

# OVERSEAS DRIVES HOT 100 FEE GROWTH

The recruitment companies that have made this year's HOT 100, compiled by Agile Intelligence on behalf of *Recruiter*, have earned the most profit per head in the UK – despite the economic and political uncertainty

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**TEN LONG YEARS ON** from the financial crash and despite a recovery of sorts, the world economy has not much progressed – nor is it more settled geo-politically than in 2008. If anything, geo-politics have polarised as differences escalate both between and within many countries, while the economic fallout from the recession remains.

Financially there is now concern that the same mistakes could be repeated and, even if that prospect could be avoided, the withdrawal of the huge monetary support from central banks known widely as Quantitative Easing (and its

various alternative guises) will have unknown impact upon the real economy. Intervention on this scale was unprecedented and untried, with the final chapter in this particular 'text book' still to be written. Financial markets currently reflect this uncertainty.

Against this global backdrop, UK recruitment companies have still expanded, exported and branched out overseas – suffering some setbacks, but generally progressing business at a challenging time for many markets. At home, here lies true uncertainty – there is still, as this issue goes to press, the quagmire of

Brexit and, amid political turmoil, an understandably subdued economy. Yet the labour market has tightened overall as job creation persisted and certain skillsets became scarcer. These past few years have not offered recruiters universally stellar growth rates or rapidly rising returns but the right companies in the right markets have enjoyed significant benefits. Success can be measured not only by sales or profitability but also by the level of M&A activity and rewarding business exits.

However, conditions are far from plain sailing. Recently, UK employer costs and legislative changes, especially reporting requirements on IR35, have led to difficult conditions, particularly for public sector recruiters where funding constraints also created a barrier. Private sector specialisations saw varied outcomes, from retail market weakness to niche IT skills' strength, with Brexit-related economic uncertainty touching several markets, including more senior permanent placement activity. Technology advancements continue both to challenge and benefit the recruitment industry (and its clients), while digital solutions to more direct market delivery may threaten traditional recruiters and their methods.

The HOT 100 celebrates the old and the new, blended or more traditional, proving that rewards still come when the right people are employed in their best role and supported to do a sterling job. This one single key performance indicator (KPI) – gross profit per head/employee (GPH) – encompasses so much about how a company operates. Business models have changed significantly over the years and still evolve. Branch networks are far less extensive, and sourcing candidates has substantially become a digital exercise. Neutral vendors are now mainstream 'facilitators', HR solutions encompass myriad client services, operational processes are progressively automated and algorithms are increasingly

## The HOT 100 proves that rewards still come when the right people are employed in their best role

used for matching skills, especially by market disrupters. Technology automation is a given, wherever investment funds are committed and available. However, while artificial intelligence (AI) will continue to advance, true interpersonal skills still require human input and achieving HOT 100 status, especially serially over the years, highlights those companies best structured and managed to extract optimum performance from their most important asset – their people.

GPH remains one of the best all-round measures to compare companies across regions and sectors. After two consecutive years of an expanding gap between top and bottom, this has now narrowed by 11.5% as the bar for entry or 'cut' has risen 1% to £86,130. Simultaneously the HOT 100 winner saw its productivity dip sharply below last year's peak to £181,687. Aggregated average GPH (productivity) growth of this HOT 100 rose 3.3%, like for like, as GP gained 10.4%, while employee numbers were expanded by 6.9%.

However, a hidden truth in these figures belies the simple headline story of robust growth. While predominantly a measure of earnings derived within the UK, many of the HOT 100 constituents lead the wider industry with their exposure to overseas business – whether through international offices or 'exports' from a UK base. Analysis now shows us that in the past year it is overseas fees expansion that has substantially, if not completely, driven the growth in net fees. If the large British multinational recruiters' overseas business together with known

overseas business of all the HOT 100 is stripped out of the figures, that GP growth rate drops from 10.4% to hover just below zero.

It is clear – if aggregated, overseas expansion has entirely driven HOT 100 GP growth in the 2017/18 reporting period and any aggregate UK-only gain will be negligible. Of course, an aggregate also hides companies' individual stories, and for each one seeing a decline in UK business the analysis shows that another is recording growth.

The largest professional recruiters have remained – SThree, Hays and Robert Walters are all ranked in the third quartile of the HOT 100 and, combined with higher-placed Page Group and Harvey Nash, they do influence the aggregated data. But the breadth and depth of the HOT 100 investigation still ensures a diverse list of recruiters, across a wide range of sectors and delivery models. This year, individual productivity growth was also again measured to offer a more rounded perspective on performance and ranged from +52% to -40%.

