

# An Empirical Study of Recruitment Process Outsourcing In India.

Jitendra B. Prasad, M. Com, Commerce & Business Management,  
The Maharaja Sayajirao University of Baroda, Vadodara, India.

**Abstract:** - The growing concept of Outsourcing is increasing in every aspect of business and it has also affected the HR functions specially on Recruitment function. Many companies outsource their HR functions like Recruitment, payroll, compensation management, health care benefits and so on. Recruitment process outsourcing is adopted by companies to save cost of recruitment and to pool best candidates from the market and it helps in HR planning and development which smoothen the work process and reduce the workload of HR department. Apart from cost reduction the employer seeks specialize HR services and expertise In this regard, the following paper is undertaken to examine the impact of recruitment process outsourcing on the organization's HR department and to compare the effectiveness of RPO with inhouse recruitment process from the perspective of HR manager and Professional IT Recruiter who work in RPO firms.

**Keywords – Recruitment Process Outsourcing, RPO, Recruitment Outsourcing, Human Resource Outsourcing.**

## 1. Introduction

Recruitment process outsourcing is a new concept which emerged just few decades ago and it is one of the fastest growing outsourcing processes in the world because of its tremendous advantages. Aside from cost decrease the business look for practice HR administrations and ability in such manner, the following paper is embraced to study and analyse the effect of recruitment process outsourcing on the Organization's HR department and to compare the effectiveness of RPO with inhouse recruitment process from the perspective of HR manager and Professional IT Recruiter who work in RPO firms.

Till 1970 all HR capacities were performed by the inner HR Department. Be that as it may, with the globalization turning into the requirement for endurance and development, the inner HR group was roused to receive the vital part in the Organization rather playing with routine standard activities HR activities which lead to HR outsourcing.

RPO is a commonplace type of Business Process Outsourcing (BPO) industry and is considered as a supplier of specific administrations in Human Resource Outsourcing. IT attempts to improve the recruitment measurements by improving the nature of recruits, decrease the expense and liability. The primary point of RPO is to supply quality recruits at reduced rates than inhouse recruitment process. Recruitment process Outsourcing (RPO) is the rapidly growing part of Human Resource Outsourcing (HRO) Due to the absence of resources, inhouse talent and skilled expertise in the Hr department of the organization many organisations prefer outsourcing of recruitment. In Recruitment process outsourcing a business transfers all or a part of its recruitment exercises to the outsider third party company who is specialized in recruiting. RPO conveys significant benefits in the interest of employer. As per one article of the Businessworld.in RPO is developing at the pace of 30% Every year and India is reflecting the worldwide pattern in Recruitment Process Outsourcing (RPO), which is on a consistent development direction. Truth be told, many leading organizations in India have already outsourced their whole recruitment measure aside from the CXO-level employing. All around the world, the RPO market is seeing outstanding development. Research by NelsonHall — the industry' leading analyst firm — shows that the worldwide RPO market will hit \$4.4 billion by 2017. We are seeing this reflecting in the India's RPO development story also. Out of the Rs 7,000 crore permanent staffing market in India, about Rs 450 crore is expected to be spent on RPO this year.

### Objectives of Research

1. To determine the major factors that influence the decision to outcome HR Activities.
2. To determine at what extent an organisation can outsource
3. To identify the process that how recruitment process outsourcing firm works
4. To know the future of HR Outsourcing in IT industry

In this paper the researcher is focusing on the Recruitment process only.

### Merits of Recruitment Process Outsourcing

1. Reduction in cost of recruiting
2. focus on core competencies
3. A Consistent and Predictable Recruit-to-Hire Process.
4. Increased Candidate Quality.
5. Increased Hiring Manager Satisfaction.
6. Enhanced Employment Brand.

### Demerits of Recruitment Process Outsourcing

1. Risk of Incompatible candidates
2. Security risks
3. Low quality firms (Outsourcing provider).

Process of Recruitment process in RPO.

Candidate Search > Candidate Screening > Maintain Resume Database > Background Verification > Schedule Interviews > Candidate selection process > Negotiations and offer > On-Boarding.

Inhouse recruitment process.

Preparing > Sourcing > screening > selecting > hiring > Onboarding.

By looking at the processes of RPO firm and Inhouse recruitment process is almost the same and similar in nature but when it is examined the major difference comes out between them is wide accessibility of candidates and reach of RPO. RPO's also have their own Data Base Management System of candidates available in the job market.

