



Recruitment &
Executive Search

People First HR Services is a People Corporation company

WHAT'S IN A RECRUITMENT FEE?

Recruitment Fees Demystified

WHITEPAPER SERIES

EXPERIENCE THE **BENEFITS** OF PEOPLE

RECRUITMENT FEES

The purpose of this Whitepaper is to share with you the different types of recruitment fees you can expect to come across when hiring a recruiting firm. We do our best to highlight the pros and cons of each and what type of service each fee typically entitles you to. It is important to note, however, that every recruiting firm is different.

What's in a Recruiting Fee?

- Job Posting
- Network & Referrals
- Finding Candidates
- Interviewing
- Assessment (skills evaluation, psychometrics)
- Reference Checking

The Job Posting

A job posting is a tool to advertise the job. There is an art to writing an effective job posting especially once you consider search optimization and key words. A recruiter that understands online search techniques knows how to write job profiles so your ad can be found online and through job board aggregators like Indeed or Eluta. Additionally, the job profile should clearly communicate to potential candidates why they would want to work for your company, commonly referred to as WIFM or the “What’s in it for me?” approach. But it’s not just about the posting – you also need to consider whether or not your employer brand is coming out loud and clear. Recruitment and employment brands are more important than ever, especially if you’re in an industry experiencing talent shortages, or if you’re recruiting for hard-to-fill roles. If your organization isn’t already focusing on its recruitment brand you’re at a disadvantage when it comes to attracting talent. By partnering with a reputable recruiting firm with a strong and recognizable brand, you exponentially increase the size and quality of your talent pool. Some recruiting firms offer value added services like the creation of a microsite, a custom branded website that highlights the benefits of the opportunity and working for your company.



The Network

A well networked recruiter uses many tools to build their community of contacts including clients, candidates, social media, networking events and professional associations. They use these contacts to learn more about a particular industry, to identify potential sources of candidates and to ultimately build their candidate pool and client pool. As simple as this may sound, networking requires not only a financial investment on the part of the Recruitment firm but it also requires a personal investment of time on the part of the Recruiter. Networking and utilizing a network for the purpose of business is a professional skill and art all to its self.



Finding Candidates

Print and online advertising alone does not guarantee results, this is the “wait and see” or passive approach. Sometimes timing works out perfectly and you hire a candidate from an ad, but did you get the best candidate? Unless you have a planned approach to your recruitment you will never really know the answer to that. Some Recruiters will conduct extensive research to identify companies in your industry where candidates are performing similar work. They will identify competitors and will look for industry thought leaders and will reach out to these individuals confidentially and directly to gauge their interest on your behalf.

Recruitment firms with professionally accredited research specialists on their team ensure your candidate pools are robust and contain the most qualified individuals in the market. They are skilled at conducting comprehensive reviews of the talent landscape and quickly identifying the companies to target to find the most qualified individual for your organization.

Interviewing

If the Recruiter isn't certified in Behavioural Based Interviewing then at the very least most should have training. Behavioural Interviewing is based on the theory that the best predictor of future success is past performance. This method of interviewing allows for a more structured and fair assessment process. Fit is also assessed. Recruiters interview every single day, often upwards of 10 candidates per week. As a result they are skilled when it comes to interviewing and assessing fit.

Candidate Assessment

Along with in-depth interviews, Recruiters typically use some form of candidate assessment tool, whether it be a tool which enables them to compare a candidate to role requirements for "Goodness of Fit" or skills testing tools which will assess a candidate's technical skills. Assessment tools provide a consistent way to identify and understand competencies and guides a Recruiter to focus their interview on key competencies to increase objectivity. An employee who fits your business culture as well as they fit the role they were hired for, are more engaged and more likely to be retained. Measuring the 'fit' of a candidate will tell you whether a new hire is likely to perform in your organization, help you avoid unnecessary recruitment costs (caused by attrition) and boost business performance.

Reference Checking

A good reference checker knows how to listen for cues; they don't accept just any answer. They know to probe, to ask the individual for more information to get an honest reference. It's amazing how many companies don't do references before hiring an employee. This step in itself is worth the money.



