

Agency, RPO & In-House Recruitment: A Comprehensive Comparison



Talentful

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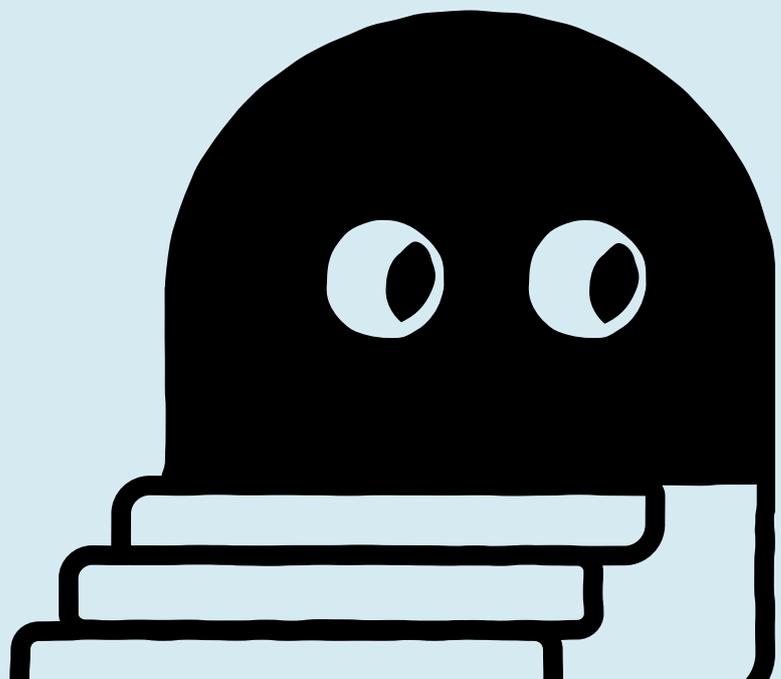
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Agency, RPO & In-House Recruitment: A Comprehensive Comparison

If you need to add new talent to your team in a hurry, what do you do? For many companies, the first port of call is to get on the phone with a recruitment agency and ask them to source a suitable candidate.

Other organisations prefer to keep the entire recruitment process in-house, either because they're small and don't have the resources to bring in external support, or because their hiring needs are so extensive that it's worth investing in an internal team.

Another option is to explore alternative opportunities such as recruitment process outsourcing, or RPO. This practice involves outsourcing your recruitment process (or part of it) to an external provider and working with them to not only source candidates, but also to improve and enhance your entire recruitment process.

The question is, how do you decide which method is best for your business? Every organisation is different in terms of its size, budget and hiring needs, and what works well for one company won't necessarily be the right fit for yours.

In this guide, we'll take a deep dive into the pros and cons of in-house recruitment, agencies and RPO. At the end of this guide, you'll be in a position to confidently make the right choice for your organisation.



Definitions: In-House Recruitment, Agencies And RPO

Some Quick Definitions:

In-house recruitment

Companies that use in-house recruitment rely on their internal resources to source, shortlist, interview and hire candidates for open roles. Depending on the size of the organisation, they may have a sizeable internal team, or just one or two people running their recruitment and hiring function. In very small companies, these tasks might be taken on by people with other jobs within the organisation.

Recruitment agencies

A recruitment agency is essentially a middleman between a company with roles to fill and a candidate who is looking for work. The agency's job is to connect the two parties together. They publish job ads, shortlist candidates and interview them on behalf of the company. They also have their own pool of candidates to pull from, which means that using an agency can be a good way to make a quick hire. Generally, companies pay recruitment agencies on a commission basis when a hire is made.

Recruitment process outsourcing (RPO)

Recruitment process outsourcing (RPO) is the practice of outsourcing all or part of the recruitment process to an external provider. Though an RPO provider may perform some of the same services as a recruitment agency in terms of sourcing and shortlisting candidates, its role tends to go a bit further and is more strategic. While an agency recruits candidates for specific roles on an ad hoc basis, the relationship between an RPO provider and its clients is usually more long-term and focuses on making improvements to the company's recruitment processes as a whole.

