Market Information

UK Recruiter and i-BR 2010 survey results

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Survey summary

Introduction:

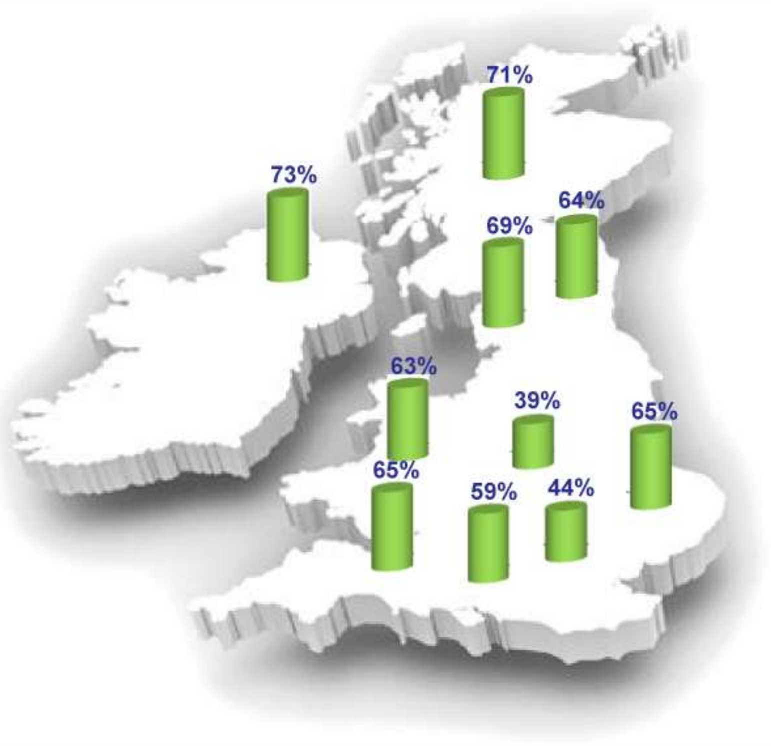
i-Business Resources (i-BR), in conjunction with UK Recruiter, conducted an online survey of UK recruitment agency professionals during October 2010. The survey covered attitudes on the current state of the recruitment market, the main challenges faced today by recruiters, and the views on the importance of IT solutions in facing these challenges.

A summary of the survey results are provided below. Full details and analysis of the survey questions asked is provided in later sections.

Agency market recovery and buoyancy:

Overall, 53% of Recruitment Agency recruiters feel the UK recruitment market is more buoyant than this time last year. However, the recruitment market still appears to be in an unstable and unpredictable position when looking at differences in sectors and regions.

% feeling market is more buoyant than this time last year



The South East / London /Midlands are the least buoyant areas in the UK. In these areas nearly equal numbers of recruiters reported a less buoyant market as those reporting a more buoyant market.

The further from the Midlands/South East/London you go the greater the recovery being reported. In Scotland and N. Ireland for instance over 70% felt the market was more buoyant than last year.

Overall, Perm business is seen as the area of greatest recovery over the last year. Temporary business is less buoyant but (with the exception of Care and Education sectors) overall Temp business is still more buoyant than last year.

Market confidence:

Agencies are expecting a long period of uncertainty in a difficult market and economic climate.

In the short-term, 58% of recruiters felt the market will remain the same in the next 6 months, 22% felt the market would get worse, and 20% felt we would see an upturn. This Short-term confidence seems to be justified when looking at the plans of Employers. 88% of Employers felt their recruitment levels in the next 6 months would remain the same, or increase, in both Perm and Temp/Contract areas.

Over the longer-term however, most Agency staff felt that a full recovery to pre Credit-Crunch levels is at least 18 months away. 38% felt that a full recovery would take at least 2 years, with some of believing this would be much longer, if it would ever recover to the levels previously seen.

Today's challenges for agencies:

In addition to the uncertainty in the economy Agency recruiters also highlighted the following as challenges they are faced with:

a) **Eroding margins.** Due to Master Vendors, Employers demanding low fees, and agencies themselves under-cutting each other to win business.

b) **The ability for employers to do their own recruitment**. Fears over employers using Job Boards and Social Media to perform their own recruitment were raised, as were the equalisation impact of the Agency Workers Regulations.

c) **Internet service use by agencies.** The ability of agencies to embrace and utilise Social Media Internet channels is now an important challenge, as is the ability to provide services to Candidates and Clients through Internet portals.

d) **Cash flow and funding.** Banks are not lending and traditional routes for borrowing are no longer available.

e) **Poor perception of agencies by clients.** It can be difficult to persuade some employers to use agencies due to their perception of agency service.

Within this strategic background the key areas of operational concern for recruiters were as follows:

1. Finding good Candidates was rated as the biggest challenge facing recruitment consultants. 56% of people rated this as their 1st or 2nd priority.