## 2. Review of literature

HR Magazine (1995) directed its study to investigate the main causes of outsourcing. " It was discovered that 91% of reacting HR divisions immediately outsource a minimum of one functions.. About 40% of these organizations outsource under \$100,000 every year in HR administrations, however 16% outsource more than \$1 million every year. The purposes behind outsourcing incorporates, the utilization of expertise skill (88%), to save time (54%), to save cost (41%), to save administrative costs (38%), more focus on key activities (30%), to dispense with a capacity which isn't important for the core business (26%), to reallocate increased responsibilities (21%) lastly to diminish risk (7%)".

Ulrich (1998) cautions that "if HR doesn't manage this test it chances being disbanded. This features the need to investigate the potential use of Recruitment Process Outsourcing (RPO) to establish the suitable environment from which the HR division can move to playing a more key, esteem making job while still effectively adding to the serious situation of the association.

In the examinations, Greer, Youngblood, and Gray (1999) noticed, "HR choices are regularly a reaction to a mind-boggling interest for diminished expenses for HR administrations. Downsizing and harder rivalry expanded the strain to show value, both as far as efficiency and effectiveness on the HR functions (Roberts, 2001).

As indicated by Elmuti (2003, p. 33), " the marketplace for the outsourcing supplier is developing quickly since outsourcing is that the path for organisation to make value. With an outsourcing procedure, an association can increase an advantage of cost decrease".

Adler (2003) noticed that a survey by the Granter group distinguished six elements which are significant in decisions of outsourcing: —dependency risk, overflow risk, trust, relative proficiency, strategic abilities, and flexibility. The initial four of these components are short term elements, though the last two are viewed as longer haul or strategic. In any case, in literature there is no characterized method that recognizes when outsourcing is generally efficient and effective. When a firm has chosen to re-appropriate the specific capacities, it needs to discover the best provider for specialized services. A single provider of administrations should be liked to numerous providers for various reasons. Right off the bat, it is exceptionally simple to oversee one provider as it will save time of the HR staff. Also, a single provider better comprehends the necessities of customer and gives coordinated arrangement over the organization. Thirdly, it is extraordinary bit of leeway when various arrangements are being purchased from one provider which empowers a firm to present upon a superior understanding.

John Younger, Kevin Wheeler, Jimmy Taylor and Mike Mayeux formed Recruitment Process Outsourcing Association (RPOA), 2005 to smooth out the RPO exercises. It is a non-profit 501(C) (3) association serving the business. RPO specialist co-ops are the individuals from RPOA, focused on instructing the showcasing about RPO, advancing its benefits, fusing regular measurements and comparative data, and creating and implementing certifications.

Lawler III, Dave Ulrich, Fitz-enz and Madden V referenced in their book "Human Resource Business Process Outsourcing" that Outsourcing significantly influences the job and required ranges of abilities of the HR work. In any event in the value-based territories, for example, representative records and advantages, outsourcing of organization changes HR's function from practitioners to chiefs and lessens the requirement for head check. Outsourcing places HR into the role of managing the vendor. On account of small outsourcing assignments, this is certainly not a significant change, however when huge multi-HR measure contracts are included, it is. These agreements include a millions of dollar. To oversee them successfully, HR regularly needs aptitude in finance, contract negotiations, and HR procedures.

## 3. Research Methodology

### 3.1 Research Design

For the present study, initially exploratory type of research was adopted followed by descriptive type of research. The researcher has used both quantitative and qualitative methods for data collection.

### 3.2 Sampling Technique

Stratified probability sampling technique was used for the identification of a representative sample.

### 3.3 Tool for Data Collection

For primary data collection, the researcher has used questionnaire through paper questionnaire and Google forms which was filled from HR employees, HR managers, and Outsourcing Providers.

### 3.4 Sample Size

The sample size of this Research is 200 respondents including HR employees, HR managers, and Outsourcing Providers. The questionnaire will include close ended and open-ended questions both.

### 3.5 Data Analysis

The collected data were statistically analysed by using Chi-Square test and percentage method in SPSS (statistical package for social sciences) and Microsoft Excel. The researcher has also calculated the percentages of the responses given by the respondents. This method was used because it is the best instrument to identify, compare, describe and reach a conclusion. Data analysis involves converting a series of recorded observations and open-ended questions into descriptive statement and/ or inferences about relationships.

### 4. Hypothesis

To study the Impact of recruitment process outsourcing on the recruitment function for hiring better and quality candidate from the market, the following two hypotheses have been framed.

