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Online Marketplaces as a Tool to Improve Outsourced Recruitment Efficiency: A Case Study of Ahoy Employ

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Abstract

Growing small businesses and large corporations alike, now more than ever before, are paying attention to reducing operating costs in parallel with finding new value streams to increase revenue. This article argues that online marketplaces are an effective tool to improve outsourced recruitment efficiency. Specifically, the authors describe the work that Ahoy Employ is doing to disrupt and change the recruitment industry.

Outsourced recruitment agencies have a reputation for being expensive and the cost is prohibitive to small- and medium enterprise (SME) who have restricted cash flow. Typically, placement fees are in excess of 20% of a candidate's annual compensation package. Small (< 20 employees) and medium enterprise (< 100 employees) account for 90% of private sector workforce employment,¹ but owners or office managers typically do not have time to screen large volumes of candidate resumes received

through job boards, nor the confidence or expertise to ensure a good hire is made. It is a large and under-served market.

The recruitment industry is not regulated in Canada, resulting in high variability of service levels provided between professionals in the industry. The Canadian Job Bank states that there are approximately 38,000 Human Resources and Recruitment Officers in Canada as of 2014.² In Canada, there are two primary HR generalist designations (the CPHR and the CHRP) and one recruitment designation (RPR). The Chartered Professionals in Human Resources provincial associations across Canada govern the CPHR designation, and represent approximately 18,000 members across Canada.³ The Human Resource Professionals Association (HRPA) governs the CHRP, CHRL and CHRE designations, and represents 13,980 members, primarily in Ontario.⁴ In addition, the Association of Professional Recruiters of Canada (APRC) issues the Registered Professional Recruiter (RPR) designation to individuals who complete a 20-hour online course and exam. Approximately 1,400 recruiters have achieved this designation across Canada to date.⁵ Optimistically assuming that professionals will only hold one designation, this represents approximately 88% of HR and recruitment Professionals in Canada with a formal designation. But these designations are not required by law, meaning that anyone can call themselves a Recruiter or HR Professional and have no professional accountability while doing so.

For companies where cost is of less concern, the challenge lies in identifying recruiters who can rapidly provide high quality candidates. Hiring managers obtain peace of mind that a particular recruiter will actually deliver, based on an existing relationship of trust - trust that is earned by recruiters having a good reputation, social proof provided by word-of-mouth, an established network in a particular industry/city and predictable level of professionalism. When hiring for “hard to fill” roles or in an industry in which the hiring manager has no existing recruiter relationships, the challenge is to identify which new recruiter to engage with. In this scenario, hiring managers search the web for specialized industry recruiters or become vulnerable to cold calls from agencies, and need to invest a significant amount of time in building a relationship to vet the newly found recruiter and establish trust.

For large companies, the cost of traditional outsourced recruitment agencies is not prohibitive and they typically have Master Service Agreements (MSA) with large agencies giving them access to recruiters who specialize in a multitude of industries. However, large companies are compelled to reduce operating costs now more than ever before. For example, WestJet has shown the importance to their business to reduce operating costs as a means to increase revenues and profits through the launch of their new ultra-low cost airline, Swoop.⁶ In addition to the cost factor, procurement processes and vendor management are painful tasks for hiring managers of large corporations: they must navigate countless internal bureaucracies to get these done to their internal corporate standards.

Introducing Online Marketplaces as a New and Emerging Tool for Recruitment

As technology has developed over the last decade, more companies choose to use online resources as a means of streamlining business processes. Online tools have already become increasingly invaluable to

recruitment professionals. With Applicant Tracking Systems (ATS) and social media (particularly LinkedIn and Facebook), information technology has aided organizations to disseminate information quickly, store data conveniently, make strategic business decisions and even maintain international business connections. Online technology has clearly integrated itself into every business process, helping organizations manage operations more efficiently.

Online marketplaces have democratized the world as people are able to use the opinions of real customers, and buy or sell products and services anywhere in the world. The latest examples of online marketplaces combine the efficiency of technology with real world services such as transport (Uber), accommodation (Airbnb) and on demand workers (Upwork). They uplift their respective industries because they make services more accessible to every kind of customer, large or small, and they promote accountability and transparency.