Calendar 2017 was again a year of barely any real growth on average (excluding payroll cost inflation) across the whole UK recruitment industry with its sales value rising by just 3%, according to the Office for National Statistics (ONS). Once again, the industry navigated a year of increased employer costs such as the National Minimum Wage, pension contributions etc. bulked out payroll (billings) growth, effectively accounting for all of that 3% sales value gain. This suggests that underlying 'volume' growth averaged across the industry in 2017 was once again close to zero.

Comprising mainly calendar 2017 results, the 2018 HOT 100 list grew its total sales by 9.1%, while individual company sales growth ranged from +77% to -52%. However, unlike in previous years, domestic growth has hit rock bottom and, as mentioned earlier, HOT 100 sales growth is overwhelmingly driven by overseas operations (with increased fees derived from both UK-based sales to overseas customers and also from overseas branches).

Overseas sales would have been boosted in 2017 from the translation back into Sterling compared with 2016, given the sharp depreciation in the pound post the Brexit vote. This, together with targeted expansion, could well account for all of the growth in HOT 100 aggregated sales.



**10.4%**  
gain in gross  
profit in this  
HOT 100



**6.9%**  
Rise in  
HOT 100  
companies'  
in-house  
headcount

## Agile Intelligence

Agile Intelligence has compiled the HOT 100 report on behalf of *Recruiter* to determine which companies are best at leveraging their intellectual assets.

By rigorously measuring the gross profit (net fees) per head/employee (GPH) this indicates how effectively

an organisation uses the skills of all its own people to generate a profitable return for stakeholders.

All in-house employees (excludes temp workers or contractors) are included in the calculation – not just fee-earners; this is a standard senior management key performance indicator

(KPI). Notwithstanding wild cards, companies emerging strongly from this analysis, especially if featuring regularly, are primarily those that operate the most productive organisation, balancing the need for good, well-trained, directed and motivated staff against the need to minimise costs.

Among the specialisation HOT 100s in the year under review, there was clear division between the four key sectors (see [recruiter.co.uk](http://recruiter.co.uk) for full HOT 10 reports). Both the HOT 10 IT and Technical sector recruiters each reported acceleration in GP growth versus last year, at 16.9% and 10.1% leading to similarly strong GP gains as this was achieved with minimal expansion in headcount. Professionals, on the other hand, proved pedestrian, adding just 1.2% to GP, although a cautious 1.5% reduction in headcount enabled a 2.7% rise in GP. By contrast Public Sector suffered a sharp decline of 10% in GP. This was pegged back to a 4.7% decline in GP by contraction in the headcount of 5.6% over the year. Public Sector lost further ground following weakness reported last year, materially affected by the IR35 reporting implementation alongside known funding constraints. In particular, these were in frontline services such as Healthcare and Education, where substantial shortfalls in fees across most suppliers were seen, albeit partly offset by reductions in headcount to diminish the impact



**53%**  
of HOT 100 firms expanded their workforce either organically or by acquisition



**29%**  
achieved a simultaneous growth in productivity and internal headcount

upon productivity. Executive level recruitment was also negatively affected.

On aggregate the 2018 HOT 100 saw individual growth in net fees rise to 66 companies. The average size of the 2018 HOT 100 member again edged higher, to 370 employees, with most of the same largest players included through their group accounts. A slightly lower 53% of constituents also oversaw some net organic expansion of their internal workforce.

In the 2017/18 accounting year, gross margin edged upwards by 20 basis points to 20.6% overall within the HOT 100, at a level well above the wider industry, which had also seen its rate decline as estimated from further analysis. In fact, 43% of the HOT 100 reported an actual rise in gross margin. Given other findings here, it is likely that this gain derives mainly from overseas growth.

The UK permanent market has experienced only intermittent growth across the past three years but the 2017 reporting year under review proved even patchier and generally favoured temporary/contract placements. Furthermore,

the number of overwhelmingly temporary recruiters, signalled by gross margin below 15%, continued to rise and now stands at 31 (versus 29 last year), while the number of predominantly permanent recruiters has also risen.

Tellingly, the dream growth combination, of both employees and productivity, remained close to the recent historic low-point, achieved by only 29% (27% last year) of constituents. This indicates continuing caution from many recruiters, almost certainly in the light of external economic sentiment, as productivity gains are being achieved by 63% of companies. But less than half of these have expanded their workforce. The focus has been placed upon extracting increased return on investment in existing staff including those maturing from newly-hired staff.

Which companies derive most 'added value' from their own employees (before allocating overheads) yet still nurture the right atmosphere over the long term to encourage a profitable and sustainable sales approach? Here is the 2018 HOT 100 list of companies (pp21-22).

## Methodology

The data has been rigorously filtered by turnover, gross profit and employee numbers.

