

## **Closed recruitment practices in the public sector**

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CIPD response to the Department for Business, Innovation and Skills

**Chartered Institute of Personnel and Development (CIPD)**

**April 2016**



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## **Background**

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

## **Response**

Our response reflects feedback from 374 CIPD members who participated in an online survey that we ran during March-April 2016 seeking their views on the issues raised in this Call for Evidence. The majority of responses received were from members working in the public sector (63%), although responses were also received from members working in the private sector (28%) and the voluntary sector (10%). We make no claim about the responses being representative of the broader population of our members, never mind employers as a whole. However, the responses do shed some light on the issues raised in the Call for Evidence. In addition to the numerical data provided using this exercise, we have included direct quotes provided in response to an open-ended question where these help illustrate our response.

Our response also draws on the findings of 520 employer responses to our CIPD 2015 *Resourcing and talent planning* survey, produced in partnership with Hays. We also make reference to publicly available data from other sources, in particular, the 2004 and 2011 Workplace Employment Relations (WERS) surveys.

## **General Comments**

As a general principle it can be assumed that open recruitment, where the recruiting organisation seeks job applications from both internal and external sources, will attract a wider and more diverse field of candidates. Similarly, an employer that relies solely on

internal-only applications for every vacancy beyond entry-level could not expect to generate diversity and innovation in the long-term – but we believe such blanket practice is not commonplace among either public or private sector employers.

However, an organisation's effectiveness in recruiting and fostering a diverse *and* inclusive workforce cannot be reduced to its decision whether or not to fill an individual vacancy on an internal-only basis. There are many factors that influence both the diversity of an organisation's recruitment activity, workforce and culture as well as its choice of candidate-attraction methods for particular vacancies. Therefore, we believe that the assumption that public sector employers are more prone to carry out closed recruitment practices is largely misplaced, as well as the assumption that advertising particular vacancies on an internal-only basis is necessarily a negative approach in every situation. The crucial consideration is whether or not the recruiting organisation devises an effective and balanced recruitment strategy for each vacancy based on the requirements for the role, the needs of the organisation and the wider jobs market.

As the professional body representing 140,000 HR professionals, a third of whom work in the public sector and most of whom retain strategic responsibility for recruitment even where aspects of this activity have been outsourced or devolved to line managers, we can speak with authority on this consultation.

## **Response to the specific questions in the consultation paper**

### ***What other advantages, disadvantages and considerations do you believe apply to internal-only recruitment?***

The Call for Evidence states that open recruitment 'provides the recruiting employer with the greatest chance of finding the right person for the job'. While this premise can be true in many instances, and a wider field of candidates are generally sourced by using a mix of internal and external recruitment methods, it is still a generalisation, and there will be situations where internal-only recruitment could result in the most suitable pool of candidates. As the document acknowledges, "internal recruitment...may be the right recruitment approach for employers at certain times or for certain roles." As a general principle, therefore, a balanced recruitment strategy, based on a mix of effective internal and external recruitment methods will promote fairness and attract a wider and more diverse talent pool. As one private sector employer responding to our survey commented:

*"I've worked in several organisations, across public and private and third sector. In my opinion the best balance comes from organisations who attempt to fill vacancies internally first before advertising vacancies externally. Internal recruitment sends a powerful message about the value employers place on internal skills, and generally tends to improve progression with the most basic level and very specialist roles being filled externally."*

While a public sector employer had this to say:

*“Neither internal only nor external only makes sense. It has to be about responding to the situation. In my experience the vast majority of public sector employers have a policy in which external candidates are sought unless there is a very good reason for doing otherwise.”*

Our survey findings and the extensive feedback supplied by our members reflects the CIPD’s view that closed recruitment practices need to be appreciated in context. There are many different internal and external factors that influence an organisation’s decision to fill a particular vacancy using internal or external-only candidate-attraction methods. Each resourcing situation needs to be considered on its own merit and our members clearly appreciate that there can be advantages and disadvantages of both approaches if used exclusively and on an ongoing basis. As one private sector employer commented about internal-only recruitment:

*“I am absolutely against it, in principle, because of the danger that bad cultures become entrenched (examples proliferate but include the BBC, the NHS and the public services). However, that does not mean that internal recruitment is necessarily wrong, but it is helpful to measure internal against external candidates. Indeed, on one notable occasion, where in a large and world-renowned public service organisation I recruited 24 individuals from an external recruitment process to which internal candidates were permitted to apply, half of the successful candidates were internal, which constituted a pleasant surprise both to me (as line recruiter) and the candidates.”*

For some employers, the feedback we received pointed out the drawbacks for their organisation if they adopted internal-only recruitment methods. For example, one CIPD member from the private sector commented:

*“Internal-only recruitment would leave us unable to run the business because the best skills and experience is not always available internally, particularly for management and technical roles. Always filling roles internally leads to insularity and an inability to be agile and change, which is vital for any service or business to remain fit for purpose.”*

Similarly, many public sector employers are also very aware of the limitations of internal-only recruitment as a blanket approach to filling vacancies – as one told us:

*“I think it can stunt an organisation due to lack of fresh recruits who can bring a wealth of experience from other areas. Also of course, the pool is so much smaller.”*

Conversely, some employers pointed out the potential drawbacks of external-only recruitment methods, as one employer pointed out:

*“Filling all vacancies externally would be terrible for staff morale, remove*

*development opportunity and also lose experienced staff/knowledge to the private sector.”*

According to our survey of members, a higher proportion of employers said they filled the majority of their vacancies externally (28%) than internally (13%), with the majority (58%) saying they adopted a balanced approach. Among public sector employers, 21% filled the majority of vacancies externally, 20% filled the majority internally, and 59% took a balanced approach.

However, our survey findings identified a wide range of advantages to their organisation of filling posts internally in the right circumstances, on the part of employers across *all* sectors – just 2% of employers said that there were no advantages to filling vacancies on an internal basis. The top benefit cited by respondents was the opportunity that internal recruitment presented to develop staff (87% of employers), followed by cost saving (59%), the fact that cultural fit with the organisation is already established (56%), the greater speed with which vacancies can be filled internally (56%) and how this approach can help facilitate redundancy situations (50%). By sector, the most significant variation in respondents’ views related to this latter category – 63% of public sector employers cited help with redundancy situations as an advantage compared with 26% of private sector organisations – which is likely to reflect the more widespread incidence of redundancies within public sector organisations in recent years as well as the more formalised procedures for handling redundancies common in large, unionised workplaces. The other interesting variation in employers’ views relates to cultural fit – 67% of private sector employers view this aspect as an advantage compared with 49% of public sector employers, which may reflect a heightened awareness of the extent to which ‘cultural fit’ can be a barrier to workforce diversity.

It should be noted that many public sector organisations are very large employers and an internal-only recruitment strategy for specific vacancies could still reach a large audience that results in a wide and varied field of candidates from different departments and locations (for example, Civil Service-wide advertisement). Therefore, sourcing internal-only candidates for some niche vacancies – for example, to facilitate the development of internal talent pipelines, career progression and promotion, or to recruit quickly to specialist and/or technical posts that require a high degree of organisation-specific contextual knowledge, can also be an appropriate response for some vacancies.

The proviso is that the recruiting manager should consider each vacancy on its own merit and develop an appropriate recruitment strategy based on the criteria for the post, the needs of the organisation and the wider jobs market and likely competition for the specific skillset required by the organisation. It should not be forgotten that the key aim of any recruitment campaign should be to find the most suitable candidate for the post.

The CIPD 2015 *Resourcing and talent planning* survey, produced in partnership with Hays, found that organisations are increasingly looking for talent outside of their organisation, including public sector organisations.<sup>1</sup> However, wider external factors and internal budgetary considerations are bound to have an impact on an employer’s resourcing

decisions. For example, cost, as mentioned in the Government's Call for Evidence, can be a major factor influencing the choice of external versus internal-only vacancy filling. Recruiting externally typically costs significantly more than an internal hire - the 2015 CIPD *Recruitment and Talent Planning* survey found that the median cost per hire was £2,000 (£7,250 for senior managers/directors). The past few years have seen large sections of the public sector experience significant budgetary restraint, and this is reflected in the size of their resourcing budgets.

