



TOP ECHELON REPORT:

2016 17

State of the
**RECRUITING
INDUSTRY**

Top Echelon takes a look back at the recruiting challenges of 2016 and ahead to the solutions and potential for 2017.

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A background image showing a close-up of several people in business suits sitting around a table. One person is holding a tablet, and another is holding a pen, suggesting a collaborative meeting or presentation.

MAJOR Findings

Overall, 2016 was a **strong year** for most recruiters, according to the results of Top Echelon's annual end-of-year survey. In fact, it was even stronger than 2015, despite the fact that recruiters faced many of the same challenges.

The #1 challenge: the identification and sourcing of **quality candidates**. That challenge represents one of many themes of “**Top Echelon's 2016–2017 State of the Recruiting Industry Report.**”

Third-party recruiters and firm owners participated in our year-end survey, the results of which resulted in this report. What were some of the other themes that emerged from our survey? We're glad you asked!

- 1 An abundance of job orders within most industries
- 2 A shortage of qualified candidates within many, if not most, industries
- 3 Clients not willing to offer compensation levels that candidates are seeking
- 4 Candidates who are dropping out of the process because of slow-moving clients

These findings are just a sample of the wealth of information that our survey uncovered. We also asked recruiters to share their thoughts about the industry, their experiences, and their plans and fears regarding the future. Their responses are interspersed throughout the report.

Continue reading for the full report of Top Echelon's findings: the highs and lows of 2016, what's coming in 2017, and what recruiters can do to improve their outcomes for the rest of this year.

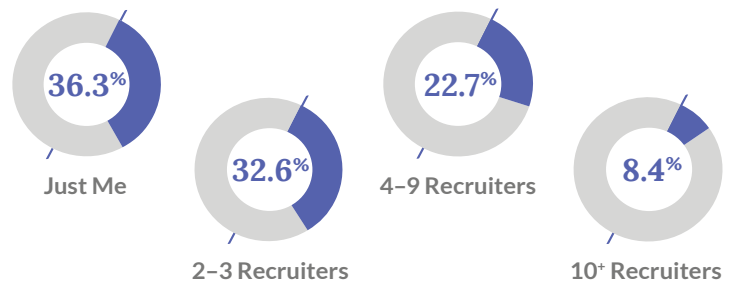
SETTING the Stage

Where were the placements in 2016? Which industries were hot, and which ones can we expect to see sizzling throughout 2017? We surveyed our base of recruiting customers to find out.

Recruiting Firm Size

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

The highest percentage of recruiters (**36.3%**) answered “Just me,” while the next-largest group selected “2–3 recruiters” (**32.6%**). Nearly a quarter of survey participants (**22.7%**) identified as “4–9 recruiters,” but only **8.4%** indicated that their firm had 10 or more recruiters.



Number of recruiters working in a firm



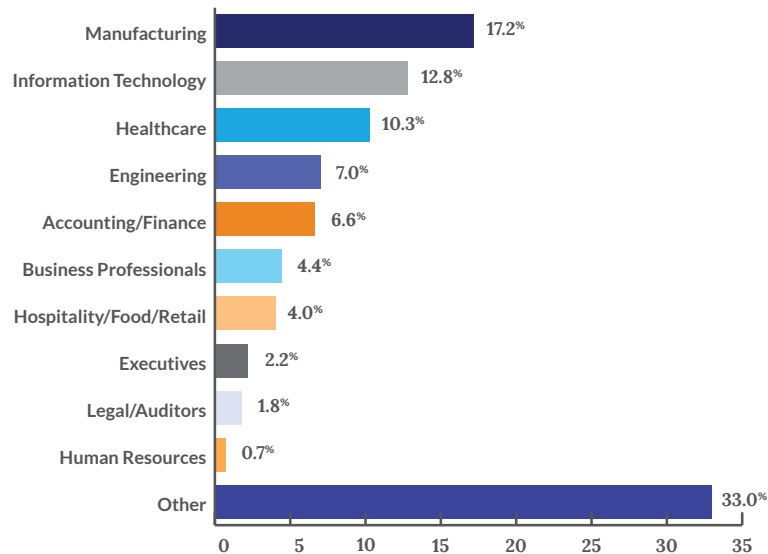
KEY TAKEAWAY:

Small-to-mid-sized independent recruiting firms still constitute the majority of those that utilize one or more of Top Echelon’s services. The demographic breakdown has been similar to this for quite a few years.

