

Recruiter HOT 100

Celebrate the growth trend



With 2013 drawing to a close, it is not just the recruitment industry that has witnessed a better year. With most indicators pointing in the same direction, businesses are welcoming the upturn in the economy, as growth is a key theme across many industry sectors.

As a whole, the recruitment industry not only mirrors the growth trend that we have seen across the economy, but in many cases precedes it, so those who have made the list of the *Recruiter* HOT 100 this year have excelled themselves in what has been a challenging time for the whole of the UK. The HOT 100 is an opportunity to celebrate the recruitment businesses who have worked through the years of recession, have become stronger in these hard times, and who are now embracing changes in the industry and the economy as a whole.

One of these major changes we have seen in the industry, and the business world as a whole, is the influence and exploitation of Big Data. Clients now expect suppliers to use the extensive data they hold to improve the services and value they provide. Data really is power, and for recruiters this can be used to improve placement success, or to provide their clients with faster and more relevant information. Whatever it is used for, Big Data is here to stay, and those recruitment businesses that are using such data will be sure to prosper in the future.

As a new business in 2013, Flo Software Solutions is very proud to sponsor the 8th annual *Recruiter* HOT 100. Working in the non-permanent recruitment software space, we are hugely excited to be starting our journey at a time when both the overall economy and the recruitment sector are turning a positive corner. We look forward to working with members of the HOT 100, who are a select and prestigious group of top recruitment businesses. A very warm congratulations from all at Flo to those businesses that appear in the HOT 100, both those who are there for the first time, and also those who are continuing to evolve and thrive.

Craig Aston
Managing director
Flo Software Solutions

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Reflective mood as recruiters invest in future

**Recruiter
HOT
100**

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HOT 100 COMPANIES FOCUSED ON CONSOLIDATION, AGAINST A BACKDROP OF RECOVERING OVERALL MARKET ACTIVITY WITH SOME SOLID GROWTH.

SUE DODD, DIRECTOR OF AGILE INTELLIGENCE, REPORTS

Consolidation appears to have been the main operational theme for the industry in the year under review for *Recruiter's* 2013 HOT 100.

On aggregate, the 2013 HOT 100 displayed modest growth in the 2012 or 2013 reporting year it represents. In total, 66 companies posted a rise in net fees. Overall, however, erosion occurred both in productivity and gross margin, showing consistency with both global and UK economic weakness and uncertainty.

Nevertheless, the HOT 100 shows a year of selective investment, despite evidence of mixed rewards from such investment in the past. For instance, growth in headcount did not yield full results from the much greater expansion two years ago.

But evidence in 2013 suggests recovering overall market activity with at least some solid growth. Perhaps productivity

stemming from all the new recruits of the past two years could be yielding returns as the economy starts to recover and the labour market sees increased activity. With considerable faith in the future, most HOT 100 recruiters have quietly been putting these fresh building blocks in place for their own longer-term recovery.

Getting hold of experienced fee-earners may have been a challenge, so more companies seem to be employing junior and 'academy' staff to nurture and train themselves. This in itself is stalling productivity growth, as fee growth lags behind headcount, but again, such hires represent a solid endorsement of the future.

Conversely, another trend at work is the continued erosion of aggregate gross margin, the product of a complex mix of permanent, temporary, client and contract factors. The erosion may, perhaps, be due

to less permanent activity and/or more volume contract or managed services business. As a result, the operational emphasis is increasingly upon process efficiency aimed at limiting overhead costs and thus increasing the conversion rate to the bottom line.

This trend provides the strongest incentive to drive conversion rates higher. Twenty-eight of the 2013 HOT 100 now earn gross margin below 15%; the proportion of such companies in the HOT 100 ranking rises annually. All but two of those 28 specialise in IT or engineering. At the same time, these are the very companies that are also marching up the ranks in productivity.

Industrial sector rebalancing, alluded to in last year's report, has progressed much further. At least eight further IT or technical recruiters have achieved HOT 100 status, and the best performing have also migrated up the table.

A noticeable trend has been job growth in the automotive, life sciences and oil & gas sectors, compared with weak demand in many parts of financial services or retail. Stealthy rebalancing seems to be under way as production begins to regain ground. The 'HOT' job sectors are, through a combination of skill shortages and rising demand, more biased towards the production sector than for many years.

