



RECRUITMENT PROCESS OUTSOURCING MARKET TRENDS 2005



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INTRODUCTION

In the third quarter of 2005, the Human Resources Outsourcing Association's Recruitment Process Outsourcing Alliance launched a survey to determine trends in the marketplace for RPO services.

The survey results are very positive for those of us who provide RPO, as well as current buyers and users of RPO who stand to benefit from a strong and growing RPO industry.

Overall, the use of RPO:

- Is most heavily concentrated in the service industry
- Is most prevalent in larger companies
- Is largely driven by cost savings, and a desire to decrease time to hire and increase recruiter quality
- Is being considered in almost 40 percent of companies not currently outsourcing their recruitment

Troublingly, the survey uncovered a number of concerns among potential buyers that are creating barriers to more widespread adoption of RPO as a business strategy.

These concerns include:

- Outsourcing might result in loss of control of the recruitment process
- Outsourcing might require scrapping current investments in people and process
- Outsourcing might not be able to actually deliver cost savings

Additionally, while more than 50 percent of companies responding are not currently outsourcing any part of their recruitment process and have no plans to, only 16 percent describe themselves as "knowledgeable" on the topic RPO.

These findings—a minority of companies knowledgeable about RPO and a majority planning to continue recruiting internally—clearly present an opportunity to grow the market for RPO by providing additional education to potential buyers.

The RPO Alliance is currently developing research, buyer tools, and standardized industry information to answer this opportunity. I encourage you to review the findings of this survey and then to become involved with the RPO Alliance. The RPO industry is moving quickly, and now is the perfect time to work with us together to further develop this marketplace and bring the benefits of RPO to a larger group of companies.

Jason Berkowitz
Chairman, RPO Alliance
January 2006

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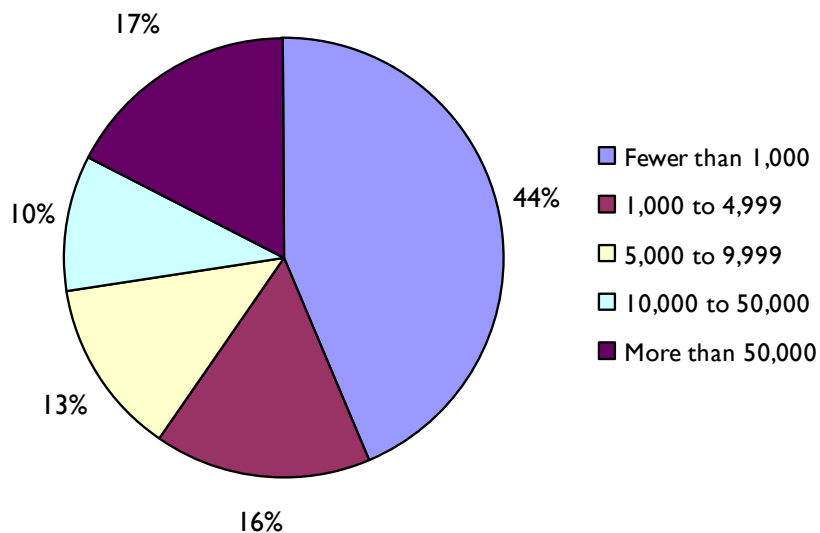
DEMOGRAPHIC INFORMATION

In August 2005, the Recruitment Process Outsourcing Alliance (RPOA) of the Human Resources Outsourcing Association (HROA) sent an e-mail survey to just under 3,500 potential purchasers of RPO services. The RPOA received 69 complete results and 89 partial results on the survey.

Organization Size, All Respondents: More Small Than Large

The size of respondent organizations was spread across the spectrum, although the greatest representation was among smaller organizations, with 43 percent of responses coming from organizations with fewer than 1,000 employees.

Figure 1
Organization Size, All Respondents



Employee Population: This Is a Professional Group

The employee population of respondent organizations is predominantly professional, with 71 percent of respondents ranking that employee category first. Administrative staff also make up a large proportion of respondent populations; 54 percent of respondents ranked that category as the second highest employee population.

Figure 2
Employee Population Category, All Respondents

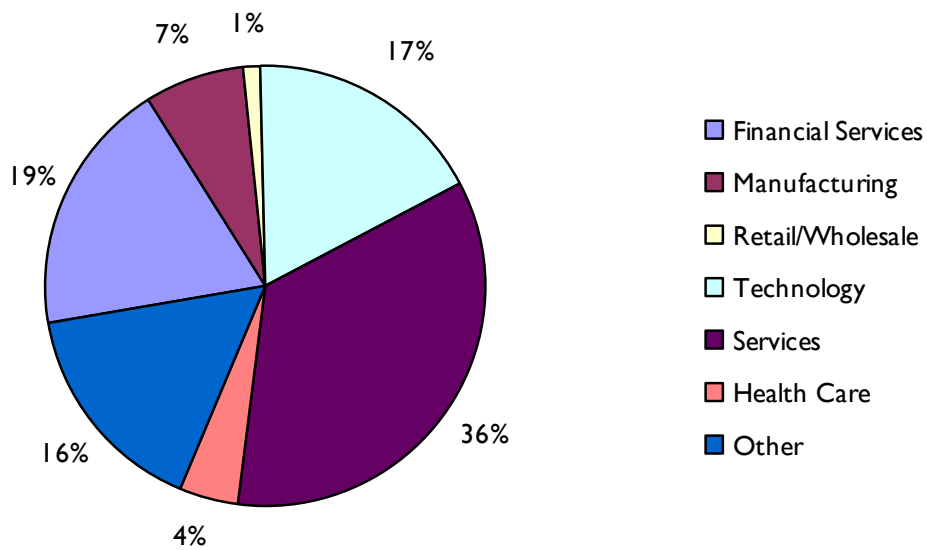
CATEGORY	RANK				
	1	2	3	4	?
Professional Level	71%	10%	7%	7%	4%
Administrative Level	7%	54%	25%	10%	4%
Contingent/temporary employees	3%	22%	39%	23%	13%
Other	13%	4%	16%	41%	26%

Primary Industry: The Heavyweights Are the Service Industries

Respondent organizations spread broadly among a number of industry categories, with service industries among the most prevalent.

- State/Federal Government
- Oil & Gas
- Consulting/Publishing
- Biopharmaceutical
- Training & education
- Non-Durable Consumer Products - Apparel
- Transportation
- Telecommunications
- HRO
- Non-profit
- Utility

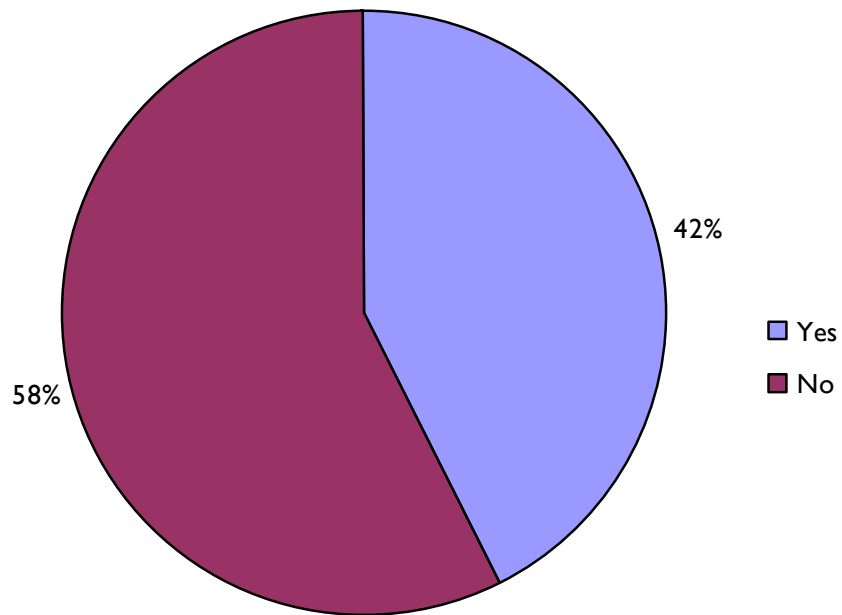
Figure 3
 Primary Industry, All Respondents



RPO Demographics: Not Everybody Is Doing It

Across all respondents, less than half (42 percent) outsource part or all of their recruitment process.