Companies are realizing that the benefits of an online marketplace can now also be applied to professional services. Until recently, the best professional services were only accessible to large companies who could afford the retainers and fees of big name recruitment, law and consulting firms. Now, with online marketplaces, even small companies can access the best in the business, and pay a more equitable fee. One of the most valuable professional services is recruitment, with the employment industry contributing to over \$13 billion to Canada's GDP in 2015.⁷

Online recruitment marketplaces have already been operating in the U.S.A., U.K. and Australia since the early 2010s. In Canada, first movers include Australian firm, *The Search Party* having entered Canada in 2015,⁸ truly Canadian start-ups *Direqlink* (2017),⁹ and *Ahoy Employ* (2017).¹⁰ Small businesses are now able to access excellent recruitment services on an ad-hoc basis and access quality candidates that were previously only reachable to large corporations with big spending accounts. On the flip side, these online platforms provide recruiters with the tools to leverage their word-of-mouth referrals from existing customers to connect with businesses actively hiring in their industry, ultimately allowing them to compete where previously only the big-name agencies would.

Alternatives

Hiring Managers have a number of alternative options to hiring new team members. A number of those options are discussed below, along with the advantages and disadvantages of each.

Job Boards

Job boards are online websites that aggregate job postings (i.e. Workopolis, Indeed, Monster etc.). Job boards were first created to hire general workers but this has changed in recent years. These sites are often the first choice for employers looking to hire in any industry and almost every level except C-suite executive positions. Job boards are relatively low cost: under \$50 per job posting, and many are even free. But, they come at a price: they are typically difficult to navigate and require a significant amount of time to filter through the large volume of applications.

Additionally, there are so many job postings on job boards that it can be difficult for quality candidates to navigate through the noise of thousands of postings to find a job that really matches their qualifications, interests, and potential. This then drives down the quality of applications received.

Considering this high volume yet low cost, return on investment is perceived to be high since organizations receive hundreds of applications for a single position; however, quantity does not offer a guarantee on the quality that employers are looking for. Job board postings tend to work best for employers looking to fill general administrative or labour positions.

Specialized or niche job boards, such as those of industry associations like APEGA for engineers in Alberta or CPA for accounting professionals, have become staples for both employers and recruiters to invite specialized candidates to apply. While these often cost a little more, the quality of applicants is significantly higher.

Advantages of job boards:

1. Low cost
2. Professional association job boards provide high quality candidates
3. High volume provides multiple candidates for general administration and labour jobs

Disadvantages of job boards:

1. High volume of applications requires significant time and resources
2. High ratio of low quality applications
3. Almost impossible to fill high skilled labour roles

Social Media (LinkedIn)

Gone are the days when recruitment agencies maintained extensive candidate databases (that very quickly became outdated). LinkedIn revolutionized the candidate search for employers and recruiters alike by allowing candidates to maintain their own data – so it is always up to date. Agency recruiters and in-house recruiters both use LinkedIn's premium features to perform targeted searches and reach out to passive job seekers.

In addition to LinkedIn's search functionality, companies are also able to use it as a job board. Although at least 10 times more expensive than the traditional job board, LinkedIn improves the quality of applications by matching candidates to jobs and encouraging them to apply.

However, searching for and reaching out to passive job seekers on LinkedIn requires time, and even more skill to get candidates to actually reply.

Advantages of Social Media (LinkedIn)

1. Targeted candidate search
2. Higher quality applications than those received on other regular job boards
3. Much cheaper than outsourced recruitment

Disadvantages of Social Media (LinkedIn)

1. Requires significant time and skill to compile a shortlist of eligible and interested candidates
2. Cost of Premium accounts and LinkedIn Recruiter seats are significantly more than job boards

In-house Recruitment

Medium and large companies typically employ an in-house recruiter, or Human Resources Professional with recruitment duties, when the company reaches approximately more than 100 employees. The main driver is cost: by recruiting in-house the company saves on the fees associated with outsourced recruitment agencies. In other words, the cost of the recruiter's annual salary will be less than the cost of paying for other recruitment methods each year. These recruiters often use job boards and social media as the first step in recruiting.

