TOP ECHELON REPORT:

State of the
Recruiting Industry

Top Echelon takes a look back at the
recruiting challenges of 2015 and ahead
to the solutions and potential for 2016.

2015/16

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MAJOR *Findings*

2015 was a strong year for most recruiters, according to the results of Top Echelon's end-of-year survey. However, that doesn't mean that recruiters lacked challenges. Quality candidates constitute the major theme of **"Top Echelon's 2015–2016 State of the Recruiting Industry Report."**

KEY TAKEAWAYS:

1 JOB ORDERS
There was no shortage of job orders in most industries.

2 QUALITY CANDIDATES
There WAS a shortage of quality candidates to be found in most industries.

3 UPPER HAND CANDIDATES
Many recruiters were hampered by slow-moving, low-offering clients in a market where candidates had the upper hand.

We asked recruiters for their views on the rest of 2016. The consensus:

1 Job orders will continue to be plentiful, although there is danger on the horizon for some industries.

2 Quality candidates will continue to be scarce in many industries and niches.

3 Recruiters are evenly split on the issue of an economic downturn, with about half expecting one in 2016 and the other half thinking that it's unlikely.

These findings are just a sample of the wealth of information that our survey uncovered. Continue reading for the full report of Top Echelon's findings: the highs and lows of 2015, what's coming in 2016, and what recruiters can do to improve their outcomes for the rest of the year.

SETTING *the Stage*

Recruiting Firm Size | Top Industries | Most Challenging Industries

Where were the placements in 2015? Which industries were hot, and which ones can we expect to see sizzling throughout 2016? We surveyed our base of recruiting customers to find out.

Recruiting Firm Size

First, we asked survey participants to identify how many recruiters work for their firm.

The majority (37%) answered "2–3 recruiters," while the next-largest group selected "Just me" (32%). About a quarter of correspondents identified as "4–9 recruiters," but only 7% said that their firm had 10 or more recruiters.

32%
Just Me

37%
2–3 Recruiters

24%
4–9 Recruiters
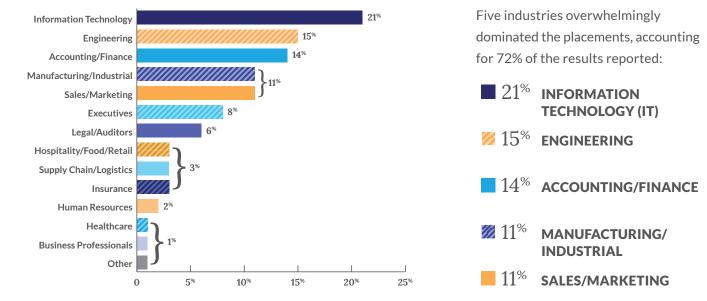
7%
10⁺ Recruiters

Number of recruiters working in a firm

KEY TAKEAWAY:

Small to mid-sized independent recruiting firms make up the majority of survey respondents. Very few survey participants number more than nine recruiters.

Top Industries

We also asked recruiters to identify their top placement industries for the past year.

Industries/niches that gave the most placements in 2015

Five industries overwhelmingly dominated the placements, accounting for 72% of the results reported:

21% **INFORMATION TECHNOLOGY (IT)**

15% **ENGINEERING**

14% **ACCOUNTING/FINANCE**

11% **MANUFACTURING/ INDUSTRIAL**

11% **SALES/MARKETING**

For clarity's sake, below is a sampling of the specific niche answers that fell into our industry buckets:

INFORMATION TECHNOLOGY
wireless telecom, security, tech market research

ENGINEERING
OEM, scientific, aerospace, medical electronics

ACCOUNTING/FINANCE
financial services, banking, energy trading

MANUFACTURING/INDUSTRIAL
construction, paper industry

SALES/MARKETING
consumer products, sales management, medical advertising

HOSPITALITY/FOOD/RETAIL
call center, office furniture

SUPPLY CHAIN/LOGISTICS
agriculture, transportation, environment, grocery

INSURANCE
mortgage industry, real estate title insurance

HEALTHCARE
pharmaceutical

BUSINESS PROFESSIONALS
administrative services

OTHER
education, "too new to profession," or evenly split between multiple industries

