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Foreword
Deloitte foreword

Welcome to the second UK Recruitment Index compiled by Deloitte in association with APSCo.

Welcome to the second annual edition of the UK Recruitment Benchmarking report, compiled by Deloitte in association with APSCo. This survey benchmarks the performance and operations of professional recruitment companies in the UK.

Last year’s inaugural report identified some cautious signs of recovery among recruitment firms. This year, optimism appears to have increased but there are variations in the performance and confidence of businesses across the sector.

Our research shows that the industry remains highly competitive. There is evidence of business models evolving to operate in more innovative ways – with firms maximising the use of technology and geographical boundaries broadening. It is now even more important to be able to benchmark business performance effectively. This survey is a useful tool for recruitment companies to compare their own financial and operational metrics with the competition.

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’s 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
Deloitte LLP
The Association of Professional Staffing Companies (APSCo) is once again delighted to be partnering with Deloitte on this important research initiative. The Recruitment Index report identifies the core performance metrics that allow professional recruitment firms to benchmark their own performance against sector averages and the best in class. The KPIs cover areas including NFI, margins and productivity and allow a unique insight into the overall health of the sector.

Once again, many recruitment businesses are planning to increase their footprint. APSCo continues to respond to this demand with plans to extend its international support offering beyond the current trade delegations and permanent office in Singapore to include other geographies and services.

‘Growing headcount’ tops the list of challenges facing professional recruitment firms this year. Again, APSCo has acted to address this issue. Earlier this year we partnered with Manchester, Warwick and Reading Universities and the National University of Singapore to introduce the first sector-wide paid-intern programme to attract graduate talent into recruitment.

The Recruitment Index allows an important and revealing assessment of the professional recruitment sector. It also provides a powerful new benchmarking tool that we hope firms will use to help drive future success. Thank you to everyone who made the 2014 report possible.

Ann Swain
CEO
APSCo
1. Executive summary
1. Executive summary

The tone across the recruitment sector remains upbeat.

Following the success of last year’s inaugural UK Recruitment Index, this year the survey and analysis have been expanded. The objective of this survey is to produce an index of key financial and operational performance metrics so that recruitment companies can measure and benchmark themselves. While the survey results are representative of the survey participants, we believe they are indicative of recruitment firms across the profession.

Key findings
Evidence from this year’s survey reveals strong performance in the recruitment sector overall, albeit with variations in the size and scale of growth across organisations. The sector appears poised for further growth; however, recruiters face challenges that need to be addressed to maximise potential opportunities.

Strong growth in NFI
The tone across the recruitment sector remains upbeat. The results from this year’s survey echoed the positive trend seen in the previous survey with the majority (69 per cent) of organisations reporting growth in Net Fee Income (NFI) over the past year. More recruiters also reported a static position in NFI over the past year, indicating that some activity in the sector is stabilising. However, there are still significant variations across firms.

Global footprint expanding
The global footprint of UK recruiters is also growing: the majority of firms that plan to open new offices intend to open them outside the UK. At the same time, a number of organisations that already have an overseas presence also plan to expand within the UK. More recruiters are using flexible working to target a broader range of employees and save costs. This means that physical infrastructure may become less important in future and recruiters may need to work in more innovative ways to compete.
Best in class
Margins appear to have narrowed over the past year but significant variations remain across sectors. Business admin, Support & HR, Legal and Media & Marketing have been the strongest performing sectors. There are also variations in what ‘good’ looks like between recruitment methodologies, highlighted by this year’s ‘best in class’ analysis.

Priorities for the year ahead
Looking ahead, key challenges will continue to affect the recruitment industry.

- **Growing headcount and developing strong management:** The biggest challenge faced by survey participants related to growth in headcount. Over a third also said that developing a strong management team would be a challenge. To build and maintain strong teams, firms will need to fight harder for talent as competition for employees gets tougher. Firms should build networks, develop skills and create capabilities now to compete in future.

- **Achieving financial growth:** Around half of the firms surveyed cited challenges relating to financial growth and profitability. Some focused on maintaining healthy margins while others strive to bolster margins and expand the business.

