they aren't paying non-billing staff (for example, resourcers).
- Consultants become experts in their respective fields and know where to locate talent as well as opportunities to carry business development activities.

When asked which staffing model is the most effective, the majority of stakeholders interviewed as part of this project reported that there is no single 'better practice' staffing structure. This is because each model supports different attributes including agency size (small or large), vertical specialisation (requiring subject matter experts), client requirements, remuneration structures, fee structures and business maturity. For example, staff within a small boutique recruitment agency are generally 360°, with support from a business development manager. In contrast, staff within large high-volume recruitment agencies are sometimes 180°, with a number of recruitment consultants working in a team to screen the large quantity of candidates required to fill job orders. In another example, a recruitment agency had recently introduced 'hubs' in select offices to service large clients. This means that there are one to two dedicated consultants filling job orders from large clients and providing ongoing support throughout the candidate lifecycle. The remainder of the recruitment agency is then able to focus on small to medium clients.

4.4.2.2. The jobactive market

Within the public employment services sector, key staff responsibilities include job seeker engagement, employer engagement, training, post placement support, compliance and administration. jobactive providers consulted as part of this project generally adopt a staffing structure similar to the commercial recruitment sector's 180° model:

- **Employment consultants:** are primarily responsible for job seeker engagement. These responsibilities are detailed further below.

- **Business development managers:** are responsible for securing relationships with new employers and ongoing employer relationship management (particularly medium and large employers). Some jobactive providers had business development managers in place, others did not.

- **Training officers:** are responsible for delivering training to job seekers, such as job readiness and work skills.

- **Compliance officers:** are responsible for ensuring compliance with the 2015-2020 jobactive Deed and/or job seeker mutual obligations. In some instances, the compliance function had been centralised, particularly in relation to payment integrity.

The role of an employment consultant within the public employment services sector is often much broader than a recruitment consultant within the commercial recruitment sector. Each employment consultant is assigned a caseload of job seekers, which based on stakeholder feedback may be up to 180 job seekers at any one time. For this caseload, an employment consultant will often:

- Act as a guidance counsellor to job seekers.

- Train job seekers on job search.

- Refer job seekers to jobs.

- Reverse-market job seekers to business development managers and to potential employers.

- Coach job seekers through the application and selection process.

- Refer job seekers to other social services, for example counselling, housing, financial support.

- Monitor the compliance of job seekers, including mutual obligation requirements. Some jobactive providers indicated they had centralised this function due to the technical nature of the 2015-2020 jobactive Deed.

- Provision of post placement support to employers and job seekers. Some jobactive providers consulted had centralised this function, so that employers with employing multiple job seekers have a single point of contact.

Regardless of whether a jobactive provider has business development managers in place or not, all employment consultants are generally expected to source new job opportunities in addition to servicing their job seeker caseload. This may include canvassing local businesses for potential job opportunities or reverse marketing a specific job seeker to potential employers directly.

Effective strategies and better practice

The different roles and objectives of the commercial and public employment services recruitment sectors has led to some key differences in their staffing structures. The commercial recruitment sector is focused on sourcing the best quality candidate for the employer, and the staffing structure is therefore employer centric. In contrast, the public employment services market is focused helping job seekers find and sustain employment and meet their mutual obligations, and the staffing structure is therefore job seeker and compliance centric.

The key better practices observed from across both sectors that could contribute to improved performance in the public employment services sector include:

- Where an employer has a number of job placements throughout the year, appointing a single contact responsible for employer engagement and post placement support.

- Use of business development managers to source new employers, and to build and maintain relationships with medium and large sized employers.

4.4.3. Staffing profile

4.4.3.1. The commercial recruitment sector

Staffing profiles vary between large recruitment agencies, boutique agencies and specialist agencies. Large recruitment agencies generally have the infrastructure and financial stability to invest time in training and development, without the immediate requirement for staff to generate income. Boutique and start-up agencies generally require experienced recruiters who are required to hit the ground running and commence generating income from day one.

A recruitment agency's maturity will also determine the knowledge, skills and capabilities they seek in their staff. Larger and more established recruitment agencies lend themselves to a team environment

with lots of on the job learning and coaching (account manager supported by recruitment consultants) and can therefore hire less experienced staff.

Most commercial recruitment agencies participating in this study indicated they aim to hire individuals with at least two years' experience in the recruitment industry. A number also reported hiring individuals from non-recruitment backgrounds. They have found that people with sales and customer service backgrounds such as real estate, retail and hospitality have high levels of success in transitioning to commercial recruitment. Recruitment agencies that recruit for technical roles will also consider hiring staff with in-depth technical experience and knowledge (for example SAP).

A number of smaller recruitment agencies are increasingly focusing on cultural fit and soft skill attributes in potential staff, such as motivation, enthusiasm and relationship development. The rationale for this is that with the right attitude, the recruitment agency can provide the necessary training and support for the individual to become a successful recruiter.

Ensuring an appropriate match between the attributes of recruitment consultants and the candidates they will be servicing is also considered important by commercial recruitment agencies. For example, candidates applying for executive level positions respond well to a recruiter who is highly professional and can use their deep knowledge to appropriately match the candidate with a suitable employer. In contrast, candidates applying for blue-collar roles respond well to a less formal recruiter.

Staff within a recruitment agency generally specialise in terms of servicing a select group of employers or industries. This study found that this approach provides the following benefits:

- Staff understand the industry, so can have insightful conversations and add value to both employers and candidates.

- Staff have a close relationship with their employer group, so understand their specific technical and cultural requirements.

- Staff develop a pool of candidates, which they can quickly access for their employer group.

Commercial recruitment agencies reported that although a university qualification is not a pre-requisite for their staff; between 10 and 40 per cent of their staff have a university degree.

One recruitment agency that recruits candidates for highly technical roles found that neither their staff nor the client's staff necessarily had the required level of technical skill to assess a candidates' technical ability. To address this, the recruitment agency created a specific panel of experts. Further details are included in the case study below.

Case study

Recruiting for industry specialisation

One recruitment agency had identified that the highly technical nature of some of the roles they recruit mean that their recruiters do not have the required level of experience to assess the technical competence of candidates. Rather than trying to recruit these technical experts and to address this issue, the agency installed a panel of globally positioned subject matter experts to evaluate candidates. Possessing the technical expertise, a member of the panel will assess – via Skype – a candidates' portfolio of work including coding samples, prototypes, wireframes, and other deliverables; their skill level, style and approach.

