

The Future of the Recruitment Industry Report 2023

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Forever.

The Future of the Recruitment Industry Report 2023

2022 was another whirlwind of a year throughout the recruitment industry. From talent shortages to economic and political pressures, it's been another year of challenges, however, if the last few years have taught us anything, it's that recruiters always find opportunities in challenging times.

As a recruitment agency leader, it can be difficult to gauge how businesses like yours have performed throughout the year and what the year ahead looks like. At the end of each year, we at Firefish conduct a survey to collate the thoughts and views of SME agency leaders across the UK and Ireland, establishing their plans and forecasts for what is to come in the year ahead. From this data, we are able to paint a picture of what the future of the recruitment industry will look like.

We've compiled the results of our annual **'Firefish: Future of the Recruitment Industry Survey'** into this report and are delighted to share the results with you.

Let's dive in!

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CHAPTER 1

The Future of Recruitment

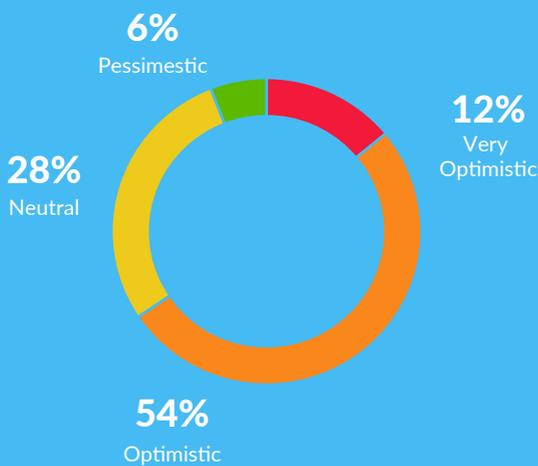
As recruitment agencies navigated post-COVID recovery, an ever-evolving landscape meant that 2022 presented new challenges for agency leaders. Continuing the trend of the last few years, recruitment agencies have had to be flexible in many aspects, ensuring proactive responses to evolving challenges.

When we surveyed the industry in 2021, the feedback was that 86% of respondents were optimistic about the outlook heading into 2022.

At the end of 2022, we asked the exact same question. We wanted to gauge recruitment agency optimism heading into 2023.

What's your outlook for the recruitment industry in 2023?

Here's what agency leaders they told us about their views for the 12 months ahead...



Highlights:

- **More than 60% of recruitment leaders** are either optimistic or very optimistic about the year ahead.
- **For the first time in 2 years**, a small percentage of agency leaders have pessimistic views about the year ahead.

What does this mean?

From the data, it's evident to see that overall, confidence remains positive throughout the industry, however the data does indicate that confidence levels have retracted, with a 14% change in the number of agency leaders reporting a 'very optimistic' position heading into 2023 versus 2022.

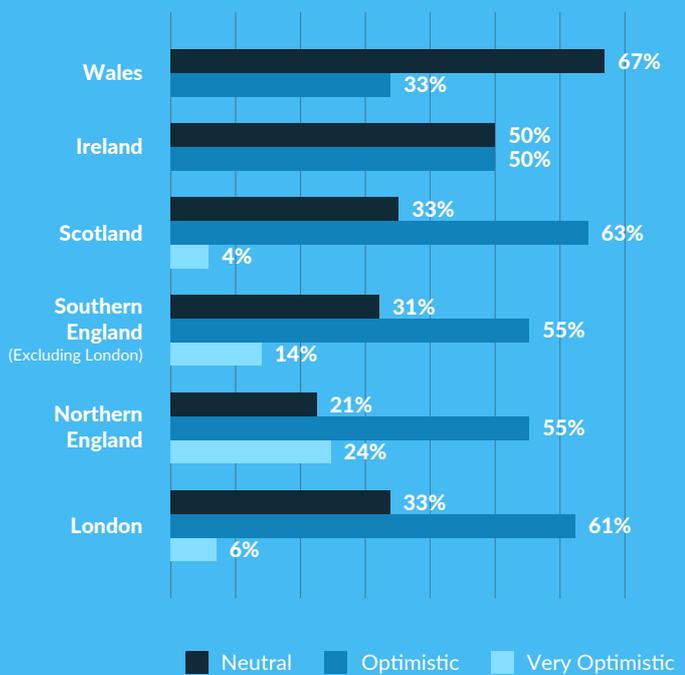
We have also seen the number of agency leaders taking a neutral position double since last years report, increasing from 14% in 2022 to 28% in 2023. Additionally, the data shows a reintroduction of the pessimistic position, a view that no agency leaders reported last year.

These movements can be attributed to a range of external factors including talent shortages, economic uncertainty and the recruitment industry settling into normal operations and finding a consistent rhythm following a post COVID boom. We also know that these sentiments are shared by business leaders across almost every industry and are not exclusive to the recruitment industry.

Which regions are most optimistic about the future?

Taking a deeper dive into the data, we can begin to build a picture of outlook by region.

Outlook by Region



Highlights:

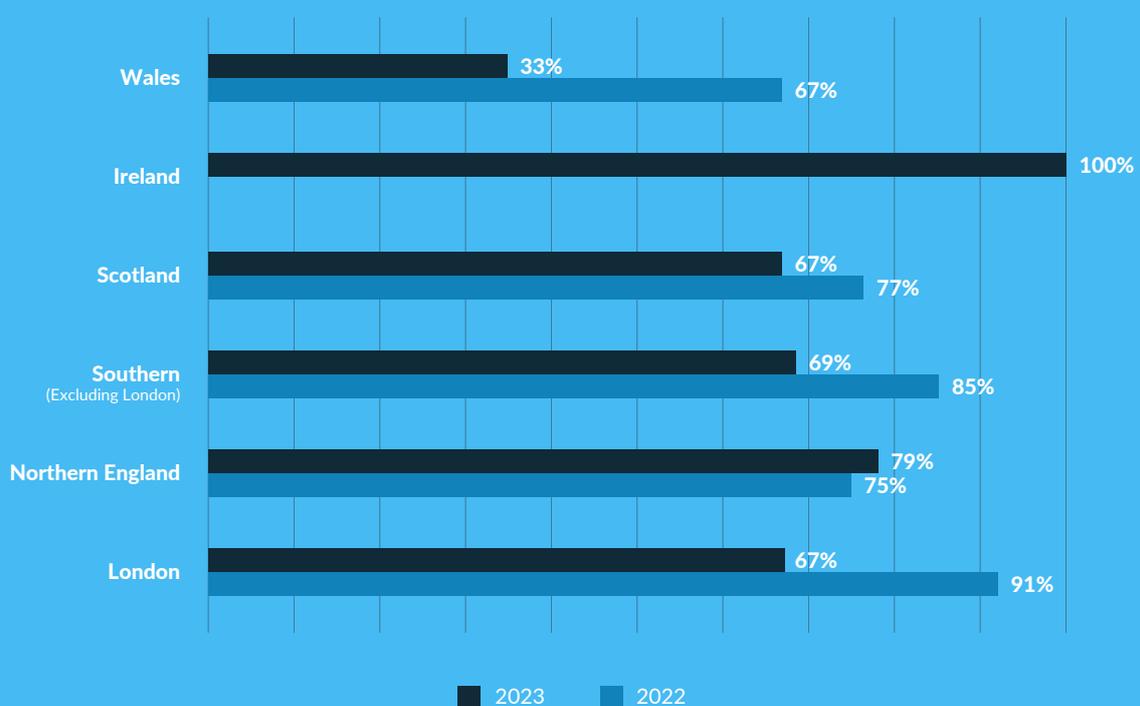
- The combined optimistic categories show that **more than 75%** of agency leaders in Northern England are optimistic about the year ahead.
- For the second year running, **Welsh leaders** are the most cautious about the year ahead with 67% of respondents taking a neutral position.