RPO provides a **38% improvement** in year-over-year hiring costs —with 69% of those employees hired being highly engaged*

*NelsonHall, 2021, RPO & Total Talent Acquisition



The Pros And Cons Of In-House Recruitment

Many organisations rely on in-house recruitment to source candidates, assess their suitability and make new hires. In small or early-stage companies, this may be through necessity, as they often don't yet have the resources to outsource this function. However, large enterprises with extensive hiring needs may also implement an in-house division enabling them to maintain control of the process and find the most suitable candidates.

4 Pros Of In-House Recruitment

01. Money saved on recruitment fees

Keeping recruitment in-house can help companies to save money compared to using a recruitment agency or RPO. However, it's important to account for the internal resources (including human resources) that performing these tasks in-house requires.

02. Full control of branding and communications

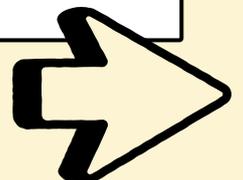
When you use a recruitment agency, you don't have much control over the recruitment processes they use or how they represent your brand to candidates. Some companies choose to keep recruitment in-house so that they can maintain control over the candidate experience and how their brand is presented.

03. Full control of applicant screening

Recruitment agencies handle the initial applicant screening for their clients and only present them with suitable candidates. While this can be a good way to save time and internal resources, some companies prefer to keep this in-house so that they're aware of all the available options.

04. Understanding of company culture

While a recruitment agency may get to know your company well, they don't have the same inside perspective as your internal team. This means that it's more difficult for them to judge how well candidates will fit in with your unique company culture. An RPO provider may be better able to assess this since they tend to work with companies for longer periods and gain a more in-depth understanding of how they operate.



5 Cons Of In-House Recruitment

✕ 01. Applicant screening is time-consuming

If you're hiring for a desirable role, you might receive hundreds of applications. And reading through them can be time consuming, especially if you're not used to quickly scanning for the most important information. Technology can help with this to a certain extent, thanks to applicant tracking systems (ATS) and software that scans for key information such as qualifications. However, there's always a risk that the software will misread an application and an unqualified candidate will slip through. Additionally, relying on automation and keyword filtering may eliminate outstanding candidates who don't have conventional qualifications.

✕ 02. Lack of expertise in new markets

Companies that are rapidly scaling or expanding into new markets can often benefit from working with an external recruitment partner, even if they're successfully managing recruitment in-house for roles at their HQ. This is particularly important when a company opens a new branch or office overseas, when the knowledge and expertise of someone who understands the local market is crucial.

✕ 03. Limited bandwidth, support and resources

Writing and advertising vacancies, proactively headhunting and contacting passive candidates, responding to questions and applications, and vetting CVs all take an extraordinary amount of time – and that's before recruiters even start scheduling interviews. In-house recruiters often face competing demands for their limited bandwidth and many businesses end up reverting to an outsourced model.

✕ 04. The hidden cost of poor recruitment

A poorly performing talent function can have a bigger impact on your business than simply slowing down time to fill open roles. Bad hiring tactics could cost you top talent, and in a highly competitive market, you can't afford to take that risk. Additionally, poor recruits made by an internal hiring team can contribute to higher staff turnover and lower company morale, leading to a general loss of productivity and negative impacts on reputation and employer branding. According to the US Bureau of Labor Statistics, a wrong candidate can cost an employer as much as 30% of the first-year income of the employee.

05. Tools and training can be costly

When you manage recruitment in-house, you usually need to automate parts of the process in order to save time and work more efficiently. However, tools like applicant scanning software can be expensive. You may also need to deliver training to your internal team. Both of these expenses can eat into the cost saved by not using an agency or RPO.



How Does A Recruitment Agency Work?

Recruitment agencies source and assess candidates on behalf of their clients. A recruitment agency works with many different clients at the same time and has an extensive network of candidates to source from. Companies can choose to work exclusively with one recruitment agency, or to approach several agencies at once.

Different types of agency

Agencies can be generalised or specialised for a particular industry or type of role. For example, an agency might be specialised in recruiting for tech or finance roles, or for C-suite positions.

How do agency recruiters source candidates?

