



# Review

Up-to-date news and views for recruiters

[www.recruitmentfinance.co.uk](http://www.recruitmentfinance.co.uk)

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## Looking to the future



Paul Saunders, director of the Recruitment Finance Division of Lloyds TSB Commercial Finance talks about the future of the recruitment sector, how the industry is over the worst and the outlook for the future.

As we go into the final few months of 2009, positive indicators have returned to the market\* suggesting that the worst is over and that we can look forward to 2010 with more confidence.

The recent REC and KPMG Report on Jobs highlighted marginal increases in both permanent and temporary/contract staff appointments during August. This is the first growth of permanent appointments for 17 months and the first increase in temporary workers billings since July 2008.

Certainly good news but are we really seeing the start of a sustainable positive trend when unemployment is nearing three million? If so, what does the future hold for the sector and does our own performance in 2009 give any indication of an industry on the turn?

The Recruitment Finance Division has seen its year-on-year turnover, which includes new sales, down by eight per cent to the end of August – however, this has stabilised over the last quarter suggesting that we are at the bottom of the cycle with things looking up. In our pay and bill operation, there have been week-on-week increases in the number of temporary workers on the pay roll with more clients requesting additional financial support, arising from new end user interest. While there is still the need for caution, this suggests to me that there is also a growing confidence in the sector.

When integration with Bank of Scotland Cashflow Finance is completed, our market share will increase to around 12 per cent, putting us in a great position to grow with our clients out of recession in 2010.

Of course, growth will be dependent on liquidity in the market and we are open to new business, and expanding our existing client volumes through supporting new opportunities for expansion both organically and through acquisition. Our position has remained the same throughout the recession – we are still lending and are keen to support our clients.

We know, from first hand experience, that support is crucial in times of turbulence. Many of our clients have experienced difficult working conditions over the past few months but we are pleased that through the advice and support of our team, they are growing despite external pressures.

Feedback from clients has been positive: Chris Fenn, Finance Director of Fusion People comments, "Over the last, very difficult, months we have had the benefit of first class service from the Recruitment Finance Division. They have always been available to discuss, advise and from time to time pick us up from our lowest depths. They have provided us with tremendous support as we searched for outside investment and Stuart, our client manager, has always encouraged us through the roller coaster of getting from identification to completion."

For more information on how our support and guidance can help your business, please give me a call on 020 8727 2033 or email me at [Paul.Saunders@RecruitmentFinance.co.uk](mailto:Paul.Saunders@RecruitmentFinance.co.uk)

\* Source: ABFA, Q2 2009, based on client numbers

## Diary dates

### 2 October

Diversity and Inclusion Forum, REC

Provides an overview of equality and diversity issues relating to the recruitment industry.

[rec.uk.com/events](http://rec.uk.com/events)

### 9 October

APSCo Annual Golf Day

Teams compete for prizes including the coveted APSCo cup, with the proceeds of the day benefiting the two great charities Childline and Link leisure.

[apsco.org](http://apsco.org)

### 14-15 November

The Recruitment Conference, Manchester and Birmingham

Tackles the topics of the moment with a panel of expert speakers.

[rec-con.co.uk/conference](http://rec-con.co.uk/conference)

### 26 November

REC National Convention, London

A chance to hear from experienced key note speakers and leaders in the industry.

[rec-convention.com](http://rec-convention.com)

### 27 November

Annual APSCo Charity Ball, London

This year's event is a Venetian masked themed ball, featuring a raffle draw, champagne diamond draw, silent auction and a charity auction hosted by Christies.

[apsco.org](http://apsco.org)



# Pay when paid - an update

**Frances Lewis**, partner at the recruitment sector group, **Blake Laphorn**, provides an update on controversial pay when paid clauses.

As in previous economic downturns, end users are increasingly looking to save costs and drive out perceived inefficiencies. Many are choosing to do this by appointing Recruitment Process Outsourcing (RPO) providers to consolidate their supplier base.