*Data from respondents in Ireland and Northern Ireland has been combined.

What does this mean and how does it compare to the year before?

From the data, it is evident that regionality has an impact on confidence and there continues to be significant movement in regional confidence year-on-year.

Most Optimistic Regions Compared to 2022



*No data was collected from respondents in Ireland and Northern Ireland for this in 2022.

Looking at the comparison charts - and whilst confidence remains positive - the changes to regional confidence are evident as agency leaders adopt a more cautious approach to the year ahead - in line with global sentiment.

The most notable change in regional confidence is in London where there has been a swing of almost 25% over the last 12 months. Many analysts would have predicted this because of multiple US-based tech companies with offices in London announcing mass redundancies and/or hiring freezes in Q4 of 2022. Announcements that have sent ripples throughout the city and have had a knock-on effect to recruitment agencies.

It's also important to note that **86% of respondents believe that the UK will be in recession throughout 2023**, contributing to a more cautious outlook.

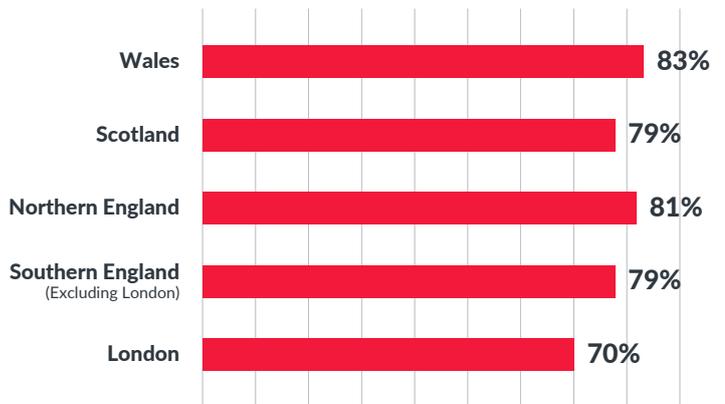


CHAPTER 2

Outlook on Sales Growth

Which regions are expecting sales growth?

% of agency owners expecting to grow in 2023 by region



**Ireland and Northern Ireland were not included due to low respondents from these regions.*

Highlights:

- **All regions of the UK** continue to forecast sales growth throughout the year.
- Despite a cautious outlook for the year ahead, **recruitment agencies based in Wales are expecting the highest growth** in recruitment sales.
- Recruitment agencies in **London are forecasting the slowest growth in 2023.**

What does this mean?

Interestingly, the correlation between regional optimism and sales performance forecast is not uniformed across all regions.

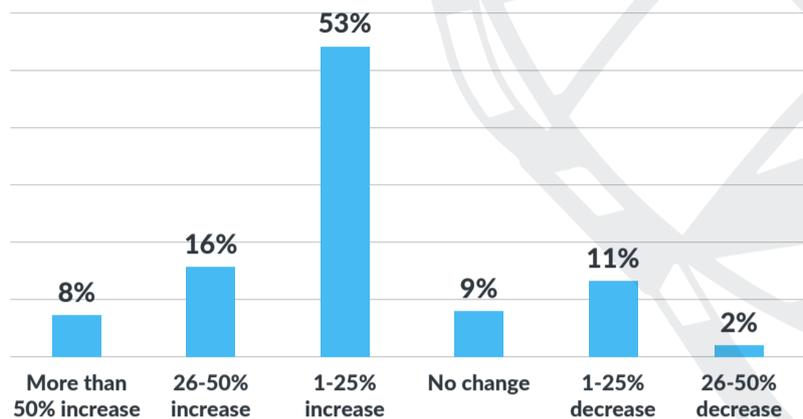
Looking at a comparison, despite confidence data from Wales suggesting the most cautious outlook for the year ahead, agency leaders in Wales are forecasting the strongest growth in 2023. In contrast, the reversal in optimism from London based agencies is aligned with a slower sales performance forecast heading in 2023.

Despite all regions predicting slower growth, for the first time in recent years, there is a notable difference in forecasts between London and all other regions.

How do agency leaders expect sales to change in the next 12 months?

For this graph, we take a deeper look at sales forecasting and asked our respondents to predict how their sales figures will change over the next 12 months compared with the previous year.

How do you expect your sales to change in 2023, compared with 2022?