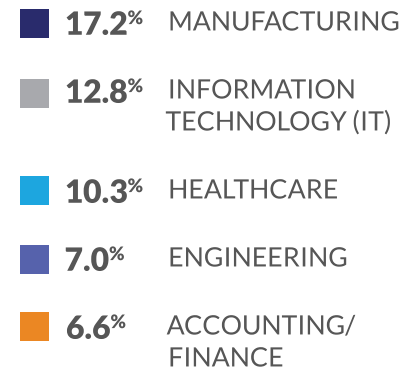
Top Industries

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

Industries/niches that provided the most placements in 2016



Five industries overwhelmingly accounted for more than half (**53.9%**) of the placements reported. The breakdown of those top industries is as follows:



A significant portion of survey participants also selected the “Other” category when choosing their industry/niche. Below is a sampling of the specific niche answers that fell into that category:

- Sales
- Marketing
- BioTech/Pharma
- Medical Device
- Apparel, Fashion, & Retail
- Banking
- Insurance
- Supply Chain
- Veterinary
- Agriculture
- Digital Media
- Logistics
- Transportation
- Telecommunications



KEY TAKEAWAY:

Although it was definitely a candidates’ market in 2016, employers were certainly motivated to hire new employees. Placements were still plentiful for those recruiters who were able to successfully source the right candidates.

Most Challenging Industries

So we served up this question next in our survey:

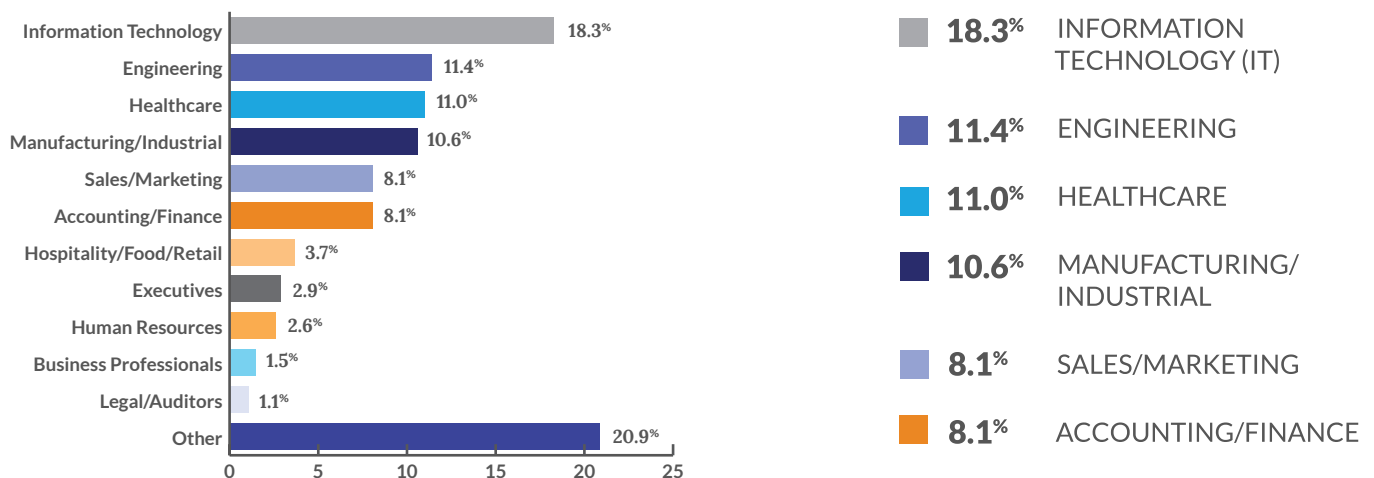
“Which industry is giving you the most trouble with making successful placements?”

Information Technology (**18.3%**) and Engineering (**11.4%**) topped the list of the most challenging industries in which to make successful placements in 2016.

So what’s the #1 reason that recruiters experienced such trouble making placements in these industries? Not a lack of job orders. No, it was a **scarcity of qualified candidates**. Then, as you’ll learn later, it was the inability or reluctance of employers to do what was necessary to hire those candidates when they were eventually presented.

The runner-up answers to this survey question were almost evenly split between the following: Healthcare (**11.0%**), Manufacturing/Industrial (**10.6%**), Sales/Marketing (**8.1%**), and Accounting/Finance (**8.1%**).

Industries giving the most trouble in making successful placements



A little over 20% of survey participants chose “Other.” The majority of those recruiters indicated that they work in only one niche and that they’ve not experienced any trouble making successful placements in that niche. At least, not enough trouble to make them think about changing niches.

SURVEY FEEDBACK

“My niche [involves] senior managers, directors, and VPs of sales, Engineering, Purchasing, Quality, and Manufacturing at tier one and tier two Automotive suppliers. When auto manufacturers are healthy, business in my niche is challenging but good. When auto companies are down, business dries up like a shallow lake in a desert.”



