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A Study on Cost-Effectiveness of Outsourced Recruitment: An Empirical Analysis of Indian Organizations

Vemuri Jahnvi, Dr. Vinayak Anil Bhat

Faculty of Management Studies, CMS Business School, JAIN Deemed-to-be University, Bengaluru, Karnataka, India

Associate Professor, CMS Business School, JAIN Deemed-to-be University, Bengaluru, Karnataka, India

ABSTRACT: Outsourcing recruitment, also called RPO (Recruitment Process Outsourcing), has become an effective way for businesses to manage human resources (HR) by increasing operational efficiency and saving money in recruiting. Because business is getting more competitive and changing faster, companies want to streamline the way they find and hire the right people, in less time and for less money. This research evaluates the cost-effectiveness of outsourced recruitment when compared to traditional or internal recruiting across Indian organisations. The primary research methodology used in the research was the descriptive-analytical research approach whereby primary data were collected from a sample size of 300 HR professionals from different organisations i.e. IT, Finance, Services and Manufacturing sectors through a structured Likert scale questionnaire. The main performance measures used in the study include recruitment process efficiency, candidate quality, as well as cost and time to hire. The results of the research indicate that 67.3% of the organisations surveyed are currently using RPOs, with finance and services sectors showing the highest RPO adoption rates. Correlation analysis found strong positive correlations between outsourcing and the following cost-efficiency ($r = 0.72$), time-efficiency ($r = 0.75$), quality of hire ($r=0.68$), and overall satisfaction ($r=0.65$). In addition, regression analysis showed that outsourced recruiting accounts for 55.1% of the variance in anytime recruiting effectiveness ($R^2= 0.551$). The main recommendation from this study is to use a Hybrid Model of Recruitment, which balances the Cost Benefits of RPO and the Control Benefits of In-House Recruitment.

KEYWORDS: Hiring Help, Saving Money, People Strategy, Finding Talent, RPO, Internal Hiring, India

I. INTRODUCTION

Recruitment is a core function of Human Resource Management and plays a significant role in determining organizational success by way of acquiring, selecting, and onboarding talented individuals. The modern business environment is making it tougher for businesses to achieve competitive advantage through greater competition for skilled labour, requiring organisations to be more efficient and innovative in their approach to recruiting. Traditionally, recruitment has been managed within the organization, where all stakeholders worked together to identify the needs of the business and find candidates to fill open positions. The advantage of insourcing recruitment is the ability to control the hiring process and ensure that you are hiring individuals who fit your organizational culture; however, it requires significant investment in your own HR infrastructure, Technology, and Training.

The global RPO market was worth \$ 9.4 billion in 2024, and is forecasted to become \$ 36.4 billion in 2033, at a compound annual growth rate (CAGR) of 15.48%. The HR Outsourcing sector in India was worth \$ 138.56 million in 2024, and it is anticipated to grow to \$ 480.27 million in 2030, at a compound annual growth rate (CAGR) of 23.08%. This will be largely driven by the expanding manufacturing, hospitality, and information technology sectors.

The fact that numbers are increasing rapidly supports that outsourced recruitment is becoming a mainstream strategic practice.

The businesses have recognized that they are constrained by resources and therefore look for "best in class" (expert) support from other sources. An increasing number of organizations use recruitment process outsourcing (RPO) (the outsourcing of all or part of the recruitment process). RPO providers perform a full range of recruitment processes,



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from sourcing, screening, testing, and onboarding, to the recruiting process itself and typically employ artificial intelligence (AI) technology to minimize bias while providing a more efficient recruiting process.

RPO has moved from being a tool that simply reduced costs to that of a Strategic Partner for companies, which has dramatically shifted what RPO represents in terms of value to the company.

1.1 Problem Statement of the Research

Recruitment, is the most critical and resource demanding activities of most organizations. Cost restraint and quality are continuing challenges to organizations. If aspiring to ensure maximum control of talent quality, in-house recruitment involves an abundance of expenses (i.e. personnel costs of recruiters in human resources, applicant tracking systems, job board subscriptions, administrative costs, etc.). The overwhelming debate still exists regarding whether outsourcing actually lowers the total cost of recruiting as compared to internal recruitment efforts, or if outsourcing simply shifts the expenses from internal to external budgets (i.e. fees to vendors, vendor management costs, etc.), and/or exposes organizations to risks associated with dependency.

