



RCSA **RESEARCH REPORT**

Business Confidence & Labour Market Report

NOVEMBER 2007 TO SEPTEMBER 2008

:: RCSA Research Report

By Clayton S Jan

About the Report

The Business Confidence and Labour Market Report is a quarterly web survey of RCSA (Recruitment and Consulting Services Association Ltd) Members in the on-hire, recruitment and workforce solutions sector. The voluntary survey asks and tracks responses on business confidence, expectations and concerns; recruitment staff turnover; applicant availability and quality; and placement activity.

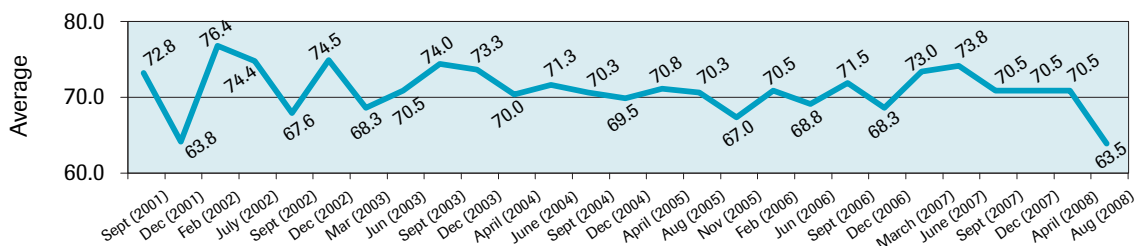
This report is based on the results of the August 2008 survey, the 27th survey conducted by the RCSA.

The survey was conducted in August 2008 across Australia and New Zealand, collecting information from 191 respondents. The proportion of offices in each State and Territory, and proportion of income generated in each State and Territory were similar to the IBISWorld Report (2007: 8) giving confidence that the results of this report can

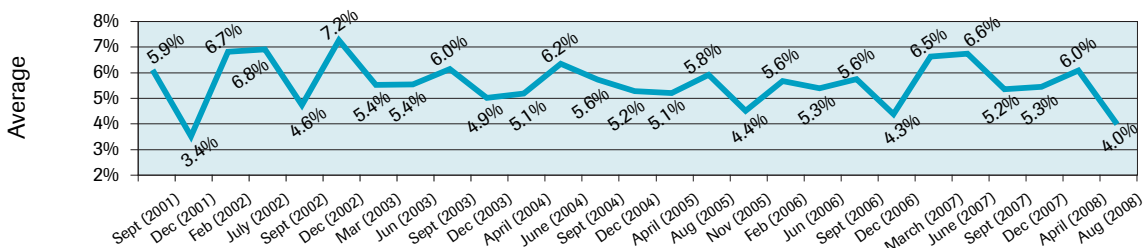
be generalised across the sector. The survey represents \$6.07 billion in turnover across Australia and New Zealand; and \$5.52 billion across Australia. This is a strong representative result compared to the \$14.3 billion represented in the IBISWorld 'Contract Staff Services in Australia' (2007: 4) and 'Employment Placement Services in Australia' (2007: 4) reports.

Business Confidence Lower

I am confident that our business will improve over the next three months



Volume (%) your business will change next quarter



Recruitment business confidence has dropped to the lowest level since 2001. This appears to be partially due to fluctuations in general confidence around unemployment rates but primarily due to fluctuations in the stock market.

Unemployment and Participation

In 2001 the unemployment rate in Australia increased from 6.4 per cent to 6.7 per cent in 2002, however it dropped to 6.1 per

cent in 2003 and fell each subsequent year (Australian Bureau of Statistics, 2008b: 113).

Between July 2007 and July 2008, the Australian unemployment rate remained steady at 4.3 per cent. The participation rate is at 65.3 per cent, and increased by 0.3 per cent between July 2007 and July 2008 (Australian Bureau of Statistics, 2008a). In New Zealand, unemployment rose between the March and June 2008 quarters from 3.7

per cent to 3.9 per cent, while the labour force participation rate simultaneously increased from 67.7 per cent to 68.6 per cent, showing that the New Zealand economy is more robust than what the market believes (Statistics New Zealand, 2008). Therefore, both employment and participation rates are strong and there is stronger activity in the jobs market.