KEY TAKEAWAY

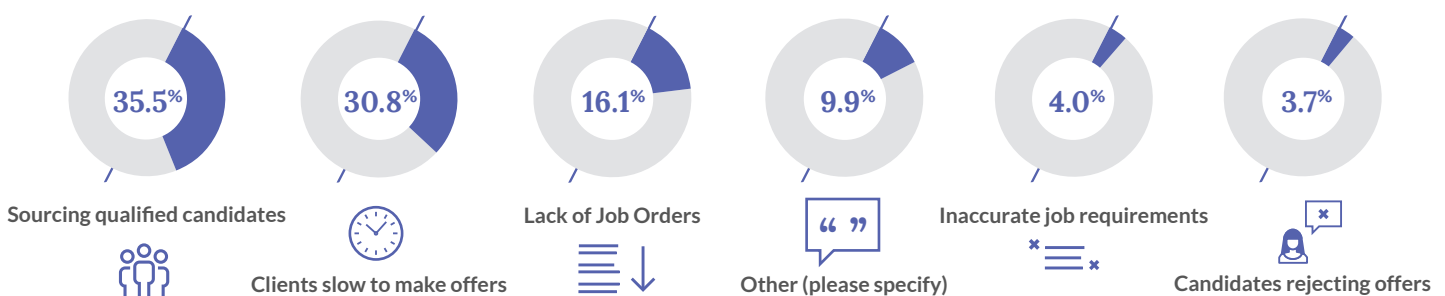
It is most difficult to make placements within industries and/or niches in which highly specialized and skilled workers are tough to find. Because it's not enough to just find them; you must successfully recruit them and convince them to work for your clients. And if they're highly specialized and tough to find, then it's a good bet their current employers are falling all over themselves trying to keep them there.

2016: The Good, the Bad, and the Ugly

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.

How do you find out “the good, the bad, and the ugly”? By posing this question to a bunch of recruiters:

“What is your primary source of stress?”



Primary source of stress according to recruiters

The good news: once again, the top stressor of recruiters is NOT a lack of job orders. Only **16.1%** of survey participants named that as their primary source of stress.

The bad news: over **35%** of recruiters indicated that “sourcing qualified candidates” is their primary source of stress. Right behind that stressor was this one: “Clients slow to make offers” at **30.8%**.

So what really stresses a recruiter out? Going through all the hassle and jumping through all the hoops to find qualified candidates, only to have your clients drag their feet with the offer so you lose placements. (Can you feel the stress building within you?)

On that happy note, let's explore some of the responses stored in the "Other" category:

SURVEY FEEDBACK

- “Clients slow to make offers (there is usually a lead time of about six months when starting to recruit or switching firms) and sourcing quality candidates can be challenging at times.”
- “Combination of incorrect job requirements mixed with slow hiring managers always kills deals.”
- “Clients don't recognize the scarcity of talent, too slow, not transparent.”
- “Clients with unrealistic expectations about the candidates they are willing to hire.”
- “Clients keep changing requirements mid-search, several times.”

Notice how many of these comments start with the word “clients”? That’s not a coincidence. In fact, it might be the best indicator of what stresses recruiters the most in today’s marketplace.

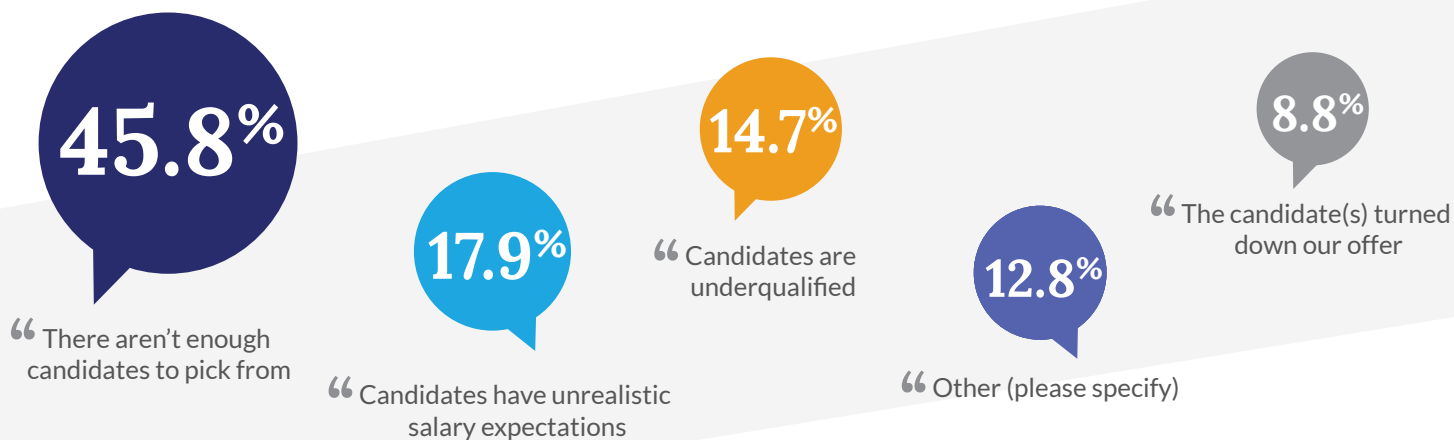


KEY TAKEAWAY:

More than anything else, clients are driving recruiters crazy. Sure, quality candidates are scarce, but even when recruiters find and present them, it’s no guarantee that their clients will hire them. The biggest word that came up in recruiters' comments was “slow.” Clients aren’t moving quickly enough to hire top candidates. (Where’s the Tylenol?)

