MARKET INDICATORS

Temp placements rise as business tightens its belt

Recruiters are seeing a change in the market as employers switch from permanent to temporary placements as a precautionary measure in the face of growing economic gloom, according to the latest Recruitment Industry Benchmarking (RIB) data.

Key indicators from RIB members in April suggest that the next 12-24 months will see employers cutting back on their staff recruitment and training expenditure.

Despite fears over the health of the economy, though, recruiters have continued to issue positive statements about earnings and revenues. However, figures on permanent and temporary placements suggest that the industry is about to undergo a sea change.

One traditional indicator of an impending recession is when employers switch from permanent to temporary placements as their confidence about the future drops.

Figures for April show that this point has now been reached, with the growth in permanent revenues falling below the rate of growth in temporary revenues for the first time in a year.

There have already been significant job losses this year, with certain sectors particularly affected. The most notable have been the City and financial services (20,000), public sector (20,000) and manufacturing (11,000).

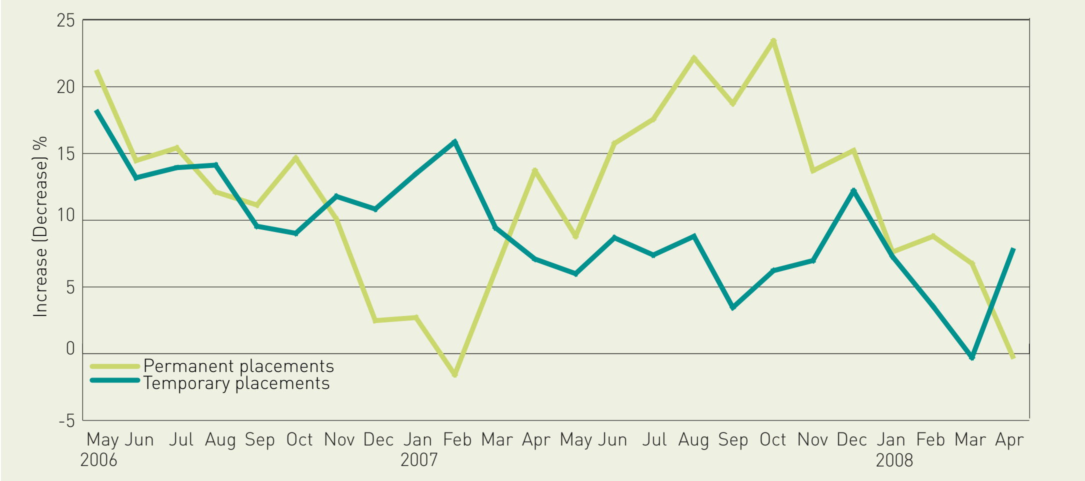
However, economic commentators believe that it is only a matter of time, perhaps just a few months, before other sectors, notably retailers, hotels, bars and restaurants are hit, with a knock-on effect on recruiters themselves.

The latest unemployment figures paint a confusing picture. The number of people claiming unemployment benefits increased by 24,400 between February and April 2008 to reach 819,300.

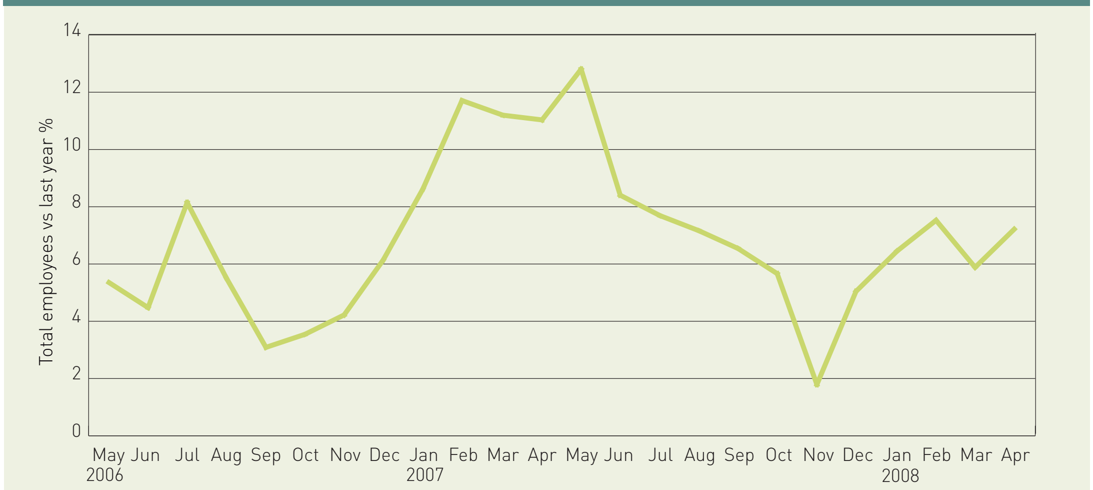
But despite this, the total number of people in work continues to increase as a growing population swells the workforce. The number of people in work rose by 76,000 in the three months to April.

Within this there have been important regional variations, with unemployment rising strongest in the West Midlands. On the other hand the South-East has continued to hire workers.

TURNOVER COMPARED TO PREVIOUS YEARS



COMPARISON OF TOTAL EMPLOYEES



Christopher Clark, corporate finance partner at BDO Stoy Hayward, said: “Recruiters need to exercise caution, given all the bad press about the faltering economy. Building a business for the long term requires planning, financial resources, an entrepreneurial spirit and, most importantly, a lot of nerve. Cutting costs, closing branches and reducing headcount are easy, but instilling a culture to drive the business forward and seek out opportunities is more likely to pay off in the long term.”

He added: “Recruiters can continue to drive revenues and the number of placements made by working closely with their clients. In the current employment climate being able to find the candidates in short supply, filter the applications or run assessment centres are key to delivering value to clients and building stronger more sustainable businesses.”

Resilience and diversification are the key to maintaining a business and moving forward in a downturn, according to BDO Stoy Hayward’s review of RIB data. It is likely that larger branches with multiple locations and a spread of sectors will see the widest variation in branch performance across their company.

The signs are that despite the economic uncertainty, RIB members have not yet taken any action to cut their headcount.

Crawfurd Walker, director at RIB, said: “Providing our members with current market information is crucial in enabling them to actively manage their business and react swiftly to market variations and optimise their performance. Our recent members’ day highlighted how critical this information is to management in enabling them to build real value in their organisations.”

● *Recruitment Industry Benchmarking (RIB) provides its members with monthly up-to-date analysis of their performance on key industry measurements. This enables them to measure, manage and improve their business performance. www.ribindex.com*