

The 2015
Direct Hire Agency
Benchmarking Report™

Trends and Outlook for
Direct Hire Costs, Specialized Jobs,
and Industry Segments



EXECUTIVE SUMMARY

BountyJobs is sharing key insights from expansive benchmarking data drawn from its direct hire agency jobs market — where companies fill vacant positions through the use of direct hire agencies (sometimes also referred to as headhunters).

THE HIGHLIGHTS OF THIS REPORT INCLUDE:

- The pendulum is swinging in favor of high-demand talent, as employers are paying a premium for high-demand candidates in the direct hire agency marketplace.
- Candidates hired in the direct hire agency marketplace are becoming a select group of job seekers, benefiting from competition and higher salaries.
- Pharmaceutical and biotechnology jobs are hot, with those industry employers paying the most to acquire this talent.

This report fills a critically important data gap relating to the employment marketplace not currently being addressed — raw data and analysis of premium jobs filled through direct hire recruiting agencies.

Beneath the widely reported, moderately strong growth in jobs last year was a remarkable surge in demand for highly skilled candidates and the agencies that get paid to find them. Direct hire agency fees are typically offered as a percentage of a candidate's first year's salary, and have long been an indication of where the high end of the job market is heading. These types of recruiting fees are only paid if the company hires the agency's candidate. Jobs filled this way typically have an average salary of \$100,000 or higher, with average fees of 20 percent (or higher).

INTRODUCTION: WHY BOUNTYJOBS IS SHARING ITS DATA

This report focuses on the \$8.7 billion direct hire agency jobs marketplace¹ and the factors impacting some of the most sought-after candidates.

Organizations typically turn to direct hire agencies (headhunters) when open jobs are highly specialized, key skilled positions, or critical to operations. **Nearly 1 in 10 employees are hired through recruiting agencies, and that spend on agencies is often the largest portion of a company's recruiting budget.**²

Corporate leaders are missing a key perspective into this premium jobs market — objective data specific to the direct hire employment marketplace. BountyJobs is undertaking its first Direct Hire Agency Benchmarking Report™ to provide business leaders with an objective view of this highly sought-after workforce — data that represents activity with direct hire agencies that specialize in finding these candidates. The data and forward-looking analysis will help businesses understand current trends for direct hire jobs and fees that peer employers are paying for these premium positions. BountyJobs' key findings will also help businesses plan future talent acquisitions strategies and determine the role agency recruiting might play in those strategies.

In this report, BountyJobs draws from tens of thousands of records created over the past decade in its marketplace, where thousands of U.S. companies and more than 10,000 direct hire agencies work together to fill premium job vacancies. For the purposes of this report, BountyJobs is focusing on the last five years of complete data. BountyJobs' unmatched benchmarking data is objectively captured in its direct hire agency marketplace with insights into fees, types of jobs, and specific industries. ***The 2015 Direct Hire Agency Benchmarking Report™*** is a unique lens into a jobs market not addressed by other key employment indicators.

1 Staffing Industry Analysts 2014 estimates

2 High-impact Talent Acquisition. Bersin by Deloitte. 2013.

Unlike other reports, which rely on polling to assess companies' opinions about trends, no data in this report is self-reported. Benchmarks are drawn entirely from actual transactions over a five-year period.

ABOUT THIS TRANSACTIONAL DATA:

- ▶ Sample size is substantial, **covering 35,000 jobs** filled over the past five years.
- ▶ The breadth of agencies tracked in this report represents a significant portion of a very fragmented marketplace, ranging from global firms with hundreds of agents in several industries, to boutique firms with one person focusing on one niche. According to Staffing Industry Analysts **no direct hire agency has more than 4 percent of the market**, and data from publicly traded companies gives only a fraction of the perspective into the market.
- ▶ The diversity of companies, and the roles they fill through agencies, is also substantial. **Companies are represented from all four regions of the U.S.**, with the South being the highest (33 percent of the 35,000 jobs analyzed), and the Midwest being the lowest (20 percent). Jobs filled in healthcare/health services represent the highest percentage of roles filled (23 percent), followed by manufacturing (21 percent), financial services (14 percent), professional services (10 percent), IT (8 percent), and pharmaceuticals and biotechnology (6 percent). Companies with 99 employees or fewer are the smallest portion of the survey (3 percent of jobs filled), while companies with 100 to 4,999 represent 32 percent of jobs filled, and companies with 5,000 employees representing 65 percent of jobs filled. The latter category is broad, ranging from Fortune 100 global corporations to regional U.S.-based firms.

Corporate leaders are more focused than ever on acquiring, keeping, and engaging the right talent to unlock business potential. These strategically minded executives want to make reliable decisions, backed by sound data. Objectively captured benchmarks, for instance, help companies compare where they stand among their industry peers or when looking at specific jobs or the costs associated with acquiring the talent they need.

The U.S. Bureau of Labor Statistics has long been a trusted source of employment data, providing businesses with growth numbers and aggregate measures of how the jobs market is performing.

Last year, one of the largest HCM companies in the world, ADP, developed the “Workforce Vitality Report” — an in-depth look at trends in the overall employment market by geographies and a few major industry categories. ADP, drawing from its immense amount of payroll and other HR services data, provides a look at the employment market that mirrors data released by the U.S. Bureau of Labor Statistics. Business leaders look to these reports to measure the pulse of the employment market.

What’s missing from these trusted employment indicators is objective data for jobs being filled by direct hire agencies. BountyJobs believes the Direct Hire Agency Benchmarking Report™ fills a substantial information gap in the state of the U.S. employment marketplace. This report is an indicator of what premium jobs are in the highest demand and what industries need key talent to meet business goals. In short, the *2015 Direct Hire Agency Benchmarking Report™* will serve as a critically important supplemental employment report for corporate executives focused on talent strategies.

50% OF THE WORKERS AT
FORTUNE 100 COMPANIES WILL
BE CONTINGENT HIRES BY 2020

A stronger jobs market, increasing voluntary attrition, and a rising contingent workforce are creating tremendous strains on organizations seeking key skilled talent. **Business leaders consistently rank a lack of qualified candidates as a top concern.** Many jobs — some salaried, many more hourly — today are filled through traditional means: postings on company websites, employee referrals, or third-party jobs boards. Many other jobs are filled by contingent workers — flex, part-time, or freelance workers. In fact, 50 percent of the workers at Fortune 100 companies will be contingent hires by 2020, according to Staffing Industry Analysts and MBO Partners. **This shift could shrink the remaining talent pool, elevating the importance of the direct hire jobs market more than ever.** This report focuses on the final group of jobs, which are often among the most difficult to fill — those in the direct hire agency marketplace.

WHAT THE DATA TELLS US

In sharing insights from its sizable benchmarking data for the first time, **BountyJobs is providing forward-looking insights typically only shared with clients.** In this report, our experts provide an analysis of 2014 data, make comparisons with previous years' data, and provide insights into the direct hire marketplace for the coming year.