WHY CHOOSE ONE OVER THE OTHER?

Why a recruiter promotes one fee contract over another is typically based on the complexity of the search and risk management.

Complexity of the Recruitment

- Is the role executive or a hard to find, scarce skill set?
- Is it a local, national or international search?
- Is the role in a specialized industry?
- Will the search process need to be changed or expanded due to the nature of the role?
- Will the search require more resources, i.e. a dedicated researcher?
- Is the search confidential?

Risk Management

- Has this position been vacant for a long time?
- Could there be challenges identifying candidates because of the total compensation?
- Is the scope of the role so narrow that it may take much longer to bring the search to a successful conclusion?
- What is the perception of the company in the marketplace?
- Is the geographic location such that it will require a hard 'sell'?
- Is the search confidential?

The answers to these questions help a recruiter to calculate the fees they offer their clients. In the next section we discuss the various types of fee structures that are commonly available.

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THE FEE TYPES/STRUCTURES

1. Contingency Recruitment

With contingency recruitment you are not required to pay a recruiter a placement fee until you have selected your ideal candidate – “*payment is contingent upon hire of candidate.*” The other key differentiator with contingency vs. retained is that you are not working with one recruitment firm exclusively. You can continue to search on your own and work with multiple firms if you so choose.

This is an option for clients who are looking for speed.

Pros

- You don't pay fees unless the recruiter presents you a hire-able candidate.
- You can still recruit for the position on your own.
- The recruitment can be cancelled at any time with no fees charged.
- You can work with as many recruiting firms as you choose.
- You could receive a lot of resumes – fast.
- You may be able to negotiate fees.

Cons

- You will not get the focus, planned approach to conducting your search.
- Typically just a database search for candidates, not a proactive search of passive candidates.
- You will generally hire a candidate that is available to you quickly but they may not necessarily be the right 'fit', resulting in turnover (and the high price tag associated with it).
- The chance for disputes is higher since the placement will be awarded to the recruiting firm that presents the resume first – determining “who got there first” can be very awkward.
- Because of the “who got there first” point, a thorough and targeted search specific to your company and the role is rarely, if ever, performed.
- You could face some potentially embarrassing candidate situations if the candidates are working with multiple recruiting firms.
- Managing the communication and referral processes of one, two or even more recruiting firms can be challenging.

2. Exclusive Contingency Recruitment

Essentially the same as Contingency Recruitment with the only difference being you are required to work exclusively with one recruitment firm. With exclusive contingency recruitment you are not required to pay a recruiter a placement fee until you have selected your ideal candidate – “*payment is contingent upon hire of candidate.*” The company agrees to work with the recruiter exclusively and will not hire or work with other recruiting firms and can continue to search for a candidate on their own and hire their candidate if preferred. Fees are charged only if the company hires the recruiter’s candidate.

This is an option for clients who do not want to work with multiple recruiters at the same time and would still like to conduct the search on their own.

Pros

- You don't pay fees unless the recruiter presents you a hire-able candidate.
- You can still recruit for the position on your own.
- The recruitment can be cancelled at any time with no fees charged.
- Working with only one recruiter reduces the amount of time required for managing the search.
- You can expand your selection of candidates.

Cons

- You will not get the focus, planned approach to conducting your search.
- Applications from candidates looking for new job opportunities (active job seekers) who could potentially be considering numerous other roles. Candidate may not be completely engaged in the process.
- You will generally hire a candidate that is available to you quickly but they may not necessarily be the ideal 'fit', resulting in turnover.
- You typically do not have access to the full resources of the recruiting firm, including targeted sourcing of ideal, non-job seeking (or passive) candidates and a robust interviewing and assessment process.

3. Engagement Fee Recruitments

These fees are almost always for professional and/or complex recruiting assignments which are potentially longer in duration or more complex in nature. Typically, research is conducted to map out the industry landscape and to identify who the key players are. This involves a combination of engaging with active job seekers and also targeted and direct recruiting where passive candidates are identified within competitor companies or like industries / positions and contacted directly to gauge interest.