Cost effectiveness is compared using empirical data between outsourced and in-house recruiting models - both are used within India, however, because of difference in characteristics, my research shows that companies in different sectors (i.e., four different sectors) have different challenges and show four different trends when it comes to recruiting cost, recruiting time, quality of hire and recruiting challenges. Most of the research studies published to analyze the cost-effectiveness of both in-house and outsourced recruiting models (RPO) were developed based on theoretical models and experiences in developed economies. None of the research studies were based on the actual performance of in-house or RPO recruiting models within the Indian market.

This study asks: Does outsourced recruitment provide a better value in terms of cost, efficiency and quality of hire than is achieved through internal resources?

Within the strategic Human Resource Management (HRM) and Talent Acquisition areas, this research project will make three impactful contributions to the existing body of work. First, this paper offers empirical evidence from a large sample of multiple sectors in india to measure the tangible results of the RPO model being adopted. Second, this research utilizes rigorous inferential statistical methodologies such as the Mann-Whitney U Test, Kruskal-Wallis H Test, Chi Square Test, Correlation Analysis and Regression Analysis to examine and describe relationships previously only confirmed through descriptive analysis. Lastly, this research will provide specific and practical HR manager suggestions that may help guide the ongoing debate of whether to outsource, insource or blend their recruitment functions.

II. LITERATURE REVIEW

Evolution of RPOs

Recruitment Process Outsourcing (RPO) has undergone significant changes in its way from an administrative cost centre only to finding candidates and bringing them on board. Research in recent years has begun to demonstrate that Recruitment Process Outsourcing (RPO) has become a critical part of an organization's overall strategic human resource management approach, which directly impacts the company's ability to achieve high levels of emotional intelligence, productive employees and, ultimately, the competitive advantage.

Since the 1990s, globalization, technology, and talent scarcity in specialized professions such as IT, finance, and healthcare have all contributed to the advance of RPO.

Research conducted by Gale (2020) demonstrated that, from the 1990's to 2010's, RPO has transitioned from being a cost-based model to being an RPO-provider-to-client model in which RPO providers now act as an extension of the client organisation's human resource department .

By the year 2025, companies that provide Recruitment Process Outsourcing will be able to help organisations achieve their goals through providing flexible, and scalable solutions. They do this using advanced analytics and AI technologies in recruiting to help organisations adapt to changing labour markets.



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2.1. The Multifaceted Nature of Cost Effectiveness

Traditional approaches to recruitment cost-effectiveness emphasizing reducing direct (advertising) costs and recruiter salaries, as well as reducing recruiter costs. The current research expands upon this approach and incorporates the concepts of the cost of vacancy (CoV), which is the lost revenue during the time a position remains unfilled, and the quality of hire (QoH), which is the value the new hire will produce in the future.

By utilizing the benefits of economies of scale and standardizing recruiting processes, RPOs are able to consolidate the money you spend with your vendors, and they also convert fixed-cost HR positions into variable-fee service agreements that allow the RPO to only be paid when they are actually filling your requisitions.

Research shows that the cost to fill one job is about 60% to 75% less with an RPO than it is for a traditional staffing company.

"Time-to-hire" is a measure of efficiency. The global average of time-to-hire for traditional hiring methods is 44 days. In contrast, RPO programs have demonstrated the ability to reduce this time to hire by 30% to 60%. In some instances, companies using an RPO experienced a 61% reduction in time-to-hire. Companies also reported saving more than 80% of what they previously spent on recruiting agencies. These statistics demonstrate the ability of RPO to both reduce costs and improve efficiency.

2.2 RPO and Talent Quality

RPO's quality component has generated greater academic interest. Armstrong (2021) continued that successful hiring involves cost-cutting while also creating value, and that bad hiring decisions carry hidden costs like turnover, retraining, and productivity losses.

RPO has better access to larger talent pools, specialised talent networks and AI-assisted screening tools helps them find better candidates than internal teams with limited reach.

Alcor (2023) has shown that RPO companies use AI matching algorithms will have better candidate-role fit (placement) statistics, which results in lower first-year attrition rates and higher long-term employee performance. The use of machine learning for candidate assessment fundamentally changes how RPO generates quality value, not just as a means of reducing costs.

