

Green shoots are growing but slowly

Despite the welcome signs of recovery, recruiters should start to build for the future rather than dive into immediate but short-term business

Despite some positive news that has predicted the end of the recession, recruiter billings are still significantly below previous years, according to BDO Stoy Hayward's review of the latest data outputs from Recruitment Industry Benchmarking (RIB).

In the year to July 2009, all but one of the monthly comparisons has been significantly below the corresponding period of the previous year. The significance of this decline means that at current levels, billings are significantly below those experienced two years previously.

This should come as no surprise, with growing unemployment and Manpower's Employment Outlook Survey showing signs of caution since Q1 2007. The surprise to many

in the industry is the extent of the decline. No sensitivities or contingencies in a business plan would have accounted for such a decline and its resulting impact to the business. Permanent billings have fallen 50% on previous years, while temporary billings have declined by 20%.

This experience is not, however, across all sub-sectors of the industry, with public sector, health and education providers still trying to match demand against a shortage of

appropriate skills. While these providers may have flourished as other have fallen on harder times, notes of caution are starting to appear as, given the state of government finances, cutbacks are likely.

However, there is some welcome news as UK employers are reporting improved hiring plans for the first time in three years. The Employment Outlook Survey shows a rise in projected hiring during October to December 2009 for the first time since Q4 2006, indicative of the first positive signs since the economic downturn began.

If the positive signs are to lead to new business being created, recruiters will need to review the clients they have been dealing with. The RIB data highlights that there has been a dramatic fall in the

number of recruiters' clients on a monthly basis. Since December 2007, the number of clients billed in comparison to previous years has fallen — in some cases by 20% or more. This level of client attrition, coupled with a reduction of employees in excess of 22%, means that client relationships are likely to have been damaged or lost.

Going forward, recruiters will need to focus their business development efforts on regaining the trust and respect of hiring

managers against a backdrop of significant change on both sides of the relationship. The dilemma will be to focus on those clients who will return to hiring and are willing to pay fees in the short term, against a longer term objective of being a key supplier for years to come.

Over time, longer term prospects are likely to be more fruitful but in a buyer's market, ignoring these key relationships in preference for some short-term gain could have a material impact on a recruiter's long-term prospects. The current climate provides an opportunity to revisit how businesses operate and challenge themselves around the following areas:

- Are your key clients really still key?
- Can you re-engineer your sales and fulfilment operations?
- How do you differentiate yourself from your competitors?

This may be seen as navel gazing at one level but those who are looking to build a business for the future will need to grasp these challenges.

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

- **CHRISTOPHER CLARK**
CORPORATE FINANCE PARTNER,
BDO STOY HAYWARD
- **CRAWFURD WALKER**
DIRECTOR, RECRUITMENT
INDUSTRY BENCHMARKING

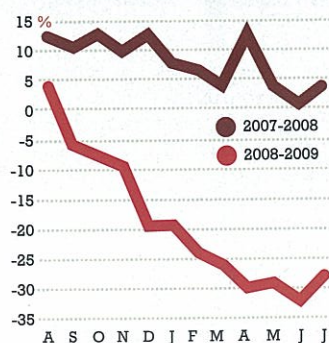
key indicators

- **Billings decline**
Permanent billings are down 50% on previous years, while temporary billings are down 20%
- **Projected hiring rising**
Projected hiring for October to December 2009 has risen for the first time since Q4 2006
- **Number of clients billed falls**
The number of clients being billed by recruiters has fallen since December 2007

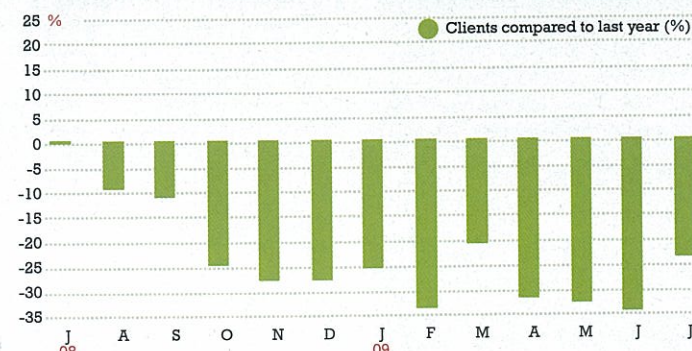
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1 Turnover in comparison to previous years



2 Number of clients in comparison to last year



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