Typically, an amount equal to 1/3 of the total estimated fee is invoiced at the start of the search as a non-refundable engagement fee. The remaining 2/3 is then invoiced upon hire of the candidate. This invoicing ratio may change depending on the recruiter you choose to partner with; in some instances they may ask for ½ of the fees at the start of the search and the remaining ½ upon hire of the candidate.

This is an advantageous option for clients who need direct solicitation of candidates from competitor or like industries and insist on a structured / planned search and candidate assessment procedures.

Pros

- A more proactive search and outreach to find and recruit top talent for the position.
- A comprehensive advertising and marketing strategy is developed.
- More resources are typically devoted to the search, including a dedicated researcher.
- The recruiter provides regular feedback and guidance on any challenges or perceptions in the market affecting their ability to recruit the best candidate.
- A guarantee of candidate success (typically 6 month guarantee on the placement of the candidate) is standard.
- The recruitment firm typically agrees to a “No Solicit” agreement, meaning they will not actively recruit any employees within the client’s company for a set period of time.

Cons

- Exclusive commitment to one recruiter – the client must trust his/her skill, track record and commitment to deliver.
- Timeframes are typically longer than contingency searches, given the mix of both active and passive candidates. Candidates who are not actively on the job market are not as quick to respond to new opportunities and require more of a ‘sell’ on the opportunity. They are also likely to be on longer notice periods.
- Fees are typically higher than contingency searches and a retainer is always required so may be more restrictive if on a tight budget.

4. Retained Recruitments

These fees are almost always for Executive-level searches but may also be proposed for professional and/or complex recruitments. Essentially, they are reserved for assignments which are focused on recruiting 'C' or VP-level professionals which by nature are more difficult to recruit for as individuals employed at this level require more of a "sell" and are typically more reluctant to make a move.

Fees are calculated based on the estimated amount of either the first years' total compensation which includes base salary, incentive, signing bonus, and/or equity. At the beginning of the search, a non-refundable retainer equal to 1/3 of the estimated fee is typically invoiced. An additional 1/3 of the estimated fee is then invoiced after 30 days, or upon presentation of qualified candidates, whichever is sooner. The remaining fee is invoiced after 60 days, or upon acceptance of the offer by the final candidate, whichever is sooner. Retained recruitments are not solely dependent upon placement.

Pros

- Proactive, systematic search and outreach to find and recruit the best possible candidate for the position in question.
- The client obtains the recruiter's full resources and can expect regular feedback and consultation throughout the search process.
- Recruiting process is consultative, research-based and solution oriented.
- Employer/Employment branding is often included in the go-to-market strategy and may include marketing materials such as a microsite showcasing the client and the opportunity.
- Offer a professional guarantee of candidate success (typically one year guarantee on the placement of the candidate) and are committed to thorough and ethical practices and results, including off-limits agreements with clients.
- Executive candidates are more likely to engage with a reputable Executive Recruiter because confidentiality is assured.
- A professional and confidential approach to candidates is conducted on behalf of the client.

Cons

- Exclusive commitment to one recruiter – the client must trust his/her skill, track record and commitment to deliver.
- Timeframes are typically longer given that candidates are not actively on the job market and are likely to be on longer notice periods.
- Fees are typically higher overall and a retainer is always required.

Conclusion

There is much more to recruitment fees than the number that follows the dollar sign. An educated and informed approach to recruitment ensures the best possible outcome and value for your company.

For further information please do not hesitate to contact Karin Pooley, Vice-president Recruitment & Executive Search at kpooley@peoplefirsthr.com or 204.940.3939

About People First Recruitment & Executive Search

People First Recruitment & Executive Search discovers well matched talent for clients across a wide variety of industries and sectors.

Our team is structured according to the following practice areas:

- Accounting and Finance
- Engineering
- Manufacturing and Supply Chain
- Human Resources and Not-for-Profit
- Information Technology
- Sales and Marketing
- Supply Chain and Logistics
- Executive Search



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