A New Approach to Recruitment

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1 Context for Change

1.1 Background and Consultation
The Recruitment Review Project was initiated in June 2012 in response to Recommendation 51 of the NSW Commission of Audit Interim Report.

Between June 2012 and March 2013, the PSC conducted a comprehensive review of the relevant research and literature on recruitment practices; collected information from across the broader sector, other government jurisdictions and some private organisations using a comprehensive questionnaire; and consulted executive and practitioner stakeholders.

Representatives from across the sector participated in Senior Reference Groups and Subject Matter Expert Workshops.

1.2 Process Findings
The PSC’s analysis established that the current NSW public sector recruitment approach:

- is reactive, focusing on individual position vacancies in isolation of broader agency, cluster or sector capability considerations, as evidenced by the lack of structured workforce planning inputs and absence of tailored recruitment strategies;
- discourages external applicants by prescription of a complex and lengthy application procedure;
- does not encourage mobility within the sector, as evidenced by the relatively small number of successful candidates drawn from either other agencies within the host cluster (29% of internal hires) or other clusters (14% of internal hires);
- is of dubious quality for senior management roles, given the executive and senior officer turnover rate of 8 to 9% within the first 12 months of employment (Workforce Profile Data, 16.11.2012), contrasting with an Australian Human Resources Institute benchmark of 4-5% (AHRI, 2008, ‘Love ‘Em Don’t Lose ‘Em’- Identifying retention strategies that work);
- focuses primarily on a candidate’s directly relevant experience and how well they present at interview rather than on assessing their capability to perform in the role;
- gives significant weight to a single interview and shows little evidence that selection techniques are tailored or used to build on each other. The dominant form, and the only form universally accepted, of selecting staff for a position is to advertise the position then conduct a “merit selection process”, which in the vast majority of cases entails a complex application process including a 10 page document addressing selection criteria, followed by a single interview of 30 to 45 minutes, followed (only in the case of recommended applicants) by a brief check with two referees nominated by the applicant. This is the method used for the majority of recruitment, including for executive level roles.

1 Public Service Commission, (2013), e-Recruitment Successful Applicant data from jobs.nsw website between Jan 2012-Jan 2013
The research is consistent in showing that the traditional interview has a predictive validity of .38 \(^3\) and is a low predictor of future work performance. Predictive validity increases when multiple assessments are used, for example when combined with cognitive ability tests, ie the predictive validity increases to .63 \(^3\). The dubious worth of the single interview assessment method is probably less apparent in the sector due to the fact that the process results in the majority of cases in the appointment of an internal candidate who is familiar with the role and a “known quantity”;

- lacks mechanisms to evaluate efficiency, user satisfaction and quality of the recruitment process and outcomes, providing no basis for performance assessment or continuous improvement;
- results in little mobility for executives within agencies and across the sector, resulting in narrow experiences and perspectives;
- if anything, applies less rigour in the recruitment of executives than applies to non-executives as capability assessments or practical tests are only rarely conducted. Even when (expensive) head hunter services are used, the focus is on sourcing candidates and it is rare for capability-based assessments to be conducted; and
- provides a plausible explanation for the poor performance at SES 4-6 in some key capability areas and some of the People Matter Employee Survey 2012 results in the leadership area.

1.3 Data Findings

- Almost half of the NSW Government’s current annual expenditure ($29 billion or 49.3%) is employee-related \(^4\). The public sector workforce is currently the primary means for direct and indirect government service delivery and therefore the primary means by which that service can be improved and/or adjusted to new priorities.

- The 2012 data from the Oracle (Taleo) e-Recruitment system (covering all non-SOC agencies other than NSW Health and the Schools component of DEC, which only adopted the system in July 2013) shows that a high proportion (78% or more) of advertised roles were single positions to be filled through a dedicated recruitment process conducted by the originating agency, even though a very large proportion of these roles would be generic in nature and common across the cluster and sector. There is an opportunity for clusters to become more strategic when planning to fill vacant roles by forecasting future needs and where appropriate planning for bulk intakes and establishing pre-assessed talent pools for common roles, on an agency, cluster or whole of sector basis.

- The data also shows that 70% of roles advertised through Oracle (Taleo) in 2012 were filled by existing NSW public servants (85% at manager level). Furthermore, 57% of these were filled by an applicant from within the advertising agency and 86% from within the originating cluster \(^5\). Note that these statistics would be higher again if entry level roles were removed from the calculations.

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\(^{2}\) Schmidt & Hunter (1998)

\(^{3}\) Schmidt & Hunter, Psychological Bulletin 1998, Vol 124, “Performance on the job (is) typically measured using supervisory ratings of job performance, but production records, sales records and other measures were also used.”

