

# Talent Acquisition – Methods of Attraction

Paper 1: The future of the recruitment agency



## Overview

The 'war for talent' has resulted in recruiters operating a wider range of methods to find talented candidates: a process that, combined with tighter margins, has seen them seek the most efficient methods for their requirements. Furthermore, new technology is opening up opportunities for recruiters that are not merely cost-effective, but are also targeted, branded and successful. This series of papers from Ceridian looks to investigate the main routes through which organisations are looking to source candidates, how those sources should fit together and how organisations can attempt to manage the sources in one consolidated attraction plan.

### An efficient consolidated attraction strategy



When considering technology, your key consideration should be how this software will foster the relationship, and also how it will allow you to expand the number of agencies you can efficiently work with under the rule of thumb outlined above.

## Introduction

The skills shortage and the 'war for talent' are changing the dynamics between employers and recruitment agencies dramatically. Recruiters are increasingly encountering difficulties in making the recruitment process cost-effective with a shortage of talented candidates coming through to replace an ageing workforce.

On average, agency fees will vary from between 15% to 20% of final salary package, which in real money averages out at approximately £1,500 per hire. Being a not insignificant sum, we could spend this entire paper debating whether this constitutes fair value or indeed whether it represents the level of work the agent has had to perform to source the candidate. However this is not our focus, as the fees will be driven by your negotiation skills and relationship with the agency itself. Instead we will discuss how they form an essential cog within the overall attraction strategy and how their use can be rationalised so that they are used only at the right time and for the right vacancies.

## Facts & Figures

As organisations attempt to rationalise their attraction strategies, they often turn to technology in the form of Talent Acquisition Solutions. This has proven to be successful, with those operating technology reporting 60% savings on their recruitment agency spend directly attributed to the presence of the technology.

Companies such as the BBC and Unilever have proven to be spectacularly successful at reducing agency spend, recently declaring an amazing 80% reduction in their agency spend.

Employers are not alone in changing their attitudes towards recruitment agencies. Employees themselves are becoming more and more critical of agencies. The website hirescores.com allows candidates to rank recruitment agencies according to quality of process. While the Recruitment and Employment Confederation (REC) has warned that the site encourages negative "name and shame" comments, the site recently produced a top ten of recruitment agencies entirely based on positive candidate experience.

Despite bad press for the beleaguered recruitment industry, a recent CIPD study suggests that 78% of private sector companies still recognise the value of agencies and still use recruitment agencies as part of their attraction strategy.

The key then appears to be recognising that agencies are a valuable weapon in the attraction arsenal. Indeed in certain circumstances we may need to pay a premium either for convenience or in recognition that they can reach candidates which we as employers cannot.

### How many agencies should I work with?

When considering technology, your key consideration should be how this software will foster the relationship, and also how it will allow you to expand the number of agencies you can efficiently work with under the rule of thumb outlined above.

### What is a fair price?

As discussed, it is beyond the scope of this white paper to investigate what is a fair price. Employers should however consider engaging with fewer agencies, but consider paying above the market rate in order to build a preferential relationship with the agency whilst also aiding the growth of a trusting relationship. The trade-off is that you should demand an improved service and only the delivery of the highest quality candidates. Additionally, don't forget that tight margins equally mean that the recruitment agents are encouraged to rely on repeat business. With a more favourable fee in place and relationship of understanding, agents are more likely to put forward their best candidates in order to ensure future repeat business.

## How should I measure my agencies' performance?

In 2005, 44% of companies surveyed did not have a preferred supplier policy in place. Compared to 2007 this number is dropping and currently stands at 33% which indicates a trend towards tracking and monitoring via a PSL structure. However, 59% of employers still admit that they do not actively assess the performance of their recruitment agencies.

So how should you make agencies accountable? The key is to be able to monitor, track and evaluate agencies. This will be a time-consuming process should you still be operating on a mixture of e-mail and spreadsheets. Talent Acquisition Solutions, on the other hand, allow employers to analyse data in real time which identifies which of the agencies consistently drive talented candidates into the organisation and those which fail to do so. In line with relationship building, employers should actively seek to engage with failing agencies and understand if the relationship can be remedied. If not, then employers should be ruthless and should immediately seek to replace them.

In addition to monitoring via these traditional statistics, employers are increasingly looking to take longer term views. Statistics show that 25% of agency-supplied candidates leave within their first year, and that the so-called "Generation Y" demonstrates less loyalty to employers than previous generations. As a result, a further useful measure is to track retention by analysing the average length of service of agency-supplied candidates. Employers are then able to establish which agencies understand the "fit" of their organisation and which do not. Including retention-based monitoring should then drive agency performance as they are driven to assess candidates in more detail in order to understand if they "fit" before submitting for approval. This approach obviously fosters the building of long-term relationships as they strive to understand the employer in more detail in order to gain access to the lucrative repeat business.

Quote:

*"Increasingly, recruitment agencies may no longer be judged on the number of candidates they place in jobs, but on the number of candidates that remain in the same jobs a year later"*

Demos survey for REC

## What is the role of technology?

Technology was hailed as the death knell for agencies, as it was assumed that employers would drastically cut their agency usage in favour of technology. To a certain extent, this is true as employers should expect to make significant reductions in agency usage once they have implemented software. However, it is simplistic to surmise that the future of the recruitment agency is a bleak one, as employers will always use them as part of their overall strategy either due to convenience or in order to access otherwise inaccessible candidates. As a result technology should be used as a facilitator of the recruitment process, organising the various stakeholders and allowing them to collaborate together to reduce the overall administrative burden. To this end the agencies should be viewed as key stakeholders and the technology should aid the building of trusting and informed relationships. As a result, employers should demand at the very least that their technology:

- automatically notifies the appropriate agencies of requirements,
- sends an attachment or a link, within this notification, of the job description and, if appropriate, a more complete job specification,
- allows the agent to log in and supply candidate details online,
- is simple and intuitive so that the agent does not require training,
- allows the agents to review their candidate's progress online without having to contact the recruiter - essential for building trust in the relationship,
- provides on-demand reports that detail agency performance.

## Conclusions

As employers strive to cut recruitment costs and minimise their reliance on recruitment agencies, this does not necessarily translate as the demise of the recruitment agent.

In fact, the greatest challenge facing the recruitment agent today and in the near future is meeting the targeted business requirements of each company and maintaining their business through concrete performance results such as retention.

Agencies still represent one of the most convenient sources of candidate information but as a result of that convenience, they are one of the most expensive. The key therefore to successfully incorporating them into an overall attraction strategy is ensuring that they are engaged on a level of trust. There are a number of ways of ensuring this; from simple relationship building through to the appropriate use of technology and process. However, management information (MI) will ultimately define which of those agencies are succeeding and which are failing. Employers should look to simple technology solutions not only to help manage their recruitment process, but to facilitate both the management of their agencies and the production of the important MI. Employers are then free to drive their agencies to provide improved service and quality of hire, as opposed to always focusing on keeping costs down. Those that achieve this aim of prudent agency engagement will prosper.

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