The greatest challenge for in-house recruiters lies in filling niche roles in which he or she does not have an established network reach or industry knowledge. For example, consider a large financial institution in Alberta hiring a Finance Innovation professional. An in-house recruiter in Calgary may have an extensive network in oil & gas, but insufficient reach into a network of finance industry leaders who would typically be found in Toronto, Canada's finance industry headquarters. In-house recruiters are often criticized by hiring managers for being notoriously slow to hire as they are weighed down by daily administrative tasks and have little motivation or reason to deliver quickly.

Advantages of In-House Recruitment

1. Lower cost than outsourced recruitment
2. Can make use of job boards, social media and industry network
3. Able to recruit employees that match the organization's culture

Disadvantages of In-House Recruitment

1. Only effective for large organizations (cost vs. value)
2. Limited reach for "hard to fill" roles and niche industries
3. Long lead time to hire

Outsourced Recruitment

While this is by far the most expensive alternative, outsourced recruitment has proven to deliver the highest quality candidates in the shortest time-to-hire. Why? Because outsourced recruiters work only on roles within the industry in which they have deeply entrenched relationships and an established network. They are also motivated to deliver rapidly as their income is contingent on successful placement of their candidate (they do not get paid until a candidate is placed successfully). In addition, they often compete against other recruiters working to fill the same vacancy, encouraging short lead times to present a shortlist of qualified and suitable candidates.

Using a recruiter with a greater talent reach, in another city, for example, increases the odds of a hiring success. It is the most convenient solution as the hiring company does not need to create any advertisements on job boards and filter through the high volume of applications, actively seek and engage with candidates on LinkedIn, nor perform any of the pre-screening calls and background checks. In addition, most outsourced recruiters offer some form of a guarantee to the organization, if the candidate does not work out (exact terms are negotiated in the agreement).

For larger companies, employing an outsourced agency also requires a lengthy vendor acquisition process including a Request for Proposal (RFP) and multiple, tedious contract negotiations.

Advantages of Outsourced Recruitment

1. Less hassle for the Hiring Manager
2. Quick and effective

Disadvantages of Outsourced Recruitment

1. Procurement process and initial negotiations can be time consuming
2. Expensive

Vendor Management System (VMS)

Experts estimate that services outsourced to non-employees can consume anywhere from 30% to 60% of all company spending. An example of a VMS, SAP's Fieldglass, manages service engagements of independent contractors and business services, such as recruitment.¹¹ Typically, large companies rely on VMS solutions to simplify the processes related to services, including sourcing, collaboration and contract negotiation, management and evaluation, invoice and approval and spend management. These solutions reduce hassle for company stakeholders while also promising cost savings from 8-12% in the first year.

However, a VMS removes control of company stakeholders to work with the vendors they choose. They are instead limited to work with those dictated by the VMS agreements. While a VMS does provide peace of mind for contract audits, it typically uses cost centred performance metrics in choosing vendors, rather than the expected or known service level, or value of existing relationships between the company and vendors. Figure 1 outlines the typical VMS relationship, highlighting the multiple unique contracts to be managed.

Advantages of VMS

1. Hassle free
2. Quick, effective

Disadvantages of VMS

1. No flexibility to work with vendors outside of the VMS
2. Cost dictates vendor relationships with little consideration given to service levels or relationships