**Null Hypothesis (H<sub>0</sub>):** Recruitment Process Outsourcing has no significant impact on the Hiring of Quality candidate

**Alternate Hypothesis (H<sub>1</sub>):** Recruitment Process Outsourcing has significant impact on the Hiring of Quality candidate

To test the above hypothesis One-Sample t-Test was used with explanation below the table.

#### One-Sample t-Test

To test the above hypothesis One Sample t-Test was used. In addition, graphical analysis was done in which the percentage graphs and pie charts were made to find the impact of RPO on other important components of Recruitment process outsourcing.

Testing of t-test validation

	Test Value = 3			Mean Difference	95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)		Lower	Upper
Recruitment process outsourcing leads to increasing quality of hire.	22.168	199	.000	1.100	1.00	1.20

One sample t-Test test was applied to find whether there is significant impact on hiring quality candidate with the association of recruitment process outsourcing in the organization. Since the t-Test value, 22.168 is higher than the table value of 1.653 at 5% level of significance, hence it is inferred that there is a significant impact of recruitment process outsourcing on hiring quality candidate. Since it is inferred that companies have significant impact on hiring quality candidate by implementing RPO therefore null hypothesis is rejected and we accept the alternate hypothesis.

### 5. Data analysis and interpretation

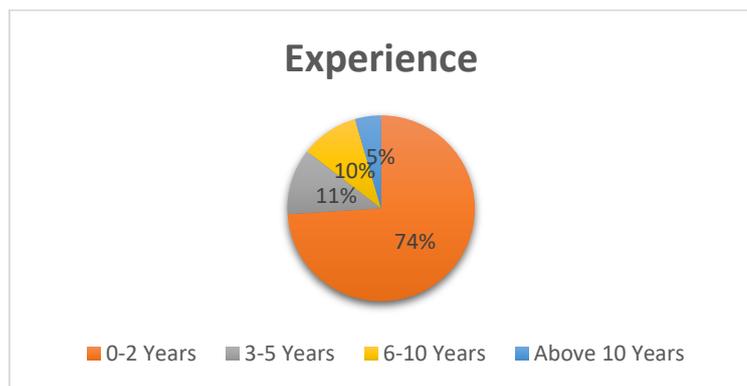


figure 5.1: experience of respondent in RPO firm

In this research researcher has collected the data from respondent who are experienced in the recruitment process which increases the reliability of the data. Collected respondent's data ranges from 0 to 10+ years of experience which has covered all types of respondent. Here, 74 % of employees have experience of less than 2 years. 11% of employees have experience between 3-5 years. 10% of employees have experience between 6-10 years. While only 5% of employees have experience above 10 years. The industry is so young in India so that there are large number of employees' have experience of less than 2 years.

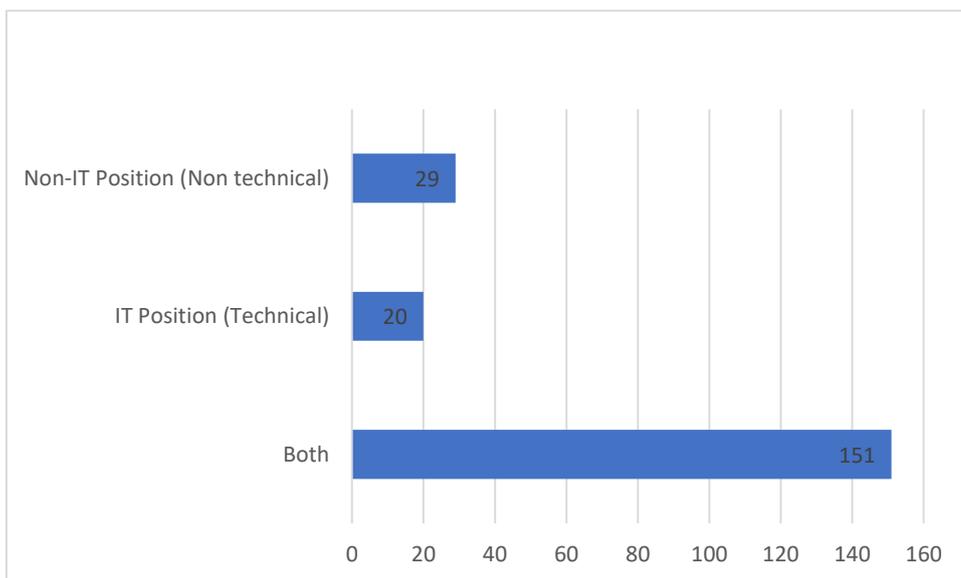


figure 5.2: types of position on which respondent work.

