



MOST COMMON CHALLENGES START-UP RECRUITMENT BUSINESSES FACE

PART 1

JUNE 2022



Start-Up Challenges

Starting your recruitment agency is an exciting moment since it allows you to use the expertise and knowledge you've developed over the years in your own business venture. However, these exciting new challenges do come with their risks.

Therefore, we've looked at the many challenges you can encounter as a recruitment start-up and how you can overcome them.



Terms of Business

As you may be aware, the focus of your new recruitment business is to provide your clients with the candidates and placements they require. Therefore, it will be difficult to clearly indicate your and your clients' obligations without a contract. That is why you must have Terms of Business (TOB) in place from the start.

Ensure that all Terms of Business are legally sound and are signed and proofread. They must be associated with the correct legal entity for the client you are invoicing. If incorrect, it could put your premiums up if you have to make a claim or even invalidate your debt protection insurance. Putting your business at risk if a client doesn't pay.

Make sure payment terms are correct. If you are expecting a client to pay within 14 or 30 days (your payment term), make sure it states from the date you raise your invoices. If you do not state when they start, you could confuse the client as they will not know when the payment terms start or when to pay by.

Additionally, if you are offering a rebate scheme to Perm clients, make sure your terms are clear and correct. For example, if you offer a rebate tier for months 1-4, 4-8, 8-12, and a client wants to claim back on week 4, the claim could be made across two tiers of the rebate structure, and it isn't clear where it falls. Your client will most likely ask for the higher amount, so make sure you are clear and precise. As well as this, make sure you are clear that to receive a rebate, clients must pay invoices to payment terms.

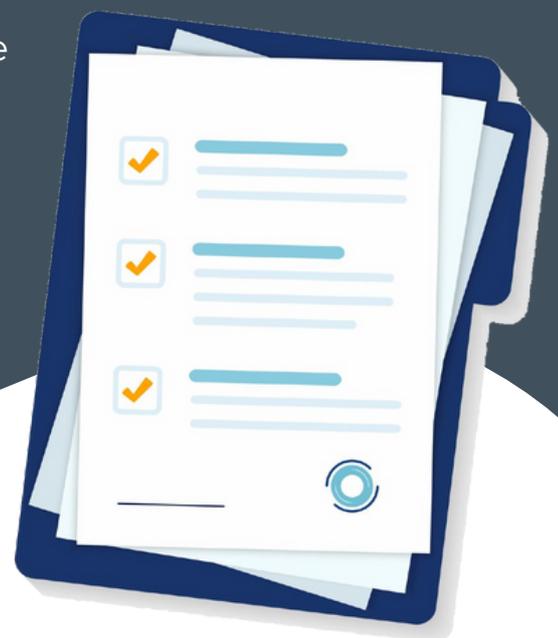


Client Terms of Business

Having Terms of Business in place right from the start is key when it comes to protecting your new business from delayed payment or clients not paying at all. But there is another risk that you need to keep an eye out for, and that's **Client Terms of Business**.

Some clients may provide you with their own Terms of Business. Make sure to read them, or even better, get a professional to check them over. You could find that there are intermediary companies like Recruitment Process Outsourcing companies (RPOs) or vendors that will have a different set of terms of business that you, as the agency, are expected to sign. These terms could have clauses, such as pay when paid (You don't get paid until the client gets paid), separate portals you need to use to upload timesheets, self bill agreements (clients will raise their own invoices) or extended payment terms (30 days end of month, 60 days or even 90 days).

Another clause to look out for is a set-off clause. This is where a client can set off a dispute for outstanding invoices being paid. Also, some terms may dictate how much you can charge. These are all risks to your business, so it is essential to understand the processes from a vendors perspective. As mentioned, a great way to look out for these clauses is to get an expert to look at your clients terms.



Confirmation with clients

Before you start trading with your client, make sure you confirm with your clients that the deal has been agreed upon and that they are happy with the charge rate.

Ensure you are clear on where the invoices need to go, what they need to have on them and whether they need to be split. If so, how do they need to be split? By site, by purchase order, or by candidates.

All of these aspects can create a slow payment from clients. So if you don't invoice the client correctly, the client will find it difficult to pay you, and they may even use it as a grey excuse not to pay you. Causing late payments and cash flow problems for your recruitment business.



Debt protection

Debt protection can safeguard and payout if your client goes bust, but only if you are trading within the credit limit. It is best to do your research as some sectors, such as government funding sectors, won't need debt protection. When researching credit limits, be aware that you may need to pay a premium. Also, be mindful of processes with credit limits, debt protection and going to court. First, you need to make sure that you have done everything to ensure the client knows they need to pay you (assignment notice); this will include an email and a phone call. Make sure that you log these as being completed.

