



MARKET MAPPING

# SECTOR REPORT

RECRUITMENT

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# The Recruitment Outlook

A significant amount of research has been conducted by industry bodies and consultancies and this shows that by the beginning of 2022, M&A activity in the recruitment sector had grown to its highest level for at least 10 years [2]. That gave cause for significant optimism as the year progressed. By the end of Q2, the scale and variety of deals was approaching that of H1 in 2021.

Where the picture departs from the prior year is in the increasing involvement of overseas investors. The state of the UK jobs market is unusual, with record employment levels and rapidly expanding demand for talent in many high-growth sectors. This has encouraged investment in the recruitment industry. At this time of volatility, recruitment has become a significant contributor to economic growth, so it's not surprising that it has caught the attention of investors looking to find a way into a buoyant market.

Many UK recruitment firms have very strong management teams and are adopting a wide range of technological solutions to maximise their potential. This makes them attractive to overseas investors, but it also accounts for the growing interest from private equity firms who can see the long-term opportunities presented by entrepreneurial leaders in an industry that is ripe for growth.

It's worth emphasising that we are living in extraordinary times. The unemployment rate hit a 50-year low in 2022 [3] and continues to fall. As a direct effect of this, demand from employers is intensifying. Vacancies are on the rise and even though the rate at which they are rising may be slowing down, the direction remains upward. This is, of course, great news for candidates, but it also means that the recruitment industry is healthier and more competitive than it has been for years.

Recruitment companies with a vision for growth are therefore actively seeking investment to pursue that vision or choosing to de-risk in the light of their positive trading performances. The rise of generalist as opposed to specialist recruitment means the industry is well-placed to take advantage of the current state of disruption, embracing a more diverse mixture of sectors to maintain or increase revenues.

# Should we be optimistic?

While it's broadly safe to say that the privations of the pandemic are behind us, many sectors are still recovering and there is always the chance that new macroeconomic forces will negatively impact the recruitment sector. New developments - some predictable and others completely unexpected - have given rise to new uncertainties. Russia's invasion of Ukraine moved swiftly from sabre-rattling to war and has had serious consequences all over the world. The global grain supply chains have been severely disrupted, causing economic hardship most obviously in Africa but also affecting businesses and consumers in the industrialised west.

Gas supplies have come under strain, causing shortages and price increases. Inflation became a major issue for the first time in many years, partly but by no means wholly as a result of the Russia/Ukraine conflict, and every country is experiencing its own cost of living crisis. The UK is widely calculated to have seen its GDP hit by a 4% fall simply as a result of withdrawal from the EU and is the only European nation that has still not recovered to pre-pandemic levels. The international markets lost much of their trust in the UK government's economic competence as a result of the disastrous mini-budget delivered by the short-lived prime minister Liz Truss and her chancellor Kwasi Kwarteng.

Although some stability has been restored by their successors Rishi Sunak and Jeremy Hunt, it may be some time before the UK can fully restore its reputation. However, after a period of sustained resilience within the recruitment sector, there is reason to be optimistic.

## Resources:

[1] <https://www.saffery.com/insights/publications/recruitment-sector-ma-activity-in-2021/>

[2] <https://www.bdo.co.uk/en-gb/insights/industries/professional-services/m-and-a-market-reviews-recruitment-sector>

[3] <https://www.accountancytoday.co.uk/2022/06/14/uk-unemployment-rate-hits-almost-50-year-low/>



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