



Using Recruiters, Employment Agencies or Headhunters

Introduction

There are three types of recruiters (also known as headhunters, search firms and, more grandly, executive search firms) and they work in a number of different ways:

1. **Contingent recruiters.** The majority of recruiters work on a contingency basis. You give them your job description and they send you candidates, if you hire someone you pay them a fee ranging from 12% to 30% of the first year's salary. If they can't find you anyone, then you pay nothing. When you hire someone, they will give you a guarantee that if that person leaves your employ, or is fired by you, within a specified time period, they will replace the person without charging you a fee for the replacement. The guarantee period is usually six months but some firms will offer three month and others twelve months. Many people who use contingent recruiters give the same job description to more than one recruiter and see who can provide them with the best candidate first.
2. **Retained recruiters.** With a retained recruiter you work on an exclusive basis with that recruiter. You agree a fee with the recruiter based on the compensation package for the position (usually 20% to 35% of the first year's compensation) and you pay the recruiter between 25% and 50% of the agreed fee as a retainer. The recruiter starts contacting and interviewing people for the position and after about three or four weeks, he sends you the résumés of three or four candidates for the position. Most retained recruiters bill you a second installment of a further 25% to 30% of the fee when they present the short list. You interview the candidates and make your choice or, if you don't like any of the candidates, you send them back to find more. When you have selected a candidate, the retained recruiter will do reference checks and assist you in the process of presenting the job offer and getting acceptance. Then they bill you the balance of the fee. Most retained recruiters give a one year guarantee.
3. **Fee for service recruiters,** who are often HR consultants too. These are very much in the minority. They charge you an hourly rate, usually from \$150 an hour and up to \$400 an hour, with no guarantee that they will find you a candidate.

How recruiters operate

Recruiters work in a variety of ways. Some maintain vast databases sometimes with over 50,000 résumés in them. They subscribe to Monster and other job boards (like Craigslist) and use a big network of contacts to help them find people. Most contingent recruiters and some retained recruiters work this way.

Many retained recruiters operate as headhunters. They don't keep vast databases of résumés, instead they go out and proactively find people who are currently working in the position that you want to fill. They will contact candidates in your competitors' companies and in a variety of related companies. To a headhunter there are two classes of companies (1) clients, for whom they find candidates and (2) targets, whom they raid. If you talk to a retained firm who are headhunters you will find that between them they know just about every company and every executive in town.

Some recruiters specialize in specific industries and some in specific types of jobs (accountants, engineers, IT people, medical etc.)

The ethics of recruiters also vary widely. There are some who will place a candidate with you and then, after their guarantee period is past, they will headhunt that person away from you. Quite a few operate in this way and I never cease to be amazed that they manage to stay in business and, indeed, thrive.

So, should I use a recruiter and, if so, which one?

If you follow the process in the Employer Help Center's system *How to Hire Great Employees First Time, Every Time* you can become your own headhunter and you should not need a recruiter. However, there are times when they are worth every penny of their (considerable) fees:

- If you are in a position where the job market is very tight and it is almost impossible to find people;
- If you are someone who just can not face calling people up out of the blue;

Now, how do you choose a recruiter? For most people, the contingent recruiter seems the most logical choice because you only get to pay them if they succeed in finding you someone. In fact, why not get two or three of them and increase your chances of success?

While this may seem logical, there are two problems:

1. Recruiters are paid for making placements and are usually paid commission only. So, if they have six assignments, yours, which is difficult to place and five others which are easier, guess which ones they are going to focus on. Their rule is to focus on the easiest ones first. Contingent firms thrive on high volume, so there will always be easier projects than yours coming in the door. What they will do is a quick search of their résumé database and a Monster search and you will get a bunch of résumés most of which won't be a fit. After that, résumés will trickle in.
2. The problem is magnified when you are using more than one firm. In an effort to beat their competition, they will send you any résumé that vaguely looks like a fit in fear that the other guys will send you the same résumé first. In addition, you have to keep very good records of who sends you which résumés. The rule in the contingent world, which seems to be supported by the courts, is that whichever firm sends you a résumé first, is the 'owner' of that résumé. It is not unusual to get a résumé from Firm A and get the same résumé the next day from Firm B. If Firm B is quicker off the mark, they may persuade you to interview the candidate. You find you like them and offer them a job which they accept. Firm B bills you and suddenly out of the blue, Firm A, who happen to have learned about your job offer from the candidate, remind you that they sent you the résumé too and show you the dated email to prove it. Well guess what happens... you end up paying both firms. I'm not saying that this happens a lot but it definitely does happen.

There is one other issue that you should consider. There are definite advantages in dealing with a firm that specializes in your industry or in the type of position that you are looking to fill... except for one thing. Let's take the example of hiring a Product Manager. If you go to a firm that specializes in marketing positions you may find that the recruiter is presenting the same candidate to you and to other clients at the same time which may result in a bidding war on salary. A very small percentage of specialized firms will commit to you that while they are doing your assignment, they will not undertake a similar assignment for any other company at the same time.

So how do you choose a recruiter?

I would strongly recommend using only **retained** recruiters who proactively head hunt candidates.

There are 8 things to do in order to find the right one:

Ask around. Talk to friends, colleagues, employees, former bosses, clients, and anyone that you can think of. Ask them for the names of firms that they have used, or been placed by, and whom they like.

Search. Google “retained search” and the name of your city. Put the words retained search in double quotes. This should yield a fairly good list.

Research. Go to the websites of all the firms and check them out. Find out if they do contingent work too. That may be a problem.

