

xx/xx/2021

Temporary Staff Recruitment Agencies Market in the UK Market Research Report

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1) Executive Summary

About this report:

The report is prepared to provide current **industry insights** by analysing the latest data from external resources, covid-19 impact, and the published government data. It is tailor-made by deep diving the **latest industry trends, technology, and performance** of the industry. All relevant links are provided in the specific sections to turn the report into a **future proof** information source to be used in a sustainable manner. The addressed questions from the client is answered under section 6.

KEY SUCCESS FACTORS

Regular Customers: Maintaining a list of loyal clients provides firms with a more secure cash flow. With keeping the low profit margins in the industry in mind, moving away from price-based competition (i.e niche markets) also helps firms to expand their profit margins.

Ability to Adapt the Market Demand: Due to fluctuations in demand for labour from clients, even on a daily or seasonal basis, it is vital to have access to a rich database of suitable staff pool that can be tailored to meet these needs at short notice. (i.e. health workers)

Ability to pass on cost increases: Since profit margins in the industry are low, it is important for firms to have contracts that allow them to pass on cost rises, unforeseen expenses if they want to remain profitable.

Proximity to key markets: It may not be valid for digital temp agencies however, proximity to the client is categorised as the best practises in the industry and allow the recruiter to source workers who live close to the client in a short notice. Thus, a good plus in the eye of potential client.

Word-of-mouth recommendations: It is highly recommended for both digital and non-digital recruitment agencies to maintain high levels of service. The client satisfaction helps to encourage word-of-mouth recommendations and bring in more direct clients.

2) The Market facts

Global outlook to UK's recruitment industry:

The UK's recruitment industry is world leading - both in its size and maturity. Only Japan and the US can argue they have a larger sector. Before Covid-19, the UK's recruitment industry was growing and much of this was due to international trade. With higher margins and less saturated markets, UK recruiters, especially those operating at the high-end of the labour market, make a large proportion of their profit working overseas.

Table 1- XXXX

The UK is called a global leader in recruitment. In 2019-2020, the market worth was £42.3 billion, growing despite difficulties in the UK market due to Brexit uncertainty. While the UK recruitment industry is a saturated market, driving down margins, the margins in EU are a lot higher. For instance, with high-end placements, the margin in Germany is xx%, compared to in the UK where it is roughly xx%.

UK Recruitment Market

The Businesses in this industry provide their clients with workers to temporarily replace or supplement their existing labour force. The individuals are employed by the agency but are supervised by the client at the worksite. The industry excludes employees outsourced on a long-term basis, who are classified in other industries according to the activity they perform.

The **total size** of the industry “£xxx billion” is composed of **£xx. bn** generated through temporary/contract placement activity and £xxx billion through permanent placements activity.

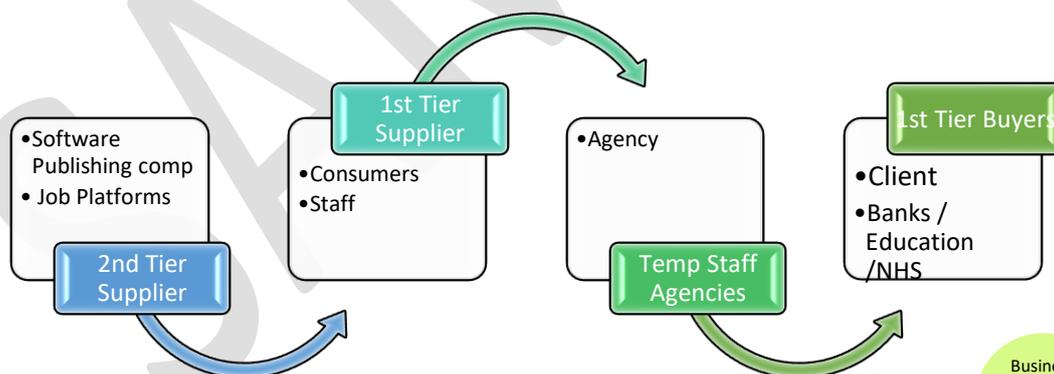


Figure 1 How the Industry Operates

KEY EXTERNAL DRIVERS: (page 10)

Number of businesses: Increased xxx% in 2020.

Business confidence index: -xx% Sharp decline in 2020, recover xx% btw Oct-Dec

Total labour force: Decreased -xxx% on year-to-year basis.

National unemployment rate: Increased to xx%, xx% higher than previous year.

National minimum wage: Increased around xxx% percent.

