Deloitte.

APSCo

UK Recruitment Index 2015

Investing in talent for stronger growth

July 2015

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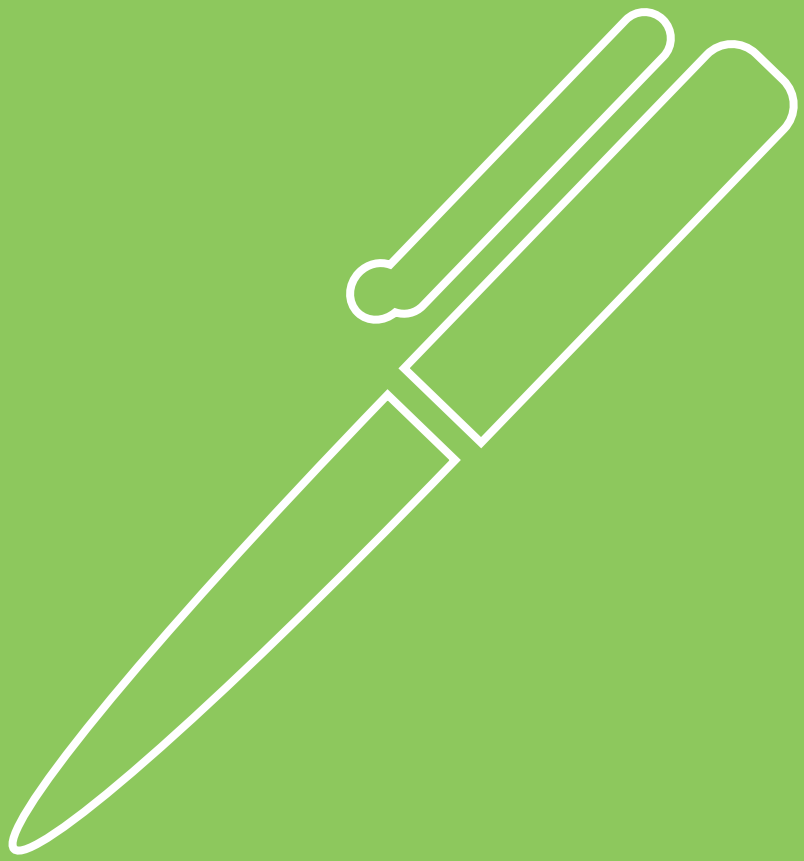


Foreword: Deloitte

Welcome to the third edition of the UK Recruitment Index report, compiled by Deloitte in association with APSCo.

The results of this year's UK Recruitment Index are based on a record number of APSCo Deloitte Benchmarking Survey responses. The objective of this survey is to produce an index of key financial and operational performance metrics to enable recruitment companies to measure and benchmark themselves.

Last year's report revealed signs of greater stability and growing optimism among recruitment firms. This year, growth continues to be buoyant and this is reflected across a number of metrics for the sector.

A key focus for recruitment firms is investing in employees to support this growth. The industry remains highly competitive and the skills shortage means it is hard to find and retain talent. There is also more pressure on firms to provide an attractive package that offers a range of financial and non-financial benefits to their staff.

Growth opportunities and cost pressures mean firms must be able to benchmark business performance effectively to protect margins. This survey is a useful tool for recruitment companies to compare their own financial and operational metrics with the competition.

Once again, I would like to thank the many firms who provided valuable input to this report by making their data available for this analysis. I hope you find the report insights thought-provoking and useful. We will build on the quality of the analysis year-on-year to make the results even more meaningful over time and welcome your feedback.

Please do not hesitate to contact me or any of the team for further information.

Katie Folwell-Davies
Partner, Financial Advisory, Human Capital Services Lead
Deloitte LLP

Foreword: APSCo

The Association of Professional Staffing Companies (APSCo) is once again delighted to be partnering with Deloitte on this important research initiative.

The UK Recruitment Index report has now established itself as an essential source of KPIs for the professional recruitment sector covering productivity, margins and overall financial performance. More and more firms are actively seeking participation in the survey with over 200 completing the survey this year (28 per cent higher than 2014) – a testament to the value that is now attached to this research.

The key theme that emerges from the UK Recruitment Index in 2015 is the importance of acquiring and developing talent to sustain growth. At APSCo, we have certainly seen strong demand for the support we provide in these two areas: our pioneering graduate intern programme continues to expand, our market-leading professional development courses have been in huge demand and our recent "Defining the Future" event for business leaders with Deloitte was an outstanding success.

The overall picture that is painted by these results is one of a successful, vibrant sector that is committed to the highest standards of professionalism. It now has a real opportunity to develop further its portfolio of sophisticated value added services to end-clients – and achieve the just rewards from this investment.

Thank you to everyone who made the 2015 report possible.

Ann Swain
Chief Executive
APSCo

1. Executive summary

1. Executive summary

The results of this year's APSCo Deloitte Benchmarking Survey are based on a record number of responses. The objective of this survey is to produce an index of key financial and operational performance metrics to enable recruitment companies to measure and benchmark themselves.

Key findings

This year's survey results show significantly stronger performance in the recruitment sector overall. There are slight variations in the size and scale of growth in organisations but growth in all segments is strong.

More experiencing growth in NFI/GP

The results from this year's survey show a continued positive trend seen in the previous survey. The majority (83 per cent) of organisations reported growth in Net Fee Income (NFI) or Gross Profit (GP) over the past year. The proportion of recruiters who experienced a decline has halved this year compared with last year. There are still some variations across firms but the general tone is positive. This year a number of new companies have participated and, even excluding these high-growth start-ups, growth rates are strong but slightly lower than those seen last year. The average rate of growth in NFI is relatively high, with a weighted average annual increase of 12 per cent, which is marginally lower than last year.

The need for talent

There is a continued focus on talent among recruitment firms to support on-going growth in the sector. For the second consecutive year, the biggest challenge faced by survey participants relates to increasing headcount. Over a third also expect the development of a strong management team to be a challenge.

It is clear that recruiters need to offer competitive packages incorporating a broad range of employee benefits.

Priorities for the year ahead

Looking ahead, there are a number of key challenges that will continue to affect the recruitment sector.

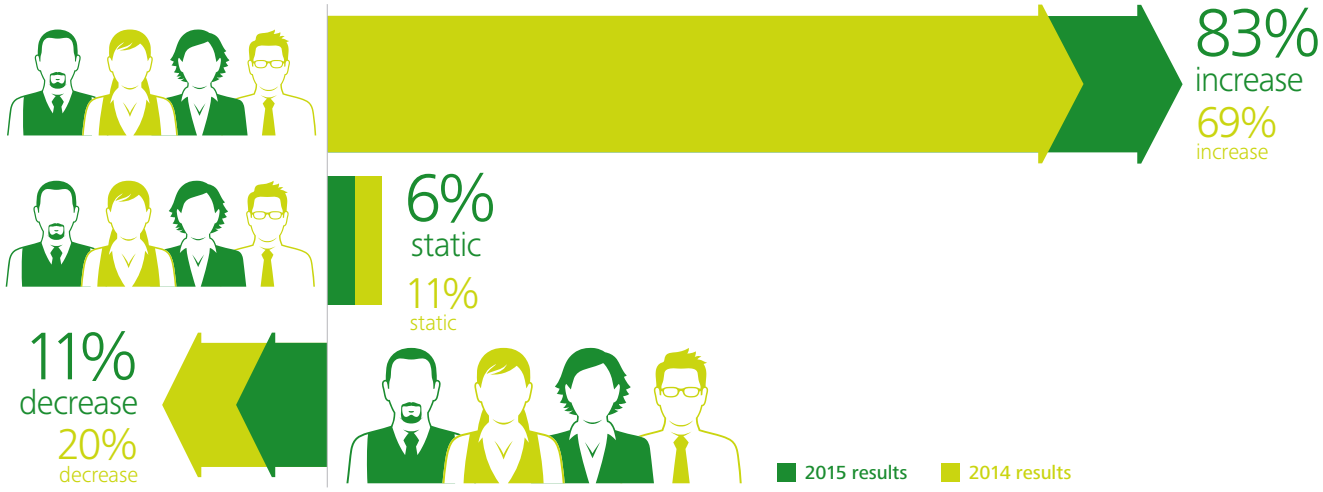
- **Enhance business offering and develop skills through training:** As recommended in last year's report, to build and maintain strong teams, firms will need to continue to fight harder for talent as competition for employees continues to get tougher. Firms should build networks, develop skills and create capabilities now to compete in future. There is an opportunity for recruitment firms to facilitate job growth in the economy through efficient sourcing and placing of candidates. The majority (97 per cent) of recruitment firms said that training is important for future growth. Firms should invest in training to upskill recruiters and develop business offerings effectively by understanding the sector they operate in and how the changing market dynamics may affect the type of candidates they seek.

- **Retain talent:** There are opportunities to offer the best employees in this sector a better career experience through progression and payment options in addition to the other usual benefits. The millennial generation expect accelerated responsibility and greater purpose in their work. This could be achieved through training to enhance the capabilities of recruiters so they can engage with clients more effectively. The lower than expected levels of churn identified in this year's survey highlight how the profession is doing well to retain talent but should consider how to keep attrition rates low.

- **Sustain and grow revenue while protecting margins:** Around half of the firms surveyed cited challenges relating to financial growth and profitability. Recruiters should assess how they can add more value to clients by providing services that are more tailored to their specific needs and market dynamics. We recommend developing or refining strategies that take into account changing market dynamics and focusing on areas that offer the biggest opportunity in this growing market. By doing this, and investing in the development of employees' skills, recruitment firms should be able to command higher margins to reflect the added value they provide to clients.