2. Finding new Clients was rated overall as the second biggest challenge, with 52% of people rating this as their 1st or 2nd priority.

3. Reducing costs and being more flexible to exploit new market opportunities were rated approximately the same on an overall rating scale.

4. Overall, the least important issue for agencies was improving service with only 16% rating this as their 1st or 2nd priority.

Recruitment technology views from agencies:

Technology is an important and integrated part of Agency recruitment activity. Approximately 80% of Agency recruiters placed utilising some type of IT to help face current market challenges as an Important, or extremely important, tool for their business. Only 2% viewed use of IT as no benefit to them.

The most important technology:

The basic system set-up that recruiters feel is important is having a good front-office recruitment system, accessible in and out of the office, which is simple to support. In addition, Job-Board advertising and a good back-office system complete the suite of tools that are the most important IT for recruiters to have in place. Points to note:

1. Three quarters of recruiters rate access to systems out of the office as important or extremely important. This perhaps illustrates the growing importance of mobile working and more desire for work flexibility in working from home.

2. Despite the buzz that Social Media has received, and the predicted demise of Job Boards, Job Board advertising is still seen by 75% of recruiters as one of the most important aspects of their IT toolkit, and more important than Social Media.

3. 1 in 5 recruiters believe they need to improve their basic IT set-up in some respect as it is not fully adequate for their needs.

Cost saving technology:

The next IT solutions in terms of importance were areas that can assist in delivering Agencies aims of achieving cost savings, namely:

a) Integrated front and back-office systems
b) Low-cost flexible telephone systems

These were seen overall as important or extremely important by approximately 60% of recruiters, with approximately 20% wishing to improve in these areas.

Internet services:

Use of Internet services (Social Media, Email Marketing, and system access for Clients and Candidates) were seen as the least important aspect of technology for recruiters. However, these services still received an average rating of between 'Helpful' and 'Important, and were the areas that the highest percentage of recruiters thought they needed to improve in.

1. **Social Media** – 29% of people felt that their use of Social Media was already good or excellent, and 33% wish to improve their use of Social Media**.** This illustrates a growing adoption of Social Media as a useful recruitment tool.

2. **Email Marketing** – This area has grown considerably in terms of importance to recruiters in the last 12 months. 41% of recruiters now recognise a need to improve in their strategic use of email marketing**. T**his perhaps shows a growing recognition that email marketing can be a useful part of an agencies overall marketing strategy to attract clients and candidates and build brand.

3. **Internet services for Clients and Candidates** – Although seen overall as the least important area of IT usage (rated on average as 'Helpful'), 42% of recruiters rated this area as Important or extremely important. This is an increase of 18% on last year's i-BR's survey and is the biggest increase in importance on any of the areas we asked to be rated. In addition, 32% of recruiters believe they must improve in this area.

   This seems to suggest a growing recognition with agencies that both Clients and Candidates are now expecting Internet Access to services. It may also signify a growing appreciation by Agencies how these services can also help reduce Agency costs and improve efficiency.

Employers views of agencies:

The services received from Agencies was rated overall as 'Adequate' by employers. 42% rated the services as 'Good', but 14% rated the service as 'Very Poor'.

The main benefits for using Agencies were the time-savings that were provided to employers (e.g. from not needing to sift through CV's themselves), and how quickly Agencies can turn around recruitment compared to the employer if they were to do this all themselves.

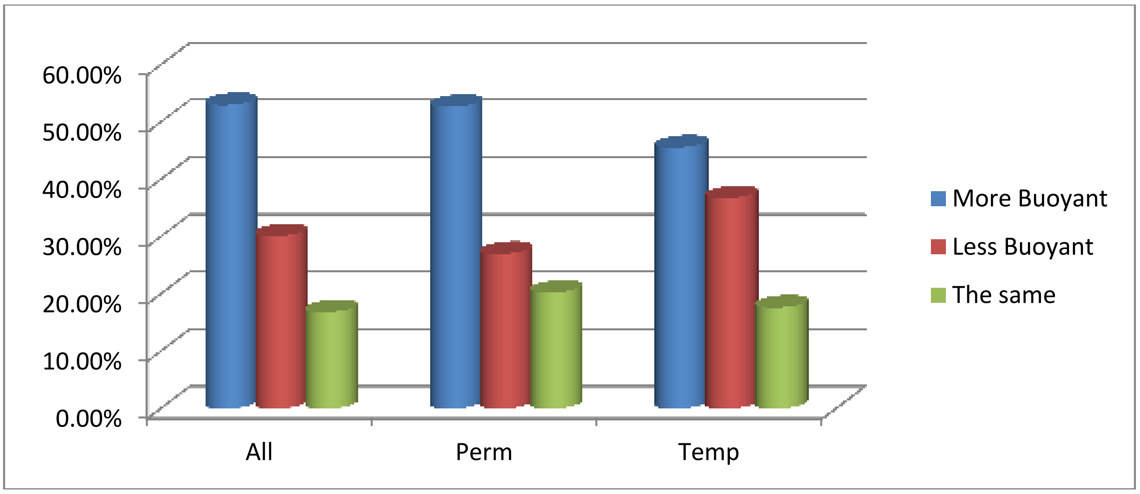
The top 3 frustrations when using Agencies were:

1. The quality of service provided.
2. Poor screening of Candidates (against employer culture, references etc).
3. Candidates not matching the level of requirements for positions.

Responses received indicated that employers using recruitment agencies would ideally like the agencies to provide Internet based services to them. The most important aspect of these services was rated to be areas to assist with Invoicing and billing.

Agency market buoyancy

In your industry sector, how buoyant do you feel the UK recruitment market is compared to this time last year?



Overall, **53% of Agency recruiters felt the market is more buoyant than this time last year**. This indicates a recovery of the market from the low point a year ago. However, whilst the majority of recruiters reported a more buoyant market, Perm recruiters have seen the strongest market recovery, with the position less strong within the temporary market. Whilst **45% of temp recruiters are feeling more buoyant, 37% feel the market is less buoyant**.

This is a reversal of the position last year when Temp recruiters tended to view the market at that time more favourably than Perm recruiters.

Looking at regional differences these show some marked differences.

Less recruiters in London, South East, and the Midlands felt the market is more buoyant than last year.

Within the Midlands more recruiters felt the market is now less buoyant than the recruiters who feel it is more buoyant.

Moving outside of the Midlands and the South of England recruiters become more positive. All regions are generally reporting a more buoyant market with Northern Ireland and Scotland, reporting the best recovery in the last 12 months.

The tables below show:

a) The percentage of recruiters saying they felt their market was MORE buoyant than 12 months ago, ranked from highest overall to the lowest, and;

b) The percentage of recruiters saying they felt their market was LESS buoyant than 12 months ago, ranked from highest overall to the lowest.

a) % by region feeling MORE buoyant:

Region	All	Perm	Temp
N Ireland	73%	73%	67%
Scotland	71%	71%	75%
North West	69%	72%	65%
South West	68%	70%	68%
East Anglia	65%	70%	60%
North East	64%	65%	56%
Wales	63%	71%	62%
South	59%	63%	57%
South East	51%	57%	48%
London	44%	47%	35%
Midlands	39%	40%	30%

b) % by region feeling LESS buoyant:

Region	All	Perm	Temp
Midlands	41%	41%	54%
London	36%	36%	48%
South	25%	23%	38%
South East	24%	21%	32%
North East	20%	17%	31%
North West	16%	16%	23%
East Anglia	13%	10%	20%
Wales	13%	7%	25%
South West	11%	7%	16%
N Ireland	9%	9%	16%
Scotland	7%	7%	12%

Within different market sectors there were also differences in how buoyant recruiters felt the market was compared to last year.

d) % in sectors feeling MORE buoyant:

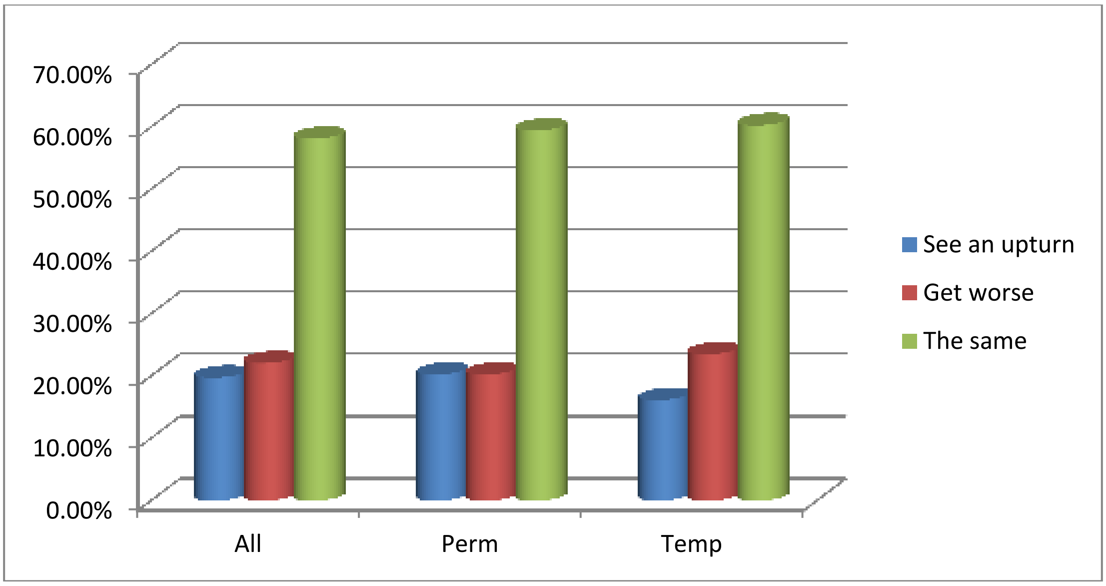
Region	All	Perm	Temp
Driving	82%	82%	80%
Accountancy	74%	74%	68%
Industrial	73%	68%	71%
IT	71%	71%	77%
Financ/Bank	71%	71%	73%
HR	64%	64%	61%
Commercial	62%	59%	61%
Health	56%	60%	53%
Education	27%	20%	27%
Care	23%	25%	18%