When it comes to recruitment the it is divided into types of recruitment one is IT position and the second one is Non-IT position. Out of total 200 employees 151 employees recommend recruitment outsourcing for both technical and non-technical position. Only 29 Employees recommends recruitment outsourcing for Non-IT position. Only 20 Employees recommends recruitment outsourcing for IT position. Form the above we can say that large number of employees recommend recruitment Outsourcing for both (i.e. Technical and Non-technical) type of position.



figure 5.3: quality of hire from RPO

Beside the cost effectiveness one of the main purposes of outsourcing recruitment is quality of hire which means pooling best candidates from the market. Here, collected data shows 50 % of recruiters Strongly Agree that Recruitment outsourcing leads to increased quality of hire in addition 30 % of recruiters Agree that Recruitment outsourcing leads to increased quality of hire which shows that 80% of respondents agree that outsourcing provide good quality candidate for the organization while only 20 % of recruiters Stay Neutral that Recruitment outsourcing leads to increased quality of hire and no respondents has selected disagree or strongly disagree option which means outsourcing of recruitment is highly favourable .

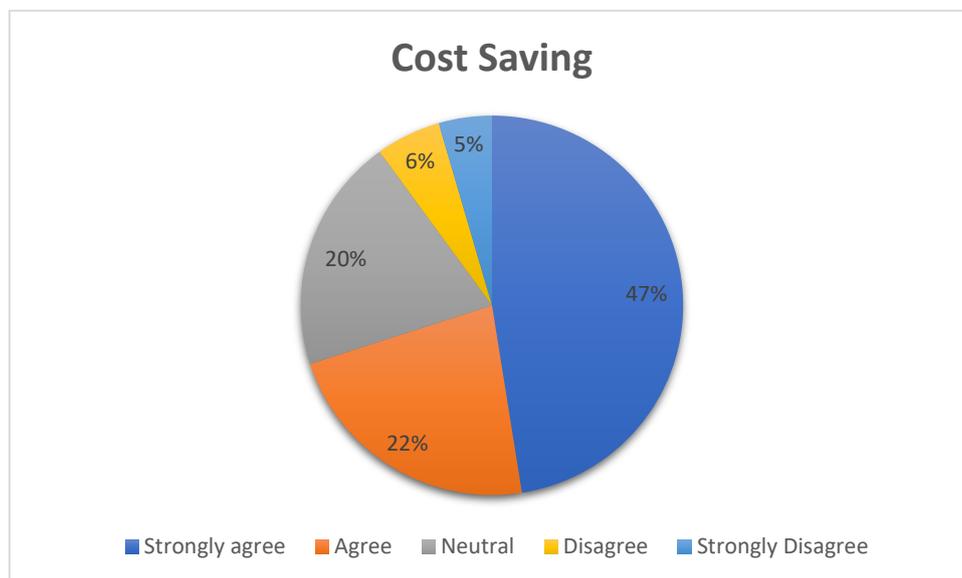


figure 5.4: cost saving through RPO

One of the main factors to Outsource recruitment process is cost saving. Staffing companies are specialized in recruiting so that it costs them less to recruit candidate because of their vast data base, well-built applicant tracking system, and great network. 47% of respondents strongly agree, 22% of respondents agree, 20% respondents stay neutral, 6% respondents disagree and 5% of respondents strongly disagree about the cost saving through outsourcing of recruitment process.