- **New approaches to sourcing talent:** Global talent networks are increasing through social media and other new approaches. Recruitment firms may fail to attract and access people and skills if they do not update and reassess their talent sourcing strategies.

- **Technology as a threat and opportunity:** Although technology has enabled new approaches to sourcing talent, and created potential threats to recruitment businesses, the right investments and use of technology can also provide opportunities. Technology can be used more to segment and understand talent and offer candidates more relevant career choices. It will continue to impact both business and employee behaviour.

Challenges facing recruiters provide both opportunities and threats for their businesses. This report allows recruiters to maximise their potential by understanding how their financial and operational performance compares with others across the sector.
Strong growth continues across the recruitment profession, alongside more performance stability…

…but a number of challenges remain a concern for recruiters. Top challenges include…

- **59%** Growing headcount
- **45%** Maintaining or improving financial profitability
- **52%** Achieving financial growth
- **36%** Developing a strong management team
2. Introduction and context
2. Introduction and context

This report presents the key findings from this year’s Recruitment Index survey. The survey covers financial and operational performance metrics of recruitment firms and builds on the success of last year’s inaugural survey. The survey was expanded this year to capture additional details on a sector-by-sector basis.

The data reflects over 150 recruitment firms that contributed to this year’s survey and represents a 50 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 are sufficient. Further details of the survey methodology and profile of respondents as well as key definitions are provided in subsequent chapters.

**Summary of survey participants**

**Size**

- 3% More than £100m NFI
- 15% £10m to £100m NFI
- 26% £2m to £10m
- 56% Less than £2m

**Methodology**

- Permanent: 95%
- Contract: 82%
- Executive search: 42%
- Executive interim: 32%
- RPO services: 21%
Market backdrop

The UK recruitment sector has links with employees and businesses in the broader economy and is often considered to be a ‘barometer’ of economic activity. Optimism and activity across the profession have broadly increased in parallel with a more buoyant economy.

The survey data presented in this report covers the latest reporting period available to recruiters during the survey period. In most cases this is to the end of (calendar year) 2013, as highlighted in Figure 1.

The chart illustrates that the number of vacancies has increased since 2011, and particularly in recent months, suggesting that activity among recruiters may have gathered pace since results have been collected.

The survey data presented in this report covers the latest reporting period available to recruiters during the survey period.
3. Growth indices
3. Growth indices

Net Fee Income growth – headline indicators
The results from this year’s survey echoed the net positive movement in net fee income (NFI) seen in the previous survey.

Nearly seven-in-ten (69 per cent) of participants reported annual growth in NFI (see Figure 2). This compares with 72 per cent in last year’s survey, indicating a continued positive trend this year, albeit not quite as strong.

However, 20 per cent of respondents reported a decline in annual NFI in this year’s survey – a similar proportion (21 per cent) reported a decline last year.

Figure 3 shows whether NFI has grown, declined or remained static across respondents on a sector-by-sector basis. A larger proportion of organisations saw growth in NFI in the last year in all sectors except for Healthcare & Social workers and Blue collar & Industrial. Within some sectors (Business admin, Support & HR, Education, Legal and Media & Marketing) 100 per cent of respondents reported annual growth in NFI over the period to the end of 2013.

This analysis presents the distinction between growth, decline and no change across organisations. The annual rate of sector growth and further analysis by sector is presented in the next section.
Net Fee Income – growth by sector

Figure 4 compares the share of respondents who experienced growth in NFI over the past year (y axis) with the average annual growth of NFI (x axis), on a sector-by-sector basis. NFI growth represents the annual change in NFI according to respondents and is unweighted.

All sectors have experienced strong growth. The average growth in NFI ranged between five and 46 per cent. The average across all respondents was 29 per cent.

Sectors in the top right quadrant (Business admin, Support & HR, Legal and Media & Marketing) have experienced stronger than average growth in NFI and have also seen a larger share of respondents reporting growth. The transformation in the performance of media-focused recruiters since last year has been supported by the buoyant economy which has in turn boosted advertising spend.

