

# Economic Uncertainty and RPO Solutions



## Introduction

2024 is a year of conflicting interpretations about the US economy. The economy appears on track for 2.5% average growth this year, spurred by a sturdy labor market—similar to 2023's performance. And a recession in the next 12 months appears less likely now than it did in the spring of last year.<sup>1</sup> Meanwhile, consumer sentiment remains low but is starting to rise. In March 2024, US consumer sentiment was 79.4, the highest since July 2021.<sup>2</sup> Then of course there is the impact of the 2024 Presidential election that has many workforce planners in a “wait and see” mode.

Given this uncertainty, how will HR meet the challenges of talent acquisition in a year with atypical variables impacting hiring plans? Will HR even incorporate economic considerations into workforce planning, and how might the election affect plans?

Recruitment Process Outsourcing (RPO) is the answer for many, as it brings flexibility in a time of uncertainty. But it may not be the clear choice for some organizations because of budgetary restrictions, despite the acknowledged need for RPO expertise.



## Methodology

The survey polled 60 subscribers of *HRO Today* magazine and *HRO Today* newsletters between February 20 and March 25, 2024. Study respondents were at the manager level or above within their Human Resources departments. Respondents were screened to ensure that their organization either currently uses a Recruitment Process Outsourcing (RPO) provider and that they were familiar with the scope of services delivered by RPO providers, or that they were personally knowledgeable about the scope of services RPO providers offer.

## Highlights

*This study reveals eight key findings about HR leaders' views of the economy and RPO usage.*

- 1 Most (57%) senior HR executives view the current economic environment their organization faces as strong, while only 4% consider it weak.** This comes despite often contradictory headlines, forecasts, and political positioning about the direction of the economy.
- 2 Economic concerns result in fewer services from RPO providers for two-thirds (67%) of those contracted with one.** Short-term budget challenges often outweigh the benefits that can be obtained in an outsourced relationship. Instead, internal resources are tasked with completing needed deliverables.
- 3 The majority (54%) of HR departments do an internal assessment of the areas that are most in need of support to determine RPO SLAs.** Alternatively, just over one-quarter (29%) typically use a provider recommendation. Regardless of who takes the lead in determining SLAs, both parties must work in concert with each other to ensure success.
- 4 The TA services area considered to have the greatest importance is sourcing.** Nearly all (94%) of respondents rated sourcing as either very important or important (Top 2-box). Screening closely follows in importance, with 92% rating it very important or important. TA services includes a wide range of processes, with all the 12 examined considered very important or important by at least one-half of the senior HR executives in our sample.
- 5 The primary reason why some services regarded as important are not included in RPO deliverables is because internal resources are seen as more cost-effective.** This belief often comes despite a lack of supporting metrics related to internal costs. The second most common rationale for not using a provider is that internal resources are seen as more effective.
- 6 There is a widespread belief that RPO providers make their clients competitive for talent.** Respondents that currently use RPO were asked to rate the extent they feel their provider supplies make them competitive for talent. In total, 95% indicate that the services make them competitive for talent.
- 7 Clients of RPO services maintain a high level of trust with their provider across a wide range of areas.** Overall levels of trust are very high in key areas such as with the account executive, flexibility and scalability, and honoring commitments.
- 8 HR teams not using an RPO service provider rate themselves as having limited success delivering across an array of areas.** The area of greatest challenge for the TA function to deliver on is reporting and metrics for talent acquisition operations, rated as 2.90 out of 5.00 in terms of how well the area is addressed. This is followed by social media strategy management, with a score of 2.93 out of 5.00.

DETAILED FINDINGS

**Characterization of Current Economic Environment**

Respondents were asked to characterize the current economic environment their organization faces on a scale of very strong to very weak. For most, there is a sense of optimism, as 57% consider it very strong or strong, versus only 4% who consider it weak.

