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# How universities can manage agency spend and boost recruitment efficiency

Navigating the changing landscape  
of UK Higher Education

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Years of pandemic-related disruption combined with long-term structural issues and sustained funding pressure have made cost management a top priority for universities. Staffing costs represent a huge part of this cost management challenge, not just in terms of teaching staff but non-academic staff too, especially those supplied through recruitment agency services for both permanent and temporary positions.

Many institutions are struggling to find solutions that work for them over the long term. Lots still find themselves using an inefficient, department-led approach where different teams contract different agencies when they face a staffing shortage. The result is a range of agencies, pricing models and sourcing methods that are challenging to manage. Staffing represents the final frontier of cost management for many UK universities – but there are a range of effective staffing solutions available.

This paper will help universities compare and review these different agency staffing solutions to build centralised strategies that enhance efficiency and reduce costs.

#### **We will cover:**

- The current staffing challenges faced by universities.
- The role of leading-edge technologies like automation and AI.
- The different staffing solutions available:
  - Retainer-based supply arrangements
  - Master vendor arrangements
  - Managed Service arrangements
  - Business process outsourcing
- The role of specialist procurement networks





## The current landscape

UK universities are grappling with several significant challenges. At the top of the list is the issue of funding pressure, particularly in staffing costs. The last few decades have seen declining government investment and fixed undergraduate costs combined with a significant rise in delivery costs.

Current modelling suggests that all subjects now make a loss on average. This funding gap is leading universities to focus on attracting international students. But this is not enough, particularly when considered alongside maintaining infrastructure, promoting research and ensuring the right level of staff. In recent years, these issues have been further compounded by the Covid pandemic, high inflation and a surge in demand.

Universities are rightly seen as vital to economic growth, medical advancements and social problem-solving. But there is a disconnect between policymakers, the public and universities about the financial state of the sector and what funding is needed. As cost management becomes a strategic priority, universities must seek innovative solutions to streamline their operations and manage their resources effectively.

### An evolving approach to staffing

Funding pressures have led to big shifts in the way universities look at staffing. Non-academic staffing in universities has grown, particularly in administration and central services.

This growth is a reaction to factors such as the increasing competition for students, a focus on improving student services and the need to increase student satisfaction. But the costs and management required to effectively utilise permanent and temporary agency staff services has placed head office faculties under significant strain. The high demand for recruitment agency services for both types of staff has, according to data from Lightcast, resulted in combined spend on permanent and temporary staff hitting £2.3 billion in 2020. Demand for recruitment services has remained relatively stable in recent years.

Fixing this issue is far from simple, particularly when the growing complexity and size of modern universities contribute such a large part to the cost of agency staffing. The need for specialised employees, such as marketing professionals, catering and cleaning staff, has increased, and universities often lack the resources to fill these roles themselves. Recruitment agencies provide expertise in finding qualified candidates for these specialised roles, but at a high cost.



## The big challenges faced by UK universities

There are a large range of issues causing headaches in university head offices. Here are just a few:

- The cost of inflation and its impact on National Minimum Wage increases.
- The cost implications of pay parity for agency workers after 12 weeks' continuous service in line with the Agency Worker Regulations 2010 (previously, temporary staff would be paid lower rates compared with permanently employed staff).
- An ageing workforce and large numbers of people who left work during the pandemic and have not returned.
- Many occupations within the university sector have become less attractive to younger, less experienced jobseekers.
- An ongoing skills shortage seen across all sectors in the UK – this is driving up pay rates as the right staff become harder to find.
- There is a long-term issue with the supply of temporary staff – not many people can make it work over a prolonged period, leading to chronic levels of high staff attrition.

## Changing legislation

Adding further complexity are several incoming pieces of legislation. The government's Procurement Bill aims to streamline the procurement process and ensure compliance with regulations. It requires the publication of contracts and procurement details, including savings and value for money. The government believes this will introduce greater transparency in procurement processes, which could help universities understand where they can cut costs.

The social mobility pledge, emphasising equal opportunities and access to education, is also relevant here. Recruitment agencies can help universities reach underrepresented groups, but it is essential that these services do not perpetuate inequality. Universities must work with recruitment agencies that share their commitment to social mobility and diversity. While cost management is a strategic priority, universities also need to carefully consider whether their recruitment processes support their social mobility goals.

## New opportunities provided by technology

As well as specialist staffing solutions, the integration of technology has the potential to transform university recruitment staffing practices. Vendor management systems (VMS) and automation are helping universities manage agency spend and improve recruitment efficiency. By streamlining administrative processes and providing real-time insights, these technologies can free up valuable time and resources for head office staff to focus on their core mission of education and research.

Many universities recognise that they simply can't carry on in the same way. Without a centralised solution, the complexity and inefficiency that arise from different departments working with varied staffing providers leads to significant discrepancies in costs, quality and even compliance.



To address these challenges, many universities are implementing VMS through their staffing solution partner. These systems serve as a central platform for managing relationships with different staffing providers, enabling universities to standardise their processes and ensure consistent quality across departments. With a VMS in place, universities can optimise their staffing operations by effectively coordinating and monitoring their interactions with multiple providers through a master or neutral vendor service arrangement.

