



INDUSTRY INSIGHTS



in Recruitment



RECRUITMENT INDUSTRY REPORT

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MARKET DEFINITION

1.1 Scope of the Market

According to the World Employment Confederation's (WEC's) 'Economic Report 2020', the UK has the third-largest recruitment industry globally, with 39,232 businesses registered under the recruitment related SIC codes at Companies House.

The recruitment industry is worth over £38.9 billion in revenue to the UK economy. Despite a difficult year, 85% was generated through temp/contract placements. In comparison, £5.5 billion was achieved through permanent placements, according to a report published by the Recruitment and Employment Confederation. The Top UK Recruiters Report also estimates that 148,000 people are working in the sector, compared to 115,000 claimed by the REC.

The vast majority of companies (81%) had revenues of less than £1 million, although 155 firms in the UK had more than £50 million.

The Greater London region accounted for the largest number of businesses in 2019, with 32% of the UK total. The region with the next largest share of businesses was the South East at 16%.

By city or town, London is also the largest by far, with 9,290 enterprises. Eleven Recruitment (London) boroughs account for 68% of all these firms.

In 2019, the vast majority of staffing companies (80%) were micro-businesses employing between 1-9 people, while 460 firms used over 250 staff.

The market is split by legal status, between companies (85%), sole proprietors and partnerships (9%) and public sector and non-profit making bodies, which account for 7%.

The UK's top-three industries employing emerging jobs:

- Information Technology & Services
- Computer Software
- Financial Services

Technology firms

Though the IT services and computer software industries are currently employing a large majority of emerging jobs talent (33% of professionals are employed in these industries), the pharmaceutical industry has the highest year-on-year growth when hiring for these jobs (+49%).

Non-traditional industries

Some surprising industries are also attracting emerging jobs talent. Sectors such as human resources and marketing make the top 10, as do healthcare and research.

Gender divide

Currently, 65% of all these emerging roles are held by men. The telecommunications industry has the most imbalance with a male to female ratio of 81:19, but 71% of talent professionals report that achieving gender parity at their company is a top priority.



The UK's top-three cities for emerging jobs:

- London
- Manchester
- Edinburgh

London calling for emerging jobs

Not all of these jobs are in central London, with the borough of Hillingdon - home to Heathrow Airport and a number of aviation companies - seeing the highest year-on-year growth at 41%.

Companies looking to smaller cities

Though the focus on most emerging jobs is still London, cities like Belfast (39%), Cardiff (35%), and Nottingham (35%) had the largest year-on-year growth in emerging jobs.

Looking outside the UK

Despite the ongoing uncertainty surrounding Brexit, India, the US, and Spain are being employed in these emerging roles within the UK.

(Recruiter, 2020)

1.2 Major Players

Hays

Hays remains one of the biggest UK recruiters. In 2020 the company raised £200m of equity to insulate against plummeting fees during the coronavirus pandemic. The measures taken by the company included the furlough of some employees, a hiring freeze and an unspecified reduction in senior management pay to reduce monthly costs.

Adecco

Even though Adecco's revenue fell 9% in Q1 2020, the company remains on top of the recruitment/staffing companies list.

Reed.co.uk

Reed are among the top UK hiring companies with more than 240,000 new roles (up 39% compared to the same period in 2020) and vacancies at their highest levels since the pandemic began. The group stands out for its Graduate Training Scheme, with locations across the UK.

Michael Page

The UK offices - 16% of the group - declined 2.4% due to continued Brexit related uncertainty impacting candidate and client confidence.

Aston Carter

2021 is the sixth year that Aston Carter was acknowledged by clients and the tenth year by talent, thereby earning the Diamond Award designation in both categories, a distinction only given to companies that have been recognised as Best in Staffing for at least five consecutive years.

Hudson Global

According to Q4 2019 results, the group reported a 53.5% increase in revenue.

Manpower

ManpowerGroup has seen revenues drop 5%.



Venn Group

The UK's only company dedicated to the provision of contract staff to organisations in both the private and public sectors. In 14 years, the company has grown from 5 to 340 employees.

Robert Walters

The company reported a decrease in revenue of 2% in constant currency compared to the previous year.

Search – Total Recruitment Solutions

Total Recruitment Solutions (established in 2010) boasts over 10 years of personnel recruitment experience and online staffing systems. TRS main focus has been providing only South African Digital Staffing Solutions. The company now recruits and offers Applicant Tracking Solutions internationally. As one of the Top Recruitment Agencies in the country, they now supply recruitment systems and software to more than 10000 companies.