Then you need to have evidence that you have chased the invoice, enough to say that this is an unreasonable amount of time not to have paid. Be aware that you can break specific laws if you chase that client excessively.

Finally, should the worst-case scenario happen, you should have a legal professional pursue the client to try and retrieve the money.





You need to make sure that your debt insurer will allow you to be covered on your clients and invoices based upon any client terms of business you may receive.

Make sure your insurance covers your client and any vendor/RPOs (if required). If you are not insured and decide to continue with a client and their terms of business, you could risk not getting paid back on a claim.

You need to make sure both are insured because there will be money moving between them. Once the client pays money to the vendor, it is then the vendor's responsibility to pay you. So the risk will be across multiple businesses rather than just one.



Manage your clients

Not all business is good business. So managing your clients is very important when it comes to protecting and growing your new recruitment business.

How will you determine who is a good business and who is not? Carrying out due diligence checks on new clients is a good start. Make sure your clients don't have any County Court Judgments (CCJs) or bad payment history. In addition, use a credit checking facility to ensure that they are creditworthy.

Credit limits are a good indicator to help you manage your business pipeline, enabling you to keep an eye on how much business you can do with each client and whether you can increase business or not.



Compliance & Legislation

You must ensure that your recruitment business is compliant at all times. Failure to do so could result in substantial fines, putting you and your business at great risk.

There are a number of UK employment laws that you need to adhere to, for example;

- Employment Rights Act 1996
- The Equality Act 2010
- Agency Worker Regulations 2010 (AWR)

Plus, don't forget that if you work within a specific sector, there may be other regulations that you need to follow. So make sure you do your research and ensure that you are working within the rules and regulations.



Onboarding & paying workers

Following on from compliance and legislation, there are rules that you also need to follow with regards to onboarding new workers and keeping your current workforce updated.

Make sure you set up a robust process for onboarding new workers and keep track of when any documentation may expire in the future. This may include:

- P45 or New Starter Checklist
- Right to Work checks
- DBS Checks (if required)
- Pensions scheme information
- IR35 (if you are paying contractors)
- CIS Status Checks (if construction sector)
- Certificates & Licenses (for specific job roles)

Then comes the fun part of paying your workers, which is a job in itself. Do you know how to calculate tax and national insurance? How much do you need to contribute to pensions? What about AWR and accruing holiday pay?

Paying your workers correctly and on time will make both your workers and clients happy. Speak with an accountant or a professional payroll provider (research providers that will work best for your business) about onboarding and paying workers.



How can you prevent some of these challenges?

1. Make sure your Terms of Business are correct and signed by your clients.
2. If a client provides you with their own TOBs, read them through or get a legal professional to look over them to make sure that they tick all the boxes going forward.
3. Always get confirmation from your client on the job required to save delays in payments.
4. Protect your business with a debt protection policy.
5. Carry out due diligence and credit checks on new clients.
Remember - not all business is good business.
6. Follow the recruitment rules and regulations without fail.
7. Set up a robust onboarding process for new workers and keep on top of their records.
8. Pay your workers correctly and on time. Speak with a professional provider if you are out of your depth.
9. Don't be afraid to outsource!



The answer is Simplicity.

Simplicity has provided market-leading recruitment finance and back-office solutions to start-up and growing recruitment businesses for over 18 years. We only work in the recruitment industry, which means we understand the challenges you face and how to overcome them. Whether you are looking for a temporary or permanent solution, we have the funding, team, and technology to get you started and support the growth of your recruitment business.

Our Finance Solution offers recruitment businesses 100% cash upfront as standard on temporary workers and permanent placements. Our unrivalled team will take care of your client's due diligence and credit checks and process payroll, and pay all of your workers each week. Plus, invoice your clients and chase any outstanding payments.

Simplicity can instantly solve a lot of the challenges you may face from the start. Leaving you to focus on pursuing new business, searching for the best talent and other fee-generating activities.



KEEP IT SIMPLE, GET IN TOUCH

Contact us on 01594 888518 or sales@simplicityinbusiness.com to find out more about our start-up recruitment solutions.

Watch the show

This whitepaper is based on Part one of the UK Recruiters Start-up Focus Chat Show.

Simplicity's Business Development Executives Helen Edwards and Alex Goode discussed with Louise Triance 'The Most Common Challenges Facing High-Growth Start-Up Recruiters' Businesses'

Like what you've read? Why not check out the live show!



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