Post interview, the expert develops a report conveying the candidate's strengths and limitations, and the environment, client and team the individual would align with best. This evaluation coupled with the recruitment agency's initial business interview (assessing behavioural skills) is shared with the client with the aim of achieving the best match.

4.4.3.2. The jobactive market

Many jobactive providers participating in this study have recruited staff with a sales, retail or service industry background. Their rationale is that staff from these backgrounds are comfortable working in a fast-paced and multitasking environment, as required for delivery under the 2015-2020 jobactive Deed.

Employment consultants typically do not specialise in servicing a particular cohort, they will provide services to all stream participants in the programme and across all industries within the local labour

market. Some jobactive providers reported that they have introduced specialist employment consultants for specific cohorts, such as Indigenous, youth and migrants. Feedback indicated this has been particularly successful in culturally diverse labour market regions where consultants can focus on the needs of the whole community, understanding cultural practices, and addressing some of the vocational and non-vocational barriers for job seekers. Stakeholders reported that while only a small number of jobactive staff have university qualifications, many have attained or are working towards a relevant Certificate IV or Diploma qualification.

Effective strategies and better practice

The jobactive market could consider the benefits of an alternative service delivery approach that allows for staff to specialise. This could include focussing on different industry or employer groups, streams, specific cohorts of participants (for example, youth, indigenous, migrant) based on the characteristics of the caseload within their individual labour markets.

4.4.4. Retention of staff

4.4.4.1. The commercial recruitment sector

The commercial recruitment sector within Australia has a high rate of staff turnover, estimated to be 30-40 per cent based on stakeholder feedback received as part of this project. When compared to other industries[91], this rate is similar to accommodation and food services (35 per cent), more than retail trade (25 per cent) and significantly more than education and training (13 per cent).

The feedback gathered indicated that the commercial recruitment sector's turnover to the high pressure and fast paced environment, as well as the high risk, high reward culture. This environment means that new recruiters are expected to quickly achieve results or leave. The fast-paced nature of the sector also contributes to high levels of 'staff burnout', with many staff typically staying in the industry only for a year or two.

Despite the high industry average, many commercial recruitment agencies have maintained a much lower turnover in the 10-20 per cent range. These agencies attributed their success to a combination of:

- Increased flexibility and work life balance.

- Good culture and opportunities to contribute to industry.

- Having career progression and transparency over this.

- An appreciation that it can take time to succeed in recruitment, although other recruitment agencies argue that it is better to quickly manage out individuals who do not fit.

- Offering a salary that is highly competitive or less focussed on variable components.

"We are successful in retaining quality staff because of our strong culture and empowering staff to manage their work based on their individual strengths."

Interview with recruitment agency

One small boutique agency consulted as part of this project prided itself on its flexible working environment and staff agility. All six of its staff worked part-time. In addition, the agency does not have an office location. Rather, staff may work from home, meet clients in their offices and candidates in cafes or other agreed locations. Other commercial recruitment agencies expressed a desire to provide staff with a more flexible working environment, but that further work in this space is required.

4.4.4.2. The jobactive market

In 2015-16, the public employment services sector experienced high staff turnover, estimated to be 40-50 per cent based on feedback received as part of this project. This is higher than previous years, which was estimated to be similar to the commercial recruitment sector turnover rate at 30-40 per

---

[91] Reserve Bank of Australia, (2012) *Labour Market Turnover and Mobility*. Available at:
http://www.rba.gov.au/publications/bulletin/2012/dec/1.html

cent. Given 2015-16 was a 'transition year' for jobactive providers implementing new operating models to support the 2015-2020 jobactive Deed, a greater level of turnover is not surprising.

Higher staff turnover will often impact on the continuity of service received by both job seekers and employers. From a jobactive provider perspective, this creates inefficiencies and could impact on quality of service as more time is required to build rapport, understand the job seeker and support their development to ultimately achieve employment outcomes. Additionally, if the new staff members do not have an employment services background there is a need for appropriate training and oversight. This includes ensuring that all new starters understand and comply with all of their contractual requirements.

Effective strategies and better practice

Both the commercial recruitment and public employment services sectors are experiencing high staff turnover rates, albeit for different reasons. This project has therefore not identified any specific approaches and practices in the commercial recruitment sector that could contribute to improved performance in the public employment services sector.

4.5. Performance and remuneration of recruitment staff

4.5.1. Comparison of commercial and public employment services

Commercial:

- The primary performance measure is financial performance e.g. revenue and profitability.

- Staff are often assigned financial targets that cascade up and are aligned with projected financial performance.

- Some recruitment agencies also assign staff activity targets, for example business development calls, interview with candidates.

- Some recruitment agencies also assign staff activity targets, for example business development calls, interview with candidates.

- The most common remuneration model is a moderate base salary ($60,000 - $90,000) with a moderate-high bonus or commission structure.

jobactive:

- The primary performance measure is the star rating model.

- Staff are often assigned placement/outcome targets that align with the star rating model.

- Some jobactive providers also assign staff activity targets, for example calls to potential employers and referral of job seekers to jobs.

- The most common remuneration model is a fixed remuneration structure (aligned with the Labour Market Assistance Industry Award 2010), although some providers pay above award.

4.5.2. Performance management

4.5.2.1. The commercial recruitment sector

Operating in a commercial environment, recruitment agencies generally measure their performance in terms of revenue, profit margin and in some instances market share. The first two measures are reasonably straightforward as they only consider the individual recruitment agency's performance. In contrast, measuring market share can prove difficult due to the limited data available and the dissimilarity of organisations that service a single sector (i.e. organisations are of varying sizes, geographic coverage, and may only service a sub-sector or multiple sectors). Recruitment agencies indicated they conduct limited competitor benchmarking, and those that do rely on piecemeal information, anecdotal evidence and surveys of a subset of the sector (for example, the Recruitment

Industry Benchmark (RIB) report surveys approximately 180 recruitment organisations[92] out of almost 7,000).

Commercial recruitment agencies had implemented one of three performance models for managing and measuring staff performance:

1. Financial target only.

2. Financial target plus activity targets.

3. No financial targets.

The first two performance models are the most common.

