

The Future of the UK SME Recruitment Industry

Change the way
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Forever.

The Future of the Recruitment Industry Report 2022

2021 was another turbulent year for the recruitment industry and just as it felt like we were swimming in calmer waters, the year ended in another period of uncertainty. As a recruitment business owner, it can be difficult to gauge how similar agencies performed throughout any given period and what the year ahead looks like.

At the end of each year, we conduct a survey to collate the thoughts and views of SME agency owners across the UK, establishing their plans and forecasts for what's to come in the year ahead. From this data, we are able to paint a picture of what the future of the UK 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 – we think you'll like what you read.

Let's dive in!

Table of Contents



CHAPTER 1
The Future of Recruitment



CHAPTER 2
Outlook on Sales Growth Forecasts



CHAPTER 3
How working models are evolving



CHAPTER 4
Changes to Recruitment Structures



CHAPTER 5
Obstacle's recruitment leaders expect to face



CHAPTER 6
Exploring Candidate Attraction



CHAPTER 7
COVID-19 Recovery



CHAPTER 8
Survey Information



CHAPTER 1

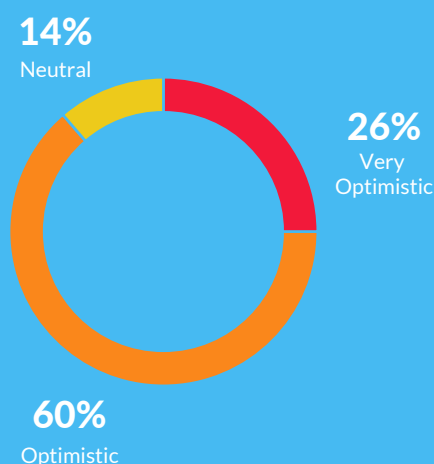
The Future of Recruitment

The last 24 months have been full of hurdles for recruitment agency owners around the world. As agencies continue to navigate an ever-changing landscape, business owners have had to be flexible and adopt new ways of working. When we surveyed the industry in 2020, the feedback from agency owners was that 46% of respondents were optimistic about the outlook heading into 2021.

At the end of 2021, we asked the exact same question. We wanted to know how optimistic agency owners were about the future of the industry heading into 2022.

What's your outlook for the recruitment industry for 2022?

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



Highlights:

- **Over 85% of UK recruitment leaders** are either optimistic or very optimistic about the year ahead.
- **None of the surveyed leaders** had a pessimistic view of what's to come in 2022.

What does this mean?

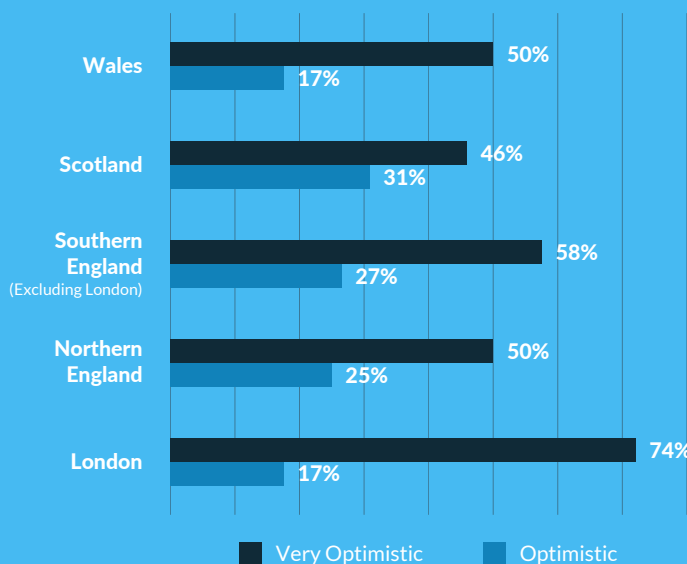
From the data, it's evident that agency leaders are optimistic about the year ahead. Comparing the data to our 2021 report, we've seen movement by more than 30% of respondents going from a pessimistic outlook to a positive outlook in 2022.

Despite ending 2021 in a period of uncertainty, it's highly encouraging to see that no respondents are pessimistic about the next 12 months. This is likely the result of a return to business as usual as agencies move past the challenges presented by the COVID-19 pandemic and settle back into their natural rhythm and operations.

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:

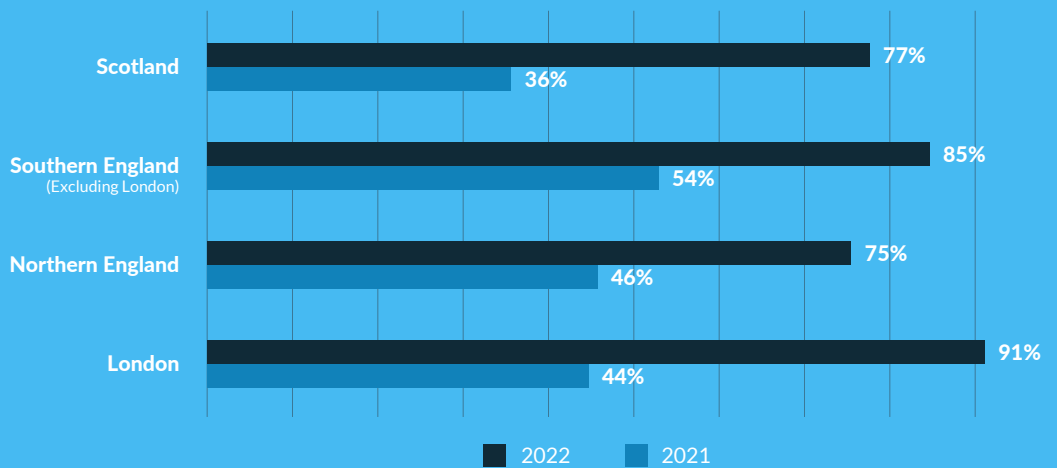
- The combined categories show that **more than 90%** of agency leaders in London are optimistic about the year ahead
- **Welsh leaders** are the most cautious about the year ahead with 33% of respondents taking a neutral position.