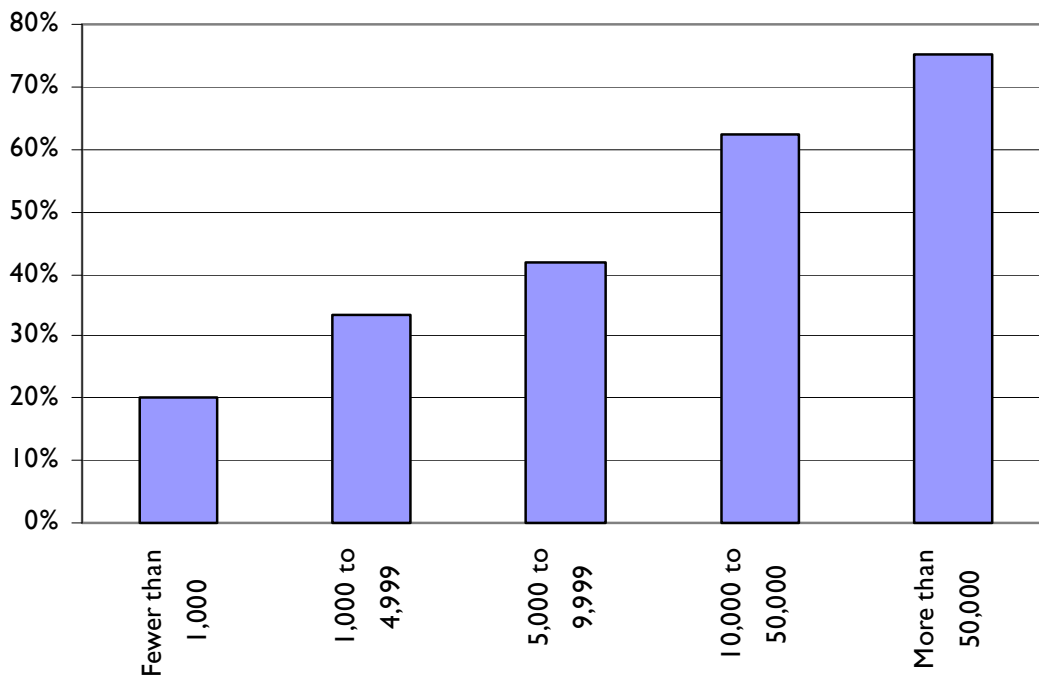
Figure 4
Percentage of Respondents that Outsource
Recruitment Processes



RPO Demographics: Size Does Matter

The survey also demonstrates a clear correlation between organization size and whether or not the organization outsources recruitment activities as demonstrated in Figure 5.

Figure 5
Recruitment Process Outsourcing and
Organization Size

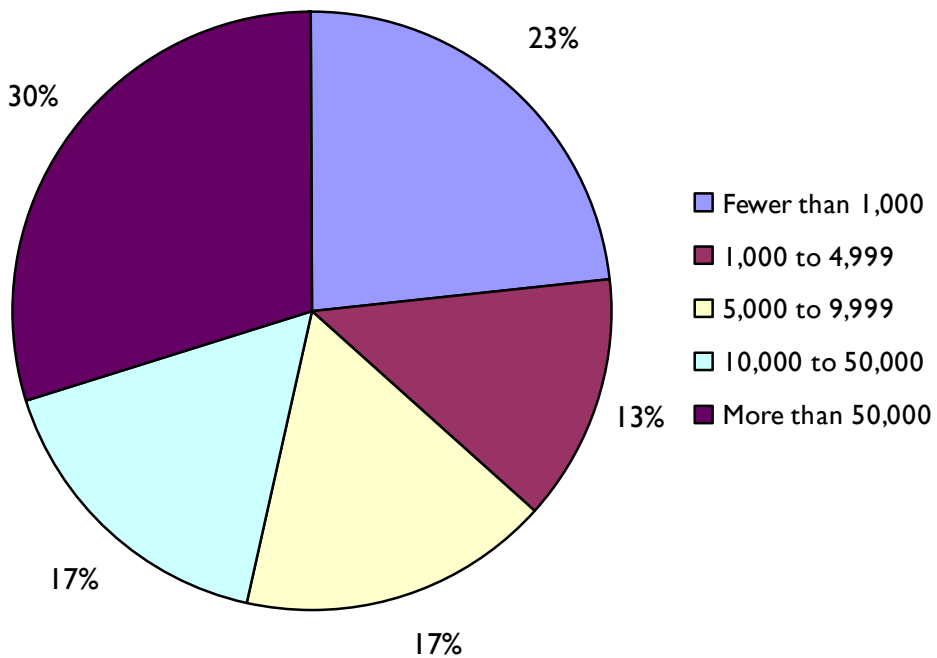


RESULTS FROM ORGANIZATIONS CURRENTLY OUTSOURCING RECRUITMENT PROCESSES

Size of Organizations That Are Outsourcing RP: Large Outweighs Small

The largest segment of the respondent pool that is outsourcing recruitment processes is the largest organization size, 50k+ employees.

Figure 6
 Breakdown of Organizations That Currently Outsource Recruitment Processes, by Organization Size



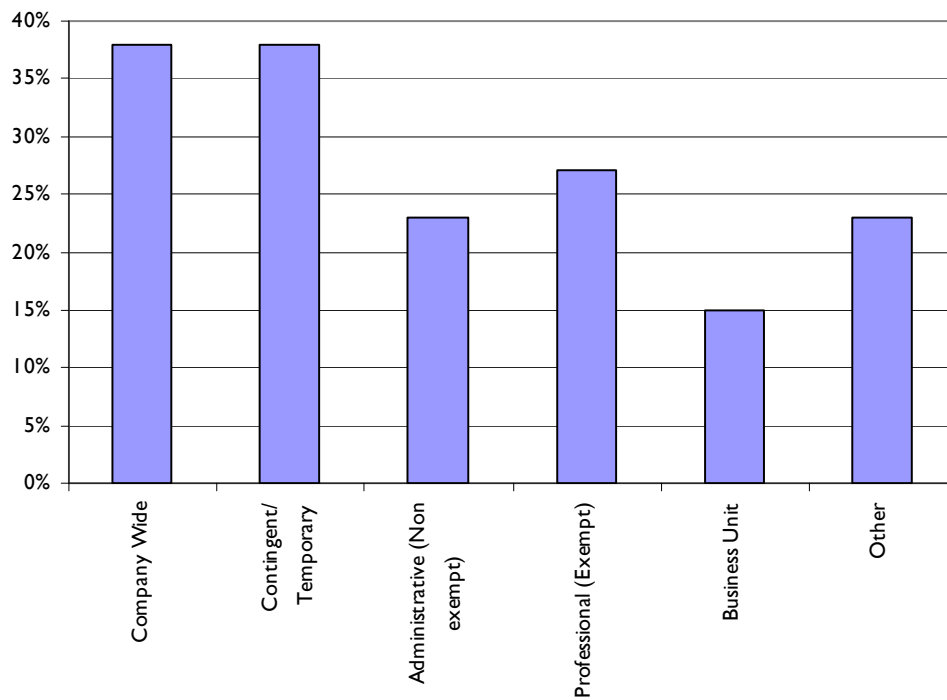
**RPO Levels/Areas: It’s Happening At All Levels and In All Areas ...
 But to a Limited Degree**

Organizational levels and areas in which respondents are outsourcing recruitment vary widely, but none received a nod from more than 40% of respondents.

In Figure 7 “Other” includes:

- System support
- Non-commercial jobs below executive levels
- Product development jobs below director level
- Company wide-specific job groups
- Overload situations

Figure 7
 RPO Organizational Levels and Areas



Benefits of RPO for These Levels/Areas: It's About Money and Time

The greatest benefit of outsourcing recruitment processes at these levels/areas, according to these respondents, is decreasing the cost of recruiting, followed by faster time to hire.

Organization size did not have significant impact on response to this question.

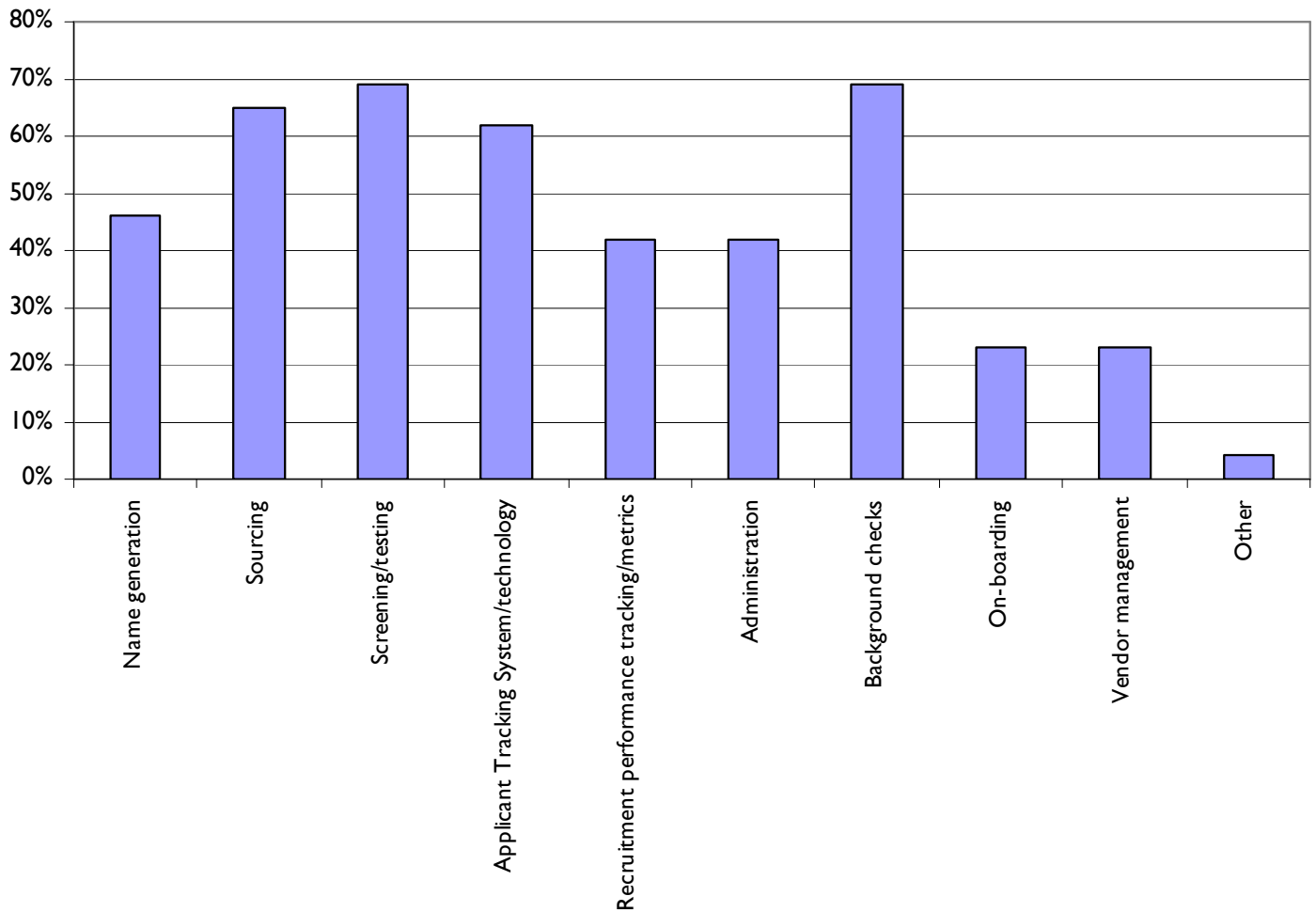
Figure 8
 Benefits of RPO for Organizational Levels and Areas

