



Association of Personnel
Service Organisations

Starting a recruitment consultancy

Information for entrepreneurs

2nd edition 2010

Introduction

Recruitment is a wonderful, many-faceted and complex profession; there is a lot more to it than newcomers first imagine. Being aware of this fact is the first step towards enabling our industry's entrepreneurs to implement best practice and operating standards from the outset – to the benefit of candidates, clients, assignees and, ultimately, the recruitment industry itself.

This free document has been compiled by the Association of Personnel Service Organisations (APSO) in order to provide some basic information about establishing a recruitment consultancy in South Africa. It provides some useful background and contacts and aims to give you a brief overview of the some of the key factors you'll need to consider when starting a recruitment consultancy.

APSO support

The Association of Personnel Service Organisations (APSO) was established in 1977 and continues to represent its members in their dealings with Government and related bodies. APSO promotes and ensures, for the benefit of clients, candidates and assignees, the adherence to high ethical and professional standards of business.

All APSO members are required to meet specific criteria in order to qualify for membership. These include ensuring legislative compliance, operational best practice and adherence to the APSO Code of Ethical and Professional Practice. The Code prescribes the minimum levels of service required to be given to clients, candidates, assignees and other stakeholders. It sets clear guidelines on issues such as search and selection, recruitment, reference checking, interviewing and fee dispute resolution, in the case of a fee dispute between two members.

APSO is focused on improving the professionalism of the recruitment industry, by providing training and continuous professional development for our members and their employees. APSO works closely with the Services SETA, the Employment Services Certification Institute (ESCI) and other stakeholders to ensure that APSO members remain at the "top" when it comes to delivering recruitment services to their clients.

APSO is a fully constituted Section 21 company, governed by an elected National Executive Committee made up of volunteer members. In addition, each region is run by an elected Regional Committee that assists in rolling out APSO's strategic projects on a regional basis. Operational issues are handled by the full-time National Office team based in Gauteng.

BENEFITS OF MEMBERSHIP

- Industry representation on relevant, identified and influential bodies
- Promotion of the interests of the industry through legislative advocacy
- Access to established, implemented and enforced industry Code of Ethical & Professional Practice and a body that provides conflict resolution between agencies, their clients, candidates, assignees and other stakeholders
- Access to industrial relations advice and services (including FREE access to LabourNet)
- Access to information that keeps members abreast of relevant national and international trends
- Access to education, both professional qualifications and Continuous Professional Designation
- Access to conferences and other events
- Opportunity to take part in consultative forums and to access members input and opinions
- Access to industry related information that has been interpreted on behalf of the members
- Access to advice, support and services to promote legislative compliance
- Opportunity to attend relevant networking opportunities
- Access to legal and contractual guidance
- Adherence to minimum entry and operating standards including an entry exam
- Differentiation of APSO members amongst clients and candidates
- Access to business opportunities to members through participation on committees that influence the industry

Recruitment – do you have what it takes?

Running any business can be demanding in the extreme and you will have to have a high number of specific personal qualities, skills and knowledge within your business to ensure it works to its potential.

The following checklist (which is not exhaustive) includes some of these:

▪ Sales ability	▪ Stamina	▪ Process-driven
▪ Finance skill	▪ Staff management skills	▪ Patience
▪ Relationship building skills	▪ Self-motivation	▪ Risk awareness
▪ Humility	▪ Confidence	▪ Reliability
▪ Realistic outlook	▪ Flexibility	▪ Effective communication skills
▪ Perseverance	▪ Resilience	▪ Effective time management

The recruitment industry is notorious for being an “emotional rollercoaster” and because the majority of the industry works on commission-only, you can often spend a lot of money without making much in return.

There is no “right” industry to have come from when deciding to set up a recruitment consultancy. Obviously those entrepreneurs who have had some experience working in the recruitment industry are likely to be at an advantage. Other areas of experience that would assist in running a successful recruitment consultancy are sales, customer service, finance and human resources.

There are many different kinds of recruitment consultancy services that can be offered to clients and each has its pros & cons.

PERMANENT RECRUITMENT

This is probably the least expensive recruitment consultancy to establish because there is not much capital required to set it up. Permanent recruitment most often works on a fee on placement only basis so you need to ensure that you maintain your costs in relation to the number of successful placements you make.

PROS	CONS
<ul style="list-style-type: none"> ▪ Lesser set-up costs ▪ Operations can be managed by a small team ▪ Fewer statutory compliance issues to meet and manage ▪ You can focus on a niche market or offer a ‘generalist’ service 	<ul style="list-style-type: none"> ▪ Many clients like to have a “one-stop shop” recruitment supplier and would like to have the option of permanent and temporary staffing services ▪ Income can be erratic – some months are very good and some are terrible.

TEMPORARY EMPLOYMENT SERVICES (TES)

This is most admin intensive recruitment service offering and requires that the entrepreneur be well-established, have sufficient start-up capital and excellent cash flow management policies. TES is also the service that requires the highest levels of statutory compliance.

