



In-house or Outsourced Recruitment: Do you know the True Cost?

In a softer market, employers believe there is more talent available in the market and - under pressure to cut costs - that they can recruit more cheaply themselves. However, have they ever analysed the true costs of recruitment in-house?

What Recruiters can offer

Agency recruiters, have market insights that their clients don't, about salaries and employer branding, and which they provide to clients for free.

A great recruiter will also act as an advocate for their client, and in this respect they hold a great amount of power. If a top person walks in the door a recruiter will match and sell the client's company to the talent, something most clients don't think about.

As well, recruiters often act as a third-party mediator, to ensure the client's offer is accepted and closed. They negotiate over "little bumps" to do with salary and benefits - a massive value-add.

Finally, recruiters will explain to clients the difference between active and passive candidates, advising that the pile of resumes they received through direct advertising may be a second division pile. Recruiters can and do tap into the best talent; simply through the use of a wide range of search avenues. These include writing adverts for job boards, use of social media, networking, referrals, conferences, word of mouth, databases, headhunting and so on.

Recruiters should be skilled in positioning and articulating why clients should not undertake direct recruitment themselves. Communicating to clients the costs associated and the very real possibility of hiring a second-rate candidate, are the real risks associated with doing it themselves – with no guarantee if the client gets it wrong.

This raises the question "Do you want to hire the best candidate who comes to you from advertising, or the very best available to you today?"

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Current Recruitment Myth:

Companies believe that there is more talent available to fill roles than they have had previously.

From a purely volume perspective this is true, however, from a quality perspective this is not necessarily true.

It will also take more time and effort to try and assess and qualify these candidates now than previously. It is not uncommon to receive large volumes of candidate applications to a vacancy response. It is necessary from an Employment Brand, perspective that you deal with each applicant professionally and promptly otherwise your brand will be compromised.

Finding good candidates at the right time in any market takes skill and experience. A good candidate is always a good candidate in any market whether it is boom or bust.

The Recovery and the Talent Shortage

When the recovery does happen, we will not be surprised if the pendulum swings quite quickly the other way, straight back into a talent shortage. Are you ready for this and do you have the recruitment processes in place to cater for it?

Cost Comparison:

Outsourcing to a Recruitment Agency:

Using a Recruitment Company: set fee on placement based on starting salary this can vary from 15% to 25% for standard contingency recruitment.

Some recruitment companies also charge on any benefits package on top of the base salary.

Exclusives or Preferred Supplier Arrangements: this tends to be at a discounted fee for exclusivity and volume and can vary between 10 – 15%.

Again there can be variances between base salary and base salary + benefits package.

Assuming an average salary is for \$80,000 the fee can then be \$12,000 at a 15% fee or \$12,750 for a package of \$85,000.

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Talent Acquisition and Talent Management: advocacy of client's company and targeting potential candidates, market information and advice. Recruitment Agencies, have market insights that their clients don't, including market salaries and employer branding. Many of these services are provided free.

These are some of the unseen services that agencies offer that they do not charge for.

These costs – whatever option is taken – are quantifiable and known!

Recruiting In-house:

Recruiting in-house can have significant costs – many of which compound in to an expensive option. These include:

- Cost of salary for in-house HR/Recruitment
- Cost of floor space
- Cost of providing computer and telephone facilities
- Cost of time process recruitment function : writing job description, preparing job profile, writing advert, screening and acknowledging applicants, telephone and face to face interview time, reference checking, administering selection tools process, advising applicants that they have not made short list, managing offer process, follow up after placement
- Cost of any assessment tools
- Opportunity cost involved in being distracted from core HR projects and requirements
- Cost of support staff involved to support recruitment activities
- Cost of time for senior manager's or multiple staff engaged on selection panels

What guarantees are provided by in-house recruiters for poor selection and engagement?

In today's market:

Do any companies or government agencies reflect on the true costs of recruiting when making these comparisons?

As a CEO, CFO OR CIO do you know the true cost of In-house recruitment?