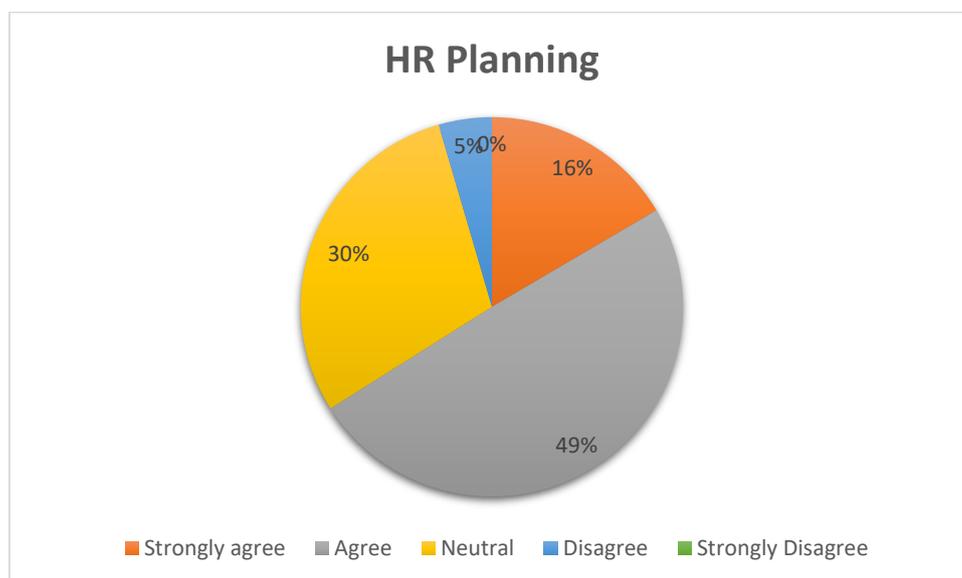


figure 5.5: effect of RPO on HR planning.

Outsourcing of recruitment process releases the burden of HR department due to this HR can focus on various problem like strategic planning, Human resource costing, employee engagement, employee motivation. Here, Data shows that 16% of Recruiters strongly Agree that RPO adoption for IT firm is an overall development of human resource planning. 49% of Recruiters Agree that RPO adoption for IT firm is an overall development of human resource planning which shows that 65% of respondents agree that that it gives chance of HR planning and overall development by recruiting best candidates and decreasing the burden. 30% of Recruiters Stay Neutral because it depends on the experience of the respondent and the domain of industry in which he/she is working. While only 5% of Recruiters Disagree which means there are some areas or position where RPO is not working properly.

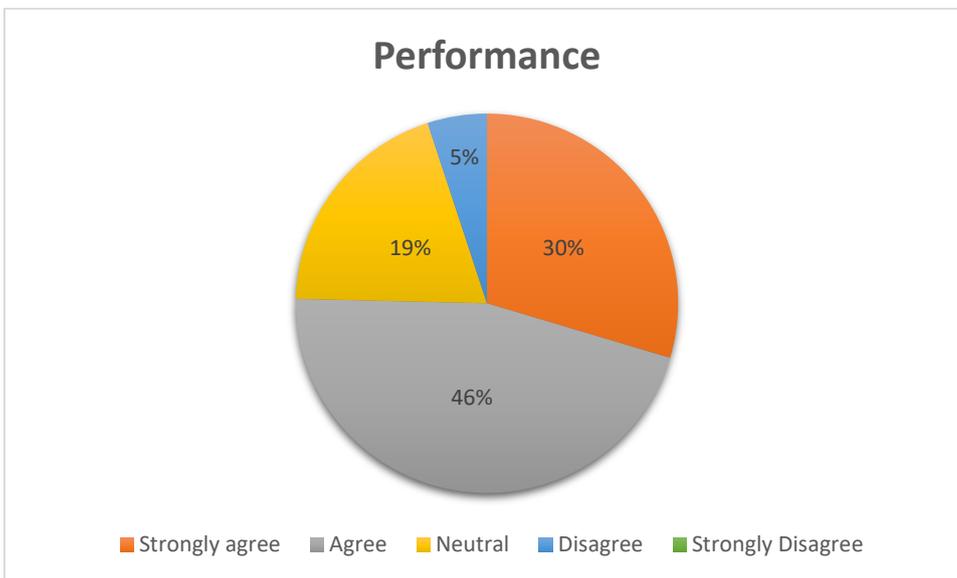


figure 5.6: performance of candidates recruited through RPO.

Newly recruited candidates come in the organization with the new knowledge and experience which helps the organization to improve the performance of the organisation. Here, data shows 30% of Recruiters strongly Agree that Candidates recruited through outsourcing improve the performance of the organization in addition 46% of Recruiters Agree to this point which means 76% of respondents notice improvement in the performance of the organization. 19% of Recruiters Stay Neutral that Candidates recruited through outsourcing improve the performance of the organization. While only 5% of Recruiters Disagree that Candidates recruited through outsourcing improve the performance of the organization.

