

Hiring an External Recruiter – Do You Know What You’re Paying For?

By Lynn Brown, CHRP

The old adage, “you get what you pay for” is not necessarily true with recruitment firms. Higher fees don’t always translate into better service or quality of candidates. In certain circumstances, such as a tight labour market or filling difficult or high-demand positions, an external recruiter may be your best option in finding a top quality candidate. However, fees, sourcing and screening practices vary from firm to firm and with over 3,000 recruiting firms in Canada, how do you choose the one that’s right for your assignment. There are some key factors you should look for when choosing a recruiter.

A recruiter should thoroughly screen candidates for skills and fit within your firm. An experienced recruiter can save you a lot of time by thoroughly screening candidates said, Ellen Chronopoulos, Director of Human Resources for the Canadian College of Naturopathic Medicine. “It’s important to find out what the screening process entails. I’ve had experiences with some recruiters who I found out didn’t even meet the candidates. Now I always ask.”

Testing may also be an important part of the screening process. This is particularly true if you do not have the capacity for testing candidates in-house. Check what types of testing are offered by the recruiting firm and make sure you always ask for hard copies of the results.

A skilled recruiter should have good knowledge of your industry and organization. Recruiting within the legal profession is quite specialized. Whether it is a large recruitment firm that handles a variety of industries, including legal, or a firm that focuses just on legal placements, it is important to ensure the recruiter you are dealing with has specific knowledge in recruiting candidates for the legal profession.

A good recruiter will be an ambassador for your company. When you contract a recruiter, he or she represents your organization. How they conduct the interview, interact and follow up with candidates can either positively or negatively impact on your firm’s reputation.

Choose the right recruiting service for you level of position. Determine first if the position for which you are hiring warrants an executive search. “True executive search is very different from straight contingency recruiting,” said Mark Palmer, President of Toronto-

based Palmer and Company. “In search, candidates are sourced by networking or outreach to targeted companies through a thorough research process.” A search consultant will manage the entire process including providing you with a targeted selection of qualified candidates, detailed profiles, extensive references, as well as negotiate the offer.

Contingency recruiters are generally your best choice for positions up to senior management levels. Use a retained executive search consultant for senior-and executive-level positions. However, not all recruiters who work on retainer are true search consultants. Evaluating the recruiter’s experience, sourcing and screening methods should give you a good indication of whether or not they are true executive search consultants. If their preferred sourcing methods are advertising or job search engines you may be paying higher fees on retainer for the same service you can get through a contingency recruiter.

What should you pay? Contingency fees vary and are only payable on successful placement of the candidate. Generally rates begin at 15 per cent of the candidate’s annual base salary and increase at one per cent for every \$1,000 up to a maximum of 30 per cent. Negotiating rates is a typical practice. Remember, however, that many contingency recruiters are paid on commission. Therefore, if you negotiate a rate that is too low, good candidates may be presented first to other clients who are paying a higher fee.

Retained search fees are generally based on a percentage (25-35 percent) of total cash compensation—base plus bonus. It does not usually include things such as benefits, stock options, car allowances or other perquisites. Typically one-third of the fee is payable up front, on third at 30 days and one third at 160 days or at the completion of the assignment.

Extracting full value for the investment of outsourcing external recruitment has always been a challenge for human resources professionals. The best way to ensure you are getting true value for your recruiting dollars is to first ask the right questions. In this way you can make certain the consultant will represent you well, is skilled in your industry and will conduct the type of search necessary for your particular assignment.

Key Questions To Ask When Choosing A Recruiter

1. What is your background? How long have you been in the recruitment field?
2. What experience/success do you have in recruiting in this industry or for this type of position?
3. How do you source candidates?
4. What is your interview process? Does a more junior consultant conduct the initial screening or interview? Do you meet personally with the candidate? How much time do you allow for the interview?
5. What do you need from me?
6. What are your fees and guarantees? How does the guarantee work? Cash back? Credit? Replacement?
7. Would you outline your terms in writing?
8. May I have references from both clients and candidates?

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