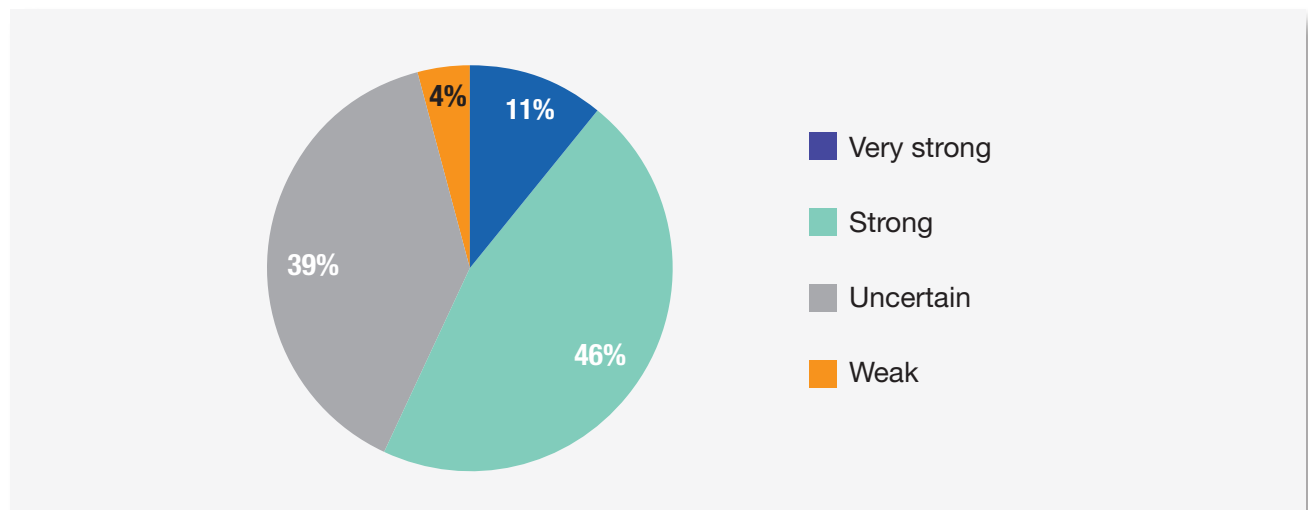
An assessment of the overall US economy depends greatly on who you ask. Inflation has fallen sharply from its 2022 highs, although it has ticked back up in the past several months. US gross domestic product grew 2.5% in 2023, significantly outpacing other developed economies, according to a January report from the International Monetary Fund.<sup>3</sup>

But even as interest rates have spiked, the labor market has stayed strong. In March, US private companies added 184,000 jobs, payroll processing firm ADP reported on Wednesday, well ahead of the

Dow Jones estimate of 150,000 jobs. It is the fastest employment growth the US economy has seen since July 2023. Additionally, the stock market has also made record gains over the past several months.<sup>4</sup>

But there is a disconnect between consumer sentiment and the state of the macroeconomy, which has been a defining characteristic of the post-COVID economy. Apparent strength notwithstanding, various measures of household and consumer sentiment suggest persistent dissatisfaction with the state of the economy. Some of this could be a result of post-pandemic inflation, a widespread lack of affordable housing, and a loss in faith about future economic prospects—including concern over the negative impact of artificial intelligence on quality jobs.<sup>5</sup>

*How would you characterize the current economic environment within which your organization operates?*





## How Economic Concerns Impact HR Provider Engagements

Study participants were asked to characterize how economic concerns impact engagements with recruitment service providers. Two-thirds (67%) of those using an RPO indicate that fewer services are used, and internal resources are tasked with completing needed deliverables. That was more than twice the proportion (26%) that use more services by providers that give infrastructures with greater flexibility.

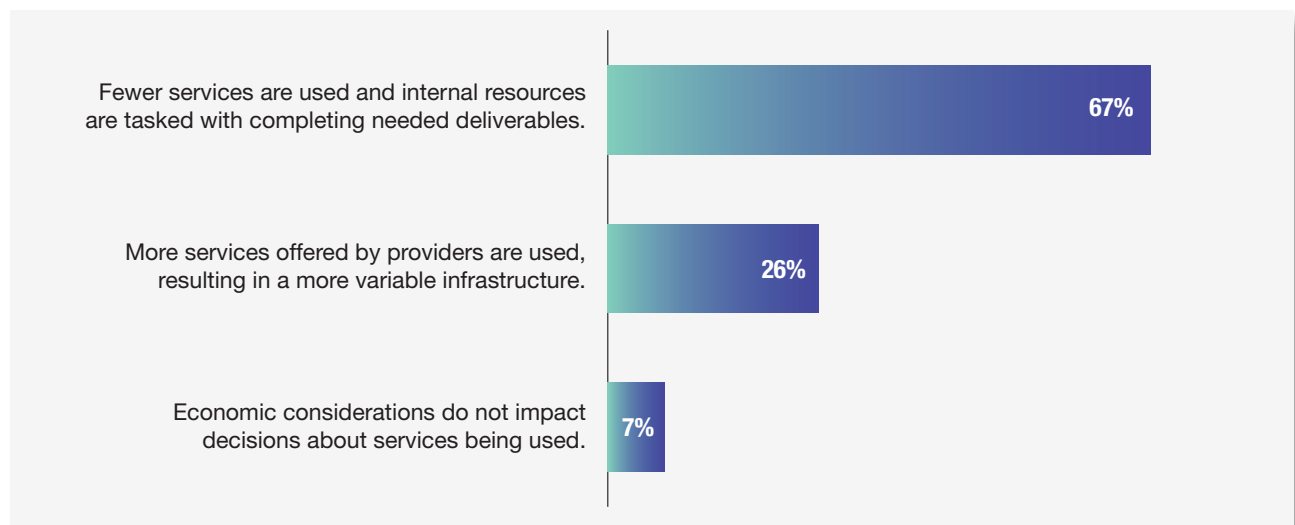
RPO can offer a cost-effective solution compared to maintaining an in-house recruitment team. By outsourcing recruitment processes, organizations can save on expenses related to hiring, training, and retaining internal staff, as well as investing in recruitment technology and infrastructure. RPO providers offer scalability and flexibility, allowing companies to adjust their recruitment efforts according to demand without bearing the fixed costs associated with an

internal recruitment team. So far, 2024 maintains a very low unemployment rate (3.8%),<sup>8</sup> so the need for workers in most industries remains very high.