Under the first model, staff are allocated either a sales target or margin multiplier target. Commercial recruitment agencies indicated that annual sales targets generally range from between $300,000 and $600,000, while a margin multiplier target is generally the staff member's annual remuneration multiplied by between two and four. The annual sales target would require a recruitment consultant to achieve between five and 15 placements per month (assuming a mix of short-term, medium-term and permanent positions, using the average wage fees outlined in section 3.8). These sales targets are similar to the averages reported by Bullhorn in their 2015 Australian Trends Report, of between $241,000 and $365,000 per annum[93]. Recruitment agencies that have adopted this model argue that it supports an outcomes focus, and encourages quality service while providing individual staff with flexibility in how they undertake service delivery.

Under the second model, staff are set activity targets in addition to a financial target. An example suite of activity targets provided by a commercial recruitment agency is included in box 4.1.

Box 4.1: Example monthly activity targets per commercial recruitment consultant

New business development calls: 25

Candidate interviews: 8

Client meetings: 10-12

Candidate CV floats to potential employers: 20

Phone calls: 150

This model is popular with large-volume recruitment agencies. They argue that it provides a structure for recruiters to focus on the 'right' type of practices and is useful in setting expectations and ongoing performance management. Other recruitment agencies suggest that activity level targets do not drive the right behaviours amongst recruiters as they focus on quantity rather than quality. For example, a recruiter may float 20 resumes, but if they do not translate into placements there is little value in the recruiter focusing their effort on that activity. In addition, this model does not take into account individual strengths. For example, one recruiter may be effective at securing employer meetings (i.e. place calls to five employers and secure five meetings) while another recruiter is less effective (i.e. place calls to 25 employers and secure five meetings).

The third model was reported by a small number of boutique 'family' recruitment agencies that do not assign any financial targets for their staff. Rather, they focus on the maintenance of networks, relationships and delivering quality service. These agencies argue that by focusing efforts in these areas, the financial results will follow.

To varying degrees, recruitment agencies also consider the 'soft skills' of their recruiters in performance assessment. For example, one recruitment agency rates their staff on a scale of 1 to 5 on financial performance and A to D on culture. A rating of 3C is the middle point, and the trigger for bonus/commission eligibility. Through this structure, agencies are placing value on the behaviours and culture that its employees demonstrate.

When asked which performance model is the most effective, the majority of stakeholders interviewed as part of this project reported that there is no single 'better practice' performance model. This is

---

[92] Feedback obtained during stakeholder interviews
[93] Bullhorn, (2016) *Australian Recruitment Trends Report.* Available at: http://www.bullhorn.com/au/resources/2015-australian-recruitment-trends-report/

because each model supports a different organisational culture, objectives and level of staff experience. For example, providing less experienced staff with activity targets can be effective as it directs them to the activities that will hopefully translate into job placements, and therefore financial performance. In contrast, staff with significant experience in the sector (as often found in specialist and boutique recruitment agencies) will naturally adopt the strategies they have found most effective based on their previous experience.

4.5.2.2. The jobactive market

Within the public employment services sector, jobactive providers report that the key driver of their performance is the star ratings system. The star rating system is a regression model that compares performance of jobactive providers operating in the same labour market to identify high performing (5 star) and low performing (1 star) providers. The model drives performance through the achievement of sustained employment outcomes for job seekers, with higher performance weightings for achieving employment outcomes for more disadvantaged job seekers (for example, stream C and Indigenous)[94].

To support a strong star rating and achievement of financial targets, jobactive providers set employment consultants a range of outcome targets. An example placement and outcome target provided by a jobactive provider is included in box 4.2.

Box 4.2: Example monthly placement and outcome targets per jobactive consultant

Employment placements: 10

Four week outcomes: 8

12 week outcomes: 6

26 week outcomes: 4

This performance structure is similar to the commercial recruitment sector's 'model 1', as the achievement of outcomes generates income (and therefore contributes to financial performance). However, not all indicators in the star rating model are directly linked to financial outcomes. For example, jobactive providers are measured against Indigenous job seeker targets through the star rating model, but do not receive "Indigenous outcome" fees in addition to the standard stream outcome payments.

To provide an example of financial performance within the jobactive market, achievement of the placement and outcome targets in Box 4.2 would generate $185,160 in annual outcome fees (assuming a stream mix of: stream A: 60%, stream B: 25%, stream C: 15%). Although the number of jobactive placements required per month (10) is comparable to the commercial recruitment sector (five to 15), the fees generated are significantly less. For example, if a commercial recruiter was to place between 5 and 15 candidates per month they would likely achieve annual revenue in the range of $300,000 to $600,000, which is significantly more than the public employment services sector. They are also building a network of clients and candidates for future opportunities, while the jobactive pool remains relatively stable.

Some jobactive providers reported a performance structure similar to the commercial recruitment sector's 'model 2', whereby recruitment consultants have activity level targets in addition to placement and outcome targets. The arguments for and against activity targets within the jobactive market were similar to those raised for the commercial recruitment sector.

Effective strategies and better practice

The range of performance models adopted within the jobactive market is similar to the commercial recruitment sector. Most organisations set financial targets for staff, and some organisations also set activity level targets for staff. There does not appear to be a single 'better practice' performance model, as the models support different organisational culture, objectives and level of staff experience.

A key finding is that the Government's priorities as defined in the star rating model significantly influence how jobactive providers define and measure performance. As a result, jobactive providers define 'good' performance using the range of indicators (both financial and non-financial) measured in

---

[94] Department of Employment, *jobactive Star Ratings for Job Seekers.* Available at: https://jobsearch.gov.au/provider/help_provider.aspx#Star

the star rating model. It is therefore critical that the star ratings model adequately supports key Government priorities, objectives and desired behaviours of the public employment services sector.

4.5.3. Remuneration models

4.5.3.1. The commercial recruitment sector

Underpinning performance management within the commercial recruitment sector are the staff remuneration models. This project has identified four key remuneration models:

1. Low base salary, high commission.

2. Moderate base salary, low-moderate commission.

3. Moderate base salary, quarterly/annual bonus.

4. Fixed remuneration, no commission or bonus.

The first three models are the most common. Most commercial recruitment agencies considered that a commission or bonus structure is necessary to support the commercial focus of their organisation.