c) % in sectors feeling LESS buoyant:

Region	All	Perm	Temp
Education	55%	60%	55%
Care	53%	50%	57%
Health	31%	27%	33%
Commercial	21%	21%	22%
Accountancy	13%	13%	16%
IT	9%	9%	15%
Driving	9%	9%	10%
Industrial	9%	10%	9%
HR	9%	9%	11%
Financ/Bank	6%	6%	6%

Agency recruiter's market confidence

Do you think the UK Recruitment market in the next 6 months will (see an upturn, or get worse)?



Overall, **58% of recruiters felt the market will remain the same in the next 6 months**. **22% felt the market would get worse, and 20% felt we would see an upturn**. No significant differences were found in people's responses between UK regions.

Within different sectors there were some variations as outlined in the tables below. Most notable of these was within the Education sector where nearly half of respondents felt the market would continue to get worse over the next 6 months. The most optimistic respondents were IT Perm recruiters.

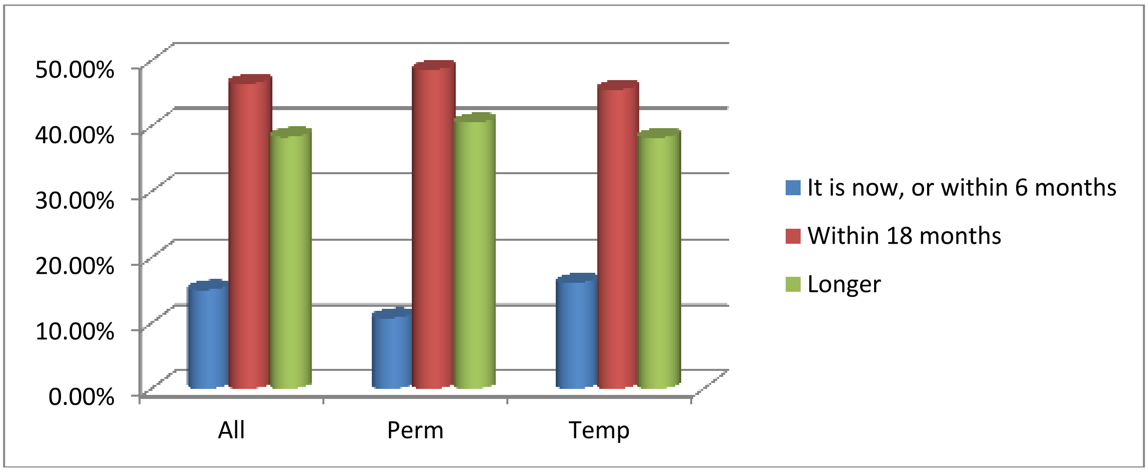
% of recruiters by sector expecting the market will see an upturn in the next 6 months:

Sector	All	Perm	Temp
IT	33%	33%	15%
Driving	27%	27%	15%
Accountancy	26%	26%	21%
Industrial	23%	26%	19%
HR	23%	23%	17%
Commercial	20%	22%	16%
Health	20%	20%	13%
Financ/Bank	18%	18%	20%
Care	17%	17%	14%
Education	9%	10%	9%

% of recruiters by sector expecting the market will get worse in the next 6 months:

Sector	All	Perm	Temp
Education	45%	50%	45%
Care	33%	33%	36%
Health	20%	20%	27%
Accountancy	13%	13%	5%
Commercial	12%	9%	10%
Financ/Bank	12%	12%	7%
IT	9%	9%	15%
Industrial	9%	5%	9%
HR	9%	9%	5%
Driving	0%	0%	0%

How long would you predict it will take before the recruitment market for your business is back to pre-Credit Crunch levels?



57% of people thought that it would take at least 18 months for the market to recover to the levels seen pre-Credit Crunch. 38% felt that this would take at least 2 years.