CATEGORY	RANK						
	1	2	3	4	5	6	7
Lower cost of recruitment	27%	12%	12%	8%	4%	8%	8%
Faster time to hire	19%	27%	4%	4%	8%	12%	12%
Integrate multiple sourcing channels	12%	12%	19%	8%	12%	15%	0%
Enhance quality of recruiters	4%	4%	12%	23%	19%	8%	12%
Consolidate recruitment activities	4%	8%	12%	19%	19%	8%	8%
Limit the number of third party providers	4%	19%	4%	8%	4%	19%	19%
Gain access to technology	15%	0%	19%	8%	12%	8%	19%

RPO Activities: There Are So Many to Choose From, and Organizations Are

Organizations are outsourcing a wide variety of recruitment activities. In Figure 9 “Other” includes end-to-end recruiting for specific business units.

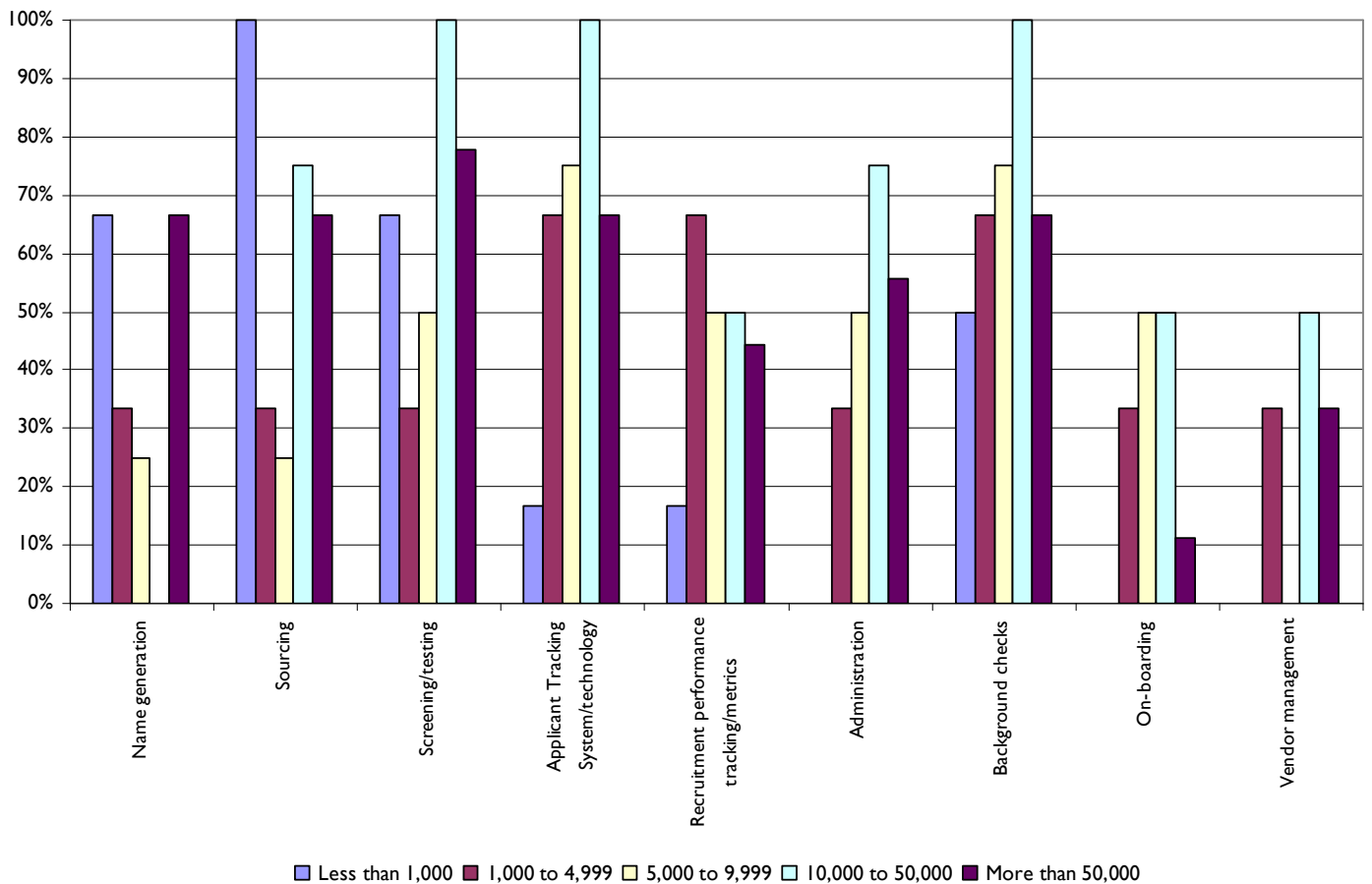
Figure 9
 Recruitment Process Activities Being Outsourced



RPO Activities: They Do Vary By Size

Activities being outsourced vary by organization size, but there seems to be no real correlation between organization size and activity. (Note: the small sample size drives the 100% responses in a few specific areas.)

Figure 10
Recruitment Process Activities Being Outsourced, By Organization Size



Concerns with Current RPO Results: It's About Time and Quality

Quality of hire is the greatest concern for those who outsource part or all of their recruitment processes, followed closely by time to hire. Size of organization did not have significant impact on response.

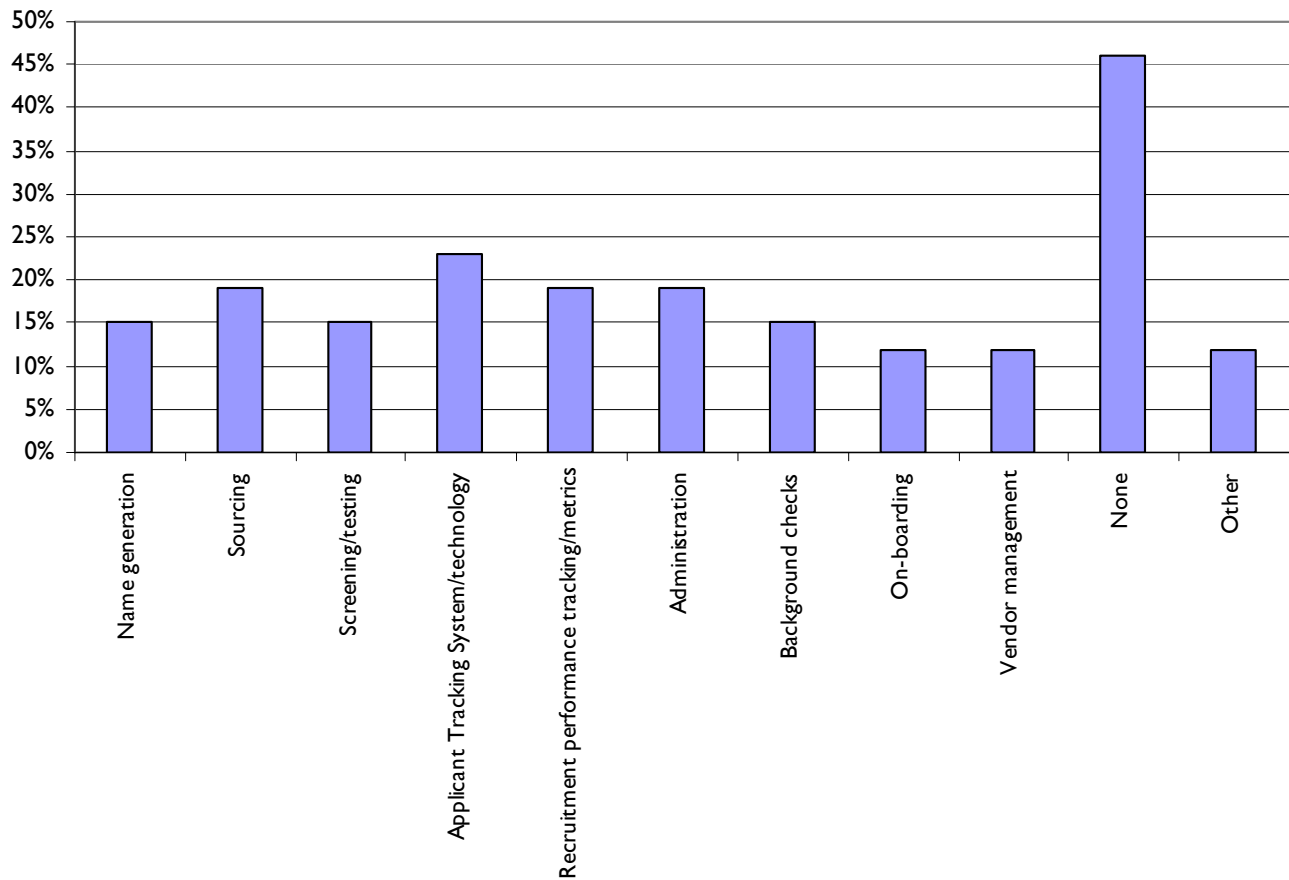
Figure 11
Concerns with Current Outsourcing Results