Client Complaints

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



Biggest client complaint you hear after candidates have been submitted

Far and away, the most popular answer was “There aren’t enough candidates to pick from” at **45.8%**. (That is nearly identical to the answer’s percentage in 2015!)

Next was “Candidates have unrealistic salary expectations” at **17.9%**, followed by “Candidates are underqualified” at **14.7%**. “Other” was next at **12.8%**, while **8.8%** of survey participants chose “The candidate(s) turned down our offer” as their answer.

This part of the survey helps to illustrate the fact that it was even more of a candidates’ market in 2016 than it was in 2015. In some cases, the complaints had more to do with the clients themselves than they had to do with the candidate and/or recruiter involved.

SURVEY FEEDBACK

“Some clients think they can dictate the market. The opposite is true.”

“Not really hearing too many complaints from clients. Most complaints come from the candidates because the employers are the problem right now. I tend to agree based on events over this past year.”

“The negative feedback we get usually involves some ticky-tack issue not really related to the role we were contracted to fill.”



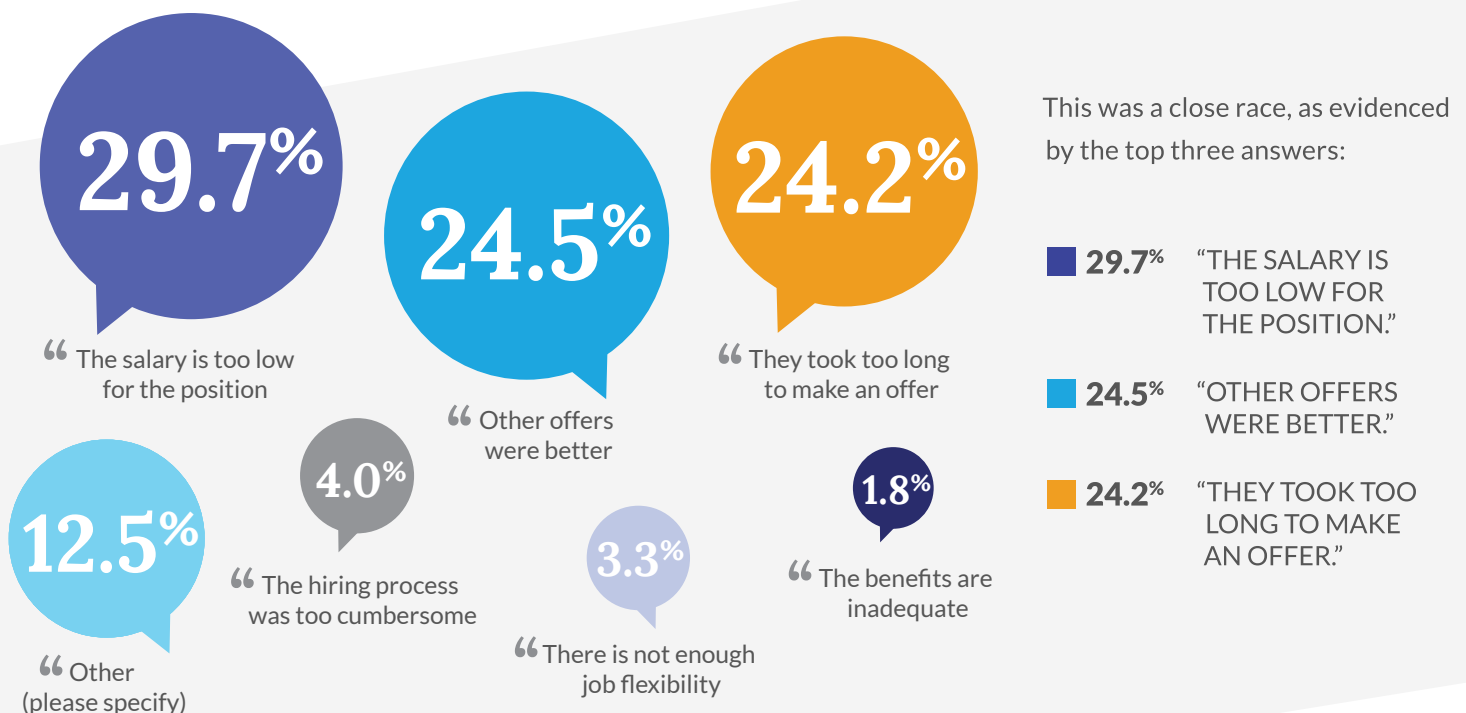
KEY TAKEAWAY:

The fact of the matter is that candidates had unrealistic salary expectations (as far as clients were concerned) more often in 2016 than in 2015, at least according to the results of our survey. What does that tell you? That it's becoming even **more** of a candidates' market. Unfortunately, one of recruiters' biggest challenges remains trying to educate their clients about the reality of the situation. There are apparently some hiring managers who are having difficulty wrapping their brain around that reality. Their reluctance to do so is resulting in missed opportunities and lost placements for recruiters.