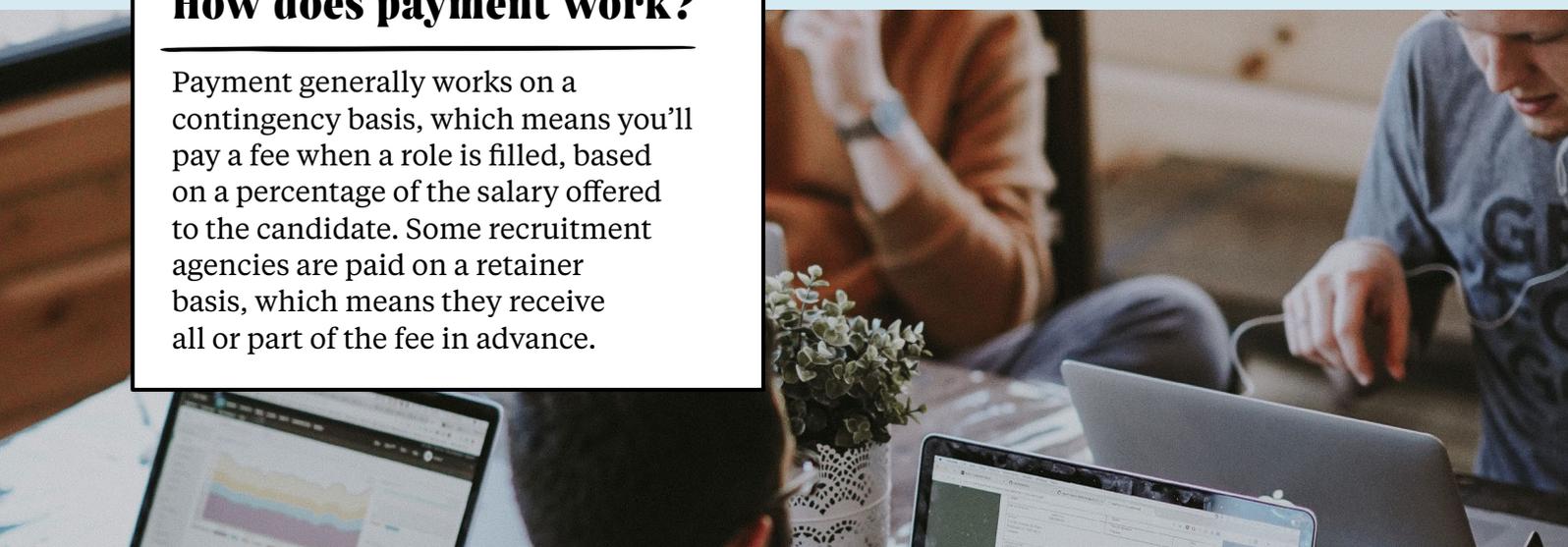
Recruiters often source candidates from their own extensive networks, which means they can often find suitable candidates very quickly. They also use sourcing techniques like posting adverts or targeting passive candidates. When you work with an agency, they will screen the applicants and only forward you the candidates that they think meet your criteria.

How does payment work?

Payment generally works on a contingency basis, which means you'll pay a fee when a role is filled, based on a percentage of the salary offered to the candidate. Some recruitment agencies are paid on a retainer basis, which means they receive all or part of the fee in advance.

4 Signs You Might Need To Bring In An Agency

- 01.** Your internal team has too much work and is at risk of burnout
- 02.** You're receiving too many poor-quality applications
- 03.** You need to fill a high number of roles quickly
- 04.** You're hiring for senior or very specialised roles



The Pros And Cons Of Working With A Recruitment Agency

Here are some of the pros and cons of working with an agency for your recruitment needs:

4 Advantages Of Working With A Recruitment Agency



01. Extensive networks:

A big part of a recruiter's role is to build relationships with their large professional network. This means that they have access to top talent and may already know the person you need.

02. Fast Time to Hire:

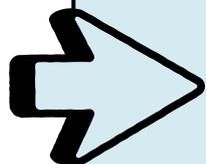
This extensive network means that recruitment agencies can often fill roles very quickly, so an agency could be a good option if you're pressed for time.

03. Boosts reach:

If your brand isn't well-known, it can be difficult to get enough eyes on your job ads. Recruitment agencies can help by getting your job in front of their network, giving you a wider candidate pool to source from.