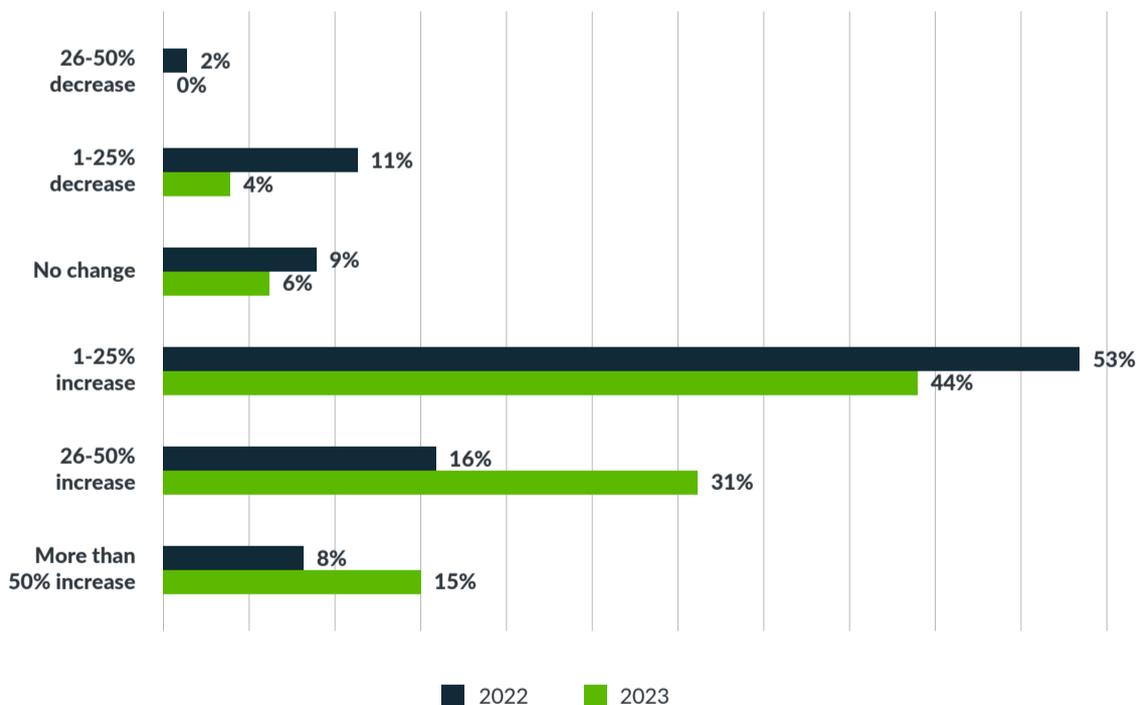
Highlights:

- The most common response was a **predicted increase of 1-25%** in the next year
- More than 10% of respondents expect to see their **sales decrease** in 2023.
- Only 8% of agency leaders expect more than a **50% sales increase**.

What does this mean and how does it compare to the year before?

Based on the responses collected and despite the cautious outlook, more than 75% of agencies are forecasting growth in 2023.

How do you expect sales to change in 2023, compared with 2022?



When we surveyed the industry last year, the results showed a strong outlook for growth heading into 2022. Agency leaders were confident of achieving high growth and signalled this in their responses. Looking at the forecast for 2023, we can see some big swings across the growth predictions.

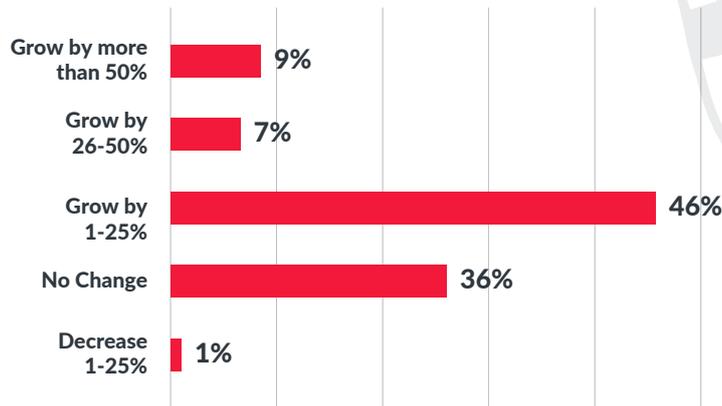
90% of agency owners predicted an uplift in revenue in 2022 however this has dropped to 77% heading into 2023. This swing sees the industry settle into a middle ground between the 2022 and 2021 figures, again signalling a return to normal operations.

There has also been an increase in the number of agencies forecasting a decrease in sales throughout the next 12 months. Further demonstration of the challenges that recruitment agencies are expecting to experience in 2023.

Changes to headcount

Given the volume of external factors and the forecasts of slower growth, we asked agency leaders what their estimated changes to recruiter headcount was for the next 12 months.

How do you expect headcount at your agency to change throughout 2023?



Highlights:

- Over **60% of agencies are planning to increase** their number of recruiters.
- Over a third of agencies do **not plan on making any changes** to their total headcount.
- Only **1% expect a decrease** in the total number of recruiters working at their agency.

What does this mean?

It's reassuring to see that despite forecasts of a slower market, more than 60% of respondents are expecting to increase the headcount at their agency over the next 12 months.

Whilst the growth signals on headcount are great, it's important to acknowledge that the estimated growth comes at the lower end of the scale, with the majority expecting headcount growth between 1 and 25%. This has a direct correlation to the forecast revenue growth which also seen most agencies predicting growth between 1 and 25% in 2023.

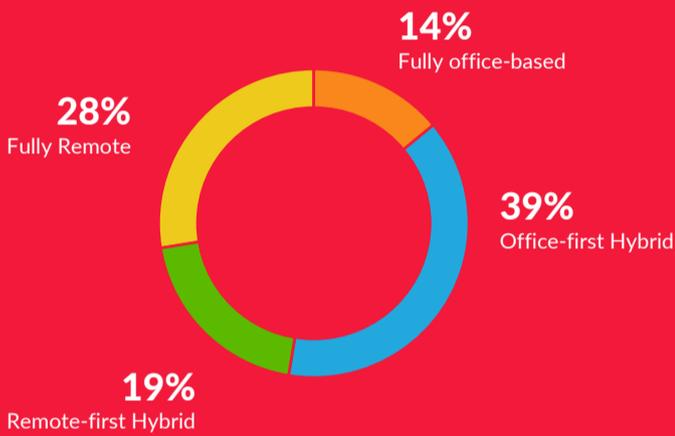


CHAPTER 3

How Working Models Have Evolved

Throughout the last few years recruitment agencies have had to evolve their working models to react to the demand for home/hybrid working, culminated throughout the COVID-19 pandemic. To learn more about how agencies are now working, we asked agency leaders to tell us how their staff worked throughout 2022.

Which working model is your agency currently using?



