

Recruiters on Demand



Staffing firms use offshore recruiting firms to supplement their team

By Sona Sharma

Much has been said about sending work overseas. There has also been a lot of interest focused on the benefits and challenges of offshore outsourcing for corporations. Now we are seeing staffing firms using the same concept to help them find the right people for their clients, faster and at a lower cost.

A growing number of staffing firms are discovering that you don't need to be a huge multinational to benefit from this move toward offshoring. Indeed, Staffing Industry Analysts' research shows the use of outsourced and offshore recruiters is rising and is expected to expand sharply over the next few years. In particular, the number of U.S. staffing firms using U.S.- based outsourced and India-based offshore recruiters is projected to increase by roughly 50 percent. The number of staffing firms using other offshore recruiters is projected to increase 175 percent.

Of course, doing business across thousands of miles, differing cultures and multiple time zones has its own unique set of challenges. However, those who understand and have mastered the process are making offshore recruiting work to their advantage by reaping the benefits of lower costs and the 24/7 delivery model.

Offshore Recruiting?

Offshore recruiting is when staffing firms use recruiters based overseas to perform part of or the full cycle of their recruiting function. Some staffing firms are doing it on their own by setting up one or more centers overseas and have hired recruiters to work from them. Others have contracted with an offshore provider and outsourced either all or some portions of their recruiting cycle.

According to Jack Unroe, business advisor to U.S. staffing operations of IMS, an offshore recruiting firm based in India, the relationship between the two entities usually starts with a small project.

“It may be CV reformatting, it may be database regeneration, but it starts someplace where you have pain and you don't have enough resources to do the job,” Unroe says. “Then as the partnership grows and you become more comfortable with your partner, you start to see them as an extension of your company and the number of services they can provide for you will grow.”

Offshore recruiters offer a full gamut of recruiting service, including identifying candidates, interviewing them, placing and billing the candidates. Some are using recruiters overseas to clean up their database and to improve its accuracy by updating candidates' job titles and their emails. Others use offshore recruiters to prescreen candidates against a checklist of requirements and feed this information back into the database for U.S.-based recruiters to screen further. Some staffing firms share their database with their offshore recruiting partner, while others prefer that the offshore provider builds up a new database.

As the relationship matures and the processes become well-established, some staffing firms may outsource the complete recruiting cycle to their offshore partner. At this point firms may even align recruiters overseas to a senior recruiter in their U.S. office or to a certain client, or integrate them with specific branch offices.

Primary Users

According to Staffing Industry Analysts, the heaviest users of outsourced and offshore recruiters are staffing firms that primarily serve the tech/telecom, energy/chemical, government and pharma/biotech sectors, and those primarily selling information technology temporary labor and direct hire.

The IT industry in particular has bought into the concept more than any other industry. What helps is that there is a big demand for candidates in this market. At the same time, what has fuelled growth is that these candidates are from geographically diverse backgrounds and are probably the most comfortable dealing with calls coming from recruiters overseas.

Aaron Green, president and founder of Professional Staffing Group, however, has a different take. "IT has tended to be an area over the last couple of years where there's been a strong demand for candidates even through the recession, and therefore I think there's been a large interest within IT staffing companies in looking at ways at creating a recruiting process offshore to supplement their work," Green says. "But from my own perspective — we put about 400 administrative people to work every day in Boston and probably 80 percent of those come through our recruiters in the Philippines."

Boston-based Professional Staffing Group has a recruiting center in the Philippines that provides recruiting services to his company and to other staffing firms as well.

Use of outsourced and offshore recruiters increases as a function of staffing firm size, too, according to Staffing Industry Analysts' research. Among staffing firms of less than \$10 million in size, just 10 percent to 15 percent use U.S.-based outsourced recruiters, and very few use offshore recruiters. Use of outsourced and offshore recruiters increases with staffing firm size, and by the time a staffing firm reaches the \$1 billion-plus category, nearly half use outsourced and/or India-based offshore recruiters and 17 percent use other offshore recruiters.

While most of the big staffing firms have the resources to manage the offshore recruiters, Unroe believes that smaller companies can pull this off too.

"My guess is the only reason size [of a staffing company] may matter is when you are too small and you don't have enough resources to devote to this project. So you ignore it or you think it can be done by a junior-level person. Then you're at risk for it not being successful. Other than that, I don't think size of the company is really a factor."

The greatest interest in initiating use of outsourced or offshore recruiters over the next two years was reported by staffing firms primarily serving the pharma/biotech and finance/insurance industries and among staffing firms primarily selling IT temporary labor and direct hire — for the most part, the same categories where use of such recruiters is already the heaviest.