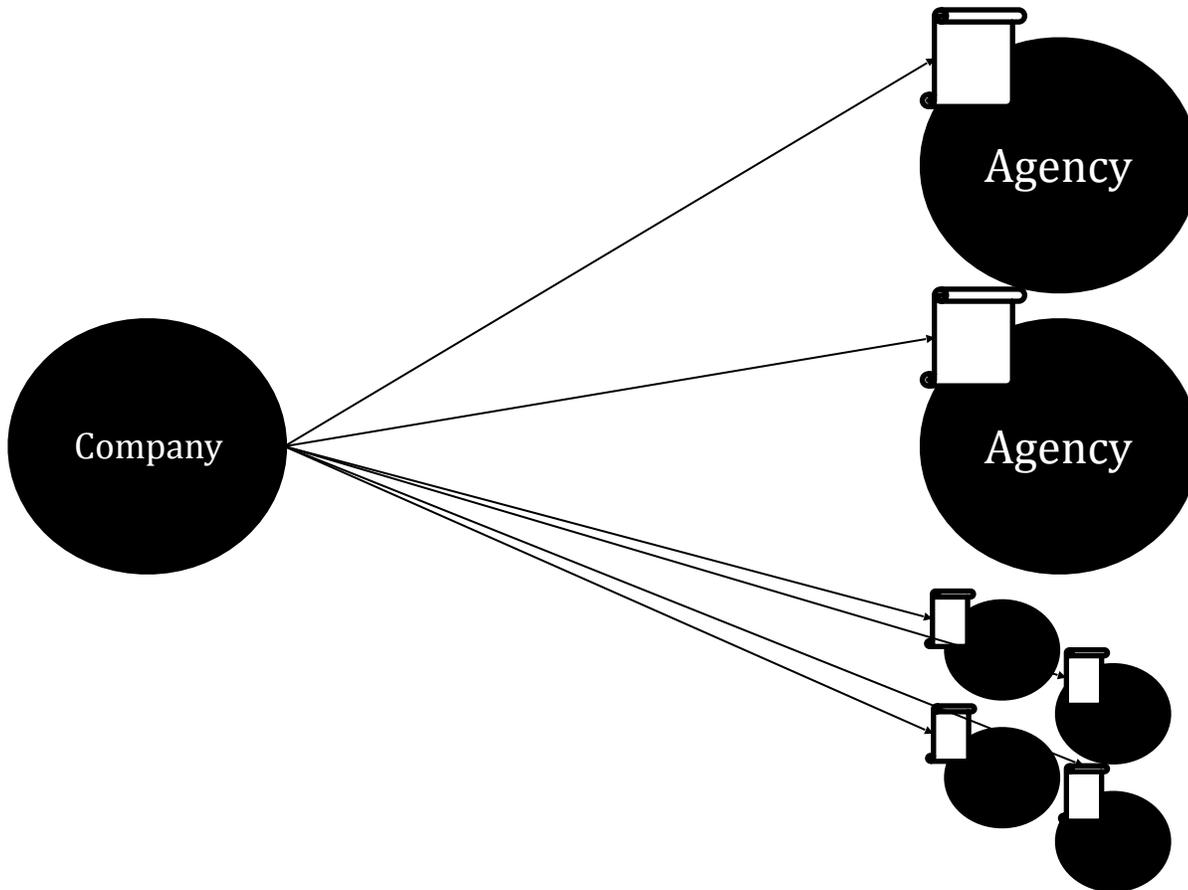


Figure 1 - Vendor Managed Services and Master Service Agreements

The Solution: An Online Recruitment Marketplace

The online recruitment marketplace provides the benefits of a VMS with additional flexibility to engage with vendors outside of Master Service Agreements (MSA). Rather than doing this by forcing vendors to reduce fees, it enables engagement with independent vendors who typically charge a more equitable fee.

This then enables employers to hire top quality candidates quickly *and* more affordably. For smaller companies, rather than using job boards, they can now find exceptional talent by outsourcing recruitment without the traditionally high fees, by using the online platform. Figure 2 outlines the recruitment marketplace structure, highlighting access to multiple vendors beyond the MSA, and only a Single Service Agreement and invoicing stream - with the marketplace.

For the purpose of this article, we will expand on Ahoy Employ: a Calgary, Alberta based online recruitment marketplace.¹² Ahoy Employ connects employers with Trusted & Verified™ recruiters who want to attract qualified leads. The solution reduces the risk associated to engaging with independent recruiters who provide equally exceptional recruitment services as the big name agencies, but at a more honest, straightforward and reasonable price.