NOTE: In i-BR's 2009 survey 65% of people felt (at that time) a recovery would be seen within 12 to 18 months. Based on experience this view has obviously been reassessed leading to a view that recovery to the levels previously seen is much further away than the market previously thought.

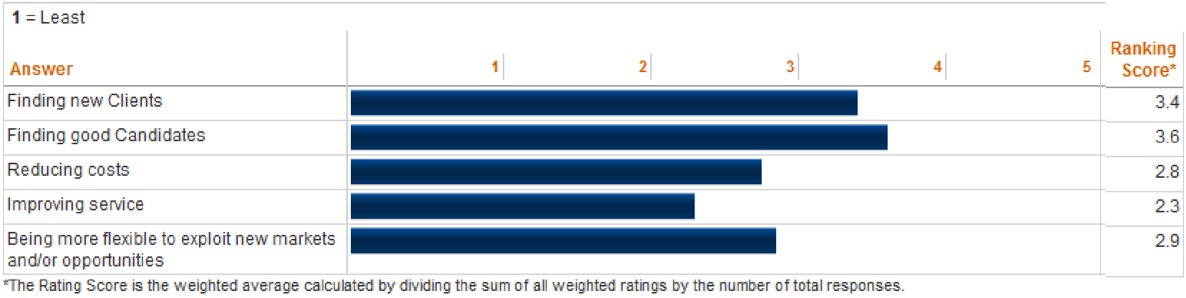
Comments were given by respondents regarding the impact of the UK government's spending cuts leading to prolonged uncertainty in the market. In addition, some comments were also given that it is unlikely the market will ever return to the levels previously seen. Reasons for these last comments were not only due to economic reasons but also that the Agency model is being undermined with many clients doing recruitment themselves, and that Social Media is undermining the traditional Agency recruitment model. Later sections of this survey provide information to help form decisions on these views.

Views of the length of time for a full recovery varied relatively little between Regions and Market sectors. However, the exceptions were within IT and Education who were at the extremes of the scale. **IT recruiters had the most positive outlook with only 19% believing a full recovery would take longer than 18 months. Whereas 64% of Education recruiters felt a full recovery would take over 18 months.**

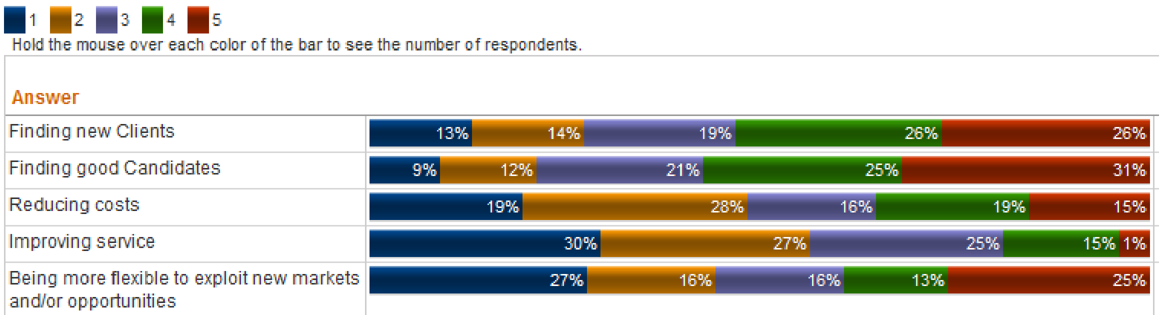
Recruitment agency challenges

What do you feel are the biggest challenges facing your business at present?

Respondents were asked to rate each option in order of importance.



Provided below is a breakdown of the % of respondents rating each option 1 = least important, and 5 the most important.



Of the options provided, finding good Candidates was rated as the biggest challenge facing recruitment consultants. 56% of people rated this as their 1st or 2nd priority. This is in marked contrast to i-BR's 2009 survey where 80% rated finding Clients as their main concerns.

Finding new Clients was rated overall as the second biggest challenge, with 52% of people rating this as their 1st or 2nd priority.

Reducing costs and being more flexible to exploit new market opportunities were rated approximately the same on an overall rating scale (the same as the 2009 survey).

Overall, the least important issue facing agencies was improving service. Taken in context with other answers, this indicates that agencies are more focused at present on the following:

- Being flexible to find new business and compete in new ways for the level of business that is available.

- Finding good candidates to compete in a competitive market in filling the vacancies that are available. Good Candidates (it seems from comments provided), are at the moment not looking to move jobs due to their own uncertainty in the market and are instead sticking with what they have.

- Keeping costs low to cope with the pressures on margins being experienced.

Service Improvement is not seen as an important issue at present, either because agencies service levels are already good, and/or because service is not at present being the key reason for winning client business. This is instead being driven by employers looking at the lowest cost solution when their own budgets are tight.