04. Market knowledge:

Recruiters are often specialists who know their market very well, which means they might be better equipped to find the best candidates than your internal team.



Recruitment Agency Dos And Don'ts

If you've never worked with a recruitment agency before, there are certain best practices that you should follow. Here are some dos and don'ts to bear in mind:

Do

Be specific about your needs:

A good recruiter can help you to find the perfect candidate for a role, but they can only do this based on the information you give them. It's important to be very specific about your requirements so that you can ensure they only send you suitable candidates, and avoid wasting time with those that won't be a good fit. basis, which means they receive all or part of the fee in advance.

Shop around to find a specialised recruiter:

If you're hiring for a technical or very specialised role, working with a recruiter who has extensive industry knowledge can help you to make the right hire.

Work exclusively with one recruitment agency:

Recruitment agencies usually only get paid by their clients if they successfully place a candidate in a role. When a recruiter knows other agencies are also working on an opening, they know they have a smaller chance of sourcing and recruiting the successful candidate. This means that they have little incentive to spend time working on finding candidates for your role.

Don't

Try to contact candidates directly:

A good relationship with a recruiter is based on transparency and trust. If you try to contact a candidate directly instead of through them, this could be taken as a sign that you're trying to bypass the agency and avoid paying their fee.

Continue working with an agency that sends poor quality candidates:

Mistakes happen, and you can't tell everything about a candidate from their application or CV. However, if an agency continues to send candidates your way that don't match up to your requirements, it might be a sign that either your visions aren't aligned, or that they're not vetting candidates as diligently as you'd like. Either way, it's probably time to move on to another agency.

Negotiate on price:

While you might succeed in getting a recruitment agency to reduce their rate, they will likely send their best candidates to companies who haven't negotiated, since this means they'll receive a higher fee for the placement.

5 Reasons A Recruitment Agency Might Not Be The Right Choice

✕ 01. Lack of insight into your business:

Recruiters are not close to your company culture, so it can be difficult for them to know whether a candidate will be a good fit.

✕ 02. Misalignment of incentives:

A recruiter's priority is to maximise the commission a placement will earn their company, and not (necessarily) to find you the best possible candidate. This means that any advice a recruiter gives you may not be in line with what's best for your company.

✕ 03. Poor candidate experience:

The urgency to fill roles quickly due to commission can lead recruiters to rush the process of sending CVs through to the employer before fully understanding the role requirements or the candidates' needs. This can often disrupt and be the primary cause of a poor candidate experience. In some cases, this can make candidates feel pressured into a job application they are not qualified for or unprepared for an interview.

✕ 04. Lack of control over brand & comms:

Recruiters reach out to your prospective employees daily. If your recruitment partners are distant from your company culture and fail to communicate coherently or at the required standard, it can damage your reputation and hinder your recruitment processes. In fact, 56% of people would discourage others from applying to a company due to a bad recruiting experience.*

* PwC, 2019, *The Future of Recruiting*

✕ 05. Cost:

Recruitment fees are generally between 15–30% of the new hire's annual salary. This can add up to a significant sum, particularly when you're hiring for high-level roles.



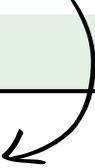
72%

of job seekers that had a bad experience told others about it, either online or in person.*

* CareerArc, 2020, *State of the Candidate Experience Study*

The Advantages Of Using RPO

If your hiring needs are extensive or you have a big expansion in the pipeline, you may need more assistance than a traditional agency can provide. Here are some of the advantages of using RPO over agency or in-house recruitment:



01. Expertise

RPO consultants are experienced in running complex projects and have extensive knowledge of their markets. This means that they know what works and what doesn't — giving you a greater chance of meeting your recruitment goals.

02. Off-site support

With RPO, you will usually have a dedicated onsite consultant, who will work with you as a trusted partner to improve your processes from the inside. You'll also have the support of an offsite team whose job is to source candidates and ensure you have a continuous talent pipeline to tap into.

