

KELLY
HR*first*

www.kellyservices.com.au

recruitment process outsourcing usage and trends in australia

kelly hr*first* designs, implements and manages Recruitment Process Outsourcing solutions and other customised hiring programs for clients.

Kelly Services, a leading global staffing firm, has addressed the growing Recruitment Process Outsourcing market trend by establishing a specialised business unit, Kelly HR*first*, which focuses on providing Recruitment Process Outsourcing programs for clients worldwide.

Kelly HR*first* designs and implements complete hiring solutions and provides a dedicated team of professionals to closely partner with the client. We deliver our programs onsite or from Kelly HR*first*'s hiring centers, or sometimes through a blend of both approaches.

Kelly HR*first* was ranked second in HRO Today's top 13 Recruitment Process Outsourcing providers for 2005.



4 INTRODUCTION

6 CURRENT RECRUITMENT INTENTIONS AND PRACTICES

Difficulties recruiting staff
Anticipated categories of recruitment for 2006
Proportion of HR team performing recruitment duties only
Conditions slowing/stalling the hiring process

10 RECRUITMENT PROCESS OUTSOURCING REQUIREMENTS

Industries considering Recruitment Process Outsourcing
Job categories likely to be outsourced
Areas most likely to outsource the recruitment process
Expectations of a Recruitment Process Outsourcing partner
Criteria in engaging a Recruitment Process Outsourcing partner

14 SUMMARY

introduction

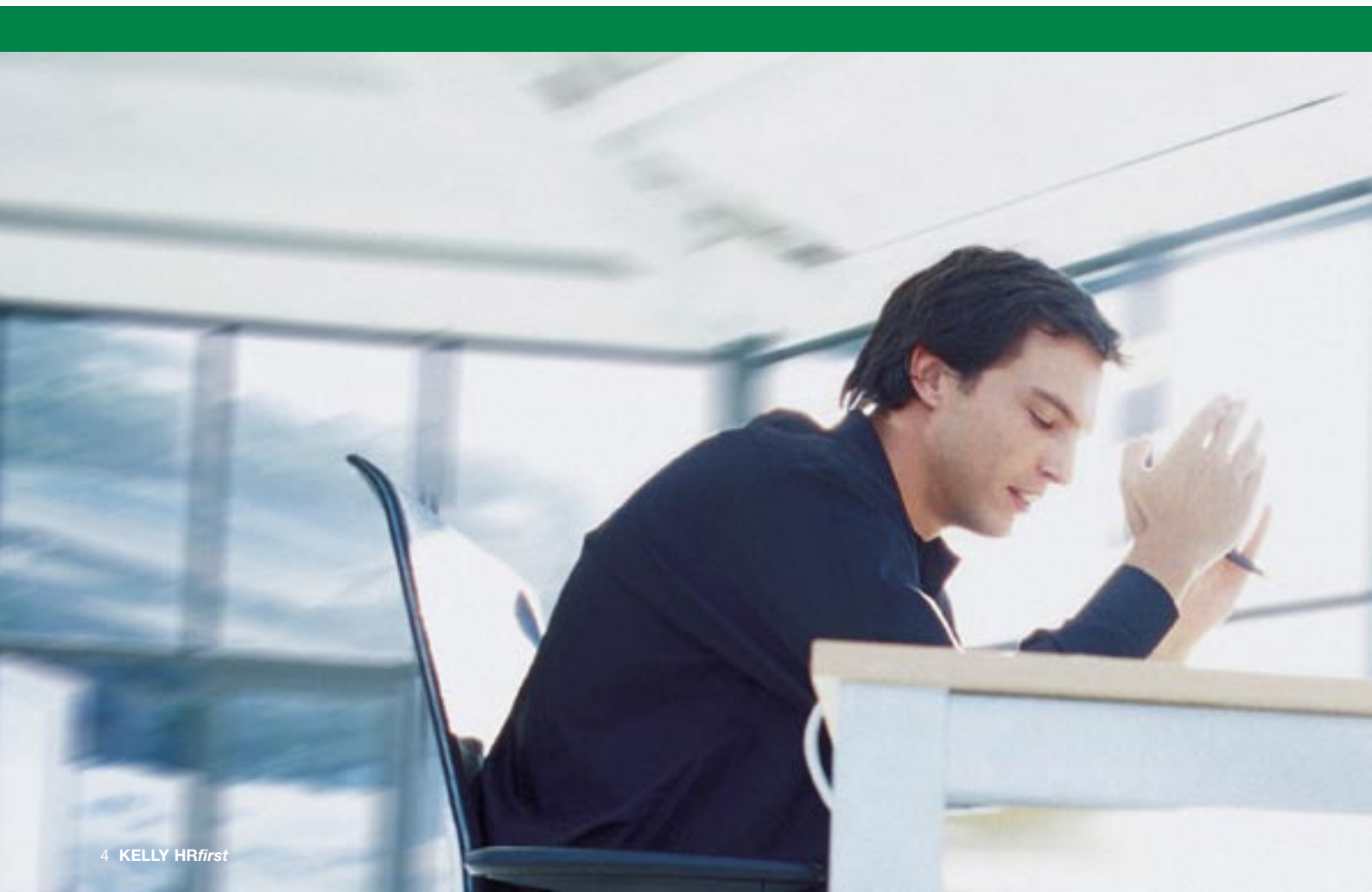
Recruitment Process Outsourcing (RPO) is a form of business outsourcing in which an employer outsources or transfers all or part of the recruitment process to an external service provider.