Comments provided by respondents also highlighted the following as key issues and challenges for recruitment agencies. The comments provided have been categorised into the issues below and are listed in the priority order based on the number of comments for each.

1. **The uncertain economy**, government cuts, and global markets.

2. **Eroding margins.** Master Vendors have led to eroded margins and devalued the service that could be provided by temp agencies. Employers are also demanding low fees from agencies as their own budgets are cut. In addition, agencies themselves have also led to eroding margins by under-cutting each other to win business.

3. **The ability for employers to do their own recruitment** has never been easier. Job-Boards are increasing their ability to sell their services direct, and Social Media channels are available for employers for direct recruitment. In addition, with equalisation of benefits for Temp staff through the Agency Workers Regulations some believe employers will be asking why they should use agencies at all.

4. **Internet use by agencies.** Demands from Clients and Candidates for Internet services are growing. The ability of agencies to embrace and utilise Social Media Internet channels is now important, as is the ability to provide services to Candidates and Clients through Internet portals (see also later sections).

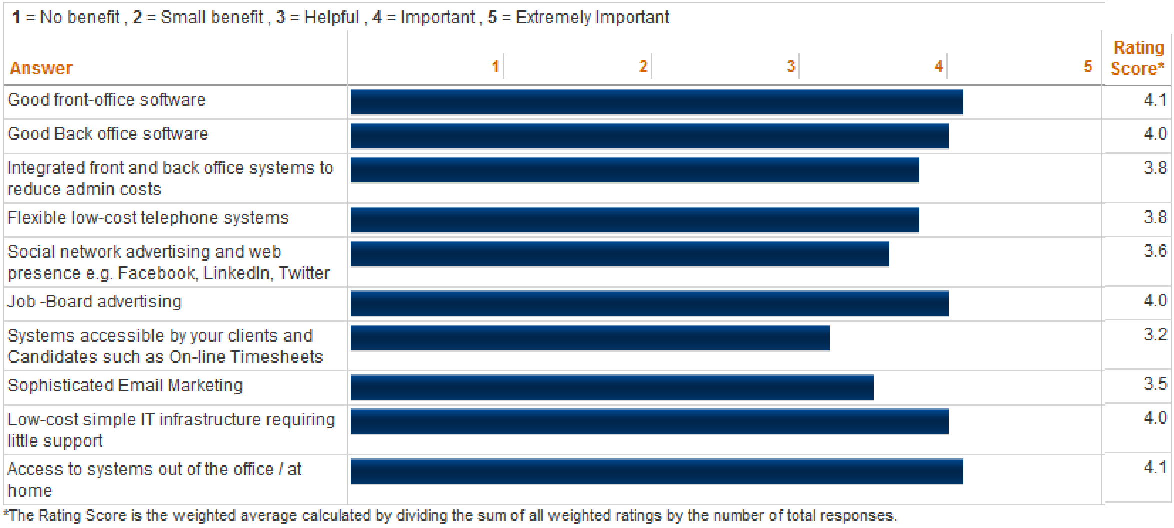
5. **Cash flow and funding.** Banks are not lending and traditional routes for borrowing are no longer available.

6. **Poor perception of agencies by clients.** It can be difficult to persuade some employers to use agencies as their perception of the service levels provided by agencies is poor

