



REDUCE THE (HIDDEN) COSTS OF USING RECRUITMENT AGENCIES

6 Strategies, and 2 Absolute Imperatives

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Interested in reducing the cost of using recruitment agencies? Then this article has been written for you.

However, please let's get it clear from the start – this piece is not about how to avoid using recruitment agencies. Far from it. Having managed teams of recruiters, and also been a frequent and regular hiring manager, I firmly believe that many hiring requirements need the deep subject matter knowledge and investment in long term candidate nurturing that only agency consultants can provide.

Those of us involved in the field of talent acquisition have to accept that not all requirements can be satisfied through direct sourcing.

Staffing agencies are still an incredibly important tool in our resourcing playbook. To prove the point, according to REC the UK spent £3bn on permanent placement fees in 2015, and over 15,000 new recruitment agencies have started life in the UK in the last 3 years.

For many organisations they are still the primary route to find candidates, and the only route when looking for those really hard to find specialists and senior roles.

The second point I want to make upfront is that this piece is not about how to screw agency fees down as low as you can get them. As a cost cutting strategy this is unwise and short term. The agencies who are prepared to work for you at the pittance of a fee you want them to, will take their time to find you inferior candidates. They will be focusing their time and attention on clients who pay fairly for their services.

Instead, in this paper, I'm going to briefly describe the 6 hidden costs of using recruitment agencies and strategies to avoid. These are the indirect costs associated with their management, non-performance and non-compliance. In many cases these will outweigh the direct fees we are paying them. Note that these are not intangible soft costs – they are real, and directly affect your organisation's bottom line.

For each of the hidden costs, I then propose a clear avoidance strategy. In many cases these strategies will not only reduce cost, they will also improve the overall performance of your agency based recruitment activities.

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Lastly I will outline two absolute imperatives you must follow in order to be able to effectively and sustainably implement the full range cost avoidance strategies. (Can't wait to know what they are – then why not skip to the end and find out!)

So here they are the 6 hidden costs and the strategies to avoid...

Hidden cost 1

High overhead of setting up and continuously managing a Preferred Supplier List.

Avoidance strategy

Transfer your agency supply chain management activities onto a specialist vendor management system which is designed for the purpose of setting up and managing permanent agency management portfolios.

Hidden cost 2

Overhead cost of payment processing.

Avoidance strategy

Manage your procure to pay process on a specialist vendor management platform that automatically reconcile hires with received agency invoices.

Hidden cost 3

High cost of non-compliant “forced” hires from agencies not on the Preferred Supplier List i.e. hiring managers going and doing their own thing.

Avoidance strategy

Setup a standard and efficient process for the engagement of agencies not on the Preferred Supplier list for “forced” hires. Oblige compliance with standard terms, reducing time to setup contract, reduction in fee rates, and standard rebate arrangements.

Hidden cost 4

General agency underperformance across many requirements, not finding the right candidates when you need them.

Avoidance strategy

Actively manage the performance of your agencies by setting SLA's, gathering performance metrics and feeding back strengths, weaknesses and performance improvement expectations. This then allows you to place roles with agencies that have objectively proven they can deliver the requirements. Counter any favoured status that particular agencies may have with hiring managers using performance information not relationships.

Hidden cost 5

High number of roles which cannot be filled by agencies on the Preferred Supplier List. i.e. the preferred supplier list does not cover all the roles you need to fill.

Avoidance strategy

Have access to broader “marketplace” of pre-screened agencies that can be engaged with quickly and effectively within the terms of the PSL.

Hidden cost 6

Agency fees being charged are higher than the market norm.

Avoidance strategy

Actively benchmark your agency fees against the fees they set for similar organisations and similar roles. Monitor and research what others are paying and renegotiate fees as appropriate.

And the Two Imperatives

These strategies are only going to work if these 2 imperatives are followed...

Imperative 1

A joined up approach to managing the recruitment agency supply chain between recruitment/HR and procurement.

Imperative 2

Integrated PSL management software covering the third party supplier scope of the recruitment process, contract management, and the procure to pay process. In addition it provides agency performance management information.

This last imperative is really important. The lack of coherent, integrated and easy to use permanent supplier management functionality by the ATS (normally candidate focused) and VMS vendors (normally temp focused) has driven many organisations to use spreadsheets, or do nothing at all.

Thankfully we are starting to see enterprise ready agency management platforms like TheJobPost who are maturing into stable PSL management portals for the permanent hiring community. As a first step to eliminating your Hidden Recruitment Agency Costs, I would recommend looking at it now!



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