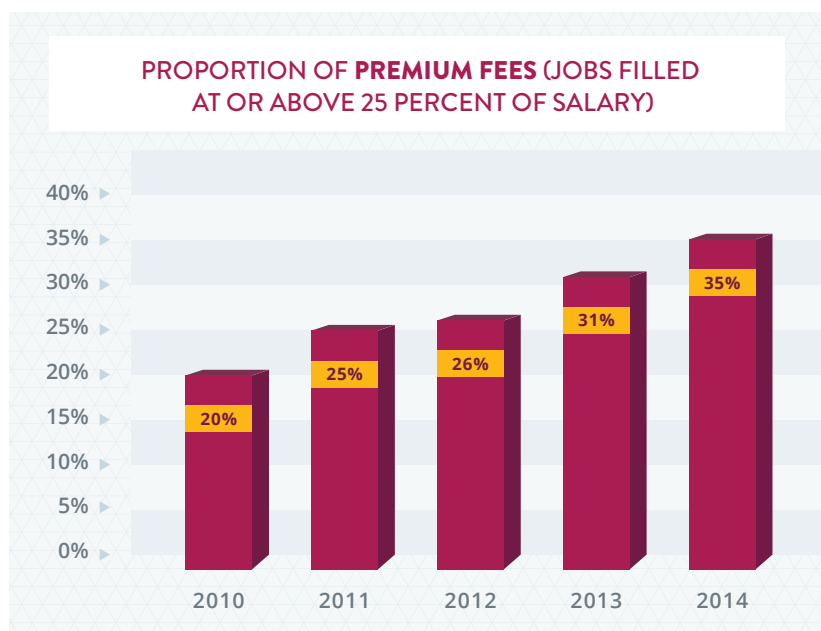
KEY FINDING NO. 1: PREMIUM FEES ARE AT AN ALL-TIME HIGH

THE PROPORTION OF PREMIUM FEES — THOSE FEES THAT ARE AT OR EXCEED 25 PERCENT OF A POSITION'S SALARY — IS AT AN ALL-TIME HIGH.

In 2014, about 35 percent of fees were at or above that threshold, compared with 31 percent in 2013, and up from a low of 20 percent in 2010 (Fig. 1). The pendulum is clearly swinging in favor of job candidates as employers are increasingly paying a premium for key talent.

Although recruiting fees have leveled dramatically thanks to transparency and competition, the best recruiting agencies still command higher fees for premium candidates. Accepted wisdom (backed by data) in recruiting circles is that 20 percent is the “accepted average,” but premium fees of 25 percent or higher are considered the bellwether for the hottest industries, jobs, and candidates.

FIG. 1



Looking back to 2008, 26 percent of all fees were premium fees — a number that was declining and hit a low of 20 percent in 2010. However, the five-year stretch from 2010 to 2014 saw an upward trajectory. That upward trend mirrored somewhat the overall employment marketplace, but the upward spike in the past year suggests not all jobs are equal in terms of demand.

KEY FINDING NO. 2: STRONGER SALARIES ARE DRIVING THE INCREASE IN AGENCY FEES

The average direct hire agency fee (in dollars) collected in 2014 was \$22,113, compared with \$20,793 in 2013, or a 6.3 percent increase (Fig. 2). This is a 29 percent increase compared with fees paid during the depth of the recession in 2008. At the same time, direct hire agency fees paid as a percentage of an employee's first-year salary is currently leveling off — 21.2 percent in 2014, compared with 21.0 percent in 2013 (Fig. 3).

Since the recession, these fees have steadily risen each year, surging in 2013 and 2014 — reflecting the strength of salaries being offered to qualified candidates.