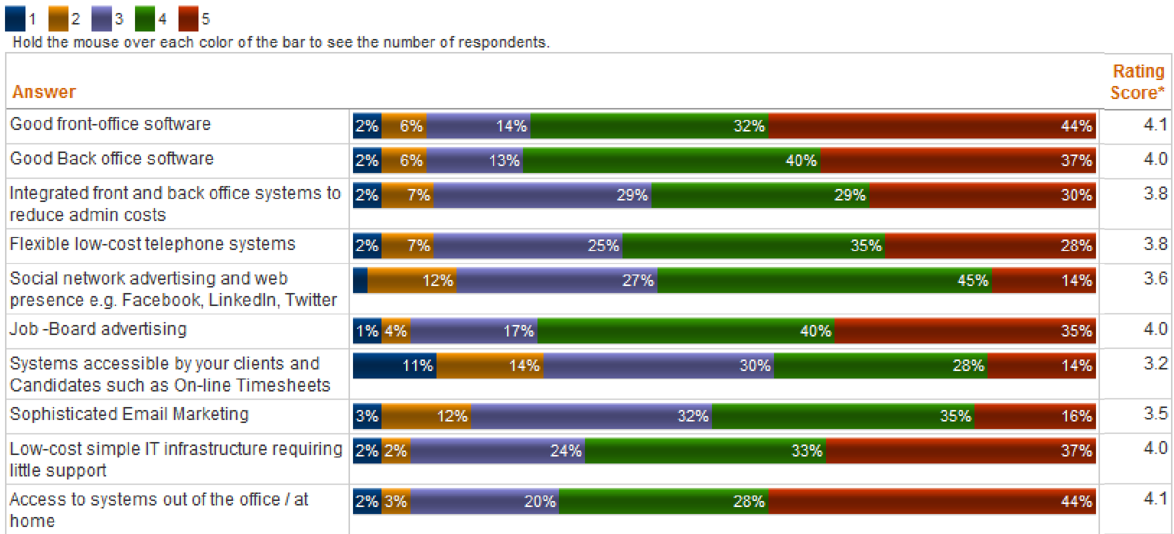
Technology use and views

Please rate the following on how important they are for a modern recruitment agency to face current challenges?

Respondents were asked to rate each of the following on a scale of 1 to 5.



Provided below us a breakdown of the % of respondents classifying each option as 1, 2, 3, 4, or 5. % being 'Extremely Important', and 1 being 'No Benefit'.



Approximately 80% of Agency recruiters placed utilising some type of IT to help face current market challenges as an Important, or extremely important, tool for their business. Only 2% viewed use of IT as no benefit to their business.

The table below shows the different areas of IT that were rated in average priority order.

Areas of IT rated by their importance to Agency Recruiters:

Shows average rating from recruiters on a scale from 1 (No benefit) to 5 (extremely important)

Area of technology	All	Perm	Temp
Good Front-Office system	4.1	4.1	4.2
Access to systems out of the office / at home	4.1	4.1	4.1
Simple IT infrastructure requiring little support	4.0	4.0	4.2
Job-Board advertising	4.0	4.1	4.0
Good Back office software	4.0	4.0	4.1
Integrated front and back office systems to reduce admin	3.8	3.8	3.9
Flexible low-cost telephone systems	3.8	3.8	3.9
Social network advertising and web presence e.g. Facebook, LinkedIn, Twitter	3.6	3.7	3.6
Email Marketing software and strategy	3.5	3.5	3.6
Systems access for your clients and candidates such as On-line Timesheets	3.2	3.1	3.4

The basic system set-up that recruiters feel is important can be seen as having a good front-office recruitment system, accessible in and out of the office, which is simple to support, is seen as important. In addition, Job-Board advertising and a good back-office system complete the suite of tools that are the most important IT to have in place.

Two points to note here are:

1. The high importance being placed on access to systems out of the office. Three quarters of recruiters rate this as important or extremely important.

This perhaps illustrates the growing importance of mobile working and more desire for work flexibility in working from home.

2. Despite the buzz that Social Media has received and the predicted demise of Job Boards associated with this, Job Board advertising is still seen by 75% of recruiters as one of the most important aspects of their IT toolkit.

Areas of IT that deliver cost savings for Agencies through System Integration, and Low-cost telephone systems were ranked by importance as the next area of IT usage rated by recruiters. These were seen overall as important or extremely important by approximately 60% of recruiters.

Use of the Internet for marketing and providing services was seen overall as the least important area of IT. Points to note however were:

1. **Social Media** – Although being seen on average as just above a 'Helpful' aspect of IT usage, 59% of recruiters did view Social Media as Important or extremely important.

   This suggests that where recruiters are adopting Social Media as a tool they are placing high importance to them on this. But, where recruiters have not yet fully embraced Social Media they have not yet seen benefits and are ranking this lower to them in importance. See also however sections below on where recruiters wish to improve IT usage.

2. **Email Marketing** – This area has a similar profile to ratings for Social Media use. 50% of recruiters rated this as Important or extremely important (an increase of 17% on our 2009 survey).

3. **Internet services for Clients and Candidates** – Although seen overall as the least important area of IT usage, 42% of recruiters did rate this area as Important or extremely important. **This shows an increase of 18% on last year's survey,** which is the biggest increase in importance on any of the areas we asked to be rated.

What areas of your current systems and business strategy perform well, and which requires improvement?

Survey respondents from Agencies were asked to rate their satisfaction with their existing IT. The ratings indicate both satisfaction levels with existing IT, and also identifies where recruiters believe they need to improve their IT to meet current market demands and needs. The table below illustrates this.

