




de Poel

Understanding the recruitment industry



Recruitment industry



The main role of the recruitment agency is to find the most appropriate candidate for the job required in the time-frame given. Traditionally, this is when an organization needs a worker quickly or when they have attempted all other methods open to them. But according to the 2008 edition of the CIPDs annual survey, 78% of UK employers last year used recruitment agencies to attract candidates to their vacancies. Indeed, this figure was 5% higher than in the 2007 edition, whilst recruitment agencies were also ranked as the most popular means of attracting the right applicants to a job after corporate websites (used by 75% of employers) and local newspaper advertisements (used by 74% of employers).

When selecting which recruitment agency to use, employers look at the specialist area of the recruitment agency, its track record in being able to place people successfully, the level of service it provides as well as the fee rates. The best recruitment

agencies add value by finding and having relationships with the best talent for the company's needs and culture, and by reducing risk through providing employer-related services (paying payroll taxes, verifying certifications and credentials, etc.).

The 2008 edition of the CIPDs annual survey revealed that 78% of UK employers use recruitment agencies to attract candidates to their vacancies — a figure that was 5% higher than in the 2007 edition of the survey. In the 2008 CIPD survey, recruitment agencies were ranked as the most popular means of attracting the right applicants for a new job, followed by corporate websites (which were used by 75% of employers) and local newspaper advertisements (used by 74% of employers). Public- and private-sector organisations differ in their use of recruitment agencies.

The 2008 CIPD report showed that only 57% of public-sector organisations used recruitment agencies, compared with 82% of private-sector organisations. Among manufacturers, the percentage of companies using recruitment agencies was much higher, at 90%. Public-sector bodies placed more emphasis on local newspaper advertisements (with 82% of public-sector employers having used local newspapers to advertise their vacancies), as well as on their own websites (82% used their own websites to advertise vacancies).

Employers choose a recruitment firm if they believe that it can provide exactly what they need in the correct timeframe. Employers often use a recruitment firm when they have attempted all other methods open to them. Clients take a number of factors into account when selecting a recruitment firm to use, including the specialist area of the recruitment firm, its track record in being able to place people successfully, the level of service available and fee rates.

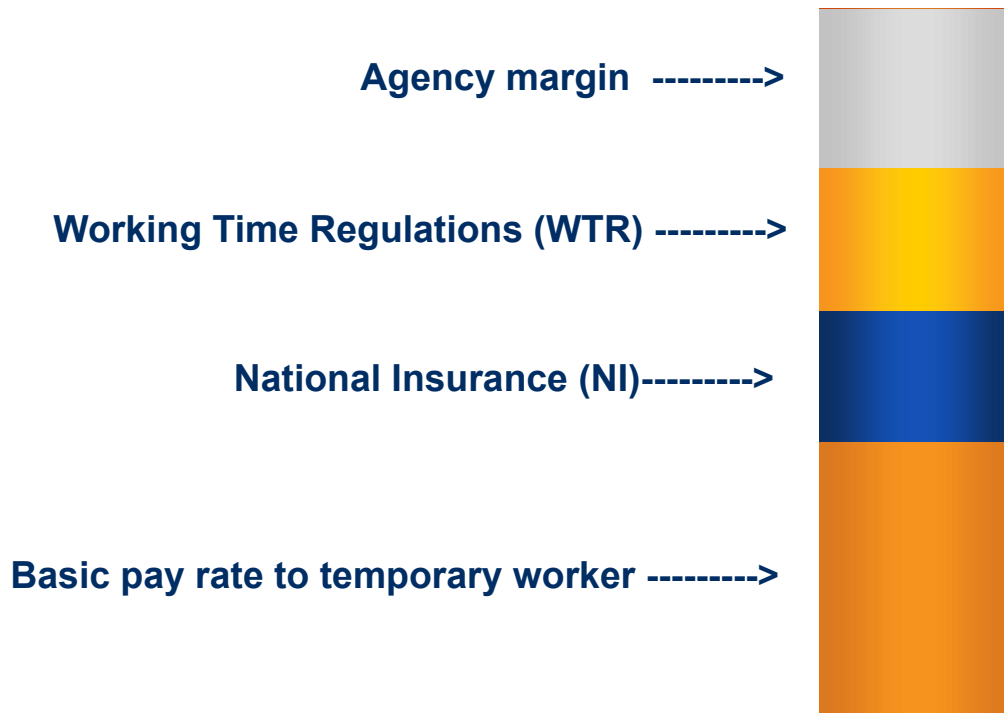
The total number of people working in the recruitment industry rose by 7.5% in the year ending March 2008. Although there has been an increase in the number of administrative staff, the main reason behind the growth in employment has been an increase in both temporary and permanent recruitment consultants.

The number of consultants working on temporary appointments has risen by significantly more than 10%. However, since March 2008 staffing numbers have begun to fall. There are no official figures to show the scale of job cuts, but it is likely that a large number of redundancies will be made in the industry as recruitment companies seek to match their staffing levels with their reduced sales.