The other near-silent recovery is being seen from public sector clients. This is far from widespread but, excluding the challenging locum doctor market, most companies are reporting growth again. This HOT 100 signals mixed gains in education, nursing, care markets and, particularly, in management recruitment. The recovery from recent staffing lows has at least begun.

The average size of the 2013 HOT 100 member jumped from around 200 to almost 300 employees, reflecting two factors. One is an increased number

METHODOLOGY

The data has been rigorously filtered by turnover and employee numbers; details available on request. The companies featured in this edition employ more than 30,000 in-house staff and account for £14.7bn of industry turnover. Latest available accounts have been used, dated 2012 or 2013 for all these companies – a few companies are excluded because of late filing. Companies filing abbreviated accounts and not providing their full figures separately are excluded.

Wherever possible, UK-orientated companies are considered. However, with the internationalisation of many UK recruitment firms the profile is evolving. In some cases and increasingly each year, group accounts have been used where these prove more up-to-date even if some overseas business is evident. Examples are Harvey Nash, Robert Walters, PageGroup (formerly known as Michael Page International), Hays and several IT recruiters. Primarily overseas operators have been excluded, although UK engineering specialists placing talent worldwide are included. Two prominent exclusions are Manpower and Reed, owing to accounting differences that invalidate comparisons.

Companies combining temporary employees in their employee count are not included, as this grossly underestimates their performance. Small search specialists and headhunters with almost entirely global interests are omitted for a variety of reasons – incomplete disclosure, overseas business 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 in this document.