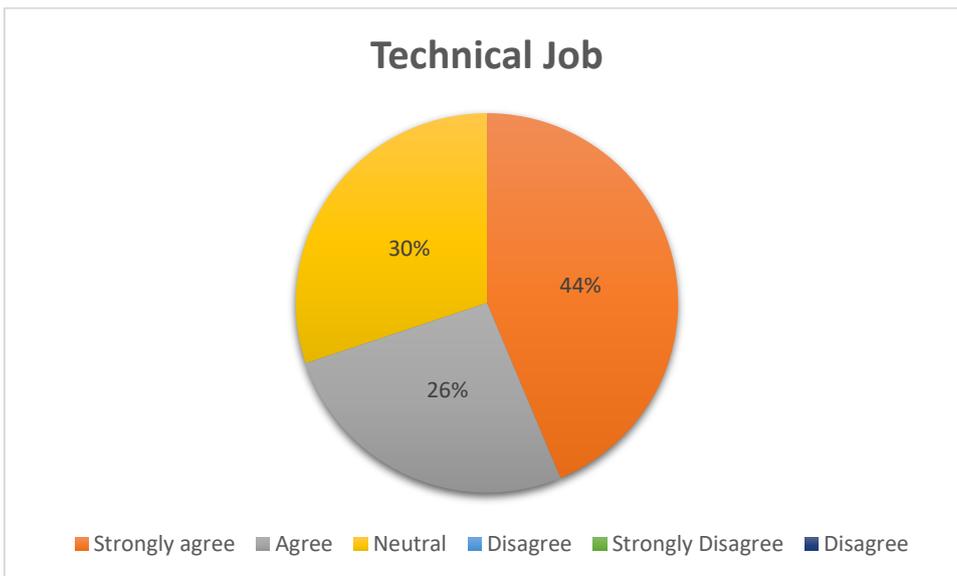


figure 5.7: effectiveness of RPO on technical job position.

Here, 44% of Recruiters strongly Agree that Effectiveness of recruitment outsourcing is increased in case of highly technical job opening. 26% of Recruiters Agree that Effectiveness of recruitment outsourcing is increased in case of highly technical job opening. 30% of Recruiters Stays Neutral that Effectiveness of recruitment outsourcing is increased in case of highly technical job opening. Technical Job like programmer, coder, software tester, developer, website developer and many more need special talent for recruitment. Lots of inhouse recruitment team is not capable of specialized recruitment so they prefer outsourcing these position to the outsourcing firm who specializes in these type of recruitment.



figure 5.8: views on respondent on the future of RPO.

Many Respondents agree that RPO is the future if recruiting and some believe that RPO is just like a wave and after some time it will vanish from the market but when we consider the responses then it can be clearly seen that RPO is going to be common in future and it is going to grow more in future because more organisations are focusing in Outsourcing of recruitment function than setting up in house recruitment team which can be costly for the firm and less expertise.

**Some Challenges faced by respondents** who are specialized in recruitment while recruiting the candidates. Challenges such as sourcing the candidate, Educational qualification check, Legal background check, Professional background check and reference check

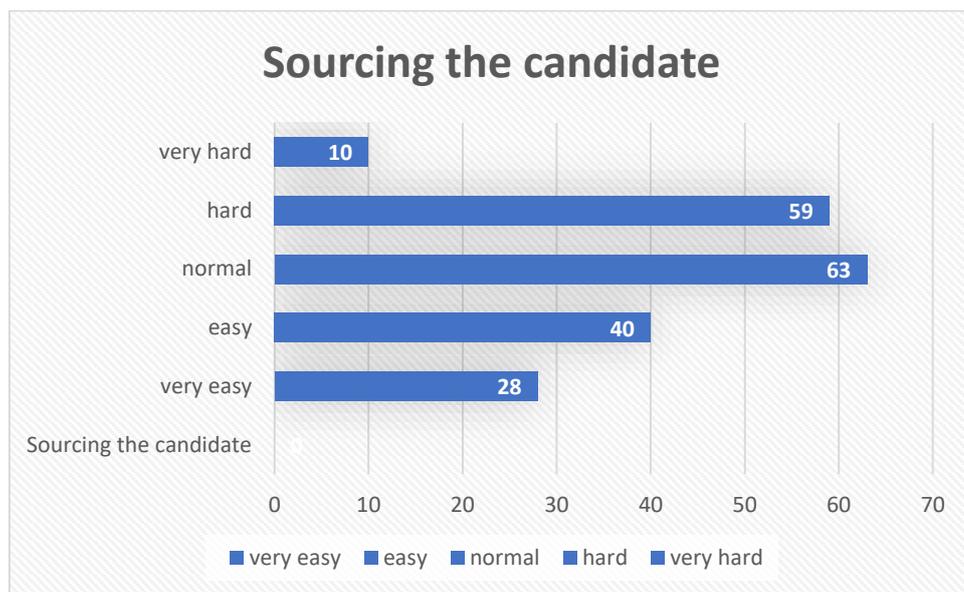


figure 5.9: challenges faced in sourcing of candidate

14% of employees find Very easy, 20% of employees find Easy, 31% of employees find Normal. 30% of employees find Hard, while only 5% of employees find Very Hard to source candidate. Sourcing of candidate is done through various applicant tracking system (ATS) by entering Keyword according to the job position and other factors. Because of large database system it is difficult for some recruiters to find candidates. For some position they get candidates easily while for some position it is difficult for them find suitable candidate.