Candidate Turn-downs

Since we've firmly established the fact that it's a candidates' market, let's dig deeper to find out why candidates are declining offers. We did just that by asking this question of recruiters:

"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

So on one side, we have clients saying that “Candidates have unrealistic salary expectations.” Then on the other side, we have candidates saying that “The salary is too low for the position.”

Once again, 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 employment package that the candidates expect to be offered and the package that the organizations are actually offering. And it does not appear as though that disconnect is going to be remedied anytime soon.

Other reasons cited were “The hiring process was too cumbersome” at **4.0%** and “There is not enough job flexibility” at **3.3%**. Then there was the “Other” category, which earned **12.5%** of the vote. Recruiters often indicated they had experienced a combination of all the choices, but they did cite others, as well:

“ Relocation issues

“ Problems with the commute

“ Counter-offer from their current employer

What many recruiters shared, though, was frustration regarding their clients and their collective role in contributing to candidates’ refusing offers.

SURVEY FEEDBACK

“ Not only did they take too long, but they knew the candidate had other offers. They STILL did not move on the candidate until it was too late.”



KEY TAKEAWAY

Clients do not want to pay top talent the type of money that top talent wants to be paid! That is an obvious takeaway, and it’s one with which recruiters grapple on a daily basis. If you want the best to work for you, then you must pay the best to work for you. Sadly, this message has fallen on many a deaf hiring manager ear, and their organization has paid the price. (Because you pay the price ... one way or another.)

SOLUTIONS for 2017

When looking ahead to 2017, the survey results also uncovered possible solutions.

On the one hand, we have difficulty sourcing qualified candidates for job orders. On the other hand, we have clients that do not want to pay top talent what the talent wants to be paid. And that's even if the whole thing makes it to the offer stage, because clients are dragging out the process so long that candidates are bailing.

So . . . *what's a recruiter to do?*

Sourcing Candidates

With all of that in mind, we posed this question in our survey: *"Where do you find your highest quality candidates?"*

Once again, one answer was more popular by far than any other. That answer was "referrals" at **43.6%**. Next were "cold calling" at **15.8%** and "internal database/website" at **12.1%**. (What's interesting is that these two latter answers were flip-flopped a year ago in the #2 and #3 slots.)



Where recruiters find their highest quality candidates

Of those that answered “Other” (9.2%), most listed LinkedIn, The Ladders, or their Top Echelon Network trading partners as their best source of quality candidates.

Based upon these results, it seems practical that recruiters would always ask their candidates for referrals. And they can ask for those referrals in a number of different ways: over the phone, via email, through their website, by carrier pigeon . . . okay, maybe not that last one. Maybe.

SURVEY FEEDBACK

“

Top Echelon split candidates are always high quality and cold calling is good for quality, too.”



KEY TAKEAWAY

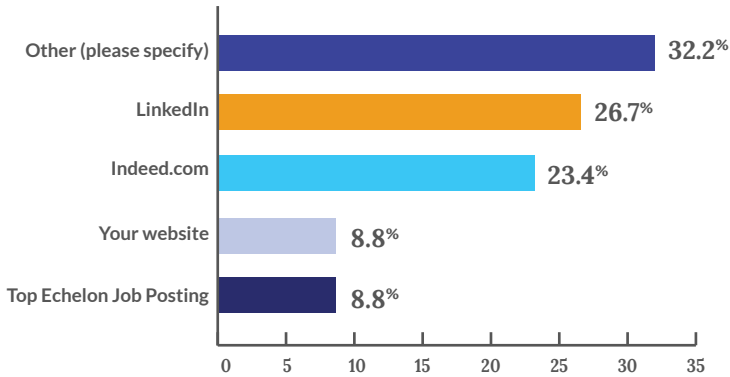
As with most strategies discussed in this report, a comprehensive approach is considered best when sourcing candidates. In other words, recruiters should employ a number of different techniques in their efforts to identify the best candidates for their open positions. Referrals certainly play a key role, but not all of the best candidates are found via referrals. Considering the scarcity of candidates these days, a “touch all the bases” approach is advised.

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” at **32.2%**. Upon further inspection, the top responses in this category were the following:

MONSTER **ZIP RECRUITER**
CAREERBUILDER **THE LADDERS**
DICE **FACEBOOK**
CRAIGSLIST

**+ PHONE CALLS AND EMAILS
DIRECTLY TO THE CANDIDATE**

In addition, “LinkedIn” garnered **26.7%** of the responses, with “Indeed.com” next at **23.4%**. Nearly **10%** of recruiters chose “Your website” as their answer, and almost **10%** selected “Top Echelon Job Posting.”