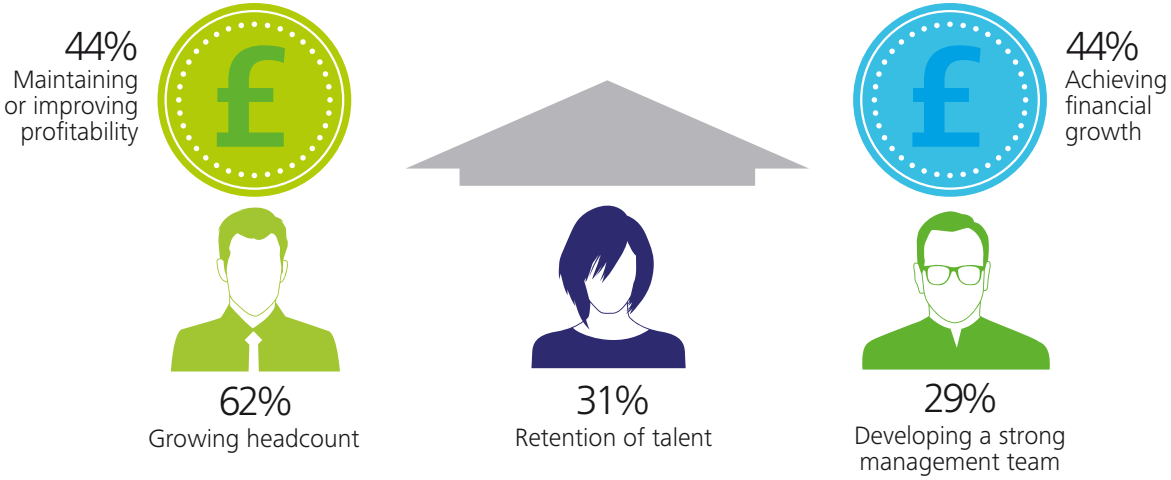
Based on this year's survey data, businesses in this sector should be optimistic about future prospects but need to create the conditions in which they can deliver strong rates of growth. With such strong growth this year, recruiters face the challenge of maintaining this in future so that they can maximise their potential. This report allows them to understand how their financial and operational performance compares with others across the sector and develop their business to unlock future growth.

Growth in Net Fee Income



Talent – recruitment, retention, retraining

Greatest challenges for the year ahead



2. Introduction and context

2. Introduction and context

This report presents the key findings from the APSCo Deloitte Recruitment Benchmarking Survey 2015. The survey covers financial and operational performance metrics of over 200 recruitment firms – a 28 per cent increase on last year's response.

Data from survey responses has been aggregated and presented at a more granular level where sample sizes permit. Further details of the survey methodology and profile of respondents as well as key definitions are provided in Chapters 8 and 9.

Summary of survey participants

Size

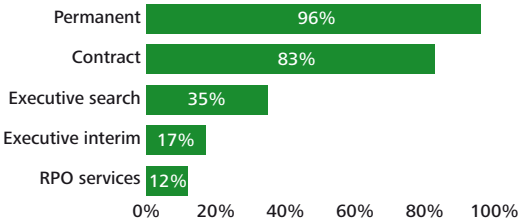
2% More than £100m NFI

11% £10m to £100m NFI

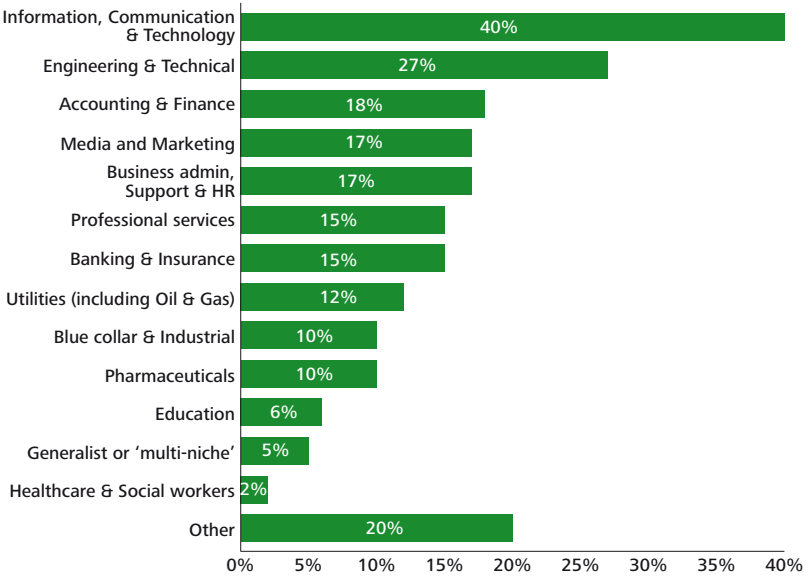
31% £2m to £10m NFI

56% Less than £2m NFI

Recruitment method

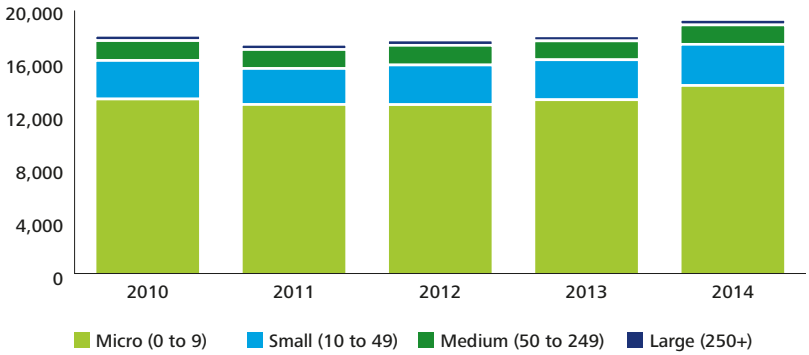


Sector focus



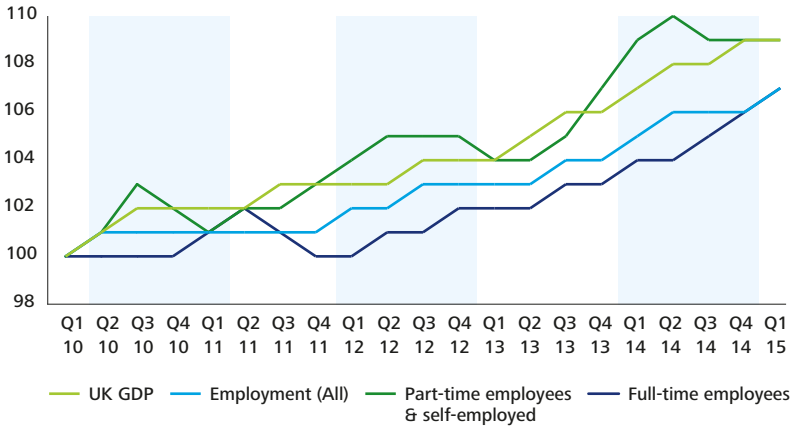
Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 1. Composition of the UK recruitment market by firm size



Source: Office for National Statistics, Deloitte analysis.

Figure 2. Economic context, index of UK GDP and employment (Q1 2010=100)



Source: Office for National Statistics, Deloitte analysis.

Market backdrop

Recruitment firms

There are currently around 19,000 firms that operate in this sector.[1] In 2014 there were around 1,240 more businesses than in 2013 – an annual increase of seven per cent. The strongest growth in the number of businesses was among the micro (under ten employees) and large (250 or more employees) firms, which each grew by eight per cent over the year. See Figure 1.

Economic growth

Employment has, not surprisingly, increased alongside economic growth. Part-time employment and self-employment have increased at a faster rate than full-time employment since 2010 but growth in full-time jobs over recent years has been steadier. See Figure 2. The consensus forecast for UK economic growth is around 2.5 per cent per annum over the next two years.[2] This suggests that job creation and job placements will continue to rise.

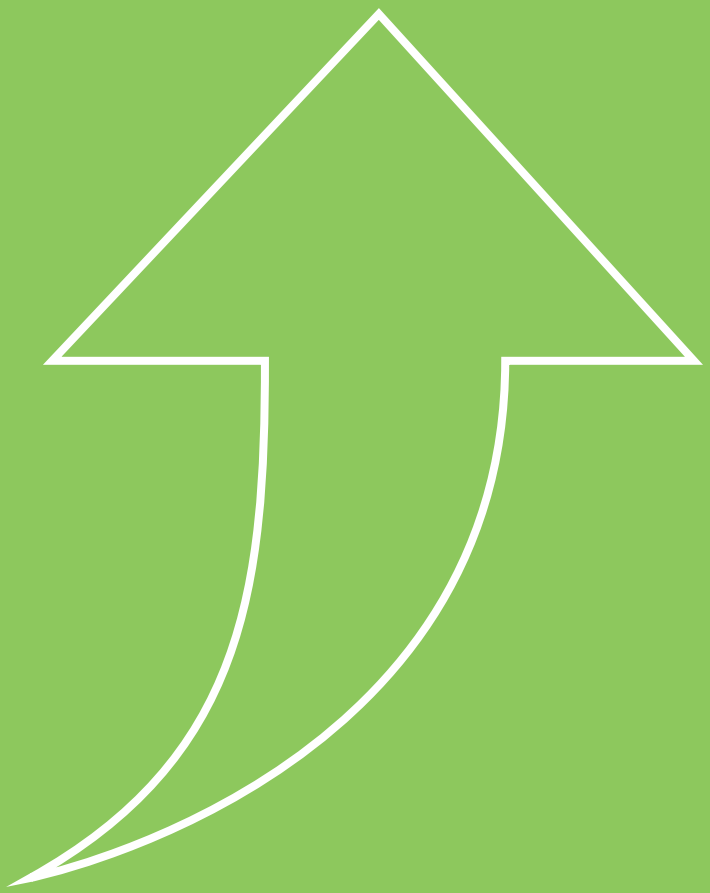
Policy impacts

There are policy issues that affect both the labour market and recruitment firms.

In the UK people have faced growing pressure to look for work, but in return receive help with their search and extra benefits once they take a job. At the same time, new maternity and childcare arrangements have delivered a particularly marked increase in employment among mothers. Part of this change has been due to the changes in the welfare system in the last 20 years, under both Labour and Conservative-led administrations. The employment rate for single mothers has risen from about 40 per cent to 62 per cent in the past two decades.

Overall there are more opportunities for recruitment firms but this can be offset by more competition. This report will help firms assess how they compare with other similar organisations.