The facts behind agency marginsand pay rates

True to the fragmented nature of the recruitment industry, we typically find many organisations using a multitude of agencies charging various rates. In fact, it is not uncommon to find one worker supplied by the same agency to different locations at different rates. And since most organisations are unaware of the formal structure of agency charge rates, these often go unquestioned or unnoticed.

Typical agency charge rates should be made up of four main components, and companies can be overcharged on one or more of them:



As the UK's number one purchaser of temporary agency labour, de Poel's leverage within the recruitment industry provides us with the ability to negotiate charge and pay rates to reflect the current economic climate. This will include the optimum pay rate for the job being worked as well as an optimum, sustainable margin. Finding the balance between market-driven charge rate and a competitive pay rate is the key to ensuring the continued supply of high quality temporary agency workers, whilst establishing a fair margin across all agency suppliers provides a level playing field on which they can compete.

Agreeing the rates for all the jobs in advance also alleviates the added responsibility placed on operational managers to negotiate fees on a supply and demand basis, allowing them to focus on operational objectives.

It also reduces the risk of price fixing amongst agencies which has recently been concerning for the construction industry, were 6 recruitment agen-

cies were fined £39m by The Office of Fair Trading, who they found to have engaged in the following anti-competitive conduct:

- Collective boycott - an agreement to withdraw from and/or refrain from entering into contracts with an intermediary company, for the supply of candidates to construction companies in the UK.
- Price-fixing - an agreement and/or concerted practice to fix target fee rates for the supply of candidates to intermediaries and certain construction companies in the UK.

The OFT has concluded that this conduct forms one single overall infringement of the Competition Act 1998, which had as its object the prevention, restriction or distortion of competition in the market for the supply by recruitment agencies of professional, managerial, trade and labour skills required by the construction industry in the UK.

Understanding the role of recruitment agencies

As the name suggests, recruitment agencies are responsible for ensuring your temporary recruitment needs are met with the most appropriate candidate for the job. But this is where many organisations come unstuck. The fact that the recruitment industry is unregulated means that the responsibilities of the client and those of the agency are very hazy indeed. They find themselves asking what does the process of sourcing and placing a candidate actually involve? And what counts as agency going the extra mile? On the contrary, for agencies working to formal terms of business, their responsibilities are clear and the client is able to keep a check on whether they are 'doing their bit'. Their responsibilities include:

- Appointing a dedicated account manager with overall responsibility for the supply of temporary resource to the client.
- Confirming to the client prior to the commencement of each assignment:
 - The identity of the candidate.
 - That the candidate has necessary experience, training, qualifications and any else which the client thinks is necessary, or which anything that is legally required (such as CRB checks).
- Conducting all the necessary checks to confirm that each temporary worker is legally allowed to work in the UK.
- Providing certified copies of the temporary worker's:
 - Passport, national identity card any necessary visa.
 - CRB checks.
 - Relevant licenses.
 - Any other compliance documents.
- Letting the candidate know who they have to report to when they start work.
- Ensuring the temporary agency worker:
 - Complies with the client's day-to-day requirements, regulations, policies and protocols, including health and safety policies, and any legal requirements.
 - Uses reasonable care and skill in their work.
-When the candidate is doing care work:
 - Obtaining and providing the client with candidate references and any relevant qualifications or certificates (such as CRB checks) which are required by law (if the client requests them).
- ...When the candidate is a night worker:
 - Ensuring that the temporary agency worker is provided with an opportunity for a health assessment before they start work.
 - Providing opportunities for further health assessments at regular intervals of their placement as may be appropriate (these should be provided by the agency and at no extra charge to the client).
- ...Where the work involves operating a fork lift vehicle:
 - Ensuring that the temporary worker holds an appropriate certificate approved by the RTITB or ITSA (or equivalent organisation).
- ...Where the work involves a driving:
 - Ensuring that the temporary agency workers holds a valid UK driving licence which is suitable and appropriate for the job, that they have held this license for at least 12 month and that they do not have any unspent driving convictions or more than 9 points on their license. (They should then check the candidate's driving license every six months).
 - Drawing the candidate's attention to the main requirements and provisions of the Road Transport Regulations.
 - Informing the candidate that they need to use the client's numbered tachographs and to leave a copy of the tachograph at the relevant location at the end of each round trip.
 - Holding an assignment review meeting with the temporary agency worker and advising the Client of its outcome.
- Notifying the client in writing whenever a temporary agency worker has been assigned to a position for a cumulative period of ten months or more.

Understanding the role of recruitment agencies

Unsolicited Calls

Any agency should agree to remove you from their database if you politely request not to be contacted again. If you are registered with the Telephone or Fax Preference Service, you have a legal right not to be “cold called”. However, remember that even TPS registered firms can be contacted by any firm they have a previous relationship with – even if you did not ultimately give them your business.

de Poel clients refer all their agency enquiries to our Support Services team. We have an online agency application form to assist agencies registering their interest within our client base.