03. Enhanced processes

Working with a recruitment agency can help you to make quick hires, thanks to recruiters' extensive networks and talent-sourcing skills. However, RPO goes much further than this. An RPO provider will work with you to perfect your entire recruitment process and make it as engaging and candidate-friendly as possible, so you can attract the best talent.

04. Long-term solution

Working with an RPO provider involves taking a holistic, long-term approach that does more than just provide you with the people you need today. RPO can ensure you have the talent pipeline you need for the future, and that your processes set you up for success.

05. Flexibility

With in-house recruiting, you usually have a fixed number of permanent staff who work towards your recruitment goals. This may be supplemented by an agency when you have a large number of roles to fill or need to hire for a specialised position. With RPO, your solution can flex with the needs of your company, within the parameters of your agreement with your provider.

RPO vs. Agency: What's The Difference?

Some companies choose to outsource all or part of their recruitment process to an external company. This is known as recruitment process outsourcing, or RPO. While an RPO provider might provide some similar services to a recruitment agency, the relationship between an RPO provider and its clients is much more long-term and has a broader focus.

Here are some of the differences between RPO and working with an agency:

Objective

When you work with an agency, the objective is to hire one or more candidates for roles you need to fill. RPO, however, takes a more long-term, holistic approach. With RPO, the focus is on improving your entire recruitment process and setting you up for hiring success in the future.

Measuring and reporting

An RPO provider will usually provide you with regular reports on how your hiring mission is progressing so that you can address any problems and realign your efforts if needed. Generally, as well as weekly check-in calls, they will also deliver QBR meetings covering useful performance statistics and ROI metrics to showcase results each quarter.

Scalability and flexibility

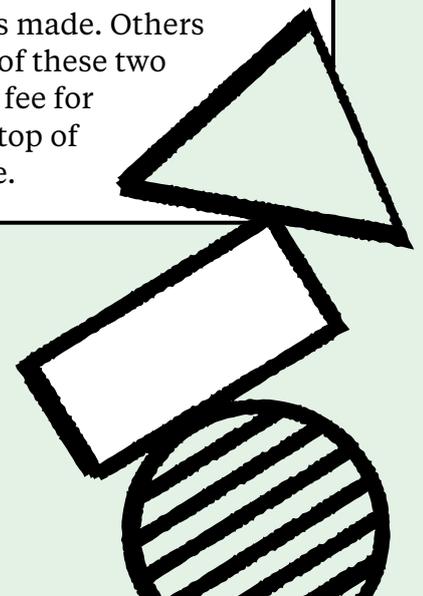
RPO providers usually work on a flexible model that you can change as you grow, and scale back during periods when your hiring needs are lower. This means that RPO can be a great option for businesses that are scaling fast or going through transitional periods.

Accountability

Unless an agency is working for you on a retained fee basis, there are no consequences if they fail to find a suitable candidate for a role. RPO providers, however, are more invested in your company's success and take accountability for the results they generate.

Pricing model

Agencies are usually paid on commission when they successfully place a candidate in your organisation. With RPO, there are several different pricing models depending on the provider you choose. Some providers charge a monthly management fee, and others charge a fee based on the number of hires made. Others use a combination of these two models, charging a fee for each hire made on top of a base monthly rate.



How To: Choose The Right Recruitment Model For Your Company

Every company is different, and there's no one-size-fits-all approach to recruitment. If you're trying to decide whether to keep your recruitment in-house, work with an agency or outsource your process to an RPO provider, here are some things to consider:

! Your budget

If your company is particularly project-focused or needs to flex with market trends, then an in-house team can be an expensive fixed-cost.

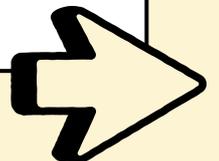
Agencies generally charge a percentage fee for each candidate they successfully place with you, so you need to bear this in mind when you approach an agency for help. Standard recruitment agency costs tend to range between 15% and 20% of a candidate's first annual salary, but this can rise to as much as 30% for hard-to-fill positions.

RPO pricing varies based on the models that define the services provided, for example, a fixed monthly fee, fixed fee per project or cost per hire, etc. This can be revised based on the term of the RPO contract and the overall number of employees to be hired.

