



START-UP: **TEMPORARY OR PERMANENT RECRUITMENT?**

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Temp or Perm Recruitment

You must decide what kind of recruitment service you want to offer if you are considering opening an agency without any prior business expertise.

In the UK, many different kinds of recruitment agencies in various industries offer several recruitment services, including permanent (inclusive of search), temporary, and contract (including interim). Before making a choice, it is crucial to comprehend the potential effect that these different recruiting types' could have on your company's performance.

Here we highlight some of the benefits and drawbacks in both temp and perm recruitment, as well as the factors you should consider before proceeding.



Pros of Permanent Recruitment

More expensive fees in one instance

You may quickly earn sums in the substantial thousands of pounds by using a portion of the client's annual salary as payment for your effective services. Depending on your expected earnings, making only one placement monthly can leave you comfortably wealthy.

Reduced Admin

The administrative work necessary is limited to the processes of sending CVs, scheduling interviews, and confirming offers after initial terms have been agreed upon without the need for complex application forms, references, and other screening criteria. Payroll and timesheets are also unnecessary because your customer will be in charge of the employee once you have hired them.

Moderate Compliance Levels

You must abide by all relevant provisions of the Employment Agencies Act, the Conduct Regulations, and current employment law. It suffices to note that this primarily focuses on avoiding unlawful employment and not charging an applicant for services related to job placement.



Cons of Permanent Recruitment

Duration of the placement process

Finding the ideal applicant and guiding them through the entire process may take weeks or even months, depending on the details of the position you are attempting to fill.

Awaiting payment

While you can earn a nice lump payment for your placement, you might have to wait up to 30 days before you are paid unless you and your customer have a special agreement in your terms. This lack of cash flow might be detrimental if you don't have any personal funds to support your new business.

A reputable invoice discounting business might be your perfect partner if you're willing to forgo some fees for receiving payment earlier than the 30-day deadline.

No Return Business

If you work with smaller businesses or corporate clients, you could discover that when you successfully fill a position, they may not have another one for you for a while. Therefore, you must ensure a pipeline of openings with several consumers to keep the sales flowing.



Rebate Times

Customers will demand that your terms and conditions of business include a rebate clause. Therefore, until this period has elapsed and the candidate is still in office, you cannot be assured that the fees you have paid are entirely yours. To prevent having to return the money, it is wise to ask about a free replacement.

You must put in the effort to earn money

You won't have any possible placements if there isn't any activity during any given period due to holidays, illness, or other absences. Make sure you have a full pipeline so that any absences won't stop your progress or force you to start again.

Potential buyers are less interested in a Perm Only Business

Compared to a contract/temp agency, a company that primarily works with permanent placements has a lower company value because the future fee value is almost nothing. Making sure your clients sign agreements promising to give you a certain number of openings each year can help you enhance this.



Permanent recruiting focuses on hiring highly qualified and talented employees eager to learn and grow with your clients' businesses.

Here is our one-stop resource you may refer to again and again. Perfect for adhering to regulations, executing a failsafe recruitment process, and employing the right candidates to last and build better client relationships in the long term.

[HOW TO RUN A SUCCESSFUL PERM DESK](#)



You can successfully handle a perm desk if you organise your daily tasks to mitigate the disadvantages mentioned above. Here is a helpful list of benefits and drawbacks to help you decide what is ideal if you try using temporary workers when you first launch your new agency.



Pros of Temporary Placements

Recurrent Charges

Once your agency has many temporary employees, you may start collecting fees without needing to find more candidates. Therefore, the profit margin produced by temps can cover overhead costs each month, reducing pressure on the need for new sales. In addition, every day your candidate works, you will still be making money, even if you are on holiday.

Ongoing Relationships with Clients and Candidates

You must communicate with your clients and applicants every day if you want to run a successful temporary placements business. This enables you to forge excellent connections and establish yourself as the go-to person if a customer needs to fill a new job.

New Possibilities

By offering excellent service and keeping strong bonds with your applicants, they may recommend you to new clients without putting in the time-consuming effort yourself.



Cons of Temporary Placements

Finding Temporary Positions

If you haven't done it, it is more difficult to convince a customer that you can offer a decent temporary recruitment service. Entry-level restrictions are common; Preferred Supplier Lists (PSLs) are one such restriction.

Database

You must create and manage a sizable database to answer your clients' demands daily. Building this from scratch takes a lot of time and money, and there are no assurances that candidates will be accessible when you need them to be.

Cashflow

Temps need to be paid each week, but how will you be able to pay them if your customer doesn't pay you till the end of the month? In addition, you won't have access to your cash. If necessary, it is wise to work with a finance business that may advance you a portion of the value of your invoices in exchange for a pre-agreed fee. Check the legal details with these suppliers because you can end up with a new equity partner, director, or debenture as a consequence.





Management and Compliance

It takes a lot of administration and compliance to manage a temporary desk. Primarily if you work in fields that include vulnerable persons or kids, it frequently happens that an agency must hire someone else to accomplish this or outsource it to another company for a monthly charge due to the nature of the job involved. This diminishes any profits made and, as a result, raises the need for placements.

You do not influence the margin

While recurring payments are advantageous, you are dependent on the temporary employees showing up for work each day. Any day missed due to illness, vacation, or absence reduces your profit margin.



Current Trends

Professionals in the staffing industry are under pressure due to the UK skills gap. However, given that 1,300,000 job openings were available from March to May 2022, according to the most recent data from the Office for National Statistics (ONS), this trend appears to be far from done.

We can observe that there were 16% more permanent and 19% more contract openings in May 2022 compared to April 2022. However, the yearly comparisons showed the highest increases, with contract job openings rising by 34% and permanent positions rising by 25% between May 2021 and May 2022, respectively.

All jobs showed monthly and annual increases in placements, but the yearly rise in permanent placements (44 %) is caused for concern in a labour market with a skills shortage.

Though this surge in placements and vacancies is encouraging for recruitment agencies, it also translates into an increase in sales income for permanent and contract clients. The evidence does point to a persistent need for highly trained contract workers, with income from these postings increasing by 28% between April and May 2022. Permanent placement revenue experienced a lesser monthly gain (16%), but the year-over-year data showed a more notable improvement, up 43%.



Conclusion

When you initially go it alone as a recruiter, you want to offer yourself the best chance of success.

Here at Simplicity, we advise choosing the market entry strategy that is the simplest and most effective given your qualifications and expertise. Depending on the specialised market you want to target, it could be crucial to start just offering permanent placement services and then transition to offering temporary ones once you have built up a strong network and a reliable financial operation.



The answer is Simplicity

For over 18 years, Simplicity has supplied market-leading recruitment finance and back-office solutions to start-up and expanding recruitment businesses. We solely operate in the recruiting sector. Therefore, we understand your problems and how to solve them. We offer the funding, team, and technology to get you started and assist the growth of your recruitment business, whether you are seeking a temporary or permanent solution.

Our Finance Solution provides recruitment businesses with 100% cash upfront on temporary and permanent placements. Our unrivalled staff will handle your client's due diligence and credit checks, process payroll and pay all of your employees each week. In addition, invoice your clients and follow up on any pending payments.

Simplicity can solve many of the problems you may face right away. Leaving you free to pursue new business, find top people, and engage in other revenue-generating activities.



KEEP IT SIMPLE. GET IN TOUCH.

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



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