

Recruitment sector remains strong despite Brexit turmoil – but is facing its own talent crisis

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- 17.5% is average margin for contract/temporary placements
- Average attrition sits at 20%
- 80% say upskilling employees is major barrier to growth
- 55% rely on EU contractors

Margins across the recruitment profession remain strong, but staff attrition and a need to upskill teams remain key challenges along with Brexit. That is according to the 2019 Recruitment Index compiled by Saffery Champness LLP in association with Association of Professional Staffing Companies (APSCo (<http://www.apsco.org/>)).

Margins remain strong

Gross margins for contract/temporary averaged 17.5% across all respondents although some sectors were performing significantly better. For contingent permanent placements, utilities & energy generated the highest average fee as a percentage of salary at 27%. This was followed by 23% for both media & marketing and accounting & finance.

Brexit impact

The report also indicates that over half of those surveyed (55%) said they were either partially or highly reliant on EU contractors, indicating that Brexit could be a threat to many businesses over the coming months and years.

When quizzed on future growth strategy, a desire to move into new geographies was evident, with Germany and the Netherlands favoured European destinations for UK recruitment firms (identified by 29% and 12% respectively). The USA still remains a strong pull for recruiters with over 20% either having opened offices or exploring the region.

Talent challenges

While Brexit and associated economic uncertainty was cited as a barrier to growth by 60% of those surveyed, the top hurdle to business advancement was the need to upskill employees, which was identified by 80% of respondents.

In addition, those surveyed saw average staff attrition rates of 20% and above within their own businesses, with firms with an NFI over £10m seeing rates as high as 33%. This may explain why increasing headcount remains the number one priority for firms, with 87% seeing this as their best way of achieving growth.

Gender diversity

Among respondents, the highest number of women was at the recruiter level (41%). However, this percentage reduced significantly at leadership level (35%) and board level (25%). Further analysis showed that 47% of firms' have fewer than 10% female representation at board level. This gender disparity is no doubt linked to wider talent challenges across the sector. However, just 31% of companies have initiatives in place to retain women, with 23% of respondents offering flexible working and 9% providing enhanced maternity benefits.

Jamie Cassell, Partner at Saffery Champness, said:

"It is encouraging to see that margins remain resilient during this period of uncertainty, particularly within sectors where skills demand is shifting in line with technological advancement, such as IT and media & marketing. However, this is no accident. There is little doubt that businesses are building strategies in response to external forces and taking conscious steps to mitigate against risk. For example, the old stomping grounds of the Middle East and APAC are no longer the first ports of call when firms are considering overseas expansion, with Germany and the USA becoming increasingly popular."

Commenting on the findings, Ann Swain, Chief Executive of APSCo, said:

"Our market is currently facing unprecedented challenges. However, today's rapidly shifting landscape is also presenting ambitious firms with exciting opportunities and our results indicate a profession which is robust, agile and evolving."

"While Brexit continues to dominate headlines, it is interesting that the need to upskill employees is seen as the number one challenge for recruitment leaders, with economic uncertainty due to the UK's withdrawal from Europe coming in second."

"It is ironic that our profession, which is on the front line in the scramble for top talent, seems to be battling its own staffing crisis. The lack of gender diversity across the profession, particularly at senior level, remains a key obstacle which must be addressed urgently. This data suggests that talented females are either being lost to other professions, or simply not offered the opportunity to climb the career ladder and fulfil their full potential. In these turbulent times, those firms which can not only attract – but also retain and develop their own top talent – will thrive and prosper."

- Ends

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About APSCo

APSCo was formed to give all firms involved in the recruitment of professional talent who have a commitment to excellence, the specialist support and distinctive voice they need to be successful.

Celebrating its 20th anniversary this year, APSCo is the only UK recruitment trade body with an international footprint with in-country operations in Germany, Singapore and Australia. It gives candidates and employers a trusted badge of quality while providing member firms with an innovative range of services designed by recruitment experts to boost performance and reduce exposure to business and financial risk.

These services, combined with its growing international profile, commitment to Corporate Social Responsibility and opportunities for professional networking give APSCo members a unique opportunity to develop their businesses and gain competitive advantage.

www.apsco.org

About Saffery Champness

Saffery Champness advises recruitment clients that range from boutique executive search companies to large multinational groups, with a combined turnover of over £2 billion.

We provide clients with a value added and sector tailored compliance service for audit, accounts and tax, and we also work closely with our clients to support their goals in areas such as:

- International expansion
- Interpretation of VAT legislation
- Implementing share option schemes along with employee taxation and other incentives
- Profit extraction planning for owners, along with succession and exit planning
- Financial benchmarking
- Corporate finance advice and transaction support
- Umbrella companies, Managed Service Companies and IR35 compliance.

With a large range of recruitment businesses as clients and a proactive involvement in the industry for many years, we are one of the very few business advisers that genuinely understand the needs of the recruitment sector and the businesses and individuals within it.

www.saffery.com

About TEAM

TEAM is the largest network of independent recruiters in the UK, providing recruitment and employment services to its membership enabling them to provide all the benefits associated with an independent recruiter whilst being able to harness the networking power of over 700 locations.

TEAM offers clients and candidates one of the widest selections of services and job opportunities anywhere in the UK and beyond. TEAM Members benefit from a comprehensive range of TEAM Service Providers including access to unique TEAM Member discounted rates on many UK job boards along with savings on a variety of other services.

