Joining the queue

The recession has accelerated big changes for firms that help people find jobs.

"IN 2008 10m people came to us, and we placed 4m in jobs. In 2009 it was 11m, and we only placed around 3m. It's been a tough year." So says Jeff Joerres, the boss of Manpower, an employment-services firm best known for its army of temporary workers. The highest unemployment rates in decades have meant that more people than ever have turned to firms that specialise in finding people jobs. But at a time when firms are hiring far less, if at all, that can easily add up to more disappointed clients. One thing Manpower has got better at during the recession, says Mr Joerres, is figuring out quickly which job-hunters can be helped, and which to send elsewhere rather than risk leading them on.

In the final quarter of 2009 Manpower's profits were down by 62% from the same period a year earlier, on revenues that were 4% lower. Although its share price is twice what it was last March, it is still at barely half its peak. The story is much the same across the recruitment industry. On February 23rd Heidrick & Struggles, a big headhunting firm, announced that revenues had fallen by 19% in the fourth quarter, although it eked out slightly higher profits. It trimmed its team of consultants from 419 to 359 over the course of last year. Monster, an online job-listing firm, posted a loss in the fourth quarter. Its shares, though up since last March, remain two-thirds lower than in February 2007, before the deterioration of the American economy became apparent.

Even so, Sal Iannuzzi, Monster's boss, is upbeat. He, like his counterparts at other recruitment firms, is increasingly confident that unemployment in America has peaked. Moreover, his firm, like many in the industry, has made big changes to improve its prospects as the market recovers. Before the recession, Mr Iannuzzi had publicly acknowledged that neither Monster's technology nor the services it offered were up to snuff. Although it led the shift of job listings away from newspapers to the web—newspaper revenues from such listings are down by over 90% since Monster announced itself with its first Super Bowl ad in 1999—it had rested on its laurels. The recession underscored the problems, when desperate jobseekers used Monster to fire off scattergun applications, in effect spamming recruiters.

Mr Iannuzzi decided to push ahead with an overhaul despite the recession, "forgoing profitability to invest in innovation". Monster has developed a search engine called 6Sense, which is designed to help recruiters screen out "aspirational applicants" (the spammers). It also allows recruiters to search for suitable candidates themselves, rather than waiting for the right person to apply. Instead of relying on telemarketing, Monster is visiting employers to show off these products.

In early February Monster announced a deal to buy HotJobs, a rival listings site, from Yahoo!. It will pay $225m—barely half what Yahoo! paid when outbidding Monster for the firm eight years ago. The deal is expected to bring enough new customers to make Monster, which now operates in over 50 countries, the largest online database of potential hires, ahead of its biggest rival, Careerbuilder.

These moves are intended in part to see off specialist competitors, which have grown despite the downturn by exploiting niche markets. Dice, for example, focuses on technology jobs; TheLadders lists only jobs with a salary of $100,000 or more. People seeking jobs on TheLadders pay a monthly fee of $35, enough to deter the eager but unqualified. Hyperactive users (defined as those who apply for more than 100 jobs a day) are strongly discouraged. According to Marc Cenedella, the firm's boss, "on average, there are 21 applicants per job on TheLadders, whereas on Monster you can get a thousand people applying, which is far too much noise."

Mr Cenedella, who blogs about recruitment, says “curation”, meaning more filtering of those looking for work, is the new trend. “The sites have evolved from online jobs boards into ‘talent communities’,” says Jayson Saba, a specialist in employment at Aberdeen Group, a market-research firm. In other words, recruitment firms are hoping to capitalise on the popularity of social networking. Monster owns sites such as military.com and theapple.com, which allow soldiers and teachers respectively to hobnob and hunt for work. Along with rivals, it is also trying to use Facebook (with mixed results) and, above all, LinkedIn, a professional-networking site.

Reid Hoffman, the founder of LinkedIn, says its revenues from employers looking for recruits among its 60m members have risen consistently throughout the downturn. Mr Hoffman thinks his members are only just beginning to appreciate the edge the site can offer when it comes to job referrals. “When someone recommends you for a job, that counts for far more than when you apply for it yourself,” he says.

“We use LinkedIn, quite frankly,” says Kevin Kelly, the boss of Heidrick & Struggles, who readily concedes that the emergence of online search and networking is undermining the advantage conferred by his firm’s proprietary database of contacts. In response to the gradual erosion of their main selling point, Mr Kelly and his colleagues have begun offering their services as consultants on other aspects of employment, helping firms keep their best staff and manage successions. Senior executives suffer from a high rate of attrition: 40% leave their job within 18 months. Heidrick has analysed 20,000 hirings it orchestrated to assess why some of those appointed lasted longer than others. It is incorporating its findings into its advice.

Like Heidrick, Manpower is increasingly having to compete by finding new ways to help recruiters, helping them manage high-powered but short-lived projects, for example. Companies are putting together many more ad hoc teams often connected virtually around the world, notes Mr Joerres. “Perhaps only 20% of a team will be on the full-time staff,” he says, “so they need a much more on-demand talent spigot, which we can provide.”

Recruiters are clearly becoming far more sophisticated, thanks to the new search tools that are available, says Aberdeen’s Mr Saba: “You’d think with 10% unemployment, jobs would be filled more quickly, but the focus on sourcing the right people, screening them and so on means that the time to fill has not fallen.” Mr Joerres believes that the increasing sophistication of recruiters means that firms will do less “anticipatory hiring” than in previous recoveries. Instead, firms will wait to get exactly the staff they need, when they need them.

However, Heidrick’s Mr Kelly thinks lots of executives who have stayed in their jobs over the past year or two despite working twice as hard for less money will grab the first opportunity to move to pastures new. The same may be true for less exalted workers, too—and could signal a better year ahead for recruitment firms.

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