PROS	CONS
<ul style="list-style-type: none"> ▪ Can offer a steady monthly income ▪ Is often seen by clients as a beneficial service and can therefore be easier to sell than permanent recruitment services 	<ul style="list-style-type: none"> ▪ Requires large start-up capital and excellent cash flow management ▪ Lots of statutory registrations in order to remain compliant ▪ Requires a large operational set up to maintain workforce & admin issues.

EXECUTIVE SEARCH

Some people refer to this kind of recruitment as “head hunting”. Executive search usually happens within a niche market and fees are generally higher.

PROS	CONS
<ul style="list-style-type: none">▪ Lesser set-up costs▪ Operations can be managed by a small team▪ Fewer statutory compliance issues to meet and manage▪ You can focus on a niche market▪ Fees are usually higher.	<ul style="list-style-type: none">▪ You will need an in-depth knowledge of the sector you're recruiting for and a solid network of clients & candidates within this sector.▪ You are likely to work fewer job specs and your income can be erratic.

Factors to consider

The following are a series of checklists of aspects you should consider before setting up your recruitment consultancy. Please note that this is not an exhaustive list and merely serves as a guideline.

1. BUSINESS SET-UP

- Business plan
- Market research
- Sales strategy
- Marketing strategy
- Capital and start-up funding strategy
- Staff management / leadership processes
- Recruitment (internal staff)
- Financial planning and management
- Insurance
- Operational processes and procedures
- Legislation and compliance
- IT and systems
- Quality systems management

2. LEGISLATIVE COMPLIANCE

- Registration as a Private Employment Office for Gain with Department of Labour
- Basic Conditions of Employment Act (BCEA)
- Labour Relations Act (LRA)
- Employment Equity Act (EEA)
- Skills Development Act (SDA)
- National Credit Act
- Registration with South African Revenue Services (SARS)
- Income Tax Act
- Unemployment Insurance Act (UIF)
- Skills Development Levies Act (SDL)
- Value Added Tax Act (VAT)
- Registration with the Compensation Commissioner
- Compensation for Occupational Injuries and Diseases Act (COIDA)
- Occupational Health & Safety Act (OHS)
- Registration with appropriate Bargaining Councils (if in Temporary Employment Services)

3. FINANCE / ACCOUNTS

- Company formation
- Business structure – Pty Limited, Close Corporation, Sole Proprietor?
- Bank account
- Registration with South African Revenue Services (SARS) for Income Tax, PAYE, UIF, SDL
- Registration for Value Added Tax (VAT)
- Payroll systems – payroll software
- Accounting systems – management info, reports, measurement of business performance
- Accounting package/software
- Appointment of an accounting/auditing firm
- VAT returns
- Monthly management accounts
- Tax compliance
- Share and profit share schemes
- Funding – start-up capital
- Payroll – weekly, monthly, outsourcing, monthly statutory returns
- Financial administration – especially if in Temporary Employment Services
- Payment terms
- Invoicing
- Debtors control
- Purchasing and expenses

4. STANDARDS

- Mission Statement
- Company Value Statement
- Code of Conduct
- Code of Ethics
- Customer complaints policy

5. SYSTEMS / IT

- Email addresses
- Website
- Operational software – recruitment software package
- Hardware – computers, laptops, printers, copiers etc
- Telephone systems
- Cell phones
- Candidate skills assessment software

6. FACILITIES

- Office space
- Interviewing rooms
- Candidate skills assessment stations
- Furniture
- Cleaning and maintenance
- Cars

7. STAFF MANAGEMENT

- Staff recruitment policy
- Contracts of employment and Restraints of Trade
- Bonus & Commission structures
- Benefits
- Appraisals & performance management systems
- Training and development

8. INTERNAL POLICIES & PROCEDURES

- Data protection policy
- Communication policy – email/website usage etc.
- Recruitment policy
- Discipline policy
- Equal Opportunities policy
- Family Responsibility policy – maternity/ paternity leave, flexible working hours, family responsibility leave
- Grievance policy
- Harrassment policy

9. HEALTH & SAFETY

- Health & Safety policy
- Registration with Compensation Commissioner
- Health and safety standards within the office environment

10. SALES

- Style of sales and sales methods
- Advertising
- Cold calling strategy
- Client meetings
- Tendering
- Sales team recruitment & training
- After-sales process and policy

11. MARKETING & PR

- Marketing literature – brochures etc
- Branding
- Website
- Press campaigns
- Marketing material – promotional goodies

12. ASSOCIATIONS & AFFILIATIONS

- Joining Association of Personnel Service Organisations (APSO)
- Chamber of Commerce
- Networking with other recruitment consultancies

13. OPERATIONS

- Sales procedure
- Negotiation of rates policy
- Advertising strategy
- Client-related processes
- Candidate-related processes
- Assignee (temp)-related processes
- Internal staff management – working hours, dress code, service offering

14. CANDIDATE MANAGEMENT

- Candidate attraction strategy
- Advertising strategy
- Registration forms
- Interview techniques
- Skills assessment and testing
- Qualification verification
- Criminal check verification
- Credit rating verification
- Verification permission forms
- Reference checking
- Reference check permission forms
- CV templates
- Candidate communication policy
- Candidate education literature