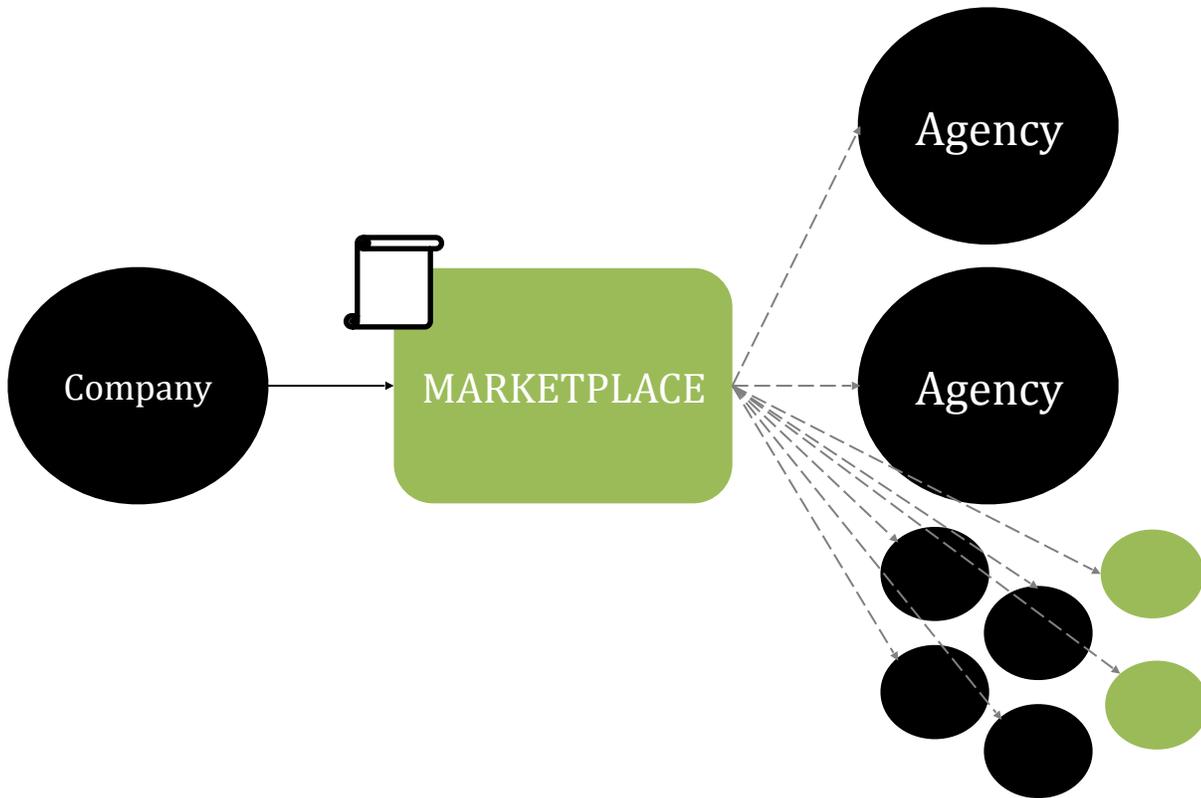


Figure 2 - Online Marketplace with a Single Service Agreement and access to Additional Agencies

How Ahoy Employ works:

1. The employer posts a vacancy and sets the placement fee on the web platform, in confidence.
2. Ahoy Employ instantly recommends the best suited recruiter(s) by matching the vacancy location, industry, fee, and service agreement terms with the profiles of its associated recruiters.
3. The employer can view recruiters' video profiles & ratings and reviews from other companies, and choose which recruiter(s) to engage with.
4. The chosen recruiter(s) receives an invitation to engage and can choose to 'Accept' or 'Reject' the job order. If 'Accepted', the employer and recruiter's contact details are made available to each other in order to provide direct engagement and open communication.
5. Recruiter(s) submit candidate resumes via Ahoy Employ where employers can view them, then 'Reject' or 'Invite for an Interview'.
6. The platform facilitates instant messaging between employers and recruiters to provide rapid feedback and ensure accountability during the entire recruitment process.
7. Following a successful hire, employers rate and review recruiters they have worked with on the platform.
8. Ahoy Employ invoices the employer and pays the recruiter.

Each recruiter on the platform goes through a high caliber background screening before they earn the Trusted & Verified™ badge, and are able to accept and perform candidate searches. One major benefit of this solution is that vendors are implicitly held accountable. Similar to other platforms like Airbnb, Ahoy Employ relies greatly on a ratings and review system to provide honest customer opinions. It ensures hiring managers are confident in the recruiters they are engaging to perform job searches: that are trusted, verified and have a proven track record to deliver. This rating system of recruiters does not currently exist on any other platform. Instead, the only way to evaluate the true effectiveness of a recruiter is through anecdotal conversations with other companies.