3. Growth indices



3. Growth indices

Net Fee Income growth – headline indicators

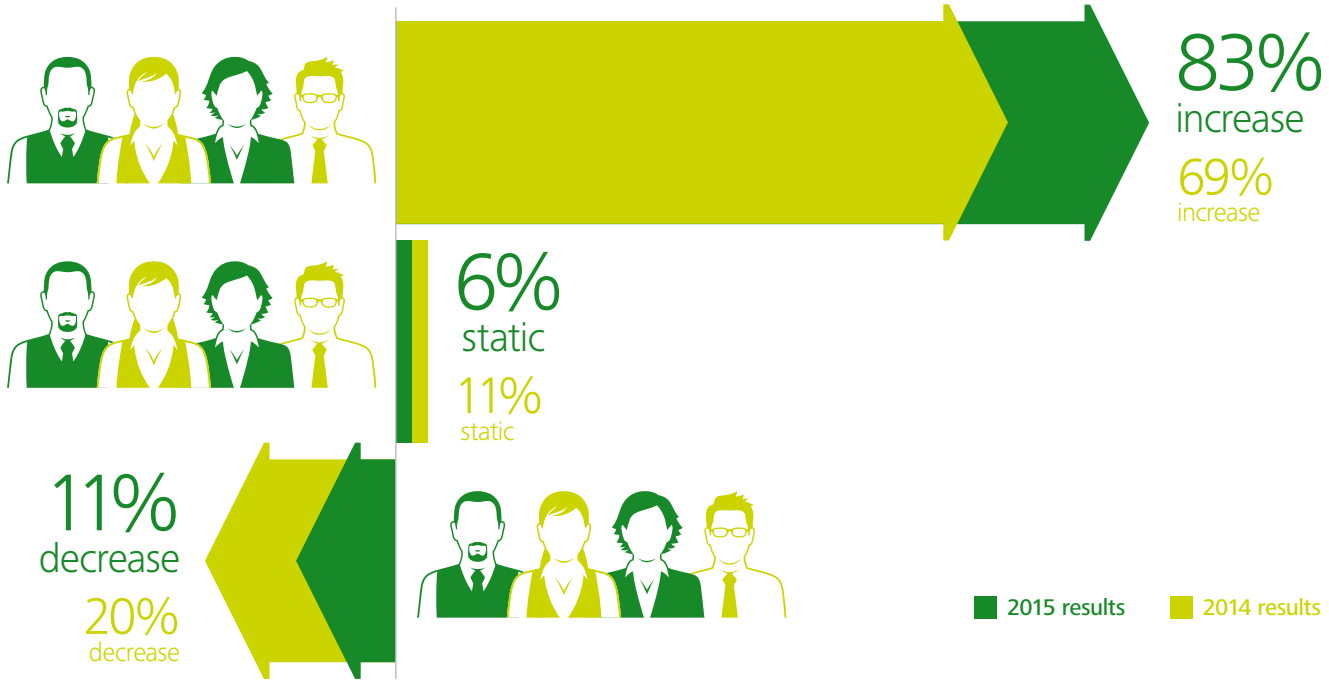
The results from this year's survey indicate strong financial performance across the recruitment sector. The net positive movement in Net Fee Income (NFI) was much larger in 2014 compared with the results of the previous survey.

Over four-fifths (83 per cent) of participants reported annual growth in NFI (see Figure 3). This compares with 69 per cent in last year's survey, indicating a continued positive trend this year.

Just over one in ten (11 per cent) respondents reported a decline in annual NFI. Even with around 50 more respondents this year, fewer reported a decline compared with last year. The share reporting a decline is almost half that of last year.

The results from this year's survey echo the positive tone in the Deloitte CFO Survey for Q2 2015, which reports a sustained net positive balance in the number of businesses that expect margins to improve over the next 12 months.[3] This should bode well for recruitment firms as growth in the economy leads to more opportunities in this sector.

Figure 3. Overall NFI annual movement, share of respondents



Net Fee Income – growth by sector

Figure 4 shows whether NFI has grown, declined or remained static across respondents on a sector-by-sector basis.

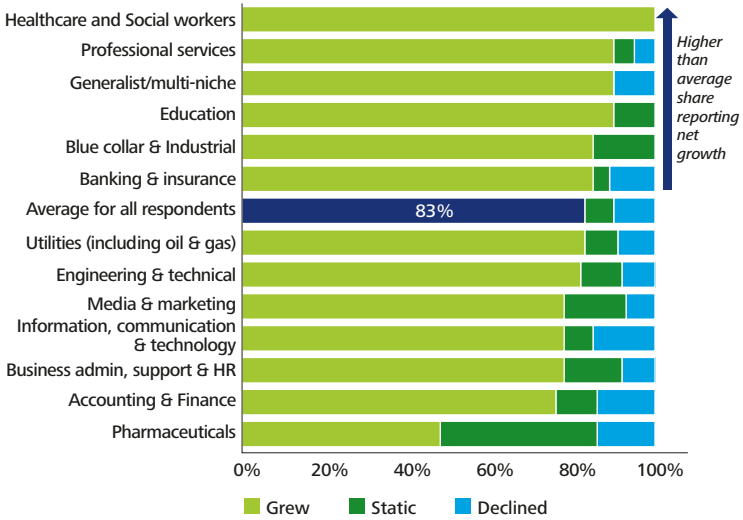
On average, 83 per cent of respondents reported growth in NFI (see Figures 3 and 4). A higher than average share of respondents reported growth in the following sectors:

- Healthcare and Social workers
- Professional services (including Legal)
- Generalist or 'multi-niche'
- Education
- Blue collar and Industrial
- Banking and Insurance.

While the majority of sectors had only a small share of respondents reporting a decline in NFI, no organisation in the Education, Healthcare and Social workers, and Blue collar and Industrial sectors reported a decline.

These results present the distinction between growth, decline and no change in NFI across organisations. An analysis of the annual rate of NFI growth overall and by sector is provided in Figure 5.

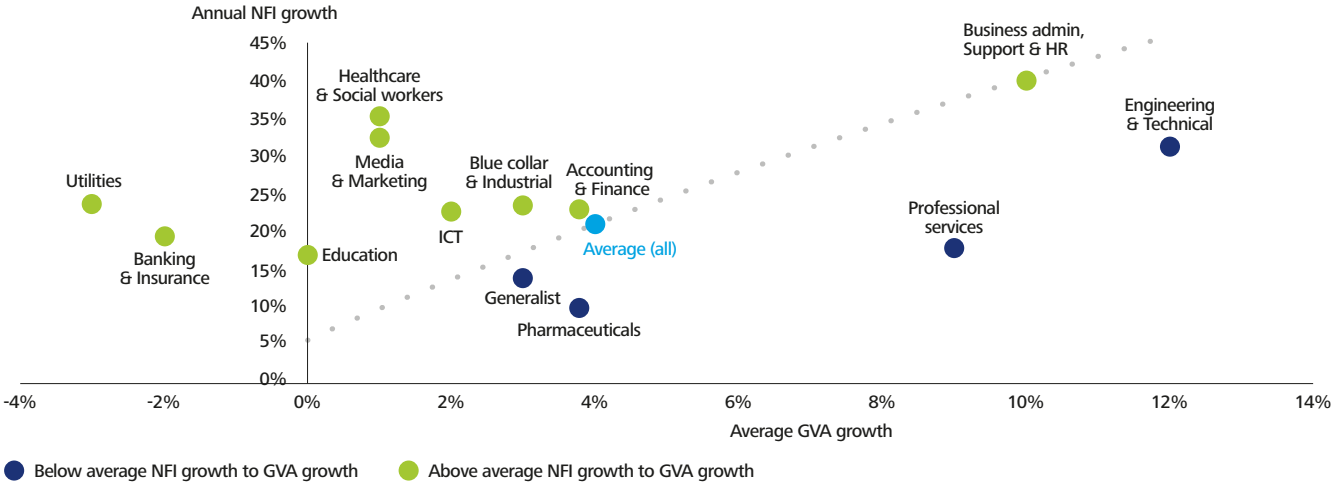
Figure 4. NFI annual movement on a sector basis, share of respondents



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

While the majority of sectors had only a small share of respondents reporting a decline in NFI, no organisation in the Education and Blue collar and Industrial sectors reported a decline.

Figure 5. Annual growth in participants' NFI and economic growth (GVA) by sector



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 5 compares the average annual growth of NFI with annual economic growth (measured in Gross Value Added – GVA – terms), on a sector-by-sector basis.[4] NFI growth represents the annual change in NFI according to respondents and is unweighted.

The figure compares the economic performance of the sector to the performance of recruitment firms operating in these sectors. A higher GVA growth rate should correlate with a higher NFI growth rate.

All sectors have performed well with annual growth rates in excess of ten per cent. However, the following sectors (below the dotted line) have experienced a lower ratio of growth in NFI to GVA, compared with the average:

- Engineering and Technical
- Professional services
- Generalist or 'multi-niche'
- Pharmaceuticals.

The remaining sectors (above the dotted line) have experienced a higher ratio of growth in NFI to GVA, compared with the average. These are, arguably, the highest performing sectors as their NFI growth relative to GVA growth is much higher than the average.

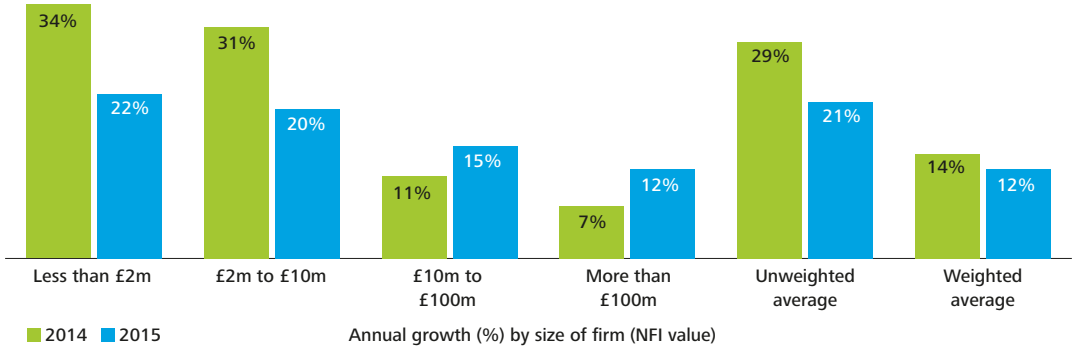
Net Fee Income – growth by size of firm

Figure 6 shows the annual growth in participants' NFI by size of firm (measured in terms of annual NFI generated).

Small firms have grown faster than larger firms in percentage terms. Average NFI growth (unweighted) is 21 per cent. This is lower than the average growth rate of 29 per cent reported last year. The weighted total NFI across all respondents is around 12 per cent, marginally lower than last year (14 per cent).

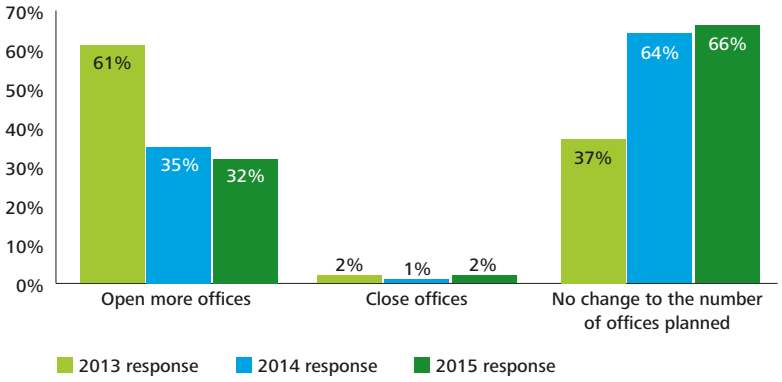
A small number of start-up/new firms participated in this year's survey. The results for these firms have been excluded from these results due to their exceptionally high rate of growth.