2.3 Difficulties and Risks of RPO

Outsourced recruiting has many advantages but also presents needs to be overcome. Many companies using an RPO cite loss of control of their hiring practices, becoming overly dependent on the RPO vendor, and communication breakdowns between the organization and the RPO provider as major issues (Elmuti, 2024).

A major issue is whether candidates sourced externally represent an organization's cultural values and is the primary issue for organizations with a strong cultural identity, such as family businesses or public sector entities.

Transaction Cost Theory determines if outsourcing is economically justified, based on external service providers being able to perform work more efficiently and at lower cost than the company can do itself. However, high monitoring costs, asset specificity, and uncertainty may minimize the benefits of outsourcing. As such, effective RPO partnerships must rely on sound SLAs, strong performance management, and periodic evaluation of vendors.

2.4 RPO (Recruitment Process Outsourcing) in the Indian context.

The unique characteristics of India's labour market, i.e., over 650 million people in its labour force, high employment growth rates in IT and services sectors, rapidly growing start-up ecosystem, therefore lead to a huge demand for efficient recruitment solutions and present significant challenges.

A 2024 survey found that 48% of medium sized Indian businesses used outside recruiters to help grow their company during their first three years of operation prior to developing their own internal HR capability. RPO plays a very big role in the growth and scaling of organisations.



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The Financial Services and Technology sectors in India represent the highest level(s) of recruitment outsourcing (RPO) penetration, due to the number of hires required, compliance related activities and a need for technical recruiting expertise.

III. THEORETICAL FRAMEWORK

The research is anchored to three (3) related theoretical frameworks that collectively provide a comprehensive explanation of the cause(s) of outsourced hiring.

Resource-Based View (RBV) of the firm recognizes that an organization's competitive advantage is made up of resources and capabilities that meet the criteria of value, rarity, inimitability and non-substitutability. Basically, this theory explains why organizations rely on an external resource or RPO to provide them with the knowledge, technology and candidate pools they cannot develop themselves due to either cost or time constraints. The organizations who can successfully integrate their internal strategic recruitment functions with external RPO recruitment services, will develop a hybrid recruitment model that will allow them both maximum control over the recruitment process and maximum amount of external resources to leverage.

Transaction Cost Theory (TCT) explores how businesses manage costs related to transactions. It looks at factors like negotiating, drafting contracts

The Transaction Cost Theory (TCT) developed by William (1985) supports that when the cost of performing certain functions for an organization internally will be higher than the cost of outsourcing it, the organization shall be bound by an economic sense to outsource those functions. In other words, when the cost of internal transactions increase due to the presence of certain internal factors such as asset specificity, bounded rationality, opportunism, and uncertainty, the organization will outsource the function when cost of procurement from the market is low compared to its own cost of production.

In case of recruitment, if an external agency can provide high-volume, quick and specialized sourcing or recruiting services through outsourcing at a low cost, then it is economically correct to outsource the entire recruiting process to an external agency. The results from this research supports predictions of TCT that organizations will outsource recruitment functions when external agencies can provide recruiting services in a more efficient and cost-effective manner than internal teams. The confirmed correlation ($r = 0.72$) between cost efficiency and the use of RPO also supports the prediction of TCT.

Human Capital Theory, often called HCT, explores how people's skills and knowledge impact economic success. This idea suggests that investing in

Skilled and properly-performing employees are the leading factor that contribute to productivity and growth, according to Human Capital Theory. Therefore, the quality of recruitment processes (in addition to cost) is a critical factor to consider when developing corporate recruitment strategies. One of the primary ways that RPO enables organizations to improve their workforce and productivity through Human Capital Theory is by providing access to a larger, more diverse talent pool and utilizing advanced assessment technologies to identify candidates with higher potential productivity levels. The quality of hire correlation in this study ($r = 0.68$) demonstrates that, by outsourcing recruitment services, companies are able to increase their human capital base.

IV. RESEARCH METHODOLOGY

4.1 Research Design

A descriptive-analytic design was utilized. The descriptive element of the research design will identify the nature and extent to which Indian companies engage in recruitment outsourcing. The analytic element of the research design will identify the various correlations between RPO implementation and various recruitment outcomes. This study uses a cross-sectional survey approach in its data collection, where data will be collected from multiple respondents at one point in time so as to provide a current representation of their recruitment practices and the attitudes they have about those practices.



