



# Bottom line for New Zealand recruitment agencies

By Richard and Nikki Taylor, ICG Consulting Group Ltd, Christchurch, New Zealand

Given that the New Zealand economy is in a subdued mood, it would not be unreasonable to expect that salaries and wages may also be in a downward shift. At ICG Consulting Group we have not seen any evidence of this, in fact it appears that candidates who have excellent skills and attributes are being snapped up quickly in the marketplace and are also "assisting" in wage negotiations. This has had very little impact on profitability in the current financial year, from a boutique agency perspective. While this may have not been a factor in profits, there have been other factors that have had an impact on the "bottom line" of recruitment companies in general in New Zealand.

One of these factors includes the uncertainty in our economic climate caused by the current New Zealand government not committing to setting a date for the next election. Given this factor, in tandem with rising prices of fuel, power and other basic commodities, the average New Zealand business person may be inclined to "sit on his or her hands" from a recruitment perspective until well into January or February 2009, as reported in the August issue of recruitment extra. The latest reports from the financial wizards are that we are 12 to 18 months away from most forms of recovery.

Factors that appear to be impacting on the profitability of recruitment companies must include the level of staffing in agencies in Christchurch. The staffing levels have not decreased during our "recession", in fact we have seen an increase in consultants going out on their own to try and get a share of the "pie" that their former employers were previously getting. Combine this factor with the constricting market that we are all experiencing at the moment and there is growing pressure on us all to try and maintain and, where possible, increase the fees that we are charging our clients.

The danger that we all may fall into is that, if the industry gets into a discounting mode in

the next six to 12 months, when the market returns, corrects itself and improves employers will feel like the fees should still be "discounted" and we will find inexperienced operators who will accept the reduced rates to maintain business. With staffing levels having stayed similar to previous years and with some agencies getting into bargain basement fees, or "buying" business, then the profit levels must drop considerably. Costs have not decreased, in fact we have seen a sharp rise in basic commodities as mentioned previously, and with most of the candidates in the current market being contactable only by mobile phone, costs are sure to rise in the immediate future. This will have an impact on profit in the next six to 12 months, with many economists predicting that businesses will have to wait at least 12 months to see an improvement in most sectors, agriculture excluded. With these rising costs and some of the bigger agencies "carrying" unproductive staff, overall profits will be impacted in some cases quite dramatically.

How can we combat the current market and also survive and make money? From a boutique perspective, we have had to look at the way in which we operate our business and, by being smaller and having fewer restraints from a management perspective, we are able to react a lot quicker to changes in our marketplace than a company that may have to report to a board of directors or shareholders. We have been able to take the time to talk to prospective clients and find out what they really want from a recruitment company, and to also assess what we have been doing for the last two to three years when the market was more buoyant. We have stayed away from the CV "flicking" that is now becoming commonplace in Christchurch and we are able to see the candidates and get more from them at the initial stages. We have had to perform a lot more reverse marketing of candidates and the experience is that, at this stage of the employment, companies want

to be able to negotiate the fee that is charged should a candidate be successful. By maintaining margins at this stage of the process we are able to keep profit levels up, rather than accept the squeeze from the client.

On a brighter note, as we approach spring and the summer months we will find that attitudes will change like the flowers and, as the sun spends more time shining on us, we will find it easier to negotiate a better fee than when the weather makes most people feel like doom and gloom. We will all survive the winter and we can move forward through spring and onto more healthy margins. ■



**Nikki Taylor** ICG's founder, Nikki Taylor, has vast experience both locally and internationally. Nikki's enthusiasm and passion for people forms the basis of

ICG's catch phrase, "It's all about attitude", and her energetic approach has a flow-on effect to her team. Nikki's forethought and vision have enabled ICG to grow since its inception. Nikki is a hands-on leader, who is always at the coalface and who prides herself on "practicing what she preaches"!



**Richard Taylor** Until recently, Richard Taylor was behind the scenes handling finance and accounting functions. Now, Richard has joined the team full-

time. He still ensures that things tick over, but he is now also involved in recruiting new staff for ICG's valued clients. Richard has spent over 20 years in sales and marketing, and clients can use this experience to their advantage when looking for the "right fit".