\(^{4}\) NSW Government Budget Paper 2012-13, Budget Statement Paper No. 2

\(^{5}\) Public Service Commission, (2013), e-Recruitment Successful Applicant data from jobs.nsw website between Jan 2012-Jan 2013 (including jobs at SES, SO, general Grades 1-12, other grades used by the public service and positions filled over the period that did not have a grade assigned)
While this data highlights the low level of new entrants to the sector, it also highlights that up to 70% of recruitment costs are expended on appointing a known applicant.

Internal candidates are, of course, often a good and appropriate choice. They are usually accustomed to the organisational culture, are a “known quantity”, should generally have a good motivational fit and tend to have lower turnover than external recruits (Bernardin, 2003).

Nevertheless, at 70% + the proportion of internal appointments is so high as to indicate that the process tends to favour internal applicants. Capability based assessment will help optimise equity and quality of appointment.

On the other hand sourcing candidates externally brings in new perspectives, improves diversity and opens up new opportunities for organisations and staff alike.

The choice of recruitment method also has a significant impact on costs. Remembering that 70% of recruitment costs result in selecting an internal applicant, Table 1 below shows that external advertising attracts significantly higher volumes of applications when compared with advertising on an internal job board only. This large number of (largely unsuccessful) applications directly impacts on cost to hire, as shortlisting and interviews account for 60-70% of total recruitment costs. External advertising is expensive and is not a good investment if the vast majority of recruitment results in an internal appointment.

Table 1: Average cost to hire based on 12 months’ data (Jan 2012 – Jan 2013)

<table>
<thead>
<tr>
<th>Recruitment type</th>
<th>Average # applications per advertisement</th>
<th>Average cost to hire&lt;sup&gt;6&lt;/sup&gt; (Approx)</th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>76</td>
<td>$6,500</td>
</tr>
<tr>
<td>Internal EOI</td>
<td>5</td>
<td>$1,500</td>
</tr>
<tr>
<td>Activating Eligibility List</td>
<td>n/a</td>
<td>$500</td>
</tr>
</tbody>
</table>

Importantly, the cost to hire varies dramatically depending on application volumes and method of filling. Furthermore, the method of filling has a dramatic impact on predictive validity, as shown in Table 2 below.

<sup>6</sup> Based on the average of costs provided by four agencies in July 2013
Table 2: Comparison costs – single vs bulk assessment intakes

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Assessment Description</th>
<th>Estimated cost per hire</th>
<th>Predictive Validity²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Single vacancy advertised</td>
<td>• One 30 minute interview and two reference checks</td>
<td>$6,500</td>
<td>.38</td>
</tr>
<tr>
<td>2. Bulk intake standard recruitment</td>
<td>• Bulk intake to fill 8 similar positions</td>
<td>$1,300</td>
<td>.38</td>
</tr>
<tr>
<td></td>
<td>• One 30 minute interview and two reference checks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Bulk intake with assessment tools</td>
<td>• Bulk intake to fill 8 similar positions</td>
<td>$3,000</td>
<td>.63</td>
</tr>
<tr>
<td></td>
<td>• Initial 60 minute interview</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Online cognitive ability test</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Online personality (preferences) test</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 20 minute work sample test</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 30 minute 2nd interview with executive team</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Two reference checks. Note: groups of applicants are assessed at the same time, therefore reducing costs.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 clearly shows that bulk recruitment significantly reduces cost when compared with single vacancy recruitment. It also shows that the use of assessment tools combined with bulk intake significantly improved predictive validity while also reducing cost when compared with single vacancy recruitment.

² Public Service Commission (2013), Cost to hire agency questionnaire
Recruitment Framework

2 Recruitment Framework

2.1 A new approach to Recruitment

To address the shortcomings identified, and based on the comprehensive research and literature review into recruitment practices, a new principles-based approach to recruitment has been developed.

A new approach to recruitment was developed in the context of the broader NSW Public Sector reform program, with particular emphasis on interdependencies and interfaces with the executive service reforms, the new NSW public sector capability framework and the new Performance Development framework.

The Government Sector Employment Act 2013 (GSE Act) due to commence in early 2014 modernises the framework for government sector employment and management in NSW and provides for the Public Service Commissioner to make GSE Rules which will outline the basic requirements for workforce management practices, thereby ensuring consistency, merit and fairness in employment and workforce management.

The proposed recruitment reforms support this framework and reflect the commitment of the NSW Government to recruit and promote employees based on merit. Furthermore, the recruitment reform will introduce strategies which will facilitate mobility and provide for a new principles-based approach to recruitment underpinned by best practice merit based assessment methods.

It is also expected that the PSC’s initiative to support clusters/agencies in acquiring Human Capital Management Systems (HCM) will help to achieve an integrated workforce and talent management approach across the sector, linking capability-based workforce planning with recruitment to target capability gaps, followed by performance management and development that begins with the initial selection assessment. The Commission has been funded to coordinate and promote adoption of HCM systems across the sector over the next three years.