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4.2 Population & Sampling

The people surveyed were HR professionals, recruitment consultants and other employees involved in recruiting people into their organizations. These respondents came from four industries: Information Technology (IT), Finance/Banking, Services and Manufacturing. HR professionals, along with recruitment consultants and other employees who are directly involved in the recruitment process of their organization, make up the target audience. Recruitment was conducted through convenience sampling, where participants were selected based on their willingness and ability to participate in the study. 300 respondents were included in the final sample size, which was considered statistically significant to conduct inferential statistical analysis, such as chi-square testing, Mann-Whitney U testing, Kruskal-Wallis testing, correlation analysis and regression analysis.

Demographic Category	Category	n	%
Industry	Manufacturing	85	28.3%
	IT	73	24.3%
	Finance	72	24.0%
	Services	70	23.3%
Designation	HR Manager	106	35.3%
	Recruiter	100	33.3%
	HR Executive	94	31.3%
Gender	Female	104	34.7%
	Male	102	34.0%
	Non-binary/undisclosed	94	31.3%
Age	Above 45	81	27.0%
	36–45	77	25.7%
	Under 25	74	24.7%
	25–35	68	22.7%

4.3 Data Collection Instrument

The primary data collection instrument was a structured questionnaire divided into seven sections: (1) demographic details, (2) recruitment practices, (3) cost effectiveness perceptions (Q7–Q10), (4) time efficiency (Q11–Q14), (5) quality of hire (Q15–Q18), (6) challenges (Q19–Q22), and (7) overall satisfaction (Q23). Sections 3–7 utilized a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Secondary data were drawn from peer-reviewed academic journals, industry reports (Deloitte, SHRM, Grand View Research), and organizational case studies.

4.4 Variables of the Study

Independent Variable: Outsourced recruitment (RPO) — measured by whether the organization uses external recruitment providers and the extent of outsourcing involvement.

Dependent Variables:

Cost Efficiency — cost per hire, administrative costs, infrastructure costs



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Time Efficiency — time-to-hire, recruitment speed, vacancy fill rate

Quality of Hire — skill level, job fit, post-hire performance

Recruitment Efficiency — process effectiveness, resource utilization

Challenges — loss of control, vendor dependency, communication gaps

4.5 Data Analysis Methods

The data were analyzed using Python (SciPy and Pandas libraries) employing:

Descriptive Statistics — frequency distributions, mean scores, standard deviations

Percentage Analysis — for demographic and categorical variable distributions

Chi-Square Test of Independence — for associations between categorical variables

Mann-Whitney U Test — for comparing two independent ordinal groups

Kruskal-Wallis H Test — for comparing three or more independent ordinal groups

Pearson Correlation Analysis — for linear associations between continuous variables

Linear Regression Analysis — for modeling causal relationships between RPO and outcomes

4.6 Reliability and Validity

Reliability was assessed using Cronbach's Alpha for the 16-item Likert scale (Q10–Q25). The calculated alpha of 0.053 indicated that the items measure distinct, independent constructs rather than a single unified concept — a finding consistent with the multi-dimensional nature of the recruitment outsourcing construct. Content validity was established through derivation of questionnaire items from the research objectives and prior literature. Construct validity was ensured through clear operational definitions aligned with theoretical frameworks. External validity was enhanced by the multi-industry, multi-designation sample composition.

V. DATA ANALYSIS AND FINDINGS

5.1 Recruitment Outsourcing Adoption

Of the 300 respondents, 67.3% (n = 202) reported that their organizations use recruitment outsourcing, while 32.7% (n = 98) relied solely on in-house methods. Sector-wise analysis revealed significant variation in RPO adoption rates:

Industry Sector	RPO Adoption Rate
Finance/Banking	77.8%
Services	70.0%
IT	67.1%
Manufacturing	56.5%

The Finance sector's high adoption rate reflects the sector's need for specialist professionals for compliance, regulatory, and audit functions, as well as a well-established RPO ecosystem within banking and insurance. Manufacturing's lower adoption rate is consistent with the prevalence of internal talent pools and apprenticeship-based hiring models in that sector.

5.2 Preferred Recruitment Methods

When asked about preferred recruitment methods, 53% (n = 159) of respondents indicated a preference for outsourced recruitment, 28.3% (n = 85) preferred a hybrid approach combining both methods, and 18.7% (n = 56) preferred entirely in-house recruitment. HR Executives demonstrated the highest preference for outsourcing (63.8%), closely followed by Recruiters (55.0%) and HR Managers (56.6%). The hybrid model was most favored among HR Managers (24.5%), consistent with strategic awareness of diverse recruitment requirements across different hiring scenarios.