The first model is the most 'aggressive' and consistent with the high-risk and high-reward culture of some agencies within the commercial recruitment sector. This model requires recruiters to consistently succeed (through the achievement of sales and therefore commission) or leave (due to the low base salary). Recruitment agencies reported that a low base salary is generally between $40,000 and $60,000.

The second model is a less aggressive version of the first model. It provides all recruiters with the stability of a reasonable base salary, as well as opportunity to be rewarded for high performance. Recruitment agencies reported that a moderate base salary is generally between $60,000 and $90,000. Commission is generally calculated as a fixed percentage of sales.

As shown in Figure 25, assuming a commission of 10% a commercial recruiter would earn between $90,000 and $130,000 per annum. These figures are consistent with the industry averages reported by Bullhorn in their 2015 Australian trends Report, of between $93,000 and $121,000 per annum[95].

Figure 25: Commercial recruitment remuneration example

The third model is similar to the second model, but uses a bonus structure rather than a commission structure. Recruitment agencies that have adopted this model argue that it encourages recruiters to focus on quality rather than quantity, fosters a greater team cooperation and can take into account non-financial key performance indicators (such as fill rate, or time taken to fill a job order). Commission structures are often used in organisations experiencing high growth and that are heavily revenue driven; in contrast bonus structures are often used in organisations with moderate or slow growth, where non-financial goals also exist and where there are multiple people on the 'selling team'[96].

---

[95] Bullhorn, (2016) *Australian Recruitment Trends Report.* Available at: http://www.bullhorn.com/au/resources/2015-australian-recruitment-trends-report/

[96] Sales Benchmark Index, (2011) *Sales Compensation: Should I Pay Commission or Bonus?* Available at: https://salesbenchmarkindex.com/insights/sales-compensation-should-i-pay-commission-or-bonus/

The fourth model was primarily adopted by the boutique 'family' recruitment agencies mentioned earlier that did not set financial targets for their recruiters, but also by one of the large recruitment agencies. The large recruitment agency had previously trialled a bonus system, but found it did not drive the 'right' behaviours amongst recruiters as it led to competitiveness amongst staff, discouraged collaboration and reduced focus on delivering a high quality of service.

4.5.3.2. The jobactive market

Within the jobactive market, fixed remuneration is the most common remuneration model. This is the same as the commercial recruitment sector's 'model 4'. Only one jobactive provider consulted as part of this project had introduced a small bonus scheme for their employment consultants who meet and exceed their activity targets. Other jobactive providers were cautious about introducing an incentive scheme as it may encourage the 'wrong' behaviours (e.g. internal competitiveness or bullying) and considered that it does not align with the jobactive programme's objectives or the organisational values.

Staff delivering services as part of jobactive are generally employed under the Labour Market Assistance Industry Award 2010, although some jobactive providers reported paying above award. As shown in Figure 26, annual salaries range from between $40,000 (administrative assistance officer pay point 1) to $66,000 (manager 2 grade point 5) or $86,000 (manager grade 2 pay point 5, paid 30 per cent above award).

Figure 26: The labour market assistance industry award
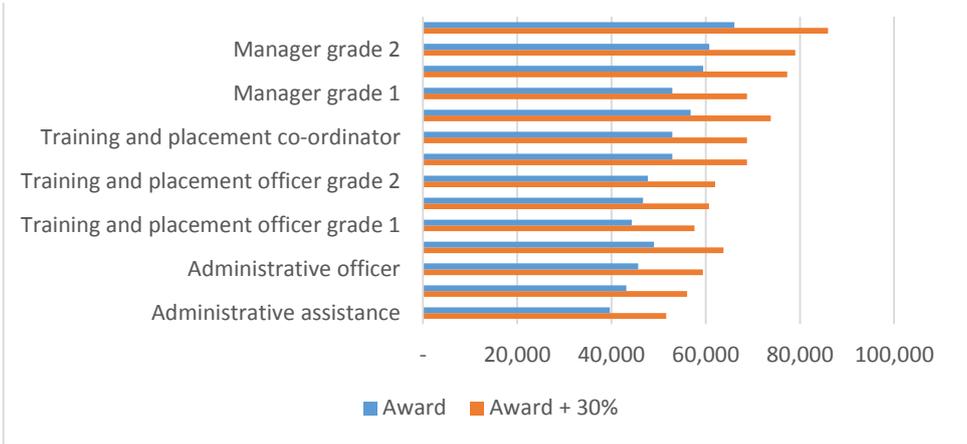
The data for Figure 26 is in the following table:

Chart data 18: for Figure 26: The labour market assistance industry award

Role	Pay point	Annual award salary	Annual award salary plus 30 per cent
Administrative assistant	1	$39,682.27	$51,586.95
Administrative assistant	2	$43,130.18	$56,069.23
Administrative officer	1	$45,682.26	$59,386.94
Administrative officer	4	$49,036.43	$63,747.36
Training and placement officer grade 1	1	$44,343.72	$57,646.84
Training and placement officer grade 1	3	$46,703.10	$60,714.02
Training and placement officer grade 2	1	$47,708.30	$62,020.79
Training and placement officer grade 2	5	$52,911.42	$68,784.85
Training and placement co-ordinator	1	$52,911.42	$68,784.85
Training and placement co-ordinator	4	$56,796.84	$73,835.89
Manager grade 1	1	$52,911.42	$68,784.85
Manager grade 1	6	$59,458.30	$77,295.78
Manager grade 2	1	$ 60,791.63	$79,029.12
Manager grade 2	5	$ 66,119.75	$85,955.67

With the exception of manager grade 2 paid at 30 per cent above award, all of these wages are less than Australia's average wage of $81,146.[97] This supports the views of stakeholders that wages within the public employment services sector are not competitive. It is common practice in service and sales industries to link staff remuneration to their ability to generate income. As observed in section 4.6.2, individual income generation power within the jobactive market is generally less than in the commercial recruitment industry. Contributing factors may include the fixed fee structure (refer section 3.8) and the range of activities undertaken within jobactive that do not directly contribute to financial performance (refer to section 4.5).

Affordability was raised as the biggest barrier to increasing staff salaries; whilst jobactive providers would like to pay their staff more they cannot afford to. Therefore, in order to fund an increase in salaries across the public employment services sector higher profit margins would need to be achieved. Methods for accomplishing this may potentially include increasing fees (which jobactive providers have no control over), generating higher fees (by achieving more outcomes) or finding efficiencies (doing more with the same number of staff). This project has not considered the extent to which these options could be realised.