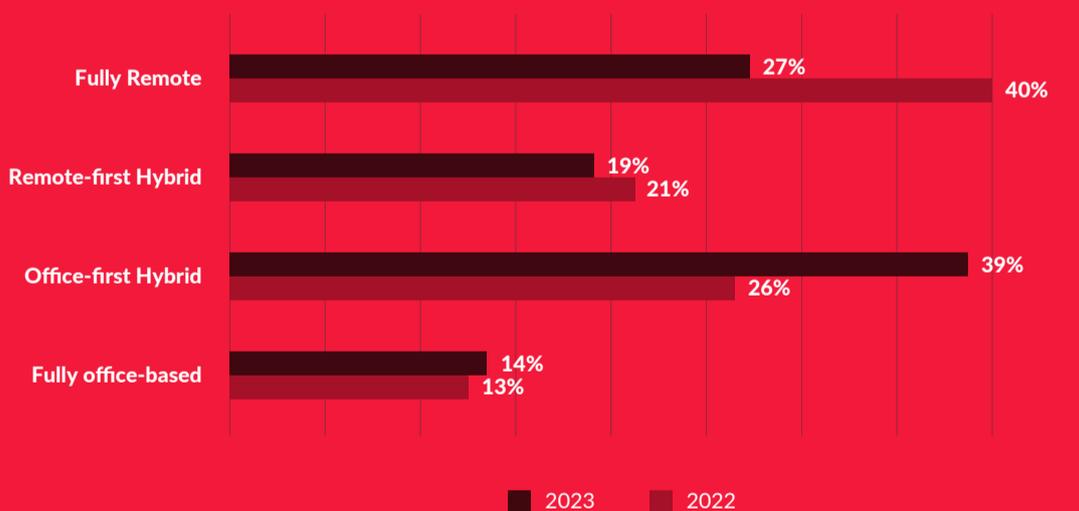
Highlights:

- Only 14% of respondents employed a **fully office-based model**.
- 28% of agencies employed a **fully remote model**.

Combining the two largest responses, 58% of agencies employed a remote approach to recruitment throughout the year either through remote-first or fully remote.

How do the years compare?

Changes to working models in 2023 vs 2022



Throughout 2022, the recruitment industry has seen slight changes in working models as some agencies transitioned back to office-based models.

From the data, we have seen a reduction in the number of agencies employing a fully remote model with an increase in office-first hybrid working. Despite the reduction in fully remote working, there has also been a slight reduction in fully office-based working, evidencing office-first hybrid as the preferred model for most respondents heading into 2023.

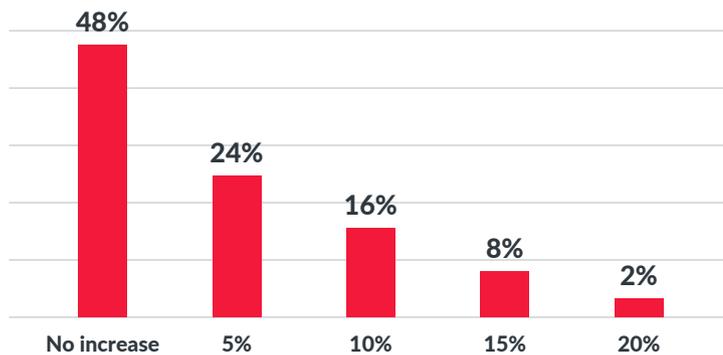


CHAPTER 4

Recruiter Retention

Retaining top talent has been a challenge across all industries and the recruitment industry has been no different. We asked agency leaders if they have increased the base salaries of their recruiters in the last 12 months.

In the last 12 months, have you increased the base salaries of your recruiters and by what average %?



Highlights:

- Almost **50% of agencies have made no change** to base salaries in the last 12 months.
- **30% of agencies have increased base salaries between 5 and 10%.**

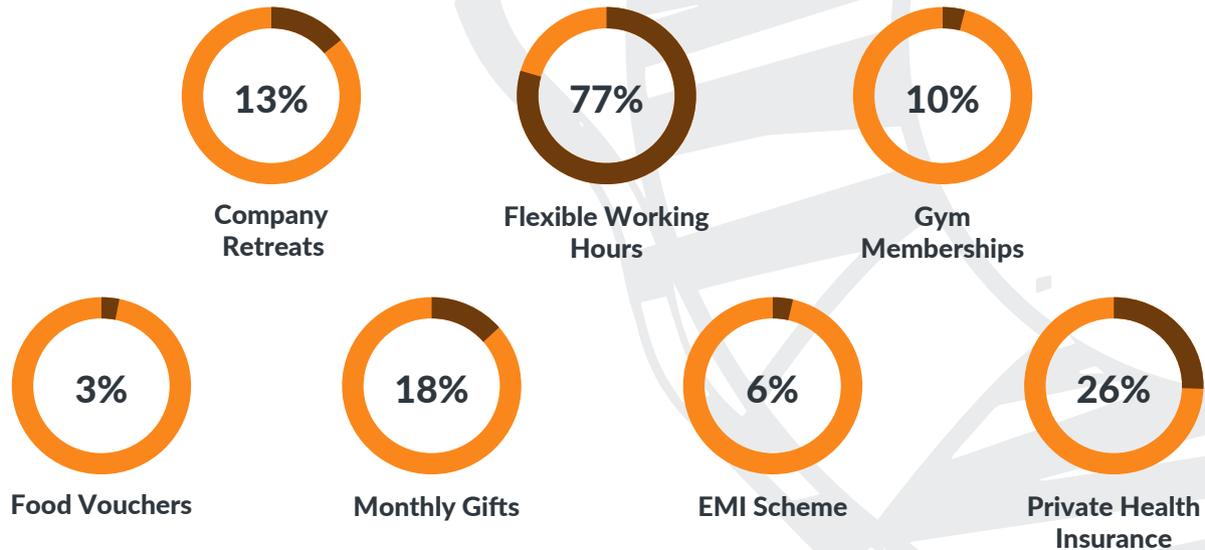
What does this mean?

Recruitment agency leaders will have first-hand insight into the links between cost-of-living and salary from candidate insights. From the responses, it's interesting to see almost 50% of recruitment agencies have kept base salaries the same throughout the year.

In contrast, of the 52% of agencies who have increased base salaries, it's worth noting that almost half of those increased base salaries by 5% - 1% below the annual average of 6% as reported by the ONS.

Whilst recruitment is a commission-led industry, we also asked if agency leaders had implemented additional incentives and/or benefits in line with their recruiter retention strategy.

In the last 12 months, have you reviewed or implemented any additional benefits?



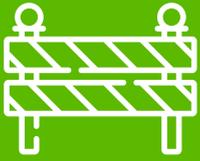
Highlights:

- More than **75% of agencies** have introduced **flexible working hours** in 2022.
- **26% of respondents** have introduced a **private health insurance** policy for recruiters.

What does this mean?