Rank	Change	Gross Profit per Employee Latest Year (£)	Gross Profit per Employee Previous Year (£)	Company/Trading Name	Parent Group (where different name)	Gross Profit Latest Year (£m)	Gross Profit Previous Year (£m)	Sector Coverage
1	-	184,519	164,503	Shilton Sharpe Quarry		13.1	12.2	Legal
2	N	174,162	181,155	Vector Resourcing		5.6	5.3	Technology
3	▲	161,685	147,257	Morgan Law Partners		4.7	4.9	Multi-sector including executive-level finance, HR, PR and procurement
4	▼	158,531	149,579	Green Park Interim & Executive		5.7	4.6	Interim management
5	N	155,197	134,239	SystemsAccountants		3.9	3.1	Finance systems/projects accountants, IT, management consultants
6	N	145,896	193,084	WA Consultants		4.5	4.8	IT
7	▼	139,718	141,935	Oliver James Associates		12.9	10.5	Financial services and insurance
8	▲	137,585	124,088	NES Global Talent		60.4	43.7	Oil & gas, built infrastructure/utilities, power, life sciences
9	▲	131,644	125,798	Mayday Healthcare		15.1	13.1	Healthcare
10	▼	127,392	128,527	Henderson Scott		3.2	3.0	Technology – managed, financial, sales & marketing
11	N	127,334	129,247	Odgers (Group)		50.7	50.1	Executive search, interim management
12	▲	125,265	120,666	LA International Computer Consultants		11.8	11.1	IT
13	▲	125,099	113,352	High Finance (UK)		5.1	4.9	Finance, actuarial, risk, broking, IT
14	N	124,450	103,659	Penta Consulting		11.0	8.5	IT, telecoms
15	N	121,664	122,567	G2V Recruitment Group		10.0	8.1	IT, engineering
16	▲	121,651	97,810	Eames Consulting Group		6.4	6.8	IT, broking & underwriting, risk
17	▲	121,329	111,327	Fircroft Engineering Services (Group)		49.0	37.7	Oil & gas, mining, nuclear power, automotive
18	▼	121,140	132,078	Swift Technical Group		43.2	40.5	Oil & gas
19	▲	120,501	91,422	Opus Recruitment Solutions		2.5	1.8	IT
20	▲	120,186	85,417	GatenbySanderson		5.6	3.3	Executive search, interim management
21	▼	116,625	137,734	Walker Hamill		5.6	7.2	Multi-sector including accountancy, banking & finance, private equity
22	▼	116,188	120,567	NRL		6.4	5.7	Multi-sector including technical, construction, trades, oil & gas
23	▲	114,523	117,708	Air Energi Group		34.2	25.4	Oil & gas
24	N	113,447	86,341	Premier Group UK		5.1	3.5	IT, media, engineering
25	▼	113,256	151,291	Sheffield Haworth		12.2	16.9	Financial search
26	▲	113,184	86,543	Randstad Education	Randstad Holding NV	15.4	16.3	Education
27	N	112,249	119,248	Staffgroup		9.3	7.5	Technology, finance, oil & gas, power, mining
28	▼	111,653	124,239	Harvey Nash Group		83.0	78.5	IT, finance, interims, executive search
29	▼	111,574	117,967	Resourcing Group	Human Capital Investment (Group)	5.2	3.5	Multi-sector including social housing, facilities management
30	▼	111,465	124,365	Investigo		14.2	11.9	Multi-sector including accountancy, finance, change management
31	N	110,860	103,379	Finegreen Associates	Accountants in Demand	2.4	1.8	Healthcare – managerial & executive recruitment
32	N	110,167	67,750	Gravitas Recruitment		3.3	1.6	IT & actuarial
33	▼	107,553	119,719	Next Ventures		5.6	5.6	SAP, Oracle and vendor-orientated search and selection
34	▼	107,000	111,031	Resource Solutions Group		18.5	16.8	IT
35	N	105,737	78,080	Advantage Resourcing UK		12.8	11.8	Technical
36	▲	105,457	101,536	Caritas Recruitment	Human Capital Investment (Group)	3.7	2.8	Qualified social work, unqualified social care
37	▲	104,903	97,745	Lorien Resourcing		18.4	16.1	IT, telecoms
38	-	104,132	105,615	Source Personnel		1.6	2.6	Marketing, creative & media communication
39	N	103,431	129,228	Nigel Wright Consultancy		6.7	7.4	Consumer products & services, industrial, manufacturing
40	▲	102,705	100,391	PPF		8.6	6.9	Drivers
41	▼	102,480	111,665	CBSbutler		6.5	5.5	Multi-sector including industrial control & automation, aerospace
42	▲	102,054	98,797	First Technical Recruitment		6.6	5.2	Technical into nuclear, chemical, water, oil & gas
43	▼	102,000	105,563	Badenoch and Clark	Adecco SA	6.1	5.0	Banking & finance, legal, IT, property
44	▼	100,802	126,179	Red Commerce		16.8	19.1	IT
45	▼	100,724	101,849	People Source Consulting		2.8	2.3	IT, technical, engineering & management
46	▲	100,009	100,193	Coyle Personnel		11.9	11.2	Technical, construction, medical, rail, engineering
47	▼	99,729	109,443	PageGroup (was Michael Page International)		526.9	553.8	Accountancy, finance, legal, engineering, IT, retail, sales & marketing
48	N	99,645	134,941	Allegis Group (UK)		62.6	46.0	IT, engineering, technical, professional
49	▼	99,610	115,538	Aspire Global Network		8.4	9.4	Digital, editorial, design, market research
50	▲	99,081	99,367	GCS Recruitment Specialists		7.5	7.2	Technology, IT, financial services, digital media