There are many forms of outsourcing ranging from the simple use of contracted labour, right through to a complete outsourcing alliance that encompasses most of the HR functions.

The emerging model of RPO is one that typically involves the outsourcing of all or part of the recruiting function, whereby the service provider will serve as the client's virtual recruiting department.

Because recruitment is largely a process-driven function, it is often well suited to being outsourced from day-to-day operational management. This allows the internal HR team to focus on its core business and organisational strategy, rather than the tactical and transactional work of the hiring process.

RPO can provide companies with cost savings, increased candidate quality, effective screening processes and tools, metrics and new technology without major capital investments.



The uptake of outsourced recruiting and RPO has mirrored Australia's historically low unemployment rate and the associated difficulty being experienced by many organisations in securing quality candidates. This candidate shortage has seen many organisations turn to outsourcing solutions to overcome the difficulties experienced in the recruiting function.

Internationally, RPO has become increasingly popular in recent years. Previously, non-core, transaction duties such as payroll and benefits administration were more frequently outsourced.

In the US, approximately 85% of all businesses outsource at least a part of their HR functions. A study by the Yankee Group shows that the worldwide Human Resources

Outsourcing (HRO) market will grow to \$80 billion by 2008, at a compounded annual growth rate of 12%. High quality, cost-saving Human Resources Outsourcing services have paved the way for businesses to increase their use of RPO.

This report examines the uptake of RPO across Australian business.

The results represent the views of mid to senior HR related professionals from 136 organisations in the industry sectors covering IT&T, Government, Manufacturing, Transport, Banking and Finance, Professional Services, Health and Retail/Wholesale.

The survey was conducted during July/August 2006 by Kelly HR*first* Australia.



current recruitment intentions and practices

One of the critical issues for any organisation grappling with the complex HR environment is whether some or all of the HR tasks should be retained in-house, or outsourced to a specialist service provider.

According to responses received from 136 organisations around Australia, approximately one-third (35%) currently outsource some HR functions – primarily recruitment. Other functions currently being outsourced include payroll, training and performance management.

In terms of RPO itself, there is a high and growing understanding of the concept and its implications for business. Some 68% of respondents are very familiar or knowledgeable about the process, and this knowledge was spread evenly across industries with a workforce ranging from 100 to more than 1,000 employees.

Hiring intentions are an important element in any decision on outsourcing recruitment functions.

During 2006, more than a quarter (27%) of organisations plan to hire 100 or more permanent staff. A total of 83% plan to hire up to 10 graduates. Two-thirds will recruit for two or more locations.

The outlook for temporary staff is also positive with 15% of organisations surveyed planning to hire 100 or more staff during the remainder of 2006.

The decision on whether to recruit in-house or use a recruitment firm depends on many factors, however Australia's low rate of unemployment and the associated skills shortage means more organisations are likely to turn to outside recruitment. Almost two-thirds (63%) of respondents intend to use recruitment firms in 2006.

There is no question that the tight labour conditions are making it difficult for many firms to attract staff. More than three-quarters (76%) of respondents stated that they had difficulties recruiting staff.