Effective strategies and better practice

Compared to the jobactive market, the commercial recruitment sector frequently adopts commission and bonus structure and offers higher remuneration to its staff.

4.6. Regulation and quality within the recruitment industry

4.6.1. Comparison of commercial and public employment services

Commercial:

- There is no specific regulation on the commercial recruitment sector, although some State/Territory specific requirements exist.
- Peak bodies are seeking to increase the standing and reputation of the commercial recruitment sector through the AHRI accreditation program and the RCSA Charter.

jobactive:

- jobactive providers must comply with the jobactive Deed 2015-20 and accompanying guidelines.
- jobactive providers report high levels of administrative requirements.

4.6.2. Regulation and quality

4.6.2.1. The commercial recruitment sector

The commercial recruitment sector is largely unregulated with very few barriers to entry.

There is no Commonwealth legislation or regulation of the commercial recruitment sector, and many state and territory governments have repealed or relaxed their rules. While some state and territory governments still require employment agents to be licenced, most have transitioned to codes of conduct or rules as part of Fair Trading Legislation[98]. A summary of key state and territory legislation and other regulation applicable to the commercial recruitment sector is:

Australian Capital Territory

Agents Act 2003

---

[97] Australian Bureau of Statistics (2015). *6302.0 Average Weekly Earnings, Australia, Nov 2015*. Available at: http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0
[98] RCSA Business Solutions Contact, (2009) *Employment Agent Regulation Guidance Note*. Available at: http://www.rcsa.com.au/documents/bsc/GuidanceNote_Memo/Employment%20Agent%20Licensing%20and%20Regulation-Guidance%20Note.pdf

New South Wales

Fair Trading Act 1987

Queensland

Private Employment Agents Act 2005

Western Australia

Employment Agents Act 1976

South Australia

Employment Agents Registration Act 1993

Northern Territory

Commercial and private agents licencing Act 2000

Tasmania

Security and Investigations Act 2002

Victoria

Private Security Act 2004[99]

The general consensus amongst recruitment agencies and their association bodies is that there is little regulation or enforcement within the commercial recruitment sector.

There are no specific quality standards that apply to the commercial recruitment sector. A few recruitment agencies interviewed as part of this project had chosen to become accredited under quality standards such as ISO 9001, but cited that this was good practice rather than a specific requirement.

In addition, there are minimal evidentiary requirements for claiming placement fees within the commercial recruitment sector. For permanent positions, the recruitment agency generally raises an invoice at the time the employment contract is signed; therefore, the executed employment contract is the only evidentiary requirement. For temporary positions, the recruitment agency generally raises an invoice at the end of the month for all hours worked during the period; therefore, authorised timesheets is the only evidentiary requirement.

In recent years, two of the industry's key association bodies have introduced standards with a view of improving the professional standing and overall quality of the sector.

RCSA Code for Professional Conduct

The 'RCSA Code for Professional Conduct' was developed as part of the RCSA's ongoing commitment to ethics and professional practice, and has been authorised by the Australian Competition and Consumer Commission[100]. RCSA members are required to abide by the code, which consists of three general principles and eight specific principles, as summarised below:

General Principles:

1. Members must act in a manner that is becoming of a Member and, to that end, observe a high standard of ethics, probity and professional conduct, which requires not simply compliance with the law; but extends to honesty, equity, integrity, social and corporate responsibility in all dealings and holds up to disclosure and to public scrutiny.

2. Members must not engage in any form of conduct that is prejudicial to the interests of the RCSA.

3. Members must, except where they can satisfy RCSA that they have fair and lawful excuse, co-operate with any investigation by RCSA of Member conduct and comply with any Direction or

---

[99] RCSA Business Solutions Contact, (2009) *Employment Agent Regulation Guidance Note*. Available at: http://www.rcsa.com.au/documents/bsc/GuidanceNote_Memo/Employment%20Agent%20Licensing%20and%20Regulation-Guidance%20Note.pdf

[100] Australian Competition and Consumer Commission, (2014) *ACCC grants authorisation to the RCSA's professional conduct regime.* Available at: https://www.accc.gov.au/media-release/accc-grants-authorisation-to-the-rcsa%E2%80%99s-professional-conduct-regime

Conduct Recommendation given with regard to the Member's conduct or grievance arising from the Member's conduct.

Specific Principles:

1. Confidentiality and Privacy.

2. Honest Representation.

3. Work Relationships.

4. Legal Compliance.

5. Safety and Security.

6. Certainty of Engagement.

7. Professional Knowledge.

Good Order.

All RCSA members are required to complete an online Code training module, which according to its website takes approximately one hour in duration.

AHRI Practising Certification Program

The 'AHRI Practising Certification (APC) Program' is a recognised postgraduate level program. According to the AHRI website, it is designed to equip human resource professionals "*with the professional capabilities and leadership behaviours to:*

- *Apply human resource though leadership and insight to foster a productive and sustainability culture that drives individual and organisational objectives.*

- *Build organisational capability and influence organisational objectives*"[101].

Although still in its infancy, ARHI's objective is for the APC to become an industry recognised certification, similar to Certified Practicing Accountants (CPA). Box 4.4 provides an overview of the APC Program, including entry requirements, structure and delivery mode.

Box 4.4: AHRI Practising Certification Program overview[102]

Entry Requirements:

- Experienced HR professionals with a minimum of five years working in a HR role (without formal qualification).

- HR professionals with an undergraduate degree for a recognised tertiary institution and a minimum of two years recent experience in a HR role.

- Experienced people managers or business leaders with a minimum five years relevant vocational practice in management.

The APC requires completion of four units of study:

- Unit 1: The Strategic HR Professional.

- Unit 2: The HR Organisational Environment.

- Unit 3: Workforce Design, Development and Performance.

- Unit 4 Capstone: Applied Project in Organisational Capability.

The APC program is offered over two years, on a part time basis. Students undertake a unit of study per semester and are expected to commit eight to 10 hours per week.

The program can be delivered via distance or workshops in Sydney and Victoria.