Figure 6. Annual growth in participants' NFI by size of firm



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 7. Participants' intentions regarding new offices in the next year



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Office space growth

A third of respondents indicated that they planned to open a new office in the next 12 months, which is similar to last year's results (see Figure 7). In 2013, the proportion of recruiters who planned to open a new office was almost double the proportion in this year's survey.

Anecdotal evidence from last year suggested that office space is becoming less important as firms work in more innovative ways. In this year's survey, 12 per cent of respondents said they offer flexible working as a non-salary and commission benefit to employees. This year, anecdotal evidence suggests that some firms opened new offices in recent years in anticipation of market growth. This, combined with the move to more agile working, may be the reason for the higher share of respondents who have reported no intention of opening more offices.

Almost two-fifths (38 per cent) of respondents who planned to open offices last year said they plan to open more offices this year.

Only two per cent of respondents said they plan to close more offices in the next year.

New office space location

Figure 8 shows the survey results regarding respondents' plans for new offices.

Many respondents who plan to open offices overseas plan to open multiple offices. The survey data suggests that businesses are continuing to expand their global footprint. Figure 9 shows the location of these new offices across the world:

- almost half (48 per cent) of new offices will be in the UK – a higher proportion than last year
- nearly a quarter (24 per cent) will be in continental Europe – also higher than last year
- the share of new offices planned outside Europe has fallen this year.

For those opening offices in the UK, the main considerations relate to business opportunities with new and existing clients alongside growing market demand. For those opening offices outside of the UK, the main considerations relate to better access to candidates and availability of staff as well demand opportunities from new and existing clients.

Figure 8. Location of new office space – UK and overseas

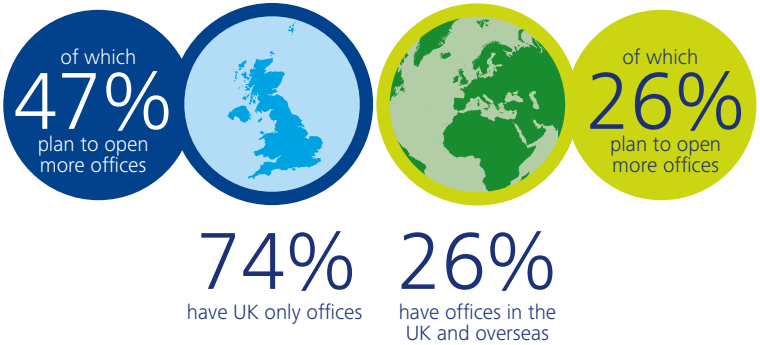
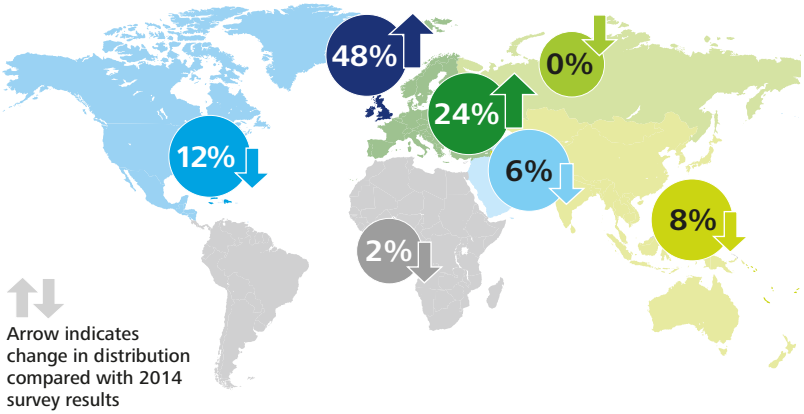
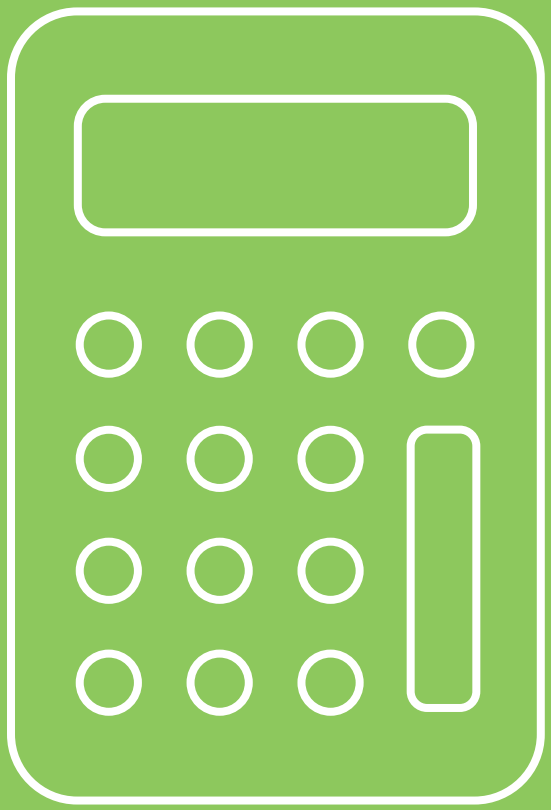


Figure 9. Distribution of new offices expected in the next year



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

4. Financial and operational performance



4. Financial and operational performance

Profitability

Profitability of recruitment firms has been considered using two different metrics dependent on recruitment methodology:

- gross margin for contract and executive interim placements
- fee as a proportion of salary for permanent and executive search placements.

Gross margins (contract and executive interim recruiters)

According to respondents, the average gross margin for contract and executive interim placements was 17 per cent and 21 per cent, respectively (see Figure 10).

The range of gross margins reported is marginally lower in executive interim placements compared with contract placements.

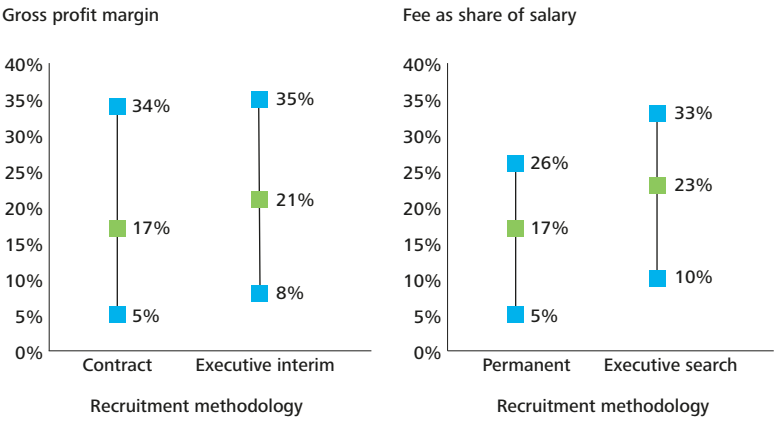
Fee as a share of salary (permanent and executive search recruiters)

The average proportion of fees as a share of salary for contingent and executive search placements was 17 per cent and 23 per cent, respectively (see Figure 10).

The range of gross margins reported is higher in executive search placements compared with permanent placements. The highest margin achieved was significantly higher in executive search.

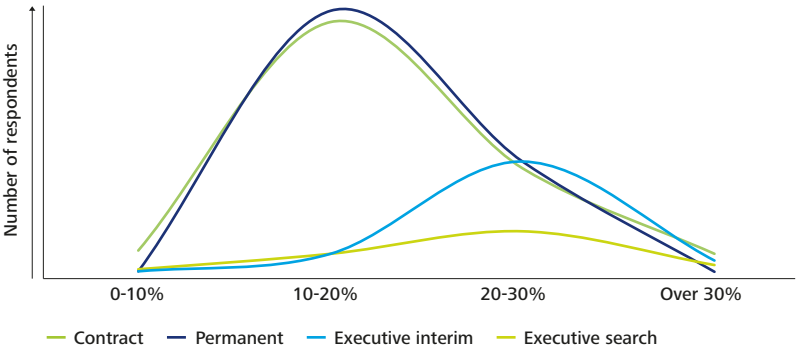
Figure 11 shows the distribution of profitability metrics reported by methodology. Among executive interim and executive search firms, there is a high concentration of firms who have higher margins or fee as a share of salary that is between 20 to 30 per cent.

Figure 10. Placements profitability range (gross margin/average fee, as a share of salary – minimum, mean average, maximum)



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 11. Distribution of profitability by methodology



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Contract has a larger range of average margins reported, relative to permanent recruitment, when segmented by size of firm. This may be due to smaller firms which operate in this sector being more specialist and therefore able to command a higher margin. This may also be due to the tendency to focus on volume (rather than value) of candidates in this segment.