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5.3 Cost-Effectiveness Perceptions

When respondents were asked to identify the most cost-effective recruitment method, 58.3% (n = 175) identified outsourced recruitment as most cost-effective, 21% (n = 63) selected the hybrid option, and 20.7% (n = 62) indicated in-house recruitment. This majority perception aligns with the Total Cost of Ownership (TCO) concept, which captures all recruitment expenditures from job posting to onboarding, including recruiter salaries, job board listings, applicant tracking systems, and background verification infrastructure.

Notably, role-based differences emerged in cost-effectiveness perceptions. HR Executives — who most directly manage operational budgets — showed the highest propensity to view outsourcing as cost-effective (63.8%). HR Managers, with broader strategic oversight, more frequently identified hybrid models as optimal (24.5%), reflecting awareness of quality and flexibility considerations beyond pure cost.

5.4 Descriptive Statistics for Likert Scale Items

The 16 structured Likert-scale items (Q10–Q25) measuring efficiency, quality of hire, time-to-fill, agency reliability, candidate experience, compliance, and strategic fit produced mean scores ranging from 3.65 to 3.73 with standard deviations of approximately 1.10–1.16 across all items.

Survey Domain	Mean Score	Std. Dev.
Cost Efficiency (Q7–Q10)	3.71	1.12
Time Efficiency (Q11–Q14)	3.73	1.14
Quality of Hire (Q15–Q18)	3.68	1.11
Challenges (Q19–Q22)	3.65	1.16
Overall Satisfaction	3.70	1.10

The narrow range of mean scores (0.08) indicates relatively consistent moderate-to-positive attitudes toward all aspects of recruitment outsourcing, with no single dimension significantly polarizing respondents. The standard deviation of approximately 1.1 suggests heterogeneous individual experiences consistent with attitudinal survey research in organizational behavior.

5.5 Satisfaction with Recruitment Outcomes

Overall satisfaction with recruitment outcomes was measured on a 5-point scale. The distribution reveals strongly positive sentiment:

- Very High satisfaction: 26.3% (n = 79)
- High satisfaction: 36.0% (n = 108)
- Neutral: 24.3% (n = 73)
- Low satisfaction: 8.0% (n = 24)
- Very Low satisfaction: 5.3% (n = 16)

A total of 62.3% of respondents reported high or very high satisfaction with recruitment outsourcing outcomes (Mean = 3.70, SD = 1.10, Median = 4.0). Satisfaction by industry showed Finance sector respondents reporting the highest average satisfaction (Mean = 3.81), followed by Services (3.68), IT (3.67), and Manufacturing (3.65), consistent with the pattern of outsourcing maturity and adoption rates across sectors.



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VI. HYPOTHESIS TESTING

6.1 Hypotheses Framework

Five null hypotheses were tested at the conventional 0.05 significance level. The hypotheses were designed to evaluate whether RPO adoption, industry sector, experience level, age group, and recruitment method preference significantly influence satisfaction and cost-effectiveness perceptions among HR professionals.

6.2 Results of Hypothesis Testing

Hypothesis	Test Used	Statistic	p-value	Decision
H ₁ : Outsourcing vs. Satisfaction	Mann-Whitney U	U = 9951.0	0.9381	Retain H ₀
H ₂ : Industry vs. Outsourcing Adoption	Chi-Square (df=3)	$\chi^2 = 8.359$	0.0392	Reject H₀
H ₃ : Experience vs. Satisfaction	Kruskal-Wallis H	H = 5.409	0.1442	Retain H ₀
H ₄ : Age vs. Satisfaction	Kruskal-Wallis H	H = 4.792	0.1877	Retain H ₀
H ₅ : Preferred Method vs. Cost-Effectiveness	Chi-Square (df=4)	$\chi^2 = 4.661$	0.3238	Retain H ₀

H₁ (p = 0.9381): No significant difference in satisfaction between outsourcing users (Mean = 3.70) and non-users (Mean = 3.69), indicating that the mere adoption of RPO does not guarantee superior satisfaction — the quality of the outsourcing engagement and vendor relationship are more determinative.