Conversely, organizations may choose to focus on optimizing their internal recruitment capabilities rather than outsourcing to RPO providers during economic downturns. They may invest in training existing staff, implementing new recruitment technologies, or reallocating resources to enhance their in-house recruitment efficiency and effectiveness.

Further, organizations may face budget constraints, leading them to cut discretionary spending, including outsourcing services like RPO, and there may be decreased demand for new hires if companies implement hiring freezes, reduce workforce size, or postpone expansion plans.

*Which statement below best describes how economic concerns impact HR provider engagements in your organization in terms of consideration of recruitment services that can be offered by a provider.*



## Determination of Specific Services in SLA

Study participants were asked to characterize how they determine the services included in their RPO Service Level Agreement (SLA). Most (54%) indicate they do an internal assessment of the areas most in need of support, while 29% use a provider recommendation.

Overall, determining the scope of services in RPO contracts and SLA's requires close collaboration between the client organization and the RPO provider to ensure alignment with business objectives, clarity in expectations, and a framework for continuous improvement.

The process typically begins with a thorough needs assessment and analysis conducted by both the client organization and the RPO provider. This involves understanding the client's current recruitment processes, pain points, hiring volume, types of positions to be filled, geographical scope, and performance against benchmarked criteria. The scope of services should be scalable and flexible to accommodate fluctuations in hiring volume and changing business needs.

*How do you determine what specific services will be included under your RPO Service Level Agreement (SLA)? Examples of this could include reporting and metrics for talent acquisition operations; management of offer processes; or management of on-boarding processes, etc.*

Internal assessment of what areas in the organization are most in need of support

54%

Provider recommendation

29%

Duplication of past agreements

17%

## Importance of Areas Related to TA Services

Respondents were asked to indicate the importance of 12 different areas related to TA services. Overall, seven of the 12 items listed are considered very important or important by at least three-quarters of respondents. The area with the greatest importance is sourcing, as nearly all (94%) of respondents rate it as very important or important (Top 2-box). By sourcing qualified candidates ahead of time instead of reacting to departures, employers may be able to fill open positions faster and maintain productivity. Often a vacancy, even if it is short, can cost an organization much more than recruiting costs.

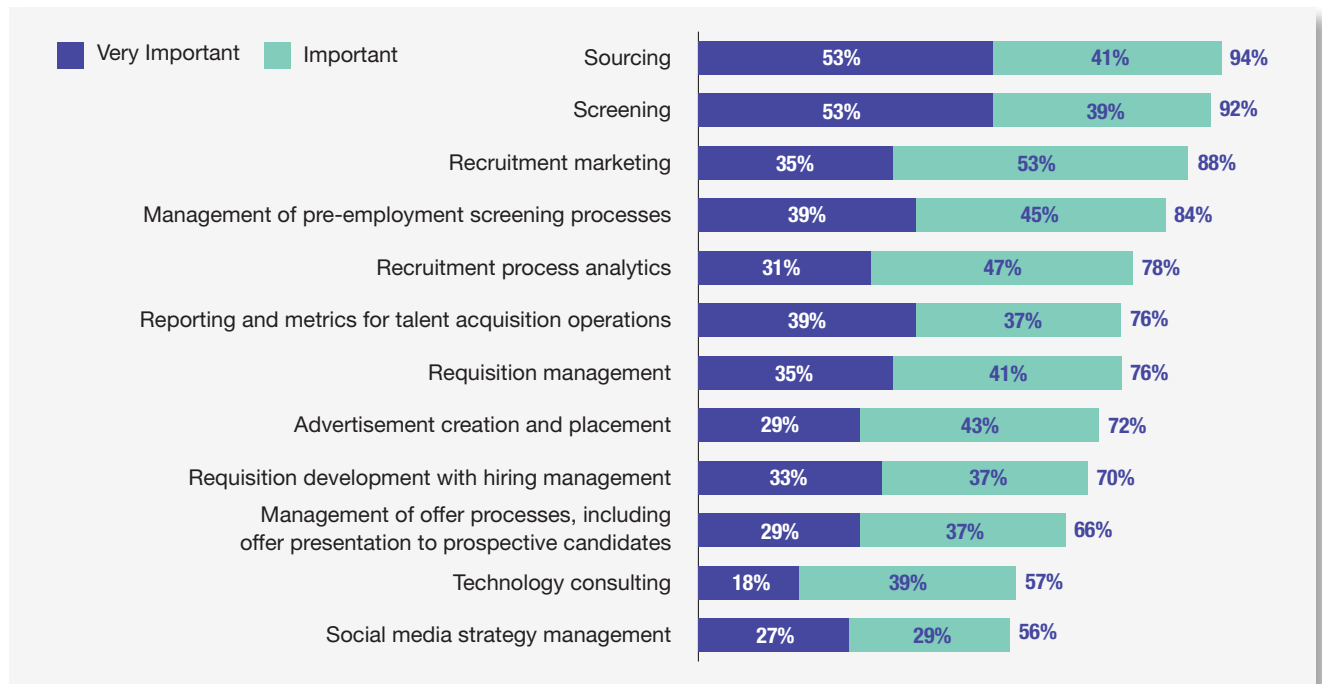
Also rated as very important or important by nearly as many as sourcing is screening, as indicated by 92%. Screening helps filter out applicants who may not meet basic criteria, saving valuable time for both recruiters and candidates and leading to a better candidate