What’s striking is how many recruiters indicated that their firm does NOT actively advertise their open positions on job boards. While a relatively small percentage overall, enough recruiters indicated their reluctance to use job boards that it was noticeable in the final results.

SURVEY FEEDBACK

“Have not had a good run on postings. Not much is working these days!”

“I don't advertise on job boards, they waste my time. I recruit my own candidates or I get candidates through split partners.”

“None of the above. Only job shoppers, hoppers, and rejects respond to ads. I have to phone them.”



KEY TAKEAWAY

What works for one recruiting firm may or may not work for another firm. And when it comes to job boards, for every recruiter who loves to use them, there appears to be another that has disdain for them. So while technology has changed the face of recruiting during the last several decades, it has not completely overtaken the industry in all aspects.

Marketing Services

Besides advertising their jobs, recruiters are also tasked with the job of marketing their services. After all, they won't continue to have job orders to advertise if their clients don't provide those job orders and they won't make placements if they don't have the candidates to fill them.

So we asked recruiters, *"What is your primary method of marketing your services?"*



Recruiters' primary method of marketing their services

As you might expect, nearly half of recruiters (**44.3%**) pointed to "Outbound marketing phone calls" as their primary method of marketing.

However, the next three top responses (besides "Other") all involve **the Internet**, which was also the case in 2015:

19.0% "MARKETING EMAILS"

12.1% "MY WEBSITE"

8.8% "SOCIAL MEDIA SITES"

A portion of recruiters also specified that referrals from satisfied clients and candidates are their best marketing avenue. Other recruiters referred to "word of mouth" advertising, while still others utilize a combination of methods:

SURVEY FEEDBACK

“We maintain large and accurate and highly specialized databases, from which we digitally market, send newsletters, send job alerts, phone candidates, etc.”

At the other end of the spectrum are those recruiters who don't actively do any marketing at all. There are a variety of reasons for this, starting with those who outsource those functions to somebody else:

SURVEY FEEDBACK

“ I'm part of a team [that] does the marketing using various methods. I don't do the marketing.”

Then there are those recruiters who have been in the business so long and have been so successful that they don't feel the need to market:

“ I have been in the business 28 years and have a steady flow of client jobs.”

Strangely, there seems to be an age at which recruiters fairly scoff at the idea, guffawing at the mere thought of having to market their services.

“ I am at the point in my career (77 years old) where I don't market anymore!”

“I don't do any marketing. Why bother at age 77?! I do mostly splits with other recruiters.”



KEY TAKEAWAY

Unless you've been in the business for 28 years and/or you're 77 years old, you more than likely still have to engage in marketing. The best approach appears to be one that involves a combination of methods—whether you do it or you hire a third-party organization to do it for you. Whatever combination of methods you choose, though, traditional outbound calling and email marketing should serve as the cornerstones of your approach.

LOOKING Ahead

Top Echelon also posed questions regarding recruiters' plans and outlook for 2017. As expected, the answers to these questions were quite revealing.

Top Business Priorities

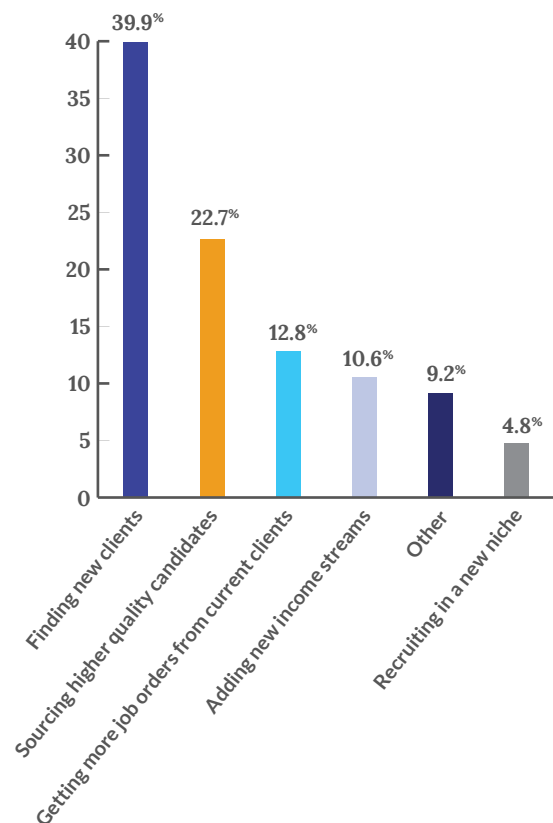
One of those questions was: *"What is your highest business priority for 2017?"*

There is no doubt that sourcing higher-quality candidates is a priority for recruiters. However, it's NOT recruiters' top priority for 2017. That would be "Finding new clients" with **39.9%** of the vote.