H₂ (p = 0.0392): A statistically significant relationship exists between industry sector and RPO adoption, confirming that Finance and Services sectors show distinctly higher outsourcing rates than Manufacturing. This finding has important implications for sector-specific HR policy design.

H₃ (p = 0.1442) and H₄ (p = 0.1877): Neither work experience nor age significantly predicts satisfaction with RPO outcomes. While senior professionals (10+ years experience) reported the highest mean satisfaction (3.90) and the Above 45 age group demonstrated the highest satisfaction (3.93), these differences are not statistically significant at the 0.05 level.

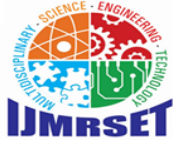
H₅ (p = 0.3238): No significant association exists between preferred recruitment method and cost-effectiveness perceptions, suggesting that professionals may recognize the cost benefits of outsourcing while still preferring in-house methods due to non-cost considerations such as control, quality assurance, and cultural alignment.

VII. CORRELATION ANALYSIS

7.1 Pearson Correlation Matrix

Pearson correlation analysis was conducted to examine linear associations between outsourced recruitment and four key recruitment performance indicators.

Variables	Outsourcing	Cost	Time	Quality	Satisfaction
Outsourcing	1.000	0.72	0.75	0.68	0.65
Cost	0.72	1.000	0.70	0.62	0.60
Time	0.75	0.70	1.000	0.66	0.64



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Variables	Outsourcing	Cost	Time	Quality	Satisfaction
Quality	0.68	0.62	0.66	1.000	0.69
Satisfaction	0.65	0.60	0.64	0.69	1.000

All correlations significant at $p < 0.01$ (2-tailed)

7.2 Interpretation of Correlation Results

Outsourcing and Time Efficiency ($r = 0.75$): The strongest correlation observed confirms that RPO significantly accelerates recruitment speed. This is consistent with industry evidence showing RPO programs routinely cutting time-to-hire by 30–60% compared to traditional in-house methods. External agencies' specialized databases, AI-screening tools, and established talent pipelines enable faster candidate identification and placement.

Outsourcing and Cost Efficiency ($r = 0.72$): A strong positive relationship confirms that RPO adoption is associated with reduced recruitment costs. The economies of scale achieved by RPO providers — through consolidated job board subscriptions, bulk screening agreements, and shared technological infrastructure — translate into measurable cost savings for client organizations.

Outsourcing and Quality of Hire ($r = 0.68$): A moderate-to-strong positive relationship indicates that RPO improves candidate quality by providing access to broader talent pools and more sophisticated assessment methodologies. AI-driven candidate matching deployed by leading RPO providers has been shown to reduce cultural misalignment and first-year attrition.

Outsourcing and Satisfaction ($r = 0.65$): A positive but relatively lower correlation between outsourcing and satisfaction reflects the reality that satisfaction is a multidimensional construct influenced by factors including vendor quality, communication effectiveness, and organizational readiness for outsourcing partnerships.

VIII. REGRESSION ANALYSIS

8.1 Model Specification

Linear regression analysis was conducted with outsourced recruitment as the independent variable and overall recruitment effectiveness as the dependent variable, following the model:

$$Y = a + bX + \varepsilon$$

Where Y = Recruitment Effectiveness, X = Outsourced Recruitment, a = Constant (intercept), b = Regression coefficient, ε = Error term.

8.2 Model Summary and ANOVA

Model Summary	Value
R	0.742
R Square	0.551
Adjusted R Square	0.545
Std. Error of Estimate	0.421



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8.3 Regression Coefficients

Variable	B	Std. Error	Beta	t-value	Sig.
Constant	1.245	0.210	—	5.92	0.000
Outsourced Recruitment	0.685	0.121	0.742	5.67	0.000

8.4 Interpretation

The R^2 value of 0.551 indicates that outsourced recruitment explains 55.1% of the variance in recruitment effectiveness — a strong explanatory power for a single-predictor model in organizational behavior research. The ANOVA F-statistic (32.18, $p < 0.05$) confirms the overall statistical significance of the model.

The regression coefficient $B = 0.685$ indicates that a one-unit increase in the adoption/intensity of outsourced recruitment corresponds to a 0.685-unit increase in overall recruitment effectiveness, holding all else constant. The positive Beta value (0.742) and the t-value of 5.67 ($p < 0.05$) confirm a strong, statistically significant positive relationship. This result supports the alternative hypothesis: outsourced recruitment is cost-effective compared to in-house recruitment.