experience. Beyond technical skills, assessing cultural fit is equally important during the screening process. And a robust screening process is instrumental in reducing employee turnover.<sup>7</sup>

Recruitment marketing is rated third most important, with 88% considering it very important or important. Recruitment marketing is the combination of strategies and tools used by an organization to engage and entice job candidates prior to applying for a position. It serves to generate interest and engage potential candidates for the talent acquisition team.

The only other area with at least 80% considering it important is management of pre-employment screening processes (84%). Pre-employment screening includes a variety of methods, including written tests, interviews, background checks, and drug tests.

*Please indicate how important each of the areas listed below are as they relate to talent acquisition services.*



## Areas Delivered by External Providers

### Base: Very important/Important TA Area

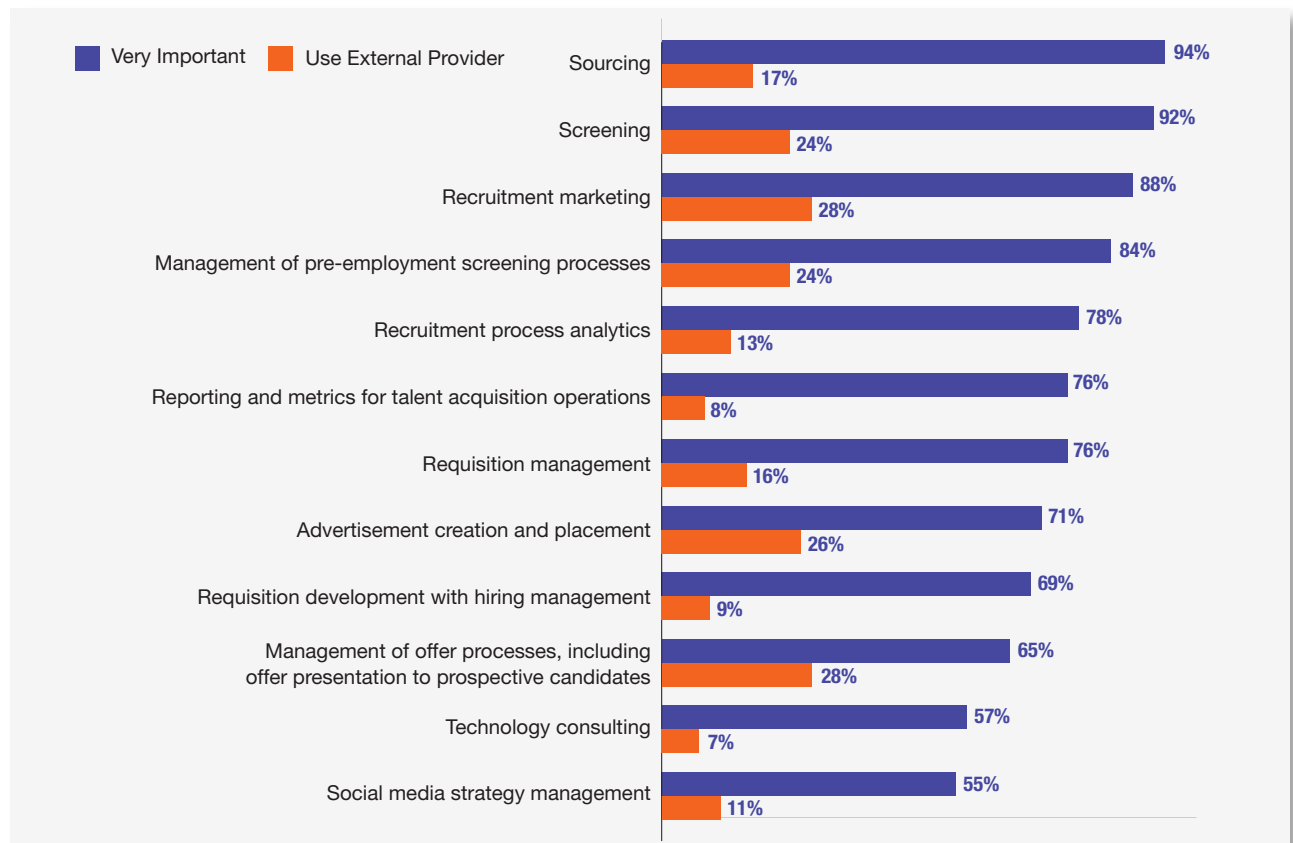
Study participants who had previously rated an area related to recruitment services as either very important or important in the prior question were then asked to indicate the areas they currently rely on or have relied on previously that are delivered by an external provider.