FIG. 2

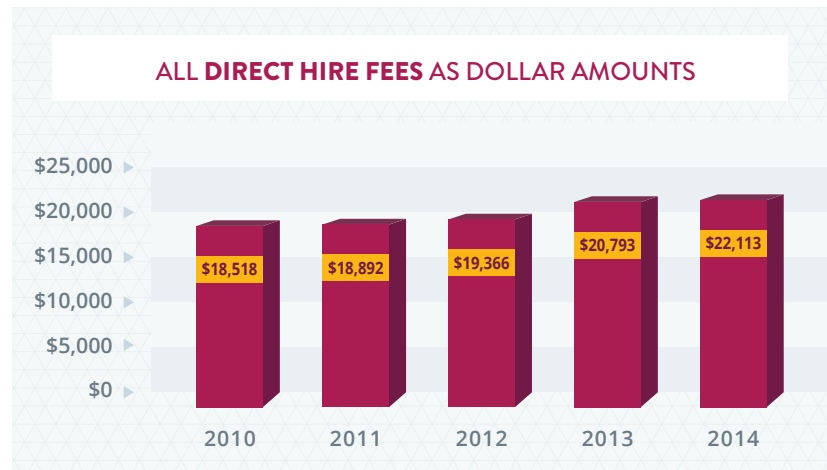
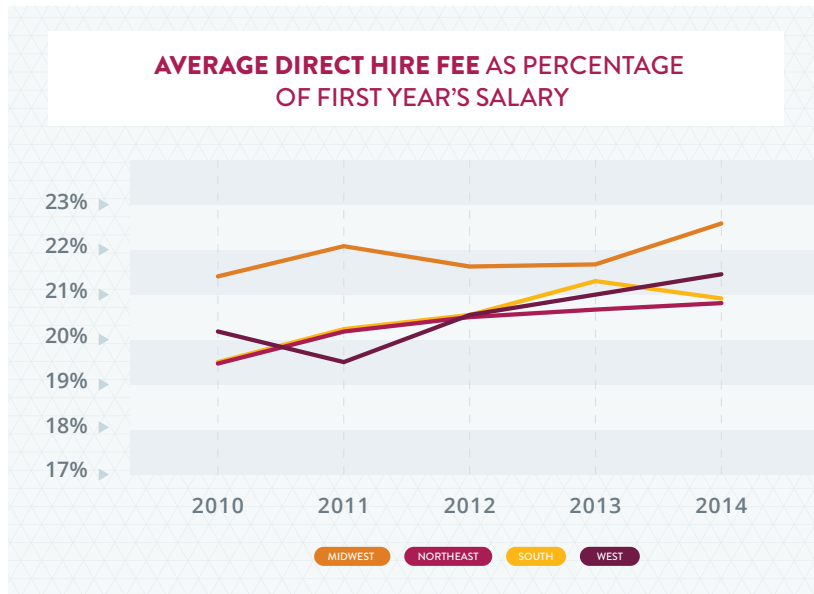


FIG. 3

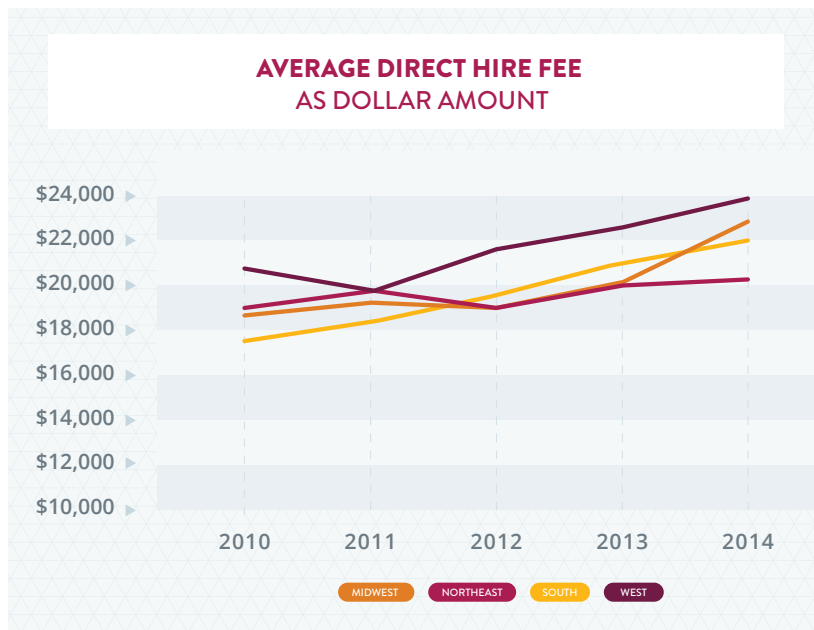


FIG. 4



Fees overall are stabilizing and on a steady upward, but modest, trajectory in every region of the country. Though there are marginal variances among geographic regions, key indicators as to the health of the direct hire agency market are moving roughly in tandem — all trending modestly upward when examining fees, usage, and the impact of demand on job salaries. The Midwest, which has historically been consistently higher than all regions, continued to climb in 2014 despite a flattening of fees in other regions.