The companies featured in this edition employ almost 37,000 in-house staff and generate £18.9bn of industry sales revenue; very many more were evaluated as part of the overall analysis. Latest available accounts have been used – dated 2017 or 2018 for all companies – a few companies are excluded due to filed accounts timing. Companies filing abbreviated

accounts and not providing their full figures separately are excluded. Increasingly, with the internationalisation of many UK recruitment firms, group accounts are now used for UK corporations where these prove more up to date – examples would be Hays, Harvey Nash, Robert Walters, Page Group, SThree and several IT and technical recruiters. Companies operating primarily overseas have been excluded, although UK engineering specialists

placing talent worldwide are included.

Overseas-based groups eg. Adecco, Randstad or Hudson may be included, using their UK operating companies if filed or group disclosed UK divisions. Two prominent exclusions from the analysis are Manpower and Reed, due to accounting differences, which invalidate comparisons. Furthermore companies combining temporary employees in their employee count are not included

as this grossly underestimates their performance. The most specialist of search, or headhunters, are omitted for a variety of reasons – incomplete disclosure, overseas business, incompatibility and a shortage of data for peer group comparison.

*Disclaimer: while every effort has been made to ensure accurate reporting and analysis, no guarantees are made regarding the information portrayed in this document.*

Rank	Change	Gross profit per head/employee latest year (£)	Gross profit per head/employee previous year (£)	Company/trading name	Parent group (where different name)	Gross profit latest year (£m)	Gross profit previous year (£m)	Sector coverage
1	-	181,687	193,227	Falcon Green Personnel		5.1	4.1	Construction, engineering
2	▲	176,511	169,263	Green Park Interim & Executive		7.9	6.4	Public sector, retail, HR, charities, finance, IT, procurement
3	N	175,926	174,300	TRS Staffing Solutions	Fluor Corporation	4.8	3.5	Engineering & technical professionals into oil & gas, rail, renewables
4	▲	174,172	166,716	LA International Computer Consultants		19.2	18.3	IT professionals: national security, public sector, international
5	▲	173,000	132,009	The Bridge (IT Recruitment)	Morson Group	4.7	3.2	IT
6	▼	166,504	181,142	SSQ		22.1	22.6	Legal
7	-	165,650	153,595	Sheffield Haworth		17.7	19.2	Financial services: executive search, interims
8	▲	162,492	145,090	Modis International	Adecco SA	10.6	9.7	IT - dev, SAP, infrastructure, BI, aerospace, defence/engineering, digital
9	▲	160,737	148,183	Marlin Green		5.1	3.7	IT - SAP, business intelligence, Big Data
10	▲	158,595	123,864	People Source Consulting		6.3	5.5	IT/Technology
11	▲	154,063	137,193	Red Commerce		22.2	19.2	IT
12	▲	151,804	100,022	NRL		11.4	8.2	Engineering, construction, oil & gas, energy, technical
13	N	146,952	151,586	Odgers Group		73.5	72.3	Executive search, interim managers
14	▲	145,539	135,048	NES Global Talent		88.8	74.7	Technical/engineering into oil & gas, infrastructure, chemical, life sciences, rail
15	▲	143,712	117,794	Ajilon UK	Adecco SA	7.5	8.0	IT plus office/admin, HR, non-clinical healthcare, supply chain & logistics
16	▼	138,434	151,091	WA Consultants		3.7	3.5	IT/Technology
17	▲	135,286	91,388	CD Sales Recruitment		6.5	4.1	UK & European software sales, IT technical