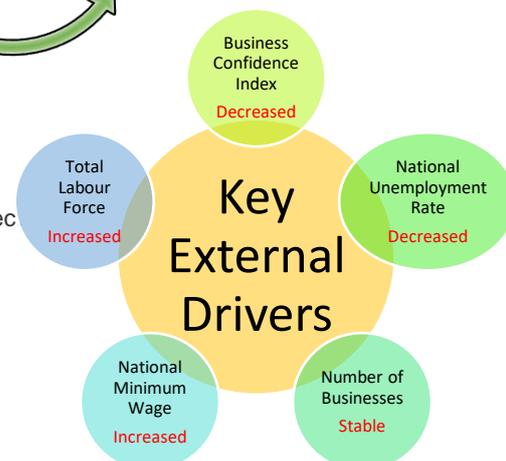


Figure 2 - Key External Drivers vs Revenue btw 2013-2026

Industry at a Glance

Industry Structure:



Figure 3 - Historical Data of the Temp Staff Recruitment Industry

Key Trends

- The rising NLW has caused firms to limit workforce expansion, restricting the industry's profit margins.

Figure 4 - National Minimum Wage effective after 1st of April 2020

Wage band	Current rate from 1 April 2020	Previous rate (April 2019 to March 2020)
25 and over	£8.72	£8.21
21 to 24	£8.20	£7.70
18 to 20	£6.45	£6.15
Under 18	£4.55	£4.35
Apprentice	£4.15	£3.90

- The rise of the gig economy has supported industry demand over the past five years. And expected to support the growth over the forecast period btw 2021-2026.
- Falling business confidence in the current year and the closure of many workplaces, cancellation of major sporting and music events, in 2020-21 is likely to reduce demand. Yet, it can create an opportunity for Temp workers in soon future.
- Still not yet assessed, however reduced migration from the European Union could constrain demand for the industry. On the other hand, numbers show Non-EU migrates can take place of EU workers.

Figure 5 - EU vs NON-EU migration effect on British Economy

Industry Performance

Demand for the Temporary-Employment Placement Agencies industry is mainly determined by broad economic trends, including the *size of the labour force, the unemployment rate and business confidence levels*.

Industry revenue is forecast to decline at a

Nonetheless, a degree of **economic uncertainty can benefit the industry**. For instance, some

In the short term **business confidence is forecast to rise**

Increases in the National Minimum Wage (NMW) since 2016-17 have increased pressure

The coronavirus pandemic is anticipated to weigh heavily on industry revenue in 2020 due to **Hiring freezes**. company website)

Figure 6 - Temp Employee numbers over years ([ONS, 2020](#))

The growth of the gig economy has supported demand for temporary employment over the five-year period and expected to continue.

Shrinking EU labour pool is another topic that is directly correlated with the UK recruitment industry.

A new points-based immigration policy is set to begin in January 2021 that will require a minimum salary

Further **Labour trends** such as

Nevertheless, **temporary workers will remain vital** for some employment sectors. Over the five years through 2025-26,

According to the Adecco Group,

A risk worth mentioning can be.

Overall:

- ❖ The average profit margin is expected to decline over the five-year period through

KEY EXTERNAL DRIVERS: (continued)

Business confidence index

National unemployment rate

Number of businesses

National minimum wage

Total labour force

3) Products and Markets

Temporary-employment placement agencies fulfil an important role by providing employers with flexible access to workers with particular skills when required.

The industry helps employers to overcome issues associated with over or understaffing. Many operators offer a range of human resources services to maximise their income in fluctuating market conditions. Other services include reference and qualification checks on candidates, psychological assessment, staff counselling, and outplacement services.

The main activities of this industry are:

- ✓ Recruiting staff for temporary positions
- ✓ Referring selected candidates to potential employers
- ✓ Formulating job descriptions
- ✓ Screening and testing applicants.
- ✓ Supplying temporary workers

Figure 7 - Total Hours worked graph between 2006-2020 (ONS, 2021)

The segmentation of the products and services in this industry are:

- Fixed-term temporary workers:
- Casual workers
- Agency workers
- Seasonal workers
- Other

Figure 8 - Product and Service Segmentation 2020 (based on quarterly averages)

Table 2 - UK Temp Employee Numbers distribution latest quarter in 2020 (ONS 2020)

Fixed-term temporary workers:

Another important event about fixed term contract is the **introduction of IR35** on April 1st, 2021 which is delayed a year due to pandemic situation.

Casual workers

Agency workers

Seasonal workers

Other

Other positions include job-sharing contracts, whereby the contract is held by two parties and conditional upon the offer being accepted by both parties.