CATEGORY	RANK							
	1	2	3	4	5	6	7	8
Quality of hires	31%	12%	12%	8%	0%	4%	8%	8%
Time to hire	15%	19%	12%	12%	4%	15%	4%	4%
Cost to hire	8%	19%	8%	15%	12%	4%	8%	12%
Performance monitoring	0%	4%	4%	12%	19%	8%	19%	19%
Quality of recruiters	4%	12%	19%	4%	19%	23%	0%	0%
Poor processes	8%	8%	12%	12%	23%	12%	12%	4%
Hiring manager satisfaction	15%	12%	19%	15%	4%	4%	8%	8%
Technology effectiveness	8%	4%	0%	4%	4%	12%	23%	27%

Preference for Additional RPO Activities: They May Not Want More

Nearly half of all respondents (46 percent) selected “None” when asked if they would like to outsource additional recruitment activities. No other category was selected by as many as a quarter of respondents. Organization size had limited impact on response to this question; however, at least one-third of all respondents in all categories selected “None.”

Figure 12
 Additional Recruitment Activities
 Organizations Would Like to Outsource

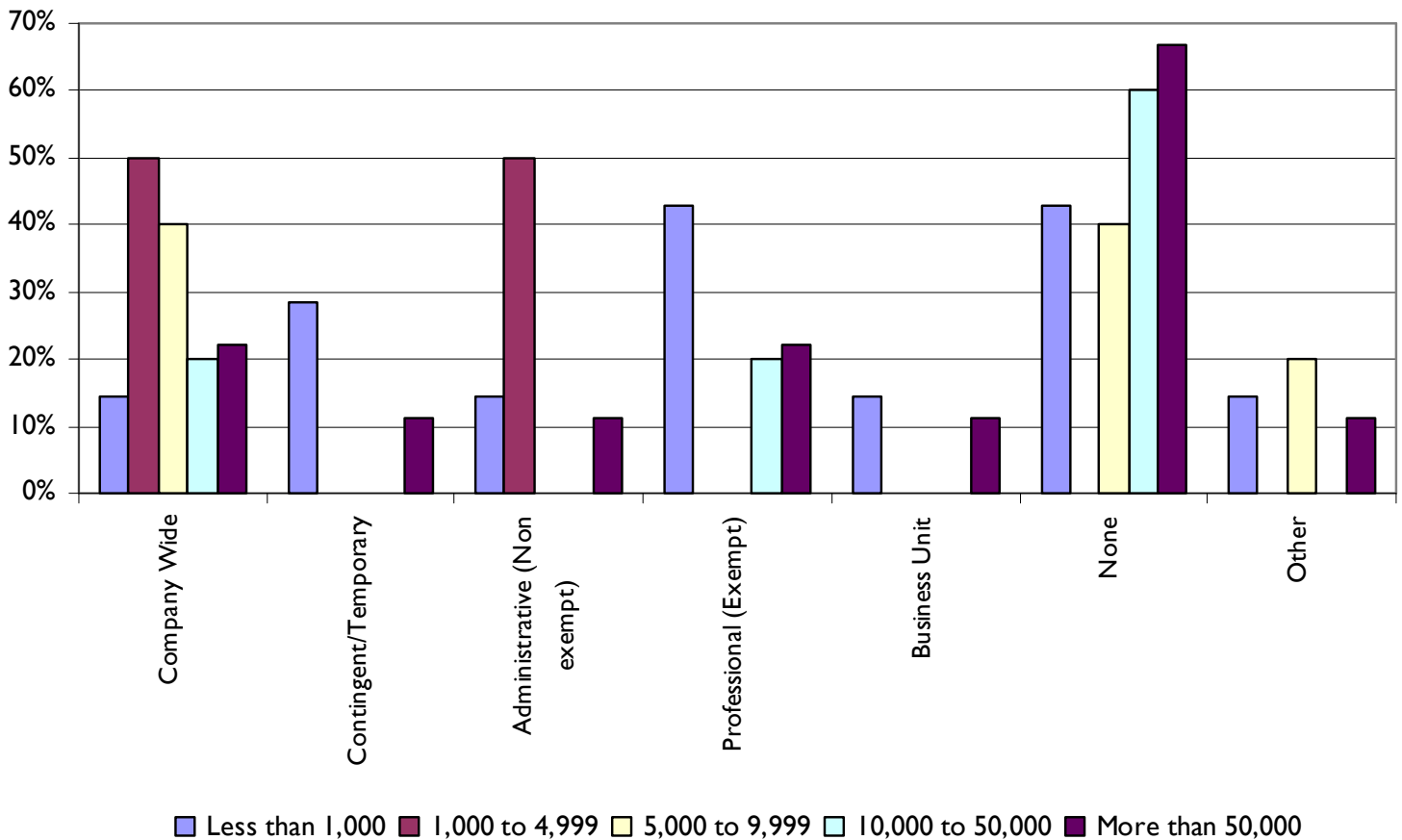


Planning for Additional RPO Areas/Levels: They May Not Be Planning for More

Unfortunately for members of the RPO provider industry, overall the response to which areas or levels respondents are planning to outsource their recruitment process is a resounding “None,” with a 44 percent response ratio.

However, a deeper dive into the data demonstrates pockets of opportunity. For example, organizations with 1,000 to 4,999 employees demonstrate an interest in outsourcing company wide and administrative positions. Smaller companies (less than 1,000 employees) indicate some interest in outsourcing contingent and professional positions.

Figure 13
What Additional Recruitment Areas/Levels
Organizations Plan to Outsource

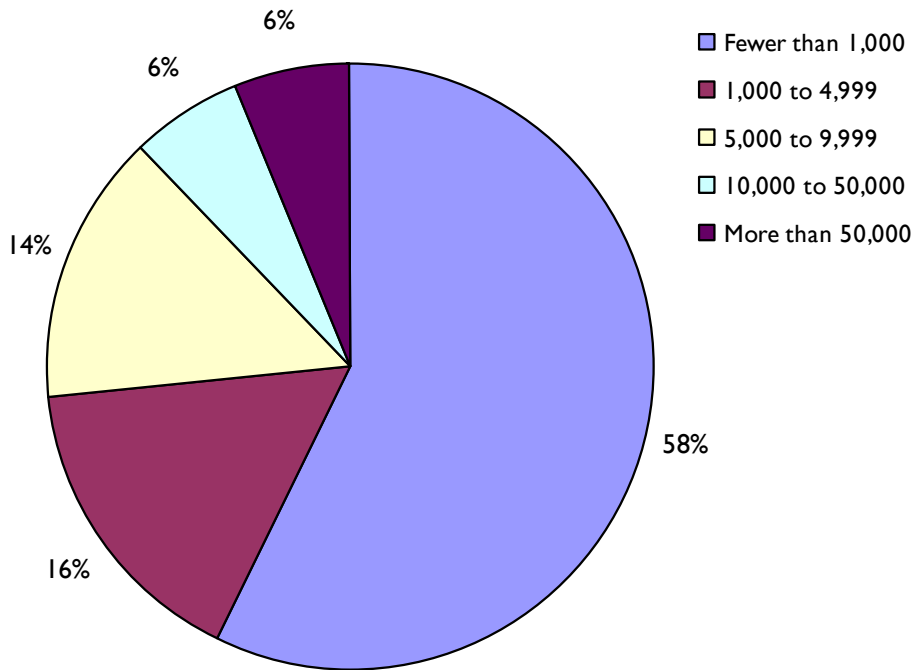


RESULTS FROM ORGANIZATIONS NOT CURRENTLY OUTSOURCING RECRUITMENT PROCESSES

Size of Organizations That Are Outsourcing Recruitment Processes: Small Outweighs Large

Not surprisingly, the largest segment of the respondent pool that is not outsourcing recruitment processes is the smallest organization size, fewer than 1,000 employees.