Automation is also increasingly being used to boost performance when it comes to candidate attraction, registration and placement. By automating these tasks, universities can save valuable time and resources while reducing turnaround time. An example of an automated staffing workflow is the use of an online platform to attract potential candidates. This streamlines the registration process and matches the right candidates with suitable positions seamlessly.

# The different service models available to UK universities

There are a range of different staffing solutions for universities to choose from – each with their own distinct potential benefits and drawbacks. When thinking about which one might be the best fit for their institution, head offices need to think about the specific challenges they currently face, how those are creating cost pressures and which solution would be most effective in alleviating those pressures.

## Retainer-based supply arrangements

A retainer-based supply arrangement involves a university engaging a single staffing agency for a fixed period for a fixed cost. The arrangement can cover one or multiple faculties and can be flexed to cover specific occupations. It is the most flexible staffing arrangement beyond ad-hoc recruitment services and offers reduced service fees in return for a mutually agreed exclusivity arrangement. The agency works exclusively on filling all the client's vacancies and charges a recurring monthly fee, typically at a lower cost than is applied for ad-hoc recruitment services.

### Benefits:

- More control and consistency over recruitment processes.
- Uniform pay and charge rates across departments, functions or occupations agreed.
- Greater accountability and transparency in the dedicated supply relationship.
- Higher visibility of agency staff demand, supply and spend.

### Potential disadvantages:

- Limited flexibility and potential lack of expert speciality due to only working with a single agency.
- Usually, a higher cost when compared to other service models.

## How does this apply to universities?

For universities looking to control their costs, inconsistency in approaches, payment models and staffing costs can quickly cause problems when allocating funding or ensuring quality of service. Having a single agency on a retainer helps alleviate the risks of this disjointed, ad-hoc approach. It gives head office and department teams the confidence that both temporary and permanent staffing shortages are always at the top of their agency's agenda.

Not only can this drive a more consistent approach to staffing – but potentially big savings too.

One university that we worked with saved over £150,000 in staffing agency spend by consolidating their supply chain through a retainer-based supply arrangement, primarily through the introduction of uniform pay and charge rates across the entire institution.



There is a significant potential for universities to achieve similar cost savings from managing and rationalising their existing supply chain and introducing a clearer approach to pay and charges through retainer-based supply arrangements. But agency partners need to be carefully selected to make sure they are best positioned to drive value as well as efficiencies.



## Master vendor arrangements

The size and complexity of many modern universities can make it difficult for a single agency to handle the entire end-to-end staffing process. This is especially true if the university requires large numbers of contingent or external workers as an essential part of its operations. In this situation, a retainer-based model may not be suitable.

A master vendor arrangement sees a university designate one staffing agency as the primary supplier responsible for managing and coordinating all other staffing agencies in its supply chain. The master vendor agency acts as a single point of contact for all service queries and manages the relationships with other agencies. If the master vendor is unable to fulfil a role itself, it releases that vacancy to a wider network of second- and third-tier agencies.

### Benefits:

- Simplified management of multiple suppliers in a complex supply chain.
- Improved coordination and communication between network agencies.
- Greater control over recruitment costs and quality.
- The master vendor is the main point of contact – providing simplified process and data management.

### Potential disadvantages:

- Success is dependent on the performance and capabilities of the master vendor agency.
- Limited flexibility in working with other specialist agencies if not pre-agreed on the second and third-tier supplier lists.

## How does this apply to universities?

Most modern universities in the UK have a long and complex staffing supply chain. While this does often mean that individual departments can access the specialist talent they need, it makes it hard for head offices to gain true visibility over how the institution is managing its staffing needs. In fact, they may only see the aggregated costs at the end of the month without much insight into what services were provided or how effective they were. Having a master vendor in place can help add clarity and consistency.

We have seen some UK universities have real success with this model. One institution significantly simplified the management of multiple agencies through a master vendor agreement that utilised a centralised client portal. This helped the university achieve better coordination and control over recruitment costs across its entire footprint.

Another implemented a master vendor arrangement so they could secure the right staff to launch a new food catering service for students.





## Managed service arrangements

While a master vendor arrangement can provide a long-term solution for universities, they can still be complex and difficult to manage due to the need to maintain close coordination between the head office and the supplier. A managed service arrangement can potentially reduce this complexity while providing flexibility and still driving efficiencies. A university outsources the management of its entire recruitment process to a managed service provider (MSP). The MSP takes responsibility for sourcing and managing all temporary and permanent agency staff, providing centralised data management and a single point of contact.

### Benefits:

- Eliminates the need to manage multiple suppliers – and the potential costs associated with doing so.
- Increased flexibility when it comes to tailoring the staffing service to the specific needs of the university.
- Outsourcing to experts can streamline compliance activities and workflows.
- Centralised management information for better decision-making.

### Potential disadvantages:

- A significant amount of control over staffing is potentially outsourced to the MSP.
- There may be risks associated with 'vendor lock-in' and the typically long-term nature of contracts.
- Success depends on the capabilities and long-term performance of the MSP.