In most cases suppliers are displaced by the RPO such that the suppliers' existing contractual relationships with the end user are terminated. As a result contractors are migrated to a smaller panel of preferred suppliers, and supplies resume via a contract between the supplier and the RPO. The RPO then holds the main contractual relationship with the end user.

One feature of some RPO deals, which has caused concern for staffing companies, is the pay when paid payment arrangements. Pay when paid clauses protect the RPO from the risk of late or even non-payment by the end user. For an industry which relies heavily upon asset based lending to fund its cash flow, this presents a real problem. This is because pay when paid arrangements do not create a debt for the staffing company against which lenders will lend.

Accepting pay when paid clauses also puts a staffing company at risk of not getting paid at all with no enforceable right to pursue payment against the RPO or the end user. This is not a new problem - Managed Service Providers (MSPs) and other credit facilitation intermediaries have for many years sought to impose pay when paid clauses. However, the increase in the use of RPO arrangements and credit risk has compounded this problem for staffing companies.

So, what can staffing companies do about it? There are a number of measures which can be adopted. These range from trying to negotiate the pay when paid arrangements out altogether on the grounds that they are unenforceable under the Unfair Contract Terms Act 1977, agreeing arrangements which either provide a way of assigning the debt to the staffing company (and therefore a right to enforce payment) or working with the RPO to re-structure supplies on an 'agency' basis.

In practice assignments of debt are very difficult to achieve as they require assignment of an element of the debt, which is invariably part of a much larger consolidated invoice and involves a waiver from the RPO's lenders of their debenture over the RPO's book debts. Usually therefore, the only effective way of addressing both the RPO's concerns about credit risk, and providing an enforceable debt for the staffing company, is for the RPO to act as the agent representing the end user in all dealings with the staffing companies.

Whatever the solution there will be cases where the staffing company can do little to influence arrangements that have already been agreed between RPO and end user. In this case it is important that practical measures are put in place to mitigate the risk. Examples of these, would be to ask RPOs to confirm how their credit control procedures work, confirm who is responsible for credit control, to require the RPO to notify the staffing company as soon as it receives payment from the end user and require payment immediately thereafter.

For further information and advice, contact Frances on 020 7814 5495 or e-mail: [Frances.lewis@bllaw.co.uk](mailto:Frances.lewis@bllaw.co.uk)

# Why are you not making more money?

Think about it! **Alex Arnot**, non-executive director of a number of recruitment companies, advises on how recruiters can increase their profits with some simple techniques.

Setting a clear strategic plan for your business is important. However, unless your recruiters deliver enough revenue the numbers in your budgets will never be achieved. It is amazing therefore that many owners, directors and recruiters seem to be making the task of winning more business as hard as possible by using old tactics that do not work in today's market.

If your current calls are not achieving the results you want, it might be time to create new solutions for your recruiters? The starting point is to have a meeting set aside every week to create these new solutions. Get your best people together to form a revenue team, create an agenda specifically to think about solving a maximum of the three biggest challenges you face that week and then set a time limit to focus the thinking.

In my experience, using this approach each week will yield dramatic results that will improve your revenue. Then it is all about putting those solutions in to practice and consistently refining them. So, what results can you expect? Here is a great idea to help recruiters overcome objections more often that came from a meeting I sat in recently:

Write down the five objections that your team hears most often. Then take a verbal service check on your company by calling a selection of your warmer customers. Steer the conversation so that they are happy to give a testimonial to overcome a specific objection e.g. speak to one of your current customers who has a Private Sector Lease (PSL) and get a testimonial to overcome the PSL objection. Then give these targeted testimonials to your recruiters so that they can overcome objections more easily during their calls.

## Want advice on how to most successfully set-up and run these meetings?

- would you like me personally to chair your first meeting?
- would you like new ideas proven to increase revenue in the current market?

...then I am offering a **limited number of free consultancy meetings** where I will come to your office and immediately share new solutions with you that are working right now.