(Financial Times,2021)



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MARKET INSIGHTS

2.1 Current Market Scenario

The REC's annual 'Recruitment Industry Trends' report showed that recruiters made more than a million permanent placements. On any given day, the industry put over 1.1 million people in temporary and contract roles.

Meanwhile, the number of recruitment businesses and the number of people working in recruitment also grew.

In March 2019, there were 31,140 firms, up 2% from the previous year. The total number of staff rose by 3% to 119,000 people.

According to Willis Towers Watson, UK employers slashed pay rise budgets in 2020 in response to the economic implications of the COVID-19 crisis.

In the latest Salary Budget Planning Report, covering 15,000 employers across 132 different countries, UK employers were budgeting for an average of 3% pay rises at the beginning of the year. But the economic impact of the pandemic means that employers have had to revise down pay budgets to 2.7% for this year, a 10% budget cut on average. In addition, over a third (35%) of UK employers are planning to freeze pay, or postpone pay rises, this year and 4-in-10 companies (39%) have already decided to reduce annual bonuses.

The report also reveals that 1-in-5 (19%) businesses in the UK have already taken steps to reduce the size of their workforce, while a further 37% are either planning to or considering cuts in response to the COVID-19 crisis. In further measures to preserve cash, 60% of employers have implemented or are considering unpaid leave policies that are voluntary or mandatory.

Pay rise projections for 2021 are more optimistic as UK employers anticipate that pay budgets will bounce back to pre-COVID levels, at 2.9%. However, the proportion of companies planning a salary freeze next year is still six times higher now than before the pandemic (12% now vs 2% before).

Most companies worldwide are in cash preservation-and cost optimisation mode, with 80% of companies in the biggest economies having already implemented a hiring freeze.

(Willis Towers Watson, 2020)

2.2 Technological Innovations

A variety of technological advancements were made in 2019, with Artificial Intelligence at the forefront of them all.

Virtual Reality has the ability to interview candidates remotely. Virtual Reality can also provide support across many other aspects of recruitment, such as client meetings, virtual tours, and assessing candidates. The technology will allow candidates and clients alike to be more involved and active in the recruitment processes.



Examples of AI use in Recruitment:

- Autonomous Candidate Sourcing
- Assessment Stages
- Chatbots
- Diversity Driven Hiring

Analytics is not new, but big data (combined with AI above) will play an increasing role in the recruitment process in the future. Speed is a vital component of recruitment - the best candidates don't hang around for long - so using analytics to improve recruitment processes internally will be essential.

Recruiters must also build a brand presence and attract the best candidates to their business through inbound marketing channels. The best candidates will not be visible or accommodating to outbound marketing practices in the future, and the best adopters of inbound marketing will have a competitive advantage.

Leading recruiters are engaging candidates increasingly via smartphones and paying attention to the trend of effortlessly directing their recruitment process for the on-the-go candidate or business.

According to Talentnow, job searches from mobile devices now exceed one billion per month. In contrast, close to 90% of those job seekers now utilise a mobile device when looking for a new opportunity.

There is an immense potential for recruiters to tap in and reach out to this massive audience by enhancing and enriching their mobile recruitment experience.

Video interviewing and virtual onboarding are being welcomed to the recruitment scene. New interviewing techniques are structured, changing the landscape of how interviews are conducted.

Some examples:

• **Soft Skills Assessment**

High-tech tools that draw on neuroscience now exist to assess candidates' soft skills, such as flexibility and teamwork through surveys and mini-games. Recruiters can gain insights into these skills quickly and at a scale and speed, making it easier to expand their reach on talent pools with diverse backgrounds.

• **Virtual Reality**

as mentioned above - helps interviewers assess decision-making and problem-solving skills.

• **Video Interviews**

Nothing new, but this growing trend in video interviews allows recruiters to consider more remote candidates. Video interviews are beneficial for roles where communication and presentation are crucial.

• **Job Auditions**

These allow recruiters to see their candidates in action, while a job audition also allows a candidate to get a real sense of the job role. Throwing candidates in the deep end lets recruiters get a realistic sense of their skills.

(IMS People, 2020)



2.3 Government Regulations and Initiatives

1. The Coronavirus Job Retention Scheme

is forecasted at the cost of £42bn.

2. National Living Wage

The National Living Wage has increased by 5%. The National Minimum Wage has also increased by between 3.6-5.4%, depending on age.