## How does this apply to universities?

Temporary and permanent staffing agencies are experts in sourcing and delivering candidates for their clients. It is what their teams do day in, day out. University head offices on the other hand, have a range of priorities – from delivering the right experience for students to supporting teaching staff and maintaining infrastructure. They are not typically experts in managing large-scale staffing programmes for organisations with needs as diverse as a modern university. A managed service arrangement effectively provides an experienced recruitment specialist as an extension of the head office team.

It is a model that can have significant long-term benefits for universities. One institution implemented a Managed Service arrangement that led to cost savings, rationalised pay rates and helped mitigate the risk of non-compliance with temporary worker legislation and IR35 regulations. A Russell Group University awarded a managed service contract to an agency specialising in the provision of flexible staff.

This arrangement resulted in **100% fulfilment** of all contingent worker roles and a reduction in the time taken to fill vacancies.





## Business process outsourcing (BPO)

When it comes to outsourcing all or part of their staffing processes, universities can pick from a wide variety of potential services. They can choose to engage an agency to plug a specific gap in their current capabilities such as onboarding or payroll. This is what is known as business process outsourcing (BPO). It allows universities to outsource a range of specific head office and human resource processes to a third-party service provider. The service provider is then solely responsible for the management and execution of these processes, often using their own resources and technology.

### Benefits:

- Expertise and specialisation in specific business processes.
- Cost savings through economies of scale and efficiency.
- Access to supplier's own technology and systems.
- Focus on core business functions frees up valuable internal resources for the head-office team.

### Potential disadvantages:

- Loss of direct control over the outsourced processes with potential difficulties in monitoring ongoing performance.
- Dependency on the performance and capabilities of the service provider.

## How does this apply to universities?

By outsourcing specific business processes related to recruitment, universities can tap into specialised expertise, access advanced technology, and manage costs more effectively. Like retainer-based supply arrangements, master vendor arrangements or managed service arrangements, BPO allows universities to consolidate their supply chains, improve consistency and enhance overall efficiency. But it can also frequently do so for a lower cost. BPO can be more efficient too as the university can benefit from proprietary or specialist tools and software.

It can also be a much more targeted solution to the specific needs of an individual university. For example, some universities may find recruitment compliance checks are slowing down their ability to respond in an agile way to the staffing shortages they face. By engaging a specialist agency to handle all its Right to Work, DBS and credit checks, a university can be more confident that it is getting the right quality of candidates at a reduced time-to-hire. Similarly, payroll for a large and constantly changing contingent workforce can be very intensive in terms of time and effort. It can make sense in this situation to outsource the entire payroll function to a specialist provider who can work at the speed and scale a university needs.

# Making the most of specialist procurement frameworks

Procurement frameworks, such as TUCO, SUPC, LUPC, NWUPC and APUC, can also play a crucial role in helping universities navigate these challenges. These frameworks provide a list of pre-approved suppliers, simplifying the procurement process and potentially achieving cost savings through collaborative purchasing. In an environment where every penny counts, these frameworks offer a practical solution for universities to maximise their resources.



This is because the framework has already completed a comprehensive tender exercise in accordance with public sector procurement rules. As a result, universities can expedite their purchasing decisions and proceed with confidence, knowing that the suppliers within the framework have been vetted and approved.

When buying through a framework, universities have two options: direct award and mini-competition. In the case of direct award, universities can place their order with the appointed suppliers without the need for further competition. This approach offers convenience and efficiency, enabling universities to quickly acquire the goods or services they require. On the other hand, mini-competition presents an opportunity for universities to invite all capable suppliers within the framework to bid for a specific contract. This approach allows universities to evaluate multiple proposals and select the supplier that best meets their unique requirements.

In the UK higher education sector, several procurement consortia collaborate to create and manage these frameworks. Organisations such as TUCO, SUPC, LUPC and NWUPC are examples of these consortia that play a vital role in facilitating effective procurement practices for universities. Through their collective efforts, they contribute to the development and maintenance of robust procurement frameworks that cater to the diverse needs of the higher education sector.

Selecting the right procurement framework is crucial for universities to optimise their procurement processes, ensure compliance and achieve cost efficiencies. By leveraging the expertise and resources provided by these frameworks, universities can streamline their purchasing procedures, access a wide range of suppliers and make informed decisions that align with their goals and priorities.



# Conclusion

The changing landscape of UK higher education presents both challenges and opportunities. By leveraging technology, utilising procurement frameworks, and exploring different service models, universities can navigate these challenges and ensure they are well-positioned to attract, retain and manage their staff effectively. This not only contributes to a healthy and productive work environment, but ultimately enhances the quality of

education and research that universities can deliver. The future of UK higher education may be uncertain, but with the right strategies in place, universities can rise to meet these challenges head-on.

In a rapidly evolving sector, the choice of recruitment service can make all the difference. By selecting the right service model, universities can navigate the staffing challenges they face and ensure they are equipped to deliver the best possible outcomes for their students. The question is not whether universities should adapt to these changes, but how they can do so most effectively.



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