FIG. 5



The increase in fees paid in 2014 in the Midwest was driven in large part by an increase in jobs filled by large employers in the pharmaceutical and biotechnology space, while the small decrease in the South was driven in part by an increase in the volume of fees paid by large employers in healthcare.

KEY FINDING NO. 3: STRENGTH IN PHARMACEUTICALS AND BIOTECHNOLOGY

LEADING THE PACK IN THE PAST YEAR WERE JOBS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRY, WHICH CARRIED THE HEFTIEST FEES IN 2014, COMPARED WITH ALL OTHER JOBS.

Employers in pharmaceutical and biotechnology paid an average fee of \$31,449 in 2014. The next highest industries (energy, IT, and financial services) were all closely grouped together at just above \$24,000 in average fees.

Fees in pharmaceuticals and biotechnology were number one in 2013 as well, a position they've held for the past five years (see appendix).

Average fees in financial services fell to number four on the list (Fig. 6) due to a 3.5 percent overall decrease in fees for those jobs since 2013 (Fig. 8). At the same time, fees in energy and IT climbed a spot each due to an overall year-over-year increase in those fees (Fig. 6 and 7).

FIG. 6

2014 AVERAGE FEES	
INDUSTRY	AVERAGE FEE PER EMPLOYEE
Pharmaceutical/Biotechnology	\$31,449
Energy	\$24,440
Information Technology	\$24,096
Financial Services	\$24,089
Engineering	\$22,955
Aerospace/Aviation/Defense	\$22,635
Manufacturing and Production	\$19,924
Retail/Wholesale	\$18,438
Professional Services	\$17,797
Healthcare/Health Services	\$17,468

FIG. 7

2013 AVERAGE FEES	
INDUSTRY	AVERAGE FEE PER EMPLOYEE
Pharmaceutical/Biotechnology	\$28,392
Financial Services	\$24,974
Energy	\$22,684
Information Technology	\$22,186
Engineering	\$21,683
Aerospace/Aviation/Defense	\$20,617
Retail/Wholesale	\$18,873
Manufacturing and Production	\$18,745
Healthcare/Health Services	\$17,827
Professional Services	\$17,804

Jobs in the pharmaceutical and biotechnology industries also saw the largest increases in fees paid to acquire talent for year-over-year comparisons of 2013 with 2014 data, at 10.8 percent (Fig. 8). Following the aerospace/aviation/defense industry, information technology also saw a significant leap at 8.6 percent, showing a rising demand for jobs in that sector.

Additional information about direct hire agency job categories can be found in the appendix, where raw data reveals detailed trends on specific jobs over a five-year period.

FIG. 8

2013–2014	PERCENT CHANGE
INDUSTRY	PERCENT CHANGE
Pharmaceutical/Biotechnology	10.8%
Aerospace/Aviation/Defense	9.8%
Information Technology	8.6%
Energy	7.7%
Manufacturing and Production	6.3%
Engineering	5.9%
Professional Services	0.0%
Healthcare/Health Services	-2.0%
Retail/Wholesale	-2.3%
Financial Services	-3.5%

CONCLUSION: WHERE PREMIUM JOBS ARE HEADED

Direct hire fees, typically offered as a percentage of a candidate's first year's salary, have long been known as an indication of where the high end of the job market is heading. If a company feels that a job is so critical that it offers a fee to get it filled, it has an urgent need for great talent. These types of recruiting fees are only paid if the company hires the headhunter's candidate, and the jobs filled this way typically have an average salary of \$100,000 or higher. If more fees are being paid, more critical candidates are being hired. If higher fees are being offered, competition for top talent is getting more fierce.

