

HUMAN RESOURCE AND STAFFING TRENDS STUDY

2004 SURVEY OF TWIN CITIES HR PROFESSIONALS

IN FEBRUARY OF 2004, PROFESSIONAL ALTERNATIVES, A TWIN CITIES-BASED HUMAN RESOURCE STAFFING AND CONSULTING FIRM, HIRED HALEY MARKETING GROUP TO CONDUCT A STUDY OF THE CHALLENGES AND PERCEPTIONS THAT TWIN CITIES HR PROFESSIONALS HAVE IN REGARD TO RECRUITING AND STAFFING. SURVEY PARTICIPANTS WERE SOLICITED FROM OVER 1300 OF OUR EXISTING AND PROSPECTIVE CLIENTS.

IN CONDUCTING THIS RESEARCH, WE HAD FOUR OBJECTIVES:

1. TO GAIN DEEPER INSIGHT INTO EMPLOYMENT TRENDS IN THE TWIN CITIES
2. TO BETTER UNDERSTAND THE CHALLENGES AND CONCERNS OF LOCAL HR PROFESSIONALS
3. TO ASCERTAIN HOW THE ROLE OF HR IS EVOLVING
4. TO IMPROVE THE UNDERSTANDING OF WHAT PROFESSIONAL STAFFING FIRMS, LIKE OURS, CAN DO TO BETTER SERVICE EMPLOYER NEEDS

WHAT FOLLOWS IS AN EXECUTIVE SUMMARY WITH OUR INTERPRETATION OF THE RESULTS OF THE SURVEY, ALONG WITH THE ANSWERS TO THE STUDY QUESTIONS.

EXECUTIVE OVERVIEW

1. EMPLOYMENT TRENDS IN THE TWIN CITIES

In the first series of questions, HR professionals were asked about their companies' employment levels and their plans for hiring over the next twelve months. Not surprisingly, respondents reported little change in employment levels over the past 12 months. A slight increase in full time, regular employees was anticipated in the next twelve months.

2. HR PROFESSIONALS CHALLENGES AND CONCERNS

Despite the gains made during 2003, the US economy remains the leading cause of concern for local HR professionals. And while there has been significant recent public reaction to offshore employment, the issue ranked surprisingly low in the study, falling well below issues such as the Presidential Election and Security Concerns.

Over 68% of the respondents agreed with the experts' prediction of a significant shortage of qualified workers in the next 3 to 5 years. If this does prove to be true, then it presents both huge challenges and significant opportunities for local HR professionals. The obvious challenges lie in finding effective recruiting channels, developing creative alternatives to hiring, and finding effective ways to retain top employees. On the positive side, qualified worker shortages will likely increase the strategic importance of HR. As talent becomes scarce, HR will likely utilize resources of companies providing services such as: workforce planning, talent acquisition and employee relationship management.

3. THE EVOLVING ROLE OF HR

Only 7.3% of respondents planned staffing needs more than a year in advance with 45.5% having either no formal plan or planned less than 3 months ahead. This would seem to be counterintuitive to the concerns over upcoming candidate shortages.

An overwhelming majority, 73% of respondents, believes that the strategic role of HR will increase over the next three years.

The responses also showed a common theme: more training (both within and outside of the HR department) is needed to elevate the strategic importance of the human resources function.

In general, the answers seem to indicate that HR professionals plan to work harder in 2004, hiring more people in a tighter market—all while trying to take on a more strategic role for their department.

4. WHAT STAFFING FIRMS CAN DO TO BETTER SERVICE EMPLOYER NEEDS

As expected, the quality of candidates and the ability to match candidates to the organizations' needs were the most important attributes a company looks for when choosing a staffing partner.

For staffing firms like ours, it is interesting to note that HR professionals don't seem to worry as much about the range of services a staffing vendor can provide. Therefore, specialization that allows us to provide high caliber candidates and exceptional cultural fit is probably of greater value to our clients.

SURVEY RESULTS

Question 1: Employment levels over the past 12 months

Respondents were asked to rate how employment levels have changed within their organizations over the past 12 months. Responses were scored on a scale of one to five with one being "decreased greatly" and five being "increased greatly." A score of 3 indicates no change.

Employment Levels	Average Level of Change
Full Time Employees	3.07
Part Time Employees	2.93
Contract and temporary staff	2.89
Independent contractors and consultants	2.93

Question 2: Employment levels within operational areas over the past 12 months

Respondents were asked to rate how employment levels have changed within specific operational areas of their company. Responses were scored on a one to five scale with one being "decreased greatly" and five being "increased greatly." A score of 3 indicates no change.

Employment Levels	Average Level of Change
Senior Management	2.97
Middle Management	2.92
Operations	3.06
Customer Service	3.07
HR	2.83
Finance / Accounting	2.97
IT / Engineering	2.98
Sales / Marketing	3.30
Administrative Support	2.76

Question 3: Employment levels over the next 12 months

Respondents were asked to rate how they believe employment levels will change within their organizations over the next 12 months. Responses were scored on a scale of one to five with one being "decreased greatly" and five being "increased greatly." A score of 3 indicates no change.