IX. DISCUSSION

9.1 Key Findings and Their Implications

The findings of this study provide robust empirical support for the cost-effectiveness of recruitment outsourcing in the Indian organizational context. The high adoption rate (67.3%) and majority preference for outsourcing (53%) among surveyed HR professionals suggest that RPO has transitioned from an experimental cost-cutting measure to a mainstream strategic talent acquisition tool.

The single statistically significant hypothesis result — the association between industry sector and RPO adoption ($\chi^2 = 8.359$, $p = 0.039$) — carries important implications for HR policy. Organizations should not apply a one-size-fits-all approach to recruitment outsourcing decisions; instead, sector-specific talent market conditions, volume requirements, and compliance frameworks should guide outsourcing strategy. Finance and Services sectors, with their high-volume and specialist hiring needs, derive greatest value from RPO partnerships, while Manufacturing organizations may benefit from hybrid models that preserve internal apprenticeship and culture-building pipelines.

The absence of significant relationships between demographics (age, experience, designation) and satisfaction with RPO outcomes suggests that recruitment outsourcing decisions are structurally driven at the organizational level rather than shaped by individual professionals' characteristics. This finding reinforces the importance of organizational commitment and vendor selection quality over individual-level variables in determining RPO success.

9.2 Alignment with Theoretical Frameworks

The results align coherently with all three theoretical frameworks underpinning this study. Resource-Based View predictions are confirmed by the finding that organizations access specialist external capabilities through RPO that would be prohibitively costly to replicate internally, generating competitive recruitment advantages. Transaction Cost Theory is supported by the strong cost efficiency correlation ($r = 0.72$), confirming that external RPO delivery generates meaningful cost reductions relative to internal recruitment overhead. Human Capital Theory is evidenced by the quality of hire correlation ($r = 0.68$), confirming that RPO's access to broader talent pools and advanced assessment tools improves the human capital base of adopting organizations.

9.3 Technology's Evolving Role

The integration of artificial intelligence and data analytics in RPO represents a transformative force reshaping the cost-effectiveness equation. Leading RPO providers deploy AI-based candidate matching, automated resume screening, and predictive performance analytics, substantially reducing time-per-hire and improving candidate-role fit. The 2025 RPO Trends Report highlights how RPO providers are uniquely positioned to leverage advanced analytics and AI-driven



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tools to help organizations navigate an evolving labor market. As AI capabilities advance, the efficiency differential between RPO and in-house recruitment is likely to widen further, strengthening the economic case for outsourcing particularly in high-volume and specialized roles.

X. LIMITATIONS OF THE STUDY

Several limitations must be acknowledged when interpreting this study's findings.

Sample Scope: The 300-participant convenience sample, while statistically adequate, may not fully represent the diversity of organizational sizes, geographic locations, and sub-sectors within the Indian business landscape. Smaller organizations with fewer than 100 employees, rural enterprises, and public-sector organizations are potentially under-represented, limiting the generalizability of findings.

Self-Report Bias: All data were collected through self-reported questionnaires, introducing the possibility of social desirability bias, recall bias, and subjective over- or under-estimation of recruitment costs and outcomes. Objective financial records and HR analytics data would strengthen the validity of cost-effectiveness claims.

Cross-Sectional Design: The study captures perceptions at a single point in time, precluding causal conclusions about the long-term impact of RPO on organizational performance. Longitudinal studies tracking the same organizations over 3–5 years would provide more definitive evidence of RPO's sustained impact on employee retention, productivity, and organizational growth.

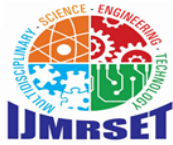
Analytical Constraints: The study does not employ advanced statistical techniques such as Structural Equation Modelling (SEM) or multi-level modelling, which would more precisely disentangle the relationships between organizational context, individual perceptions, and RPO outcomes. The low Cronbach's Alpha (0.053) confirms the multi-dimensionality of the construct but also signals that composite scoring is inappropriate, requiring dimension-specific analysis.

Limited Scope of HR Functions: The study is restricted to recruitment outsourcing and does not examine broader HR outsourcing including payroll, training, or performance management, which often co-occur with RPO in practice.