3. Executive pay reporting

Companies with more than 250 staff must reveal the pay gap between the chief executive and average employee.

4. Payslips

Payslips must now be given to workers (and employees) and include the number of hours worked.

5. Statutory pay

Statutory sick pay and family-related pay have both increased.

6. EU nationals

EU workers can claim settled status in the UK.

7. New legislation regarding flexible workers

All workers will have the right to request a more stable contract. Those who are content to work variable hours each week will be able to do so, but those who would prefer more certainty will be able to request a more fixed working pattern (for example, by setting a fixed number of hours or certain days of the week) from their employer after 26 weeks' service.

8. A single enforcement body for the labour market

The government announced proposals for a single enforcement agency dealing with non-compliance in the labour market. Its focus would be to ensure that vulnerable workers are aware of their rights and have access to them and that businesses are supported to comply.

9. Protecting tips and service charges for workers

The government proposed legislation to require employers to pass on all tips and service charges to workers and, supported by a statutory Code of Practice, to ensure that tips are distributed on a fair and transparent basis.

10. Extending redundancy protection

to prevent pregnancy and maternity discrimination and extended leave for neonatal care.

11. Parental bereavement (leave and pay)

The Parental Bereavement (Leave and Pay) Act 2018 entitles all working parents to two weeks' paid statutory leave if they lose a child under 18 (including a stillbirth after 24 weeks of pregnancy).

12. Non-disclosure agreements

In July 2019, the government published its proposals to prevent the misuse of confidentiality clauses or non-disclosure agreements (NDAs) to settle workplace harassment or discrimination complaints. The government reiterated that confidentiality clauses could serve a legitimate purpose in both employment contracts and settlement agreements.

13. Sexual harassment

The government has launched a consultation regarding sexual harassment in the workplace, including proposals such as introducing a mandatory duty on employers to prevent harassment in the workplace and increasing the time limit for bringing a discrimination claim from three to six months.

14. Ethnicity pay reporting

In 2018, the government launched a series of measures to tackle barriers facing ethnic minorities in the workplace, including a consultation on the introduction of mandatory ethnicity pay reporting based on the model of mandatory gender pay gap reporting. A response to this consultation is still awaited.

(Agency Central, 2019)

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MARKET DYNAMICS

3.1 Drivers

1. Employee Experience

As reflected in LinkedIn's "2020 Global Talent Trends" report, 94% of talent professionals agree that employee experience (EX) will be very important to the future of recruiting and HR.

Why companies invest in employee experience

Percentage of talent professionals who say they're increasingly focused on employee experience for the following reasons:

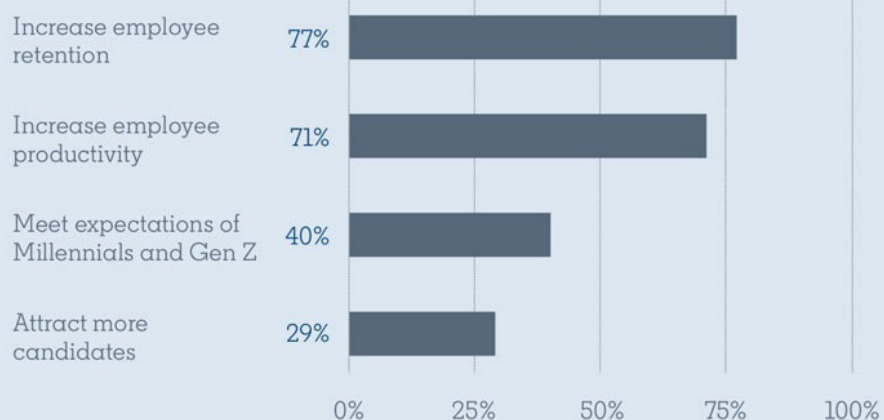


Image source:

<https://business.linkedin.com/talent-solutions/blog/talent-on-tap/2020/LinkedIn-head-of-recruiting-on-top-talent-trends>



2. People Analytics

Gathering and analysing data about the workforce on an ongoing basis can help to make better and more informed decisions. Unfortunately, few companies had the capabilities to put this into practice — until now.

55%

of talent professionals say they still need help putting basic people analytics into practice.

73%

say people analytics will be a major priority for their company over the next 5 years.

Image source:

<https://business.linkedin.com/talent-solutions/blog/talent-on-tap/2020/LinkedIn-head-of-recruiting-on-top-talent-trends>

3. Internal Recruiting

When competition is fierce and external talent is expensive to recruit, companies are increasingly looking inward to find the skills and knowledge they need.