Looking across the board, we can see a broad range of benefits introduced throughout the year as agencies look for new ways to empower employees and retain top talent.

With a huge 77% of agency leaders reporting the introduction of flexible working hours in the last 12 months, we can make a connection between this data and the move to office-first hybrid working. Introducing flexible working ensures the transition back to office working is as seamless and recruiter led as possible.



CHAPTER 5

Changes to Recruitment Structures

Nowadays, the ways in which agencies are structured varies massively. And as the market continues to change, we wanted to find out what business models and recruitment structures agency owners are planning to use moving into 2023.

Here's what we found out...

How will agency leaders change their focus on types of recruitment?

To find out whether agency leaders would focus on providing short-term staffing solutions or permanent recruitment, we asked our respondents to tell us if they're planning to increase or decrease temp/contract and perm recruiting over the next 12 months.



Highlights:

- The response shows that agency owners are planning to **increase temp and contract recruitment**, whilst only 1% plan to decrease.
- 41% of agency leaders are planning to **increase perm recruitment** at their agency whilst 2% are planning to decrease perm activities.

What does this mean?

The main takeaway from this data is that agencies are planning to increase both their temp and perm offerings, however, there have been notable movements in the percentages versus last year.

Last year's survey data reported 78% of agencies signalling an intent to increase their permanent recruitment activities, a change of 37% to this year's total of 41%. We expect this is a direct result of hiring companies scaling back hiring and leaning further into contract and temporary candidates when required.

In a smaller movement, 2022 seen 47% of agencies planning on increasing their temporary and contract recruitment activities against a lower number of 37% heading into 2023.

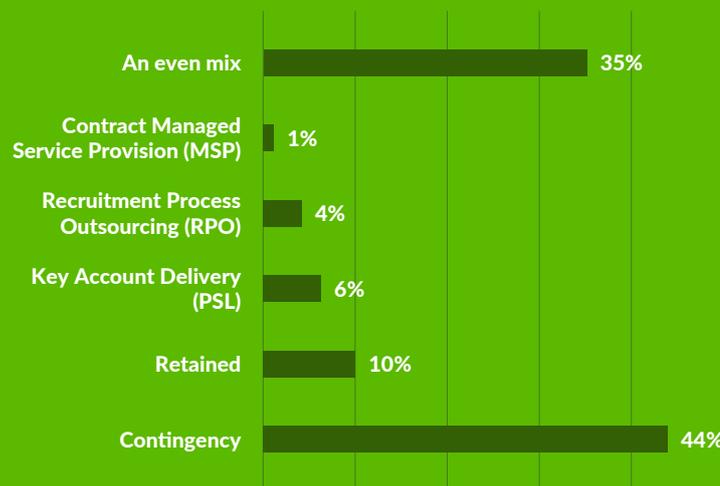
An important story from the data is the swing in intended decreases, for the first time in 3 years respondents stated a bigger reduction in perm activities than temp/contract recruitment.

Which business model will most agency owners be using?

The traditional agency recruitment model has always been contingency, but over the years, we have seen many agencies diversify their structures to offer clients a more specialised service.

We asked our respondents which recruitment business model they planned to primarily use over the next 12 months.

Which recruitment business model will you primarily focus new business on for 2023?



Highlights:

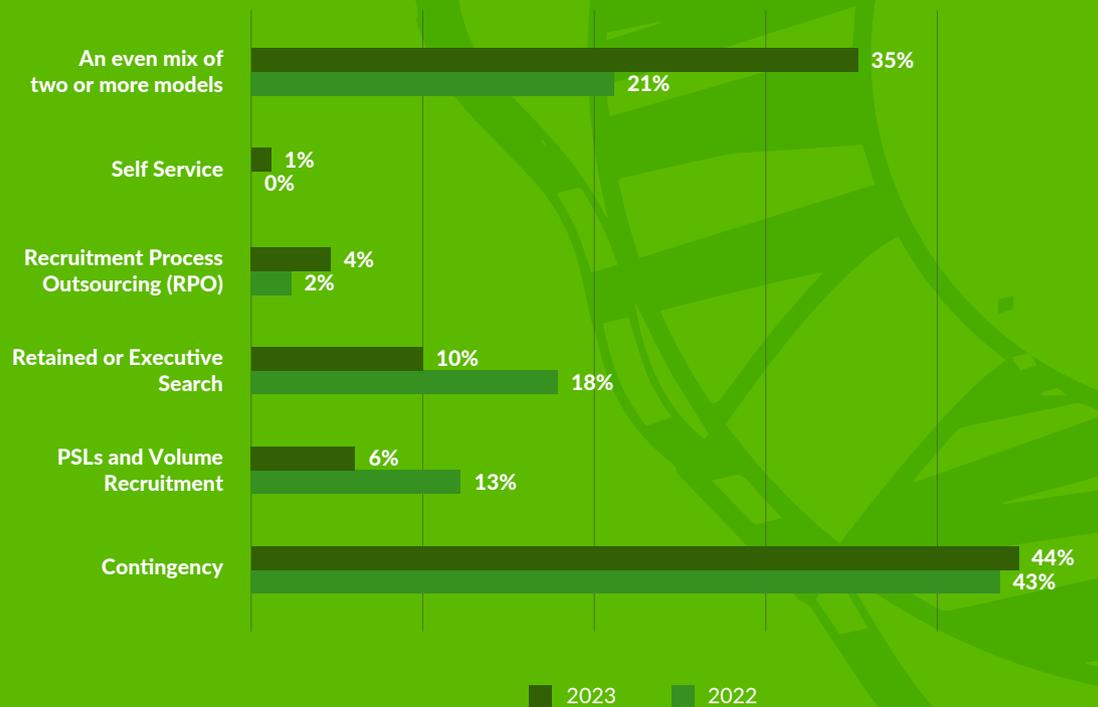
- **Almost half of agency owners** still plan to use contingency as their primary recruitment model next year
- 2023 continues the growing trend amongst agencies to offer an **evenly mixed model**.
- **RPOs** have increased year-on-year but are still the preferred model for a select few agencies.

What does this mean?

Over the last few years, both the COVID-19 pandemic and the subsequent changes to how businesses operate have forced agencies to adapt. It's great to see the number of agencies offering an even mix up 14% versus last year, continuing the trend which saw an increase of 17% the year before.

Looking at the comparison between years, we can see some significant movements as traditional as singular model agencies embrace change and diversify their offering by moving to a mix of multiple models.