The graph below compares the results of this question with those that considered the area very important or important. Overall, there is a clear pattern. Despite the importance of some areas, a low percentage use

external providers for support in delivering them. Those areas with the largest gap between importance and use of an external provider are sourcing, requisition management, screening, recruitment process analytics, and requisition development with hiring management.

Talent acquisition professionals need to explore all possible avenues to optimally achieve their deliverables, while external providers must focus on delivering on those areas most important to TA professionals.

*Which areas below do you currently rely on or have relied on previously to any extent that are delivered by an external provider?*





## Rationale for Not Including Select TA Services

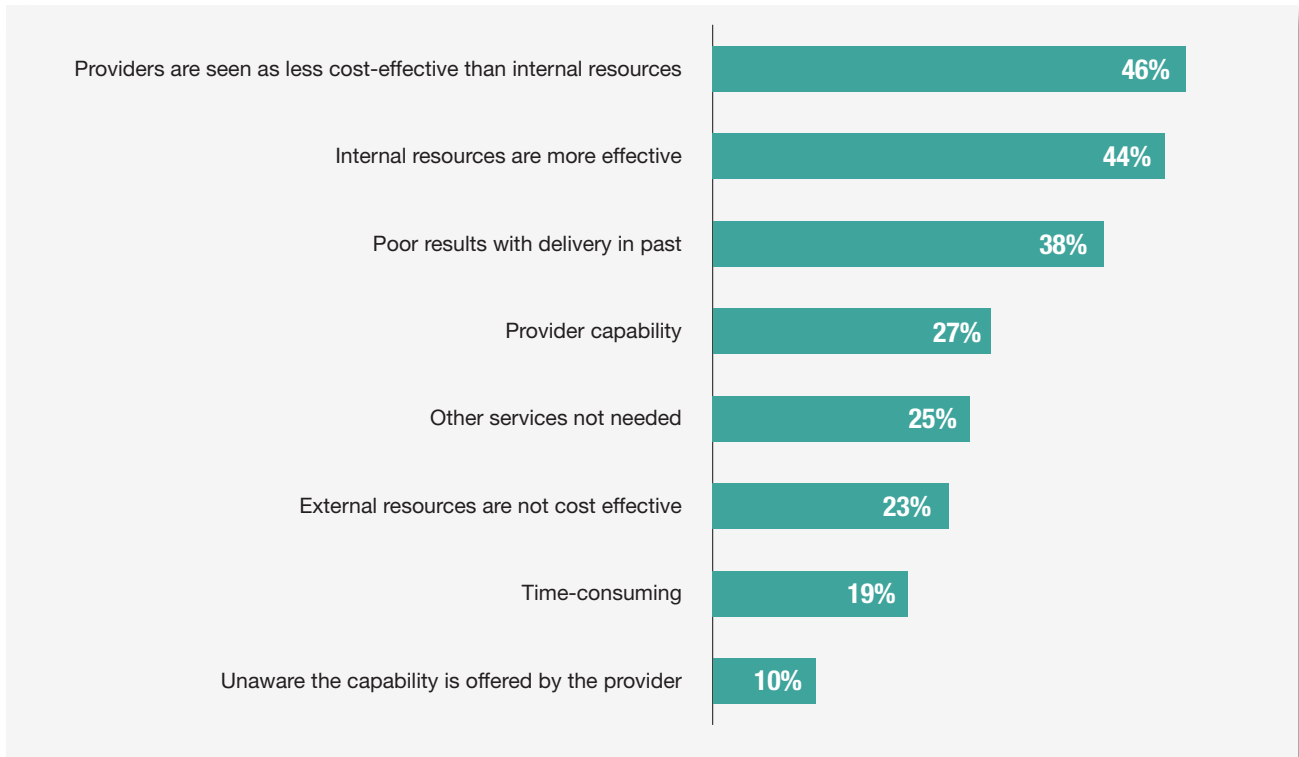
All study participants were asked to select the reasons from a list of eight that reflect their rationale for not including services from an RPO provider that are important to them. Responses varied considerably, with no one reason indicated by more than one-half of respondents.

The reason most often included is that providers are seen as less cost-effective than internal resources, as indicated by just under one-half (46%) of respondents. Justification for the investment in external resources is always paramount in any outsourcing arrangement. It is straightforward to track direct costs to outside providers, but internal costs can be more nuanced.

Those areas often revolve around the opportunity cost of what else HR can focus on instead of recruiting, such as strategic workforce planning or training. The cost of not having someone in the recruitment role should also be factored in where possible, along with various measures of quality of hire, such as productivity and retention.

The second most common justification for not using a provider is that internal resources are seen as more effective. Properly established KPI's that are included in the SLA can compare provider performance to internal benchmarks and industry norms.