73%

say internal recruiting is increasingly important to their company.

+10%

increase in internal hiring since 2015.

Image source:

<https://business.linkedin.com/talent-solutions/blog/talent-on-tap/2020/LinkedIn-head-of-recruiting-on-top-talent-trends>



4. Multi-generational Workforce

There are four generations now that make up the bulk of the workforce. The more representative the workforce is of their target audience, the better equipped the employees will be to cater to that audience's needs.

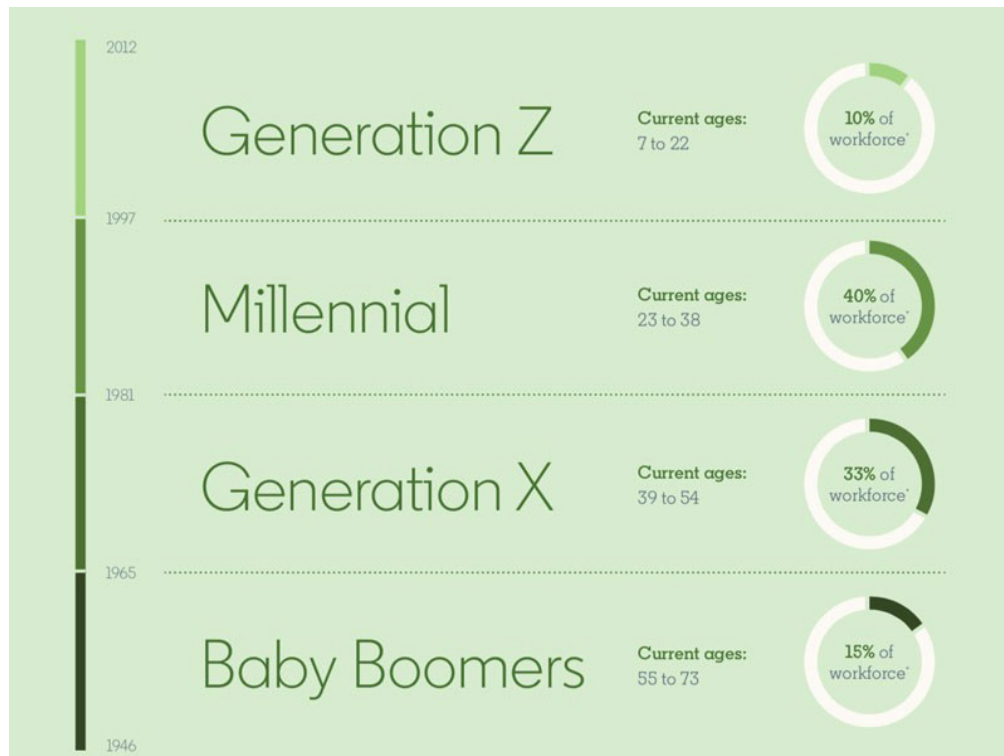


Image source:

<https://business.linkedin.com/talent-solutions/blog/talent-on-tap/2020/LinkedIn-head-of-recruiting-on-top-talent-trends>

(LinkedIn Business, 2020)

3.2 Restraints / Industry Challenges

Recruiters will have a serious part to play in the post-COVID-19 world. With unemployment rates forecast to drop to the 6.6% mark by the end of the year, the recruitment industry will be pivotal in not only mobilising the UK workforce again but also in offering a serious hand in helping clients to adjust to the new nature of recruiting, from the adoption of new technologies such as video interviewing and virtual onboarding to embracing flexible and remote workforces.

Recruiters working in sectors that are seeing increased demand, such as healthcare, pharma and life sciences, are likely to have already had to make serious and rapid changes to the way they work.



1. Recruitment vs retention

Recruiting staff only for them to leave again shortly afterwards can be an expensive business. Organisations are turning their attention to successful retention to guard against that expense.

Though difficult to calculate precisely, a CIPD survey estimated that the average turnover cost per employee is £8200, rising to £12,000 for senior managers or directors. These figures emphasise the value of identifying staff retention as a strategic priority.

2. Traditional vs new models for advertising

A key challenge for organisations is to integrate different communications channels as part of their overall marketing strategy. Strategists will need to recognise the ways that different platforms do different things – from heightening brand visibility to reaching different parts of an ever-diversifying workforce.

3. Safeguarding data

With the impact of the General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018, analysis shows that there are 24x more Data Protection Officers in the UK than there were in 2015.