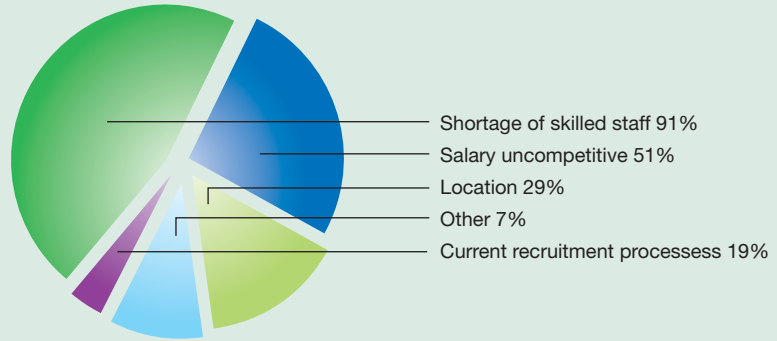
Shortage of skilled staff was nominated by 91% of respondents as the major difficulty in recruiting staff.

The survey identified the demand for particular categories of jobs, and also whether or not employers were planning to use an in-house or outsourced approach.

The intention to use an outsourced recruitment service was most pronounced in two categories – contact centres and business operations support, no doubt reflecting the relative candidate shortage and hiring difficulty being experienced in some key areas.



MAIN DIFFICULTIES IN RECRUITING STAFF



ANTICIPATED CATEGORIES OF RECRUITMENT FOR 2006

IN-HOUSE RECRUITING	
Administrative	59%
Business operations support	49%
Mid-level exec / professional	42%
Contact Centre	41%
Trades	24%
Senior exec / professional	23%
Other	31%
OUTSOURCED RECRUITING	
Business operations support	54%
Contact Centre	52%
Administrative	48%
Mid-level exec / professional	38%
Trades	21%
Senior exec / professional	15%
Other	25%
TOTAL	
Administrative	55%
Business operations support	51%
Contact Centre	45%
Mid-level exec / professional	40%
Trades	23%
Senior exec / professional	20%
Other	29%

Most organisations surveyed have relatively small in-house recruitment teams (1 to 3 staff) who performed other HR duties in addition to recruitment. Just 13% performed full-time recruitment duties.

The relatively small number of people engaged solely on the recruitment function raises an interesting question about the level of resources that some firms are allocating to this important operational area when it is retained in-house.

Given the pivotal role of recruitment in setting organisational culture, performance and strategic direction, it is worth considering whether some firms are giving it the priority it deserves.

In today's market, recruiting and retaining employees is more critical than ever to business success. Issues of skill shortage and multi-generational talent are adding to the challenges for HR managers.

Best practice in recruitment now follows a rigorous path that encapsulates job analysis and scoping, sourcing employees, assessment and testing, selection, negotiation, legislative issues surrounding recruitment, induction, and evaluation.

When the recruitment process works well, it can cut costs, reduce cycle times, leverage best practice and attract and retain the right people.

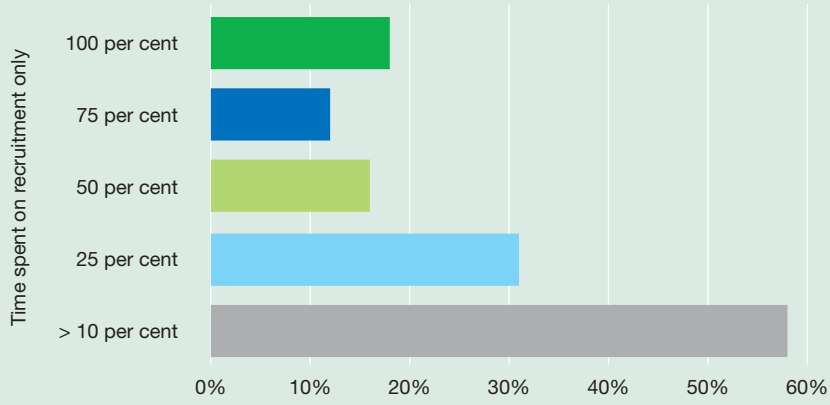
Perhaps it is not surprising that with almost half of the HR departments surveyed dedicating less than 10% of their internal HR team to recruitment duties, and with a tight labour market, firms are experiencing stalled or delayed hiring processes.