Figure 14
Breakdown of Organizations That Currently Do Not Outsource Recruitment Processes, by Organization Size

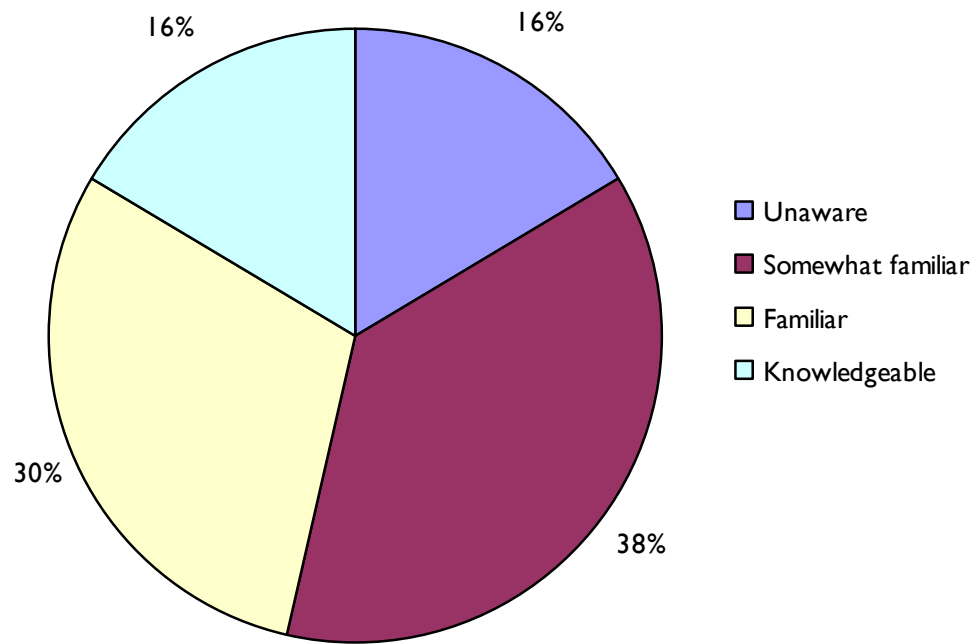


Familiarity with RPO: They Know It

Familiarity with RPO among those not currently outsourcing recruitment processes is fairly high, with 84 percent of respondents at least somewhat familiar with RPO.

Nearly 90 percent of those who responded “Unaware” were organizations in the smallest category, with fewer than 1,000 employees.

Figure 15
Familiarity with RPO, by Organization Size



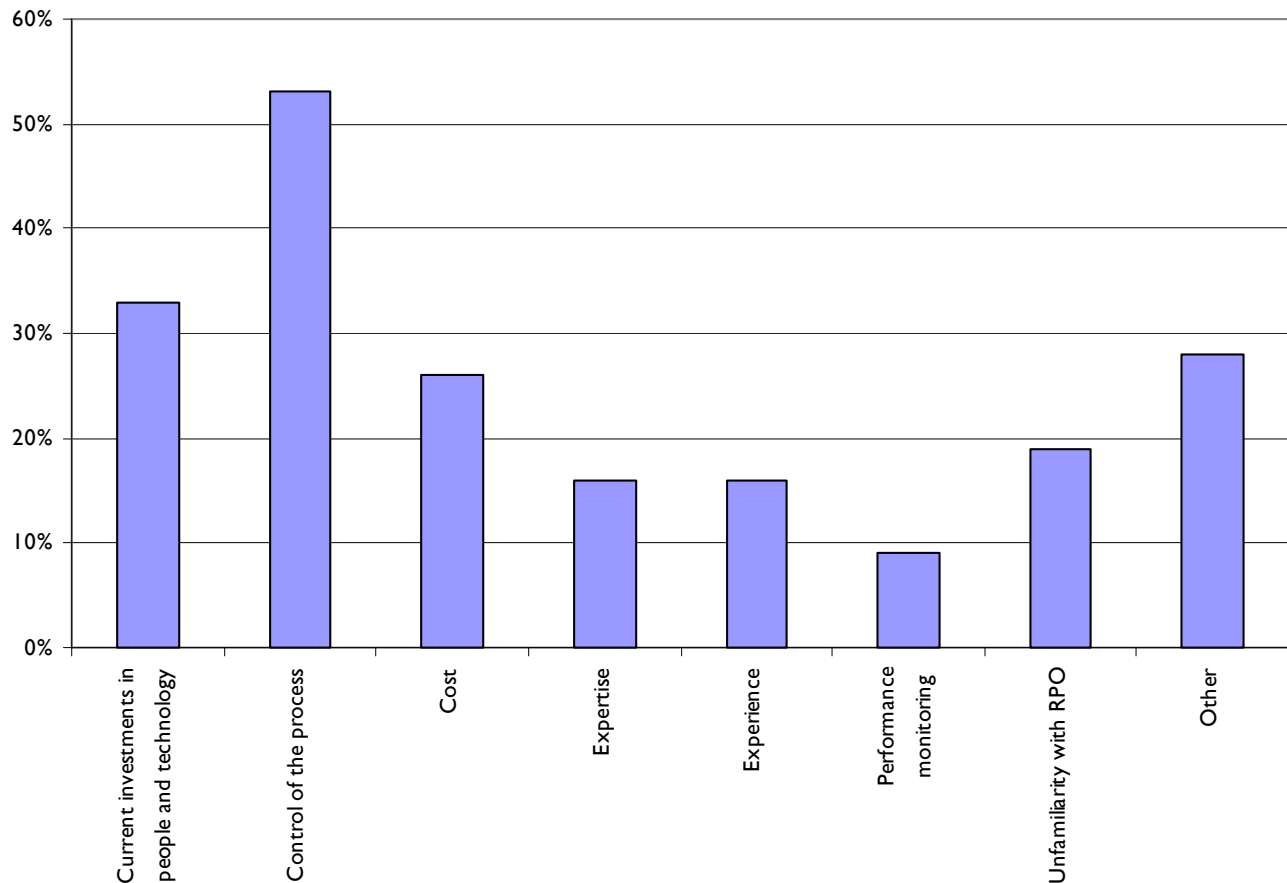
Why Not Outsource Recruitment Processes: So Many Reasons

Respondents had a wide variety of reasons for not outsourcing (and added many to those the survey suggested). In Figure 16 “Other” includes:

- Small company, not considered feasible or cost effective by respondents
- Deemed not to be a better solution
- Timing isn't right given other company priorities
- Inability to succinctly define the RPO "fit"
- Internal team available
- Have a well established recruitment system
- Invested in standardize process first
- Not productive from past experience

Organization size had limited impact on responses, with the exception being that “Unfamiliarity with RPO” was selected more often among the smallest organization respondents (fewer than 1,000 employees).