Service Agreements

An agency should provide you with its service agreement of business from the first meeting, and before they provide you with any services. The terms should be not only lawful but also clear and transparent – and the agency should be happy to discuss them with you and to answer any questions. Ensure the service agreement includes pay rates and their agency margin. It is also worth checking their calculation for national insurance and holiday pay.

Fees

The agency will charge certain fees, including a margin on temporary assignments, it is important to confirm and agree these fees before any placements are made. We regularly hear of companies negotiating fee levels and pay rates, during and after placements.

Not only does this compromise their negotiating position, but it also has an adverse effect on their relationship with agencies. If fees are to be negotiated, this must happen prior to the commencement of placements.

Complaint Handling

The agency should have a clear written process for how to manage any complaints if problems should emerge in your interactions. You may wish to ask them about this early in your partnership to avoid confusion later.

We ensure service agreements include KPIs, reflective of clients needs, which form the basis of regular reviews and enable a perpetual review of the preferred agency panel by our account managers.

Unsatisfactory Temps

If a temporary worker does not meet your expectations or requirements, you are not obliged to continue their assignment. Your agency should have a procedure for what you should do if you are unsatisfied with an individual worker.

The standard of staff supplied is determined by the suitability of the preferred agency panel. We work closely with organisations to firstly determine the right agency panels for their requirements based on skill sets, volumes, geographic locations and an insight into their operational needs. This in place, we ensure service agreements include KPIs, reflective of clients needs, which form the basis of regular reviews and enable a perpetual review of the preferred agency panel by our account managers.

Checks

The agency is required to conduct certain checks on candidates before placing them in a position. These checks include identity and eligibility to work. An agency should be very clear during a placement exactly which checks have and have not been done.

The recruitment industry is both highly fragmented and unregulated. Legislative compliance is becoming increasingly important as the Government focuses on conformity on legislation affecting the use of temporary agency labour. Our Operations team conduct regular compliance checks with all our agencies, which includes checking their legal compliance, insurance cover, internal processes all of which help to mitigate the risk of legal action.

Key questions to ask

Does the agency have experience of your industry and/or the types of roles you are recruiting for?

Can they supply references or testimonials from other clients?

Can the agency deliver against the staffing levels and skill sets you require?

Does the agency have clear, ethical terms of business that can be agreed before the recruitment process proceeds? This will ensure you understand the circumstances under which you will be charged a fee by the agency.

What customer service standards will the agency adhere to?

Look specifically for what checks the agency will do on candidates and who would be responsible for obtaining references.

Can the agency demonstrate that they comply with all relevant legislation?

Do they hold the necessary insurance cover?

Can they demonstrate legislative awareness?

What qualifications and experience do the consultants that will be managing your requests have?

Are they accessible and ready to respond at the time you need?

Do they hold the necessary insurance cover?

Developments within the recruitment industry

The recruitment industry has been developing very strongly since the 1990s. In 1991 there were around 9,500 recruitment agency offices, whereas in 2008 there were approximately 13,300, according to Key Note estimates. This expansion has been due to a number of factors. There has been a substantial rise in self-employment and in temporary/contract working in the UK — there are an estimated 1.3 million to 1.4 million people working on a temporary/contract basis, as well as a large number of people who work for themselves and may take on occasional temporary work. This pool of temporary workers is the largest of its kind in Europe. Three trends have come to the fore since 2002:

There has been relentless pressure from some trade unions and the EU to harmonise working conditions between temporary and permanent staff. This has been resisted by employers on the grounds that it would make employing some temporary workers uneconomic.

A gradual restructuring of the industry has taken

place, with an increasing amount of company mergers, however, the industry is still largely populated by small to medium-sized firms.

There has been a rise in online job boards, and the Internet has now become a major facet of the recruitment industry. New job boards continue to be launched almost every month, focusing on different niches or sectors of the market.

For many years the UK recruitment and staffing market has been growing and developing new solutions for private and public sector organisations in response to their changing staffing and resource needs. At present, there is no information available on the size, composition or trends within the Managed Service part of the recruitment and staffing market. Nor is it immediately clear whether employers themselves have a clear understanding of what they mean when requesting Managed Services, or whether it is defined primarily by suppliers for promotional or service delivery reasons.

Master Vendor

Master Vendor – a supplier that organises other suppliers, coordinating and consolidating the services they provide so that the relationship with the client is managed by the Master Vendor; other agencies become a second tier.

Vendor Neutral

Like the Master Vendor, the Neutral Vendor coordinates other suppliers but does not provide any staff itself, adding value through its coordination and consolidation, as well as by the selection of agencies. Each of these arrangements can be set up to cover one or more stages in the staffing process..

Managed Services

A strongly held view among employers is that the definition of Managed Services either does not exist, or does not matter, or both. Where the view of the meaning of Managed Services was clearer, the range of definitions was wide. Some said it was the equivalent of an outsourced HR department; others that it is no different from Master Vendor or Neutral Vendor arrangements. Another saw Master Vendor/Neutral Vendor as variations within the Managed Service proposition.

Preferred Supplier – one among the available suppliers with whom an agreement has been made so that this organisation will be the first one contacted when the services are required.