SO WHERE IS THE PREMIUM EMPLOYMENT MARKET HEADED?

In 2014, we saw a 6.3 percent increase in direct hire fees being paid to acquire key talent. However, the fees as they relate to a portion of direct hire salaries are becoming more stable overall. We don't see overall fees dropping below 21 percent, meaning the direct hire marketplace remains hot but is seeing a stabilizing period.

The gradual escalation of the dollar value of direct hire fees is also an indication that the candidate market is getting increasingly tougher on employers. This is in alignment with other key employment indicators in recent years, such as falling unemployment rates and rising wages. But the data in this report clearly points to high level of demand for premium jobs — again, those that are critical to business success and are often highly skilled, scarce, and command higher salaries.

Even within the direct hire jobs market, there are distinct job categories and industries that require above-average fees for employers to acquire talent in those respective areas. With the proportion of premium fees (those above 25 percent of direct hire salaries) going up, we're seeing certain jobs and certain industries engaged in fierce competition for these highly sought-after candidates.

The BountyJobs 2015 Direct Hire Agency Benchmarking Report™ is the first in a series to come. BountyJobs uses the data in this report day in and day out to help employers simplify and analyze what can be a chaotic direct hire agency process. The data gives employers real-time clarity and control of their direct hire process. This is the first time we have shared these key insights into the direct hire jobs marketplace. It is BountyJobs' goal that the data and findings in this report can guide talent acquisition strategies and help organizations hire better candidates, faster.

IN 2014, DIRECT HIRE
FEES TO ACQUIRE KEY
TALENT INCREASED

6.3%

METHODOLOGY: BOUNTYJOBS' AGNOSTIC MARKETPLACE

The data in this report is drawn from the BountyJobs marketplace — using job titles, industries, and the fees paid by companies to fill critical vacancies. It is the raw data that represents what organizations are willing to pay to acquire key talent.

The following data was pulled from BountyJobs' benchmarking data — the objective transactional data contained in individual hires during a five-year span, from 2010 to 2014.

ABOUT 35,000 RECORDS WERE USED FOR THIS REPORT, REPRESENTING DATA POINTS OVER THAT FIVE-YEAR PERIOD, WHICH INCLUDE:

- ▶ Fees paid for each position
- ▶ Position salary
- ▶ Industry for candidate position
- ▶ Job title for candidate position
- ▶ Geographic location of position

EXTRAPOLATED DATA POINTS FROM THE RAW DATA INCLUDE:

- ▶ The percentage of fees that are premium (top quartile of fees paid)
- ▶ Fees as a portion of salary
- ▶ Most sought-after positions by job title
- ▶ Most sought-after candidates by industry
- ▶ Fees paid by geographic regions (following U.S. Bureau of Labor Statistics)

The jobs discussed in this report represent positions within organizations that are critical to achieving business goals and typically cannot be filled by usual means. Some of our country's best jobs, they are filled by direct hire agencies (headhunters).

THESE JOBS ARE:

- ▶ Highly skilled/specialty jobs
- ▶ Critical to company success
- ▶ Need to be filled immediately
- ▶ Typically more than \$100,000 per year
- ▶ Jobs for which the ideal candidates are in talent pools not familiar with in-house recruiters
- ▶ Jobs for whom competitive passive candidates are most desirable

Surveys on talent acquisition always seem to find that organizations have “difficulty finding qualified candidates.” Those jobs, for which corporate leaders are seeking more qualified candidates, are the jobs that are most often filled through the direct hire agency marketplace.

As the vanguard of the direct hire agency marketplace, BountyJobs is the industry-leading cloud-based platform that employers of all sizes use to consolidate and improve their direct hire agency activity. BountyJobs is used by recruiting departments within major brands in every industry across the U.S.