15. TEMPORARY WORKFORCE MANAGEMENT

- Temp assignee attraction strategy
- Advertising strategy
- Registration forms
- Interview techniques
- Skills assessment and testing
- Training and development
- Qualification verification
- Criminal and credit check verification
- Reference checking
- Contract of employment
- Timesheets
- Starter/welcome packs
- Statutory compliance administration – UIF, SDL, OHS, COIDA, PAYE
- Payroll administration
- Employee file management
- Disciplinary codes
- Grievance policy
- Staff files
- Performance management processes
- Order books
- Assignment management records
- Termination management

16. CLIENT MANAGEMENT

- Client attraction strategy
- Advertising policy
- Terms and Conditions of Business
- Fee structure
- Service Level Agreement (SLA)
- Exclusivity agreements
- Guarantee periods & replacement policy
- Client meetings
- Taking job specs
- Networking agreements – working via third parties
- Referral process and policy
- Client feedback

Choosing a name

You will need to choose a name for your business and you should ensure that the name you choose is not the same, or similar, to that of another company that is already registered, especially if they're also in the labour recruitment industry.

If your name is too close to someone else's you may be required to change it and if this happens after you've launched, invested in marketing material and begun to develop your brand it will be very costly and damaging to your business.

To check whether the name you have in mind is available, visit www.cipro.co.za

It is permissible to trade under a different name to your registered company name but there are legislative requirements in terms of where/how you should disclose your registered names on business stationery, contracts etc.

Remember to check the availability of domain names (website & email addresses) of the name you intend using. It is always confusing to potential clients and candidates if your website and email address is different to your company name.

To check whether the domain name is available, visit www.africaregistry.com

It is always advisable to choose a name that clearly indicates what your business does, e.g. ABC Employment Solutions or XYZ Executive Search. But be careful of choosing a name that is too close to another recruitment consultancy's as this could lead to allegations that you're attempting to pass your business off as being connected to the other agency; such activity is actionable as a claim of damages.

Remember that the only way to protect your name against competition is to register it as a trademark. This process does take up to 18 months to complete. For more information, visit www.services.gov.za

Setting up a specialist recruitment consultancy

Many entrepreneurs who start up a recruitment company think that it would be best to be a "generalist" and to service all clients' needs. However, there is merit in specializing within a certain niche sector, particularly if you have personal experience within that sector.

Today clients look for recruitment partners who have specialist knowledge about the areas in which they recruit and many are shying away from using someone who claims to be able to "find anyone & anything". The current skills shortage also means that it takes time and resources to build a good database of candidates and by focusing your attention and advertising/sourcing spend, you can get a better return on investment.

Areas of specialization include, but are not limited to:

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|----------------------------------------------|--------------------------|
| ▪ Advertising | ▪ Hospitality |
| ▪ Call Centre & Business Process Outsourcing | ▪ Human Resources |
| ▪ Drivers | ▪ Information Technology |
| ▪ Engineering | ▪ Legal |
| ▪ Executive / Management | ▪ Motor |
| ▪ Finance & Accounting | ▪ Office Administration |
| ▪ Financial Services / Banking / Insurance | ▪ Retail / FMCG |
| ▪ Freight & Shipping | ▪ Sales & Marketing |
| ▪ Healthcare | ▪ Technical |

It is important to investigate your chosen area of specialization to ensure that you have all of the requirements, e.g. additional legislation regulates the healthcare recruitment environment.

Joining APSO

There are many tangible benefits to joining the Association of Personnel Service Organisations (APSO). APSO promotes legal, ethical and professional practices for the labour recruitment industry.

When it comes to your business, APSO membership makes sense:

- Promoting professionalism
- Striving for regulation
- Speaking out in a powerful, unified voice
- Protecting the industry
- Delivering an edge in information
- Ensuring education and Continuous Professional Development (CPD)

For more information on the benefits of joining APSO, visit our website www.apso.co.za and download the APSO Membership brochure.

REQUIREMENTS FOR MEMBERSHIP

- Company / CC registration documents
- Registration with the Department of Labour as a Private Employment Office for Gain
- Income Tax reference number from SARS
- SDL, UIF, PAYE reference numbers from SARS
- Workman's Compensation reference (if you have employees and especially if you have temps)
- VAT registration number (if applicable)
- Operational processes that are compliant with the APSO Code of Ethical & Professional Practice
- Company Profile
- Details of all of your branches and / or subsidiary companies (if applicable)
- Application Form that you ask candidates to complete when registering with your agency
- Terms & Conditions of business that you ask clients to sign when dealing with your agency
- Temp contract that you ask temps to sign (if you operate a TES)
- Service Level Agreement that you ask your clients to sign (if you provide them with temps)

The APSO membership application form can be downloaded off the APSO website, www.apso.co.za or you can call the National Office and speak to our Membership Manager, Agnes Leahy.

Contact APSO

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