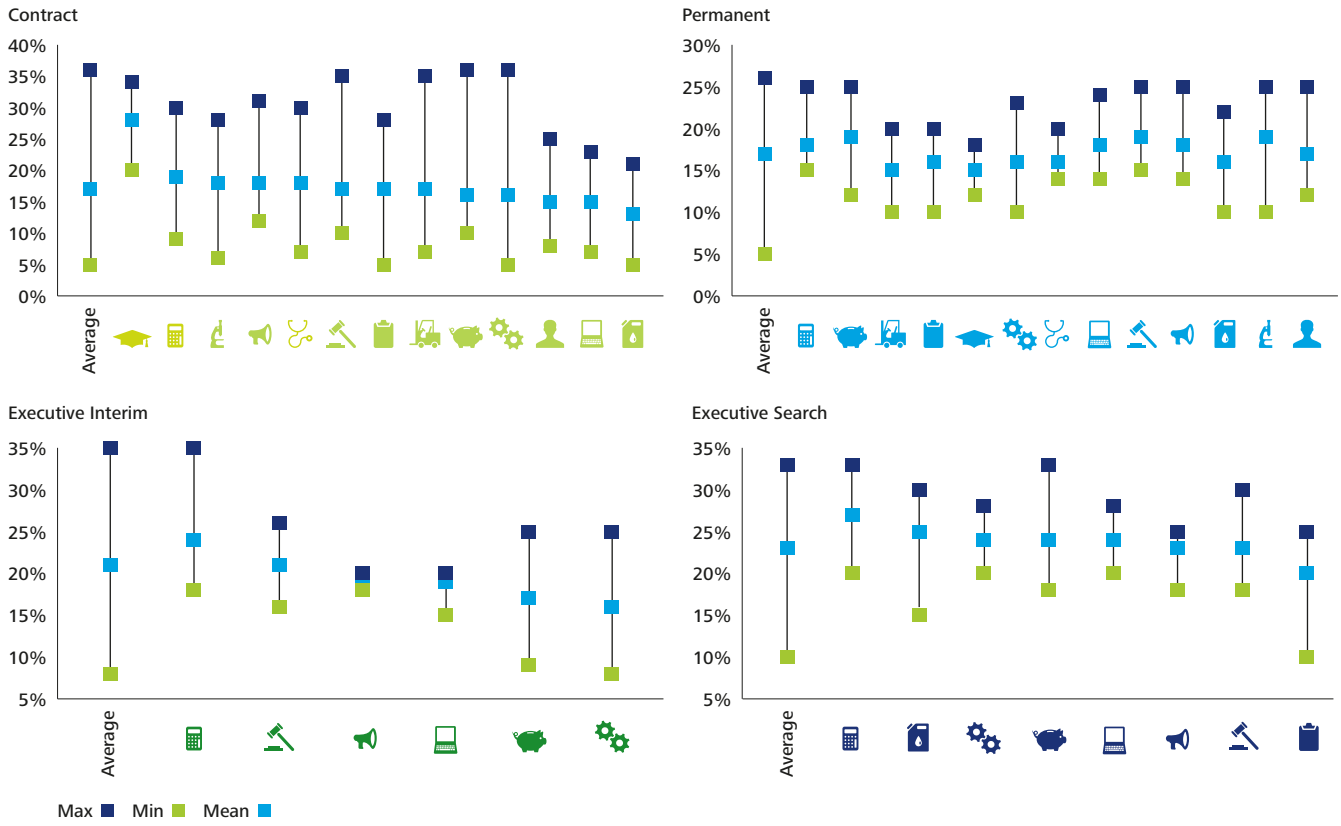
In permanent recruitment, the range of fees as a share of salary is much smaller than other methodologies with the majority of margins clustered around the mean value of 17 per cent. This is representative of the survey population which covers the professional staffing profession.

The distribution of gross profit margin and placement fees by sector is shown in Figure 12. This shows the range in profitability across each sector and highlights the minimum, maximum and average value for each sector. Please note that the sector data presented here is a sub-set of the full data set and only includes data from respondents who answered the detailed sector questions within the survey.

Iconography

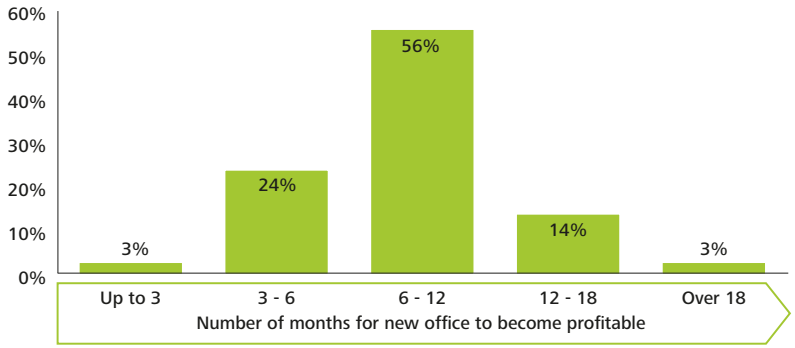
- Accounting & Finance
- Banking & Insurance
- Blue collar & Industrial
- Business admin, Support & HR
- Education
- Engineering & Technical
- Generalist or 'Multi-niche'
- Healthcare & Social workers
- Information, Communication & Technology
- Media and Marketing
- Utilities (including Oil & Gas)
- Professional services (including Legal)
- Pharmaceuticals
- Other

Figure 12. Gross profit margin and placement fees by sector



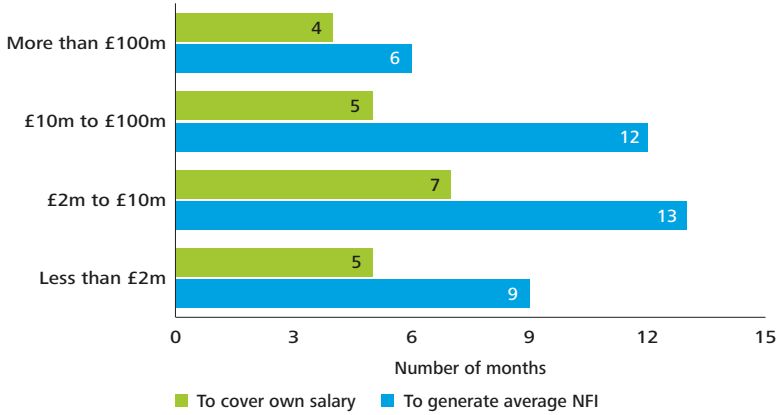
Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 13. Participants' view of time for new office to become profitable



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 14. Time required to cover recruiter salary (months)



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Time required to operate at a profitable level

When asked how long a new office takes to become profitable, over half the respondents (56 per cent) indicated that it takes around 6 to 12 months. A very small proportion (three per cent) said it would take over 18 months. The same proportion said it would take less than three months (see Figure 13). On average, those who plan to open offices expect that it will take around 10-11 months to become profitable. There was little variation in the results between those who plan to open in the UK and overseas.

The survey data suggests that it takes around four to seven months for a recruitment consultant to become 'profitable' and cover their own salary. There is little variation by size of firm. See Figure 14.

Productivity benchmarking

Measuring and monitoring productivity metrics are important for recruitment businesses seeking increased growth and profitability.

Productivity is considered in terms of both NFI per unit of compensation (£) and NFI per fee earner.

NFI per unit of compensation (£)

The NFI per unit of compensation ratio is the total fee earning staff compensation (gross salary and commission associated costs, including employers' national insurance contributions) divided by the total NFI produced. This metric indicates the fee earner salary and commission costs of producing NFI and consequently the NFI that is available to contribute to overheads, reinvestment back into the business and dividends.

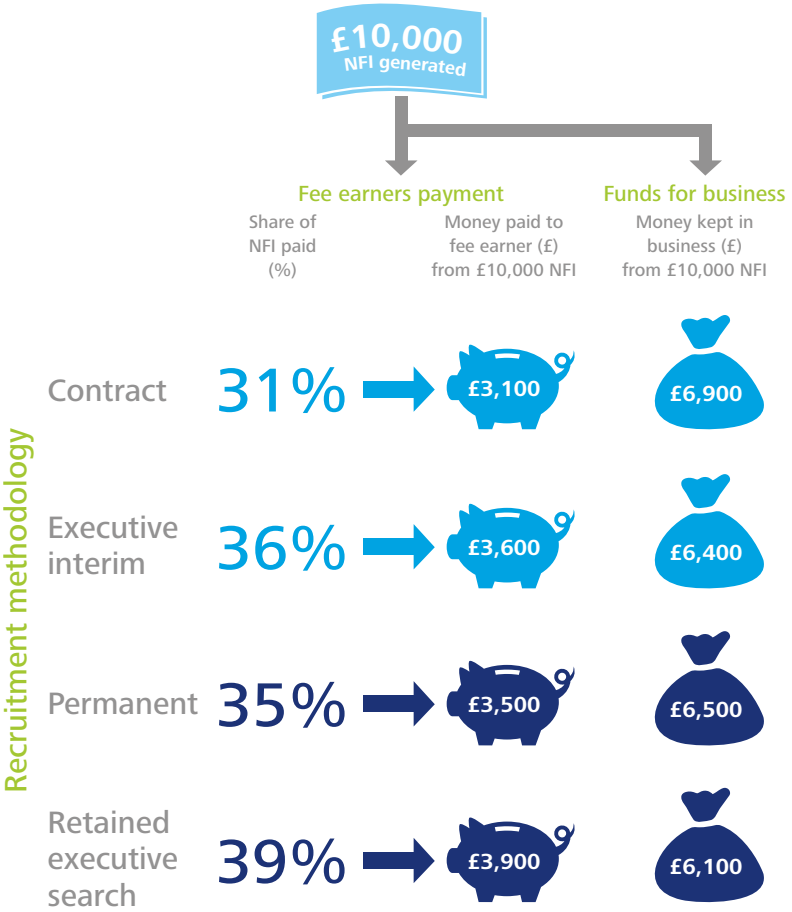
On average, the share of NFI that is paid to fee earners is:

- 31 per cent across contract recruiters surveyed
- 36 per cent across executive interim recruiters
- 35 per cent across permanent recruiters
- 39 per cent across retained executive search recruiters.

Figure 15 shows how these ratios affect fee earners and money kept in the business for a given £10,000 NFI generated. The ratios have increased compared with last year's survey. Management of churn is critical to this measure of productivity. The lower than expected levels of churn identified in this year's survey also support this improving trend.

This analysis is based on larger organisations from the survey sample (that generate over £2 million in NFI) and organisations where these methodologies are core to the business.

Figure 15. Average fee earner remuneration (salary and commission) as a percentage of NFI, illustration by recruitment methodology



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

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- Professional services (including Legal)
- Pharmaceuticals
- Other

NFI per fee earner (£)

Figures 16 and 17 show the benchmarking data for fee earner productivity based on the level of NFI generated per annum. Averages are provided in terms of both the mean and median values given the variation in data across organisations.

Figure 16. NFI per fee earner by sector (mean)

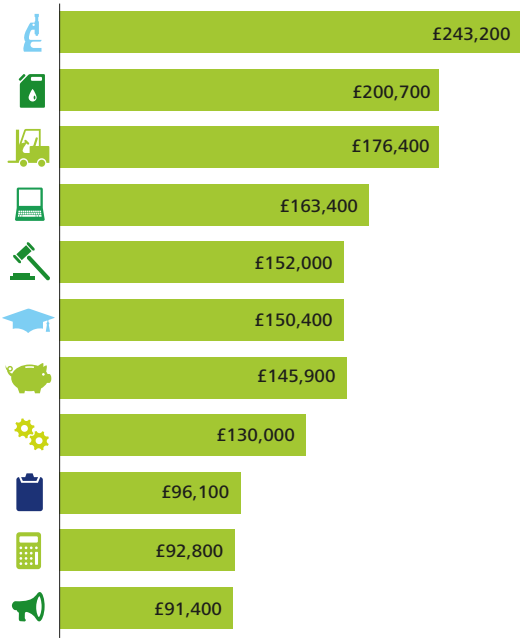
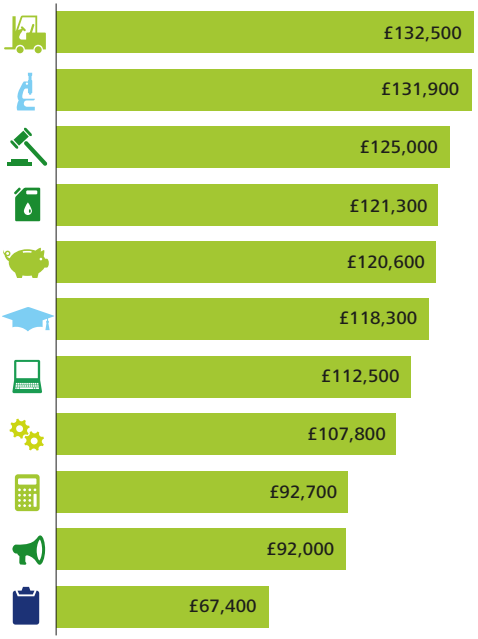


Figure 17. NFI per fee earner by sector (median)



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Commission and payments

Commission and payments are important to assess given the challenges of retention and churn prevalent in the sector. However, there is a trade-off between investing in retention and withholding cash to invest elsewhere.