---

[101] Australian Human Resources Institute, *AHRI Practicing Certification Program*. Available at: https://www.ahri.com.au/education-and-training/qualifications/AHRI-practising-certification-program
[102] Australian Human Resources Institute, *AHRI Practicing Certification Program*. Available at: https://www.ahri.com.au/education-and-training/qualifications/AHRI-practising-certification-program

Both of the above initiatives are reported by the respective association bodies as making a positive contribution to the recruitment and human resource industries. However, as both initiatives have been in place for less than three years it is too soon to make an assessment as to their effectiveness.

The RCSA has also introduced the RCSA Professional Emerging and Aspiring Recruitment Leaders (PEARL program) to promote personal development and recognition across the sector. Through the three elements of PEARL, the RCSA seeks to provide its members with opportunities to develop their leadership capabilities and recognise the good work of its members. Details for the program are included in the case study below.

Case study

RCSA PEARL program

The RCSA Professional Emerging and Aspiring Recruitment Leaders (PEARL) program consists of three elements outlined below:

1. PEARL Mentoring: The RCSA PEARL mentoring program is designed to provide members with an opportunity to learn from peers within the industry to develop leadership, communication and decision making skills. The focus of the program is on developing behavioural skills rather than technical, recruitment training and development.

As seen in table 4.2, the 2016/17 intake has 58 mentees participating. To ensure mentees receive the best outcome from the program, the two parties are matched based on their goals and objectives, in addition to their professional backgrounds.

Table 4.2: PEARL mentoring participants[103]

New South Wales

Mentees: 31

Mentors: 31

Victoria

Mentees: 11

Mentors: 11

Queensland

Mentees: 3

Mentors:3

South Australia

Mentees: 3

Mentors:3

Western Australia

Mentees: 8

Mentors:8

New Zealand

Mentees: 2

Mentors:2

Total

Mentees: 58

Mentors: 58

---

[103] Data provided by the RCSA as part of stakeholder consultation.

Following an induction briefing conducted by a third party, the pair meet monthly with meetings generally running for two hours. The PEARL mentoring program has provided an avenue for up-and-coming leaders within the industry to discuss challenges they are facing with a person who is not their manager, facilitating the mentee to develop their own path/solutions. The program is viewed by the commercial recruitment sector as an effective vehicle to support career progression and development in the recruitment sector.

2. PEARL forum: The forum brings together the industry to hear from speakers and trainers from outside of the recruitment profession. Similar to the mentoring program, the emphasis is on leadership development via interactive, short presentations.

3. Awards: Launched in 2011, the PEARL awards recognise and celebrate emerging recruitment leaders and professionals. Emerging leaders are recognised based on their contributions in terms of leadership, industry success, industry commitment, and innovation.

According to some interviewees, a significant threat to the future of the commercial recruitment sector is increased regulation. In recent years, Victoria[104], South Australia and Queensland[105] have all run inquiries into the labour hire industry, prompted by poor practices that drew significant media attention such as underpayment of wages. Because of these inquiries, stakeholders consulted as part of this project report some concern that all commercial recruiters will soon be subject to greater regulation to ensure they are providing lawful and meaningful employment opportunities for candidates. Greater regulation is seen to be a risk to one of the commercial recruitment sector's key offerings – the ability to provide an agile workforce.

4.6.2.2. The jobactive market

Although there is no specific Commonwealth legislation governing jobactive providers, those interviewed as part of this project report operating in an environment that is closely measured and monitored. The receipt of government funding will always carry with it certain accountability and service delivery responsibilities due the transparency and accountability requirements for public funding; this is very different to the commercial recruitment industry, which is largely unregulated.

While neither the commercial recruitment sector nor the public employment services sector have specific Commonwealth legislation, the two sectors report significantly different levels of regulation.

The commercial recruitment sector is largely unregulated with very few barriers to entry. In recent years, the key association bodies have introduced a number of initiatives aimed at improving the quality and standing across the sector. The potential applicability of these initiatives to the public employment services sector is considered below.

- A principles based Code of Conduct could be developed for the public employment services sector. While jobactive currently has an Employment Services Guarantee in place, the Guarantee is activity rather than principles based.

- The current staffing profile of the public employment services sector does not lend itself to a postgraduate accreditation program. Key considerations include the stability of the workforce (current high levels of staff turnover – section 4.4.4), level of educational attainment (the majority of staff are not university bachelor qualified – section 4.4.3) and low levels of remuneration (section 4.5.3).

- A leadership, mentoring and recognition programme could be valuable within the public employment services sector. However, the collective and individual costs and benefits of such a programme would need to be assessed, particularly given the small number of jobactive providers (and potentially high cost per provider).

4.7. Key Observations

The commercial recruitment sector is largely unregulated (outside of normal Australian business and company laws). Greater regulation is seen to be a risk to one of the commercial recruitment sector's

---

[104] Victorian Government, (2016) *Labour Hire Inquiry.* Available at: http://www.vic.gov.au/news/labour-hire-inquiry.html

[105] Queensland Parliament, (2015) *Inquiry into the practices of the Labour Hire Industry in Queensland.* Available at: https://www.parliament.qld.gov.au/work-of-committees/committees/FAC/inquiries/current-inquiries/I5-LabourHire

key offerings – the ability to provide an agile workforce and the flexibility to enter different markets where economic growth may be occurring.

Given the low barriers to entry, branding and marketing are key drivers of the success of commercial recruitment agencies. This includes having specialist service offerings and staff who understand their client business and can provide solutions that improve business outcomes for their employers.

The rise of technology and connectedness has also allowed commercial recruitment agencies to conduct more passive recruitment techniques. The shift away from print advertising and job boards has been occurring as recruitment agencies build and access their candidate pools to meet their clients' needs.

The service delivery arrangements across both the commercial recruitment sector and the public employment services market adopted two key structures, a 180^0 model (account manager supported by one or two consultants) or a 360^0 model where a recruitment consultant manages the full cycle of activities.

Interestingly, turnover in both sectors is quite high (30-50 per cent) when compared against other industries. Organisations in both sectors report a continued focus on improving staff retention, as high turnover impacts on the quality of service and creates inefficiencies.

Performance management models in both sectors operate similarly, as both aim to improve the financial performance of the business. While the driver may be different for the not-for-profit sector in public employment services, these organisations still strive for high performance and financial outcomes.

5. Observations

5.1. Areas for future consideration

This report has identified a number of observations about the commercial recruitment sector.