18	▲	135,016	100,941	Next Ventures Group		11.3	7.9	IT: SAP, data, business apps, development & integration, cloud & infrastructure
19	▲	134,439	125,731	Investigo		21.6	20.6	Financial services, change management, procurement, property, HR, SAP
20	N	133,372	123,158	CMA Financial Recruitment		4.3	4.1	Accounting & finance, executive search, HR
21	▲	133,095	122,862	Penta Consulting		12.6	11.5	Telecoms, IT, software engineering and consultancy
22	▲	130,111	108,927	William Alexander Recruitment		2.9	2.6	IT, business change
23	N	128,376	121,189	Vector Resourcing Holdings		4.5	4.6	IT/Technology
24	▼	127,665	130,396	Resource Solutions Group		29.4	28.9	IT, business change, corporate services, public sector
25	▼	125,484	123,191	The SR Group Holding Company		40.2	36.5	Legal, compliance, HR, marketing, digital, tax, executive search
26	▲	124,738	89,265	Oil Consultants		2.9	2.6	Oil & gas, niche technical skills
27	▲	124,647	101,544	Interim Partners	New Street Group	4.4	4.1	Interim executives into many sectors
28	▲	122,923	104,429	Roevin Management Services	Adecco SA	3.2	2.9	Engineering
29	▼	121,216	164,151	Rullion IT Plus	Rullion	9.1	11.2	IT
30	▲	120,836	101,488	La Fosse Associates		17.2	12.7	IT/Technology, digital - perm, contract, interim and executive search, change
31	-	120,464	112,543	Shorterm Group		16.9	14.3	Engineering - aerospace, aviation, construction, electronics, energy, transport
32	▲	119,800	103,901	Rullion Engineering	Rullion	8.0	8.1	Engineering and infrastructure
33	▼	118,871	177,415	Mayday Healthcare		9.3	18.1	Healthcare
34	▲	118,210	109,647	Interact Medical		8.0	7.6	Locum doctors including niche technical skills
35	▼	117,365	121,481	Walker Hamill		6.1	6.3	Accountancy/finance, debt & structured finance, private equity and M&A
36	▼	116,361	113,322	GatenbySanderson		13.1	12.9	Executives in health, education, government, NFP
37	▼	115,905	137,288	Law Morgan (t/a Morgan Law)		6.4	8.2	Healthcare, central & local govt, charities/NFP, education, Housing Associations
38	▼	112,905	110,774	Airswift Holdings		74.9	75.2	Engineering, technical/bus support staff into oil & gas/energy, infrastructure
39	▲	112,427	93,640	Eximius Group		3.5	4.2	Law, finance, operations, risk, technology, secretarial
40	▲	112,074	97,597	PSD Group		21.2	22.1	Executive, finance, engineering, HR, technology, supply chain, retail, hospitality
41	▼	110,585	115,627	PPF		9.7	10.2	Drivers, logistics
42	▲	109,477	107,160	Montreal Associates (Systems)		6.2	4.5	ERP, SAP, Microsoft, CRM, BI & Big Data, devel, infrastructure, cyber security
43	▲	109,132	107,089	Harvey Nash Group		100.1	97.9	Technology, CIO, digital, finance/banking, HR, executive search, interims
44	▼	108,770	110,440	Oakleaf Partnership		7.0	5.9	HR
45	▲	108,653	103,782	PageGroup		711.6	621.0	Finance/account, legal, enjin, retail, sales & marketing, energy, HR, constr
46	▼	108,431	110,847	Phaidon Group Holdings		46.2	32.7	Banking/financial services, enjin, life sciences, procurement, technology
47	-	108,385	106,589	Resourcing Group	nGAGE Specialist Recruitment	11.3	10.1	Built environment, public sector
48	▼	108,310	128,605	SystemsAccountants		4.4	5.4	Finance systems, finance transformation, EPM, BI, ERP
49	▼	106,349	107,353	Parity Professionals		6.7	7.3	IT/Technology, professional resources - especially in govt, utilities, health
50	▼	105,055	129,743	Workforce People Solutions		2.8	3.1	Skilled staffing into automotive, manufacturing and healthcare sectors

