

Executive Search Firms

For higher-level professional positions or jobs with salaries of \$100,000 and higher, executive search firms, or "headhunters," may be used. Like employment agencies, these firms contact and screen potential applicants and present résumés to employers. The difference between employment agencies and search firms lies in two primary areas: (1) search firms typically deal with higher-level positions than those of employment agencies, and (2) search firms are more likely to operate on the basis of a retainer than on a contingency. Search firms that operate on a retainer are paid regardless of whether a successful placement is made. The advantage of operating this way, from the hiring organization's standpoint, is that it aligns the interests of the search firm with those of the organization. Thus, search firms operating on a retainer do not feel compelled to put forward candidates just so their contingency fee can be paid. Moreover, a search firm on retainer may be less likely to give up if the job is not filled in a few weeks. Of late, business has been slow for executive search firms, partly due to the moderate economic growth and the bustling online recruiting business. Thus, organizations have been able to negotiate smaller fees (retainers or contingencies).⁵⁹

Increasingly, executive search firms are getting into the appraisal business, where an organization pays the search firm to provide an assessment of the organization's top executives. On one level this makes sense, since executive search firms are in the assessment business. The problem is that since the executive assessment pays much less than the retainer or contingency fees for hiring an executive, the search firms have an incentive to pronounce top executives substandard so as to justify bringing in an outsider. This is exactly what happened with a top executive search firm whose executive recruiters negatively evaluated an executive, only to recommend hiring an outsider, for which the recruiters were compensated handsomely. Given these inherent conflicts of interest, organizations should avoid using the same search firm to hire new executives and to appraise its existing executive team.⁶⁰

Social Service Agencies

All states have an employment or job service. These services are funded by employer-paid payroll taxes and are provided by the state to help secure employment for those seeking it, particularly those currently unemployed. Typically, these services refer low- to middle-level employees to employers. For jobs to be filled properly, the hiring organization must maintain a close relationship with the employment service. Job qualifications need to be clearly communicated to ensure that proper screening takes place by the agency. Positions that have been filled must be promptly reported to the agency so that résumés are not sent for closed positions. The federal Job Corps program is another option. Job Corps is designed to help individuals between 16 and 24 years of age obtain employment. The program targets individuals with lower levels of education and prepares them