Brand and profile:

i) The commercial recruitment sector has strong branding and marketing strategies. Commercial recruitment agencies see their profile in the market as key to ensuring a long term and sustainable business.

ii) Talent branding strategies adopted in the commercial recruitment sector, such as sponsorships, social and networking events, thought leadership, social media and recognition initiatives, are considered to be better practice.

Specialisation:

i) The changing nature of the Australian economy and the growth and decline of markets and industries has resulted in a flexible operating model and the increase of specialisation in delivery of commercial recruitment services.

Sourcing jobs:

i) The commercial recruitment sector has been successful in developing close working relationships with employers. They strive to ensure staff understand their clients' business and have a strong focus on the relationship with the employer.

ii) Specific and targeted pre-employment programme offerings have seen improvements in employability of participants, particularly in more disadvantaged cohorts.

Staffing profile:

i) Staff with specific industry knowledge and understanding were observed to achieve better outcomes than generalist consultants. A specialist consultant is able to build rapport with both the client and candidate, and is well positioned to understand their respective requirements and make candidate recommendations accordingly.

Technology

ii) Technology has improved the ability to match employment with the right people. Social media and professional network technology enables commercial recruitment agencies to build and connect with their talent pool. Database technology managed in the commercial recruitment sector puts the right candidates at the fingertips of consultants rather than relying on recent appointments or memory.

Regulation and quality:

i) The lack of regulation with the commercial recruitment sector allows a stronger focus on finding employers and the right candidates. This framework and environment drives efficient and flexible models to deliver services and gather the best outcome for their clients.

Attachment A: References

Table 5 lists the documents reviewed as part of the project.

Table 5: Literature review

Ref	Document author	Document title
1	American Productivity and Quality Centre (APQC)	The Best Compared to the Rest: Top Performers in Recruiting, Sourcing, and Selecting Employees.
2	Anna Patty, Sydney Morning Herald	Untapping Skills and Talent Through New Internships for Refugees.
3	Australian Bureau of Statistics	50 Years of Labour Force Statistics - Now and Then.
4	Australian Bureau of Statistics	Information Paper: Construction of Experimental Statistics on Employee Earnings and Jobs from Administrative Data, Australia, 2011-12.
5	Australian Bureau of Statistics	Labour Force, Australia, Detailed, Quarterly, Feb 2016.
6	Australian Bureau of Statistics	Average Weekly Earnings, Australia, Nov 2015.
7	Australian Competition and Consumer Commission	ACCC grants authorisation to the RCSA's professional conduct regime.
8	Australian Council of Social Services	Towards More Efficient and Responsive Employment Services: A Submission to APESAA.
9	Australian Human Resources Institute	AHRI Practicing Certification Program.
10	Australian Human Resources Institute	Supporting Working Parents: Pregnancy and Return to Work Discrimination.
11	Australian Human Resources Institute	Australian Human Resources Institute Pulse Survey – Older Workers.
12	Australian Human Resources Institute	Australian Human Resources Institute Submission: Disability Employment Taskforce.
13	Australian Human Resources Institute	Benchmarking Diversity and Inclusion (D&I) Practices in Australian.
14	Australian Human Resources Institute	Older Workers Summit.

Ref	Document author	Document title
15	Australian Human Resources Institute	Youth Employment Report.
16	Australian Human Rights Commission	Willing to Work: National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability.
17	Australian National Audit Office	Job Placement and Matching Services, Audit Report No.49 2005–06 Performance Audit.
18	Bullhorn	The 2015 Australian Recruitment Trends Report.
19	Business Victoria	Local Industry Fund for Transition.
20	Christopher Kent, Assistant Governor (Economic), Reserve Bank of Australia	Ageing and Australia's Economic Outlook – speech.
21	Colmar Brunton Social Research	Additional Segmentation of Australian Job Seekers.
22	Commonwealth of Australia	Portfolio Budget Statements 2016-17, Budget Related Paper No. 1.6 Employment Portfolio.
23	Country Meters	Australian Population – Australian Population Clock.
24	David Sanford, WinterWyman	The Paradigm Shift - The Changing Face of Hiring and Recruitment.
25	David Scutt, Business Insider Australia	There are 166,000 job vacancies in Australia right now -- here's who's hiring and where.
26	Department of Employment	Components and results of the Job Seeker Classification Instrument.
27	Department of Employment	Help at hand for retrenched workers.
28	Department of Employment	Industry Employment Projects 2016 Report.
29	Department of Employment	Industry projections – five years to November 2020.
30	Department of Employment	Job Services Australia March 2015 Star Ratings.
31	Department of Employment	jobactive – helping you find work fact sheet.
32	Department of Employment	jobactive Deed 2015-2020.
33	Department of Employment	Active Participation Evaluation Report.
34	Department of Employment	Australian Jobs 2016.
35	Department of Employment	Labour Market Assistance Outcomes Report.
36	Department of Employment	Recruitment Analysis.
37	Department of Employment	Recruitment Methods Used By Employers.

Ref	Document author	Document title
38	Department of Employment	Stepping Stones Survey.
39	Department of Employment	Vacancy Report.
40	Department of Employment	Vacancy Report.
41	Department of Industry, Innovation and Science	$155 million Growth Fund to drive Stat's future growth.
42	Department of Industry, Innovation and Science	Australian Industry Report – 2015.
43	Department of Infrastructure and Regional Development	State of Australian Cities – 2014 to 2015: Chapter 2 Population.
44	Department of Social Services	Try, Test and Learn Fund – Budget 2016.
45	Fair Work Commission	2015 Intergenerational Report.
46	Fair Work Commission	Annual Wage Review 2015-16.
47	Fair Work Commission	Annual Wage Review 2015-16 Order.
48	Fair Work Commission	Labour Market Assistance Industry Award 2010.
49	Greg Savage, The Savage Truth	Agency Recruitment is Not Dying. It's Growing!
50	Hays	2016 Hays Salary Guide.
51	HHMC	Going Up.
52	IBIS world	Employment Placement and Recruitment Services in Australia Market Research.
53	Information Technology Contract and Recruitment Association	Recruitment Industry Benchmarking (RIB) Report.
54	James Glynn, The Wall Street Journal	Australia's Reserve Bank of Australia Says Job Market Strong.
55	John Quiggin, Australian National University	Employment and unemployment in Australia - A long-term perspective - A Submission to the House of Representatives standing committee on long-term strategies.
56	Journal of Social and Economic Policy	Working Nation: Context and Consequences.
57	Koncept Analytics	Global Recruitment Market Report: 2010 Edition.
58	KPMG	Getting Recruitment Right.
59	KPMG	Employees: An Endangered Species? The rise of robotics, artificial intelligence, and the changing workforce landscape.