Common complaints from hiring managers about the recruitment process included:

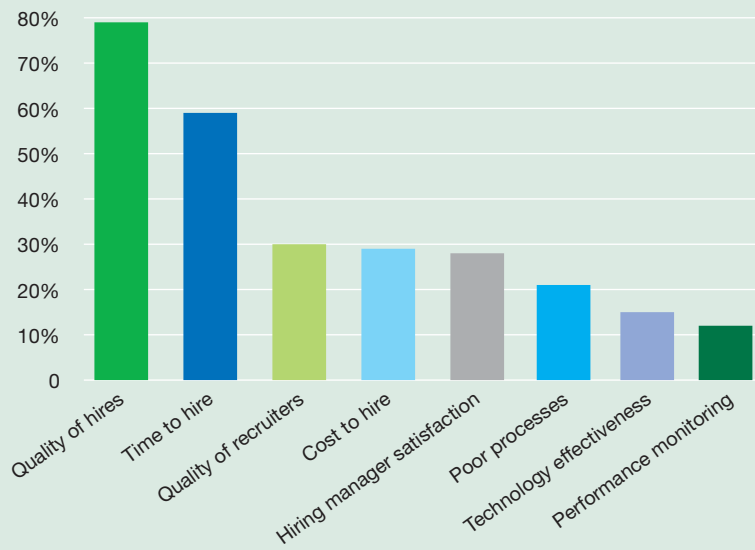
- Shortage of skilled candidates
- Availability of interviewers, identification of specific needs
- Time to hire resulting in lost candidates
- Recruitment methodology
- Poor screening of candidates
- Internal processes are too bureaucratic
- Lack of technology to support the recruitment process
- Limited understanding of differing business unit staffing needs



PROPORTION OF HR TEAM PERFORMING RECRUITMENT DUTIES ONLY



CONDITIONS SLOWING/STALLING THE HIRING PROCESS



recruitment process outsourcing requirements

Some 43% of organisations surveyed stated they would consider outsourcing their recruitment processes in the future.

Industries more likely to engage an RPO partner included IT&T, Government/Utilities/Health and the Manufacturing/Retail/Transportation sectors.

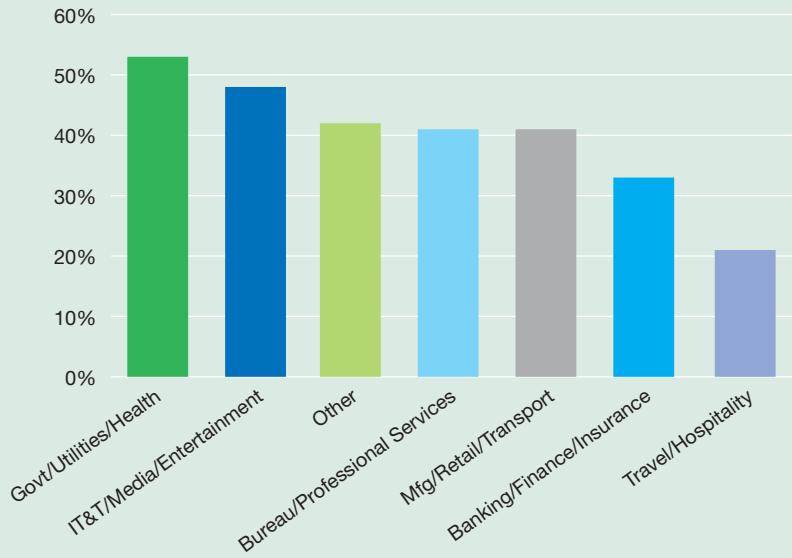
Job categories most likely to be outsourced included mid-senior professionals, business operations support, administration and contact centre staff.