Figure 16
Why Organizations Don't Outsource RP

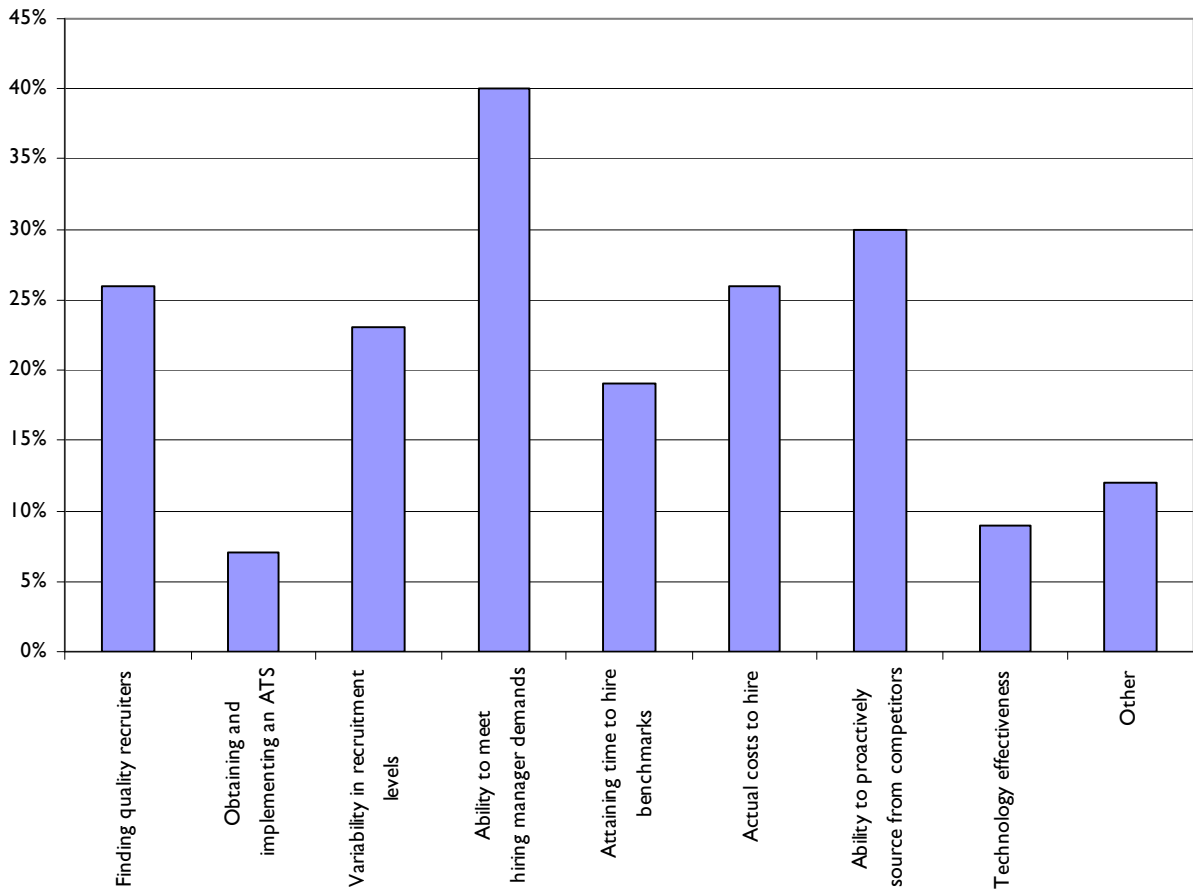


Concerns with Current Recruitment: Broad, But Not Deep

Concerns with current recruitment processes for organizations not using recruitment processes outsourcing providers are broad, but with the exception of “Ability to meet current hiring manager demands,” none of them are very common among respondents.

In Figure 17, “Other” includes access to desirable employees and sourcing best or diverse candidate pools.

Figure 17
Concerns with Current Recruitment

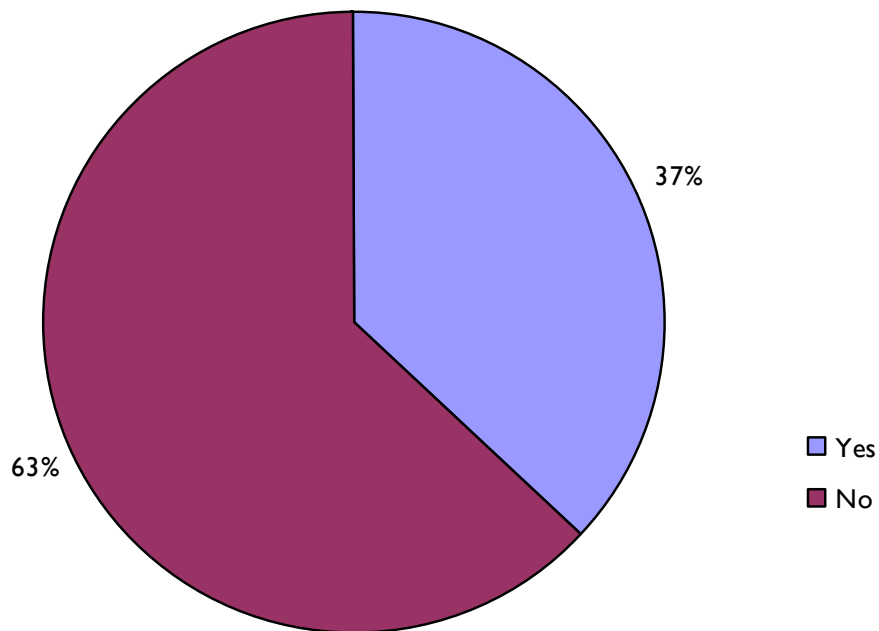


Are They Planning To Outsource Recruitment Processes?: Yes, But Not Overwhelmingly

The majority of organizations not currently outsourcing their recruitment process aren't planning to start.

Generally, size of organization had no impact on this response with the exception that none of the largest organizations (more than 50k employees) are planning to outsource their recruitment process.

Figure 18
Organizations Not Currently Outsourcing
Recruitment Processes, But Planning To



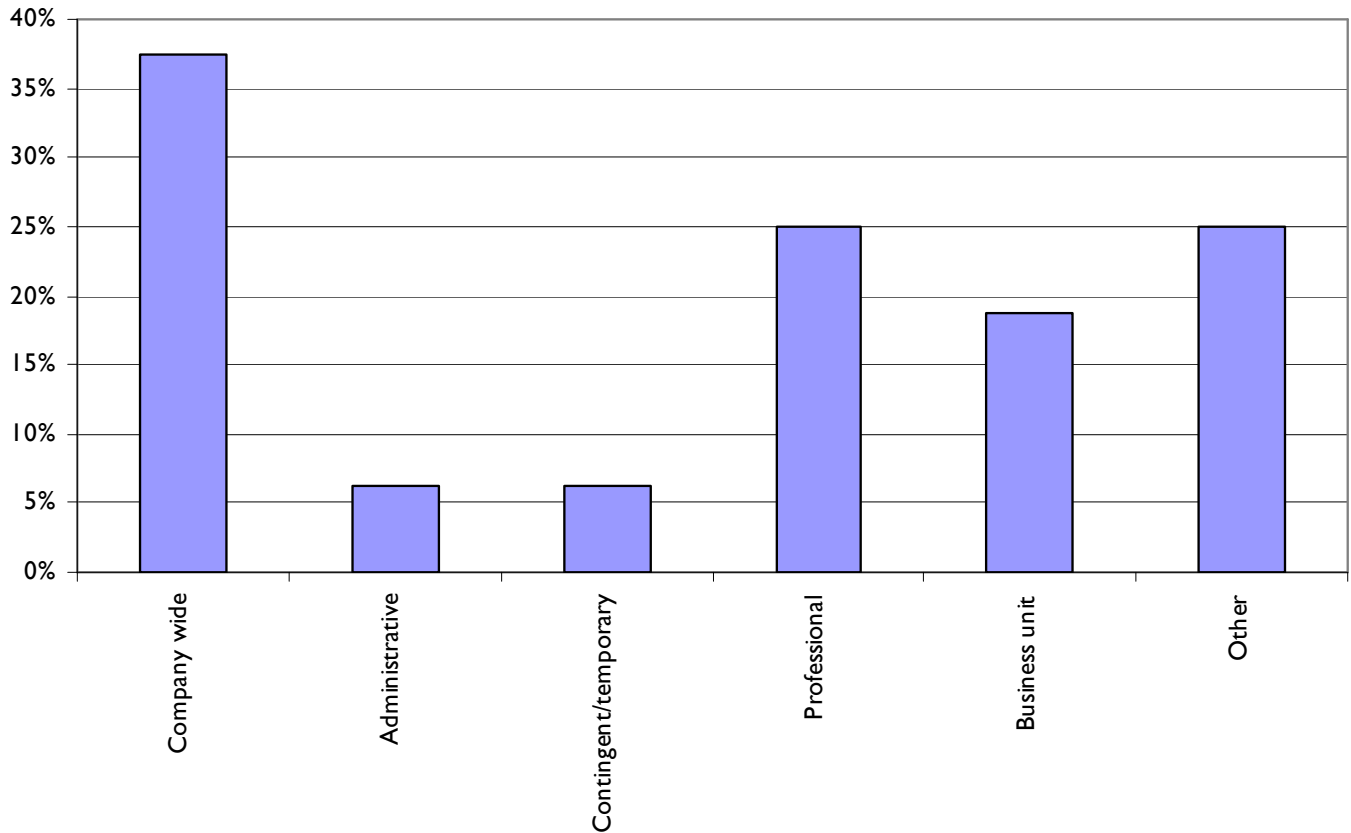
If They Did, Where Would They?: Everywhere

Many organizations that are considering outsourcing their recruitment process are thinking about it organization-wide.

In Figure 19, “Other” includes:

- Inside Sales Professionals
- Training staff
- HR specialists
- Hourly and mass hiring events
- Direct support staff - hourly employees

Figure 19
 Areas Organizations Are Considering
 Outsourcing Recruitment Processes



Benefits of RPO for These Levels/Areas: It's About Money and Time

The main reasons why those organizations are considering outsourcing these activities are faster time to hire and lower cost of recruitment.

Figure 20
 Perceived Benefits to RPO In These Areas

CATEGORY	RANK						
	1	2	3	4	5	6	7
Lower cost of recruitment	25%	31%	13%	6%	13%	6%	0%
Faster time to hire	31%	19%	6%	13%	13%	6%	6%
Integrate multiple sourcing channels	13%	13%	25%	31%	6%	0%	0%
Enhance quality of recruiters	0%	0%	25%	31%	6%	6%	13%
Consolidate recruitment activities	0%	19%	13%	0%	31%	6%	19%
Limit the number of third party providers	0%	13%	6%	6%	6%	31%	19%
Gain access to technology	13%	0%	6%	6%	13%	6%	31%

RESULTS FROM ALL RESPONDENTS

Correlation Between HRO and RPO: There Is a Correlation, But It's Limited

Just over two-thirds (68 percent) of all respondents are outsourcing other HR functions. The numbers don't vary significantly when viewed through the RPO screen.

