

## The forecast for 2006 – what is just over the horizon?

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2005 has been a bumper year for recruitment. The merger and acquisition activity, long missing from the news, has heated up with some interesting, and surprising, transactions both for traditional search selection firms and for online players. Firms are reporting record profits. All good news.

What will 2006 hold? And how do forecasts get developed anyway?

Ian Brown at net-weather.com says, "2005 has been another excessively warm year in the Northern Hemisphere. Britain, having enjoyed a warmer than average Summer, is possibly on the way to a record breaking mild Autumn.

Despite this, it seems that the key drivers are in place to deliver Britain its coldest winter for 10 years."

How could this be? Like the weather, recruitment has some underlying systemic influencers that can be used to predict the ups and downs in cycles. For the British Isles it is sea temperature. For recruitment it is growth in the economy.

In his pre-budget speech Gordon Brown has said the UK economy is having a "tough year" and halved his estimate of growth in 2005 to 1.75%. He predicted economic growth of 2% to 2.5% next year and 2.75% to 3.25% in 2007. What if he is wrong again? And what happens when growth drops below 2%?

Traditional recruitment is **growth** driven. A dip below 2% means that companies start to reduce cost (read people) to improve profits. Companies look for lower cost ways to recruit. However, at senior levels the timing of cuts tend to be at the end of a dip, not at the beginning.

What about online?

The Internet Advertising Bureau reported that in the first six months of 2005 online recruitment classified advertising was worth £94 million. The whole year should top £200 million, almost twice 2004's figures.

exec-appointments.com just participated in the National Online Recruitment Audience Survey (NORAS) demographic and ABCe traffic audit process. The results will be published in January. We expect our traffic to have doubled since this time last year. And with an average visitor salary of £75,000 it is clear that senior executives are increasingly online.

So, the economy is slowing dramatically, inflation is low, recruitment companies are reporting record profits, online is growing at an astonishing rate and profits are steadily rising. What do I foresee for 2006?

1. A continuation of the current prosperity until mid-year. The carry-forward of assignments and requirements should mean that traditional recruitment consultants will see profits surging forward.
2. Online growing at an increasing rate as companies seek to leverage their own online jobsites to attract, select and manage the candidate process in conjunction with targeted

online campaigns. This means the middle-man will be squeezed and only those who add real value will be reaping profits in Q3 and Q4.

What do I recommend?

1. Don't assume the boom is going to last. Start identifying ways to streamline your own business and consider using more online advertising to demonstrate to your clients you understand how to work in this market.
2. Be selective and only work with quality providers. 'Stack 'em high, sell 'em cheap' solutions are only short-term remedies.
3. Buy a good winter coat - and have a very happy New Year!