Sectors in the top left quadrant are those that have seen a larger share of respondents reporting growth, but the growth was comparatively weaker than the average for all sectors, despite the strong year-on-year rates (of over five per cent growth and over 20 per cent excluding Blue collar & Industrial). Recruiters in the Education and Generalists categories fall into this quadrant – a significantly improved position compared with performance last year. The struggle that Generalist recruiters faced last year indicated a shift towards niche and specialist operations by sector, but evidence from this year’s survey suggests this trend may have reversed.

The struggle that Generalist recruiters faced last year indicated a shift towards niche and specialist operations by sector, but evidence from this year’s survey suggests this trend may have reversed.
Figure 5 compares the share of respondents that experienced growth in NFI over the past year with annual economic growth (measured in Gross Value Added – GVA – terms), on a sector-by-sector basis.\(^2\) NFI growth represents the annual change in NFI according to respondents and is unweighted.

There is a positive correlation between growth in NFI and economic growth at a sector level. All sectors have seen good annual growth in NFI on average.

Some sectors have experienced much stronger growth in NFI alongside strong economic growth. These are shaded in green and include:

- Business admin, Support & HR
- Engineering & Technical
- Legal
- Media & Marketing
- Pharmaceuticals.

The remaining sectors have experienced good growth in NFI despite weaker economic growth. These are shaded in blue in Figure 5 and include:

- Accounting & Finance
- Education
- Healthcare & Social workers
- IT & Technology
- Oil & Gas.

There is a positive correlation between growth in NFI and economic growth at a sector level. All sectors have seen good annual growth in NFI on average.
**Net Fee Income – growth by size of firm**

The survey population is broadly a representative sample of the professional recruitment sector. Businesses that generate smaller levels of NFI account for a larger proportion of the sample, while businesses that generate a larger level of NFI account for the biggest proportion of total NFI generated across the entire sample (see Figure 6).

Figure 7 shows the annual growth in participants’ NFI by size of firm (measured in terms of annual NFI generated). Small firms have continued to grow faster than larger firms in percentage terms. Average NFI growth (unweighted) is 29 per cent, as illustrated in Figures 4, 5 and 6. However, the (weighted) total NFI across all respondents is around 14 per cent.
Office space growth

The response to participants’ intentions regarding new offices in the next year is shown in Figure 8. Over a third of respondents (35 per cent) indicated that they planned to open a new office in the next 12 months. In 2013, the proportion of recruiters who planned to open a new office was almost double the proportion in this year’s survey.

It is not clear whether this metric still correlates with performance among recruiters. Figure 9 considers, anecdotally, factors affecting why office space may be becoming less important and opens up opportunities for firms to work in more innovative ways.

Figure 8. Participants’ intention regarding new offices in the next year

<table>
<thead>
<tr>
<th>2013 response</th>
<th>2014 response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open more offices</td>
<td>61%</td>
</tr>
<tr>
<td>Close offices</td>
<td>2%</td>
</tr>
<tr>
<td>No change to the number of offices planned</td>
<td>37%</td>
</tr>
</tbody>
</table>

Figure 9. The importance of physical office space – anecdotal evidence

DOES OFFICE GROWTH CORRELATE WITH SECTOR PERFORMANCE?

Historically, office growth has been a good indicator of broader activity in the sector.

However, evidence from this year’s survey suggests flexible working is becoming more prevalent amongst recruitment firms. A new business model is emerging in the form of a ‘virtual business‘ that does not require physical office space while also offering bigger margin opportunities.

Increased use of flexible working is a trend that affects ways of working within both recruitment firms as well as the businesses placing talent. Indeed, it has been identified as a key non-salary benefit offered to recruiters (see next section).
New office space location
Just under half of all respondents plan to expand by opening new offices. Of these, the majority are organisations that already have an overseas footprint.

The respondents who indicated an intention to open a new office in the next year, said that over two-thirds of these new offices will be opened overseas. Figure 10 shows the survey results on respondents’ plans for new offices.