4. Lack of talent

The majority of employers are stating that a lack of relevant candidates is impacting their recruitment efforts the most.

(CV Library, 2020)

3.3 Opportunities / Investments

The recruitment market grew by 5.5% in 2019, to £13.9bn – a gradual deceleration over the last couple of years, beating its 2.8% forecast growth.

Global deals have increased from 2018 to 2019 by 17%. The UK has remained an attractive investment market, but with the UK deal level falling from its six-year high in 2018, the US overtook it, which ranked No. 1 for M&A activity. With a strong focus on technology investment in the sector, recruitment software and platforms transactions accounted for 23% of all deals.

There is a continuing diversity of exit options available to owners in the sector, including the use of Employee Ownership Trusts, which are growing in popularity. For example, in November 2019, GPW Recruitment established an EOT, and its staff now own 74% of the business.

There was also interest in the sector from non-recruitment firms, such as the acquisition of Sellick Partnership Limited, a financial services recruitment provider, by France based service company, Samsic Group.

Another example was Challenge Group, specialising in distribution, which acquired TRG Logistics, providing temporary, contract and permanent HGV drivers and logistics staff.

The “buy and build strategy” is also still very much alive in the sector.

The UK has also been strong in technological investment accounting for 15% of all transactions in this space. Transactions include the acquisition of Flexy by Impellam, which uses psychometrics, machine learning, and nudge theory to unlock local talent and streamline the casual labour market.

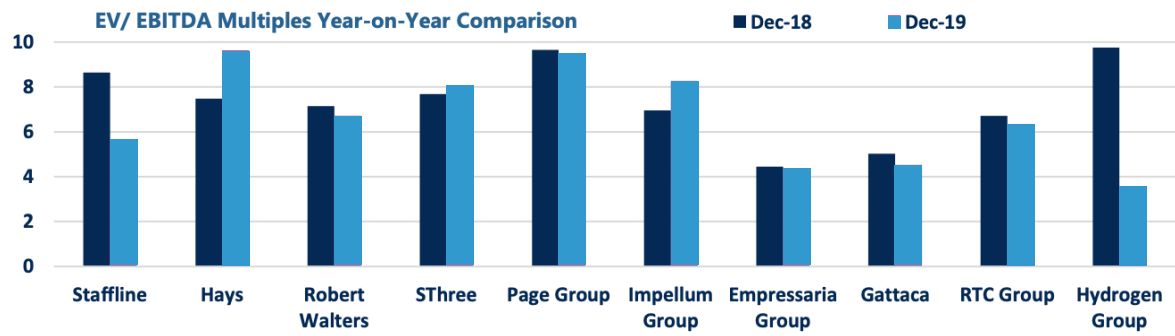


Image source:

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(BDO, “M&A Market Annual Review Recruitment Report 2020”)



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COMPETITIVE LANDSCAPE

The current job market is highly competitive to secure the top talent available, making a compelling company brand integral to attracting potential candidates.

According to research from LinkedIn, over 75% of people consider the branding and reputation of a company before applying. A reliable brand reflects image management to their employees and the general public, and it also aids long-term employee retention rates.

(IMS People, 2020)
(IBIS World, 2020)



5 | RECRUITMENT CHALLENGES & FACTS

Skill shortage

The skill shortage present in the job market can be attributed to numerous factors, from Brexit to school funding. According to McKinsey, the demand for excellent soft skills will increase by 22% over the next decade in Europe.

Proactive recruiting

The recruiter's role is ever-evolving; with new technologies and tools, the need to innovate recruitment tactics has never been more vital. Proactive recruiting enables recruiters to create a vast talent pool to work from when vacancies arise in the future.

Employee retention

Recruitment firms need to ensure that their employees feel appreciated and are appropriately rewarded for exceeding targets. Employee incentive schemes are a powerful way to improve employee engagement and company culture whilst retaining top talent.

(IMS People, 2020)
(BDO, 2020)



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KEY FINDINGS SUMMARY

- 85% of the industry's revenue is generated through temp/contract placements.
- The vast majority of companies (81%) had revenues of less than £1 million.
- The Greater London region accounted for the largest number of businesses in 2019, with 32% of the UK total. The region with the next largest share of businesses was the South East at 16%.
- Though the focus on most emerging jobs is still London, cities like Belfast (39%), Cardiff (35%), and Nottingham (35%) had the largest year-on-year growth in emerging jobs.
- Currently, 65% of emerging roles across all industries are held by men.

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