"Sourcing higher quality candidates" captured second place at **22.7%**.

So while recruiters absolutely want to source better quality candidates, they also 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. If you have no job order, then you have no placement. Sometimes, math is simple.

Recruiters highest business priorities for 2017



Underscoring the importance that recruiters place on job orders is “Getting more job orders from current clients,” which garnered **12.8%** of the vote. “Adding new income streams” was also on recruiters’ radar, as **10.6%** of them chose that as their answer. A little over **9%** of survey participants chose the “Other” category. Among their objectives were to find and work on higher quality job orders, work on those searches under better terms, and improve the efficiency of their placement process.

There were also recruiters who sought to use contract staffing as a way in which to add a new income stream for their firm. The follow comments are evidence of this:

SURVEY FEEDBACK

“I have a goal of at least 10 temporary candidates on assignment, so I am able to take my wife on a vacation and still make money.”

“Do more contracting, finding new clients, working higher-level jobs.”



KEY TAKEAWAY

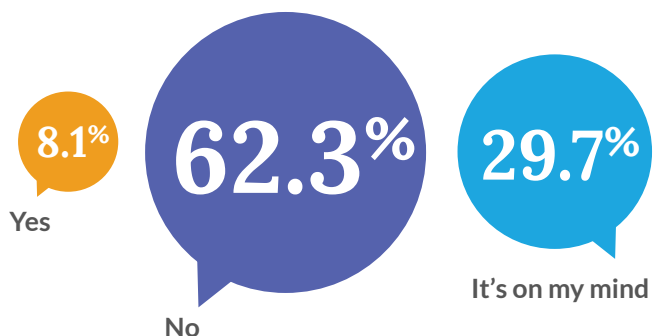
Recruiters overwhelmingly want to find additional clientele. However, they also want to source higher quality candidates, get more job orders from existing clients, and diversify their income streams in 2017. Bottom line: they want to build their business, boost their income, and make more placements and money! (No surprise there.)

Recession? Bite Your Tongue!

It would appear as though recruiters were more optimistic about their profession in 2016 than in 2015. At least, this was the case when they were asked the following question in our survey:

“Are you preparing for an economic downturn in 2017?”

Recruiter expectations of an economic downturn in 2017



In 2015, **53%** of recruiters chose “No” as their answer. In 2016, **62.3%** indicated that they were NOT preparing for an economic downturn.

Not only that, but fewer recruiters also indicated that they were preparing for a downturn in 2016 (**8.1%**) than in 2015 (**14%**). Another **29.7%** admitted that the issue is “on my mind.”



KEY TAKEAWAY

Recruiters are definitely of the mindset that a recession is not going to happen in 2017. In fact, they were more pessimistic the previous year than they were in 2016. Does this all but guarantee that a recession will not happen in 2017? Of course it doesn't. All it means is that recruiters don't expect it to happen. (It makes you wonder how many of them expected the Great Recession to happen.)

The Trump Tower of Uncertainty

Of course, the wild card in this survey and our State of the Industry Report is the new President of the United States, none other than Donald Trump. As you can imagine, we couldn't conduct a survey without including a question about our new President. That question was:

“What do you believe the effect to be, if any, of new President-elect Trump on the recruiting industry?”

Since Trump is a polarizing figure, the answers that recruiters provided to this question were polarizing, as well. In fact, of all the recruiters that participated in the survey, nearly 23% of them skipped this question altogether.

But for those who didn't? There were opinions aplenty, including those who believe Trump will have little to no effect on the recruiting industry ... or on the economy, for that matter.



“ Presidential jawboning may have some effect, but economic/market forces drive the economy. Presidents get credit and blame for what happens on their watch, but I don't think they have much real influence on the economy.”

“ I recruit for the Banking industry. Bank executives/hiring authorities are optimistic about the impact the Trump administration will have on the Banking industry. However, I don't believe they will ramp up their hiring for at least six to 12 months, until they have had a chance to see if Trump is the ‘real deal.’ Beyond that, if Trump is as effective as he says he is going to be, the Banking industry will significantly ramp up its officer and executive hiring.”

“ I'm undecided, but feel that he may have a negative impact.”

“ His protectionist policies may hurt our economy in the long term.”

“ Companies will always need to hire no matter who is President. He has to be an improvement over the last President.”

“ I think he causes fear in people and is erratic.”

“ If he is able to retain and return Manufacturing jobs to the United States, this will be a plus for us, as the bulk of our business is in Manufacturing.”



KEY TAKEAWAY

The majority of recruiters participating in our survey believe that Trump is going to be good for their recruiting business. It's not an overwhelming majority, though, and there are plenty who are cautiously optimistic but not convinced that his impact will be positive. So overall, you could say that recruiters are “hoping for the best and preparing for the worst.”