Other specific categories mentioned include:

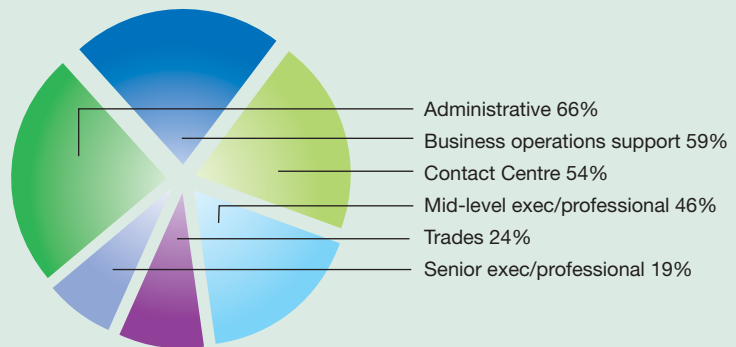
- Business Development/Sales
- Consulting engineers
- Distribution
- F&B attendants
- Unskilled trades
- Hospitality
- IT technical
- Nurses
- Cleaners
- Grounds/Maintenance
- Planners
- Home Support Carers
- Research and project staff
- Retail Sales
- Teaching staff (higher education)
- Scientific



INDUSTRIES CONSIDERING RPO



JOB CATEGORIES LIKELY TO BE OUTSOURCED



Among those who would outsource, almost one third (32%) would do so on a company-wide basis, while 39% would do so for more senior professional positions.

The main expectation of an organisation partnering with an RPO provider would be to help speed up the recruitment process. A secondary, but important, consideration would be to lower the overall cost of recruitment.

When HR departments with limited resources dedicated to recruitment face tight deadlines to fill positions, RPO becomes a desirable option. Not only can it help employers source quickly, it can speed up the screening and on-boarding steps at a considerably lower cost than internal efforts.

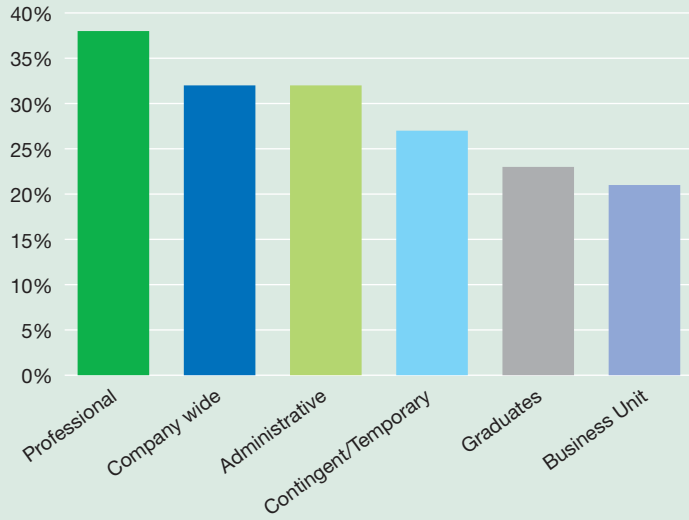
RPO can streamline the entire recruitment lifecycle, from needs assessment to sourcing, screening and interviewing candidates, hiring and on-boarding. It can provide companies with cost savings, increased candidate quality, effective screening processes/tools, metrics and new technology without major capital investments.

The main criteria on which organisations base their decision to engage an RPO provider include the capacity to recruit, process and manage high volume staffing requirements across multiple locations.

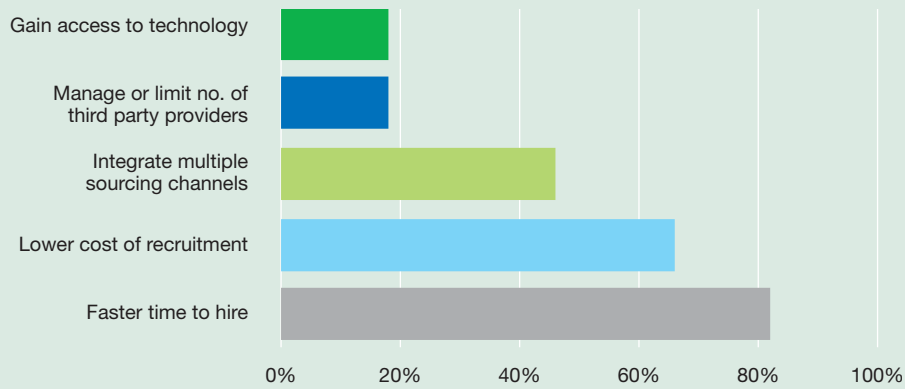
The key benefits in engaging a qualified RPO partner can include faster time to hire, access to technology, integration of multiple sourcing channels, enhanced quality of recruits and limiting the number of third-party providers through vendor management solutions.



