BUSINESS INTELLIGENCE

MARKET INDICATORS

Margins maintained while volume continues to fall

Margins are not being cut to win business, according to BDO Stoy Hayward's review of the latest data outputs from Recruitment Industry Benchmarking (RIB).

Despite a challenging operating environment, temporary margins actually increased in Q1 2009, to the upper end of the 18.5% to 20% band, where they have fluctuated over the past two years. This is somewhat surprising given the increase in the cost of 'employing' temporary labour and shows that, within reason, the cost of using temporary labour is not as sensitive as recruiters may fear.

According to BDO Stoy Hayward, if recruiters keep close to their clients during this time they will gain a much better insight into the roles being offered and therefore how mission-critical they are to the operations.

It is difficult to measure the margin on permanent placements, but an analysis and comparison of the average invoice value to placement salary shows this can vary considerably. Over the past two years this has fluctuated between 16% and 19.5% of the placement salary. This range, when compared to the average placement salaries of between £25,000 and £29,500, can have profound effects on a business' ability to survive, as not getting any placements can quickly move profits into losses.

The six-monthly upward trend in permanent margins might give cause to rejoice, but this should be cautioned with the fact that volumes continue to be severely reduced. In only 12 months, businesses have gone from showing monthly year-on-year increases, to being at levels significantly below 2008's results.

Christopher Clark, corporate finance partner at BDO Stoy Hayward, told *Recruiter*: "The severity of the drop in revenues, with both February and March permanent figures showing falls of 60% in comparison to 2008, was not envisaged.

"This has had a significant affect on people's ability to continue to trade. During 2007 the significant growth being experienced fuelled investment in the market and new operations being established. Now, the severity of the downturn means that this investment has to be reversed but cash that could have otherwise provided stability will have already been spent."

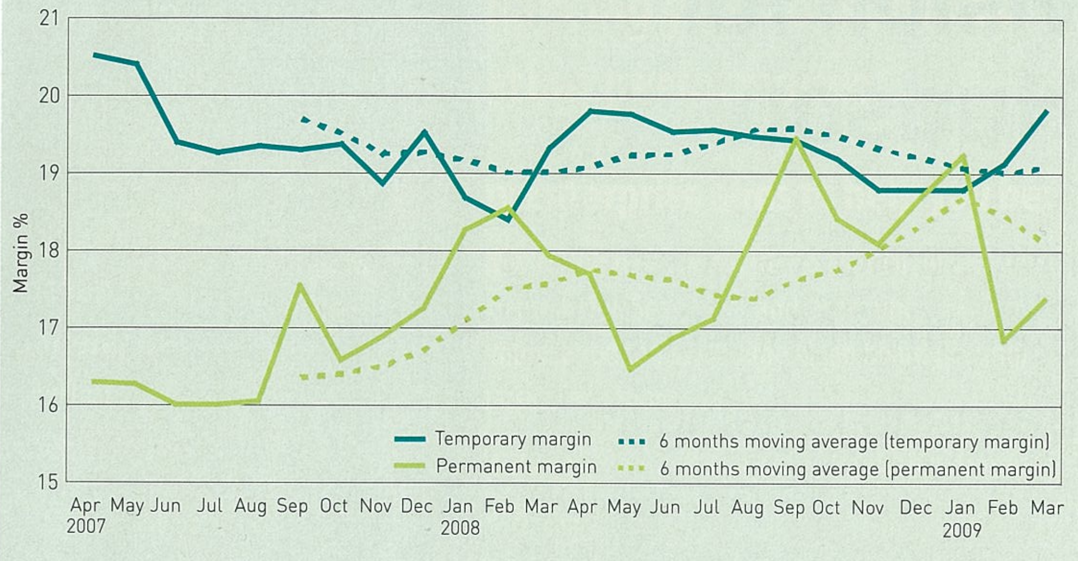
It is no surprise that employee numbers have fallen since August and that the proportion of employees who are fee earners is increasing, although only marginally to 73.8% vs an average of 72.4%.

Clark added: "All these measures to manage costs may still be in vain if there are not enough opportunities out there for recruiters to make any placements. There have been 34 recruiters going into administration or administrative receivership in the first quarter of the year. This provides some context to how the reduction in activity is affecting businesses in the sector."

Crawfurd Walker, director at RIB, told *Recruiter*: "RIB members are reporting a slowdown in the rate of decrease of many indices and even a small increase in some. If this is a 'levelling off', the big question is when will the consistent increases begin?"

● *Recruitment Industry Benchmarking (RIB) provides its members with bespoke monthly comparisons of their performance on key industry measurements.*

MARGIN PERFORMANCE



REVENUE COMPARISON YEAR-ON-YEAR