What Does the Future Hold?

Perhaps no question that we asked in this survey received as much in the way of responses as this one (which, incidentally, was the last question in the survey):

"If you'd like, please tell us about your current recruiting experience, your view of the industry, your fears or excitements about the future, etc."

Recruiters were only too willing to let us know what they thought. One of the common themes involved how the advance of technology is continuing to impact the recruiting profession.

SURVEY FEEDBACK

“Digital communications has become a primary means of doing business, with text becoming more important, especially on the candidate side, resulting in less personal connections with both talent and employer clients.”

“The ever-changing way to do our business is getting more complicated. Too much to do to get to the bottom line. Technology keeps morphing and seems to add more layers of ‘stuff’ I have to do to get anything done. And getting to actually TALK with people is hard due to email, text, voicemail, whatever!”

“After 20 years in the business, I see recruiting as not changing as much as I had expected due to all the new technology, etc. The biggest changes have been with the candidates and how they are so often bombarded with recruiters, sourcers, and additional outside information. This has led them to be much more skeptical and wary of those in the industry overall.”

Then there are those recruiters who are less than enamored with the Millennial Generation of workers and candidates currently flooding the marketplace.

“Millennials entrance in the market, job hopping, excessive demands, lazy, unproductive, self-obsessed, and entitlement attitude. Loss of Baby Boomers and their outlook and commitment that our clients need and expect. Replacing these executive Baby Boomers has been obvious due to aging, but the disappointment with their replacements are setting everyone back in productivity.

“... candidate pool in seasoned talent (age 35 and up) is fine, but Millennials for the most part jump around too much and don't have any marketable skills, so employers don't want to hire them. The future of IT recruiting is gruesome as the real talent retires.”

There are even some recruiters who are annoyed with other recruiters ...

“The glut of terrible and unprofessional ‘recruiters’ (they're just mindless spammers mostly) has really crippled legitimate recruiters from getting responses from qualified candidates who have had their time wasted by all these staffing bozos out there.”

On the other side of the proverbial coin, there were plenty of recruiters who expressed optimism and/or excitement.

“We are in growth mode in a tech niche that is thriving and growing. I expect that this will continue and we will look for opportunity to expand into new regions. I'm very optimistic and excited about our future and see our ability to hire new recruiters with the right values and drive as our only limiting factor.”

“I have been recruiting for 20 years now. I think the industry is a great career, I believe with networks like Top Echelon, it really helps create billing stability for smaller firms. I am excited for 2017 to continue to use Top Echelon and all of its resources, as well as get more creative in how we use parts of the Network that we don't currently use as much as we should.”

Still other recruiters are nearing the end of their professional journey, and they pretty much believe they're leaving at just the right time (give or take a few years).

“Thank the Lord I'm almost at the end of my search career. The fax machine killed us!”



FINAL Analysis

So . . . where does this leave us? In a nutshell, it leaves us slightly better off than we were in 2016.

Is that good? Is that bad? Is that really good?

It's really good!

We are currently in the second-longest bull market economy in the history of our country. It doesn't take an economist to know that employers hire more during bull markets than during bear markets. If there's one thing that history has taught us, it's that all bull markets come to an end. What's unknown are the abruptness and severity with which they end.

So there are **three pertinent questions** about this current bull market. Unfortunately, nobody knows the answer to these questions:

- 1** When will the bull market end?
- 2** How will the bull market end?
- 3** What impact will the end of the bull market have on recruiting?

On the other hand, we have the continued retirement of the Baby Boomer Generation, which is contributing greatly to the skills gap that exists in the country. Every day, more Baby Boomers retire. The longer the bull market runs and the more Baby Boomers retire, the bigger the skills gap will become and the more that employers will need to hire.

Baby Boomers are retiring. The bull market is running. Those two facts, plus all of the other information contained in this report, point to the following current reality:

- ✓ Job orders are (more or less) plentiful.
- ✓ More candidates (especially passive, A-level ones) are open to new opportunities.
- ✓ Passive, A-level candidates are scarce, especially within certain industries.
- ✓ Multiple candidate sourcing methods are available to recruiters.
- ✓ There is a steady flow of placement opportunities for recruiters in almost every industry and niche.

PERHAPS THIS RECRUITER SAID IT BEST:

“ I'm really excited for opportunities for growth in 2017. I predict there will continue to be a shortage of skilled workers, which will put recruiters in high demand. Salaries will continue to rise as employers compete for the best talent in the marketplace.”

All of that sounds absolutely fantastic. As far as the recruiters in this survey are concerned and as long as this bull market can keep chugging (aided by President Trump or not), that's exactly what's going to happen the rest of this year.

Top Echelon wishes the best of luck to recruiters in 2017. We look forward to helping you succeed!



Software



Network



Contracting



Top Echelon