While the survey results show that all employers are increasingly looking for talent externally, they also pointed to significant differences between sectors in the resources available for recruitment and attracting talent; 43% of public sector employers expected a reduction in their budget and just 13% experienced an increase, compared with 45% of private sector employers projecting an increase and just 16% a reduction. As one public sector employer responding to our survey for this consultation succinctly commented:

*“External recruitment is expensive and at a time of significant cuts we have to minimise additional expenditure.”*

Filling vacancies internally as a means to facilitate redeployment opportunities is also a factor that leads organisations to sometimes adopt internal-only recruitment. According to the 2015 CIPD *Recruitment and Talent Planning* survey, headcount reduction is a factor more likely to affect public sector employers – just 11% of private sector employers anticipated a reduction in headcount compared with 38% of public sector employers. One local government employer responding to our survey to inform this consultation commented:

*“In Local Government, generally the policy has always been to go external. However, at a time of financial constraints there has been more internal appointments to avoid redundancies.”*

While a Civil Service employer said:

*“I think a balance is needed – and we are also in a recruitment freeze, so the Government has actually prevented a lot of external recruitment to the Civil Service for about seven years so far...”*

We also asked our members what they perceive to be the advantages to their organisation of filling vacant posts externally and the results show that both public and private sector employers appreciate a wide range of potential benefits from this approach as well. “Bring new ideas and perspectives” was the top perceived advantage (90% of respondents), followed by the new skills that external candidates can bring (84%), a wider pool of candidates (82%) and the opportunity to increase diversity in the organisation (80%). A sectoral breakdown of the findings indicate that both public and private sector employers equally appreciate the organizational benefits of external recruitment, although private sector employers are slightly less prone to view it as an opportunity to increase diversity in their organisation (74% compared with 82% of public sector employers).



An academic perspective on the topic of internal versus external hiring comes to a similar conclusion about the factors likely to influence the decision:

*“In deciding whether to hire from within or outside the firm, employers should consider the nature and level of the job, characteristics of the firm and industry, and a firm’s system of human resource management policies, such as intensive recruitment and screening policies and training. Internal hiring should be preferred to external hiring when knowledge and skills specific to the firm are important, when promotions are crucial for motivating current workers, when the costs of a hiring mistake are particularly large, and when an additional vacancy (created when a worker switches jobs internally) is not too costly.”<sup>2</sup>*

**How often is internal-only recruitment used by employers? Please provide an estimate based on your own experience.**

**Very frequently**

**Frequently**

**Infrequently**

**Very infrequently**

**Not sure**

With the exception of sole traders, no organisation recruits entirely from internal sources. Employees must arrive initially from outside the organisation, hence all organisations recruit externally. We presume this Call for Evidence is referring to the situation excluding entry-level recruitment, which, by definition, must be external.

An analysis of the 2004 Workplace Employment Relations Survey (WERS), which is representative of all workplaces with 5 or more employees in Britain, found that just 3% of establishments said internal applicants were their only source of recruitment, 21% said preference was given to internal applicants (other things equal), 66% said internal and external applications were treated equally, 1% said preference was given to external applicants and 12% recruited only from external sources.<sup>3</sup>

As noted above, our survey of members found that, overall, 13% of employers fill the majority of their vacancies internally from existing staff, 29% do so externally while the majority (58%) adopt a balanced approach, with an even split between internal and external methods to source candidates. This appears to suggest a greater proportion of employers using internal-only recruitment, however, unlike WERS, our survey results are not designed to be representative and our question asked about practice for the majority of vacancies, not every single vacancy. This suggests that the proportion of organisations relying entirely on internal vacancy-filling beyond the entry level is very small.

**Do you agree that internal-only recruitment is more common in the public sector than in the private sector? Please explain your answer.**

**Yes, it is more common in the public sector**

**No, it is more common in the private sector**

**There is no difference**

**Not sure**

Multivariate analysis of the 2004 WERS found that, controlling for other factors, there was no statistically significant difference between public sector and private sector employers in their likelihood of using internal recruitment.<sup>4</sup>

Similarly, our survey of members found a very similar pattern for public sector employers with that seen for the total, with 20% of public sector employers filling the majority of their vacancies internally, 21% externally and 59% adopting a balanced approach.