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

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

Whilst the outlook across the industry is positive, it's clear that regionality still has an impact on the levels of confidence. This is a result of the continued recovery and uncertainty around the COVID-19 pandemic and how it has affected UK regions differently.

Which regions are most optimistic about the future, yearly comparison



Looking at the comparison charts, it's great to see confidence returning throughout the industry.

In 2020, the survey results showed the effects of lockdown and the cautious outlook of leaders. Through 2021 we have seen the return of key industries who have adapted their operations to thrive in the new normal – creating opportunities for recruitment agencies and driving confidence heading into 2022.

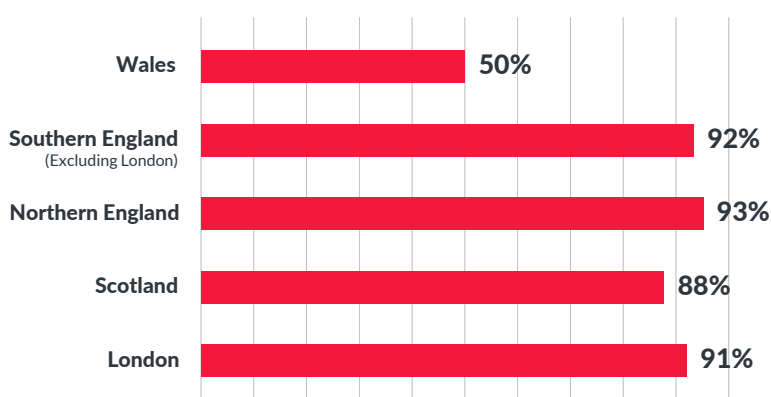


CHAPTER 2

Outlook on Sales Growth

Which regions are expecting sales growth?

% of agency owners expecting to grow in 2022 by region



*Northern Ireland was not included due to low respondents from this region.

Highlights:

- All regions of the UK are expecting strong sales growth throughout the year.
- Northern England is expecting the highest growth in recruitment sales.

What does this mean?

From the table above, we can see the connection between regional optimism and sales growth forecasting.

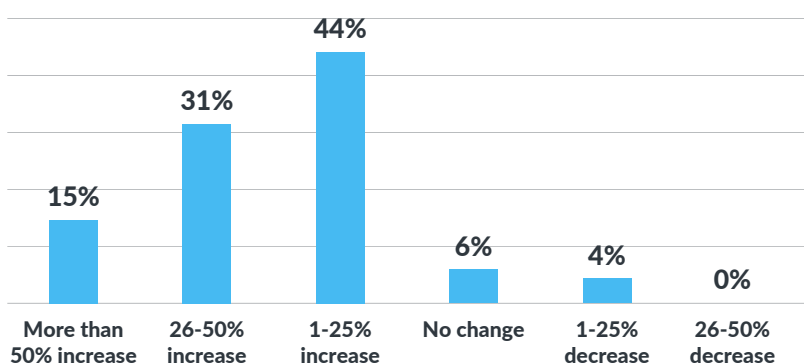
Looking at a comparison, the only region predicting slower growth is Wales. These sales forecasts align with economic predictions of the region, as the restrictions in Wales typically come into force ahead of other UK regions.

When looking at the other regions, it's hard to differentiate as all regions are expecting strong performance throughout the next 12 months.

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 2022, compared with 2021?



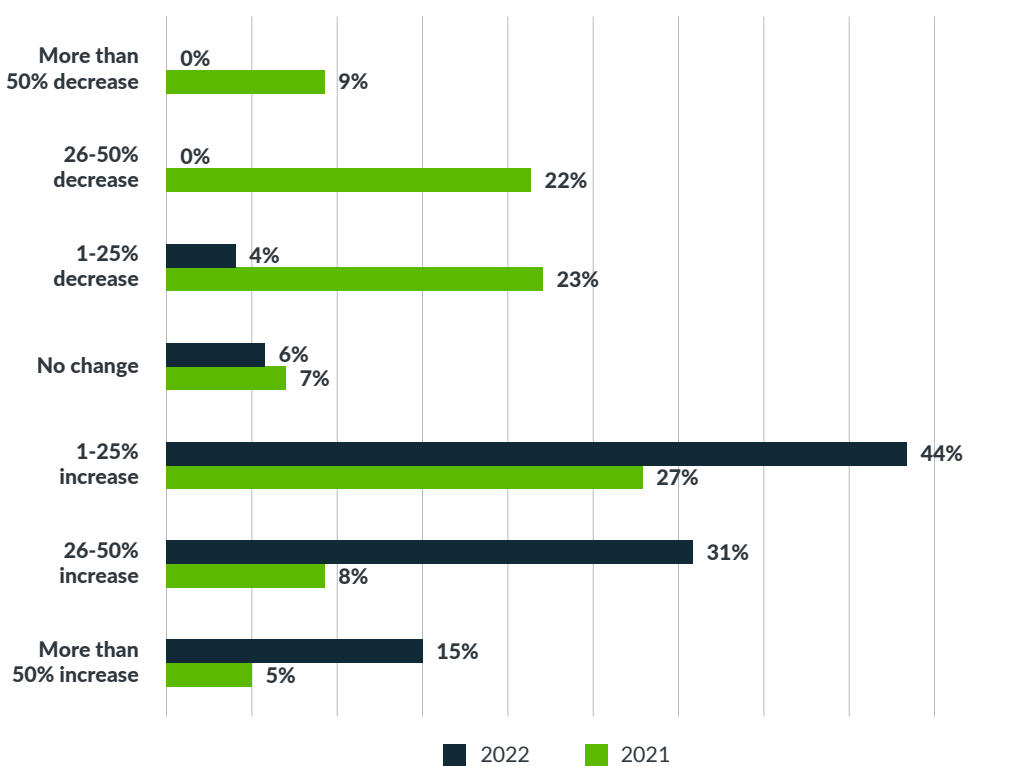
Highlights:

- The most common response was a **predicted increase of 1-25%** in the next year
- Only 4% of respondents expect to see their **sales decrease** in 2022.
- 15% of agency leaders expect more than **50% sales increase**.

What does this mean?

Based on the data collected, we can see that 90% of agency owners are predicting positive sales growth throughout 2022 but how does this compare to last year's forecast?

How do you expect your sales to change in 2022, compared with 2021?



When we surveyed the industry last year, the results showed that most agency leaders were expecting sales to fall throughout 2021. Looking at the forecast for 2022, we can see a huge turnaround in line with the optimism forecasts from the previous question.

We can see that 90% of agency owners are now predicting an uplift in revenue through 2022, this is a swing of 50% versus the combined total of 40% of the agency owners who predicted growth throughout 2021. This paints a much more positive picture of where the industry is at on the COVID recovery plan.

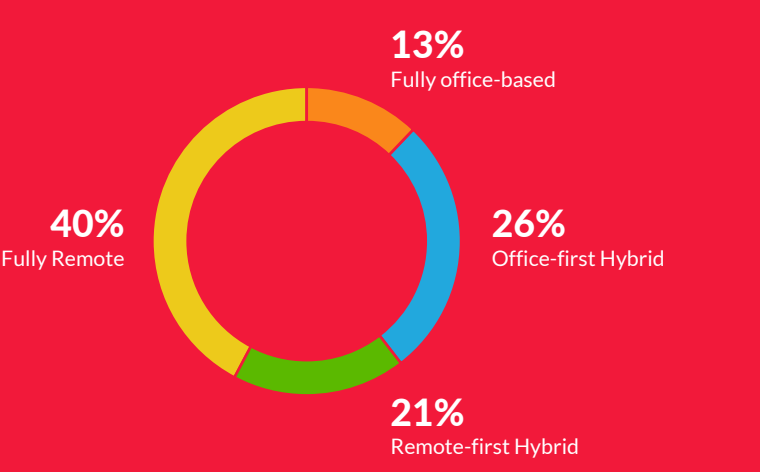


CHAPTER 3

How Working Models are Evolving

Throughout 2021 recruitment agencies had to evolve their working models in order to navigate the challenges of COVID-19 and ensure effective recovery. To learn more about how agencies are working, we asked agency leaders to tell us how their staff worked throughout the year.

Which working model is your agency currently using?

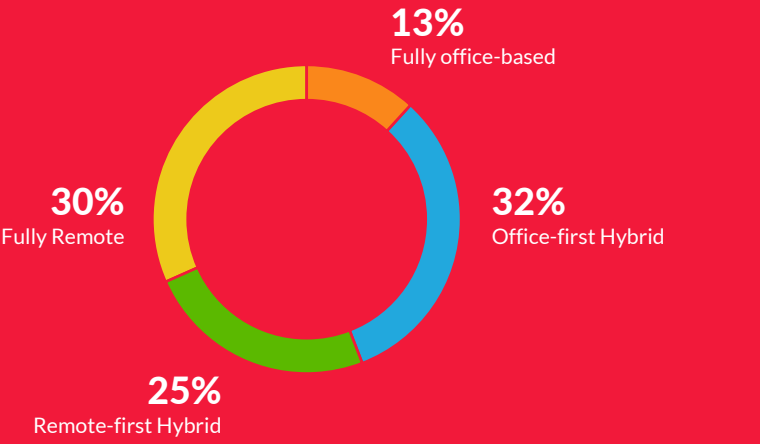


Highlights:

- Only 13% of respondents employed a **fully office-based model**.
- Combining the two largest responses, **61% of agencies** employed a remote approach to recruitment throughout the year either through remote-first or fully remote.

Which working model is your agency planning to use in 2022?

This graph shows the share of respondents that stated they planned to increase or decrease remote working throughout the year ahead.

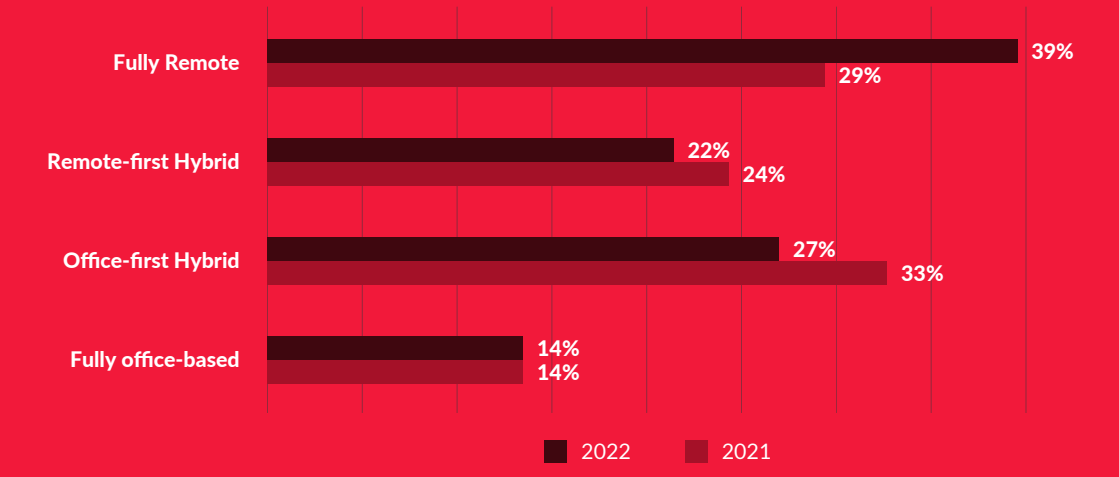


Highlights:

- There is no change to the number of agency owners planning on employing a fully office-based model.
- 30% of agency owners will employ a fully remote model in 2022.