! Your current hiring needs

If you work for a small company and only have one or two roles to fill, you may be able to manage your recruitment in-house. Alternatively, if your hiring team is concerned about capacity or you need urgent cover for an absent employee, agency recruiters can quickly get your proposal in front of candidates willing to hit the ground running.

However, if your hiring needs are extensive or you're gearing up for a big expansion, you may want to consider enlisting the expertise of an RPO provider. They can provide strategic workforce planning, employer branding optimisation and recruiter training. They can also implement career portals and other processes to help your talent function run more effectively for the long-term.



! Your internal resources

Whether or not you can manage recruitment in-house depends on the resources you have available. If your internal talent team is at risk of burnout, it could be time to enlist external help.

A recruitment agency could be a suitable option for you if you're looking for a short-term solution to support your hiring team. Agencies already have a vast talent network of vetted candidates, which means they usually place candidates much faster than internal recruiters.

Alternatively, an RPO provider can bring huge long-term benefits to your organisation. Much more than just filling a role, RPO providers manage the strategic recruitment process as a whole and offer immediate solutions that an in-house team may not have the resources or capacity to do.

! Your future

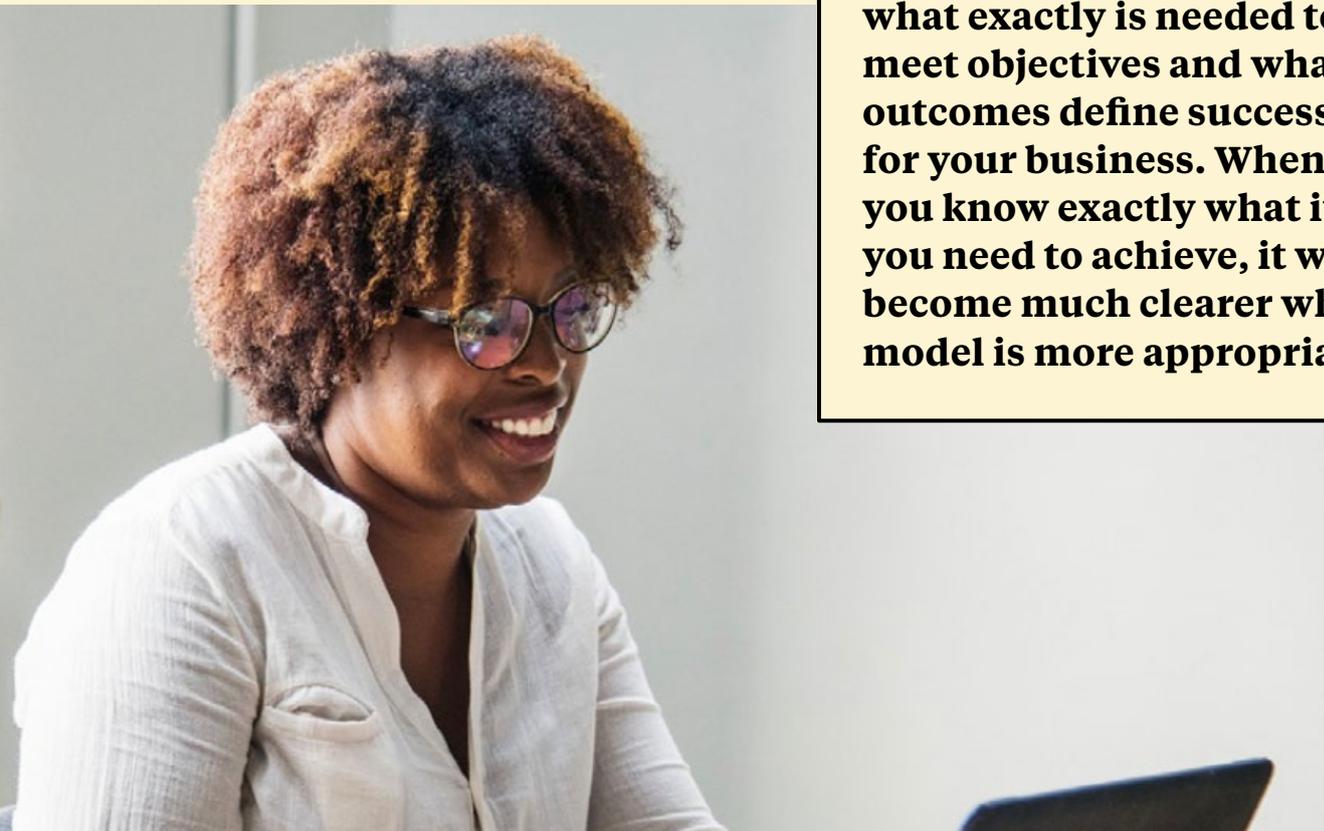
Even if you don't have extensive hiring needs right now, your business's future plans could make a big difference to the recruitment strategy you choose. It's always best to get your processes in line before you need to go on a huge hiring spree.

