

MARKET INDICATORS

Corporate financial director Christopher Clark looks back at a favourable year in recruitment

Despite a nervous last quarter of 2007, the annual performance of recruitment agencies during 2007 was still favourable, according to BDO Stoy Hayward's review of the latest data output from Recruitment Industry Benchmarking (RIB).

Top-line growth

Revenue is often quoted as a metric of success, with various reports and analyses that rank businesses by the size of their top line. The recruitment sector is no exception to this and top-line growth continued during the past year, albeit with a slower growth rate in temporary recruitment than permanent recruitment.

Encouragingly, growth at the top line has not been at the expense of profits, where net profit reduced only slightly to 4.66%. This was partly caused by the reduction in margin on temporary revenues by 0.4% that, given the introduction of new legislation to increase the holiday entitlement of workers from 20 to 24 days, was partly expected.

Consultant growth

In a buoyant market the key driver for the growth in revenues is the employment of more consultants to take advantage of the opportunities available. It is therefore not surprising then that there has been a growth in consultant numbers.

The balance of staff has also remained fairly static between fee and non-fee earning. The small shift towards fee-earning staff highlights the operational leverage available in most workforces before additional administrative staff have to be hired to cope with increases in revenue.

Employee base stability

A key concern for all recruitment agencies should be the stability of the employee base and ensuring consistency and quality of delivery. The reduction in the average length of tenure is not a major concern in a growing market where new staff are being recruited. The static nature of the

measure in this instance implies that RIB recruiters are able to retain their key consultants as well as growing the consultant base which is highly desirable.

People organisations thrive on the culture and atmosphere of their employer. The recruitment industry has been through significant growth over the past few years and retaining experienced consultants as well as recruiting new ones is a difficult balancing act.

Permanent growth

A review of the data output does highlight that permanent businesses are experiencing better trading conditions at present. Permanent revenue growth of 13.1% and 12.7%, in 2006 and 2007 respectively, is impressive for both years. This growth is largely driven from the value of placements being made increasing rather than the volume of placements being made.

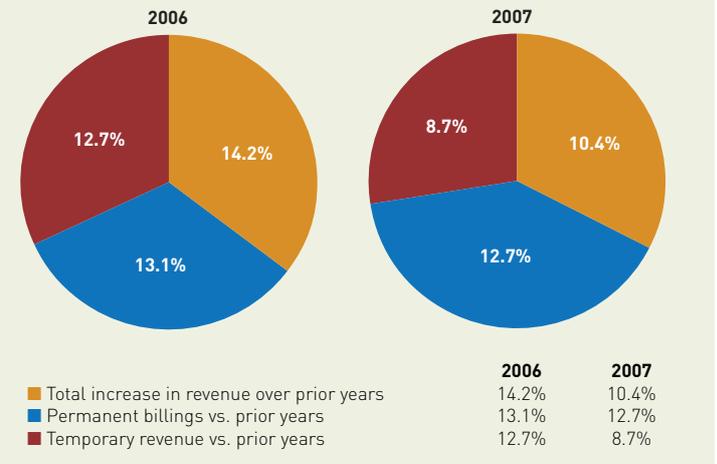
Permanent biased businesses are not necessarily valued as highly as temporary ones, with revenues seen as more variable, reliant on the consultants' relationships and the economic cycle. The historic growth rates have largely been delivered in a market where there is a shortage of skills and labour to fill available positions. It is unclear how long this phenomenon will continue and it will ultimately be influenced by the overall economic prospects for 2008.

Crawford Walker, director at RIB, said that RIB members should be pleased with their performance during 2007. "The results are testament to the management and continual improvements they seek to make in growing their businesses for the long term."

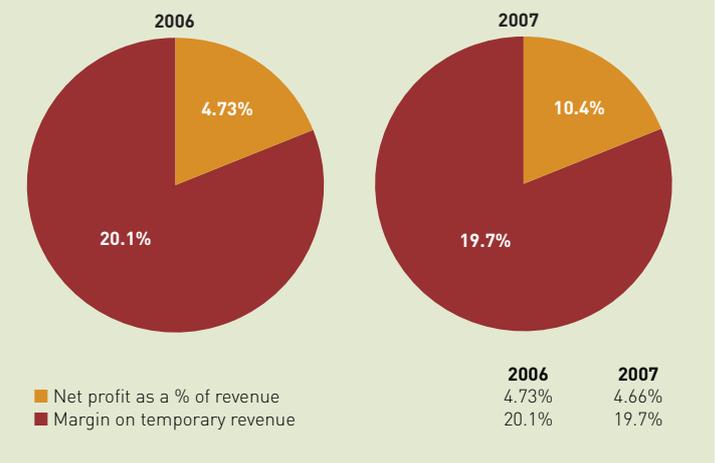
Recruitment Industry

Benchmarking (RIB) provides its members with monthly up-to-date analysis of their performance on key industry measurements, enabling them to measure, manage and improve their business performance.

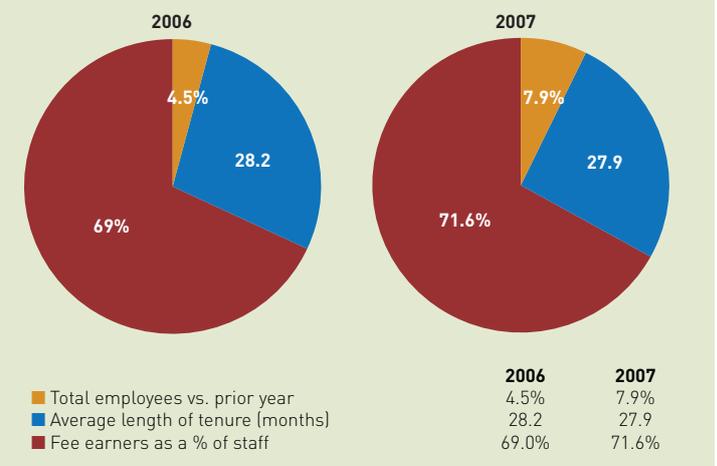
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