Key: ▲ Up ▼ Down - Unchanged N New

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51	▼	104,823	113,475	Caritas Recruitment	nGAGE Specialist Recruitment	6.5	6.9	Social care into public, voluntary and private sectors
52	▲	104,694	96,553	Hallam Medical		5.2	6.3	Primary care and community nursing
53	N	104,656	83,883	Orion Engineering Services		27.4	27.3	Energy, life sciences, construction, mining, nuclear, marine, rail, IT, finance, office
54	▼	104,652	107,149	McGinley Support Services (Infrastructure)		11.8	12.4	Construction/Infrastructure – track, trades & labour, professional & technical
55	▼	104,618	113,573	Cornwallis Eit		4.1	3.9	Technology, ops & change roles within banking, insurance, digital & media
56	N	104,514	104,944	PSR Solutions		6.0	5.0	Construction, civil engineering & infrastructure, rail
57	▼	103,365	105,466	Orion Electrotech		6.3	5.9	Technical/engineering
58	N	103,286	101,701	MRI Group		4.4	3.7	IT/Technology, software & infrastructure, logistics, automotive, energy, finance
59	▼	102,192	103,556	The Oyster Partnership		4.9	4.8	Construction/property, building consultancy, GP, office support/HR
60	▲	101,984	96,622	Eames Consulting Group Holdings		12.2	11.9	Actuarial, audit, broking & underwriting, change, compliance, risk, technology
61	▲	101,124	100,015	Experis	ManpowerGroup	34.4	39.4	IT, finance and engineering professionals
62	▼	100,828	108,559	Goodman Masson		16.2	15.5	Financial services, taxation, Treasury, public sector & NHS, cyber security
63	▲	100,725	91,181	SThree Group		287.7	258.7	ICT, banking & finance, energy, engineering and life sciences
64	▼	100,646	104,295	Twenty Recruitment		6.3	5.0	Technology & change, risk, financial services, energy, digital & commerce
65	▲	100,424	100,896	Eden Brown	nGAGE Specialist Recruitment	13.3	14.5	Built environment, public sector
66	▲	100,069	99,866	Advantage Resourcing UK		19.0	21.2	Engineering, banking & financial services, professional services, technology
67	▲	100,009	99,025	Hays		1,072.8	954.6	Finance, constr, healthcare, pharma, educ, IT, legal, oil & gas, professionals
68	▼	98,897	100,064	Coyle Personnel		15.4	15.8	Tech, constr, medical, rail, road, energy, public sector, commercial, industrial
69	N	98,288	89,187	LMA Recruitment		4.0	3.4	Financial services (incl risk, compliance, insurance, actuarial), secretarial, HR
70	▲	98,199	91,178	Oliver James Associates Group		28.0	24.3	Financial services, commerce & industry incl actuarial, compliance data & tech
71	▲	97,246	92,677	Opus Professional Services Group		23.2	18.4	IT & telecoms, financial services, public sector, energy
72	▲	97,144	92,071	Robert Walters		345.2	278.3	Accounting, finance, banking, legal, HR, IT, sales, marketing, supply chain, tax
73	▼	96,669	109,150	Prime People		13.1	13.1	Real estate, built environment, energy, environmental, insight, analytics
74	N	96,641	117,294	Carrington West		3.0	2.7	Built environment – including highways, utilities, water and others
75	N	96,398	80,631	Amoria Bond		12.1	9.5	Technology, SAP, engineering, banking & finance, life sciences, energy
76	N	95,424	75,170	Optimus Search		3.9	3.1	IT/Technology, life sciences, data, incl BI/analytics, data science, Big Data
77	▲	95,281	93,436	Futureheads Recruitment		3.6	3.2	Digital media, IT/Technology, change management, data analytics, marketing
78	N	94,935	78,048	Annapurna HR		6.0	4.5	HR, IT/Technology, business change & transformation
79	▼	93,952	107,639	First Call Contract Services		8.5	7.0	Industrial, logistics, care, aviation
80	▼	93,247	99,578	Morson Group		72.1	68.5	Engineering, technical – all major sectors plus IT and scientific
81	▲	93,033	91,908	Badenoch & Clark	Adecco SA	22.6	25.9	Finance, accountancy, banking, legal, IT, HR and marketing
82	N	92,213	154,097	Deploy UK & Rail		2.6	3.2	Contingent & professional resources into rail, construction & security sectors
83	N	92,016	68,374	SmartSourcing		2.3	1.8	IT, project management, business change, digital, cyber security & related areas
84	▲	91,701	89,793	Gattaca		78.9	74.7	Engineering, technology, IT & telecoms, professional, education
85	▼	91,517	105,465	Petroplan Holdings		8.4	10.0	Oil & gas, energy
86	▼	90,940	111,227	SEC Recruitment	RDL Corporation	5.6	6.6	Pharma/life sciences, IT/Technology within SAP, ERP, JD Edwards or NetSuite
87	N	90,412	82,968	Spencer Ogden		30.3	31.1	Energy, infrastructure and engineering professionals
88	▲	90,236	90,774	G2V Recruitment Group		12.5	13.2	IT, engineering, construction, pharmaceuticals, rail, town planning, oil & gas
89	N	89,594	76,508	Jark (now Jark Ventures)		14.1	14.1	Commercial, construction, driving, healthcare, industrial, power & engineering
90	▼	89,500	104,451	Venturi		4.4	4.0	IT: design & development, BI, Big Data, data science, infrastructure
91	▼	89,411	102,979	Options Resourcing		4.4	4.1	Construction, building services, office, sales, business support
92	▼	89,210	103,611	Fawkes & Reece		4.6	5.2	Construction, built environment, civil engineering, residential
93	–	89,169	79,896	Impact Recruitment		2.2	2.1	Temp & perm placements in logistics, manufacturing and commercial
94	▼	89,117	94,503	Forrest Recruitment		5.1	5.4	Office, accounts & commercial staff
95	N	87,824	82,715	X4 Group		8.0	5.9	Technology, life sciences, engineering, construction
96	N	87,800	61,988	Now Careers (prev. Now Recruitment)		4.0	3.6	Construction & property, trades, accountancy & finance
97	▼	87,141	86,289	Office Angels	Adecco SA	27.2	29.0	Secretarial, admin & office staff
98	N	87,039	74,024	Morgan McKinley Group		14.6	14.4	Accounting & finance, audit, compliance, HR, IT, legal, marketing, risk, sales, tax
99	N	86,708	85,381	Square One Resources		9.8	10.1	IT – SAP, Oracle, PeopleSoft, DACH, ERP, infrastructure, telecoms
100	N	86,130	76,724	Merje		2.8	2.4	Compliance, risk, finance & audit, financial fraud, risk management

## Calculations

Gross margin is the gross profit (or net fees) as a percentage of sales turnover.