2.2 Recruitment Principles

The proposed future approach to recruitment includes the use of capability-based workforce planning and market analysis to inform recruitment strategy; simplified applications processes; capability based assessment methods; and the development and use of internal and external talent pools. The aim is to provide an approach which is general enough to be applied effectively to all roles, with flexibility to shape the process to suit different roles and employee cohorts.

The key elements of the new model are:

Workforce Planning

a) Robust capability-based workforce planning linked to organisational objectives and capability requirements.

b) Role descriptions are expressed in generic terms wherever possible, have clearly defined capabilities, performance objectives and assessment criteria. Role descriptions highlight the core capabilities and occupation/profession specific capabilities required for a specific role.

c) Internal workforce mobility and development strategies aimed at optimising deployment of resources to priority areas and building capability including a focus on encouraging employees to take control of their professional development and build their own career through both lateral and promotional opportunities. The Government Sector Employment Act new provisions for employment to level and assignment to role provide the means to turn this into reality.
Recruitment Framework

d) Labour market reviews to inform the development of a recruitment strategy, including any requirement for tailored sourcing or remuneration arrangements such as SOORT for Executive roles.

e) Bulk (sector, cluster or agency-based) recruitment for common roles (e.g., graduate, administration, policy and project officer) and for executive bands through cyclical advertised intakes and assessment centre methodology. Existing staff seeking promotion encouraged to apply through this process to establish their merits against capability standards.

f) Establishment of pre-assessed talent pools, sourced from internal and external applicants, to improve speed of appointment to vacancies and mobility arrangements within clusters/agencies and across the sector. Clusters/ agencies would draw candidates from these pools and conduct final interview for “fit”.

Selection

a) Simplified application process to include a one page covering letter, a short statement in response to no more than two targeted questions (to provide evidence of experience against role capabilities) and a resume/ curriculum vitae (CV). The requirement to write a statement addressing each selection criterion is removed (it was never a legal requirement).

b) Online shortlisting and/or phone screening to eliminate candidates who do not meet essential criteria, e.g., a driver’s licence or qualification.

c) Short listing based on level and nature of experience demonstrated in CV relative to the role’s scope and complexity, together with assessment of transferable capabilities as demonstrated in responses to capability questions and inferred from prior work experience.

d) 2-3 capability-based assessment methods per recruitment, such as: personality profiling; cognitive ability testing; and behavioural interviews, responding to research evidence that predictive validity improves with the combination of several assessment methods.

e) Rigorous ‘fit-for-purpose’ background and reference checking, 360° where possible, to verify the employment and performance claims of applicants.

Senior Executive Specific

As per a) - d) above and:

a) Assessment criteria include strong focus on core capabilities for leader level including executive leadership capabilities and core capabilities in finance, people management, contract/ project management and technology. These are expected to be at adept level or above.

b) Selection method should include personality profiling and a cognitive ability test and may include a practical assessment exercise, case study response or presentation on sector strategy.

c) Two behavioural interviews: first interview assessing leadership and behavioural capabilities; second interview focusing on values and fit.

d) Number and type of pre-employment checks based on seniority of the position.

e) Two to three behavioural-based reference checks to include previous two immediate supervisors and a colleague or subordinate.

f) Use of executive search firms for very senior and hard to fill roles (search firms required to assess candidates based on required executive leadership capabilities and other relevant criteria, using a range of selection methods to optimise validity).
Recruitment Framework

Onboarding and Evaluation

a) Onboarding and induction, immediately linked to performance management and development, will support retention and development of the best talent.

b) Ongoing evaluation and adjustment of the recruitment strategy for key positions through establishment of objective KPIs linked to service delivery.
3 Next Steps

The PSC will work with the sector to implement the new approach to recruitment over the remainder of 2013/14. Some important elements will be as follows:

3.1 Supporting Instruments
Government Sector Employment Rules and supporting documents will be developed, covering areas such as mobility, use of talent pools and provisions for advertising roles.

3.2 Assessment Tools
The PSC has begun a process to establish a panel of providers of capability assessment tools, to be accessed by clusters/agencies to support their recruitment exercises.

3.3 Cyclical Bulk Recruitment and Assessment Centres
The PSC will work with the sector to gauge the level of interest in establishing assessment centres for common role types, at cluster or whole of sector level.

It is expected that, as a minimum, cyclical assessment centres will be conducted for intakes to the two lower executive bands. A central process will provide one mechanism to increase internal mobility and external intake to executive roles.

3.4 Learning Materials
In consultation with the sector, learning materials and training requirements/delivery will be identified and a range of learning materials and guides will be designed for hiring managers and recruiters.

3.5 Sector Support and Feedback
Focus groups will be established to gain input and support from the sector in implementing recruitment reform.