*What are the reasons you don't include some services from an RPO provider that are important to you?*



## Extent Provider Services Advance Competitiveness for Talent

### Base: Currently use RPO

Respondents that currently use RPO were asked to rate the extent they feel the services their provider supplies make them competitive for talent.

In total, 95% indicate that the services make them competitive for talent, with most of that group (67%) indicating a large extent of competitiveness.

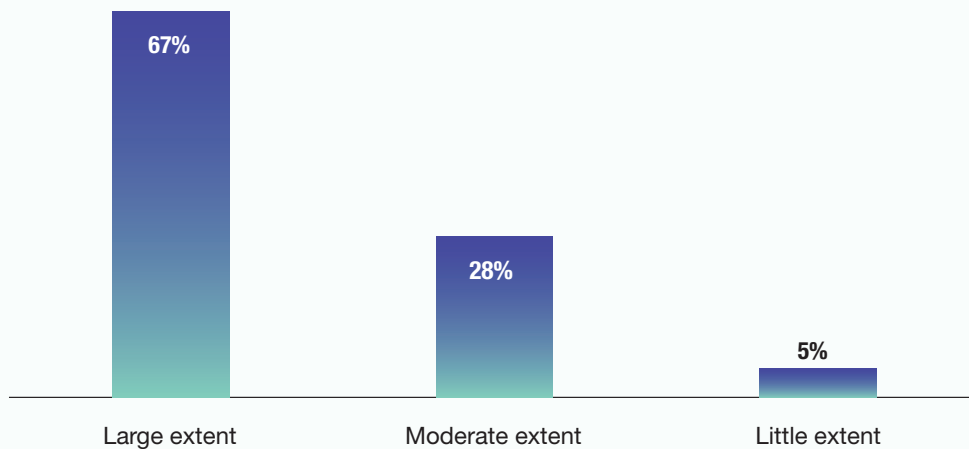
RPO's can make organizations more competitive for talent in several ways, including:

- **Specialization**—RPO providers focus on TA with dedicated teams focused solely on sourcing, screening, and hiring candidates. This can lead to more efficient and effective recruitment processes

compared to in-house teams that may have multiple responsibilities.

- **Broader access to talent pools**—This broader reach, which often includes passive candidates, increases the likelihood of finding the best-fit candidates for the organization.
- **Data-driven insights**—The best RPO providers utilize data analytics and reporting tools to track recruitment metrics and performance. These insights enable organizations to make informed decisions, identify areas for improvement, and optimize their talent acquisition strategies over time.

*To what extent do you feel the services you currently get from your provider allows you to be competitive for talent?*





## Level of Trust with Current Provider

### Base: Currently use RPO

Study participants were asked to rate their level of trust with their current provider across a series of eight areas on a scale of fully trust, moderate trust, limited trust, and do not trust. Overall, the level of trust is high, with an average of 84% across the eight areas expressing fully trust or moderate trust.

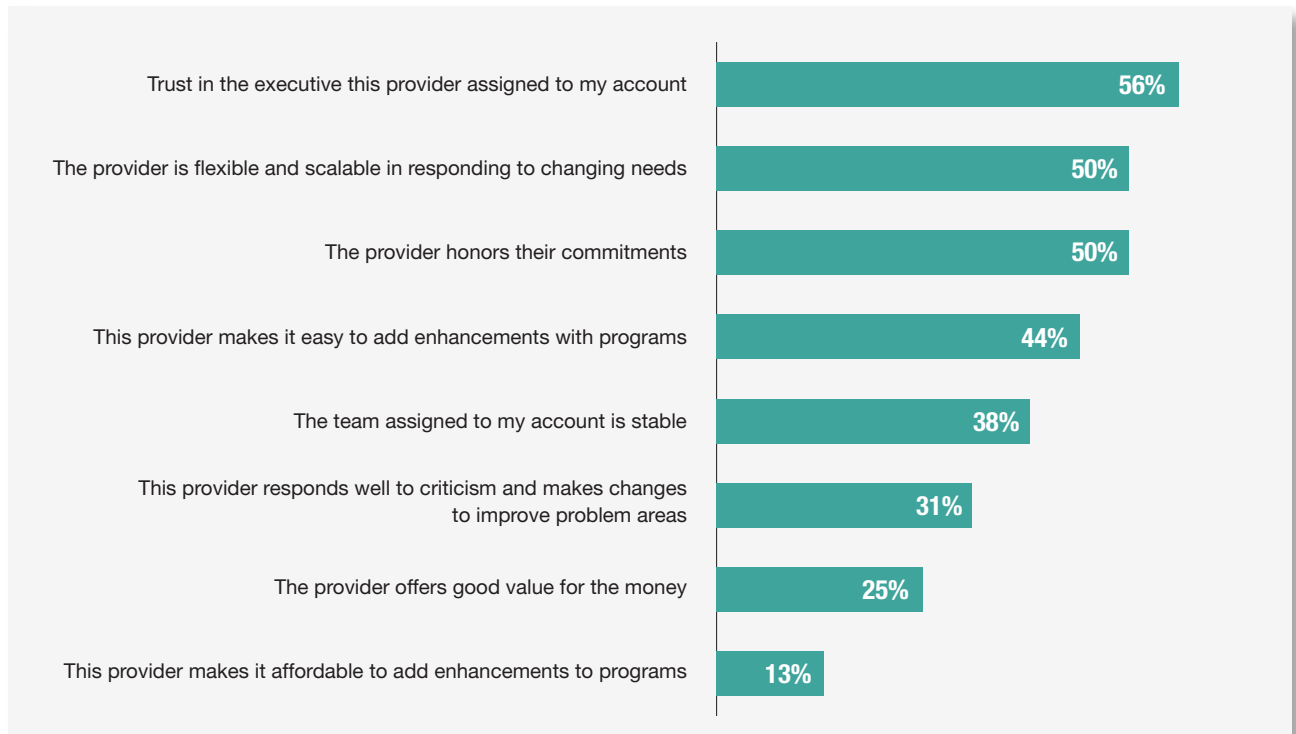
But there is a greater range of responses when just examining the percentage that fully trust their provider across each area. Overall, just over one-half (56%) fully trust the executive assigned to their account. The 2023 HRO Today Baker's Dozen RPO survey shows that this area's importance is a high 4.70 out of 5.00