- Respondents currently based in the UK only (70 per cent of all respondents): 30 per cent plan to open more offices, with half of these new offices in the UK and half overseas.

- Respondents currently based in the UK and overseas (30 per cent of all respondents): 50 per cent plan to open more offices, with the majority of these new offices located overseas.

The survey data suggests that UK-based businesses are venturing out but international businesses are also growing their footprint. This trend may be affected by those who have already set up offices overseas. However, anecdotal evidence of greater overseas red tape does not seem to have dented global ambitions.

Figure 11 shows the location of these new offices across the world.
4. Financial and operational performance
4. Financial and operational performance

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

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

**Gross margins (contract and interim recruiters)**
According to respondents, the average gross margin for contract and executive interim placements was 17 per cent and 20 per cent, respectively (see Figure 12).

The spread in gross margins is lower in executive interim placements compared with contract placements. However, the highest margin achieved was the same across both methodologies.

**Share of salary (permanent recruiters)**
The average proportion of fees as a share of salary for contingent and executive search placements was 18 per cent and 24 per cent, respectively (see Figure 13).

The spread in gross margins is lower in executive search placements compared with permanent placements. The highest margin achieved was marginally higher in executive search.

Details of margins by sector and recruitment methodology are presented in Figure 14. Please also refer to the ‘Summary of data’ chapter for more details.
The distribution of gross profit margin and placement fees by sector is shown in Figure 14. This shows the range in profitability across each sector and highlights the minimum, maximum and average value for each sector. The data is also presented in a table in Chapter 7.

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 used throughout the report**

Accounting & Finance  
Blue collar & Industrial  
Business admin, Support & HR  
Education  
Engineering & Technical  
Generalist  
Healthcare & Social workers

IT & Technology  
Legal  
Media and Marketing  
Oil and Gas  
Pharmaceuticals  
Other
Figure 14. Gross profit margin and placement fees by sector

Contract recruiters

Permanent recruiters

Executive Interim recruiters

Executive Search recruiters

UK Recruitment Index 2014 Maximising growth  21
Time required to operate at a profitable level

When asked how long a new office takes to become profitable, a third of respondents (33 per cent) indicated that it takes around 18 to 24 months. A small proportion (two per cent) said it would take over 24 months. The remainder said it would take less than 18 months. This is illustrated in Figure 15.

The survey data suggests that it takes around five to six months for a recruitment consultant to become ‘profitable’. However, across the different firm size categories, there is little variation in the time taken for a recruiter to cover their own salary (see Figure 16).

The survey data suggests that it takes around five to six months for a recruitment consultant to become ‘profitable’.
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 (salary and commission associated costs) 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:

- 26 per cent across contract recruiters surveyed
- 28 per cent across executive interim recruiters
- 34 per cent across permanent recruiters
- 35 per cent across retained executive search recruiters.

Figure 17 shows how these ratios affect fee earners and money kept in the business for a given £10,000 NFI generated. These ratios have decreased compared with last year’s survey suggesting an improvement in fee earner productivity this year. However, pay rates may rise with the increasing competition in the ‘war for talent’ that is a continuing theme this year.\(^1\)
NFI per fee earner (£)

Figures 18 and 19 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 18. NFI per fee earner by sector (mean average)

<table>
<thead>
<tr>
<th>Sector</th>
<th>NFI per Fee Earner (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting &amp; Finance</td>
<td>£196,400</td>
</tr>
<tr>
<td>Blue collar &amp; Industrial</td>
<td>£161,400</td>
</tr>
<tr>
<td>Business admin, Support &amp; HR</td>
<td>£170,500</td>
</tr>
<tr>
<td>Education</td>
<td>£157,800</td>
</tr>
<tr>
<td>Engineering &amp; Technical</td>
<td>£152,600</td>
</tr>
<tr>
<td>Generalist</td>
<td>£152,600</td>
</tr>
<tr>
<td>Healthcare &amp; Social workers</td>
<td>£134,000</td>
</tr>
<tr>
<td>IT &amp; Technology</td>
<td>£121,100</td>
</tr>
<tr>
<td>Legal</td>
<td>£108,700</td>
</tr>
<tr>
<td>Media and Marketing</td>
<td>£106,900</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>£90,200</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>£89,600</td>
</tr>
</tbody>
</table>