How do the years compare?

Changes to working models in 2022 vs 2021



Throughout 2022, the industry will see slight changes in working models as some companies gradually transition back to office-based models. The majority of companies doing this will be going from remote-first hybrid into office-first hybrid. On the flip side of this, we expect companies who have proven success of fully remote models to transition to this model full-time where previously remote-first may have been the default model.



CHAPTER 4

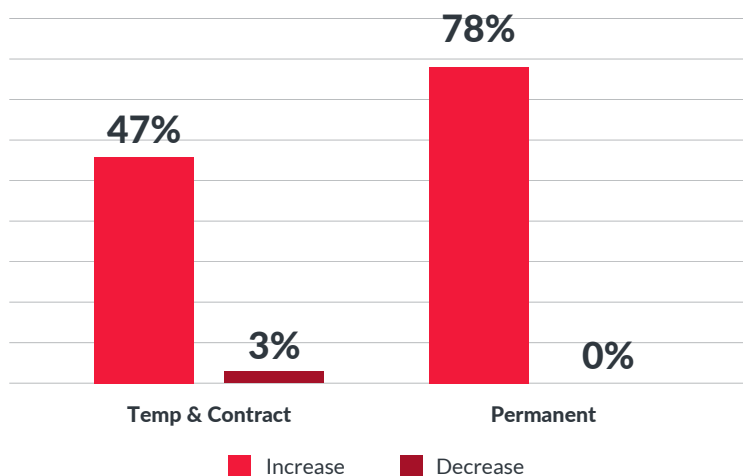
Changes to Recruitment Structures

Throughout 2021 recruitment agencies had to evolve their working models in order to navigate the challenges of COVID-19 and ensure effective recovery. To learn more about how agencies are working, we asked agency leaders to tell us how their staff worked throughout the year.

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.

Type of Recruitment



Highlights:

- The response shows that agency owners are planning to **increase temp and contract recruitment**, while only 3% plan to decrease it
- A massive 78% of agency owners are planning to **increase perm recruitment** at their agency whilst none are planning to decrease perm activities.

What does this mean?

The main takeaway from this graph is that agencies are planning to increase both their temp and perm offerings.

Last year we saw a slightly different picture with agencies planning on decreasing perm recruitment activities as a result of the COVID-19 pandemic. However, the change in this year's data aligns with easing of restrictions as businesses once again have the confidence to offer permanent contracts – driving growth in this sector.

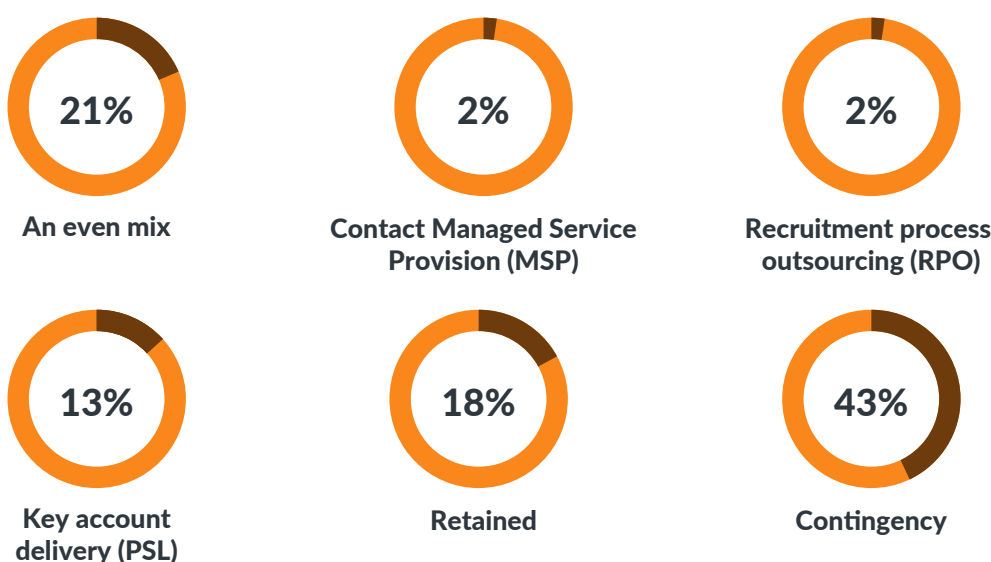
Furthermore, these insights align with the overall optimism shown by recruitment agencies and growth plans for the year ahead.

Which business model will most agency owners be using?

The traditional agency recruitment model has always been contingency, but over the years, many agencies have diversified their structures in order 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 2022?



