

Emerging role of Recruitment Process Outsourcing in MNCs

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Abstract- With growing diversity in business organisations, it has become mandatory to outsource the non-core activities and focus more on core functions, because only those organisations succeed which have core competency in conducting and managing their business. A major concern is to manage diversified human resources since, human resources are the most valuable resources for every organisation and optimal utilization of this resource helps to meet individual, organizational and societal objectives. This concern paved way for growth of agencies which specialize in providing right people for the right job, at the right time and in right number. Such agencies are called as Recruitment Process Outsourcing agencies, with whose help organisations get the right type of people to work in their organisation. The purpose of this paper is to communicate Human Resource Management needs to industries across the globe so that the organisations which are not aware get awareness about latest trends in recruitment outsourcing and avail benefit with its services.

This paper will enable us to get answers to questions like, what it is, how it functions, is it useful, how companies are currently using it, what is the future scope of Recruitment agencies, how it is linked to both individual and organizational goals.

Index Terms- Core Competency, Human Resource Management, Outsourcing, Recruitment process Outsourcing (RPO)

I. INTRODUCTION

“**R**ecruitment Process Outsourcing means an agency or third party which carries out the recruitment process on behalf of the company.”

RPO is the service provider to which the company can outsource its recruitment process for a nominal fee. The core competency of RPO helps the companies to select the best candidate out of the entire pool of applicants by carefully sorting, selecting and analyzing the applications. The RPO Alliance, a group of the Human Resources Outsourcing Association (HROA), says, "Recruitment Process Outsourcing (RPO) is a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment process to an external service provider. An RPO provider can provide its own or may take help from the company's staff, technology, methodologies and reporting." So, Recruitment Process Outsourcing is the third party to which an organisation outsources its recruitment for certain fees.

II. FUNCTIONING OF RECRUITMENT PROCESS OUTSOURCING AGENCIES

RPO service providers claim to have lower costs because of the economies of scale with big staff of recruiters, databases of candidate resumes, and investment in recruitment tools and networks. They also lower the costs and fixed expenses of the client by reducing need of Human resource Managers in their organisations and the resources needed for recruitment process. They also claim to have higher quality, because the commercial relationship between an RPO service provider and client is based on specific performance targets. In most cases the fees of RPO is based on the effectiveness of its recruitment process.

In the UK, James Caan was the first to develop RPO in the 1990s and offers global RPO solutions with his business partners Jon Bennett and Rachel McKenzie through his company, HB Retinue. The Outsourcing institute awarded Accolo, an RPO, for best RPO services for General Services Capability and Value for fees out of a field of over 40 RPO providers worldwide. Accolo screens out over 70% of unqualified candidates with a focus on hiring the top candidates.

Many RPO agencies say that, “*RPO = Hire Capability + Hire Value*”.

III. LATEST PROJECTIONS FOR RPO IN THE COMING YEARS

Recruitment is not just filling the manpower gap in the organisation now, but, emerged as a high- stake competition to foresee economic, political, technological, demographic, socio-cultural factors at the one end and business projections, talent gaps at the other.

- As per the recent report of KellyOCG, the recruitment outsourcing agency through its survey reported an anticipated increase in hiring senior managers from small, medium and large organisations from the America, Europe, Middle East and Africa and the Asia Pacific region to 73% for internal full time recruitment and 57% increase in contingent hiring. Where only 46% are familiar with RPO and out of this only 26 % are currently outsourcing.

Thus, despite substantial increase in recruitment outsourcing there are number of firms who are still unaware of the RPO agencies. Thus a great scope lies in the RPO industry for the coming years in the unexplored areas. However, according to recent studies the biggest challenge for HR professionals today is recruiting quality talent.

- The 2013 PWC survey reported that more than half of US CEO's say shortage of skills is a potential threat to growth this year. Saeten, a Chicago –based RPO based on customer – focused approach of service delivery operating under various brand names like PeopleScout & StudentScout reported an existing client expansion and new client engagements for the coming year.

Thus the customer focused approach of RPO's will further widen the growth in near future and more companies will outsource its HR areas. Another result for KeneXa, an IBM Company which recruits especially for call centers using its leverage technology and sourcing techniques to uncover hidden talent of the people projected an increase in focus on project – based recruitment in 2015 for its major clients. As per HFS Research, the global HR BPO market is valued at \$42 billion as of 2013 with the Asia Pacific market at \$3 billion.

- As per a recent survey conducted on a sample of 36 top managers from Egyptian and Non-Egyptian companies operating in various fields in Egypt discovered that 55% of these companies were involved in recruitment outsourcing. A contrary to logic result found that the cost reduction factor was not perceived by Egyptian managers as a valuable reason to outsource their recruitment function.

The results of the survey override the lower cost advantage of using RPO agencies. One of the reasons could be that RPO service providers exaggerate the price of their services and charges at least one monthly salary for each hired employee from the companies.