Face to face. Invite a senior partner to meet with you in your office. Tell him or her about your Company and show them the job description. Ask how their firm operates and evaluate them against what you have learned in this paper and use your own gut feel.

Q&A. Here are some specific questions to ask:

- “Do you do any contingent work?” If the answer is yes, ask them if the recruiter who will be doing your assignment also does contingent work—if so, this is probably going to be a problem.
- “Do you interview all the candidates whose résumés you send me before you send the résumés.” Unless the answer is very definite “Yes,” strike them off your list. (The good firms will be slightly offended that you asked them this question. If they are, blame me!)
- “Will you guarantee in your contract not to deal with any candidate, whom you place with me, for at least a year after that candidate has left my organization?” The answer must be an immediate yes.
- “Will you guarantee in your contract not to recruit anyone from my organization for three years from the date that we hire any candidate from you?” You may not get three years but don’t settle for less than two.
- “If I pay you a retainer and, when you present me with your short list of candidates, they are all completely unacceptable to me, will you return the original retainer?” Unless you get a good answer to this question strike them off your list. They will probably not say yes (if they do, that’s great news) but you must get an answer that you are satisfied with. Beware of weasel words in answer to this question.
- “How big is your candidate database?” If they boast about how great it is, they may not be for you. You want a firm that is going to go out and proactively search for you. The sort of answer you want to this question is, “Well we have X,000 people in our database but they are not necessarily candidates. They are the people we are going to contact to ask who is the best Product Manager they have ever worked with.”
- “Do you offer any form of candidate psychological or performance testing ?” This will tell you something about the firm. Most recruiters hate any form of psychological testing. They have all experienced the situation where they have presented a candidate that the client has loved and been prepared to make an offer to, only to have the offer go south because of psychological testing. What you want to hear is a fair and balanced opinion. The very best answer is “Yes we offer that as a service, we use the XYZ system. It’s included in our price.” That’s the best answer but you may not hear it. It may be offered as an additional service. The reason I like a recruiter to be on board with psychological testing is that they can easily forget that their job, like yours, is to find reasons **not** to hire a specific candidate; the thought of a fee dangling in their minds often obscures this basic requirement.

- “Obviously, you are a firm that does not headhunt from its clients. Will you please give me a list of firms that you can not raid in order to fill my position?” This is particularly important with firms that specialize in your industry. If they won’t give you the list, citing ‘Client Confidentiality’ or some such excuse, drop them like a hot potato. If they do give you the list, scrutinize it carefully. If all your competitors are on the list, this firm is not for you.
- “Do you provide weekly updates on the progress of the search? What details are in them? You want an immediate “Yes” answer that tells you that weekly updates are built into their system of client management. If they waffle about it, drop them.
- “Do you do reference checking on the candidates?” The very best answer to this is, “No, we contract that out to a third party firm that do it for us, at no charge to you.” Reference checking done by a search firm is not worth the paper it’s printed on. They are only human after all, it is next to impossible for them to ask the proper probing questions that might blow their candidate out of the water. Don’t sweat the reference checking, you should do it yourself, I know you don’t really want to but you’ve got to. The reason for asking this question is to judge their integrity. If they go on about how well they do reference checking and how unbiased they are, you might want to wonder how many other lies they’ve told you.

Client references. It is usual to ask for client references but let’s face it no one in their right mind is going to give you a client as a reference if that client is going to say that they are rubbish. However, do ask them for a list of client references, they’ll happily give it to you. Then, when you get the list of their client companies whom they can not recruit from, look for names that are on the ‘no-recruit’ list but are not on the list of references. They are the ones to call for a reference.

Fees and contracts. Get them to send you the contract and a detailed fee schedule. Make sure that the clauses that you asked for are in the contract.

Next steps. If they have answered all your questions and are still standing, (most of them won’t be) ask them, “What are the next steps?”

If they say, “Well we’ll get on to it right away/as soon as you’ve signed the contract/as soon as we’ve received the retainer.” That’s not good.

Here’s the next steps that you want:

- You want to meet the partner or associate and the research person who are going to conduct the search;
- You want them to come to your office and understand what you do, why you are different, why your company is a great place to work;
- You want them to meet with the people with whom the successful candidate is going to work;
- You want them to leave feeling excited about your company and that they are part of your team. Recruiters, like anyone else, will always work that little bit harder for clients they like and are excited about.

In Summary

So if you have found a search firm that passes these tests, you can expect that they will do a good job for you. In the early stages, they should send you benchmark résumés (if they don’t send you benchmark résumés, ask for them) . These are résumés of people, whom they may have placed in the same or similar positions elsewhere and whom they know are top performers. Names and company names are usually deleted from benchmark résumés. The idea is for you to let them know which résumés look like the best fit for you and why. This helps the recruiter focus in on the right candidates for you.

If you have the right recruiter and you trust them, be guided by them. Make them part of your team. Most importantly, be responsive. When they call or email, get back to them as a high priority.

Another option...

Good recruiters are expensive; they rarely charge less than 25% of the first year's salary. In addition, the more senior the position the more expensive they become. If you are trying to recruit someone in the \$100,000 to \$150,000 per year range, the fee could be anywhere from \$25,000 to \$50,000.

However, there is another, better option. Our system, How to Hire Great Employees, First Time, Every Time, will take you through a step by step process to teach you how hire like the top corporations and the best headhunters in the business for a tiny fraction of the cost of a recruiter. Even if you decide to use a recruiter our system will tell you all the things that you need to do before and after the recruiter does their work. To save yourself thousands of dollars, [click here](#).