Highlights:

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

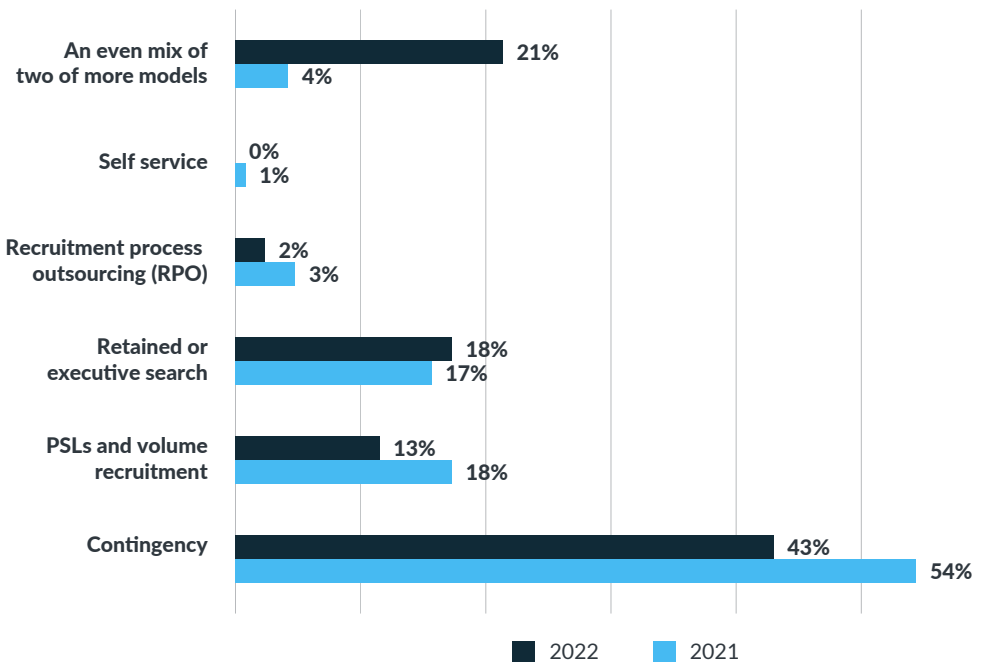
What does this mean?

The general consensus within the industry is that it is often slow to adapt – even through challenging times. This assumption can be validated by the fact that the traditional contingency model is still the most popular recruitment business model amongst respondents.

With that said, the COVID-19 pandemic has forced many agencies to adapt and it's refreshing to see the number of agencies offering an even mix up 17% versus last year, signalling that change is underway.

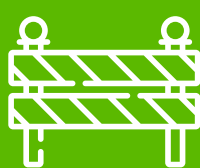
Looking at the comparison between years, we can see small changes across the board as agencies who typically offered a singular model are now diversifying their offering.

How the years compare?



With so many agencies planning to scale this year, we know that the recruitment market is about to get even more competitive, and agencies that [don't offer something different](#) to prospects are likely to struggle.

However, the results show that there's an interesting opportunity there for agencies [to differentiate themselves](#) on the market by offering something other than contingency to gain a competitive edge.

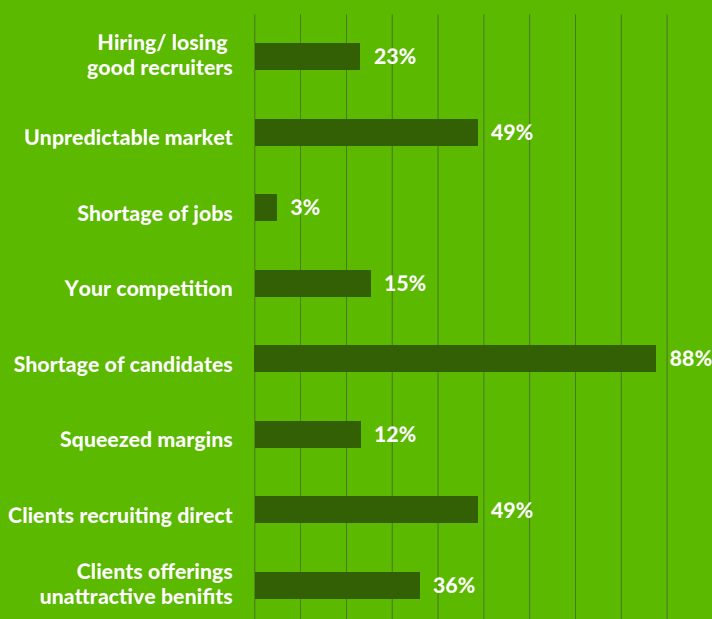


CHAPTER 5

Obstacles Recruitment Owners are Expecting to Face

We also asked agency owners which challenges they expected to be the most difficult next year.

What are the 3 main obstacles you're expecting to face in 2022?



Highlights:

- The vast majority of agency leader’s expect **candidate shortages** to be challenge next year.
- **Clients recruiting direct** will also be a key challenge.

Almost 50% of agency leaders are still concerned about the **unpredictability of the market**.