Figure 19. NFI per fee earner by sector (median average)

<table>
<thead>
<tr>
<th>Sector</th>
<th>NFI per Fee Earner (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting &amp; Finance</td>
<td>£176,200</td>
</tr>
<tr>
<td>Blue collar &amp; Industrial</td>
<td>£165,800</td>
</tr>
<tr>
<td>Business admin, Support &amp; HR</td>
<td>£152,200</td>
</tr>
<tr>
<td>Education</td>
<td>£129,300</td>
</tr>
<tr>
<td>Engineering &amp; Technical</td>
<td>£127,300</td>
</tr>
<tr>
<td>Generalist</td>
<td>£127,000</td>
</tr>
<tr>
<td>Healthcare &amp; Social workers</td>
<td>£107,100</td>
</tr>
<tr>
<td>IT &amp; Technology</td>
<td>£101,100</td>
</tr>
<tr>
<td>Legal</td>
<td>£99,500</td>
</tr>
<tr>
<td>Media and Marketing</td>
<td>£93,600</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>£92,900</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>£82,900</td>
</tr>
</tbody>
</table>
Commission and payment of fees

Commission and payment of fees 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 20 shows the different ways commission is paid. Within the survey data, there is no clear link between type of recruiter and method of payment.

Figure 21 presents the payment profile of fees to executive search firms. The average split is:

- just under a third (31 per cent) when the recruiter firm is retained;
- nearly a quarter (23 per cent) when a short list of candidates is agreed; and
- almost half (46 per cent) is paid when the candidate is placed.

This payment profile differs from the typical split of one-third in each of the three stages during executive search.
Recruiter progression

This year the survey included questions about employees’ progression opportunities.

The recruiters surveyed said that 40 per cent of resourcers progress to the position of a full recruiter. On average, respondents stated that it takes around nine months for a resourcer to progress to a role of a recruiter. However, the time to make this progression varies across respondents.

- The maximum length of time was 24 months. Respondents who indicated a longer time for progress to recruiter were predominantly focused in the IT & Technology sector.

- The minimum length of time was three months. Respondents who indicated a shorter time for progress to recruiter were from a range of sectors.

One-third of recruiters surveyed do not have any resourcers to support their work, as shown in Figure 22.
Broader benefits
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 23.

A range of non-salary and commission benefits were identified, and although the reported staff perks were varied, prizes, trips and lunches were the most common.

Flexible working was identified as a key benefit. As outlined earlier, increased use of flexible working is a trend that affects ways of working both within recruitment firms as well as businesses where talent will be placed.

The continued ‘war for talent’ means there is strong demand and competition for the right candidates, many of whom are already in employment. Consequently, businesses are focused on both staff retention and attracting new talent through packages that are valuable and appropriate to employees. Employers should be thinking about how they can offer attractive packages, beyond the traditional salary and commission benefits.
5. Best in class
The data from this year’s survey has been analysed to consider what ‘good’ looks like within the professional recruitment sector. Figure 24 illustrates key metrics for ‘best in class’ by recruitment methodology. These have been selected from the highest-performing business of scale (generating over £5 million NFI) within each recruitment methodology.

Figure 24. Best in class metrics for selected top performers by recruitment methodology

| NFI growth | Contract | 20%          |
|           | Permanent | 20%          |
|           | Executive interim | 15%          |

| % of fee earners to total staff in business | Contract | 70%          |
|                                            | Permanent | 70%          |
|                                            | Executive interim | 55%          |

| NFI per fee earner (including new heads) | Contract | £100k          |
|                                        | Permanent | £100k          |
|                                        | Executive interim | £350k          |

| % of NFI paid in salaries and commission | Contract | 20%          |
|                                        | Permanent | 20%          |
|                                        | Executive interim | 35%          |
6. Key priorities for the year ahead
6. Key priorities for the year ahead

Challenges
Respondents were asked to select the top three challenges they anticipated over the coming 12 months (see Figure 25).