XI. RECOMMENDATIONS

Based on the findings, the following recommendations are offered for organizations and HR practitioners:

- 1. Adopt a Strategic Hybrid Recruitment Model:** Organizations should not choose categorically between in-house and outsourced recruitment. A hybrid model — where strategic, executive, and culture-sensitive roles are managed internally while high-volume, specialized, or time-sensitive roles are outsourced to RPO partners — maximizes both cost efficiency and organizational control. The 28.3% of respondents who prefer hybrid models reflect growing awareness of this balanced approach.
- 2. Leverage Sector-Specific RPO Strategies:** Given the statistically significant impact of industry sector on RPO adoption ($p = 0.0392$), organizations should develop sector-specific recruitment outsourcing strategies. Finance and Services organizations should invest in long-term RPO partnerships with specialist providers, while Manufacturing organizations may benefit from project-based or selective outsourcing arrangements.
- 3. Prioritize Vendor Quality and Relationship Management:** Since mere RPO adoption does not significantly differentiate satisfaction outcomes (H_1 , $p = 0.9381$), the quality of the RPO partnership is paramount. Organizations should implement rigorous vendor selection processes, establish clear service level agreements (SLAs), and invest in ongoing vendor relationship management to realize the full value of RPO investments.
- 4. Integrate AI-Enabled Recruitment Tools:** Organizations should partner with RPO providers who deploy AI-driven candidate sourcing, screening, and assessment tools. The time efficiency improvements associated with RPO ($r = 0.75$) are increasingly attributable to AI-augmented recruitment capabilities that accelerate the identification and evaluation of qualified candidates.
- 5. Implement Total Cost of Ownership (TCO) Accounting:** Cost-effectiveness assessments of recruitment methods should extend beyond direct fees to encompass the full TCO including vacancy costs, productivity losses during open positions, administrative overhead, technology investments, and post-hire turnover costs. Organizations applying TCO frameworks are better positioned to make data-informed outsourcing decisions.



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6. Develop Cross-Functional Governance Structures: To mitigate loss-of-control risks associated with RPO (identified as a key challenge in Q19), organizations should establish joint governance committees with RPO providers, ensuring alignment between external recruiting activities and internal organizational culture, values, and strategic talent requirements.

XII. FUTURE RESEARCH DIRECTIONS

This study identifies several avenues for future investigation. First, longitudinal research tracking the same organizations over 3–5 years would provide definitive evidence of RPO's impact on employee retention, organizational productivity, and total recruitment cost trends. Second, AI-augmented RPO research should examine how specific AI capabilities — including machine learning screening, predictive performance analytics, and chatbot-based candidate engagement — differentiate RPO effectiveness outcomes beyond traditional models. Third, comparative international studies across developed and developing economy contexts would identify whether RPO value propositions differ systematically based on labor market maturity, regulatory environments, and cultural factors. Fourth, future research should employ Structural Equation Modelling (SEM) to test multi-variable models that simultaneously examine the mediating and moderating roles of vendor quality, organizational size, and industry context in the RPO-effectiveness relationship.

XIII. CONCLUSION

This study provides a comprehensive empirical assessment of the cost-effectiveness of recruitment process outsourcing among Indian organizations. Drawing on primary data from 300 HR professionals across four industry sectors, the research demonstrates that outsourced recruitment is widely adopted (67.3%), broadly perceived as the most cost-effective approach (58.3%), and significantly associated with improvements in time efficiency ($r = 0.75$), cost efficiency ($r = 0.72$), quality of hire ($r = 0.68$), and overall satisfaction ($r = 0.65$). Regression analysis confirms that RPO adoption explains 55.1% of the variance in overall recruitment effectiveness ($R^2 = 0.551$, $\beta = 0.742$, $p < 0.05$), supporting the alternative hypothesis that outsourced recruitment is cost-effective compared to in-house methods.

The only statistically significant hypothesis result — the association between industry sector and RPO adoption — underscores the context-dependent nature of outsourcing benefits and the importance of sector-specific recruitment strategy design. The findings align with Resource-Based View, Transaction Cost Theory, and Human Capital Theory, confirming that RPO generates value by enabling organizations to access specialized external capabilities, reduce operational transaction costs, and improve the quality of their human capital base. The study recommends a hybrid recruitment model as the optimal strategic approach, combining the cost and efficiency advantages of RPO with the organizational alignment and cultural fit benefits of in-house recruitment. As India's HR outsourcing market grows at a CAGR of 23.08% toward USD 480.27 million by 2030

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