



European Confederation of
Search and Selection Associations

SERVICE MODELS

in Recruitment, Search & Selection

Understanding the difference
between retained contractual model
and success fee contractual model

A recruitment assignment can take on two different contractual forms as far as the fee for a candidate search service is concerned: the retainer fee and the success/contingent fee contract. Each has its own particular specifications.

The purpose of this document is to allow the recruitment consultant to:

- ★ present the benefits of the retained fee-setting method for the client
- ★ demonstrate the differences between the two methods to the client

ECSSA always advises its members to provide very clear information to their clients about the benefits and specificities of the model they are using.

RETAINER

In a retainer agreement the client contractually mandates the Recruitment, Search & Selection consultancy with an assignment including the payment of a retainer, or deposit, at the beginning of the assignment.

The retainer contract generally encloses an exclusivity clause. Depending on the country, this clause occasionally or usually concerns a fixed period of time.

In this type of contract, the consultant implements the necessary resources and pursues the search until he obtains a positive result for the client. If the consultant encounters difficulties in his research, he can discuss options with the client which may include widening the specifications or the search targets.

SUCCESS/CONTINGENT FEE

A success fee assignment is subject to a contractual agreement in which the client agrees to pay for the service only when a candidate has been found/appointed.

Therefore, the candidate search is generally not entrusted exclusively to one firm. Several providers can simultaneously conduct a search without an initial outlay by the client company.

EXCLUSIVITY

An exclusivity clause guarantees that the company commissioning a search will not simultaneously entrust another agency with the same task.

In the event of a recruitment, the full amount of the agreed fees is due, even in the case of an application by a candidate internal to the client company.

In a contract, the notion of exclusivity can be combined with a retainer or success fee clause. Experience shows however that exclusivity clauses are usually associated to retainer (the client is often reluctant to pay two different providers, at the beginning of the assignment).

To the same extent it is also possible to consider a success fee assignment with an exclusivity clause.

Finally, it is possible for the exclusivity clause to have a time limit, and in some countries it is standard practice.

Trade Practices According to Contractual Method

METHODOLOGY OF THE CONSULTANT

RETAINER

- ★ Carefully analyses the position and the working environment
- ★ Investigates the client's request and proposes an ideal and realistic profile to be targeted. (advisory duty)
- ★ Develops and implements appropriate search strategy
- ★ Ensures a full evaluation between candidates and the required profile by combining professional and interpersonal criteria. Examines the motivations of the candidate
- ★ Promotes the job and working environment to the candidate in a factual manner
- ★ Presents a limited number of candidates matching the position, in order to avoid unnecessary time waste (shortlist)
- ★ Provides support to the candidate both in the recruitment and integration processes

SUCCESS FEE

- ★ Listens to the need expressed by the client
- ★ Searches thoroughly for candidates, favouring the profiles of those who are visible and often, therefore, looking to change positions (databases, social networks, dissemination of offers)
- ★ Evaluates candidates by focusing primarily on criteria of expertise (professional skills)
- ★ Potentially put pressure on the candidate during the recruitment process to spur him/her to make a quick decision.



WHAT THE CONSULTANT DOES TO ACHIEVE THE RESULTS

RETAINER

- ★ Only launches the search after having identified the objectives and the specificity of the vacancy
- ★ Delivers consultancy service to the client
- ★ Invests and implements the appropriate resources
- ★ Does not give up until a result is obtained regardless of the time necessary
- ★ Provides regular reports on the progress of the search
- ★ Is transparent regarding the successes and obstacles encountered
- ★ Makes the necessary adjustments in order to achieve the result, in coordination with the client
- ★ Targets the quality and long-term commitment of the selected candidate
- ★ Provides a “replacement” guarantee in the event of the departure of the candidate
- ★ Values the good knowledge of the client due to a partnership-based relation



**PERSISTENCE AND/OR
EXHAUSTIVENESS RATIONALE**

SUCCESS FEE

- ★ No commitment, as no retainer agreement fees paid and no detailed contract
- ★ Sometimes offers a replacement guarantee



SPEED RATIONALE

NATURE OF THE COOPERATION WITH THE CLIENT

RETAINER

- ★ Interactive
- ★ Combines listening and advising
- ★ Based on confidence in the consultancy and its structure

SUCCESS FEE

- ★ One-directional; the consultant sends CVs

HOW DOES THE CLIENT CONTRIBUTE TO THE PROCESS ?