Key: ▲ Up ▼ Down – Unchanged N New



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51	▲	99,010	90,512	Modis International	Adecco SA	7.2	6.0	IT
52	▲	98,897	100,328	Matchtech Group		38.4	36.1	Technical, construction
53	▼	98,724	115,064	Tangent International Group		6.6	6.2	Multi-sector including ICT, call centres, office support
54	▲	98,481	96,717	Rullion Engineering	Rullion	7.2	6.3	Engineering, technical, construction including nuclear, oil & gas, power
55	▼	98,412	99,039	Purple Consultancy		2.1	2.2	Digital, design, advertising & integrated
56	▼	97,400	101,005	Redrock Consulting		4.5	3.7	IT, telecoms
57	N	97,380	95,342	Orion Engineering Services		37.4	32.0	Multi-sector including energy, aerospace, construction, IT, commercial
58	▲	96,528	86,691	Eximius Group		5.5	5.9	Finance, engineering, law
59	▼	95,125	101,750	Shorterm Group		6.1	6.1	Aerospace, automotive, construction, engineering, rail, telecoms
60	▼	94,847	117,769	RIG Medical Recruit		2.6	2.6	Radiography, occupational therapy
61	▲	94,649	89,594	Twenty Recruitment		3.4	3.3	Multi-sector including finance, commerce & industry, prof services
62	▼	94,257	125,692	Templeton & Partners		1.9	2.8	IT
63	▼	92,795	96,990	Rullion IT Plus	Rullion	7.5	7.7	IT
64	▼	92,662	104,434	Digby Morgan Consulting	Randstad Holding NV	3.8	5.3	HR
65	▲	92,360	93,336	Pertemps Recruitment Partnership		44.7	41.4	Commercial, industrial, drivers, other
66	▼	91,896	95,754	SThree Group*		205.3	195.5	Multi-sector including financial, energy, IT, pharma, public sector
67	N	91,867	83,317	HCI Group Synergy	Human Capital Investment (Group)	4.1	3.4	Social care, housing, revenue & benefits
66	▼	91,786	101,371	Eden Brown	Human Capital Investment (Group)	12.0	11.8	Technical, housing, social care, public sector
69	N	91,453	93,242	Hays		719.0	734.0	Multi-sector including construction, financial, public sector, pharma
70	▼	91,426	95,795	CD Sales Recruitment	Cavey Dale Group	3.4	3.9	Sales professionals into specialists sectors
71	N	90,409	93,753	Jenrick Engineering	Simon Holdings	2.0	2.1	Engineering
72	▲	90,395	87,804	FiveTen Group		50.1	53.6	Accounting, banking, legal, marketing, other
73	▼	89,672	98,211	Experis	Manpower Inc	29.8	29.3	IT
74	N	89,537	72,537	Mark Education	CORE Education and Technologies	4.8	3.9	Education
75	N	88,597	68,861	Aberdeen Appointments Agency		3.0	2.3	Oil & gas, accountancy, office support, HR, training
76	▼	87,650	98,389	Brightwork		3.7	3.5	Multi-sector including drinks, industrial, engineering, office, construction
77	▼	87,345	91,086	Timothy James Consulting		5.8	5.2	Project management, IT, finance, HR, procurement, marketing
78	▲	86,778	86,467	Morson Group		41.8	38.9	Aerospace/defence, rail, nuclear/energy, construction, oil & gas
79	N	86,694	104,032	Phaidon International (UK)		8.1	9.4	Banking & finance
80	▲	86,307	81,898	Prime People		7.6	8.0	Multi-sector including real estate, built environment, energy, analytics
81	N	86,208	63,447	Randstad Care	Randstad Holding NV	8.3	11.3	Social care, nursing, allied health professionals, social housing
82	▼	85,906	94,852	Robert Walters		188.4	183.4	Accounting, finance, banking, legal, support
83	▼	85,675	88,571	Morgan Hunt UK		13.3	12.9	Multi-sector including housing, social care, education, corp services
84	▼	85,034	87,864	Workmates		5.4	4.7	Construction, technical, trades, social housing, facilities management
85	N	84,770	103,966	ROC Search		3.1	2.4	IT, white-collar engineering
86	N	84,619	84,866	Black Swan Associates		1.7	1.7	Financial services including compliance, risk, audit, insurance
87	▲	84,489	85,813	Hydrogen Group		31.3	29.8	Multi-sector including technology, finance, business transformation
88	▼	84,350	99,708	Ajilon (UK)	Adecco SA	17.1	20.1	IT, other professional sectors
89	▼	83,978	93,195	Hudson Global Resources	Hudson Highland Group	37.4	46.8	Finance, accountancy, banking, HR, legal, IT, office support
90	N	83,872	67,705	Orion Electrotech		3.9	3.5	Domestic gas engineers, construction, technical
91	N	83,738	73,756	Scantec Personnel		4.0	3.5	Nuclear, petrochemical, pharma
92	▼	83,477	104,844	The ReThink Group		20.1	18.1	IT candidates into financial, retail, technology and other
93	▼	83,412	101,593	The Exsurgo Partnership		2.0	2.1	FMCG, retail
94	▼	83,218	99,330	MRL Group		4.9	5.6	Semi-conductors, ICT, lighting, risk, origination & trading
95	N	83,080	71,636	IDPP		2.8	3.0	IT, telecoms, executive, technical sales, interim
96	▼	81,985	92,470	Darwin Recruitment		5.0	4.2	IT, telecoms
97	▼	81,129	102,258	Cornwallis Elt		2.9	3.2	Financial services including buy & sell side, digital media, insurance
98	▲	81,081	81,239	Parity Resources		6.0	5.8	IT
99	▼	80,737	88,345	Mane Contract Services		3.8	4.1	Technical
100	▼	80,540	91,658	RDL		6.1	6.6	Business intelligence, ERP/CRM, pharma

*SThree constituent companies have been amalgamated. The change symbol is based on the average for the four companies' values last year.

of companies included at group, not subsidiary, level with an aggregate of all their employees. Also, crucially, some net organic growth has been experienced by more than two-thirds of constituents. Some has taken place via overseas offices, but many of the HOT 100 do not even operate outside the UK, and headcount increases have straddled both camps.

