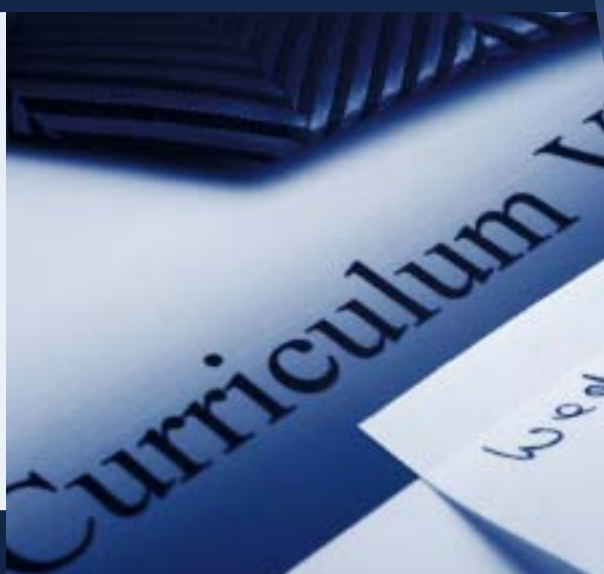




Recruitment volatility!

Temporary hire and recruitment as a sector has seen considerable growth in recent years coupled to a high rate of business start up. Whilst asset based lenders have tended to be enthusiastic about the sector given its readily verifiable receivables and strong cash flow, are the storm clouds gathering and, if so, what should the response be?



Volatile Market Conditions

Steve Clancy of MCR Tax Arrears Solutions thinks unemployment is increasing substantially in the UK but current signals offer conflicting indications as to the implications of the economic downturn for the sector.

On the one hand we have seen evidence of the manufacturing and construction industries laying off contract workers in large numbers, particularly in preference to permanent employees, no doubt partly given the higher compensation due to the latter category. On the other hand, demand for temporary placements is reported to be holding up across the piece as, for example, healthcare and education continues to recruit and, more widely, firms look to retain maximum flexibility rather than add to core overhead. So is there cause for concern?

Steve Clancy, **MCR** t 0161 827 9000 e sclancy@mcr.uk.com

Competitive Pressures Impacting Margins and Cashflow

Whilst demand for contract workers may well be holding up margins are certainly under pressure, particularly towards the minimum wage end of the spectrum, and, as a consequence, absolute levels of cash flow. It is a general feature of the sector that businesses are typically highly operationally geared and we at **MCR** are seeing increasing numbers struggling to cover their overhead bases. In the world of conflicting demands settlement of contract workers' wages and one's own overheads inevitably take precedence and it is often in the liabilities to the Crown where problems can manifest themselves.

Tax Arrears Solutions and Business Improvement

MCR is highly experienced in the area of Tax Arrears Solutions. Whilst we find HM Revenue & Customs supportive, and willing to help, this is a very delicate area for any business and issues do require to be addressed promptly and professionally. The implications of ignoring the issue of arrears, or worse be thought to be looking to take advantage of the Crown creditor, are serious and potentially life threatening.

[Click here for case study](#)

Strategic Options

MCR can also bring strategic assistance to bear. Recruitment is a highly fragmented sector and during this economic downturn many will find that whilst they may have excellent and loyal clients they no longer have the critical mass to successfully support their overhead. We do have clients who are looking to acquire businesses with these attributes in the sector. Equally we may be in a position to identify potentially complementary businesses which together would be in a position to drive out synergies of sufficient scale to ride out the downturn.

Ultimately, of course, if the difficulties become too great, **MCR** is also qualified to examine and advise on all corporate restructuring options.

- By helping to identify the fundamental business issues and remediation options
- By leading negotiations with HM Revenue & Customs on time-to-pay arrangements
- By assisting stakeholders to retain confidence in the client
- By identifying strategic options when required

Steve Clancy, **MCR** T: 0161 827 9000 E: sclancy@mcr.uk.com

[Click here for website www.mcrtaxarrears.com](#)



Lloyds TSB | Commercial Finance

Paul Saunders - Director
paul.saunders@recruitmentfinance.co.uk

The expert view

At times like this preserving value in a recruitment business is paramount and will occupy the thoughts of recruiters across the industry. It is vital that they work with professionals that have a track record and can provide trusted business advice when it is needed.

This is especially true around tax, compliance and cash management. In a heavily regulated sector key partnerships be it with accountants or bankers can be crucial in steering a company through challenging economic conditions.

Having a real understanding of the regulatory framework and experience of dealing with HMRC is an essential ingredient in today's world. The VAT deferral scheme has allowed some recruiters to smooth cashflow pressures as market contraction takes a grip across many occupational sectors. However, gaining this concession can only work if the cash management of the businesses is front of mind.

Invest time in accurate and timely billing processes and ensure that recovering outstanding payments from clients is diligently carried out. Reducing debt turn by only a couple of days can make a significant difference to cashflow.

Preserving value should be a mantra for any businesses leader in this environment. Be prepared to invest in advice from specialists who know the sector and can assist you at every stage of the business cycle.

Paul Saunders - Director
Recruitment Finance
Lloyds TSB Commercial Finance
www.recruitmentfinance.co.uk
E: paul.saunders@recruitmentfinance.co.uk
T: 020 8727 2033

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