KEY TAKEAWAY

The market overall seems to be getting tighter and more competitive, but quality candidates can still be found and placed successfully within certain niches.
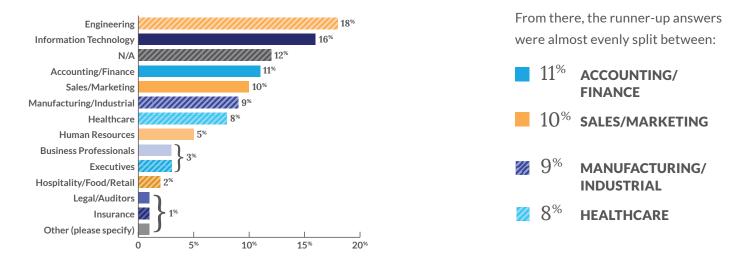
Most Challenging Industries

Engineering (18%) and IT (16%) topped the list of the most challenging industries in which to make successful placements in 2015.

This likely comes down to issues we will discuss in more depth later in this report: a scarcity of qualified candidates and many options for those candidates who do have the desirable skillsets.

The third most popular answer was "Not applicable" (12%), with about half of correspondents citing additional reasons.

Many recruiters reported that they only work one industry, while others indicated they were not experiencing any difficulties in their industries. A handful simply referenced poor client offers and lack of quality candidates as their major source of difficulty.

From there, the runner-up answers were almost evenly split between:

- 11% **ACCOUNTING/ FINANCE**
- 10% **SALES/MARKETING**
- 9% **MANUFACTURING/ INDUSTRIAL**
- 8% **HEALTHCARE**

Industries giving the most trouble in making successful placements

These answers make sense. Like Engineering and IT, Accounting/Finance generally requires candidates with a specific and non-transferrable skill set. Sales has always been a high-risk, high-reward area for recruiters. And with a great number of companies realizing the need for an internal digital marketing team, that area is heating up.

Meanwhile, Manufacturing/Industrial recruiters have been heavily impacted by a number of factors, including the offshoring of skilled labor and the general negative perception of blue-collar roles by Millennials and some Gen Xers. Finally, Healthcare has boomed thanks to Obamacare and an aging population, but the wave of retiring Baby Boomers is hitting this industry particularly hard.

The unemployment rate has dropped, and the number of candidates entering the marketplace does not match those leaving it. Due to these and other factors, many recruiters are struggling to make placements in niches where candidates have the upper hand.

SURVEY FEEDBACK

" Finding knowledge workers [is becoming difficult]. The supply is shrinking, and it's getting harder to find people with the right engineering and technical background. Also, we're losing 12,000 people per day for the next 17 years from the Baby Boomer Generation. Not enough junior and mid-level staff coming up and the industries are slow to progress in the way they staff and recruit for their firms . . ."
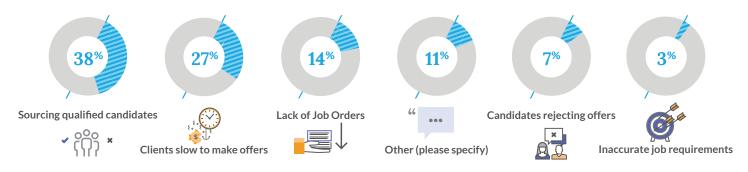
KEY TAKEAWAY:

While recruiters generally benefit in a market where skilled candidates are difficult to find, it can be stressful in high-skill, high-education industries such as Engineering and IT. These industries may have job orders, but recruiters will have to work hard to source enough high-quality candidates to go around.

2015 Triumphs and Challenges

Client Complaints | Candidate Turn-downs

Let's start with the good news, which is that the vast majority of survey participants are not suffering from a lack of job orders.

Top Echelon asked recruiters, "What is your primary source of stress?"

38%	27%	14%	11%	7%	3%
Sourcing qualified candidates	Clients slow to make offers	Lack of Job Orders	Other (please specify)	Candidates rejecting offers	Inaccurate job requirements

Primary source of stress according to recruiters

The bad news: over 38% of recruiters indicated that "sourcing qualified candidates" is their primary source of stress. Another 7% chose "candidates rejecting offers" as their answer, which means that over 45% of participants directly attributed their primary source of stress to candidates.

