



Topic Guide: Introduction to Buying Recruitment Services

When viewed from outside the Recruitment Industry, Agencies can be perceived as helpful, supportive companies that provide an invaluable recruitment resource and service to organisations, and assist candidates with finding the right job. Not so! In most cases, Recruitment Agencies are staffed by sales experts, who focus mainly on maximising profit and finding ways of “hiding” margin in the charge rate.

The following is designed to give some ideas to buyers on how to beat the recruiters at their own game – after all, knowing what the supplier knows will put both parties on a level playing field as far as negotiation is concerned.

Here are 10 tips and ideas to help you get the most from a potential supplier.

- 1. Understand the recruitment needs of your business and the End User**
This sounds obvious – but many companies do not fully understand how the operational side of their organisation works, and when it comes to implementing a new contract with an agency supplier, it can be onerous and in some cases unworkable. Unlike buying stationary, End Users often feel proprietorial about their agency suppliers and often have strong relationships with local agency suppliers. It can be very difficult to stop people from operating outside of the PSL and prevent “leakage” from a recruitment contract if you have not got the buy in from the End Users.

- 2. Understand the Cost Drivers of a Recruitment Agency**
The biggest costs to a recruitment agency are as follows:
 - Staff & salaries – their own staff and resource. (If your process is very resource hungry, then it is likely to cost more).
 - Premises – offices and locations for interviewing and assessment events.
 - Temporary worker wages (which need to be paid out every week, even if the client’s payment terms are significantly longer. Some agencies will increase their prices to support this cash flow challenge).
 - Advertising to source candidates.
 - Payment terms for permanent recruitment.

- 3. Select the Right Suppliers to Bid for your Business**
Big is not always beautiful. Larger suppliers will be good for covering multiple disciplines and locations, possibly using a “Master Vendor” or “Vendor Managed Services”, but often the smaller suppliers are more focused on the quality of the service, added value and are more flexible to meet your needs.

4. Service Levels

Make service levels operable and keep them simple and measurable. Service levels should be around some of the following:

- Process compliance.
- Candidate quality.
- Vacancy fulfilment within agreed timescales.
- Accuracy of payroll and invoicing.
- Provision of timely management information.
- Adherence to legislation.

They need to be easily measurable, and form part of a review and continuous improvement process to ensure that the service delivered meets expectations. Agencies may start to cut corners if the service level agreement does not form part of the day to day running of the contract.

5. Assessing Supplier Proposals & Tenders

It is usually easier if you call the shots. Tell the supplier what your terms of business are, and get them to either agree to these up front, or inform you of any non-compliances at the start of the process. There is nothing worse than getting to final negotiation and finding that there is a “show stopper” in the terms of business.

Get all the suppliers to follow the same format when completing their pricing so that you can compare like with like (e.g. tell them how you want NI to be calculated as this is an area where suppliers can often “hide” margin).

6. Understand Appropriate Legislation

There is a lot of legislation around recruiting staff. Ensure that your supplier helps you to adhere to this. Make sure that when tendering, you obtain details regarding how they will support you regarding:

- Health & Safety of Temporary Workers
- Equal Opportunities & Diversity
- Candidate Referencing
- Temporary to Permanent Placement Fees (now covered by legislation regarding when the Supplier can charge for temp to perm placement).
- ID and Eligibility to work in the UK.

7. Candidate Quality & Account Management

Think about how the agency will evidence that they are providing quality candidates. Ask them about:

- How they source candidates.
- How they select and assess candidates. Ensure that they interview the candidate face to face. Get them to demonstrate that they have tested relevant skills in order to evidence that the candidate will be able to perform in the job.
- Check what their standard referencing procedure is. Most agencies will not take up references on permanent staff, but you can expect

them to take up a minimum of 2 references (preferably covering 2 or in some cases 5 years work history) to ensure that you get the right staff.

- Look into how they plan to manage your account. Will they offer you central ordering or a dedicated Account Manager. For larger contracts these types of support are crucial to maintaining quality of service and overcoming problems.

8. Pricing for Temporary Staffing

Pricing is usually the crux of the negotiation. There are a number of things to look out for, particularly with provision of temporary labour. These include:

- Calculation of charge rates. A charge rate is made up of the following elements:
 - Hourly Pay Rate.
 - Employers National Insurance.
 - Working Time Regulation – paid holiday, which must be given by law.
 - On Costs - sick pay & maternity pay or enhanced benefits.
 - Margin or mark up.
- Employers NI is not charged on the first £94 per week paid to the temporary worker. Ensure this is taken into account in the charging calculations, as Agencies will often “hide” margin in this element of the calculations.
- Check how the Agency is calculating their margin/mark up. 20% margin is much more than 20% mark-up so it can be easier to get them to quote in fixed £pp rather than as a %.

9. Pricing for Temporary to Permanent Staffing

- Look out for temporary to permanent placement charges. There is now legislation around what agencies can and cannot charge for temp to perm placement, and this could save you a lot of money if this is your chosen way of recruiting.

10. Vendor Managed Solutions

This is a great way of outsourcing the responsibility to managing agency suppliers and guaranteeing fulfilment, but is only worth considering for larger contracts. There are two main ways that this works:

- Master Vendor – this is when you have an agreement with one agency to supply all your recruitment needs, and they then work on “back to back” sub-contract agreements with others to fulfil the areas that they cannot supply. The performance of all agencies would be measured on the same quality metrics, but it means that you have a single point of contact for all agency recruitment, and the Master Vendor is responsible for ensuring that your requirements are fulfilled.
- Vendor Neutral – this is similar to the above, except that the single point of contact is not a supplying agency, so they charge for the management of the suppliers, but do not fulfil any of the vacancies themselves.

Next steps...

Do you need further advice in this category of procurement spend? Contact the Buying Support Agency for a free consultation. Telephone 0845 555 3344 or email info@buyingsupport.co.uk