For an industry often thought to be weak on strategy and strong on instinct, the continued expansion over the past year seems to be a textbook example of measured investment in the future.

Calendar year 2012 proved to be a period mainly of consolidation across the industry with its sales value rising barely above 5%, according to the Office for National Statistics (ONS), and possibly entirely explained by temporary payroll cost increases.

There is, however, an underlying shift in the proportion of business derived from temporary and permanent placements, and also in the share taken by managed service operations. This is seen in the fall in the bulk of company gross margin percentages.

Continued demand for managed services illustrates the client drive for efficient and transparent delivery models that can offer value-add metrics. To compete, recruiters seek to provide low-cost delivery through process efficiencies, and the lower gross margin simply feeds the need for greater productivity and a lower cost base. Gains in gross profit per head since 2009 still provide a cushion to enable companies to pursue expansion goals despite a slow payback, but within the next two years the benefits will need to flow.

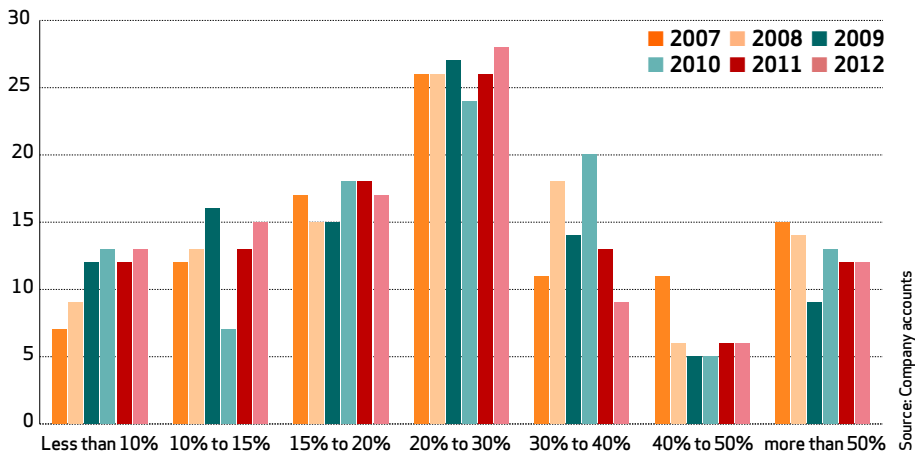
With little corporate consolidation seen in the recruitment industry, despite the challenging economic environment, the persistently fragmented market continues to encourage companies to invest in the knowledge that market share gains are achievable, fortune may favour the brave and nobody is ever just 'average'.

Agile Intelligence has compiled the HOT 100 Report on behalf of *Recruiter* to determine which companies are best at leveraging their intellectual assets. Measuring the gross profit (net fees) per employee indicates how effectively an organisation uses the skills of all its people to generate a profitable return for stakeholders. All in-house staff (excluding temporary workers or contractors) are included in the calculation — not just fee-earners. This measurement is a standard senior management key performance indicator (KPI). Companies emerging strongly from this analysis, especially if featuring regularly, are those that operate the most productive organisations.

Which companies derive most added value from their own employees (before allocating overheads), yet still engender the right atmosphere to encourage a profitable

EXAMINING THE MARGIN BREAKDOWN IN MORE DETAIL

Percentage of HOT 100 companies by gross margin band (in accounting year)



Source: Company accounts

and sustainable sales approach? The 2013 HOT 100 provides the answers.

Key findings

2013 HOT 100 group sales turnover rose 8%, ahead of the whole recruitment industry sales turnover growth of 5.1% reported for calendar 2012 by the ONS. As a group, HOT 10 technical recruiters added over 23% to net fees, while HOT 10 professional recruiters rose just 1.1%.