**Do you think that public sector employers are striking the right balance between supporting the progression of their staff, and accessing the skills and expertise of other sectors?**

Our survey of members attracted responses from 374 HR professionals, who typically have a core responsibility for recruitment in their organisation. They were not convinced that there is a significant problem with public sector organisations routinely relying on internal-only recruitment methods to fill vacancies. Our understanding from our membership is that significant parts of the public sector routinely advertise vacancies on the external jobs market, especially at senior level. Where the public sector is the main employer of an occupation, having competitive routes into the occupation at entry-level may be more important than requiring every vacancy to be advertised externally.

There was ample evidence among the 237 public sector employers who responded to our survey of them following a balanced approach to sourcing the most suitable candidates for vacancies. As one told us:

*“We advertise all our vacancies externally as well as internally. This gives internal applicants the opportunity to apply for positions and to develop their skills and experience. Applicants, whether internal or external, must meet all the essential requirements on the person specification to be considered for an interview. The best person, scoring the most points, is then offered the position. Internal candidates are not given preferential treatment over external candidates. I feel this is a good balance.”*

This question also raises the wider issue of diversity, and how organisations can best develop a diverse and inclusive workforce through its recruitment *and* selection practices. External recruitment can, without doubt, play a key role in encouraging an initial field of diverse candidates, and help to reflect the communities in which employers operate – but



attracting and selecting a diverse and inclusive workforce goes far beyond merely posting every job vacancy on a commercial job board. And doing so, incidentally, can typically result in a huge and unmanageable field of candidates for HR and recruiting managers to sieve through if inadequate filtering mechanisms are not used, which will not necessarily increase the diversity of the candidate pool. External recruitment in its own right does not automatically guarantee a more diverse candidate pool – the recruiting organisation will still need to ensure that its external recruitment methods target under-represented groups where necessary, for example, and ensure that its candidate-attraction methods are accessible to a diverse range of potential applicants with the right skills for the job. Further, unconscious bias and stereotyping are more likely to creep into the shortlisting and selection process and it is in this area that recruiting employers also need to pay particular attention to diversity considerations.

The CIPD 2015 *Resourcing and talent planning* survey found that the public sector remains the most proactive on diversity, with 87% of such employers having a formal diversity strategy, compared with 47% of private sector employers. Further, the public sector still leads the way in using a range of methods to address diversity issues during recruitment – for example: 89% of public sector organisations monitor recruitment and/or staffing information to obtain data on gender, ethnicity, disability, age etc. compared with 62% of private sector employers; 70% of public sector organisations train interviewers to understand what diversity is about and the impact of stereotypes compared with 56% of private sector employers; and 52% of public sector organisations use specific images/words in their recruitment advertising to appeal to a wider audience compared with 33% of private sector employers. Public and private sector employers are more evenly matched in their approach to actively trying to attract talent of all backgrounds (for example, visiting schools in disadvantaged backgrounds) – 47% of private sector employers adopt this approach compared with 43% of public sector employers.

***Are you aware of instances where public sector employers have come under pressure or influence to retain or introduce internal-only recruitment?***

We are unsure what the Call for Evidence is referring to in paragraphs 16 and 17 in relation to public sector organisations coming under pressure ‘from trade unions, professional organisations or others seeking to ensure jobs are only advertised within the employer’s organisation or to a particular pool of individuals’, and seek further clarification and/or evidence of such practices before commenting fully on this issue. There was certainly no suggestion from the 237 public sector employers who responded to our survey that the HR function has been subject to any pressure or influence to retain or introduce internal-only recruitment. Resourcing is a core HR activity and it is HR professionals who will have strategic responsibility for developing appropriate and effective recruitment practices in organisations, as well as guiding and advising operational managers in implementing hiring practices in a fair and consistent way if responsibility for recruitment has been devolved to them. As the professional body representing HR practitioners, a third of whom work in the public sector, we have received no intelligence from our membership

of HR or recruiting managers coming under pressure to implement internal-only recruitment practices.

***If so, why does external pressure to run internal-only recruitment arise, and from who? Please answer based on your own experience.***

Please see our response to the above question.

***Which option do you think would be most appropriate to tackle closed recruitment in the public sector?***

***Greater transparency***   
***A cap on internal-only recruitment***  
***A ban on internal-only recruitment***  
***None: there is no problem to address***  
***Not sure***

In our view, the wording of this question reflects misconceived, and possibly biased, perceptions of recruitment practices that are not supported by the evidence.