Gross profit (GP) is a combination of permanent fees (at virtually 100% margin) plus the profit on temporary supply after subtracting payroll and other

'temp' employment costs. The mix of business between temporary and permanent placements influences the level of gross margin as does the trend in temporary pricing and employment-related costs.

With larger contract

business notoriously competitive compared with SME or ad hoc placements, the type of business and delivery model/cost structure play a crucial part both in determining temporary margin and also bottom-line profitability.

## KEY FINDINGS

2018 HOT 100 group sales turnover rose 9.1%, again three times faster than the wider recruitment industry sales turnover growth of just 3% reported for calendar 2017 by the ONS. Like for like, comparing this group against their own figures for the previous year:

- The 2018 HOT 100 companies collectively reported a sales increase from their previous year in latest available accounts of 9.1% to around £18.9bn.
- HOT 100 combined GP reached £3.9bn, a gain of 10.4% versus their prior year.
- HOT 100 companies' in-house headcount rose 6.9% to total 36,974 employees.
- Productivity (GPH) for this group of HOT 100 companies rose by 3.3% over the year to an aggregated average £105,349 to stand 2.7% above last year's HOT 100 group average. However, a simple average of each of the GPH figures, negating the lower quartile high weighted skew of those large employers across both years, stood at £114,062 and 2.1% ahead of the 2017 HOT 100.
- HOT 100 average gross margin increased slightly for this group of companies to 20.6%, attributed to business mix and overseas growth.
- This HOT 100 group in their past financial year added £368m in net fees with an additional 2,391 staff at an incremental gross margin of 23.4%, making an incremental £153,910 additional GPH. This incremental margin and with a

GPH at only a third of last year's, is evidence that the growth was driven by temporary rather than permanent activity but still retaining a strong focus on productivity.

- Entry level GPH (ranked 100) to the 2018 HOT 100 was £86,130, standing £847 above the previous year threshold for the 'cut', which was at £85,283. Extending below the HOT 100, once again the following pack of companies ran close with GPH only beginning to fall away, below £80k, at the 115th ranked.
- Just 29% of HOT 100 companies achieved the dream combination of expanding productivity simultaneously with increasing their internal headcount. This compares with a similar 27% last year and 29% the previous year. It is now three years since the figure was materially higher at 49%, a clear indication of the challenges faced by the industry. There was again a strong bias towards the largest employing recruiters.

## COMPANY TRENDS

The bar for HOT 100 success this year turned very modestly upwards to £86,130 GPH and the gap between top and bottom narrowed slightly. Across the HOT 100, company numbers expanding their workforce either organically or by acquisition has been falling for the past few years - now only 53% (60% last year), reflecting reducing business confidence. A rather higher 63% increased GPH, a definite improvement on recent years

and signalling strong focus upon productivity from existing staff.

However, that elusive dream combination of expanding workforce and rising productivity was achieved by just 29% of the 2018 HOT 100, versus 27% last year. Of these 29 companies, firms employing below 50 employees were fairly represented with nine constituents. However, with just a further 10 banded between 50 and 200 employees these companies are grossly under-represented, while larger recruiters, which exceeded 200 employees, had a stronger than proportional presence with 10 constituents.

A breakdown of these 29 companies shows Technology as the stand-out performer, with almost double the companies achieving this combination versus last year. Engineering/Technical/Science (Technical) reversed sharply, Public Sector retained last year's low-point and Professional was almost stable in numbers. The numbers this year compared to last year are: Professional 8 (9), Technical 4 (7), Public Sector 2 (2) and Technology 15 (8).

Among the leaders, the HOT 10 sees four companies (Green Park, TRS Staffing Solutions, The Bridge (IT Recruitment) and Marlin Green) achieve productivity growth, while simultaneously expanding headcount. This is an improvement on last year's two companies but still indicates a degree of caution, although two further companies did increase their headcount. It seems that there is a long way to go before recruiters will be confident enough, in their market and the key political-economic influences upon it, to return to the expansionary strategies of past years.

Among six companies included in both the top 20 of the HOT 100 and the productivity growth top 20, there are some impressive performers. NRL exceeded 51% productivity growth with strong gains in GP on a reduced headcount, while CD Sales Recruitment added 48% while successfully expanding headcount. Next Ventures and The Bridge (IT

both exceeded 30% productivity growth while also adding to headcount.

