

Recruitment Supply Chain Management: What Is It And How Does It Achieve Better Recruitment Outcomes?

Introduction



“Proactive management of recruitment supply chains became a big trend in the public sector, over the past decade. Some public authorities are a long way down their journey, and others have yet to embark. This is a guide for Local Authorities at the start of the journey, to introduce terminology and explain how it works for an organisation.”

— **Chris Grimes**, Head of Public Sector, Matrix SCM

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What Is A Recruitment Supply Chain, Who Has Them, And What Are The Different Parts?

A supply chain refers to all the people, technology and processes involved in recruiting an employee. Instead of recruiting a candidate directly through its in house HR function, an employer recruits candidates through an agency.

Supply chains can comprise single or multiple tiers. An employer may manage its relationship directly with multiple recruitment agencies, or more usually with high volume recruitment, appoint a master agency to manage those relationships on its behalf.

Typically, Local Authorities across the UK recruit through recruitment agencies in some way or another, however without a formal arrangement in place, the process can often be chaotic and inefficient.



What Problems Come From Having A Recruitment Supply Chain?

An employer passes control of the recruitment process, either in part or whole over to the supplying agency. In turn, this enables the supplying agency to control the supply chain including costs, the agencies it works with and the candidates it chooses to put forward for selection.

With the balance of power firmly in favour of a supplier, local authorities are potentially at the mercy of vested commercial interests, which could include:

- Supplying workers signed to their own agency first rather than putting forward the best candidate from another agency.
- Holding staff back particularly in hard to fill roles forcing the local authority to make a costly, distressed purchase.
- Time-to-fill a role takes longer as agencies without a suitable candidate, sit on a vacancy, rather than pass the opportunity to another agency.
- Most 'Master Vendor' agencies conduct retrospective, sample based, compliance checks, which increases the risk of a local authority appointing a worker who does not comply with employment rules.

How Does This Hamper A Local Authority?

Under increasing pressure to deliver more with less local authorities are struggling to:

- Meet fulfilment requirements especially for harder to fill, niche and short notice requests.
- Attract applications from the best candidates.
- Control cost: without clear visibility of spend this is very difficult, making the delivery of year on year cost savings harder.
- Anticipate and respond to a dip or surge in demand.
- Be confident 100% of workers are employment compliant before taking up post.
- Control their employer brand and enhance candidate experience.
- Deliver on strategic and local needs.



What Are The Options For Managing A Recruitment Supply Chain?

An employer has three main options each carries advantages and disadvantages:

Informal Ad-hoc Arrangement / Preferred Supplier List

Low cost but tends to be a hugely time-consuming approach to recruitment because the council takes responsibility for managing recruitment and their relationship with supplier agencies, compliance and processing payment of workers across multiple agencies. It is not possible to achieve economies of scale or create management information on agency resource spend. Liability remains with the local authority.

Master Vendor Single Supplier or Managed Service Provider (MSP)

This is a less time-consuming approach because the council outsources recruitment to a large brand agency, who manages a supply chain of other recruitment agencies. The council deals with a single point of contact which reduces demand on internal HR resource. However, the lead agency has a vested interest in its own success and is likely to submit its own candidates in the first instance even if those further along the supply chain are more suitable for the role, consequently:

- MV often struggle to fulfil all of the LA's diverse requirements particularly within harder to fill job categories and hold on to new orders for too long in an attempt to find their own candidates.
- Talent from specialist local and smaller recruitment consultancies outside of the lead agency's supply chain can be overlooked simply because they registered with a non-participating agency.
- Unable to meet Social Care requirements many MV's are choosing to walk away from this part of a Local Authority contract.

Neutral Vendor Managed Service Provider

Provides all the advantages of a MSP with regard to size of talent pool economies of scale without a vested interest in any single agency getting the business. Power is shared equally between the local authority and the Neutral Vendor, resulting in:

- Increased choice, quality of candidates.
- Greater access to diverse supply chain and SME suppliers.
- Greater visibility over spend and usage of agency.
- Transparency in pricing.
- Compliance checks prior to commencing a work assignment.
- Ease in filling 'harder to fill' vacancies.
- Management information – predict trends.

How To Put A Supply Chain In Place

- **Gather together in-house experts**, procurement, HR, business and hiring managers to identify current and future recruitment needs and select an approach to managing a supply chain that best meets these needs.
- **Conduct a tender process driven by procurement** to ensure your appointed solution drives maximum cost savings and business benefits.
- **Implement the solution**, which may involve changing HR processes, IT systems and training staff. When choosing a new provider, ensure that they provide a clearly defined project plan, which should provide a seamless transition on to the new contract.
- **Educate your supply chain** – teething issues will inevitably occur post implementation. Take time to educate your supply chain around your specific and local needs.

Areas Of Gain From Neutral Vendor Managed Supply Chain



Savings in recruitment agency spend



Improved fulfilment rate and time to recruit



Better supply chain



Reduction of off-contract spend



More simple and efficient end-to-end system for procuring agency workers

Conclusion

Almost all councils in the UK recruit through a supply chain. Many are waking up to the fact that most supply chains are managed to the commercial advantage of the supplying agency. Only an approach that manages the supply chain to the local authorities' competitive advantage will be able to deliver cost savings and wider business benefits.



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