and highly correlated with intent to renew the contract with the provider.

The provider is flexible and scalable in responding to changing needs is an area that one-half (50%) fully trust their provider. Flexibility is one of the major benefits of engaging an RPO, particularly in times of economic uncertainty.

The last area with at least one-half fully trusting their provider is honoring commitments (50%). Honoring commitments is closely tied to meeting the requirements of the SLA as well as trust in the account team.

*Please indicate your level of trust with your current provider for each area*





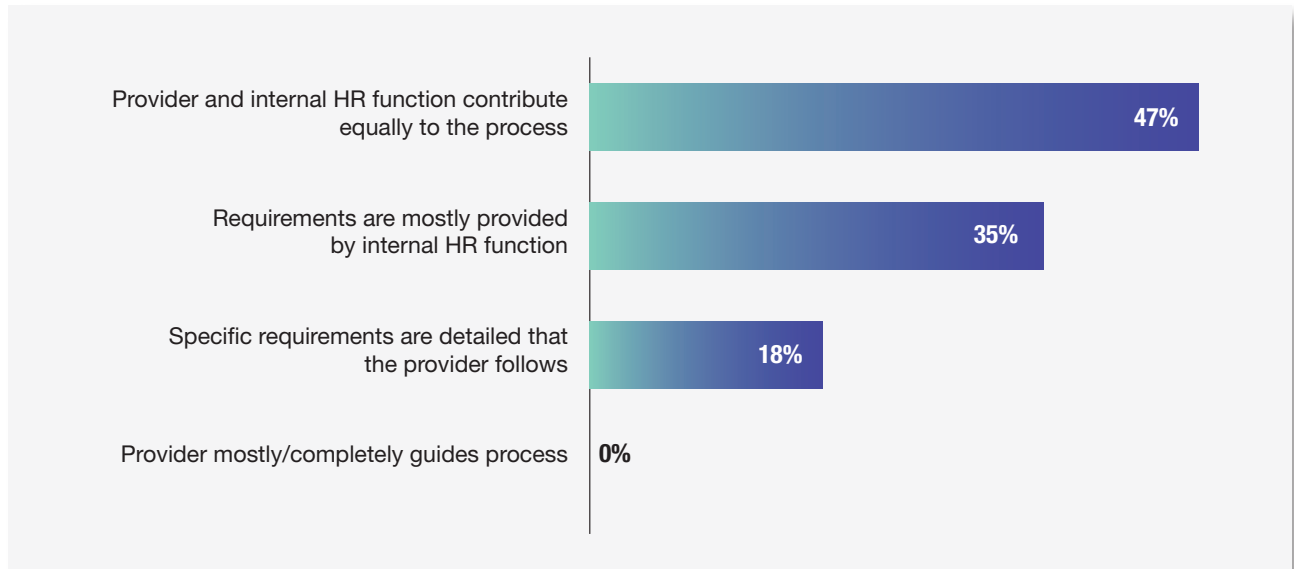
## Roles Played During RFP Process

Respondents were asked to select the statement that best represents the balance of roles played by the internal HR function and the provider during the RFP process.

Overall, nearly one-half (47%) indicate that the provider and internal HR function contribute equally to the process, the most indicated option. Just over one-third (35%) indicate that requirements are mostly provided by the internal HR function.

It is important both parties are as involved as possible in the RFP process. This partnership from the onset reflects the needs of the client organization, builds equity in the relationship for both parties, and ensures a greater understanding of what is in the SLA. It also increases accountability to ensure the relationship is optimized.