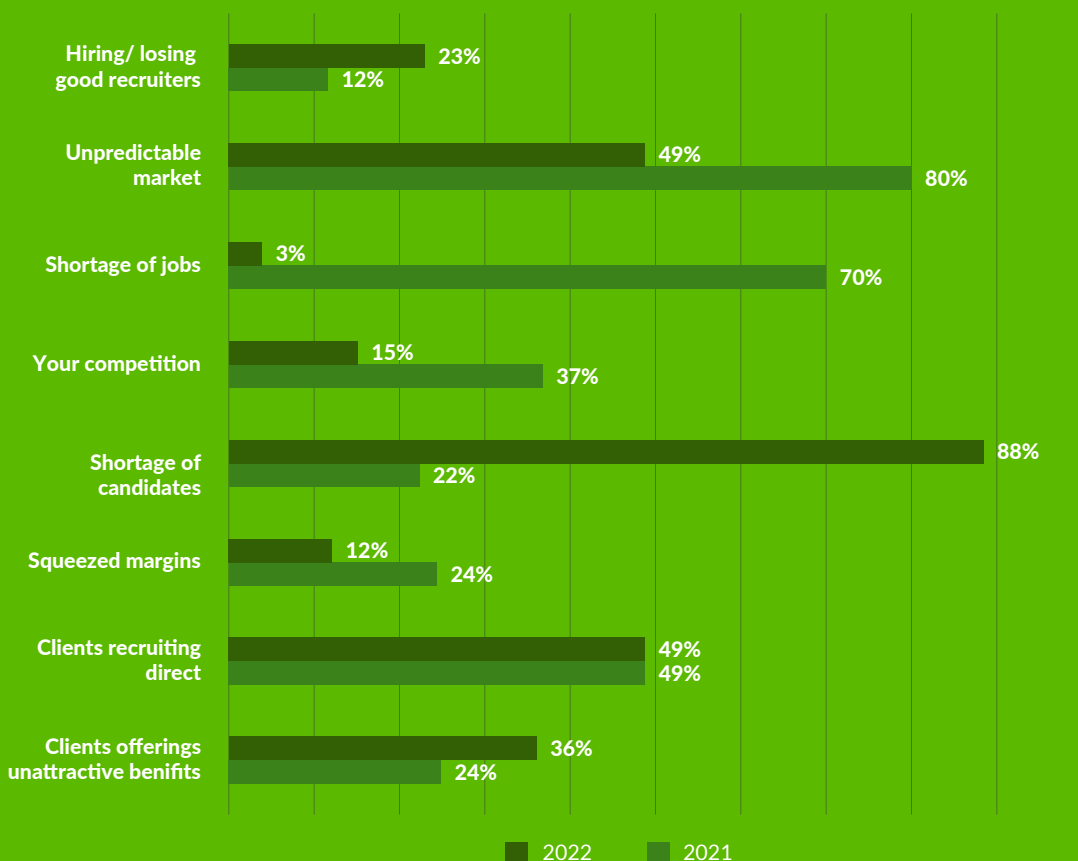
What does this mean?

This chart is a clear reflection of the current market. Last year we seen the market transition from [candidate-short](#) to [job-short](#) almost overnight as a result of COVID-19. We are seeing the reverse as businesses settle into the new normal and good candidates become harder to source.

As a result of this, many agencies will have to diversify their candidate attraction methods to ensure they achieve their estimated growth margins.

How do the years compare?

Changes in obstacles



Highlights:

- The number of agencies concerned about the **number of jobs** has fallen by 67%.
- Candidate shortage concerns have grown exponentially as we see a return to a **candidate-short market**.
- Unpredictability has fallen sharply but still remains a **strong obstacle** for the year ahead.

The chart above further validates the transition back to a candidate-short market. It’s great to see a decline in the number of agency owners viewing unpredictability in the marketplace as an obstacle however it is still a large concern almost half of the respondents.

The number of agencies concerned about losing good members of staff has almost doubled year on year, this aligns with the issues of a candidate short market as good recruiters are able command higher fees from rival agencies.

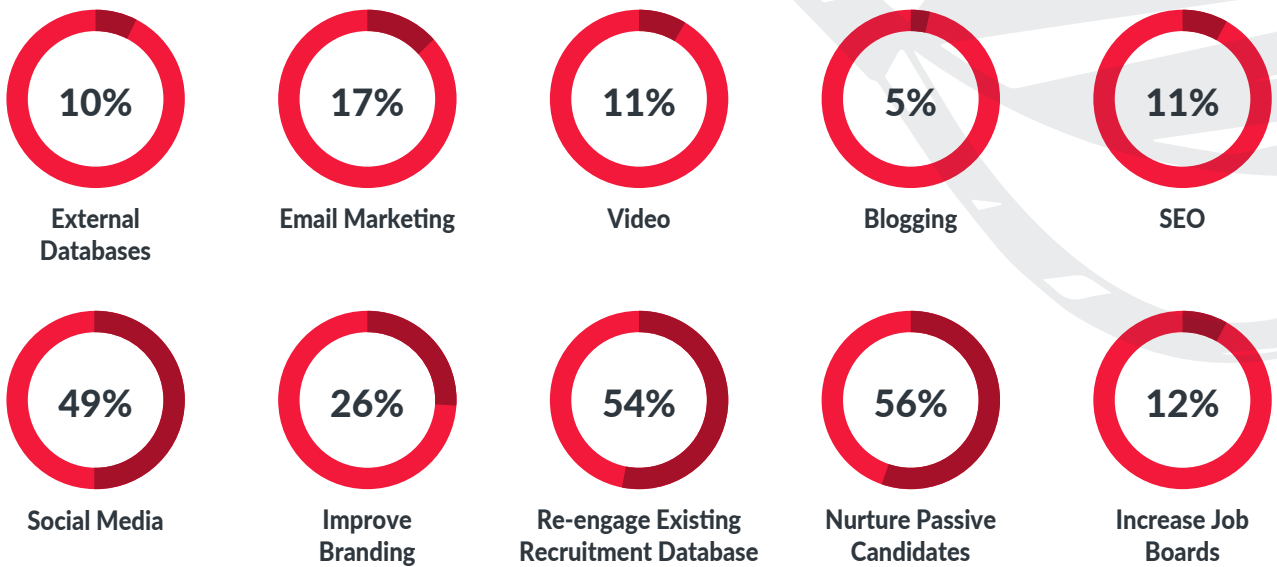


CHAPTER 6

Candidate Attraction

With agency leaders predicting strong growth performance throughout the year, we wanted to better understand what strategies agencies will adopt to drive growth.

What will be your 3 main candidate attraction strategies for 2022?



