

RPO and MVP

Understanding the new recruitment landscape

The traditional recruitment landscape is changing daily and several leading South African employers are following in their global partners' footsteps and shifting to different recruitment business models.

In an attempt to increase efficiency, decrease costs and streamline processes many large employers are choosing to implement Recruitment Process Outsourcing (RPO) or Master Vendor Programmes (MVP) within their structures. But what are these and how will they affect traditional recruitment agencies?

Recruitment Process Outsourcing

Recruitment Process Outsourcing, commonly referred to as RPO, is best defined as "when a provider acts as a company's internal recruitment function for a portion or all of its jobs."

RPO providers manage the entire recruitment process from job profiling through to induction of new employees including managing staff, technology, recruitment methodology and reporting. A properly managed RPO should improve a company's time to hire, increase the quality of the candidate pool, provide verifiable metrics, reduce cost and improve compliance.

The biggest distinction between RPO and other types of staffing is process. In RPO, the service provider assumes ownership of the process, whilst in other staffing models the service provider is part of a process controlled by the end-user organisation who buys their services.

Although becoming more well-known recently in South Africa, RPO is not a new concept. It first surfaced in the late 1970s in Silicon Valley when employers in the highly competitive high-tech labour market realised the need to outsource their recruitment functions to a specialist. When considering the high fees paid to external recruitment specialists every time they sought new talent, these companies began to consider the option of changing the model to reduce costs and still yield high quality, hard-to-find candidates. Initial RPO programmes typically consisted of companies purchasing candidate lists, usually of high performers from competitor companies researched by the RPO vendors.

In the 1980s and 1990s the outsourcing of non-core functions trend began and companies began outsourcing part of their human resources functions like payroll, benefits management and employee assistance programmes. It was not long before recruitment was added to this list.

The fundamental shift in the global labour market, particularly over the past few years, has reinforced the use of RPO. The labour market has become increasingly dynamic with most workers today changing jobs (and even entire careers) more often than any previous generation. Economic instability and greater levels competitiveness has resulted in a shift towards contract, part-time and flexible work arrangements. All of these changes have increased the amount of recruitment activity that a typical employer needs to handle and so encourage the outsourcing of this function. Even in slower economic times when higher levels of unemployment are experienced, RPO is still considered a good investment due to the increasing volume of applications that need to be screened and processed.

RPO typically reduces cost for the end-user because the RPO can leverage economies of scale in terms of processing applicants, conducting verifications and referencing. The commercial relationship between the RPO and end-user client is also based on specific performance targets and so a RPO is more likely to concentrate their resources in the most effective way to ensure delivery as compared to a full-time internal recruitment team who are not likely to have such clearly defined targets. Today, many candidates, particularly those with high demand skill sets, take into consideration the speed and efficiency of the recruitment

process when deciding whether to accept a job offer and liaising with a dedicated RPO could sway their opinion due to higher levels of expertise and professionalism.

Of course, RPO can only work in an organisation with a clear corporate recruitment strategy. It may be necessary to conduct an audit or develop a recruitment optimisation plan within the end-user organisation to ensure that the RPO does not simply continue to work within a faulty structure. The cost of employing a RPO could be more expensive than employing a full-time resource internally so efficiencies, performance agreements and targets are critical. Placing all recruitment in the hands of a single external provider may discourage competition and could risk the quality of the candidates being submitted for consideration. If the RPO is not properly inducted and encouraged to participate actively with the HR and line managers, there is a risk that the end-user's employer brand may not be managed effectively.

Master Vendor

Managed services, including Master Vendor Programmes, are not new, even within the staffing sector although it is becoming more common amongst South African companies. There are a variety of managed service models including master vendor, neutral vendor or hybrid models.

A Neutral Vendor is one that does not actively participate in the recruitment process. This model means that the end-user supplies the details of the job spec to the neutral vendor who in turn releases these details to all supplying agencies within the appropriate category at the same time through the agreed managed services system. This means that each supplier has an equal opportunity to source candidates for the role and provides a platform for all suppliers, including smaller agencies, to have the same opportunity in filling the role as their larger counterparts.

A Master Vendor model means that all roles firstly go to the master vendor agency who will attempt to fill the roles them self. If they are unable to recruit then these roles will be released to the rest of the supply chain. Due to the reduced level of roles the lower tier suppliers may not spend as much time sourcing and may not send their strongest candidates and this raises questions of quality.

A hybrid model is one where the master vendor competes simultaneously with smaller agencies/sub-contractors to source candidates. The master vendor takes responsibility for overall quality management, client engagement and administration.

The primary reason that a company would choose to go a master/neutral vendor route is to provide the company with accurate management information and increased compliance. A single commercial agreement would manage the issue of fees, guarantees, recruitment methodology and candidate management. This makes life easier for the client company who is assured of a set standard in respect to sourcing, assessment and selection of candidates for consideration.

In the dynamic staffing environment it is likely that these models will continue to adapt to meet the needs of client organisations in difficult economic times when sourcing the right talent is critical to overall business success.

