

SMEs blow £100K+ annually on recruitment fees, even when not growing headcount

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Companies with a headcount of 250 shell out, on average, £116,545 a year on recruitment agency fees - even if they are not increasing headcount. That is according to an analysis by in-house recruitment specialist, Consult Inhouse (<https://consultinhouse.com/>), which highlights how there is often a lack of visibility around total staffing spend.

Data from the Recruitment & Employment Confederation (REC

(<https://www.rec.uk.com/news-and-policy/press-releases/the-uk-recruitment-industry-grew-by-11-to-35.7-billion-in-201718-des>

shows that the average recruitment fee for a single permanent placement increased by 6.4% in 2017/18 to reach £4,238. When coupled with separate figures from LinkedIn

(<https://business.linkedin.com/talent-solutions/blog/trends-and-research/2018/the-3-industries-with-the-highest-turnover-rates>)

which reveal that the average global staff turnover rate now stands at 11%, the price of managing staff turnover is apparent.

Using the same methodology, it can be deduced that a company with a headcount of 1,500 can expect to spend at least £699,270 annually on agency fees, while a firm with 5,000 staff will hand over an average of £2,330,900 each year to recruitment firms just to manage talent attrition.

Commenting on the data, Steve Lorde, Co-founder & Director, comments:

“The financial burden which comes with relying on recruitment agencies to manage the procurement of your business’s most valuable assets should not be underestimated – but often business leaders and HR teams lack visibility around total staffing spend.

“As our analysis shows, the cost of managing permanent staff turnover alone can have a significant impact on the bottom line. Add to that the additional costs which are incurred when sourcing and securing senior hires and niche skillsets – where recruitment fees are often double the average - and it is easy to see how the amount of cash spent on agency fees can quickly spiral. That is before you even take into account managing contingent workers or actively growing headcount.

“Historically, the arguments ‘for’ and ‘against’ bringing talent acquisition in-house were fairly balanced. Businesses essentially had to weigh up whether they were willing to forgo the relationships and reach that their external providers boasted, in order to retain control of recruitment decisions and ownership of their brand. However, in the digital age, external recruiters no longer have the ‘edge’ that they once sold as their key differentiator.

“As a result, small and medium enterprises which would previously have housed talent acquisition activity within more generalist HR functions - or allocated resource to focus on administering the relationship between external agencies and business hiring managers – are increasingly considering alternative options.”

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