How the years compare



With most agencies across all regions forecasting growth in 2023 and the economy presenting challenges for recruiters, we know that the ability to achieve growth will be dependant on an agencies ability to compete. This means that recruitment agencies that don't offer something different to prospects are likely to struggle throughout 2023.

However, like in previous year's the data shows that there's an interesting opportunity there for agencies to differentiate themselves on the market by specialising in something other than contingency to gain a competitive edge.

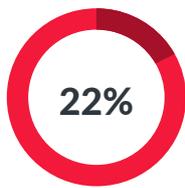


CHAPTER 6

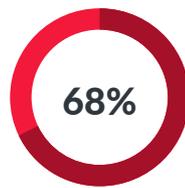
Candidate Attraction & Preferences

With talent shortages showing no signs of a reversal throughout 2023, we wanted to better understand what strategies recruitment agencies will adapt to drive growth and remain competitive.

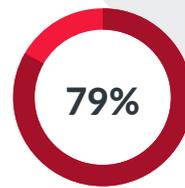
What will be your main candidate attraction strategies for 2023?



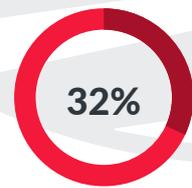
Increasing Job Boards



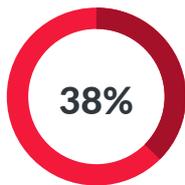
Re-engage Existing Recruitment Database



Social Sourcing



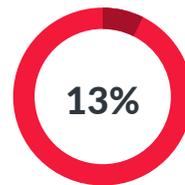
SEO/ Website Optimisation



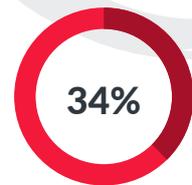
Content Generation



Video Marketing



External Databases



Email Marketing

Highlights:

- 79% of agencies plan to **utilise a social sourcing strategy** for candidate attraction.
- 68% of agencies plan to **re-engage their existing database** to find candidates.
- Only 13% of agencies will utilise **external databases as part of their candidate attraction strategy**.

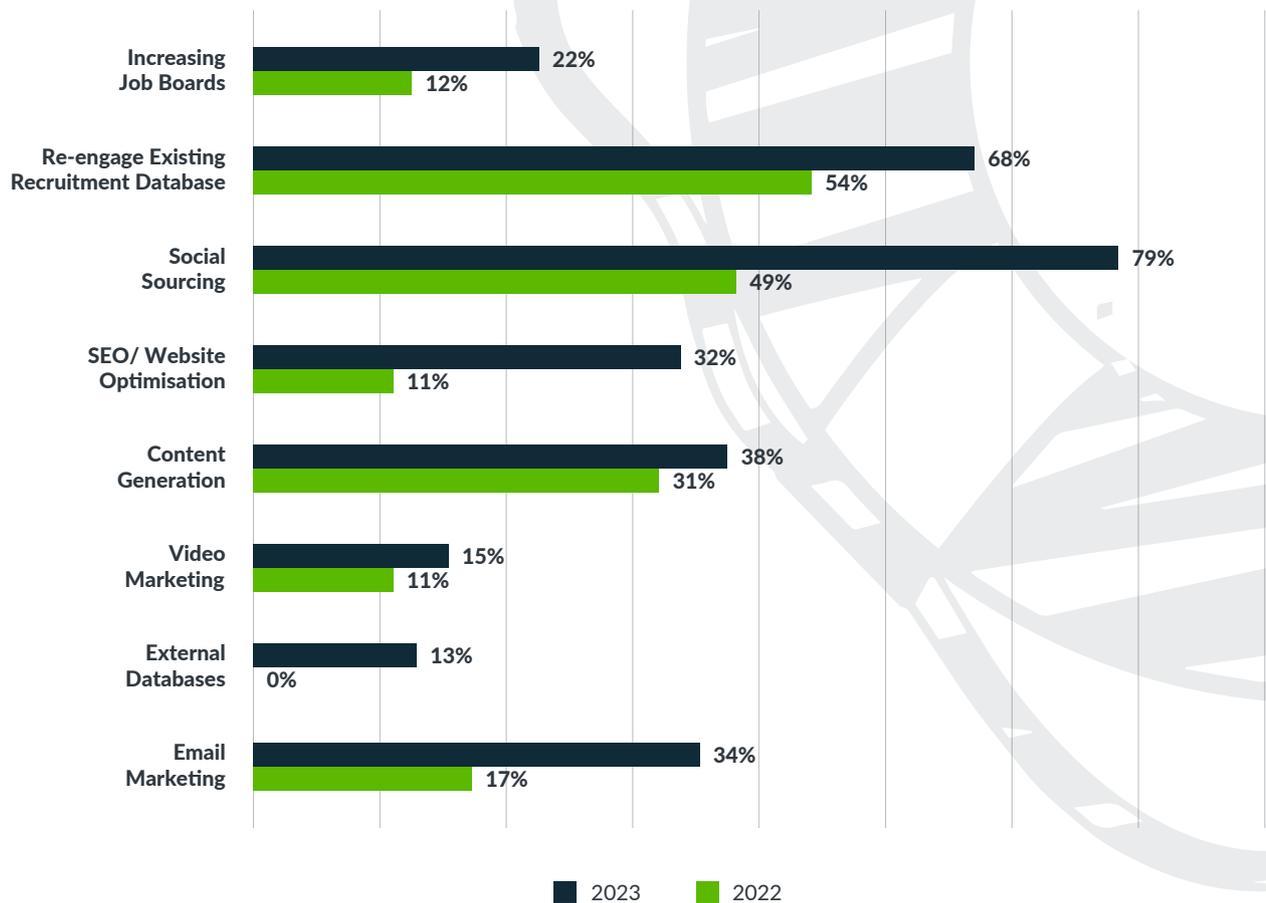
What does this mean and how does it compare to the year before?

With candidates in high demand and short supply coupled with rising job board costs, 2023 will see recruitment agencies focus the core of their candidate attraction activities on social sourcing and re-engaging their existing candidate database.

It is estimated that 4 in every 5 job board applications come from candidates already in an agencies database so it's no surprise to see so many agency leaders leaning on a re-engagement strategy in 2023. Ensuring cost-per-placement is kept to a minimum in a world of rising business costs.

Social sourcing also continues to trend upwards as a candidate attraction strategy, with an estimated 87% of recruiters using LinkedIn when searching for new talent.

How the years compare



From the chart, we can see agency leaders reacting to increasing candidate acquisition costs and manoeuvring to proven, cost-effective strategies in a bid to remain appealing and cost-effective to clients.