Figure 21
 Organizations Outsourcing Other HR Activities, Respondents = All

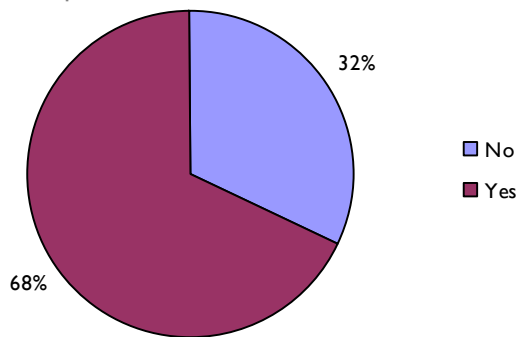


Figure 22
 Organizations Outsourcing Other HR Activities, Respondents = Those Outsourcing Recruitment

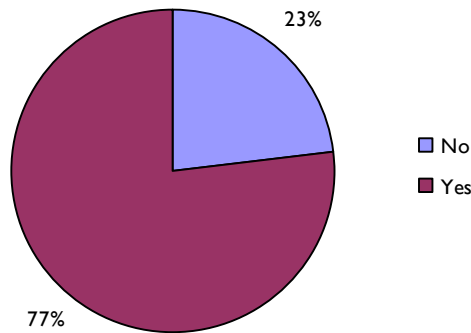
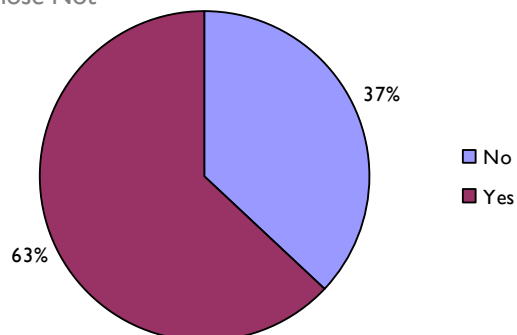


Figure 23
 Organizations Outsourcing Other HR Activities, Respondents = Those Not Outsourcing Recruitment



Correlation Among HRO, PRO and Size: There’s Something Here

Unlike RPO, where there is a clear correlation between organization size and whether or not organizations outsource recruitment processes (see Figure 24), there is limited correlation between organization size and whether or not respondents outsource HRO services, as demonstrated in Figure 25.

Figure 24
 RPO and Organization Size

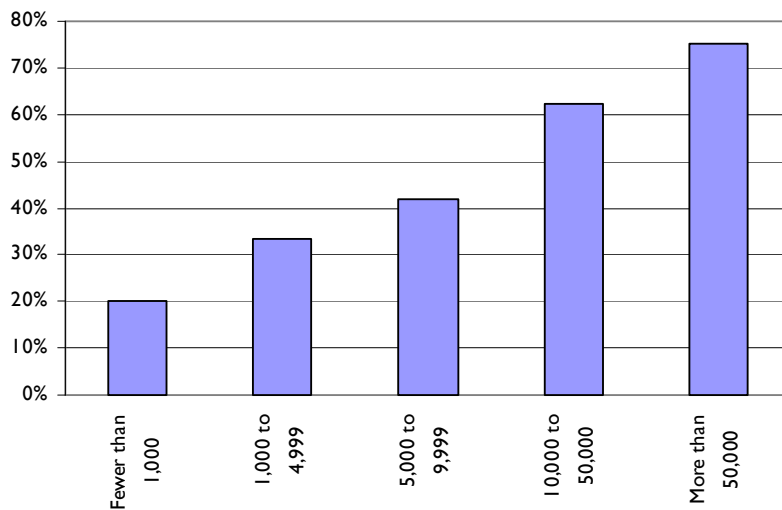
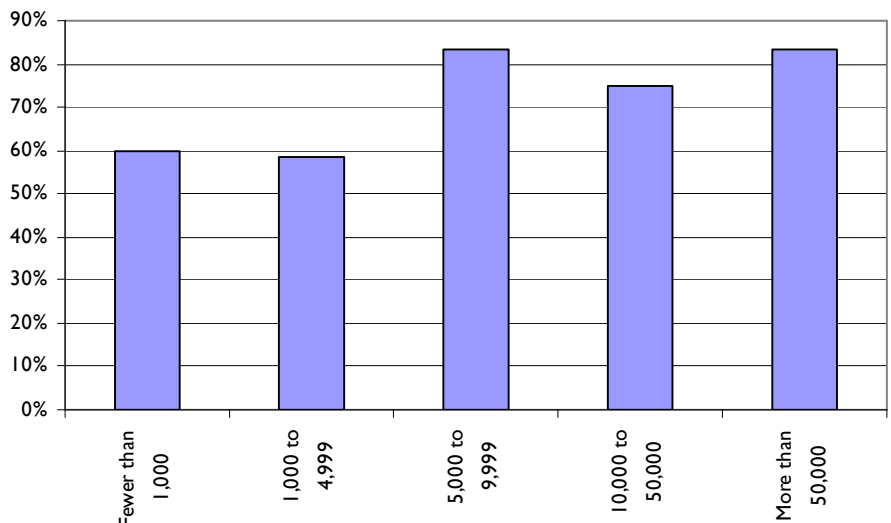


Figure 25
 HRO and Organization Size

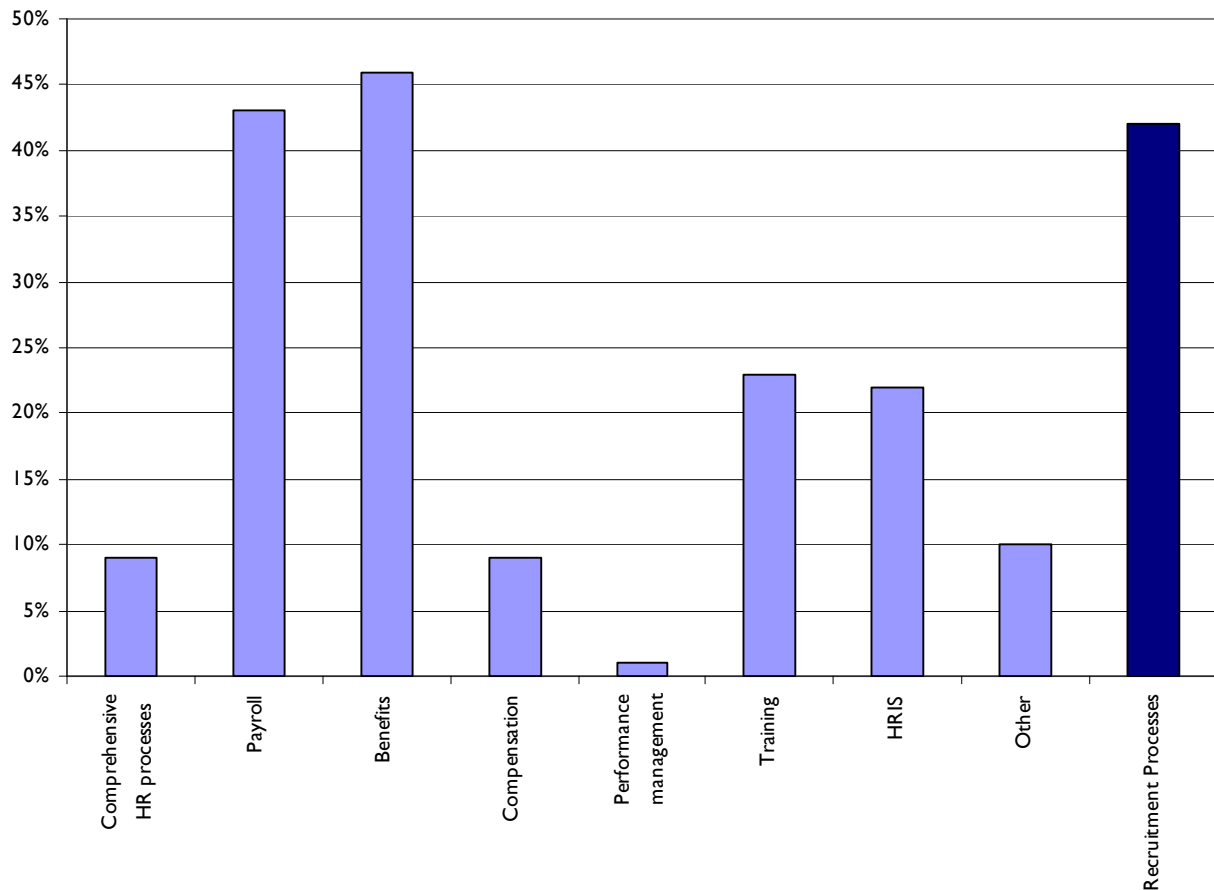


HR Outsourced Activities: Mostly Payroll and Benefits with a Little Training and HRIS Thrown In

While respondents are outsourcing a variety of HR activities, HR outsourcing is concentrated in a few areas. In Figure 26, “Other” includes:

- Check/pay advise printing
- Tax processing
- Finance
- Relocation
- EAP
- Retiree Benefits
- HRMS application management
- Pre Employment Screening
- 401K
- FLSA