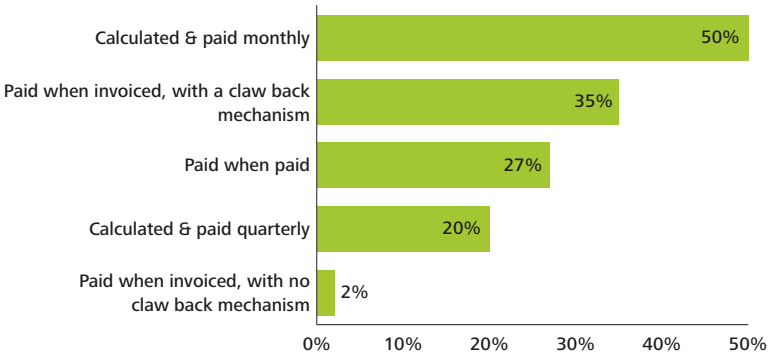
Figure 18 shows the different ways commission is paid. Some recruiters adopt more than one payment method. Within the survey data, there is no clear link between type of recruiter and method of payment.

Figure 19 shows the payment profile for executive search. The average payment made to recruitment firms:

- when the recruiter firm is retained is just over one-fifth (22 per cent)
- when a short list of candidates is agreed is over a quarter (27 per cent)
- when the candidate accepts/starts is almost two-fifths (37 per cent).

This payment profile suggests recruiters are paid more as the candidate gets closer to accepting or starting a job. It is also different to the traditional payment of one-third at each stage.

Figure 18. Payment of commission



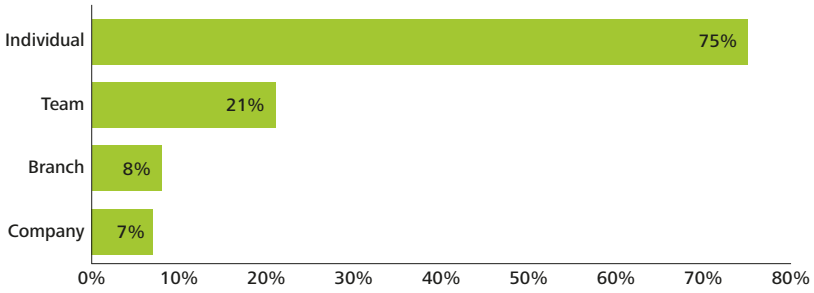
Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 19. Payment profile for executive search

	...when retained	...when a short list of candidates is agreed	...when the candidate accepts/starts
Average payment at the point...	22%	27%	37%
Share of respondents who pay one-third at the point...	53%	42%	2%

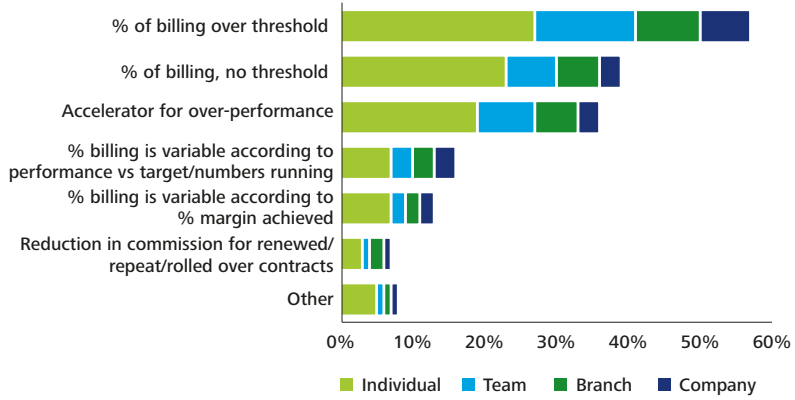
Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 20. Commission payments: who the threshold is calculated on



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 21. Commission payments: approach to calculating commission



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 20 shows the breakdown of responses to the survey question that asked "who the threshold is calculated on" when determining commission payments. Three-quarters said it was calculated based on the individual's performance. Just over one-fifth (21 per cent) said it was on the team performance and, of these, 74 per cent also took into account the performance of individuals. A fifth of respondents use more than one approach within their organisation.

Figure 21 shows the approach to calculating commission used by recruitment firms. The chart also overlays responses to who the commission payment threshold is calculated on.

Recruiter progression

On average, the recruitment firms surveyed said that 45 per cent of resourcers[5] progress to the position of a full recruiter. Just under a tenth (8 per cent) said that all of their resourcers make the transition to a recruiter. However, over a fifth (22 per cent) said that none of their resourcers progress to a recruiter position. Please note that this analysis includes responses from recruiters that focus on executive search, which tend to have more specialist resourcers within the organisation.

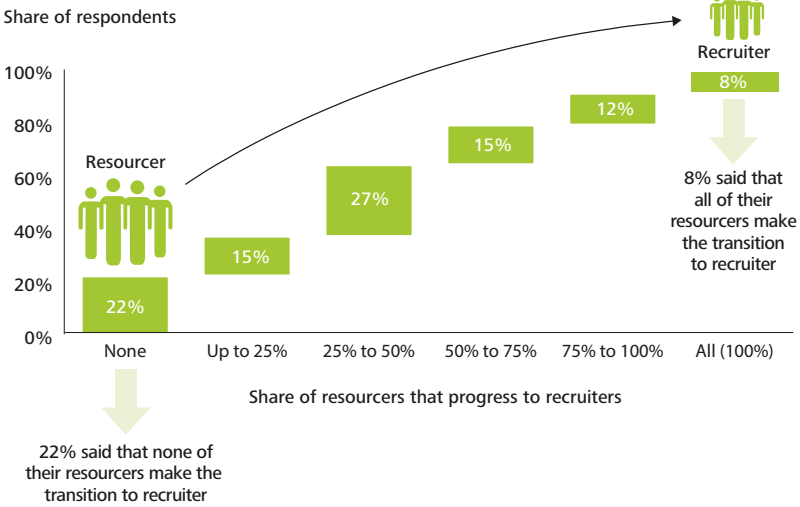
On average, respondents stated that it takes around 11 months for a resourcer to progress to a role of a recruiter. However, the time to make this progression varies.

- The maximum length of time was 48 months. Respondents who indicated a longer time for progression to recruiter were predominantly focused in the Information, Communication and Technology sector.

- The minimum length of time was one month. Respondents who indicated a shorter time for progression to recruiter were not from any specific sectors.

A fifth (21 per cent) of firms surveyed do not have any resourcers to support their recruiters. These companies also tend to have fewer business development and administrative staff per recruiter.

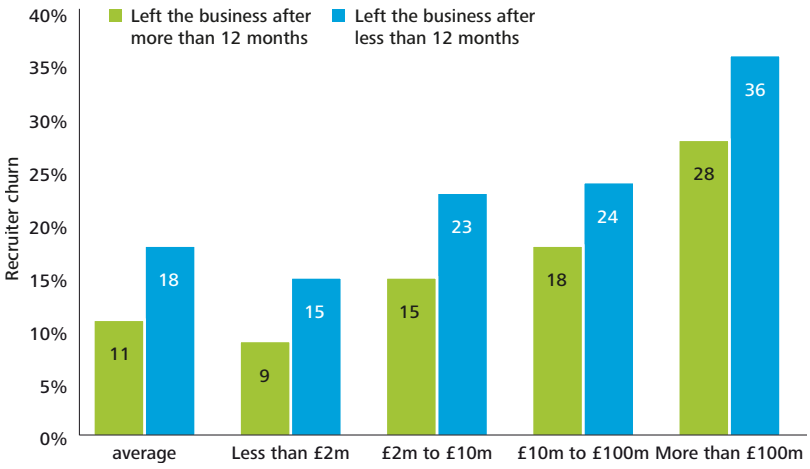
Figure 22. Resourcer progression to recruiter



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

The millennial generation expect accelerated responsibility and greater purpose in their work.[6] This could be achieved through training to enhance the capabilities of recruiters so they can engage with clients more effectively. This would also create opportunities for progression and fulfilling career experience.

Figure 23. Recruiter churn rates by size of business



Recruiter churn

This year a question was asked about recruiter churn. The rates of churn by size of business are presented in Figure 23. Of recruiters who have been in the business for less than 12 months, around a fifth (18 per cent) leave. Of the recruiters who have been in the business for more than 12 months, this rate falls to 11 per cent. There did not seem to be any patterns of churn by sector in this year's results.

The survey results indicate that staff turnover in the sector is lower than the 25 per cent attrition rate, recorded by the Chartered Institute of Personnel and Development, for service and sales-based organisations in the private sector.[7] Given the challenges relating to headcount identified among firms (see Chapter 5), it will be important to consider how these churn rates can be managed and improved where necessary.

