INDUSTRY BENCHMARKING

Keep a balance of billings to ride out the downturn

With all eyes focused on the stock market and the performance of financial institutions, how are recruiters faring in these difficult times?

Looking at year-on-year billings gives a mixed, but not surprising view, according to BDO Stoy Hayward's review of the latest data outputs from Recruitment Industry Benchmarking (RIB).

Permanent billings show a big decline in performance

Recruitment companies have often been cited as one of the bellwethers for the economy, but if you had only looked at the performance of the RIB members over the past 12 months, you would have been forgiven for not realising that trouble was ahead.

After significant year-on-year growth in permanent and temporary billings during 2007, 2008 was not showing the same spectacular growth, but it was still registering an increase in business.

In past economic downturns it was evident that temporary billings initially increased. The rationale for this was thought to be employers putting a freeze on permanent recruitment, but using temporary workers to carry out the duties of the vacant position. Given the more sudden nature of the economic crisis, the billings from permanent placements have fallen significantly but with as yet no compensating upturn in temporary billings.

This is one of the rationales for recruiters to have a mix of business in both permanent and temporary placements to hedge against these factors.

Christopher Clark, corporate finance partner at BDO Stoy Hayward, told *Recruiter*: "I'm often asked what the most appropriate mix is for a business between permanent and temporary placements. This can depend on the sector, but generally businesses with a higher weighting towards temporary placements are more able to balance the risks and rewards that both revenues provide."

What the outputs from the RIB index highlights is that permanent billings can vary significantly and decline without any real warning.

Clark added: "A business that is able to service its overheads and expenditure from the income generated from temporary billings will have a more solid and reliable income base. Any income generated from permanent billings will provide the profits during the good times, but recruiters should avoid becoming too reliant on this volatile revenue stream for ongoing sustainability."

Managing your business in a client-driven market

With the large number of redundancies in the financial and banking markets, coupled with predictions that UK unemployment will soar to well over two million next year, how should recruiters react to changing market conditions?

The simple answer is there is little that can be done now and those companies that planned and built their businesses on strong foundations are more likely to be the winners.

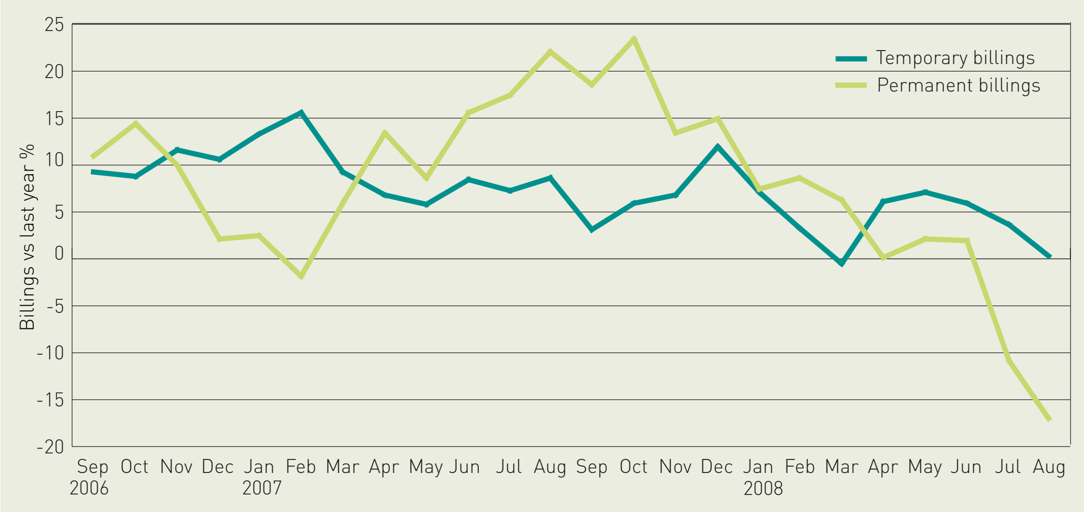
Recruiters operating in niche markets such as parts of the public sector, medical, energy and utilities and food will be well positioned. Some niche operators will get stronger, particularly if they operate in markets where there are candidate shortages and high barriers to entry.

Agencies with a strong client-service ethic are more likely to maintain client relationships under pressure from other recruiters chasing a diminishing pool of vacancies.

Crawfurd Walker, director at RIB, told *Recruiter*: "In the present market it is vital that management has up-to-date information about what is happening in the marketplace now, to enable them to make informed strategic decisions."

Industry analysis by Recruitment Industry Benchmarking (RIB), which provides members with monthly up-to-date analysis of their performance.

BILLINGS VS LAST YEAR



COMPARISON OF NUMBER OF CLIENTS BILLED