RETAINER

- ★ Demonstrates transparency and provides the necessary information
- ★ Finances the implementation of the resources
- ★ Analyses, through the monitoring of the assignments, the causes of success or difficulties of the search
- ★ Validates proposals for any changes to search parameters (profile, offers, etc.)
- ★ Validates the profiles selected by the consultant

SUCCESS FEE

- ★ Does not take any financial risk:
“No cure no pay”
- ★ Agrees to pay the fees if a candidate is hired



CLIENT INVOLVEMENT

RETAINER

- ★ Strong at the beginning of the assignment in order to explain the demand and to validate the consultant's proposals
- ★ Reduced during the presentation phase because the client meets only 3-5 candidates whose profiles match the need expressed

SUCCESS FEE

- ★ Low at the beginning, strong during the selection phase given the potentially high number of candidates to be met and the low level of filtering performed upstream

TYPE OF SEARCH TO WHICH THE APPROACH IS BEST ADAPTED

RETAINER

- ★ Rare profiles, narrow target populations or with limited mobility
- ★ Levels of position where it is necessary to limit the risks by a thorough assessment of the application

SUCCESS FEE

- ★ Broad and fluid target populations on the job market
- ★ More used by clients who only look for sourcing and willing to do (part of) the selection by themselves

FEES: PAYMENT SCHEDULE AND LEVEL

RETAINER

- ★ Billed as the assignment progresses
- ★ Fees related to the position (defined by the level of the planned salary)

SUCCESS FEE

- ★ Invoiced according to success
- ★ Amount fairly close to that of the retainer because the risk of not invoicing the mission is taken into account

RETAINER

Working on a retained basis has the advantage that the consultant works as an ambassador for the client and represents the client professionally when talking to sources and candidates.

That is why most retainer firms, especially all members of ECSSA's national associations, respect a strict Code of Conduct, both internally and with regard to clients and candidates.

These codes include important safeguards for the client, the most crucial of which in the event of litigation are:

- ★ The guarantee in case of failure of recruitment beyond the trial period
- ★ Non-solicitation of the client's employees for a certain period of time after the last entrusted assignment
- ★ Respect of the confidentiality of information provided by the client, information necessary for a successful search
- ★ Strict compliance with legal provisions (non-discrimination, obtaining the consent of the candidate prior to sending the information to the client, etc.)
- ★ The ethical management of potential conflicts of interest (the candidate is not presented to two different companies by the same firm)

SUCCESS FEE

Working on a success fee basis only can mean that different consultants are approaching the market with inconsistent messages and this does not reflect so professionally for the client.

The success fee search firms usually offer no guarantees, except occasionally replacing the hired candidate and often limited to a trial period.

Candidates may be presented simultaneously to different companies.

The consent of the candidates is not always obtained before sending the data concerning them to the client, generating an image risk or legal risk.

COSTS AND EFFECTIVENESS OF THE APPROACH

RETAINER

- ★ Costs justified by the commitment to a result: the consultant continues the search until a solution is found for the need within the time agreed
- ★ The retainer corresponds to an investment in resources: mainly human resources consisting of senior profiles (both search officer and consultant)
- ★ The client follows the quality and/or completeness of the work thanks to a search report
- ★ A partnership approach is necessary to optimise efficiency with regular communication between the client and the firm
- ★ The consultancy needs time to meet its commitments (5-6 weeks before presenting candidates)
- ★ Trust is the foundation of the relationship, all parties looking for a positive success
- ★ The client also benefits from valuable market information enabling him to benchmark compensations and benefits provided internally

SUCCESS FEE

- ★ Searches without a retainer target a speedy response, therefore the targeted candidates are in active or passive search
- ★ The market for passive candidates is not approached, thus reducing the chances of success
- ★ In case of non-exclusivity, risk of damage to the client image (candidate called by different firms for the same position)
- ★ The short time spent with the client on needs analysis increases the risk of mismatch between the proposed candidate and the required profile
- ★ No financial risk for the client in case of non-hiring: “no cure no pay”
- ★ Flexibility: it is possible to stop the process at any time without disbursements, but attention has to be paid to hidden contract clauses
- ★ The cost is fairly similar

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About:

The European Confederation of Search and Selection Associations ECSSA was formed in 2004 by the French, German and Italian association. Belgium, Spain and the UK joined closely after. ECSSA currently counts seven national member associations in European countries. The primary objective of ECSSA is to develop the Recruitment and Search & Selection industry on a European level by professional ethics and standards, to become a dynamic forum for networking and exchange of information and views between members and to promote the interests of the Recruitment and Search & Selection industry among different European organizations.