Part of recruiters' stress is indirectly attributed to candidates. That's because 27% indicated that "clients slow to make offers" is the primary source of their stress. When clients are slow to make offers, means quality candidates have time to drop out of the process and/or accept offers from a competing employer, which badly impacts recruiters.

The silver lining? A "lack of job orders" was identified as the primary source of stress by recruiters only 14% of the time.

We also saw a number of recruiters (11%) picking "Other," and giving specific reasons they feel stressed, such as the following:

"

> Having candidates who know interviewing strategies."
>
> "Not enough hours in the day!"
>
> "Clients are making offers that are below-market and get turned down or result in a counter-offer situation."
>
> "Too many clients to service—high demand for our services."
>
> "Job orders that don't line up with the market value."

"

Orders continue to come in at a regular pace and candidates are available (although not always plentiful) for most orders."

"It is a candidate market right now and there are more competitive offers. We have to move quickly, but not skip steps in our hiring procedure."

In an optimal market for recruiters, job orders are plentiful and the candidates needed to fill those job orders are scarce. These are the conditions that precipitate companies' need to use recruiters to first identify and then recruit the appropriate talent.
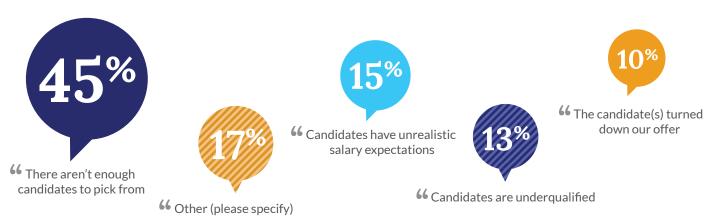
KEY TAKEAWAY:

2015 was an optimal recruiting market, with job orders aplenty. However, high-quality candidates were more difficult to find, a consequence that comes with the territory of having an optimal market.

Client Complaints

"Sourcing quality candidates" definitely represented one of the biggest challenges for recruiters in 2015.

However, even when recruiters were able to source and present quality candidates for their clients' job orders, there were still plenty of challenges. Not surprisingly, many of those challenges once again involved the candidate side of the equation.

Top Echelon asked, "What is the biggest client complaint you hear after candidates have been submitted?"

Biggest client complaint you hear after candidates have been submitted

45%
" There aren't enough candidates to pick from

17%
" Other (please specify)

15%
" Candidates have unrealistic salary expectations

13%
" Candidates are underqualified

10%
" The candidate(s) turned down our offer

Far and away, the most popular answer was "There aren't enough candidates to pick from" at 45%. Accounting for 13% of the results was "Candidates are underqualified." In addition, nearly 10% of recruiters chose "The candidate(s) turned down our offer" as their answer.

SURVEY FEEDBACK

" There is a lack of high-quality candidates. Candidates may have great academic and professional credentials, but there is a disconnect between salary and work expectations."
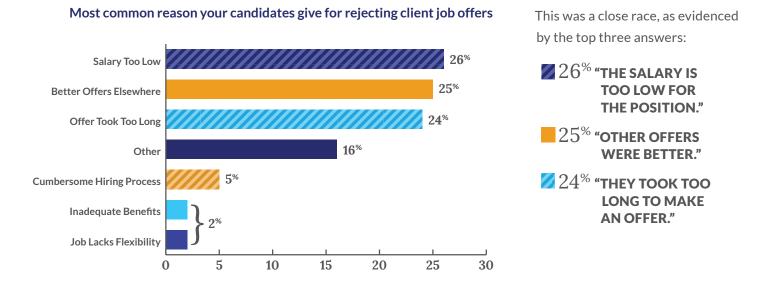
KEY TAKEAWAY:

Recruiters faced three major challenges in 2015 when attempting to fill their clients' open positions:

1 Difficulty sourcing qualified candidates

2 Not enough quality candidates at the presentation stage

3 Candidates declining offer of employment

Candidate Turn-downs

Top Echelon's survey dug even deeper into the problem of candidates declining client offers with this question: "What is the most common reason your candidates give for rejecting client job offers?