Ref	Document author	Document title
60	KPMG	KPMG Quarterly Economic Outlook, 2016.
61	Laplagne, P. Glover, M. Fry, T	The Growth of Labour Hire Employment in Australia, Productivity Commission Staff Working Paper.
62	Launch Blog	Major Recruitment Industry Trends for 2015 in Australia.
63	LinkedIn	Adecco, Randstad, Manpower, Robert Half.
64	LinkedIn Talent Blog	Active vs Passive Candidates: The Latest Global Breakdown Revealed.
65	Ludo Struyven, Social Policy and Administration	Varieties of Market Competition in Public Employment Services – A Comparison of the Emergence and Evolution of the New System in Australia, the Netherlands and Belgium.
66	Minister's Media Centre Employment portfolio	Assistance for all Queensland Nickel workers.
67	Minister's Media Centre Employment portfolio	Support for Tasmanian forestry workers.
68	NAB	NAB Monthly Business Survey – April 2016.
69	OECD	Activating Jobseekers: Lessons from 7 OECD countries.
70	Office of the Chief Economist	Australian Industry Reports.
71	Parliamentary research service	Working Nation, A Progress Report, Current Issues Brief.
72	Productivity Commission	Independent review of the Job Network, report No.21, 3 June 2002.
73	Professor Dan Finn	Subcontracting in Public Employment Services: The Design and Delivery of 'Outcome Based' and 'Black Box' Contracts.
74	Queensland Parliament	Inquiry into the practices of the Labour Hire Industry in Queensland.
75	RCSA Business Solutions Contact	Employment Agent Regulation Guidance Note.
76	Rebecca Wilson, Recruitment International	Adecco Australia Expanding General Office Business.
77	Recruit Holdings Co	Acquisition of Australian Staff Companies: Peoplebank and Chandler MacLoed.
78	Recruitment and Consulting Services Association	Pulse Report – RCSA Quarterly Hiring Intentions Survey.
79	Recruitment and Consulting	RCSA Appoints Expert in New Work as CEO.

Ref	Document author	Document title
	Services Association (RSCA)	
80	Recruitment and Consulting Services Association (RSCA)	RCSA Code for Professional Conduct.
81	Recruitment Daily	Acquisitions Aplenty in Australian Recruitment Industry.
82	Reserve Bank of Australia	Employment Growth – Year to August 2015.
83	Reserve Bank of Australia	Factors of Production and Labour Market.
84	Reserve Bank of Australia	Labour Market Turnover and Mobility.
85	Reserve Bank of Australia	The Economic Performance of the States.
86	Reserve Bank of Australia	The evolution of employment and Unemployment in Australia.
87	Richard Jones, Jobs Australia	What Providers Should be Worried About.
88	Rob Hore, HHMC	Lack of Private Equity Investment Hurting Australian Recruitment Industry.
89	Rob Hore, HHMC	Valuing A Corporate Recruitment Agency.
90	Rob Hore, HHMC	Be Relevant In A Maturing Industry.
91	Rob Hore, HHMC	SIA's 2014 ANZ Staffing Company Survey.
92	Rob Hore, HHMC (an independent advisory group focused on the Asia Pacific recruitment industry)	Barriers to Entry Likely to Rise: reviewing the ANZ recruitment industry low barriers to entry.
93	Ross Clennent, LinkedIn	ASX-listed recruitment companies: Going, going, gone.
94	Sales Benchmark Index	Sales Compensation: Should I Pay Commission or Bonus?
95	Sangster, K., TMS Consulting	Staffing trends: A changing recruitment market in Australia.
96	Senator the Hon Eric Abetz, Minister for Employment and The Hon Luke Hartsuyker MP Assistant Minister for Employment	jobactive open for business across Australia.
97	South Australia State Development	State Government commits $50 million to ensure future of Whyalla steelworks.
98	Specialisterne Foundation	Specialisterne Foundation and Australia Join Forces to Employ People with Autism.
99	Steve O'Neill, Commerce and Industrial Relations Group	Job Network, the 3rd Contract.

Ref	Document author	Document title
100	The 1945 White Paper on Full Employment	-
101	The Economist	Keeping up with the Schmidts.
102	The Queensland Cabinet and Ministerial Directory	Accelerated Works Program unlocks 430 jobs for North Queensland.
103	Tony Dolphin and Kayte Lawton, Institute for Public Policy Research	A Job For Everyone.
104	Tony Eardley, University of New South Wales	Outsourcing Employment Services: What Have We Learned From The Job Network.
105	Trading Economics	Age Dependency Ratio (% of Working-Age Population) in Australia.
106	UK Department for Work and Pensions	Beliefs about work: an attitudinal segmentation of out-of-work people in Great Britain.
107	UK Department for Work and Pensions	Early Impacts of Mandatory Work Activity.
108	University of Melbourne, Faculty of Business and Economics	Household, Income and Labour Dynamics in Australia Survey.
109	Victorian Government	Labour Hire Inquiry.
110	Western Australia Department of State Development	Western Australia Economic Profile – December 2014.

Attachment B: Consultation Profile

KPMG conducted both face to face and telephone consultations with 31 different stakeholders during this project. A summary of the profile of consultations undertaken is outlined below.

- Six association bodies – two in the public employment services sector and four in the commercial recruitment sector.

- Seven public employment services providers located across New South Wales, Queensland, South Australia and Victoria including both private and not for profit providers.

- 18 commercial recruitment agencies – this included global, national and local agencies operating in a range of sectors including retail, tourism, manufacturing, IT, financial and professional services, trades, mining and government.

Consultations were structured through a series of questions and focussed on the following key topics:

- ➢ The structure of the organisation.
- ➢ The characteristics of the labour market in which the organisation operates.
- ➢ The service delivery model.
- ➢ Organisational performance and how this is measured.
- ➢ Innovation in the sector.
- ➢ Opportunities for the future.

www.kpmg.com.au