For example, a security labor hired through an outsourced service provider will cost higher, on an average from 8% to 15%, in comparison to security labor hired through walk-in interviews. Therefore, Cost saving alone is not the only reason for outsourcing recruitment since organizations want to increase their recruiting effectiveness by delivering better-quality candidates to hiring managers. Thus, hiring appears robust for the coming year as per the projections.

- The recent acquisition of HRX, a leading RPO by Seaten, a Chicago –Based Company proved further that the spectrum of RPO is increasing as more and more companies are joining hands together with the urge to recruit the best candidates for their organisations. "The combination of our PeopleScout division and HRX will bring tangible benefits to RPO clients in the form of enhanced sourcing technology, expanded service offerings, and additional global reach," commented Patrick Beharelle, Seaton CEO.

Thus, it's no doubt that recruitment outsourcing has become a fashion for the companies now. The brand building of the RPO will further boost its growth and more companies are likely to use RPO services in coming years.

Table 1: Trends in RPO service agencies

Last 10 years	Current Scenario	Projection for coming years
RPO gained momentum in big and medium sized companies.	RPO gained momentum in all types of companies.	RPO shall gain momentum beyond companies, i.e. will be used by business houses as well.
Main reason for RPO is cost and time benefit for Companies.	Main reason is cost and time benefit along with benefit of specialisation and right candidate for the right job.	Main reason will not be cost since companies are focusing more on talent hunt and ready to pay any price.
RPO size was small, since, it was provided by individual vendors.	RPO size increased in volume and brand since companies joined hands with RPO.	RPO service agencies size to increase substantially, due to, reported mergers and acquisitions.
RPO was popular among developed nations only to provide recruitment solutions to its clients.	RPO diversified to other countries across globe to provide customized recruitment solutions to its clients.	RPO shall diversify to other areas of HR not just recruitment but compensation, development, integration & maintenance of employees.

IV. INDIA AS A HOTSPOT RPO IN COMING YEARS

In a bid to cut costs, corporate giants based in the United States and the UK are looking for RPO services from emerging market locations like India, a survey says. According to global consulting and research firm Everest Group, increasing cost pressures in the current economic environment has led North American and UK buyers to start receiving the back-office RPO services from offshore location such as India.

"The value proposition of RPO is still resonating with buyers that are looking for a cost-effective option to withstand the current turmoil and at the same time create an efficient talent acquisition process that can be scaled up quickly when business environment improves," Everest Group Principal and Country Head Gaurav Gupta said.

Indian suppliers such as Infosys, Wipro and Caliber Point have already entered the league of RPO's in the past two years, while Western suppliers such as Momentum and PeopleScout are also leveraging India for delivering RPO services.

V. MAJOR RPO ACQUISITIONS TILL NOW

- IBM acquired Kenexa
- ADP acquired The RightThing
- Legacy staffing firms (Kelly, AppleOne) continue to grow their RPO practices and are marketing customized solutions.
- Small & medium sized RPO firms are partnering more to be competitive. PierPoint is a small, tech-focused sourcing company that has evolved as a RPO with high technology.
- In another tie-up "Serco has been chosen as an exclusive partner and will act as a talent acquisition and transformation partner. Under the arrangement, Serco will deploy over 350 personnel across 11 locations in India in the next four months," the company said in a statement.
- Recently, Seaton, a Chicago-based outsourced provider of human capital management, announced it has acquired HRX, a leading recruitment process outsourcing (RPO) provider headquartered in Sydney, Australia. HRX will join Seaton's operating brands, which include Staff Management, PeopleScout and StudentScout and will be known as HRX, a PeopleScout Company.

VI. CONCLUSION: SATISFACTION LEVEL OF EMPLOYER AND EMPLOYEE

Recruitment process outsourcing is a powerful strategy used by many organizations globally which helps to save the cost, time and improves the quality of recruitment. Outsourcing HR, specially recruitment process is a strategy used by many organizations all across the world but the human side of HR has suffered from it along with the profitability because the external agencies are not well aware with the structure, culture, values and system of the organization and therefore fail to nurture commitment and loyalty among employees.

But, despite all RPO has increasingly gained momentum and will continue due to growing global competition and scarcity of talented people in the organisation. The following are the benefits which RPO offers to its clients and their employees.

For client/employer:

- Measurable result
- Lowered cost & shared risk
- Reduced time to fill
- Compliance - Adherence to all necessary compliance measures within the sourcing, recruiting, and hiring process

- Uniformity
- Elite talent - Global bandwidth and high-touch approach attract top talent
- Quality- Utilizing a team of experienced, professional recruiters can increase the quality of hire and the speed with which you fill open positions.

For employee:

- Right match with right job
- Increases scope of future growth
- Better compatibility
- Greater satisfaction
- Far reach
- More options to explore
- Better assurance

Thus, Recruitment Process Outsourcing is both a tool and a safeguard used by the organisations to fight the scarcity of talented people to work with them at the right time, at right cost, at right place and in right number to satisfy both individual and organizational objectives.

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