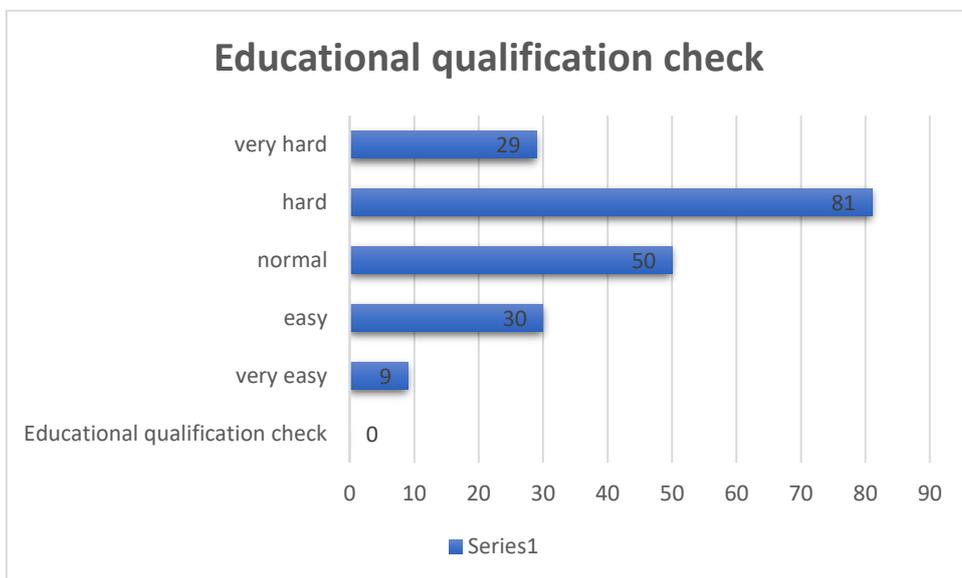


figure 5.10: challenges faced in educational qualification check of candidate.

4% of employees find Very easy, 15% of employees find Easy, 25% of employees find Normal, 41% of employees find Hard and 15% of employees find Very Hard. Most of the respondents referred this as a hard and very challenging because verifying education document remotely is a difficult task and it is necessary to check this because sometimes it happens that candidates submit duplicate or forged document.

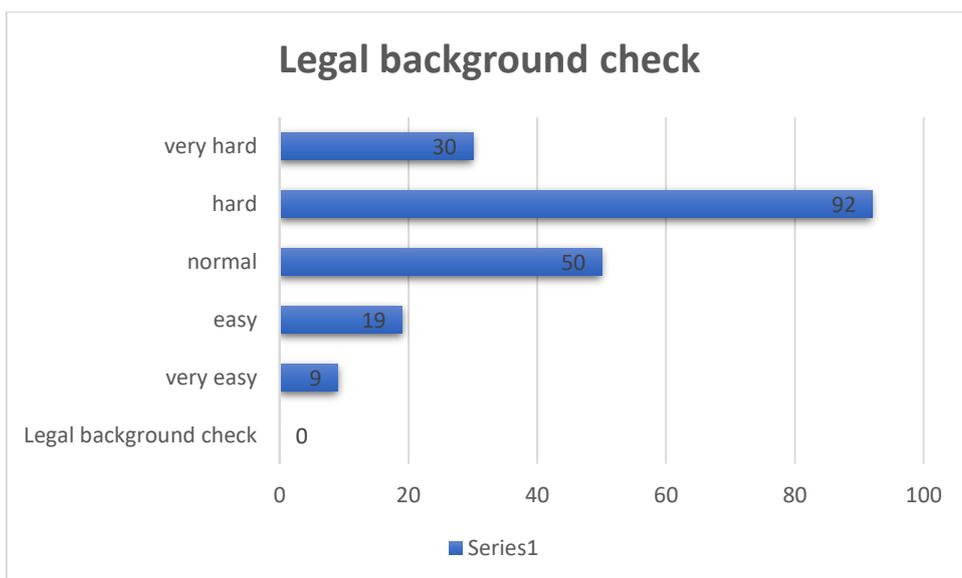


figure 5.11: challenges faced in legal background check of candidate.