## SECTOR PROFILE:

- In the top 20, five Professionals were listed, only two of which are in the HOT 10. Ten IT staffing companies are listed in the top 20, and five of these also make it into the HOT 10, while the top 20 balance comprises just one Public Sector firm (executive level) and four Technical recruiters but no blue collar skills this year.
- The HOT 10 by sector comprises a

varied mix of specialised recruiters. Falcon Green (construction & engineering) has retained its hard-earned spot at the top operating offices in London, Birmingham and Manchester, further expanding its workforce by around a third yet only sacrificing a small drop in GPH. It is only three years since this company was below the size threshold to enter the HOT 100 but has since gone from strength to strength. While investing in its core pillars, including its substantial public

sector/not-for-profit presence and seeing growth across the board, Green Park edged ahead to become HOT 100 runner-up through expansion in headcount and an especially strong push in its interim management business and workforce solutions. TRS Staffing, Fluor-owned energy technical specialist, moved back in at third place with around 36% gains in GP and headcount, maintaining its high GPH despite extremely low margin (5.8%), a product of the environment in which its sector

## Gross margin breakdown

Margin distribution of 2018's HOT 100 versus previous issues signals a halving of pure play permanent specialists from four to two, but a rise in companies with substantial but not exclusive permanent business. Middle margin bands were in decline, while the low-margin recruiters, below 15% margin, continue to increase their presence as the market seems increasingly polarised.

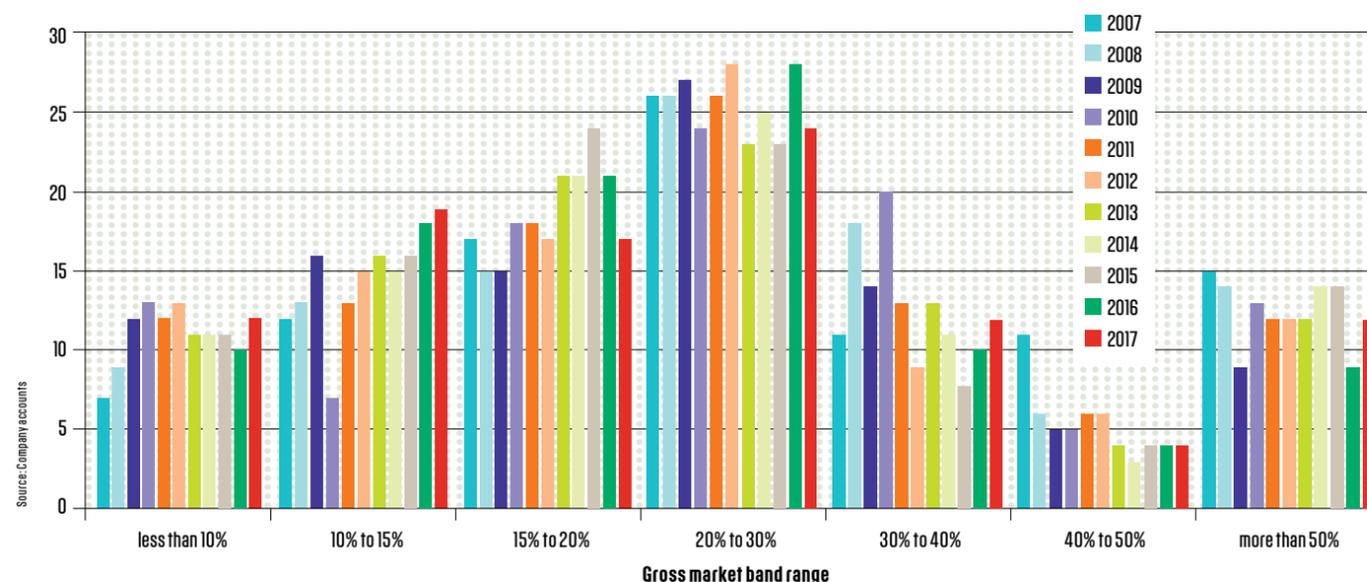
- The long-term trend on the chart still shows a gain in the 'nearly 100% temporary' lower margin bands (up to 15%) but a rebalancing occurred in the 2017 reporting year with some recovery in higher margin (>40%) representation at the expense of middle margin 15-30%, as companies shifted towards a more even balance of perm and temp business.
- 31 agencies in the HOT 100

now achieve gross margin below 15%, with an increase to 12 in those below 10%. This is a record high for low margin band presence in the HOT 100.

- The most represented group (24 companies) remains those companies with margin between 20-30% - ie. temporary-biased but with a strong permanent fees presence. However, last year's gains were reversed.