‘Growing headcount’ and ‘achieving financial growth’ remain the top challenges for firms, as reported in last year’s survey.

While only three per cent of respondents said that “realising shareholder value or selling or exiting the business” was a challenge for the year ahead, there are indications that M&A activity is still on the agenda in the recruitment sector. Around 40 per cent of respondents indicated that they were actively thinking about it, yet a higher proportion (60 per cent) said they were not interested in any type of M&A activity – either as a buyer or seller.

Recruiters are becoming more innovative in their approach to attracting candidates. Some innovative ways of working seen among recruitment firms include:

• building active talent communities

• diversity and inclusiveness agendas to improve candidate engagement

• using technology to connect communities and provide added value for client companies.

A number of factors will continue to affect the recruitment industry over the next few years, providing a mix of both opportunities and threats for businesses.

Growing headcount tops the list of challenges facing professional recruitment firms this year.

Figure 25. Greatest challenges expected for the year ahead

- Growing headcount: 59%
- Achieving financial growth: 52%
- Maintaining or improving profitability: 45%
- Developing a strong management team: 37%
- Increasing sophistication of management reporting information: 15%
- Making full use of social media: 14%
- Need to invest in back office infrastructure: 9%
- Raising debt or finance: 4%
- Realising shareholder value/selling or exiting the business: 3%
- Other: 2%
The top challenges include:

- **Growing headcount and developing strong management.** The biggest challenge faced by recruiters surveyed related to growth in headcount. Over a third also said developing a strong management team would be a challenge. To build and maintain strong teams, firms will need to fight harder for talent as competition for employees intensifies. Firms should build networks, develop skills and create the capabilities they need now and in future.

- **Achieving financial growth.** Around half of the firms surveyed envisage challenges relating to financial growth and profitability. The scale of this varies from ‘survival’ by maintaining healthy margins to expansion and striving to bolster margins.

- **New approaches to sourcing talent.** Global talent networks are increasing through social media and other new approaches. Recruitment firms may fail to attract and access the people and skills they need if they do not update and reassess their talent sourcing strategies.

- **Technology as a threat and an opportunity.** Although technology has enabled new approaches to sourcing talent and created potential threats to recruitment businesses, the right investments and use of technology can also provide opportunities. Technology can be used more to segment and understand talent and offer candidates more relevant career choices. This trend will impact both business and employee behaviour.
7. Summary of key benchmarking data
7. Summary of key benchmarking data