Highlights:

- 56% of agencies plan to **nurture passive candidates** as a key part of their strategy.
- 54% of agencies plan to **re-engage their existing database** to find candidates.
- Social media will play a key role in growth as 49% of agency leaders plan to **utilise social channels** to attract candidates.

What does this mean?

In line with the current candidate-short market, 2022 will see recruiters will focus the majority of their efforts on **nurturing and re-engaging candidates** already in their database rather than sourcing new candidates.

Another key strategy for recruiters will be **driving applicants through social media**. Whilst social platforms can be highly competitive for recruiters, engaging the right audience is imperative to success. This is likely where the focus on improving branding will play a role. With 26% of candidates taking a proactive approach to improving their branding throughout 2022, it shows further progress of change within the industry as agencies understand the importance of a strong brand presence across all platforms.



Outlook for Recruitment after Covid-19

Last year we surveyed agency leaders to find out when they expected revenue to return to pre-COVID levels. This year we wanted to get an update on COVID recovery progress and a better understanding of the impact of the virus.

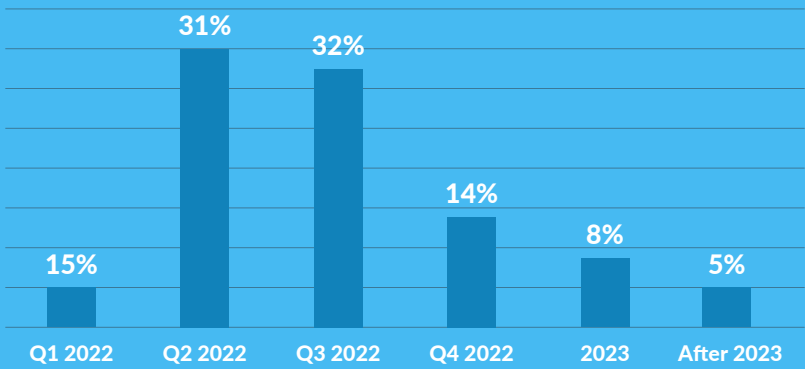
Has your revenue returned to pre-COVID levels?

We asked our respondents if revenue had now returned to pre-COVID levels and if not, when they expected it would. Here's what they said...

Has your revenue returned to pre-covid levels (March 2019)?



Sales Recovery from COVID-19



Highlights:

- **69% of respondents have** now seen their revenue recover to pre-COVID levels.
- The most popular answer was that agency owners expect their revenue to **return to pre-COVID levels in Q2 2022**.
- Only a combined 13% of respondents don't expect their revenue to **recover during 2022**.

What does this mean?

The impact of the crisis on the recruitment industry has been huge. Last year's survey results predicted that 78% of respondents expected their revenue to return to pre-COVID levels throughout 2021. Whilst recovery predictions fell short by 9%, it still shows great resilience and a strong bounce-back by agencies across the country.

Of the 31% of agencies who have not yet returned to pre-COVID levels, it's great to see that 87% of respondents expect to reach this milestone throughout the year ahead with the bulk of the recovery coming in quarters 2 and 3 of 2022.