Areas of IT rated by level of satisfaction by Agency Recruiters:

Shows a) % of recruiters rating IT area as adequate or better for their needs, and b) % stating the area needs improvement for them

Area of technology ranked by most satisfied to least	Adequate or better	Needs Improvement
Access to systems out of the office / at home	88%	10%
Flexible low-cost telephone systems	75%	19%
Simple IT infrastructure requiring little support	75%	20%
Good Front-Office Software	72%	25%
Good Back office software	71%	22%
Job Board Advertising	71%	22%
Integrated front and back office systems to reduce admin	58%	24%
Social network advertising and web presence e.g. Facebook, LinkedIn, Twitter	58%	33%
Email Marketing software and strategy	44%	41%
Systems access for your clients and candidates such as On-line Timesheets	36%	32%

In terms of the core areas of IT requirements (Front-Office, Back-Office, Job-Board advertising, simple IT, and remote access to systems), three quarters of recruiters feel what they have are adequate (or better) for their needs. These represent reasonable levels of satisfaction overall but it also shows that **1 in 5 recruiters believe they need to improve their basic IT set-up.**

A quarter of Agencies believed they needed to improve the integration of front and back-office systems. This perhaps reflects the importance of achieving cost savings and more efficient businesses to meet the challenges of reduced business levels and margins highlighted earlier in this report.

Use of the Internet for marketing and services was seen overall as the least important area of IT (see earlier). However, points to note were:

1. **Social Media** – 29% of people felt that there use of Social Media was already good or excellent. **33% wish to improve their use of Social Media** which points to the growing adoption of Social Media, and a desire for agencies not yet using this successfully to improve in this area.

   It will be interesting to see how this trend continues over the next year and whether Social Media starts to equal (or surpass as some have forecast) Job Board advertising in terms of the level of importance recruiters place on it.

2. **Email Marketing** – This area has grown considerably in terms of importance to recruiters in the last 12 months. **41% of recruiters recognise a need to improve in their strategic use of email marketing,** this perhaps shows a growing recognition that email marketing can be a useful part of an agencies overall marketing strategy to attract clients and candidates and build brand.

3. **Internet services for Clients and Candidates** – Although seen overall as the least important area of IT usage (rated between helpful and important on average), this is growing fast in terms of importance. **32% of recruiters believe they must improve in this area**.

   This seems to support a growing recognition with agencies that both Clients and Candidates are more and more expecting Internet Access to services, as well as perhaps a growing appreciation how these services can also help reduce Agency costs.

Employer views

Introduction:

10% of survey respondents were employers. Due to the lower response rate than from Agency recruiters it is not possible to break-down the analysis of responses to the same level as with recruiters. However, responses were sufficient to be statistically indicative of employer views and the summary of these views are provided below.

What are the main reasons you have for using recruitment agencies?

Answer	0% – 100%	Response Ratio
Cost savings		0.0%
Systems, information, and the technology they provide		25.0%
Level of knowledge of my industry		25.0%
Quality of candidates provided		50.0%
Speed of recruitment		87.5%
Other (View all)		12.5%

N.B. Other was down to part of wider recruitment strategies such as Master Vendor management.

How in general would you rate the overall service you receive from recruitment agencies?

The services received from Agencies was rated overall as ‘Adequate’. 42% rated the services as ‘Good’ (and 42% as ‘Adequate’), but 14% rated the service as ‘Very Poor’.

What are the main benefits you find in using Agencies?

From the comments provided the main benefits for using Agencies were focused in general on the time-savings that were provided to employers (e.g. from not needing to sift through CV’s themselves), and how quickly Agencies can turn around recruitment compared to the employer if they were to do this all themselves.

What are your main frustrations, and what would you like to see improved?

From the comments provided the top 3 frustrations when using Agencies were:

4. The quality of service provided.
5. Poor screening of Candidates (against employer culture, references etc).
6. Candidates not matching the level of requirements for positions.

Please rate the following on how beneficial it would be to you for the recruitment agency(ies) you work with to provide the following technology.

1 = No benefit , **2** = Small benefit , **3** = Helpful , **4** = Important , **5** = Extremely Important

Shows a) % of employers rating Agency service as 'Important' or better to them, and b) the average rating taking all responses into account

Area of technology provided by an Agency ranked by most important to least	Important or better %	Average rating
Invoices provided online with payment status and audit trail to Timesheet / Booking	71%	3.8
Access to online information and reports whenever you require	57%	3.1
Candidate CV's submitted to you for review/shortlisting online	56%	3.6
Online Timesheet system	42%	3.4
Access to provide your jobs online to their systems	32%	3.3
Viewing Temp booking rotas online	28%	2.3

From the survey responses received it indicates that employers using recruitment agencies would ideally like the agencies to provide Internet based services to them. The most important aspect of these services was rated to be areas to assist with Invoicing and billing. Other areas were rated as useful at present rather than important, but notable percentages of employers did rate all types of Internet access to services as important to them.

In the next 6 months do you plan that recruitment levels will increase or reduce?

	Increase	Reduce	Stay the same
Temp / Contract	44%	12%	44%
Permanent	33%	12%	55%

88% of employers responding to the survey plan to increase employment or stay at the same levels in the next 6 months. This is marginally better than (but broadly in line with) the expectations of Agency Recruiters outlined earlier in this report.