**Key benchmarking data**

Figure 26. Tabulated data of margins

<table>
<thead>
<tr>
<th></th>
<th>Min</th>
<th>Mean</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract gross margin %</td>
<td>4</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Permanent fee as % of salary</td>
<td>8</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Executive interim gross margin %</td>
<td>9</td>
<td>20</td>
<td>33</td>
</tr>
<tr>
<td>Executive search fee as % of salary</td>
<td>15</td>
<td>24</td>
<td>33</td>
</tr>
</tbody>
</table>
Some respondents provided further details of margins at a sector level. These results are presented below. 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 27. Tabulated data of margins by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of participants</th>
<th>Contract gross margin %</th>
<th>Permanent fee as % of salary</th>
<th>Executive Interim gross margin %</th>
<th>Executive search fee as % of salary</th>
<th>Average number of fee earners</th>
<th>Average NFI per fee earner (mean)</th>
<th>Average NFI per fee earner (median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and finance</td>
<td>30%</td>
<td>8</td>
<td>19</td>
<td>30</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>130</td>
</tr>
<tr>
<td>Blue collar and industrial</td>
<td>13%</td>
<td>15</td>
<td>18</td>
<td>21</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>–</td>
</tr>
<tr>
<td>Business admin/support/HR</td>
<td>21%</td>
<td>12</td>
<td>16</td>
<td>20</td>
<td>13</td>
<td>18</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>Education</td>
<td>10%</td>
<td>25</td>
<td>30</td>
<td>33</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Engineering and technical</td>
<td>27%</td>
<td>6</td>
<td>13</td>
<td>20</td>
<td>10</td>
<td>16</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>Healthcare – doctors and nurses</td>
<td>6%</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>–</td>
</tr>
<tr>
<td>Social workers</td>
<td>7%</td>
<td>11</td>
<td>19</td>
<td>30</td>
<td>11</td>
<td>14</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>IT and technology</td>
<td>45%</td>
<td>8</td>
<td>15</td>
<td>23</td>
<td>12</td>
<td>18</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>Legal</td>
<td>19%</td>
<td>11</td>
<td>16</td>
<td>20</td>
<td>15</td>
<td>21</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>Media and marketing</td>
<td>18%</td>
<td>17</td>
<td>21</td>
<td>27</td>
<td>16</td>
<td>19</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>21%</td>
<td>9</td>
<td>14</td>
<td>19</td>
<td>18</td>
<td>21</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>17%</td>
<td>6</td>
<td>18</td>
<td>31</td>
<td>18</td>
<td>22</td>
<td>28</td>
<td>20</td>
</tr>
<tr>
<td>Generalist</td>
<td>9%</td>
<td>6</td>
<td>15</td>
<td>27</td>
<td>8</td>
<td>17</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>Other</td>
<td>36%</td>
<td>4</td>
<td>17</td>
<td>31</td>
<td>15</td>
<td>19</td>
<td>26</td>
<td>20</td>
</tr>
<tr>
<td>Average across all sectors</td>
<td>n/a</td>
<td>4</td>
<td>17</td>
<td>33</td>
<td>8</td>
<td>18</td>
<td>30</td>
<td>9</td>
</tr>
</tbody>
</table>

Notes:
- The share of participants adds up to more than 100% because respondents cover more than one sector.
- The average number of fee earners may be skewed in some sector where respondents cover more than one sector.
- The average NFI per fee earner has been combined for the Healthcare and Social workers sectors.
8. Summary of survey participants
8. Summary of survey participants

Figure 28 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 £2 million. A small proportion of respondents reported a NFI of over £100 million.

Figure 29 shows the breakdown of respondents across the UK. This is compared with official data on the distribution of businesses in the recruitment sector (‘employment activities’). The comparison indicates that the survey population is broadly a representative sample of the sector.
Figure 30 shows the detailed breakdown of respondents by methodology including where the methodology is:

- core to the business
- often used
- sometimes used
- rarely used
- not used.

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

Figure 31 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.
9. Definitions and methodology
9. Definitions and methodology

Overview of survey methodology
Over 150 responses from recruiters have been used in the analysis of this report. Details of the respondents are provided in the subsequent section.

The survey was closed in July 2014. 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 APSCOs in-house data have been used to verify, add context or conduct further analysis.

Key definitions

• The recruitment methodologies referred to in this report include:
  – contract – provision of contractors to clients
  – permanent – where a fee is paid upon placement
  – executive Interim – high-end interim or contract work exclusively for CFOs, CEOs, Board and other Executive Management
  – executive search – permanent recruitment for Executive vacancies (salaried over £150,000) often retained.

• Generalist 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 – fee income after costs incurred have been deducted.

• Gross Margin – the profit (revenue less costs) as a share of revenue.

Definitions
The iconography used throughout the report to represent focus in a sector is illustrated below.
Recruiters who have a sector focus are not ‘generalist recruiters’ and therefore have specific sectors that contribute to 30 per cent or more of net fee income/gross profit.

Iconography used throughout the report
10. Survey questions
10. 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 methodologies (Contract, Contingent permanent, Executive interim, Executive search and RPO) is/are your main focus and what is the percentage split of the company’s net fee income/gross profit between each methodologies?