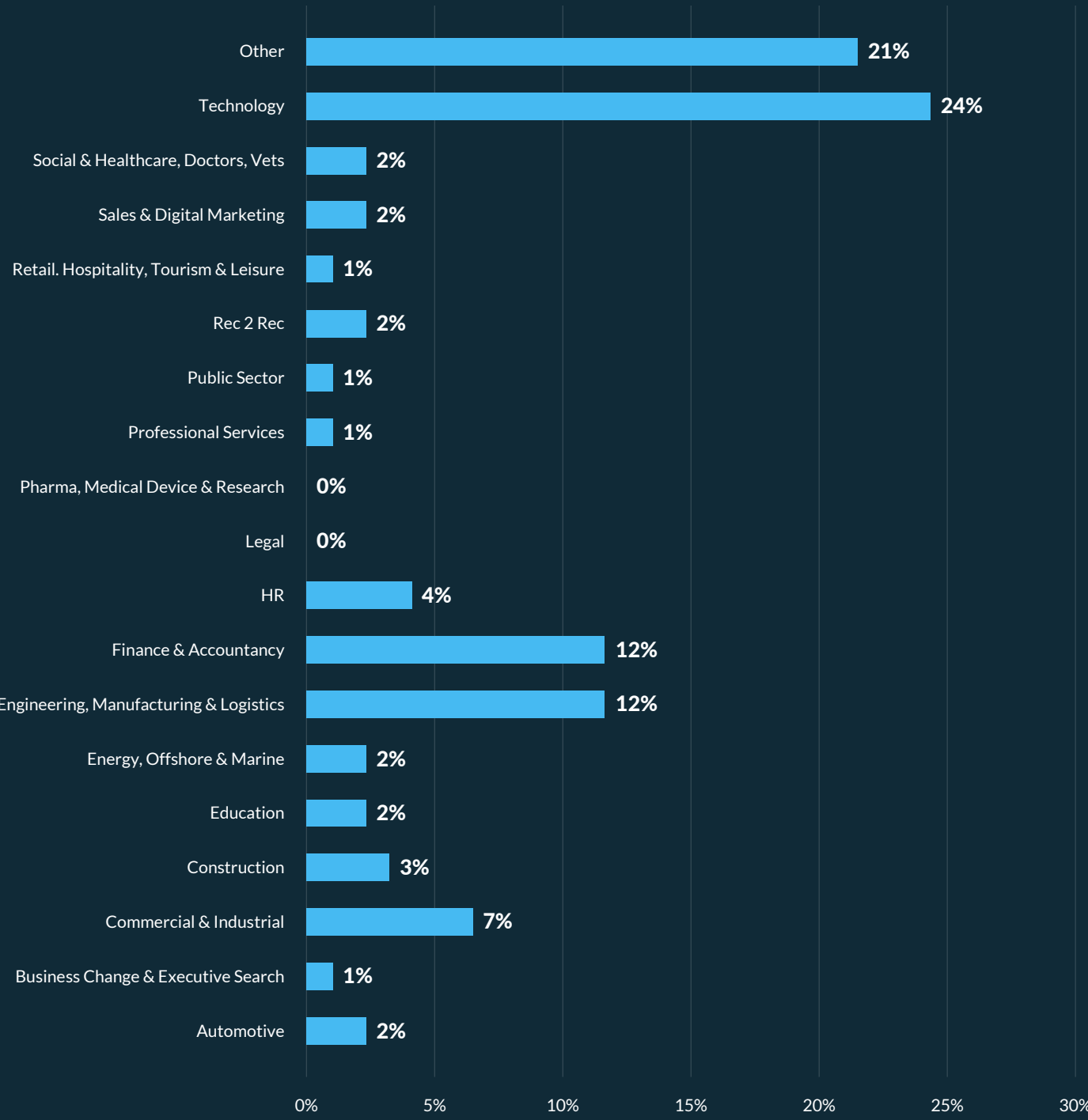
CHAPTER 8

How the Survey was Created

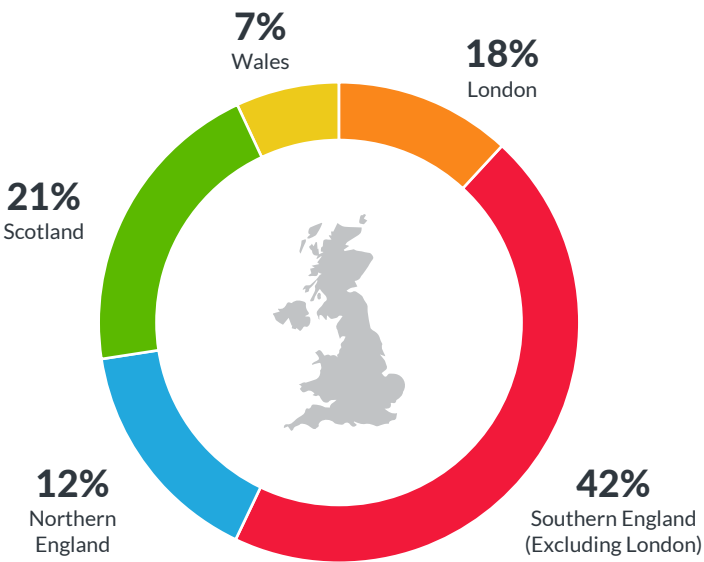
The **‘Firefish: Future of the Recruitment Survey’** survey was sent out to recruitment agency owners and directors based in the UK throughout the month of December 2021. A total of 121 agency owners completed survey, representing a broad cross-section of agencies specialisms and industries.

Demographics

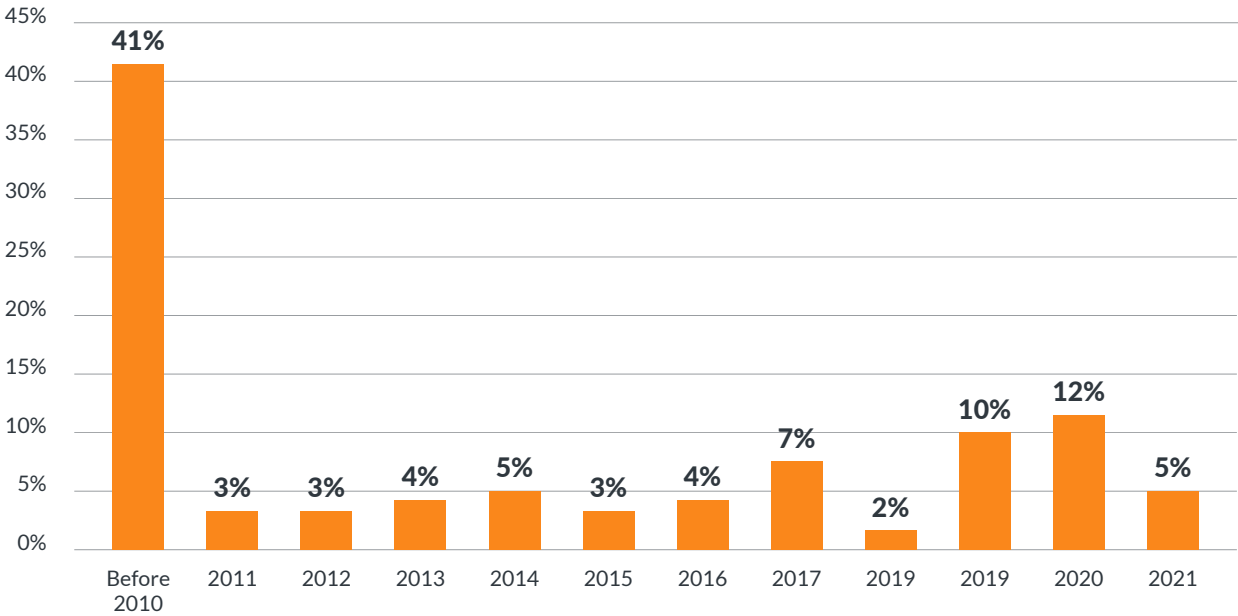
Key industry focus



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 reach top candidates first.

Firefish brings all of your recruitment activities together under one roof so you can manage them all in one place whilst helping you to make **25% more placements.**

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