Business Growth

Expectations of business growth by recruiters have dropped by 2 percent to 4 per cent, the lowest since the 3.4 per cent level of December 2001. This would appear to be connected to recent drops on the stock exchanges. For example, during the 2002 calendar year, a drop in returns on the Australian Stock Exchange shows returns on the ASX 200 losing 12.13 per cent and the ASX 20 losing 13.57 per cent (Standard and Poor's, 2006: 142).

Confidence

This shows that the current business confidence outlook is more likely linked to commercial issues and general economic conditions rather than directly due to employment market issues. This is supported by concerns about the state of the economy jumping to the top of the list of concerns for 84 per cent of the sample.

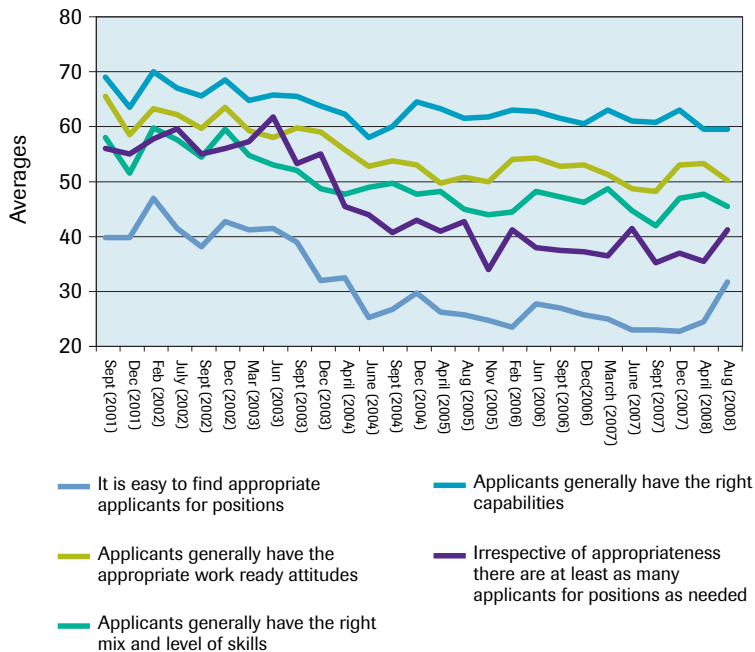
Sourcing Potential Applicants Becoming Easier

Recruiters are finding it easier to find applicants but are finding that there are issues with applicants' skills, capabilities and attitudes. The ability to source applicants would appear to positively correlate with the satisfaction of employees in their current positions.

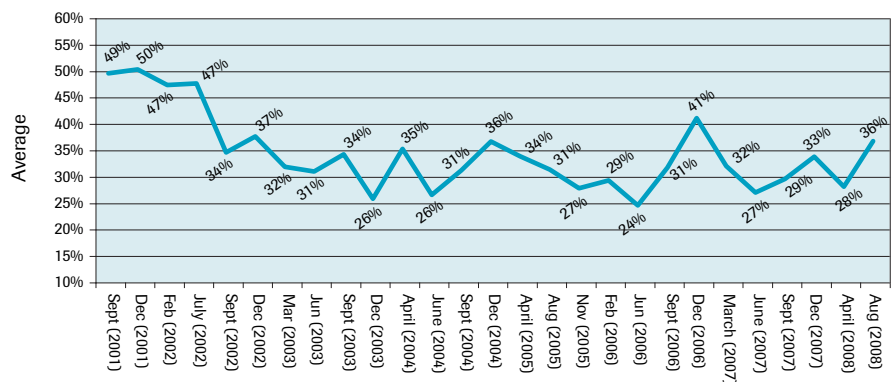
In 2004, 29 per cent were happy in their jobs; this satisfaction level fell to 21 per cent in 2005; and increased to 37 per cent in 2006; before falling again to 29 per cent in 2007 (SEEK, 2007: 7). Also, employed people are aggressively looking for work, with only five per cent of the employed workforce not checking job vacancies at all, and 69 per cent checking job vacancies at least weekly (SEEK, 2007, 21).