Figure 26
 HR Outsourced Activities



RPO Provider Selection Criteria: It's the Track Record

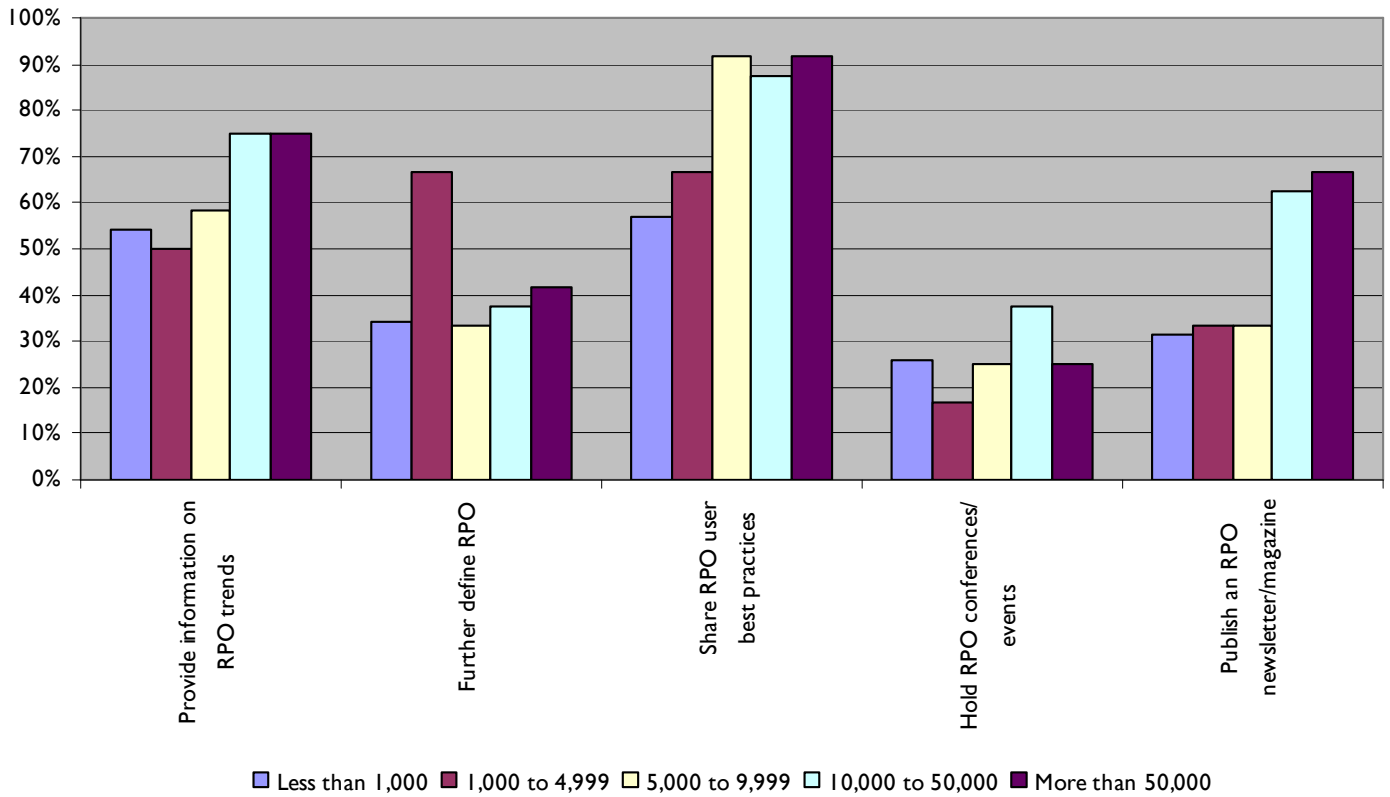
The highest ranking selection criterion is RPO supplier performance track record, followed by recruiter quality.

Figure 27
RPO Provider Selection Criteria

CATEGORY	RANK							
	1	2	3	4	5	6	7	8
Years of RPO experience	14%	6%	12%	13%	20%	7%	6%	17%
Performance track record	30%	28%	10%	13%	6%	3%	1%	4%
Recruiter quality	12%	14%	25%	12%	9%	12%	10%	1%
Technology/software	3%	10%	7%	22%	20%	13%	12%	7%
Breadth of RPO services	9%	6%	3%	4%	22%	19%	25%	7%
Breadth of synergistic HRO services	6%	6%	1%	4%	6%	19%	12%	32%
Industry knowledge	10%	9%	20%	10%	7%	13%	17%	4%
Cost	10%	17%	17%	12%	6%	9%	7%	16%

Helping the HR Community: RPOA Can Provide Information

Figure 28
 What RPOA Can Do for the HR Community



SURVEY QUESTIONS

Question 1:

Are you currently outsourcing part or all of your recruitment process to a third party provider?

- Yes
- No

Question 2:

In which organizational areas, or at what level, are you currently outsourcing recruitment? (please specify all that apply)

- Company Wide
- Contingent/Temporary
- Administrative (Non exempt)
- Professional (Exempt)
- Business Unit
- Other

Question 3:

What are the primary benefits of RPO for this organizational area(s) of recruitment? (please rank 1 - 7 with 1 being most important)

- Lower cost of recruitment
- Faster time to hire
- Integrate multiple sourcing channels
- Enhance quality of recruiters
- Consolidate recruitment activities
- Limit the number of third party providers
- Gain access to technology

Question 4:

What are your primary concerns, if any, with your current outsourcing results? (please rank 1 - 8 with 1 being the biggest concern)

- Quality of hires
- Time to hire
- Cost to hire
- Performance monitoring
- Quality of recruiters
- Poor processes

- Hiring manager satisfaction
- Technology effectiveness

Question 5:

Which recruitment activities are you currently outsourcing? (please specify all that apply)

- Name generation
- Sourcing
- Screening/testing
- Applicant Tracking System/technology
- Recruitment performance tracking/metrics
- Administration
- Background checks
- On-boarding
- Vendor management
- Other

Question 6:

What additional recruitment activities would you like to outsource? (please specify all that apply)

- Name generation
- Sourcing
- Screening/testing
- Applicant Tracking System/technology
- Recruitment performance tracking/metrics
- Administration
- Background checks
- On-boarding
- Vendor management
- None
- Other

Question 7:

What additional organizational areas are you planning to outsource recruiting? (please check all that apply)

- Company Wide

- Contingent/Temporary
- Administrative (Non exempt)
- Professional (Exempt)
- Business Unit
- None
- Other

Question 8:

How familiar are you with RPO? (please specify one)

- Unaware
- Somewhat familiar
- Familiar
- Knowledgeable

Question 9:

Why are you currently not using outsourced recruiting services? (please specify all that apply)

- Current investments in people and technology
- Control of the process
- Cost
- Expertise
- Experience
- Performance monitoring
- Unfamiliarity with RPO
- Other

Question 10:

What are your primary concerns with your current recruitment? (please specify all that apply)

- Finding quality recruiters
- Obtaining and implementing an ATS
- Variability in recruitment levels
- Ability to meet hiring manager demands
- Attaining time to hire benchmarks
- Actual costs to hire
- Ability to proactively source from competitors

- Technology effectiveness
- Other

Question 11:

Are you considering outsourcing part or all of your recruitment process in the future?

- Yes
- No

Question 12:

For which particular organizational areas are you considering outsourcing recruiting?

- Company wide
- Administrative
- Contingent/temporary
- Professional
- Business unit
- Other

Question 13:

Why do you plan to outsource recruitment for this area? (please rank 1 -7 with 1 being most important)

- Lower cost of recruitment
- Faster time to hire
- Integrate multiple sourcing channels
- Enhance quality of recruiters
- Consolidate recruitment activities
- Limit the number of third party providers
- Gain access to technology

Question 14:

Are you currently outsourcing other Human Resource functions? (please specify all that apply)

Comprehensive HR processes

- Payroll
- Benefits
- Compensation

- Performance management
- Training
- HRIS
- Other
- None

Question 15:

How would you rank your selection criteria if you were to consider selecting an RPO provider? (please rank by importance 1 -8, 1 being most important)

- Years of RPO experience
- Performance track record
- Recruiter quality
- Technology/software
- Breadth of RPO services
- Breadth of synergistic HRO services
- Industry knowledge
- Cost

Question 16:

How can the RPO Alliance best help the HR community further address their RPO needs: (please specify all that apply)

- Provide information on RPO trends
- Further define RPO
- Share RPO user best practices
- Hold RPO conferences/events
- Publish an RPO newsletter/magazine
- Other

Question 17:

How many employees are in your organization? (please specify one only)

- Fewer than 1,000
- 1,000 to 4,999
- 5,000 to 9,999
- 10,000 to 50,000
- More than 50,000

Question 18:

Please rank the estimated proportions of your employee population base (the largest being 1 and the smallest being 4)

- Professional Level
- Administrative Level
- Contingent/temporary employees
- Other

Question 19:

What is your organization's primary industry?

- Financial Services
- Manufacturing
- Retail/Wholesale
- Technology
- Services
- Health Care
- Other - Please Specify

Survey Question Flow

