

February 2005

Paying to find the ideal job

We read so much these days about companies offering inducements or “golden hellos” to attract someone they really want to fill an important job. What about turning this arrangement on its head. How much would you be prepared to pay in order to find your ideal job? Would it be worth £20,000? It is to some.

Wait a minute, it can't be done in the UK, you may say, quoting the provisions of the Employment Agencies Act 1973. Up to a few days ago I would have agreed with you because the law makes it clear that, with few exceptions, employment agencies and employment businesses are prohibited from charging fees to workers for finding or seeking to find them jobs.

But there is an exception – and it claims to be unique in the UK executive market. A company called InterExec offers something it calls “inplacement” to paying clients. These clients are working executives on annual salaries of more than £100,000 a year who are prepared to pay the company's consultants to market their talents among headhunters and prospective employers. Typically someone on £200,000 a year would pay £20,000 for the service.

“In 1976 when we came in to this business we had never heard of the Employment Agencies Act,” says Kit Scott-Brown, Chief Executive of InterExec. “We traded for two years on a payment by results basis until the Department of Employment came to see us and told us we had to close down because what we were doing was illegal.”

The outcome, he says, was an agreement that they could charge for their services at an hourly rate, in the same way as a professional services firm such as a legal practice or accountant. The problem with this arrangement is that it could rack up big expenses for a client who might not find a job at the end of it.

The company settled finally for offering its services as an open-ended fixed price contract after a preliminary period working for an hourly rate. This still cannot guarantee an employment contract at the end of the process. In this case, says Mr Scott-Brown, “the job is finding the right answer for the individual.” For a few this may be that there isn't going to be another job. But this is not a typical outcome.

On average, says the company, each client is offered 13 opportunities that lead to 2.4 positions with average salary increase of 23 per cent. So the potential return on the investment appears promising. But it is still a gamble and may appeal most to those who are confident in their abilities and want to have more control over their future options and retain confidentiality around their job search.

Removing the contingency arrangement was not sufficient, in itself, to comply with the law, explained Mr Scott-Brown because the restrictions prevented job-finding fees being charged to individuals. But there was no restriction against a charge levied on a company. The outcome was that InterExec parcelled up its activities that could be categorised as job finding and came to an agreement that this constituted 25 per cent of the service it was offering. The rest, such as working on interview technique and CV presentation, could be included for an individual client within a discounted fee on what it might charge a company.

If this sounds complicated it may help to explain why no other company has followed InterExec in to the same business. Another clue is that the company has gone in to liquidation on two occasions since its founding because its earlier business models were unprofitable.

There is no doubt that the business is working in a niche market. But Mr Scott-Brown says it's a sizeable niche. "We estimate that about 10,000 people earning more than £100,000 a year are changing jobs annually. Less than 5 per cent of these jobs are advertised and about 80 per cent go through headhunters. The rest are found through word of mouth or recommendation. We represent about 200 people annually so that's only about 2 per cent of the market. There has to be some room for expansion."

InterExec says it has a healthy relationship with headhunters and the providers of interim managers although Mr Scott-Brown says there is not a big overlap with interim management. "Most of our clients are looking for long term senior employment," he says.

Just occasionally an employer – often a former client – will come to the firm with a direct vacancy. The advantage to the recruiter is that this can cut out headhunting fees. Naturally this does not go down too well with headhunting firms that are the prime target of InterExec's marketing efforts. But Mr Scott-Brown says this is not a big part of the business.

The point he makes is that, just as headhunters are working on behalf of client companies, InterExec, is working on behalf of client individuals.

The business model looks very much like outplacement - and some companies do use it for departing executives in the same way that they would buy an outplacement package. But InterExec says that, unlike outplacement, it does not advise people how to find a job. Nor does it undertake searches. "The headhunters do the searching. What we do is make the relevant recruiters aware of a client's availability," says Mr Scott-Brown.

The more I look at it, the more it seems to make sense to allow a service like this. The 1973 act was introduced to outlaw cowboy agencies that were exploiting job seekers in low earning occupations, often making promises that they could not fulfil. If InterExec is entering in to a grown up relationship with high earning individuals who are probably too busy to spend much time working on job search why should that be against the law? Apart from fee structures, what is the substantive difference between this kind of agent and a literary agent? If executive talent is seen as a prized commodity, then executives should be able to employ agents to look after their interests.

It could be argued that, in some cases, search firms do this work and there is no doubt that individual headhunters do develop close relationships with people they have placed in top jobs. It is not unknown for an executive to talk about "my headhunter" in the same way that they would talk about their doctor or solicitor. Ultimately, however, the headhunter is working for a recruiting client. Recruitment is a huge market in which employers are often portrayed as choosy buyers. But the inplacement service recognises that there are those who are equally choosy about where they sell their talents. That may be no bad thing.