The HOT 100 accounts for almost half of industry sales turnover. Like for like, comparing this group against their own figures for the previous year, growth proved more cautious. Overall headcount gained 5.8% but translated into just a 2.0% rise in gross profit (GP), with productivity unable to keep pace as staff were added. So GP per head again fell slightly. Gross margin also fell. Like for like:

- The 2013 HOT 100 companies collectively reported an increase from their previous year in latest available sales of 8.0% to around £14.7bn.
- HOT 100 combined GP reached £2.9bn, a gain of 2.0% versus their prior year.
- HOT 100 companies' in-house headcount rose 5.8% to total 30,102 employees.
- Productivity (GP per employee) for this group of HOT 100 companies fell by 3.6% over the year to an average £97,415. This figure also stands 6.6% below last year's HOT 100 group average of £104,263.
- HOT 100 average gross margin fell 120 basis points for these companies to 19.9%. A shift in the business mix from permanent to temporary fees is likely to be a contributing factor.
- This HOT 100 group in the past year added just £57.3m in net fees with an additional 1,649 staff at an incremental gross margin of only 5.2%, making barely an incremental £35,000 additional GP per head. This backs the view that much sales growth was not converted even into fees, either through passed-on payroll costs or through pricing pressure.
- Entry level (ranked 100) to the 2013 HOT

100 was £80,737 in GP/head, just slightly below last year's £81,239.

Across all HOT 100 companies, 72% expanded their workforce compared with 77% previously. But only 39% increased GP/head, below even last year's dip to 45%. This suggests a more reflective approach, since the headcount growth at 5.8% was much more modest than the prior year while the returns from that previous expansion have yet to be seen in full.

The dream combination of expanding workforce and rising productivity was achieved by only 23% of the 2013 HOT 100, versus 36% last year. Smaller firms proved better at achieving this goal, with the following success rates:

- 28% of the 36 firms with less than 50 employees
- 20% of the 64 firms employing above 50 employees

Gross margin (*see chart above*) is the GP (or net fees) as a percentage of sales turnover. 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 gross margin level, as does the trend in temporary pricing and employment-related costs.

- Margin distribution of 2013 HOT 100 versus previous issues: high-end margin players (driven more by permanent) unchanged in numbers; middle margin players, with more of this group achieving margins towards the top end of the 15-30% range, while bottom-end margin suppliers (<15%) rose markedly. At the very bottom, below 10%, the number of companies increased but also in the 10% to 15% margin band.
- 6% of the HOT 100 — down from 7% — almost entirely permanent recruiters.
- Permanent market remained subdued with further losses in some sectors; evidence that the temporary and contract business proved more robust overall for the 2013 HOT 100 members.

- Most represented group, and rising: those companies with margin between 20% and 30% — ie substantial temporary but also a high portion of permanent fees, possibly 50/50 in this range, or specialist temporary in a higher-margin niche.
- Biggest losers: the 30-40% margin band saw a substantial loss from 13 down to nine constituents
- Most gains: the 20-30% margin band gained most, owing to a shift towards temporary from permanent business mix for companies with combined earnings.
- 28 agencies now achieve gross margin below 15%, with 13 of these below 10%.
- A permanent squeeze has added pressure on many firms, and those servicing both temporary and permanent market in the middle-margin bands have shifted mix, and therefore gross margin, towards the temporary end of the range. Several companies dropping out of the HOT 100 saw gross margin reductions of more than 2% (200 basis points), explaining the drop in numbers in that 30-40% band and also some migration into the band below.

Company trends: As technical firms strengthen, public sector specialists also begin to revive

After last year's strong push upwards, the bar for entry almost held firm at just below £81,000 GP/head this year, but there were few signs that the investment of last year had moved companies forward. Indeed, most presided over a drop in productivity yet continued to add headcount, albeit more cautiously, during 2012/13.

Only 23% of companies achieved both headcount and productivity growth versus 36% last year and 34% the previous year. Of these 23 companies, IT and technical sectors together provided 15, with two professional recruiters and one driver agency, but also five public sector specialists, illustrating a turnaround from the previous year when there were none.

A threshold of £80,737 represents a mere 0.6% decline on last year's minimum threshold, emphasising the message of stability and consolidation. Nevertheless the constituents themselves have changed, with a mix of IT, care and professional firms slipping below the cut-off.

For most generalist recruiters, average fee levels are too low to compete with the specialists on people productivity. So once again, the office and industrial market is grossly under-represented here. In many companies, an efficient operational process will compensate for low fee rates, but this is evident only on the bottom-line profitability.

