The Growing Popularity of RPO

Third-party management, flexibility, and standardization all help recruitment process outsourcing chip away at traditional staffing services.

By Paul Davies

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As chunks of recruitment have been outsourced for decades, you might be wondering what RPO is all about. Those that see a strategic advantage in retaining recruitment in-house aren't interested to begin with, and those that call a placement agency when they have an opening have already outsourced.

The question belabors the point that there is not a difference in principle; however, this does not mean that RPO has nothing to offer.

RPO delivers a scope of recruitment activity not included in typical placement services. This can range from handling unsolicited applications to administrating the full on-boarding process. It can also include performance tracking, activity reporting, and loading new employee data into the HRIS.

Additionally, RPO delivers an agreed-upon, controlled process. For those who do not value systematic recruitment methods, this may not be a benefit over the traditional agent. However, for those who believe in the efficacy of a recruitment funnel governed by statistically valid gates, it allows the processes that in-house recruitment specialists use to be outsourced without losing effectiveness. RPO standardizes and deploys these processes including screening rules, testing, assessment, and interview structures. Buyers that do not favor a particular process can benefit from the adoption of the RPO providers' standard process and tools or take advice regarding tailoring a specific solution.

Along with the recruitment activities, RPO can deliver related third-party management, in some cases directly in a sub-contracting relationship and in other circumstances as a vendor manager. This can reduce costs where combined client volume allows preferential pricing to be negotiated. Equally importantly, it can simplify the order and invoicing processes by introducing a single-order placement workflow and consolidated invoicing.

Other areas of staffing that can be bolted onto RPO are contractor management and the sourcing and administration of temporary staff. When well integrated, the RPO approach brings a total resourcing solution sandwiched between a single electronic requisition-to-order workflow and consolidated billing. For resources that are not employees, the RPO solution also provides ongoing administration.

Such a solution, once agreed upon and packaged, can be rolled out regionally or even globally, leading to standardization of a controlled staffing process.

The direct recruitment part of the solution is flexible enough to be administered centrally in the offshore shared-services model favored by HRO, generally, or it can be set up through locally based recruiters. Different providers may have different preferences in this regard depending on their own local network or technology strengths. The sub-contracting part of the solution can be tailored to match the recruitment needs of each location and can be a combination of local and regional contracts.

One outcome of such deployment is consolidated reporting across the enterprise at every stage and in every area of the staffing process: from control over the number and costs of contractors or temporary staff, to the tracking of unsolicited application volumes, pipeline, and application-to-hire ratios.

Additionally, consolidated metrics such as cycle times are available and are usually made the subject of service-level agreements. While some organizations apply the effort to maintain such control internally, those that don't, or those that no longer want the administrative strain, can find a solution in RPO.

RPO pricing is typically more flexible than in traditional outsourcing recruitment models. RPO seeks to reduce cost through volume-based, preferred-supplier approaches, rationalization of the third-party supplier base, and regionalization. It also applies as many of the HRO cost-cutting measures as the buyer's recruitment strategy will stand, ranging as far as low-cost offshore service centers supported by online application and assessment.

However, the pricing model is also flexible. RPO arrangements lend themselves to cost-based pricing and ongoing price reductions based on the control of cost. This differs fundamentally from the salary-percentage approaches favored by most recruitment agencies. In an industry that seeks to take advantage of efficient process and labor arbitrage, pricing connected to local salary inflation doesn't win many admirers. While clearly adored by placement agencies, this pricing concept is under attack from HRO providers that offer piece-based pricing at the lowest administrative cost they can manage. Where the service and quality expectations are also met, this alone can be a powerful incentive for adopting RPO. **HRO**