Employment Levels	Average Level of Change
Full Time Employees	3.43
Part Time Employees	3.09
Contract and temporary staff	3.02
Independent contractors and consultants	3.03

Question 4: Employment levels within operational areas over the next 12 months

Respondents were asked how employment levels within specific operational areas will be affected over the next 12 months. Responses were scored on a scale of one to five with one being "decreased greatly" and five being "increased greatly." A score of 3 indicates no change.

Operational Area	Next 12 months	Past 12 months	Percent change
Senior Management	3.03	2.97	2.02
Middle Management	3.16	2.92	8.22
Operations	3.26	3.06	6.54
Customer Service	3.21	3.07	4.56
HR	3.04	2.83	7.42
Finance / Accounting	3.02	2.97	1.68
IT / Engineering	3.16	2.98	6.04
Marketing / Sales	3.32	3.30	0.61
Administrative Support	2.98	2.76	7.97

Question 5: HR Concerns

Respondents were asked to indicate their level of concern over the effect of different issues over the next 12 months. Responses were scored on a scale of one to five with one being "not at all concerned" and five being "extremely concerned." A score of 3 equals a "Neutral" view on the subject.

HR Concerns	Response Average
U.S. Economy	3.79
Government Spending	3.63
Global Economy	3.55
Employee Productivity	3.48
2004 U.S. Presidential Election	3.47
Security Concerns	3.29
Outsourcing	2.89
Offshore Employment	2.52

Question 6: Qualified worker shortage

Many experts are predicting a significant shortage of qualified workers in the next 3 to 5 years. Respondents were asked to rate how strongly they feel about this statement.

Level of Agreement	Response Percent
Strongly Disagree	2.4
Disagree	16.7
Neutral	12.7
Agree	48.4
Strongly Agree	19.8

Question 7: Understanding staffing issues and concerns

Respondents were asked to provide their level of concern regarding a variety of staffing issues within their company. Responses were scored on a zero to five scale with zero being "no concern" and five being "greatly concerned." A score of 3 equals a "Neutral" view on the subject.

Staffing Issues	Average level of concern
Wage and benefit costs	4.85
Finding qualified candidates	4.63
Retention of existing staff	4.36
Time required to find & hire qualified people	4.36
Strategic staffing	4.24
Workforce planning	4.13
Employee productivity	4.06
Staffing costs	4.02
Recruiting costs	3.83

Question 8: Planning for staffing needs

Respondents were asked how far in advance of your needs do you plan for staffing needs. Responses were scored on a scale from "no formal plan" up to "1 to 3 years."

Time	Response Percent
1-3 Months	26.8
3-6 Months	20.3
6-12 Months	26.8
1-3 Years	7.3
No formal plan	18.7

Question 9: The changing role of HR

Respondents were asked how the strategic role of HR was going to change within their organizations over the next 1 to 3 years.

Change	Response Percent
Greatly Decrease	2.4
Decrease Somewhat	4.0
Stay the Same	20.6
Increase Somewhat	50.8
Greatly Increase	22.2

Question 10: Creating a more strategic HR department

Respondents were asked what changes are needed for HR to play a more strategic role in their organization.

Change	Response Percent
Mentoring / Coaching programs	59.5
Training within HR	56.2
Training for other departments	52.9
Employee retention programs	51.2
Software / Technology improvements	47.9
Assessment programs for employee development	47.9
Additional HR staff	32.2
Employee productivity improvement	31.4
Consulting services to help guide changes	26.4
Outsource solutions for benefits, staffing or other areas	24.0
Other	9.1

Question 11: HR Staffing needs

Respondents were asked what types of HR contract staffing services they have used in the past 12 months and how likely they are to use these services over the next 12 months.

Services	Used in the past 12 months	Plan to Use in the next 12 months	Percent Change
HR Generalists	26.7	21.1	-21.0
Compensation & Benefits Specialists	38.9	30.0	-22.9
HRIS	18.9	16.7	-11.6
Recruiting	64.4	46.7	-27.5
Senior HR Management	8.9	10.0	8.9

Question 12: The use of professional talent

Because of the needs of companies for specialized talent, many companies use professional contract help for project work or temporary fill-in assignments. Respondents were asked to check all areas where professional-level contract personnel are used in addition to HR.

Specialized Talent	Used in the past 12 months	Plan to Use in the next 12 months	Percent Change
Finance / Accounting	63.0	33.7	-46.5
Management	18.5	9.8	-47.0
IT / Engineering	69.6	53.3	-23.4
Sales / Marketing	17.4	12.0	-31.0
Legal	32.6	29.4	-9.8

Question 13: What makes a quality staffing vendor

Respondents were asked what aspects of a staffing services company are most important when evaluating the quality of a staffing vendor. Responses were scored on a zero to six scale with zero being "not important" and six being "very important."

Staffing Qualities	Response Average
Quality of candidates	5.67
Matching candidates to your needs (fit)	5.64
Responsiveness	5.40
Availability of candidates	5.10
Thoroughness	5.05
Cost	5.04
Service guarantee	4.91
Quality of the service coordinator/recruiter	4.88
Follow-up after the order is placed	4.61
Reputation of staffing service	4.56
Quality of the salesperson	4.33
Testing of candidates	4.31
Value-added services (usage reports, online timesheet, etc.)	3.83
Range of services offered	3.75
Ability to provide strategic services such as consulting	3.23
Training facilities and capabilities	3.08