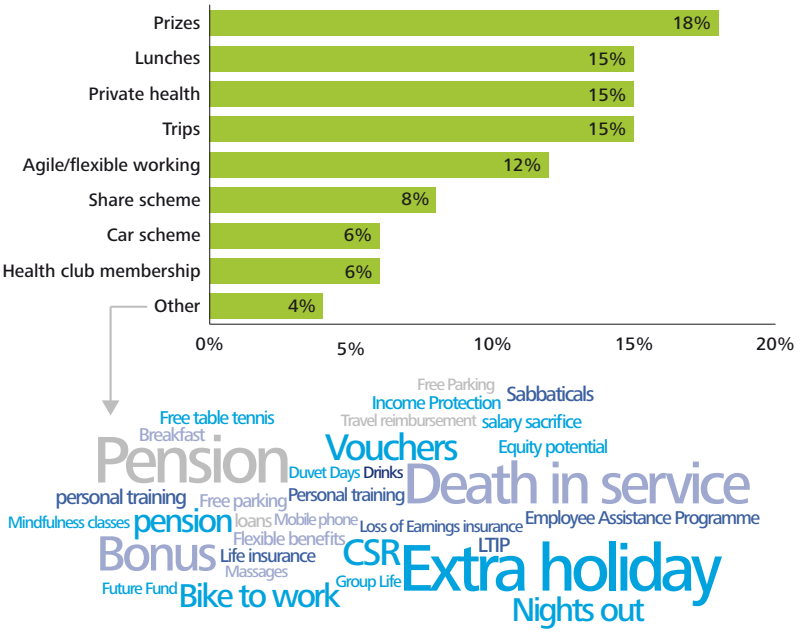
Broader benefits

The results of this year's survey included questions about the broader benefits provided to employees within recruitment firms, beyond salary and commission. The results are shown in Figure 24.

Prizes were the main non-salary and commission benefit – with almost one-fifth (18 per cent) of respondents stating that this is offered to employees. Other popular staff perks included trips, lunches and private health as well as agile/flexible working arrangements. The phrase cloud summarises the responses to 'other', which was selected by four per cent of respondents.

This year's survey results show stronger evidence that businesses are focused on staff development and retention. Attracting and retaining talent through attractive packages are particularly important for the year ahead.

Figure 24. Non-salary and commission benefits provided to employees (proportion of respondents)



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

5. Key priorities for the year ahead

5. Key priorities for the year ahead

Future priorities

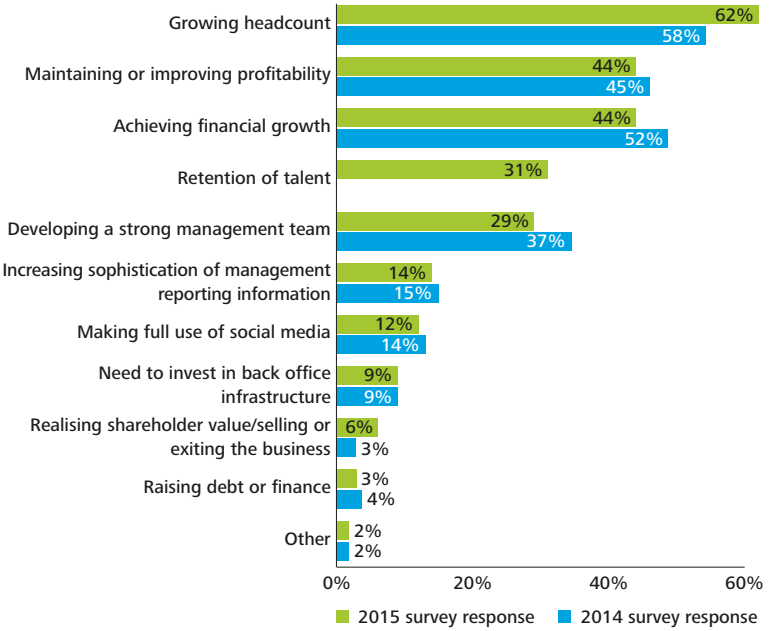
Respondents were asked to select the top three challenges they anticipated over the coming 12 months (see Figure 25). 'Growing headcount', 'maintaining or improving financial growth' and 'achieving financial growth' remain the top challenges for firms, which is the same as last year's survey results.

This year, 'retention of talent' was also offered as an option following qualitative and anecdotal evidence that this was another potential issue for recruitment businesses. Almost a third (31 per cent) of respondents said that this is a challenge for the year ahead.

A similar proportion of respondents said they are interested in merger and acquisition activity compared with last year's response. A smaller proportion said they were not interested while over a third said they were not sure.

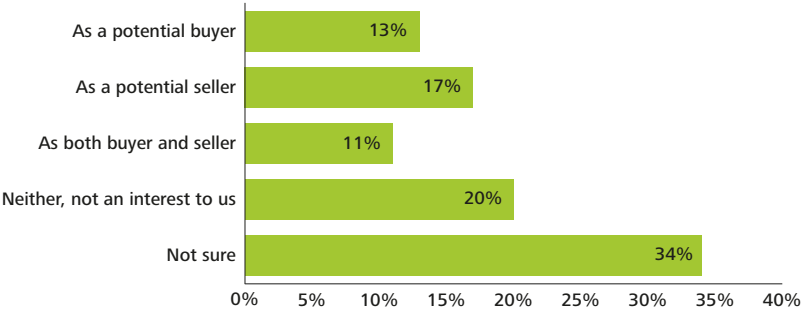
This year, 'retention of talent' was also offered as an option following qualitative and anecdotal evidence that this was another potential issue for recruitment businesses.

Figure 25. Greatest challenges expected for the year ahead



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 26. Interest in merger and acquisition activity

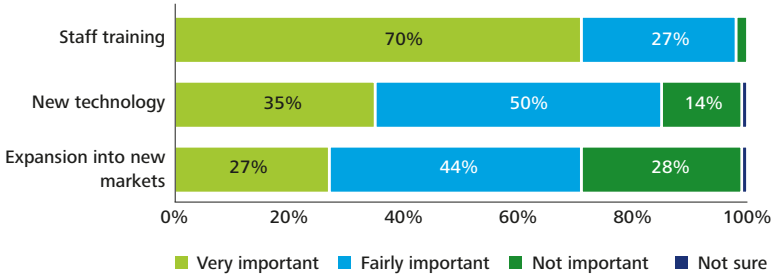


Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Factors important to growth of recruitment firms

Respondents were asked how important staff training, new technology and expansion into new markets are for future growth of organisations. The results are shown in Figure 27.

Figure 27. Importance of training, technology and expansion to future growth of organisation



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

The results indicate that training is important to almost all recruitment firms – with 97 per cent of respondents saying this is important; 70 per cent saying it is very important and 27 per cent saying it is fairly important. Given the recurring theme of talent growth and retention to support growth, firms should think about how their training package will help to achieve this.

New technology is also important to almost all respondents, although to a lesser extent. There is some anecdotal evidence that this sector has been slower to respond to technology than other sectors although some interest is beginning to materialise in digital services for recruiters.

Participants were asked what other issues would be important for future growth. The responses to this question are captured in the phrase cloud below.

Once again 'attracting good talent', 'growing headcount' and 'retention' were identified as critical for future growth.

Figure 28. Issues (beyond training, technology and expansion) identified as important to growth

6. Summary of key benchmarking data

6. Summary of key benchmarking data

Key benchmarking data

Figure 29. Tabulated data of margins

Average across all sectors	Min	Mean	Max
Contract gross margin %	5	17	34
Permanent fee as % of salary	5	17	26
Executive interim gross margin %	8	21	35
Executive search fee as % of salary	10	23	33

Some respondents provided further details of margins at a sector level. These results are presented in Figure 30. Please note that the sector data presented here is a sub-set of the full data set because not all respondents answered the detailed sector questions.

Figure 30. Tabulated data of margins by sector

Sector	% of participants	Contract gross margin %			Permanent fee as % of salary			Executive interim gross margin %			Executive search fee as % of salary		
		min	mean	max	min	mean	max	min	mean	max	min	mean	max
Accounting & Finance	17%	9%	19%	30%	15%	18%	25%	18%	24%	35%	20%	27%	33%
Banking & Insurance	15%	10%	16%	36%	12%	19%	25%	9%	17%	25%	18%	24%	33%
Blue collar & Industrial	10%	7%	17%	35%	10%	15%	20%	–	–	–	20%	20%	20%
Business admin, support & HR	16%	5%	17%	28%	10%	16%	20%	18%	18%	18%	10%	20%	25%
Education	6%	20%	28%	34%	12%	15%	18%	25%	25%	25%	–	–	–
Engineering & technical (not Oil & Gas or IT)	27%	5%	16%	36%	10%	16%	23%	8%	16%	25%	20%	24%	28%
Generalist or 'multi-niche'	5%	8%	15%	25%	12%	17%	25%	–	–	–	–	–	–
Healthcare – doctors and nurses	2%	7%	18%	30%	14%	16%	20%	–	–	–	–	–	–
Information, communication & technology	40%	7%	15%	23%	14%	18%	24%	15%	19%	20%	20%	24%	28%
Media and Marketing	17%	12%	18%	31%	14%	18%	25%	18%	19%	20%	18%	23%	25%
Pharmaceuticals	10%	6%	18%	28%	10%	19%	25%	–	–	–	–	–	–
Professional services (including Legal)	15%	10%	17%	35%	15%	19%	25%	16%	21%	26%	18%	23%	30%
Utilities (including Oil & Gas)	12%	5%	13%	21%	10%	16%	22%	–	–	–	15%	25%	30%
Other	20%	–	–	–	5%	–	26%	–	–	–	–	–	–
Average across all sectors	n/a	5%	17%	36%	5%	17%	26%	8%	21%	35%	10%	23%	33%

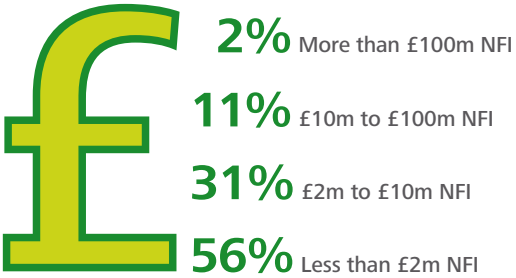
Please note that the share of participants adds up to more than 100% because respondents cover more than one sector.

7. Summary of survey participants

7. Summary of survey participants

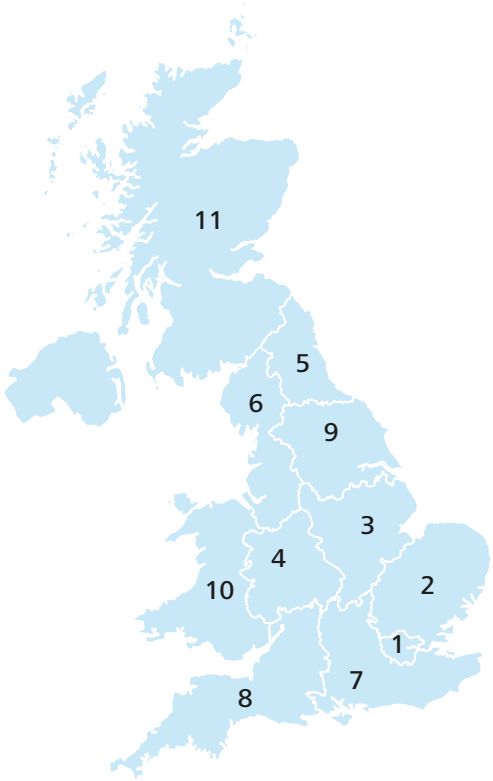
Figure 31 shows the breakdown of respondents by size (measured in terms of Net Fee Income). Over half (56 per cent) of respondents reported a NFI of less than £2million. A small proportion of respondents reported a NFI of over £100 million.