Very few companies in India go for legal background check but in western countries like USA and Canada they do background check for every employee or worker they recruit. 4% of employees find Very easy, 10% of employees find Easy, 25% of employees find Normal, 46% of employees find Hard and 15% of employees find Very Hard in Legal background Check.

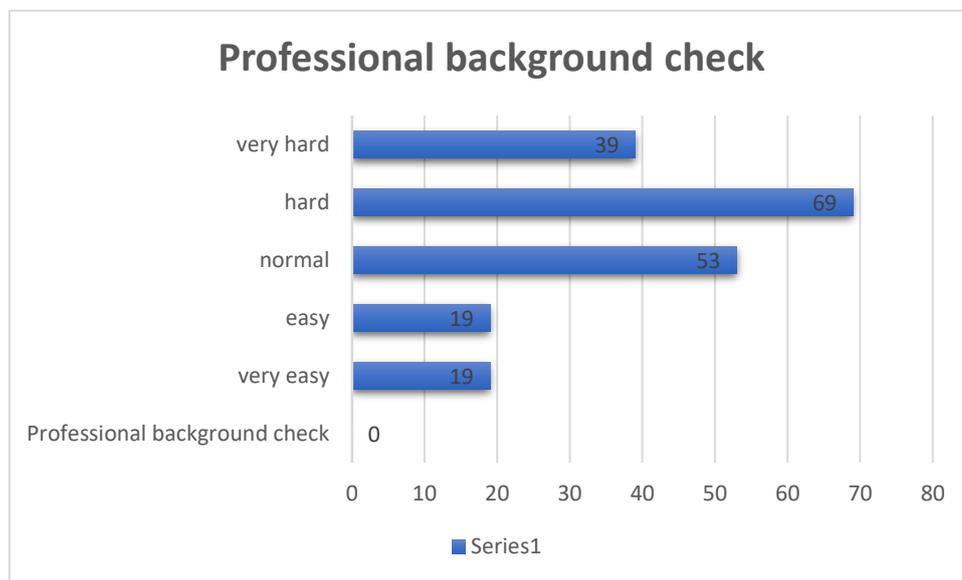


figure 5.12: challenges faced in professional background check of candidate.

Professional background check is done by contacting candidate's colleagues, manager, supervisor or team-leader of his previous company. This reveals the nature and efficiency of the candidates. 9% of employees find Very easy, 9% of employees find Easy, 27% of employees find Normal, 35% of employees find Hard, while 20% of employees find Very Hard in Professional qualification Check.

### Results and Discussion.

RPO uniqueness lies in it Big information System, Applicant Tracking System (ATS) framework and employee engagement which is the foundation of any association's human asset arranging and advancement. It is deduced in this examination that RPO is unquestionably an effective answer for HR procedures. For the most part no other method of Recruitment process offers such administrations. It is essentially embraced to significantly affect HR arranging and improvement to make an ability the board as an edge over its rivals and to make a hearty inner ability procurement the executives framework. Whenever it is accomplished an association can accomplish its objectives successfully and opportune. It maximumly affects HR objective setting, being the standard for improving the recruitment process work on an entirety. Quite possibly the main parts of the examination is combination and coordination of inner group with the outside RPO group. Intermittent audit will help both the gatherings in limiting the hole in time successful way and quality outcomes. There is no uncertainty that RPO is somewhat low in advancing association as a brand and concentrate less; along these lines it is proposed that little more activity will add incredible significance to the entire idea and results to the total measure. In spite of the fact that RPO is the quickest developing cycle of HRO, yet there are entanglements to its interaction. More considers are in the process under a similar respect and more exploration can be embraced.

### References

1. Brewster, C.; Mayrhofer, W. & Morley, M. (eds) (2000) New challenges for European human. ISSN 1861-9916,
2. Dean Elmuti, (2003) "The Perceived Impact of Outsourcing on Organizational. ISSN: 1309-8047
3. Greer, C.R., Youngblood, S.A. & Gray, D.A. 'Human resource management outsourcing: The make or buy decision'; Academy of Management Executive; 1999 Vol. 19, Issue. 3, pp. 85-96.
4. Roberts, Z. (2001, October 25). Outsourcing and e-HR will expand. People Management.
5. Ruth Taplin, Outsourcing and Human Resource Management ISBN 0-203-93395-8
6. Scott Snell, George W. Bohlander, Human Resource Management, Thomson, 2007. ISBN-10: 1305258355