Most RPO providers can be flexible in their approach, meaning services can be scaled up or down according to the fluctuating recruitment demands of the company.

If you're planning on using temporary and contract roles in the near future, then recruitment agencies are the go-to because of the speed needed to fill these types of positions.

Top Tip

It's best to identify what your available budget is, what exactly is needed to meet objectives and what outcomes define success for your business. When you know exactly what it is you need to achieve, it will become much clearer which model is more appropriate.



Talented: The Embedded Recruitment Model



Talented is a bit like an RPO, but different. We call our model “embedded recruitment”, because we embed ourselves fully into your business. When you work with Talented, you’ll add a team of dedicated, experienced talent acquisition experts to your internal team. This allows them to gain a deep understanding of your business, culture, mission and hiring needs.



▶ A fixed and transparent monthly cost

Unlike agencies (and some RPO providers), we don’t believe that commission is conducive to a productive business relationship. That’s why we work on a transparent monthly subscription model, where you only pay for the expertise of your embedded recruitment team, with no hidden costs or extra fees.

▶ A scalable solution tailored to your needs

We understand that your hiring needs and business priorities might change, especially when your company is scaling rapidly. We’re prepared to help our partners to adjust and adapt quickly, and can always scale our in-house talent teams to meet surging hiring targets.



An agile approach backed by a team of 300+

Every one of our talent experts is experienced in either agency or in-house recruitment (or both), so if you run into any problems, they've probably seen them before. We embed our experts based on the specific needs of our clients, though if they ever encounter a new challenge, they can call on their 300+ like-minded teammates for extra knowledge and insights.

In-depth talent audits to enhance your processes

When you partner with Talentful, we'll start with an in-depth audit of your talent function to establish what's working well and identify any changes that are needed both imminently and in the future. Armed with insights from the 500+ innovative tech companies we've helped to grow, we're well-equipped to assess your current function and help you improve.

A focus on ongoing learning

Our talent experts are constantly learning and evolving with quarterly L&D days and tailored learning programs. With Talentful's L&D support, our experts are able to deliver the best possible results for your organisation and help your team adapt and stay ahead in an ever-changing environment. And yes, that L&D budget comes out of our pocket, not yours.

Tailored solutions to address any pain point

Every one of our partners is different, and we're happy to offer tailored solutions to meet their unique needs. We've helped some of the world's most exciting tech brands to overcome obstacles and scale at pace. Whether you need help meeting your DE&I targets or expanding into a new market, we can provide a tailored solution for your organisation.

In-House vs. Agency vs. RPO vs. Talentful

	In-house	Agency	RPO	Talentful
Cost-effective	●	✘	✘	●
No commission or hidden fees	●	✘	✘	●
Can make hires quickly	✘	●	●	●
Suited to highly specialised roles	✘	●	●	●
Full cycle recruiting approach	●	✘	●	●
Fully embedded recruitment team	●	✘	✘	●
Extensive resources	✘	✘	●	●
Scalable	✘	✘	●	●
Understands the company brand	●	✘	●	●
Positive candidate experience	●	✘	●	●
Access to tools and global network	✘	✘	●	●
Comprehensive talent audit and benchmarking	✘	✘	✘	●

Discover more about [what makes Talentful unique](#), and learn about how our experts can help you find top talent to take your business to the next level.

Ready to find out more?

We operate globally and have experience across a range of hiring from tech specialisms to generalist commercial roles. Speak to a member of our team today and find out how Talentful can help you scale your business successfully.

Book a call today

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