**If you want to book or find out more simply call Alex on 07949 082661 or email [aarnot@alexarnot.co.uk](mailto:aarnot@alexarnot.co.uk) quoting Review.**



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## Q&amp;A

**In the last issue of Review, we asked you to send in your questions for our team to answer. In the first of these, Martin Walmsley discusses the topical issue of credit cover:**

**How can I get credit cover on a financially weak business?**

All cover is written on the basis of the financial strength of the business. What's key is how up to date the information is. In the current market relying on accounts running up to March 2008, for example, does not make sense, so the insurer will frequently ask for management accounts or for sight of the March 2009 accounts before considering cover.

Your customer will in many cases understand why you are asking for financials; even if these are not available, the Finance Director may well be prepared to have a private and confidential discussion with the Insurance Underwriter, frequently under a non-disclosure agreement.

The two most important things are firstly, never be afraid to ask for information, after all you are considering what is effectively an unsecured loan to your customer. And, secondly, an insurer will only write cover when he has a clear reason (financial information) which makes the inherent risk reasonable. The high level of claims in the last 12 months (touching £6 million in Commercial Finance) illustrates that insurers are willing to take risk, and pay the price when it goes wrong. If your customer refuses to offer information then you should consider what that tells you about the risk.

**If you have a question for the Recruitment Finance Division team to answer, please email [recruitmentfinance@golleyslater.co.uk](mailto:recruitmentfinance@golleyslater.co.uk)**

## Client manager profile



In each issue of Review we like to get under the skin of the members of the Recruitment Finance Division team. This issue we speak to Alex Fiddian, client manager based in Bristol, about his new found passion for photography and the challenges of every day life.

**When did you join Lloyds TSB Commercial Finance and what does your job encompass?**

I joined Commercial Finance in June 2003 having previously worked for another finance company. As a client manager, my role involves looking after a portfolio of very different sized recruitment businesses across a variety of industry sub-sectors. There are two sides to the role, one being a relationship manager and the other being a risk manager. They can often be conflicting but they ensure that day to day the job is varied, interesting and challenging.

**What is your advice for anyone looking into recruitment financing options?**

I would recommend that they seek a financier who is flexible enough, whilst paying due consideration to risk, to support them through the difficult and unexpected times. This flexibility comes from understanding a client's business and particularly the pressures recruiters face with typically a large weekly payroll obligation to meet.

**How do you feel about the current market conditions?**

It has undoubtedly been a tough year - however, we do have clients that are performing solidly with positive signs returning to certain sectors. Permanent recruitment is still quiet and I expect it will be well into next year before we see a substantial change alongside a more marked improvement in temporary recruitment.

**What do you enjoy most about your job?**

Meeting the clients. Every day, I get to meet hugely different characters that I form business relationships with. The other part I take pleasure in is being able to assist a client when they don't expect it or when they don't think we are able to, going the extra mile and getting an appreciated 'thank you'.

**What would you do if you didn't do your current job?**

I would have liked to have been a photographer. It's a hobby I have recently discovered in the last few years and have become extremely passionate about it. Sports photography is the area I would specialise in, combining two things I most enjoy.

## Tell us what you think

If you have any comments about the content of Review or would like to contribute to the next issue, contact us by emailing [recruitmentfinance@golleyslater.co.uk](mailto:recruitmentfinance@golleyslater.co.uk)

And, don't forget about our commission scheme - for every introduction you give us that leads to us taking on a new client we will pay your business £1,000. Alternatively, we will arrange for this amount to be donated to a charity of your choice.

One month after a business introduced by you becomes a client, the thousand pounds will be yours. Our only stipulation is that commission is unavailable for your own associated businesses. Simply pick up the phone and call us free on 0800 587 6033, quoting reference ABC1.

**If you'd like to learn more about the Division, call us on call 0800 587 6033, or visit our website at [www.recruitmentfinance.co.uk](http://www.recruitmentfinance.co.uk)**

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