Most common reason your candidates give for rejecting client job offers

Reason	%
Salary Too Low	26%
Better Offers Elsewhere	25%
Offer Took Too Long	24%
Other	16%
Cumbersome Hiring Process	5%
Inadequate Benefits	2%
Job Lacks Flexibility	2%

This was a close race, as evidenced by the top three answers:

26% "THE SALARY IS TOO LOW FOR THE POSITION."

25% "OTHER OFFERS WERE BETTER."

24% "THEY TOOK TOO LONG TO MAKE AN OFFER."

Even when recruiters were able to find qualified candidates and present them, they ran the risk of those candidates rejecting their clients' offer, primarily due to salary considerations. This is further corroborated by the question discussed previously in this study: "What is the biggest client complaint you hear after candidates have been submitted?" Over 15% of survey participants chose "Candidates have unrealistic salary expectations."

Taking all of that information into consideration, it's clear that a large disconnect exists between top talent within all industries and the organizations that are attempting to hire those top candidates.

That disconnect revolves around the offer package that the candidates expect to be offered and the offer package that the organizations are actually offering.

As a result, recruiters are experiencing a high level of stress in their attempts to place qualified candidates in their clients' job orders.

KEY TAKEAWAY:

There was a significant disconnect in 2015 between candidate and client expectations, and recruiters were the ones who suffered from that disconnect.
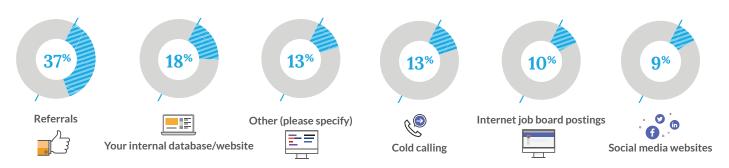
SOLUTIONS *for* 2016

Sourcing Candidates | Advertising Jobs | Marketing Services to Clients

Looking ahead at 2016, Top Echelon found
simple solutions to recruiting challenges.

Sourcing Candidates

In one of the survey questions, Top Echelon asked, "Where do you find your highest quality candidates?"

37%	18%	13%	13%	10%	9%
Referrals	Your internal database/website	Other (please specify)	Cold calling	Internet job board postings	Social media websites

Where recruiters find their highest quality candidates

Once again, one answer was more popular by far than any other. That answer was "referrals" at 37%. Next was "internal database/website" at 18% and "cold calling" at 13%. Recruiters also found quality candidates through "Internet job board postings" (10%) and "social media websites" (10%).

Of those that answered "Other" (13%), most listed LinkedIn or The Ladders as their best source of quality candidates.

Based upon these results, it seems practical that recruiters would always ask their candidates for referrals. If that's where they found their highest quality candidates in 2015, and their biggest challenges revolved around candidates, then asking for more referrals should be a top priority.
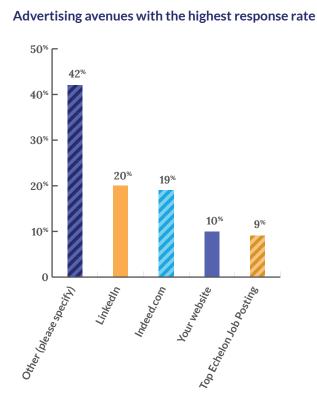
KEY TAKEAWAY:

Recruiters who are having a difficult time finding quality candidates to fill their job orders need to focus more on working their existing network from past placements and applicants.

Advertising Jobs

When recruiters aren't sourcing their candidates through the use of referrals, they're advertising their jobs in an effort to get them in front of the right candidates. But where are they getting the best results, and what does that tell us going forward?

To find out the answer, Top Echelon asked: "Which of the following avenues gets the best response rate for advertising your jobs?"

Advertising avenues with the highest response rate

The most popular answer was "Other," which upon further inspection encompassed the following avenues:

MONSTER

ZIP RECRUITER

CAREERBUILDER

THE LADDERS

DICE

FACEBOOK

CRAIGSLIST

In addition, "LinkedIn" garnered 20% of the responses, with "Indeed.com" next at 19%. Nearly 10% of recruiters chose "Your website" as their answer, and almost 9% selected "Top Echelon Job Posting."