The most notable changes are an increase in email marketing which compliments the increase in re-engaging existing candidate databases. A 30% increase in plans to utilise sourcing across social media platforms and a 21% increase in the number of agencies looking to reduce advertising activity by improving their website and organic SEO rankings.

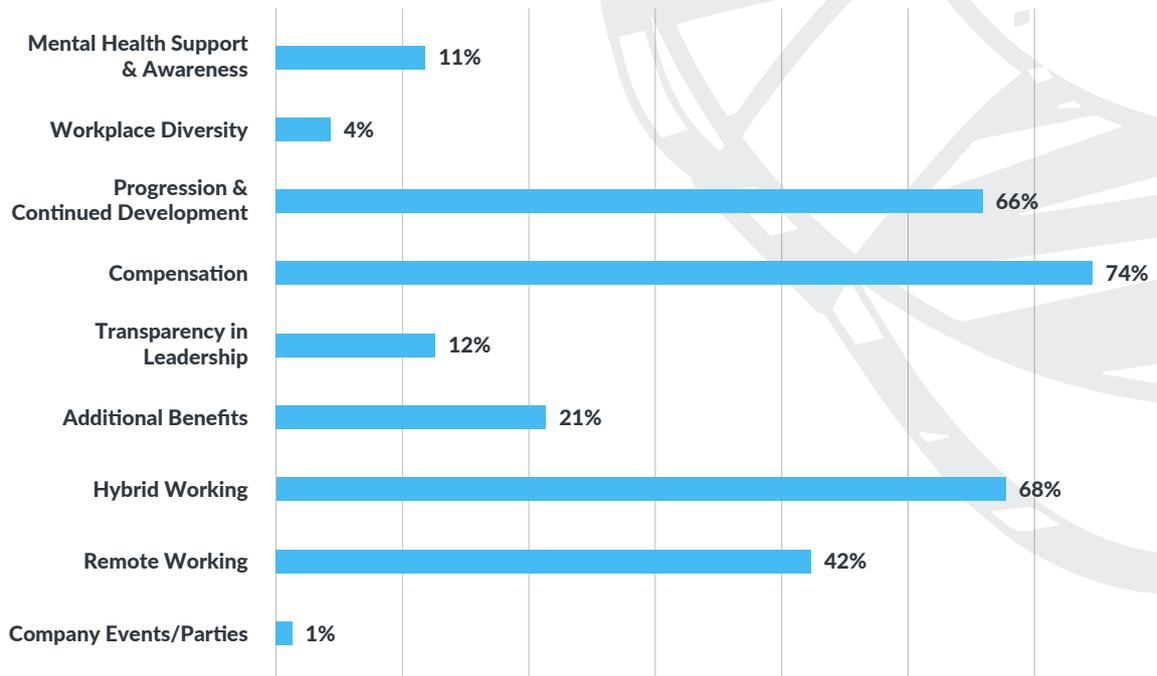
It's also important to note a 10% increase in job board activities in a market where job board costs have continued to rise. We would assume that the intended increase in job board activities will be actioned only on job boards that have a proven ROI and will be coupled with other strategies to create an omni-channel candidate attraction strategy.

Candidate Preferences

In a candidate short market, it's important to understand what is important to candidates to ensure your messaging aligns with your acquisition strategy.

We asked agency leaders for their thoughts on candidate insights, here's what they told us:

What do you expect the 3 most important factors will be for candidates in 2023?



Highlights:

- 74% of respondents believe **compensation is the most important factor** for candidates.
- Only **4% of respondents believe diversity to be important** to candidates.
- 66% of respondents believe **progression and continued development are important to candidates**.

What does this mean?

From the data, we can see that compensation and development are the top factors for candidates however the importance of working models is also prominent.

68% of agency leaders reported hybrid working as being important for candidates and 42% reported remote working being one of the top factors. This is particularly interesting when understanding that according to recent data, 50% of job applications made on LinkedIn in November 2022 were for remote positions despite WFH roles only making up 15% of job listings. Providing a lucrative opportunity for recruitment agencies that work with clients who offer remote roles.