During the past year, the number of Australians in full-time employment increased by 53,700 and the number of part-time employees decreased by 42,800; but the employment rate remained steady at 4.3 percent (Australian Bureau of Statistics,

Labour market scores



Staff turnover (% annualised)



2008a). This suggests that while a greater number of people are actively seeking work, it may be more a case of part-time people looking for full-time work, and that those who are unhappy with the levels of security in their current jobs may be 'testing the waters' to see what else is available (SEEK, 2007: 21). A substantial drop in the number of full-time placements may also have assisted to help

make finding applicants for positions easier as more of the same people seek out less full-time positions.

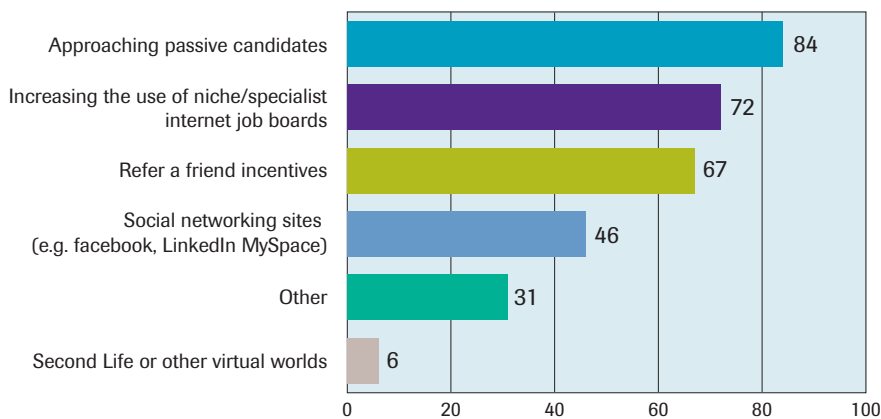
This conclusion is supported by the recruitment industry's own turnover rates which has jumped by eight per cent to 36 per cent per annum and follows a similar (though not exact) pattern to the above labour market scores.

:: RSCA Research Report

Methods of Sourcing Potential Applicants

The most popular method of sourcing potential applicants is by approaching people not currently seeking work; followed by an increased use of niche boards; referrals; and social networking sites.

Media used to source candidates



The SEEK Survey of Employee Satisfaction and Motivation (2007: 20) shows that candidates are expecting to find their next role through employment websites predominantly; followed by newspaper ads; and via employment agencies coming in third.

This shows that while recruiters are exploring new ways to source candidates and are starting to seek out hidden potential candidates, employees are still expecting to be in control of their job seeking efforts and have not yet come to view unexpected approaches from recruiters as a normal part of the recruitment process.

Concluding Comments

A mix of economic uncertainty and high workforce participation is causing recruiters to need to engage in exploring new ways to seek out and screen potential applicants while being uncertain about business stability and growth.

A view of there being a traditional employment market is being overturned by

the recruitment sector which is exploring new ways of sourcing candidates. However, this has not been wholly embraced by potential applicants.

General economic conditions pose an extra layer of challenge to recruitment companies who must explore new ways of sourcing talent while protecting profitability.

RCSA Research Foundation

The RCSA Research Foundation is supported by RecruitmentSuper, and commissions regular surveys of Members and other research projects. The RCSA Members' surveys are conducted each quarter through a secure internet site hosted by an independent market research company, the Values Bank Research Centre. Brent Taylor, Principal of Values Bank Research Centre has over twenty years experience as a market researcher carrying out assignments for a diverse range of private sector and government clients. He is a member of the Australian Market and Social Research

Society and has society quality accreditation (Qualified Practising Market Researcher), has a Bachelor of Arts (Psychology Honours) and a Bachelor of Engineering (Honours). The Values Bank Research Centre adheres to the ICC/ESOMAR International Code of Marketing and Social Research.

RCSA: Recruitment and Consulting Services Association Ltd

The RCSA (Recruitment and Consulting Services Association Ltd) is the leading professional body for Australia and New Zealand with over 3,600 Member Companies and Accredited Professional Recruiters in on-hire, recruitment, and workforce solutions services.

The RCSA sets the benchmark for the sector's standards through representation, education, research and business advisory support so that our Members may concentrate on their core business.

All members of the RCSA agree to abide by the ACCC-authorized Code for Professional Practice. The RCSA is an ISO9001:2000 accredited company.

The mission of the RCSA is to represent and serve the interests of its members for the increased profile and professionalism of the sector.

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