Recruiters obviously used a wide array of avenues to advertise their jobs, and those recruiters met with varying degrees of success. As is often the case, recruiters should do more of what worked in 2016 and less of what did not. While that formula is different for different recruiters, the answers to these particular survey questions could provide ideas for additional advertising avenues.
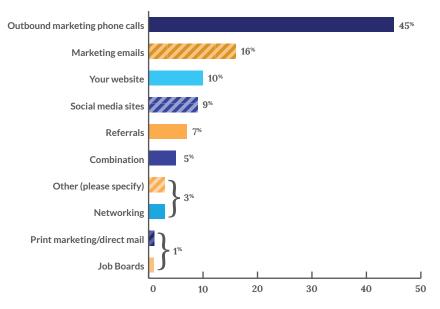
KEY TAKEAWAY:

In addition to referrals, recruiters will need to embrace job postings on social media and their own websites in 2016 in order to provide clients with the volume of quality candidates they're seeking.

Marketing Services to Clients

Besides advertising their jobs, recruiters are also tasked with marketing their services to potential clients. After all, they won't continue to have job orders to advertise if their clients don't provide those job orders.

We asked recruiters, "What is your primary method of marketing your services to clients?"

As you might expect, nearly half (45%) of recruiters pointed to "Outbound marketing phone calls" as their primary method of marketing. "If it ain't broke, don't fix it," and cold calling still works well for the recruiting industry.

Recruiters' primary method of marketing their services

However, the next three top responses all involve the Internet, which goes to show how much times have changed. Recruiters can't get by with just a phone, the Yellow Pages, and a stack of index cards anymore. These three selections were:

16% "MARKETING EMAILS"

10% "MY WEBSITE"

9% "SOCIAL MEDIA SITES"

There is no doubt that the recruiting industry has undergone tremendous amounts of change during the past few decades. Despite all of that, though, there is no substitute for picking up the phone and making calls when it comes to marketing your services. It's still the primary method for recruiters everywhere, and that might always be the case.

A significant portion of recruiters (7%) also specified that referrals from satisfied clients are their best marketing avenue. These two survey answers show that personal communication is still important in today's recruiting world.

SURVEY FEEDBACK

"
I have been doing this since 1985 and have seen so many changes in the industry. Some are great, like being able to have a computerized database rather than index cards, and now a database online.

"The use of social media has its upsides and downsides. The upsides are the scope of people you can reach in a timely manner. The downsides are the lack of personal communication that most candidates and hiring managers now desire."

KEY TAKEAWAY:

Recruiters can "touch all the bases" when marketing to clients by using a three-pronged approach:

1 Traditional outbound calling

2 Marketing emails and integrated website and social media posting

3 Encouraging satisfied clients to refer new clients

LOOKING *Ahead*

Top Business Priorities | Road to Recession?

Top Echelon also posed questions regarding recruiters' plans and outlook for 2016. The answers to these questions were quite revealing.
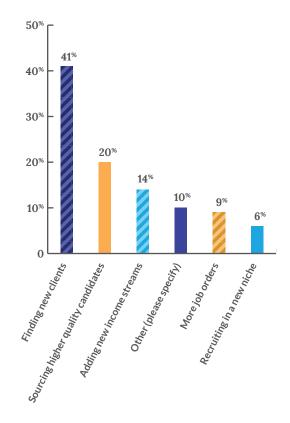
Top Business Priorities

Top Echelon asked: "What is your highest business priority for 2016?"

Whereas recruiters indicated that their primary source of stress in 2015 involved candidates, "sourcing higher quality candidates" earned the second-most responses to this question at 20%. More than doubling that percentage were the recruiters who chose "finding new clients" as their answer (41%).

So while recruiters absolutely want to source better quality candidates, they also absolutely want to find new clients. That's because these new clients will issue new job orders. And regardless of how important quality candidates are, they lose their luster if there are no open job orders.

Recruiters highest business priorities for 2016

Category	Percentage
Finding new clients	41%
Sourcing higher quality candidates	20%
Adding new income streams	14%
Other (please specify)	10%
More job orders	9%
Recruiting in a new niche	6%

Underscoring the importance that recruiters place on job orders is "Getting more job orders from current clients," which garnered 9% of the vote. "Adding new income streams" was also on recruiters' radar, as 14% of them chose that as their answer.