ABOUT BOUNTYJOBS

BountyJobs is a direct hire agency recruiting marketplace that simplifies the entire process between companies and direct hire agencies, helping companies hire better candidates, faster. BountyJobs uses the only data-driven VMS that gives HR teams and hiring managers complete control and clarity. Through one contract, one portal, and unrivaled benchmarking data, BountyJobs partners to help you simplify, analyze, and then deliver unmatched velocity and results in landing candidates from direct hire agencies.

APPENDIX

FIG. 9

INDUSTRIES RANKED BY AVERAGE FEE					
INDUSTRY	AVERAGE FEE AMOUNT				
	2010	2011	2012	2013	2014
Aerospace/Aviation/Defense	\$24,565	\$23,248	\$23,885	\$20,617	\$22,635
Energy	\$21,017	\$22,751	\$21,576	\$22,684	\$24,440
Engineering	\$19,066	\$19,668	\$18,987	\$21,683	\$22,955
Financial Services	\$21,042	\$21,240	\$22,920	\$24,974	\$24,089
Healthcare/Health Services	\$15,753	\$15,862	\$17,514	\$17,827	\$17,468
Information Technology	\$18,139	\$19,479	\$19,624	\$22,186	\$24,096
Manufacturing and Production	\$18,119	\$19,314	\$18,762	\$18,745	\$19,924
Pharmaceutical/Biotechnology	\$27,092	\$27,176	\$25,514	\$28,392	\$31,449
Professional Services	\$14,401	\$16,882	\$17,788	\$17,804	\$17,797
Retail/Wholesale	\$16,059	\$17,819	\$18,054	\$18,873	\$18,438
GRAND TOTAL	\$18,518	\$18,892	\$19,366	\$20,793	\$22,093

FIG. 10

JOB CATEGORIES RANKED BY AVERAGE PERCENTAGE OF FEE					
INDUSTRY	AVERAGE PERCENTAGE OF FEE				
	2010	2011	2012	2013	2014
Research and Development	22%	23%	22%	24%	25%
Finance/Accounting/Legal	20%	22%	22%	22%	22%
Manufacturing	20%	21%	22%	21%	22%
Engineering	20%	21%	21%	22%	22%
HR Management	20%	21%	20%	22%	22%
Information Technology	20%	20%	20%	21%	21%
Sales/Marketing/Creative	19%	20%	20%	20%	21%
Office/Clerical/Administrative	19%	19%	19%	21%	21%
Executive	20%	21%	19%	20%	21%
Medical/Health	19%	19%	20%	20%	19%
General Management	18%	19%	19%	20%	21%
GRAND TOTAL	20%	20%	21%	21%	21%

FIG. 11

JOB CATEGORIES RANKED BY AVERAGE FEE					
INDUSTRY	AVERAGE FEE AMOUNT				
	2010	2011	2012	2013	2014
Research and Development	\$22,877	\$27,098	\$22,926	\$31,144	\$39,032
Executive	\$33,194	\$32,432	\$25,764	\$29,500	\$30,567
Finance/Accounting/Legal	\$20,183	\$20,531	\$21,881	\$23,810	\$24,019
Information Technology	\$19,231	\$19,229	\$19,832	\$21,791	\$23,320
Engineering	\$19,637	\$19,838	\$19,586	\$21,242	\$23,070
HR Management	\$18,986	\$18,556	\$18,793	\$20,941	\$23,480
Sales/Marketing/Creative	\$18,241	\$19,297	\$18,987	\$18,687	\$20,512
Manufacturing	\$16,741	\$19,819	\$18,529	\$18,235	\$19,395
Office/Clerical/Administrative	\$16,858	\$15,305	\$17,268	\$20,702	\$18,093
General Management	\$15,886	\$16,344	\$18,693	\$18,976	\$21,176
Medical/Health	\$15,822	\$15,592	\$17,432	\$18,182	\$18,174
GRAND TOTAL	\$18,518	\$18,892	\$19,366	\$20,793	\$22,093