*Which statement below best characterizes the engagement in terms of roles played when undertaking the RPO RFP process?*



## How Well Organizations Deliver on Areas Related to TA

### Base: NOT Currently using an RPO

Study participants that were not currently using an RPO service provider were asked how well their organization delivers on a series of areas related to talent acquisition, using a scale of one to five. Overall, the survey revealed a very mediocre average score of 3.31 out of 5.00 across all 12 areas.

The area with the lowest average score (2.90) is reporting and metrics for talent acquisition operations. However, this area was previously rated as an important part of TA deliverables, with an average score of 4.00. Metrics allow organizations to evaluate the effectiveness of their talent acquisition efforts. By comparing key metrics over time, companies can assess whether their recruitment strategies are improving or if adjustments need to be made.

Social media strategy management has the second lowest average score (2.93). Unlike reporting metrics for TA acquisition, this area was previously shown to have the lowest level of importance (average score

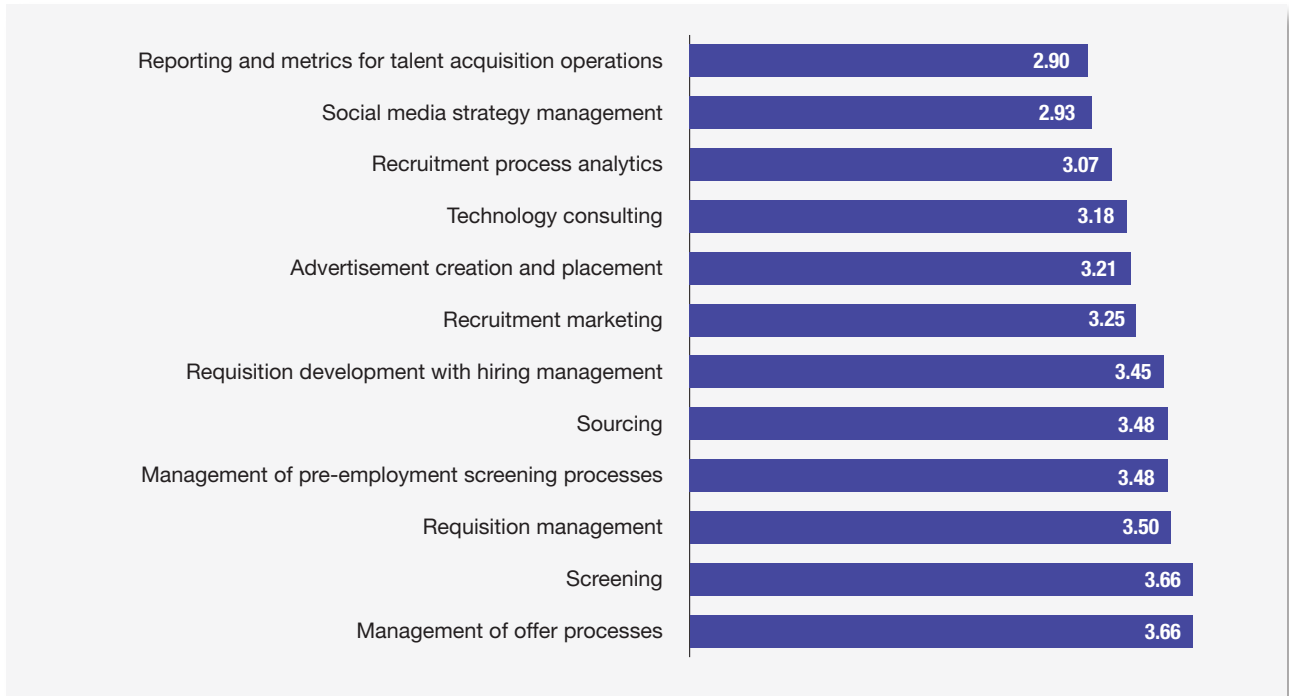
3.65). But the lack of both importance assigned to the area as well as ability to deliver understate what can be accomplished. Effective social media strategy management in talent acquisition can significantly enhance recruitment outcomes by increasing reach, targeting the right candidates, strengthening employer branding, facilitating engagement, and providing valuable feedback for continuous improvement.

Conversely, the areas respondents feel they deliver best is in management of offer processes, including offer presentations to prospective candidates, and screening. The average score for these two areas is 3.66. Management of offer processes is among the least important areas identified, while screening is among the highest, with an average score of 4.43. It is essential that an RPO provider meets the needs of their clients in this area, both because of the high importance of the service as well as the client's own capacity to deliver in this vital area.





*How well does your organization deliver each of the below areas related to talent acquisition?  
Base: NOT Currently using an RPO*



## Conclusions

While opinions about the current economic environment vary, most HR executives in the study maintain a sense of optimism about it. This is important in examining the relationship between RPO providers and clients, as poor economic conditions are likely to result in fewer services required from providers.

RPO offers flexibility for many TA practitioners who may feel their current efforts are less than ideal. However, the solution is not always embraced, since budgetary and performance concerns outweigh the potential benefits that can come from a well planned and executed relationship.

## Notes

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