Also notable is that, according to research from Staffing Industry Analysts, nearly half of staffing firms primarily selling direct hire U.S.- based outsourced recruiters. Further, although staffing firms primarily selling to the manufacturing sector and/ or primarily selling industrial/logistics temporary labor are not among the most active users of outsourced or offshore recruiters, they rank among the highest proportion not using U.S.- based internal recruiters, perhaps reflecting limited need for recruiting at all, given excess labor availability in their related skill sets.

Key Drivers

The biggest impetus for most staffing firms to outsource their recruiting arm overseas is cost. Staffing firms can cut their recruiting costs by two-thirds when using this recruiting model. Fees for offshore recruiters range from \$1,500 to \$2,000 a month per person. Under a pay-per-placement model, the fee is around \$500 per placement.

In this day and age when staffing firms are seeing their margins squeezed because of the economy or the increased use of vendor management systems, these numbers are increasingly attractive.

“I got involved in offshore recruiting pretty much by necessity,” says Raj Sardana, president and CEO of American Cybersystems, which has offshore recruiting centers of its own in India and Latin America. “As more and more staffing business is moving toward VMS and MSPs, it’s pretty much controlled by the procurement department rather than the IT department. When you start dealing with procurement you have to satisfy their constant need for reduction in costs. So we had to innovate new ways to deliver service, not really reduce on the service levels, but still be able to be financially viable.”

Indeed, quite a few staffing firms, both big and small, are using offshore recruiters for pipelining candidates for their large customers that have some predictability in a few job descriptions and need a high volume of talent.

Barry Mills, vice president of recruiting at Matrix, an IT services firm based out of Atlanta, has outsourced the company’s sourcing function to an offshore recruiter. According to Mills, there was a distinct parallel between increased acceptance of VMS and the use of offshoring within staffing firms.

Matrix had to embrace the offshore model for two reasons, Mills says. One reason was to help control costs. But he says a lot of U.S. recruiters, “particularly very senior talent,” are reluctant to work on accounts with a VMS, where there’s not a lot of client contact. “So [offshoring] is another way for us to make sure that we’re meeting all of our [metrics] on VMS accounts — our response rates where we have to respond to 80 to 90 percent of the requisitions that come out,” Mills says. “So we’ve found that it’s been a good solution for us for a couple of different problems that we have faced.”

Using offshore recruiters to source for VMS accounts leaves the high-end and more experienced U.S. recruiters to focus on more high-touch clients. The tactical opportunity that staffing firms have here is the ability to flex their own internal staff without incurring extra costs such as benefits and workers’ compensation. Most of these contracts are on a month-to-month basis, giving staffing firms the flexibility of reducing the number of recruiters when demand is low.

Challenges

While proponents of offshore recruiting wax eloquent about the benefits of using this model of recruiting, there are others who are wary of outsourcing their core competency to a firm half way across the world. They worry about sharing their database or about the competency of the recruiting firm. Would the candidates be put off if they receive a call from someone with a foreign accent? Would the recruiters have the same high level of productivity and call volumes as the ones in the United States? Would there be pushback from recruiters here in the United States? These are some very real and valid concerns.

Additionally, like any other outsourcing engagement, working with an offshore recruiting partner is a very hands-on experience. There are significant ongoing coordination costs — related to infrastructure, training and project management — involved in making this operation successful.

Some staffing firms work on familiarizing their customers and their needs so they can match candidates accordingly. There is work related to training the offshore recruiters on the recruiting tools used by the staffing firm and how to enter data. Some staffing firms go through training for culture and work on getting the right accent for American candidates. But the biggest cost is in terms of time spent on managing offshore recruiters. Typically, these projects are handled by a senior-level executive who is in touch with the recruiters on a weekly, or sometimes on a daily basis.

All in all, it appears that the process works, at least for some staffing firms. Staffing Industry Analysts research shows that the number of staffing firms using this recruiting model is increasing. However, there are obvious growing pains and a learning curve. When you review both the benefits and the challenges of offshore recruiting, it becomes very clear that the decision to go this route has to be strategic, with total buy-in from C-suite. It's certainly not a silver bullet that will save you time and money in addition to finding a great pool of candidates. But if done well and right, staffing firms can definitely enjoy the cost savings and drive business that is incremental to their onshore recruiting operations.

Sona Sharma is a senior research analyst at Staffing Industry Analysts. She can be reached at ssharma@staffingindustry.com.