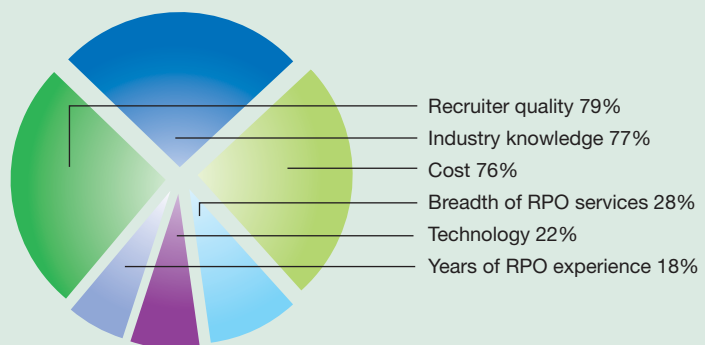
AREAS MOST LIKELY TO OUTSOURCE THE RECRUITMENT PROCESS



EXPECTATIONS OF RPO PARTNER



CRITERIA IN ENGAGING AN RPO PARTNER



summary

The survey demonstrates that while RPO is increasingly better understood as a recruitment option, there are still many factors and situations that will determine whether or not an organisation adopts RPO as its preferred recruitment approach.

With strong economic conditions and a tight labour market, it is likely that more firms will examine RPO as a solution to staffing requirements.

Best practice in this area of recruitment suggests that there can be significant benefits to an employer including:

Leading Technology: Access to state-of-the-art tools with Web and IVR functions - saving time spent in screening and scheduling candidates, automating routine activities, and providing a robust candidate database.

Committed Partnership: providing a dedicated team of talent acquisition professionals to accelerate the hiring process and reduce cycle time, while increasing focus on core business.

Quality Assurance: providing access to world-class capabilities, Six Sigma quality focus and strategic partnerships and alliances.

Comprehensive Reporting: measuring the effectiveness of recruitment activities to demonstrate cost savings and continuous program improvement.

Operational excellence: managing the execution of the internal hiring program. That function usually consists of, but is not limited to, talent acquisition, applicant tracking, candidate screening and interviewing, candidate selection, and additional on boarding management.

For more information on Kelly HR*first* or other outsourcing and consulting services contact:

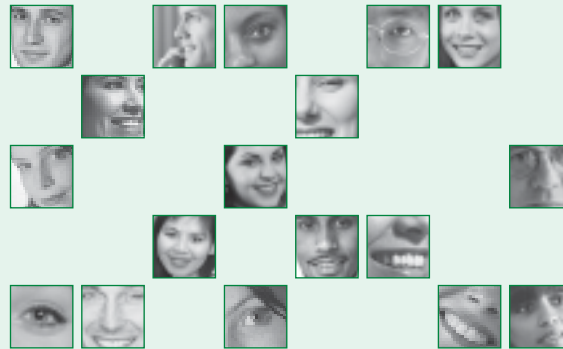
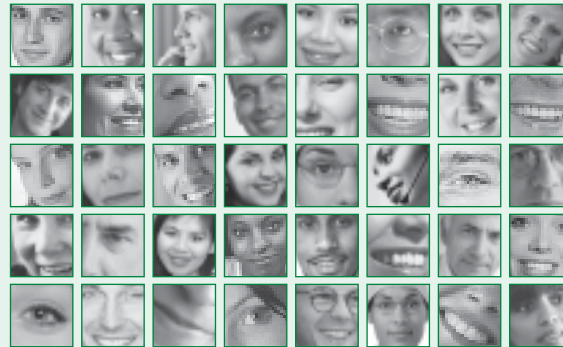
Stephen Shephard

Director – Professional, Technical and Staffing Alternatives Division, Kelly Services

Email: shephst@kellyservices.com

Recruitment Process Outsourcing (RPO) by HRfirst

the talent funnel



our business is recruiting for yours

Our flexible direct hire recruitment strategies and technologies are designed to:

- decrease hiring costs
- leverage best practices throughout the recruitment cycle
- reduce cycle time
- allow clients to focus their limited time on their core competencies

At Kelly HRfirst, we always put your success first.

**End-to-End Hiring Programs :: Customized “Mission Critical” Hiring Projects
Consulting and Program Management Services**



1300 301 402
www.kellyservices.com.au