The term “closed recruitment” is presumably meant to refer to internal-only vacancy-filling and it is characterised as a problem that needs to be “tackled”. The evidence we have collected suggests that internal-only vacancy filling across an entire organisation, or for sustained periods, is rare – and no more common in the public sector than in the private sector. HR professionals are well aware of the advantages and disadvantages of both internal and external vacancy-filling and, in most cases, follow a balanced approach making use of both approaches.

As a result, we are not sure there is a problem that needs to be addressed, unless the Call for Evidence uncovers examples of unbalanced recruitment strategies, or examples of undue pressure being placed on public sector employers – which we have not found.

The choice of whether or not to fill a vacancy from internal sources only, or whether to put it out to external competition is one – but only one – indicator of the extent to which recruitment and selection procedures support workforce diversity and enable public sector employers to comply with the Public Sector Equality Duty. As a result, the CIPD would not be averse to a requirement that public sector employers publish regular information on the proportions of vacancies that are filled using internal-only recruitment and filled following a recruitment exercise open to external candidates – provided that this could be achieved at reasonable cost and in a way that did not unduly distort other aspects of the recruitment and selection process. This is likely to go with the grain of most public sector organisations’ diversity and inclusion policies. It might also facilitate discussion within organisations – and across organisations – of how well their recruitment practices strengthen workforce capability and diversity.

Unless evidence to the contrary emerges, we see no justification for imposing any limitations on public sector employers. A ban on internal-only recruitment would impose additional costs on public sector employers at a time when budgets are shrinking. And, as noted above, there can be sound reasons why public sector employers may decide to fill a post internally; imposing a ban could hinder an organisation's resourcing capability as well as its wider effectiveness, employee relations climate and ability to deliver much-needed services. As one public sector employer commented:

*"Our organisation has an obligation to redeploy employees who are at risk of redundancy with over one year's service; compulsory external recruitment would be a catastrophic disaster and I can see no benefit to this blanket approach."*

We see similar problems with a cap. We did not seek to measure this in our survey of members, but we suspect the internal-only/external balance is likely to vary substantially across the public sector, both by organisation type and by occupation, and usually for sound reasons. A 'one-size-fits-all' limit on internal-only recruitment therefore seems inappropriate in the absence of better data – which is why we think measures like a ban or a cap should not be considered until better quality, more consistent data has been collected, analysed and given an opportunity to shape recruitment decisions.

### ***What are the costs and benefits of these options?***

When compared to the 'do nothing' or 'greater transparency' options, either a ban on internal-only recruitment or a cap are likely to involve considerable costs to public sector employers (both in terms of the cost of advertising externally and the increased time it takes to fill vacancies). More vacancies opened up to external applicants should, in principle, lead to some 'better quality' hires, although the extent to which these are higher productivity workers than the internal applicants displaced is uncertain.

### ***Are there other options to tackle closed recruitment in the public sector? Please specific in your answer.***

In our view, an approach based on transparency and exchange of good practice is the best way of maintaining confidence in the fairness and efficiency of public sector recruitment.

### ***What other risks and opportunities should the Government take into account when considering recruitment practices in the public sector?***

Given the wider economic climate affecting public sector bodies at the current time that we have made reference to in this response, which include significant budgetary restraints and headcount reductions, we urge the Government to think carefully about the wider



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potential impact of imposing a strict regulatory duty on them in terms of how they hire staff. The overwhelming evidence and feedback we have received from our members indicates that employers in the public sector have a balanced and diverse approach to recruiting and managing people, and can be trusted to continue to carry out their resourcing activities in this way. At a time when the morale and engagement levels of public sector employees and employers are facing a number of challenges, we feel that further intervention in this area is not necessary and could well prove to be counterproductive.

**CIPD**  
**April 2016**

## References

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<sup>1</sup> CIPD. (2015), *Resource and Talent survey*.

<sup>2</sup> DeVaro J., (2016), 'Internal Hiring or External Recruitment?', *IZA World of Labor*, No. 237.

<sup>3</sup> DeVaro J. and Morita H., (2013), 'Internal promotion and external recruitment: a theoretical and empirical analysis', *Journal of Labor Economics*, Vol. 31, No. 2, pt. 1.

<sup>4</sup> DeVaro and Morita (2013), *op cit.*, Table 3.