Ahoy Employ promises the advantage of reduced outsourced recruitment costs like a Vendor Management System, but with the added flexibility to work outside of Master Service Agreements. This flexibility, coupled with access to trusted independent recruiters who charge a more honest fee, promise huge cost savings for large companies.

Lastly, the online platform eliminates any administrative hassle by neatly storing all recruitment related contracts, resumes and conversations in a single place, with a single invoicing stream.

Ensuring Success

In order for online recruitment marketplaces to be successful, a variety of conditions need to be met. First, it needs to establish that it is a place that both employers and recruiters can trust. Employers need to know that they can find reputable recruiters on the platform and recruiters need to know that they will have the opportunity to have access to employers seriously looking to fill positions.

Second, it must allow for transparency and direct engagement between employer and recruiter. The online marketplace needs to establish an environment of rapport where employers can engage with recruiters directly and where each party can present the other with feedback or questions. Bounty Jobs, a U.S. based recruitment marketplace does not allow employers and recruiters to communicate directly, creating doubt as to the transparency within the platform. e.g. A recruiter does not know whether a candidate has in fact been rejected by the employer, or whether Bounty Jobs has simply collected 100% of the placement fee. The platform has since lost repeat among recruiters.¹³

Third, the marketplace needs to facilitate relationships that are mutually beneficial to both parties involved. Another drawback of Bounty Jobs is that relationships on the platform are strictly transactional, one sided (in the employers' favour on their preferred terms). This creates a lack of trust and commitment on both sides of the marketplace. Trust, rapport, and solid relationships are critical to the proper functioning of a marketplace.

Finally, for the platform to provide the same control as Master Service Agreements do in a VMS, the platform must allow procurement and management to set limits on maximum fees and minimum service terms.

Summary



There are many reasons why employers want to adopt the online recruitment marketplace:

1. *Affordability.* For large companies, reducing unnecessary recruitment costs is key, while smaller, growing businesses need to conserve cash flow.
2. *Reduced risk.* Employers have peace of mind by seeing reviews of recruiters. This allows the employer to have confidence in the credibility of the recruiters engaged, providing assurance that the recruiter will deliver.
3. *Higher quality and reduced time-to-hire.* Employers have access to a larger talent pool as they are able to engage with multiple, vetted recruiters who have their nose to the ground with a local network of qualified candidates. When employers have access to a network of recruiters that can quickly find them top quality candidates, it leads to rapid quality hires.

There are also a number of reasons why recruiters want to adopt the online recruitment marketplace:

1. *Get leads.* When recruiters use this platform, they instantly get invited to engage on vacancies posted by employers. Every recruiter is given an equal opportunity to get new leads. This is another way to get qualified leads without the need to cold call or book appointments with employers.
2. *Build relationships.* Recruiters are able to communicate directly with employers and develop relationships with them. This gives the employers the opportunity to use the same recruiter for any future employment needs they might have through the platform.
3. *Boost brand and reputation.* The online marketplace is an excellent place for new recruiters to gain more exposure. It can be tough to stand out from the crowd. The platform boosts their brand by promoting them to employers in their target market. Highly rated recruiters can use their ratings to market themselves, much like a restaurant might tout its ratings on TripAdvisor.

The online recruitment marketplace strives to simplify the process for employers and recruiters by connecting the two matched on the basis of an agreed-upon price within mutually beneficial terms. It levels the playing field such that small and medium companies have access to the same talent that large companies have. Companies like Ahoy Employ are empowering honest, independent recruiters who ooze passion for their job to compete with industry giants, at an honest price.

The solution drastically reduces administrative hassle and time required to negotiate and compile service agreements by automatically generating online agreements with binding guarantees so that each party is held accountable. In vetting and verifying recruiters, the platform saves the employer from having to take the time to do their own due diligence, and promises to reduce the cost of outsourced recruitment by reducing the risk of engaging with an independent recruiter.

About the Authors

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Endnotes

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