Major Markets

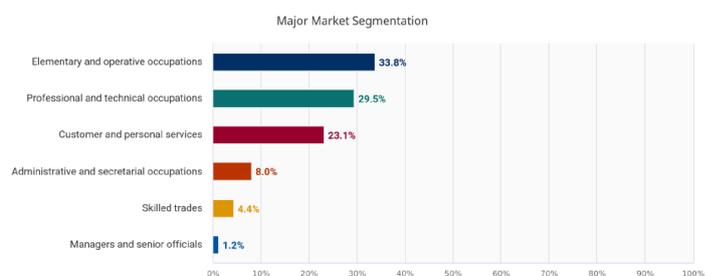


Figure 9 - Major Market Segmentation

Elementary and operative occupations

Professional and technical occupations

Customer and personal services

Administrative and secretarial occupations

Skilled trades

Managers and senior officials

Current Job Market:

[REC](#) (Recruitment and Employment Confederation) publishes Jobs recovery Tracker on regular basis to track the vacancies, recovery of the industries after COVID-19 and monitoring current job market.

The below charts show the number of jobs adverts in the UK has been changing since the pandemic hit the UK.

Vacancy by industry:

The report reveals there are a total xxx recruitment and employment businesses all over the UK. Of these xxxxx are operating in the Temporary & contract staff recruitment field. The vast majority is SMEs and breakdown of the numbers are as follows:

As of March 2019, for recruitment businesses in temporary/contract employment:

Key Organisations

The Recruitment & Employment Confederation - <http://www.rec.uk.com>

Recruiter- <http://www.recruiter.co.uk>

Personnel Today- <http://www.personneltoday.com>

XpertHR - <http://www.xperthr.co.uk>

4) The Competition Analysis

Competitive Landscape

The Competition in the industry is **High** and increasing referencing the business numbers. The competition is mainly based on price, quality and range of services provided as well as industry expertise. Many operators specialise in the recruitment of staff **for specific industries** to differentiate themselves from other firms. This enables them to become experts in these industries by researching trends in products, markets, qualifications, and skills required of employees, as well as the challenges presented in job roles, in order to select appropriate candidates for interviews. **Reputation is key** in competing against other firms and the **main barrier to entry** in this industry.

Big Companies

5) Similar Cases / Direct Competitors

6) Questions Answered

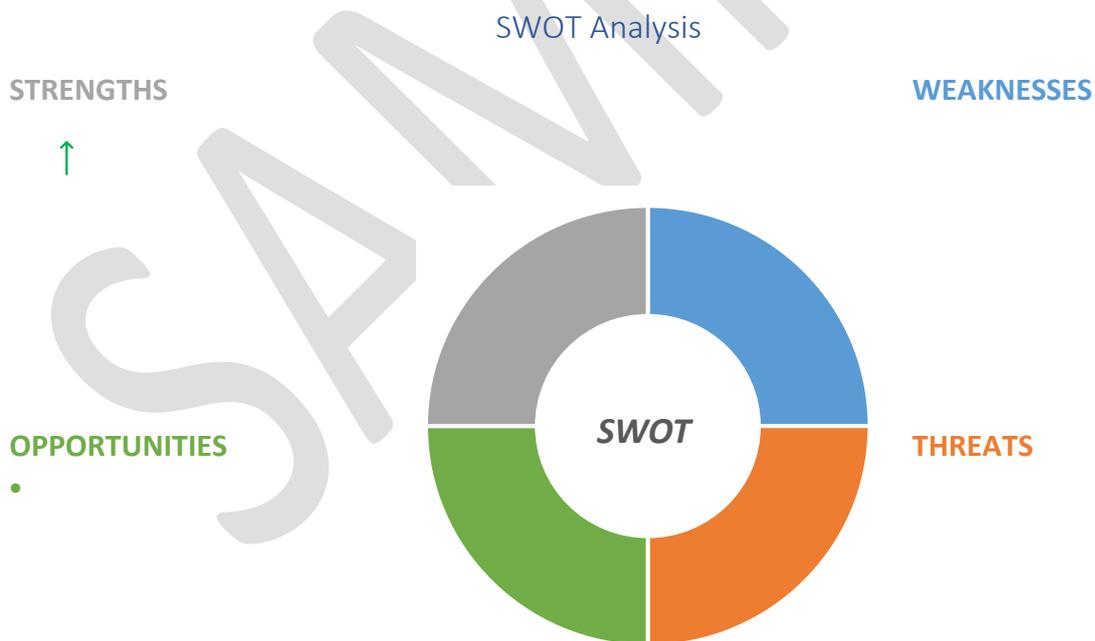
7) Operational Conditions

Cost Structure Benchmarks

Regulation & Policy

8) Trends & Risks

The main trends and risks for Temporary Staff recruitment industry is Key Demand Drivers, Brexit effects and Covid-19 pandemic effects. The demand drivers and its effects are covered in the Market Data section in detailed.



9) Recommendations

10) Appendix:

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