SURVEY FEEDBACK

" My focus in 2016 is to only work the split jobs on [Top Echelon Network] that have at least two of these three: high fee percentages (preferably 25%+), high salaries ($75k+), and low guarantee periods (preferably no more than 30 days) and those that are entered by the most responsive recruiters."

When it comes to looking ahead, recruiters most definitely have their collective eye on finding new ways to make more placements and generate new revenue streams.
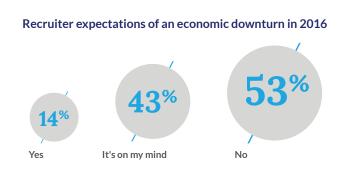
KEY TAKEAWAY:

Recruiters overwhelmingly want to find additional clientele, but they also want to source higher quality candidates, get more job orders from existing clients, and diversify their income streams in 2016.

Road to Recession?

As mentioned earlier in this report, in an optimal market for recruiters, job orders are plentiful and the candidates needed to fill those job orders are scarce. The availability of job orders is typically a product of the current state of the U.S. economy.

Top Echelon also surveyed recruiters regarding their thoughts about the economy, asking this question: "Are you preparing for an economic downturn in 2016?"

More than half of the recruiters participating in the survey (53%) stated "No," while 14% answered in the affirmative. Another 33% indicated that "It's on my mind."

Recruiter expectations of an economic downturn in 2016

14%
Yes

43%
It's on my mind

53%
No

Recruiters voiced uncertainty about the economy:

"The economy is heading to another downturn, in my opinion. Though in the last one, our revenue went up!" [Editor's note: this really can happen, if recruiters incorporate contract staffing into their searches.]

"Biggest current concern is volatility in financial markets. However, I have been recruiting for 30 years, so I always remain hopeful and optimistic that if I do a great job, my clients will return."

"Since the 2008 recession, it is a priority for me to work to have a year of cash flow in the bank to weather the cycles that seem to be bigger and longer than I have seen them in the 20+ years I have been recruiting."

". . . I do think we may experience a major slowdown during 2016 or early 2017."

"Sixteen years in the recruiting industry with seven years as an owner. A major downturn could be devastating for my team this year because I'm just starting to get some tenured people."

"Record year last year, but unclear about 2016. Concern about election year, global issues, oil pricing and stock market."

"It feels like there will be an economic slowdown, but until that happens, this should be an amazing year in our industry. Supply/demand is entirely in our favor at the moment."

There is definitely a feeling of unease surrounding a possible downturn this year. Despite this, few recruiters are actively preparing for the possibility, which begs the question: will recruiters be hit hard by a possible economic contraction?

The answer will come down not just to niche and industry, but also to the types of searches recruiters pursue. Those who develop a plan to diversify their income (for example, through split placements and contract staffing) will find it easier to ride out any economic slowdowns.

KEY TAKEAWAY:

Diversifying income streams (i.e. through the use of split placements or contract staffing) is a prudent choice at any time, but it is especially important when a downturn may be on the horizon.

FINAL *Analysis*

Summed up in one word, the current recruiting environment is "thriving."

The industry is healthy for the following major reasons:

1 Job orders are (more or less) plentiful.

2 Candidates are open to new opportunities.

3 Quality candidates are scarce.

4 Technology affords avenues for additional candidate sourcing methods.

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The majority of challenges (and subsequent stress) that recruiters are experiencing can be tied directly to the consequences of a thriving recruiting environment. In other words, those challenges have nothing to do with a lack of job orders, a lack of willingness on the part of employers to hire, or a lack of desire on the part of candidates to make a career move.

SURVEY FEEDBACK

" I am very enthusiastic regarding 2016. I have a good start on the year and expect it to be my fourth year in a row of year over year growth in placements and fees."

"I have just started using Top Echelon's job board and also job posting slots. So far I am VERY impressed and pleased. The support team and training team is AMAZING. With these new tools, I am eager to see how things work over the next few months."

"I had a successful 2015 which was the first year I started my company and I am hoping that 2016 is even better. I know that there is a competitive market out there but if you offer a consultative approach to the companies you serve you will always win!"

In conclusion, the recruiting industry had a record year in 2015, and the space seems poised for further growth in 2016. It should be an exciting year to be a recruiter!

Top Echelon wishes the best of luck to recruiters in 2016. We look forward to helping recruiters make more placements!

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Top Echelon