Figure 31. Share of respondents by level of NFI



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

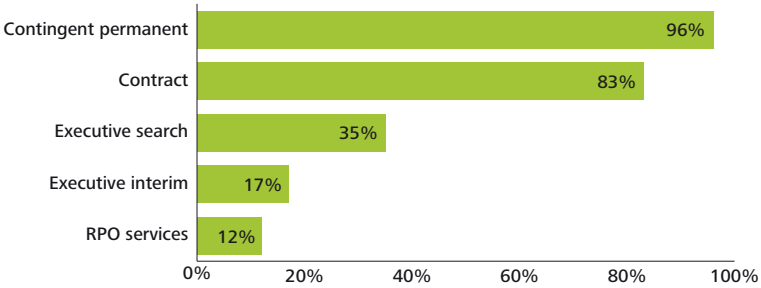
Figure 32. UK office locations of respondents



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

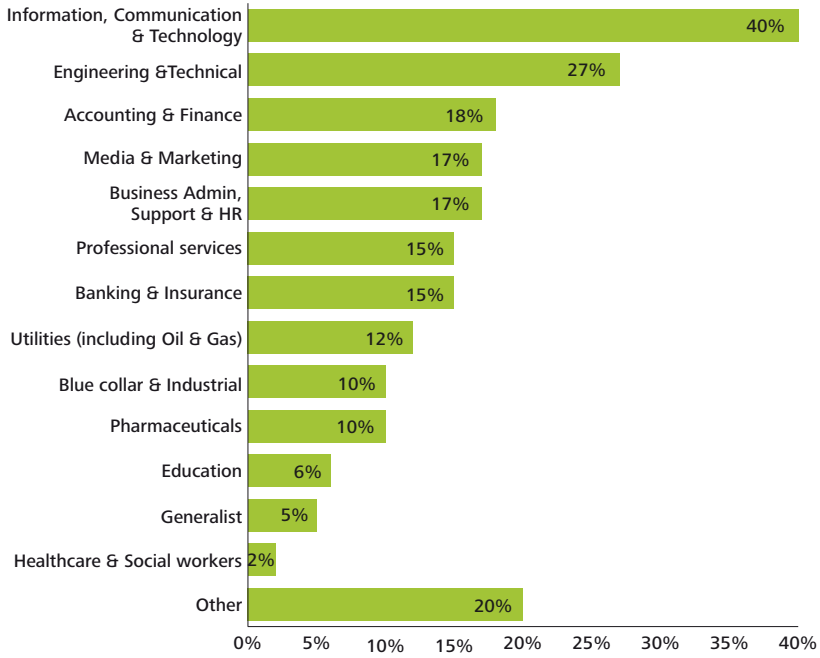
	Region	Distribution of survey respondents
1	London	36%
2	East	1%
3	East Midlands	5%
4	West Midlands	7%
5	North East	3%
6	North West	13%
7	South East	14%
8	South West	6%
9	Yorkshire and The Humber	6%
10	Wales	2%
11	Scotland	6%

Figure 33. Share of respondents by recruitment methodology used



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 34. Share of respondents by sector focus



Source: APSCo Deloitte Recruitment Benchmarking Survey 2015, Deloitte analysis.

Figure 33 shows the breakdown of respondents by methodology including where the methodology is:

- core to the business
- often used
- sometimes used
- rarely used.

Some organisations use more than one methodology and therefore the total does not add up to 100 per cent.

Figure 34 shows the breakdown of respondents by sector focus. Some organisations focus on more than one sector and therefore the total does not add up to 100 per cent.

8. Definitions and methodology

8. Definitions and methodology

Overview of survey methodology

This report is based on responses from over 200 recruitment companies. Details of the respondents are provided in Chapter 7.

The survey took place in April and May 2015. Survey data was verified with respondents to remove or clarify any inconsistencies between the sets of data.

Statistics from the Office for National Statistics and APSCo's in house data have been used to verify, add context and conduct further analyses.

Iconography

- Accounting & Finance
- Banking & Insurance
- Blue collar & Industrial
- Business admin, Support & HR
- Education
- Engineering & Technical
- Generalist or 'Multi-niche'
- Healthcare & Social workers
- Information, Communication & Technology
- Media and Marketing
- Utilities (including Oil & Gas)
- Professional services (including Legal)
- Pharmaceuticals
- Other

Key terms and notes

- The recruitment methodologies referred to in this report include:
  - **Contract** – provision of contractors to clients
  - **Permanent** – where a fee is paid upon permanent placement
  - **Executive interim** – high-end interim or contract work exclusively for CFOs, CEOs, Board and other Executive Management – senior level employees often c-suite staff on day rates
  - **Executive search** – permanent recruitment for Executive vacancies (salaried over £150,000) often retained
- **Generalist/multi-niche recruiter:** a recruiter that does not have a niche area of focus that makes up approximately 30 per cent or more of net fee income/gross profit
- **Net Fee Income** – revenue (billings or fee income) after the contractor costs incurred have been deducted
- **Gross Margin** – the profit (revenue less costs) as a share of revenue – i.e. the total billing

Participants were not asked whether they supply via an RPO, therefore the analysis in this report is not segmented in this way.

The iconography used throughout the report to represent focus in a sector is illustrated opposite. Recruiters who have a sector focus are not 'generalist or multi-niche recruiters' and therefore have specific sectors that contribute to 30 per cent or more of Net Fee Income/Gross Profit.

9. Survey questions

9. Survey questions

The full list of survey questions is provided below for reference. Some questions may not have been asked depending on the response to particular questions.

1. What was the company's annual Net Fee Income/ Gross Profit in the period?
2. By what percentage has the company's Net Fee Income/Gross Profit grown on the previous year?
3. Which of the following recruitment methods do you use? (contract, contingent permanent, executive interim, executive search, RPO services)
4. Please describe the importance and approximate share of Net Fee Income (or Gross Profit) of each recruitment method to your business?
5. For contract recruitment only, approximately what is the gross margin for the business?
6. For contingent permanent recruitment only, approximately what is the average fee as a share of salary for the business?
7. For executive interim placements only, approximately what is the gross margin for the business?
8. For retained executive search only, what is the average fee as a share of salary for the business?
9. What is the payment profile for retained executive search services for the business?

Operational KPIs

10. What is the total number of employees (full time equivalent) in your company?
11. How many people are employed in the following functions? [recruiters, resourcers business development, administrative staff, non fee earning leadership]
12. What is the average annual gross salary (including commission) per employee across each function?
13. How many of your recruiters have been employed by your company for less than 6 months?
14. On average, how many months does it take for a recruiter to cover their own salary by the Net Fee Income/Gross Profit they generate?
15. On average, how many months does it take for a recruiter to generate the average level (for your company) of Net Fee Income/Gross Profit?
16. How many of your resourcers have been employed by your company for less than 6 months?
17. Approximately, what percentage of resourcers progress to being full recruiters in your company?
18. On average, how many months does it take a resourcer to become a recruiter?
19. Approximately what percentage of recruiters leave each year, having worked in the business for less than 12 months? And leave each year, having worked in the business for 12 months or more?

Sector specific questions

20. How important is this sector to your business and the approximate share of Net Fee Income or Gross Profit it generates?

21. What was the company's annual Net Fee Income/Gross Profit from the sector?

22. By what percentage has the company's Net Fee Income/Gross Profit grown for this sector on the previous year?

23. In this sector, which recruitment methodologies do you use and approximately what is the percentage split of the company's Net Fee Income/Gross Profit between each methodology?

24. What are the gross margins on contract recruitment for the sector?

25. What is the average fee for contingent permanent recruitment as a % of salary for the sector?

26. What is the gross margin on executive interim placements for the sector?

27. What is the average fee for retained executive search as a % of salary for the sector?

28. How many of your fee earners (recruiters and resourcers) focus on this sector?

Geographical questions

29. How many offices do you have in the UK?

30. Please provide details of your UK offices (number and Net Fee Income).

31. How many offices do you have overseas?

32. Please provide details of your overseas offices.

33. What percentage of the company's Net Fee Income generated in overseas offices is attributed to UK placements or contracts? And attributed to overseas placements or contracts?

34. What is the company's plan regarding offices in the next 12 months?

35. If applicable, what country(ies) will you be opening offices in?

36. How many months do you expect it to take for the new office(s) to break even?

37. What factors would you consider if and when opening up a new office?

Strategic questions

38. As a percentage of Net Fee Income/Gross Profit generated; on average what proportion gets paid to your fee earners and resourcers in salary and commission (including NIC)?

39. Which methods of commission schemes apply to your company's own scheme?

40. Besides salary and commission, what other incentives do you offer staff?

41. What are your views on merger and acquisition activity over the next 12 months? Is it something your organisation is interested in and, if so, as a potential buyer or a potential seller?

42. What do you think will be your company's greatest challenges in the next 12 months

43. How important is new technology, staff training and expansion into new markets to future growth of your organisation?

10. Contacts

10. Contacts

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11. Feedback

11. Feedback

We welcome your feedback to improve next year's survey

Thank you to all organisations that participated in this survey.

Your feedback is appreciated and we would welcome it to improve next year's survey. We would particularly be interested in your feedback on the following:

- relevance of survey questions
- clarity of survey questions
- ease of answering questions
- length of survey
- analysis in report.

Please email your feedback to Thushani Lawson – thlawson@deloitte.co.uk.

Endnotes

1 These include firms where the business operations are described as 'Activities of employment placement agencies' and 'Temporary employment agency activities'. It excludes the 'Other human resources provision' element of the broader 'Employment services' sector.

2 Forecasts for the UK economy: a comparison of independent forecasts, HM Treasury, June 2015.

3 *Deloitte CFO Survey Q2 2015,* July 2015.

4 Gross Value Added (GVA) measures the contribution to the economy of each sector. It is used in the estimation of Gross Domestic Product (GDP), which is an indicator of the state of the economy as a whole.

5 Resourcers are non-fee earning staff.

6 *Global Human Capital Trends 2015,* Deloitte University Press, 2015.

7 Resourcing and talent planning 2015, Chartered Institute of Personnel and Development (CIPD), June 2015.

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