CHAPTER 7

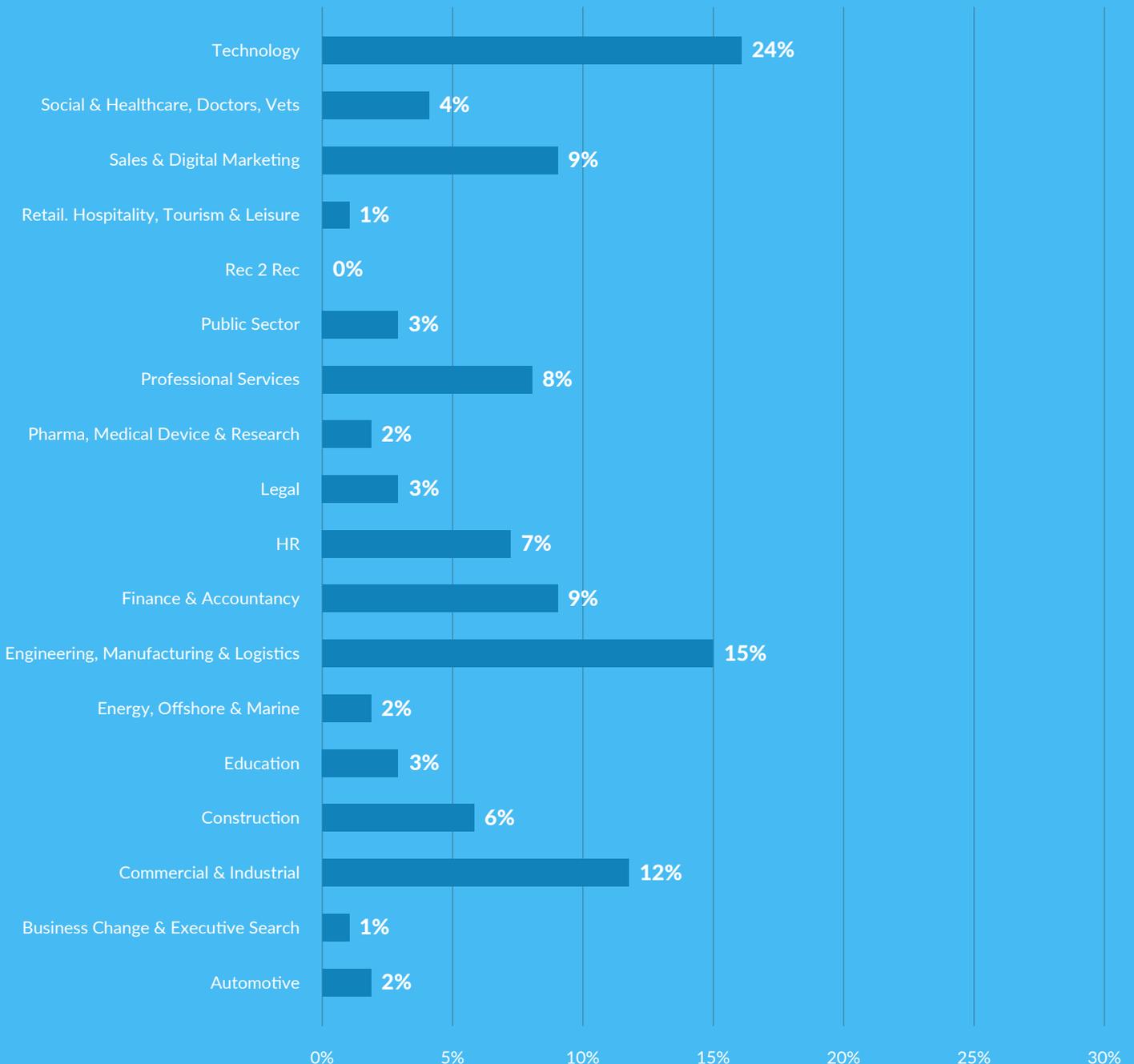
Survey Information

The 'Firefish: Future of the Recruitment Survey' survey was sent out to recruitment agency owners and directors based in the UK and Ireland throughout the month of December 2022. Almost 45% of respondents were recruitment agency leaders from agencies founded pre-2012, providing insight from leaders who have been through recession and market challenges for more than a decade.

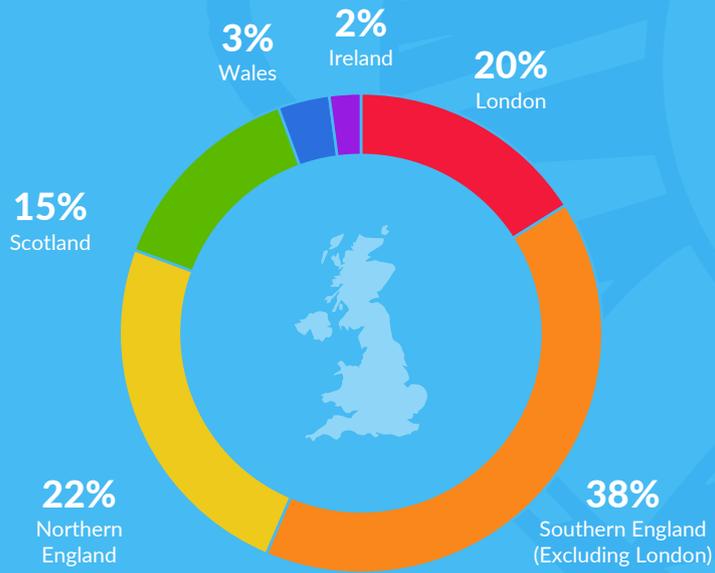
A total of 194 agency owners completed survey, representing a broad cross-section of agencies specialisms and industries.

Demographics

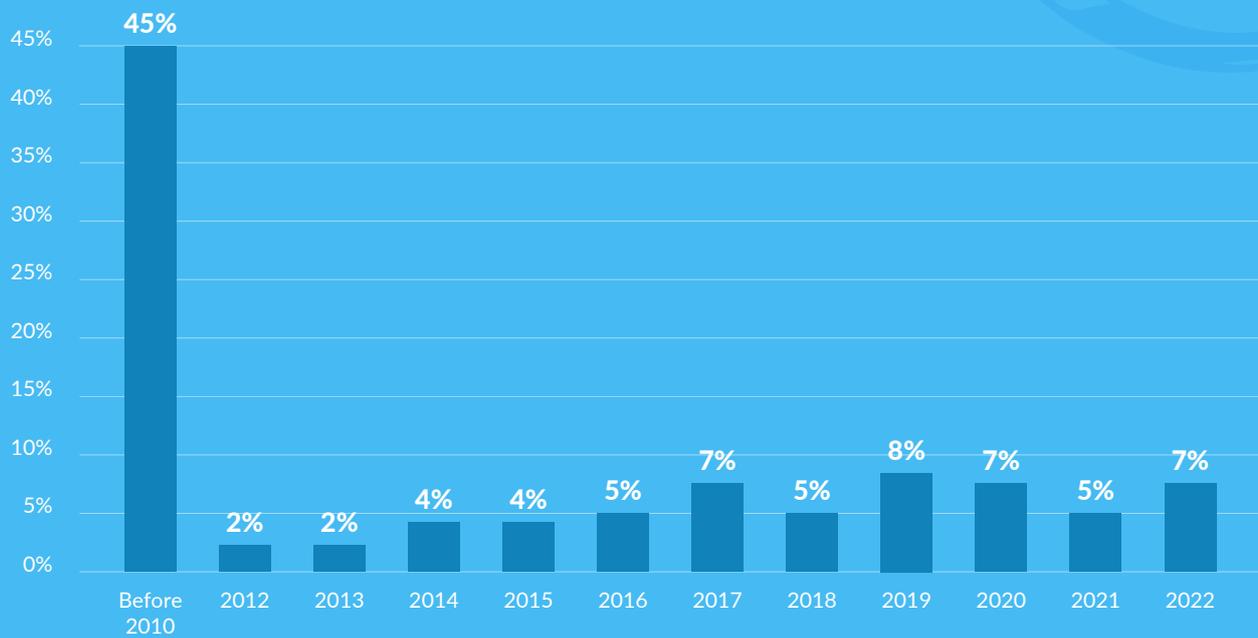
Key industry focus



Agency Headquarters



Year Founded



Change the way you recruit. Forever.

To grow in our current landscape, you need your recruitment and marketing activities to be seamlessly aligned - ensuring you stand out from the crowd and place top candidates at the best cost-per-placement.

Firefish recruitment software brings all of your recruitment activities together under one roof.

Within six months of using Firefish, you'll watch candidate engagement levels increase by 200% and your recruiters will be making 25% more placements.

Join the thousands of recruiters who recruit with Firefish every single day.

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