4. What are the gross margins on contract recruitment for the business?

5. What is the average fee for contingent permanent recruitment as % of salary for the business?

6. What is the gross margin on executive interim placements for the business?

7. What is the average fee for retained executive search as % of salary for the business?

8. What is the payment profile for retained executive search services for the business?

9. What is the total number of staff employed by the company?

10. How many people are employed in the following functions?
   a. Recruiters fee earning staff
   b. Resourcers – responsible for identifying candidates only
   c. Business development responsible for identifying potential clients and assisting on bids/tenders only and not involved in the recruitment process
   d. Administrative staff e.g. not recruiters, resourcers or business development,
   e. Non fee earning leadership

11. How many of your recruiters have been employed by your company for less than 6 months?

12. How long on average does it take for new fee earners to become productive?

13. How many of your resourcers have been employed by your company for less than 6 months?

14. Approximately what proportion of your resourcers become recruiters and how long (in months) does it take them to progress to being a recruiter?

15. How many contract placements did the company make in the period covered by the survey?
16. How many contingent permanent placements did the company make in the period covered by the survey?

17. How many executive interim placements did the company make in the period covered by the survey?

18. How many retained executive search mandates did the company fulfil in the period covered by the survey?

**Sector analysis**

19. Are you a generalist recruiter?

20. What is the company’s main area(s) of specialisation and the percentage contribution to net fee income/gross profit of each of these areas?
   - a. Accounting and finance
   - b. Blue collar and industrial
   - c. Business admin/support/HR
   - d. Education
   - e. Engineering and technical (not oil and gas or IT)
   - f. Healthcare doctors and nurses
   - g. Social workers including other support staff
   - h. IT and technology
   - i. Legal
   - j. Media and marketing
   - k. Oil and gas
   - l. Pharmaceuticals
   - m. Generalist
   - n. Other

**For each sector**

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. Which of the following recruitment methodologies are your main focus and what is the percentage split of the company’s net fee income/gross profit between each methodology?
   - a. Contract – provision of contractors to clients
   - b. Contingent Permanent – permanent recruitment where a fee is paid upon placement
   - c. Executive interim high end interim/contract work exclusively CFOs/CEOs/Board and other Executive Management
   - d. Executive search retained permanent recruitment for executive vacancies

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

25. What is the average fee for contingent permanent recruitment as % 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 % of salary for the sector?
28. How many contract placements did the company make in the period covered by the survey for this sector?

29. How many contingent permanent placements did the company make in the period covered by the survey for this sector?

30. How many executive interim placements did the company make in the period covered by the survey for this sector?

31. How many retained executive search mandates did the company fulfil in the period covered by the survey for this sector?

32. How many of your fee earners (recruiters and resourcers) focus on this sector?
   a. Contract
   b. Contingent permanent
   c. Executive interim
   d. Retained executive search

**Geographic analysis**

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

34. Please provide details of your UK offices below:

35. What percentage of the company’s net fee income generated in the UK is
   a. attributed to UK placements or contracts?
   b. attributed to overseas placements or contracts?

36. How many offices do you have overseas?
   a. How many offices do you have overseas?

38. What percentage of the company’s net fee income generated overseas is
   a. attributed to UK placements or contracts?
   b. attributed to overseas placements or contracts?

39. What country(ies) will you be opening offices in?

40. How many months do you expect it to take for the new office to be profitable?

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

42. 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)?
   a. Contract
   b. Contingent permanent
   c. Executive interim
   d. Retained executive search
**Strategic analysis**

43. Below are a number of tick boxes relating to commission schemes. Please tick all that apply to your company’s own scheme.

44. Relating to payment of commission:

45. Relating to the calculation of commission:

46. Relating to who the threshold is calculated on:

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

48. Mergers and acquisition activity appears to be back on the agenda, what are your views on merger and acquisition activity over the next 12 months? Is it something you are interested in and if so as a potential buyer or a potential seller?

49. What do you think will be your company’s greatest challenges in the next 12 months.
11. Contacts
11. Contacts

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12. Feedback
12. Feedback

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.

13. Footnotes

1. Net positive movement is where more respondents saw growth than decline.

2. GvA data by sector is based on the latest available data for GVA on a constant price basis (chained volume index).

3. 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.