

MEDIA CONTACT:

Kelly Cartwright
+1 (877) 639 6262
kelly.cartwright@futurestep.com

SHORTLIST: RPO LIKELY TO BENEFIT IN ECONOMIC DOWNTURN

February 26, 2008 --Rather than slow the movement to recruitment process outsourcing, an economic downturn might accelerate the trend, according to executives in the sector.

Writing in the latest issue of the US publication *Workforce Week*, managing director of research with global HR consultancy EquaTerra Stan LePeak said a recession increased pressure on employers to cut costs and extract maximum value from their suppliers.

While many US HRO providers were now focusing on "strategic value" and competitive advantage in marketing their services, in a recession employers were more likely to want to hear about cost savings, LePeak said.

"They can't just talk about 'innovation' and 'transforming processes'. Companies want to hear about cost reductions or about the possibility of shifting workforces to make the costs more variable."

RPO gaining speed in local market

Talent2 managing director John Rawlinson said that in Australia he was seeing a marked increase in the number of companies looking into outsourced services - but he didn't attribute this to fears of a downturn.

"HRO is relatively new, and what we're seeing is more and more organisations are embracing it." If the economy did start to slow down significantly, it would probably prompt more companies to join the trend, Rawlinson told *Shortlist*.

"What you will see is that organisations will start to look for other ways of increasing their efficiency, and one of those will be to ask their suppliers to add more value."

Streamlining HR and payroll were proven ways for a business to cut overheads, Rawlinson said.

"One of the drivers of outsourcing is to reduce cost, reduce headcount and become more efficient. So if that need is heightened in an economic downturn, then that's a good reason why this area will stay in demand."

Futurestep Australia managing director Sue Tuffley said she expected the strong trend for Asia Pacific employers to move to RPO arrangements to continue, even if there was a slowdown in the labour market.

She said RPO arrangements gave employers more predictability and control over their recruitment budgets, which was desirable in a downturn.

However, it wasn't the threat of a downturn which was driving the uptake of RPO, Tuffley told *Shortlist*.

"It's definitely not that people are ringing us up saying - 'There's going to be a recession, let's outsource'."

It was more a case of employers looking for more strategic recruitment systems, she said, with sophisticated sourcing, candidate relationship management and cost control measures like performance pricing and transparent hiring metrics on cost and quality.

Asia Pacific escaping the slump for now

Rawlinson said without doubt a slowdown was already happening in the northern hemisphere and it would ultimately have an effect on the Asia Pacific region.

"So it's really just a matter of speculation as to what impact it has."

But he said Talent2 had seen no evidence yet of a slump in the region, where it had picked up two multinational investment bank clients in the past two months.

"The financial services sector is at the forefront of any sub-prime turmoil, and they're [choosing] to outsource recruitment processes, because they're saying we're going to continue to hire people in Asia and we want to have the best model."

Although employers were staying watchful, anecdotally there was little pessimism in Talent2's client base, Rawlinson said.

"And the message from our guy in the US is that there's a lot of noise about [a recession] but actually on the ground, in business, it really hasn't been dramatic in any sense yet. So that's the big question mark."

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Korn/Ferry International, with more than 80 offices in 39 countries, is a premier global provider of talent management solutions. Based in Los Angeles, the firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent. For more information on the Korn/Ferry International family of companies, visit kornferry.com.

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