While the top 10 has often been professional recruiter-biased, this sector has lost ground across the whole HOT 100 in recent years and is only now creeping back up. There are seven professional recruiters listed in the top 20, only four of which make the top 10. Seven IT staffing companies are

listed in the top 20, of which three are in the top 10 while the top 20 balance comprises three public sector firms and again three technical recruiters.

Last year's winner, SSQ, the permanent professional legal recruiter, maintains its strong showing and improved GP/head by more than 12% to £184,519 to hold its top spot, illustrating the benefits of a focused niche specialisation. Second is Vector Resourcing, covering the full range of IT/technology roles from its Southern England base, also enjoying some European business.

The top 10 are consistently focused specialists, even though purely global search firms are excluded from this remit. This year NES Global Talent has replaced Swift Technical Group as the largest firm in the group and the top performing engineering/technical provider.

Increasingly international business from UK recruiters has led us to include more group-level accounts in this analysis, so STthree is amalgamated to join PageGroup (formerly Michael Page International), Robert Walters and Harvey Nash, and Hays also comes in at 71st but Networkers is eased out. Where it still makes sense to separate brands we do so. This shift of emphasis gives a more polarised, yet broader, view of the market.

Overall, 22% of HOT 100 companies employ more than 200 staff, while at the other end of the scale 13% employ between 20 and 30 staff, rising to 36% for all staff up to 50. So there are more independently

owned — or privately financed — and smaller companies than previously. This change supports evidence from the ONS, which showed a slow trend towards smaller agencies in the past year.

General staffing

The number of 'generalists' within the HOT 100 has receded further with just four left (six last year) and even some of these are specialists within the industrial market.

The highest rated, at 40th, is PPF, the driver specialist, which has grown quickly in a market displaying noticeable candidate shortages through a business model that can thrive despite margin below 10%. The remaining companies ranked are Per Temps, slightly up at 65th and still the sole national UK 'High Street' brand, Brightwork (in Scotland) and Workmates, although one or two other constituents may straddle the line between professional and generalist.

While many office, industrial and other general recruiters did not make the cut, their success depends increasingly upon improving efficiency levels to increase profit conversion to the bottom line of their P&L (profit & loss) account. In an increasingly managed, service-driven marketplace, it becomes inevitably harder to keep pace with smaller specialist providers on gross margin, fee levels and thus productivity.

• See recruiter.co.uk for the HOT 100 breakdowns of four specialist groupings — IT/telecoms, technical, public sector and professionals.

OUTLOOK AND CONCLUSION

The demand patterns from last year have progressed with a far greater HOT 100 presence for technical recruiters, while IT also remains in the lead. Both sectors, within the HOT 100, reported overall substantial headcount expansion last year, in contrast to the professional and public sector recruiters. Together, these two sectors account for 52% of HOT 100 companies, punching well above their weighting in the wider workforce.

The strength of oil & gas has undoubtedly played its part, but resurgence in technical roles is not just about the energy sector. Several engineering sectors see increased demand for technical skills, many of which are in short supply. In this respect, at least, the prediction last year that the recruitment industry would be an essential part of the solution for our economy is on track. Economic rebalancing may prove slow, but technical recruiters are at the leading edge of any such change.

After a nervous end to 2012, economic recovery in 2013 has exceeded expectations and most forecasts are being upgraded. Thus far, GDP growth has been more consistent, and possibly more sustainable, than seen since pre-recession. Talk of double-dip and triple-dip recession has itself receded, to be replaced by forward-looking concerns on a possible resurfacing of a housing market bubble and household debt spiral. Assuming that we do not turn full circle in this way, and given that the eurozone continues to progress away from the brink, prospects look much sounder for 2013/14.

With a strong correlation between GDP and recruitment activity, the returns on the investment in people since the substantial cuts incurred in 2009 look likely to come to fruition. If both the private and public sector (less established) are in recovery, then activity levels should rise selectively with improving prospects for many recruiters, while the industry's fragmented profile still offers opportunity for relative outperformance to grow market share, even in the weaker individual sectors.

The past two years' headcount expansion has not yet paid off for many recruiters but the fast-changing combination of economic, workforce and recruitment trends suggests that those companies with the right people, market strategy and delivery should at least begin to reap some of the rewards going forward.