- Biggest losers: middle margin, driven by sharp falls in both the 15-20% and 20-30% band widths.
- Permanent recruitment fortunes in 2017 believed to be split between the more senior level appointments, which were most affected by Brexit uncertainty, and the remainder of the market wherever skills scarcity encouraged some needs-based hiring regardless of the broader picture.

**HOT 100 COMPANIES BY GROSS MARGIN BAND (in accounting year)**



operates. LA International moved up to 4th and is still the top-placed Technology recruiter, benefiting from an improved margin mix in its contract business. The Bridge (IT) completed the top five – recently acquired by Morson Group and posting exceptionally strong gains in sales and GP while also adding to its headcount. Legal recruiter and past table topper SSQ (Shilton Sharpe Quarry) is followed by another former number one, Sheffield Haworth – both still retaining a high presence in the HOT 100. Adecco's Modis International, Marlin Green and People Source made up the final numbers of the HOT 10. The strength of IT in the HOT 10 is self-evident. This is despite notoriously low margin in the IT contract market, which has been mitigated here by a combination of overseas business, client mix, key candidate scarcity and permanent recruitment.

**JOB TYPE PROFILE:**

- The HOT 10 profile now offers only two purely permanent recruiters and still without any of the major multi-sector or generalists, although Adecco subsidiary, Modis, is in the mix. SSQ and Sheffield Haworth are the two recruiters heavily biased towards permanent placement (both estimated at well over 80% of net fees). Falcon Green, TRS Staffing, LA International and Marlin Green are all biased towards the temp/contractor market along with Green Park, The Bridge (IT), Modis and People Source – with varying proportions of both permanent and temporary business.

**SIZE PROFILE**

- Among the large corporate groups in the HOT 100 where it makes sense to separate out the UK subsidiaries these have again been listed individually – Adecco still has five, while nGAGE

(formerly HCIC) this year has three companies in the HOT 100. Randstad subsidiaries are omitted this year due to late timing of their accounts. Manpower's Experis retains its presence. Rullion's Engineering and IT subsidiaries, Morson's The Bridge (IT) and RDL's SEC are also separately listed. Overall, 20% of HOT 100 companies again employ more than 200 staff, identical to last

year. A further 22%, similar to last year, employ between 100 and 200 staff. The number of very small firms has slowly declined, with just 11 employing between 20 and 30 staff. The 30-49 band grew from 18% to 20% and the employee band 50-100 reversed slightly to 27% from 29%. Overall this suggests a fairly stable employee size profile for the HOT 100 this year relative to recent years.

**Conclusion and outlook**

As the benefits of the last few years of targeted headcount growth began to pay off, the industry – or at least this HOT 100 – has hit the road again with further expansion. However, through a combination of international market opportunities, weak Sterling and the need to spread earnings exposure geographically, the 10.4% net fees growth seen in the 2018 HOT 100 is now substantially driven by overseas interests.

Meanwhile, on aggregate, the 2018 HOT 100 has still out-performed the wider market but not as emphatically as in previous years. Margin has increased slightly. This compares favourably with the wider industry, which displays a further reduction in gross and most likely temp margin, with the latter under erosion as an increasing proportion of UK temp business is transacted via managed service contracts.

Sector fortunes were one-sided, with net fees growth in three of the four HOT 100 sector specialisations – strong gains from both Technology and Engineering/Technical/Science (Technical) and a very modest plus from

Professionals. Public Sector again posted a material decline. Only Technology increased both their headcount (marginal) and productivity (exceptionally strong).

Job roles in demand are changing with the economy but the future availability of staff from overseas is unclear – the list goes on and forward planning is hazardous. Added to this are government plans

turnover has risen just 3% in each of the past three years, easily cancelled out by payroll cost inflation, and with fees estimated to be in the same ballpark, this demonstrates the importance of productivity gains to the whole industry.

Yet, on a much more positive note, year-to-date in 2018 suggests robust acceleration in recruitment industry sales to around +7% (including inflation growth)

albeit that temporary hiring remains the preferred choice during these (still) uncertain times.

With specific challenges in the current environment,

**These HOT 100 firms have proved they are strategically astute**

to extend the latest IR35 implementation from public sector, where it had a negative impact upon recruiters and contractors, to the private sector.

This really does not make ideal reading for the recruitment industry, which is so dependent upon business and candidate confidence. The temporary market for much of calendar 2017 and beyond into 2018 still appears to have been mainly favoured by employers unwilling to risk permanent hires. Official industry sales

future market conditions uncertain and an ever-present but changing impact from external influences such as technology, staff mobility and skill shortages, the recruitment industry presents an evolving story.

Already these HOT 100 best-in-class companies have proved they are strategically astute, and many are now ideally positioned to navigate a route through the shifting sands that form their future marketplaces. But it may not be a smooth journey.