

jd scott
+ CO

Insights in Recruitment

FY2025

7 (&1/2) ways to make
your Recruitment firm
work for you

www.jdscott.co

Table of Contents

About Us	3
Network Insights	5
Way 1: Revenue + Growth	6
Way 2: Watch the Cost Creep	9
Way 3: Manage Cash Flow	12
Way 4: Efficiency + Process	15
Way 5: Data + Benchmarking	17
Way 6: Target Market + Niche	21
Way 7: Always Be Improving	23
Way 7(&1/2) ???	23
Your Path Forward	24

About Us



Who we are

At JD Scott + Co, we support recruitment firms and professional services businesses in reaching their goals. We provide tailored accounting, tax, and business advisory solutions designed to help you make informed decisions, streamline operations, and boost profitability.

How we solve your problems

From monthly accounting to complex tax structuring, we provide a range of solutions designed to boost profit and increase cashflow. Whether you're just starting out or looking to grow, we're here to help you navigate the challenges and lean into opportunities.



Ready to take control of your firm?

Are you:

- A recruitment firm owner tired of your business running you instead of the other way around?
- A manager struggling to make your agency efficient and profitable without sacrificing quality?
- An aspiring entrepreneur looking to start your own recruitment firm but unsure how to ensure to make it work for you?

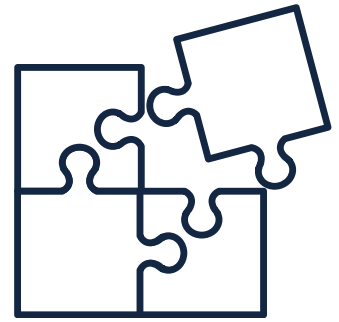


If you answered "yes" to any of these questions, then this guide is for you.

In this E-book, we'll reveal 7 (+ 1/2) ways to transform your recruitment firm into a business that aligns with your goals and works in your favor.

You'll discover actionable strategies that will help you regain control, streamline your operations, and set your business on the path to long-term success.

Network Insights



We asked Recruitment business owners in our network about their top challenges, to help develop these insights.

What is the biggest challenge in your business?

The economic slowdown and lack of business investment in Australia.

Combatting “unethical” recruiters.

Talent sourcing for Technical Roles

What strategies have you found effective to overcome these challenges?

Candidate referrals to receive quality talent.

Gaining candidate loyalty and ownership.

Networking and speaking to others.

Focus on quality and continuous improvement.

Way 1: Revenue + Growth

There are two main ways to drive profit on the revenue side, pricing your services effectively and growing your team.

When managing a recruitment agency, understanding strategies to improve revenue is crucial to growing your firm. This involves setting appropriate pricing strategies and making informed hiring decisions when your firm requires more capacity.

First, what is the difference between revenue and profit?

Revenue is the total income generated from your recruitment agency's operations before any expenses are deducted. This includes fees from placements, commissions, and other sources of income. Revenue growth indicates that your agency is expanding its business.

Profit is the amount of money remaining after all expenses/costs of sale have been deducted from your overall revenue.

Types of Profit

Gross Profit

This is calculated by subtracting the direct costs associated with delivering your services (like salaries for recruiters and other operational costs) from your revenue. It measures the efficiency of your core business activities.

Net Profit

This is the final profit after accounting for all other expenses, including administrative costs, taxes, and interest on loans. It reflects the overall financial health of your agency and its ability to generate value for its owners.

Revenue: Price for Profit

The key to success is setting prices that not only cover your costs but also reflect the value you deliver. By understanding your market and positioning your services strategically, you can ensure your pricing works for you.

It's tempting to compete on price by offering lower percentages for candidate placement, but this may erode your margins and diminish the perceived value of your services.

There are 3 main methods of pricing for Recruitment Firms:

1. Percentage of Salary Model

This model involves charging a fee based on a percentage of the candidate's first-year salary, typically ranging from 12% to 20%. This model is simple for clients to understand and anticipate. However, it can lead to high fees for senior roles..

This model is best suited for positions with varying salary ranges, where clients appreciate the fee's alignment with the candidate's compensation.

2. Retained Search

Retained search involves an upfront fee to conduct a search, often for executive or high-level roles, with payments made at various milestones throughout the process. This approach requires a commitment from the client and covers the initial costs associated with the search.

It allows for a more focused effort, often leading to higher-quality placements, making it suitable for complex searches for larger clients.

3. Fixed Fee (Flat Fee) Recruitment

In this model, a fixed fee is charged for recruitment services regardless of the candidate's salary. The simplicity of a flat fee eliminates surprises related to varying candidate salaries.

However, this model offers less flexibility, as the fee may not fully reflect the job complexity. There is also potential for lower profit margins on higher salary placements.

Revenue: Growing your Team

Hiring internal staff is a big step for any recruitment agency, but it's important to recognise the financial implications, especially during the ramp-up period. This is the time when your new hire is building their pipeline, learning your systems, and adjusting to your agency's culture, making an understanding of revenue and profit crucial.

The ramp-up period refers to the time it takes for a new recruiter to become fully productive, which can commonly last 3-6 months. During this time, new hires typically do not generate enough revenue to cover their costs, making it essential to assess your cash flow and support capacity.

How Much Do They Need to Sell?

To determine how much your new hire needs to sell during the ramp-up period, calculate their break-even point. This is the amount of revenue they need to generate to cover their total cost.

Annual Total Cost:

Let's assume a new recruit's annual total cost (including salary, benefits, and overheads) is \$100,000.

Gross Profit Target:

To break even within six months, they need to generate at least \$50,000 in gross profit. This figure accounts for half of their annual cost because they are expected to achieve full productivity by the end of the ramp-up period.

Ramp-Up Achievement:

Realistically, during the ramp-up phase, a new hire might achieve only 30-50% of this target due to the time needed to close deals and establish relationships. For example, if their target is \$50,000, they might realistically bring in \$15,000 to \$25,000 in gross profit initially.



Way 2: Watch the Cost Creep

Running a recruitment agency isn't just about generating revenue; controlling costs is equally important. Costs can slowly rise over time, eating into your profitability if not carefully managed. By keeping an eye on your expenses and being strategic about resource allocation, you can protect your bottom line and ensure long-term success.

Trim the Fat

Operating a lean recruitment agency is crucial for maximising profitability. Unnecessary costs can quickly accumulate, undermining your business's financial health. To avoid this, regularly review your expenses and eliminate anything that doesn't contribute to growth or efficiency.

Seat Cost

One of the most significant costs in a recruitment agency is the "cost per seat," which refers to the total expenses associated with maintaining a recruiter in their role. Unlike other professional services, where the primary constraint is billable hours, recruitment firms focus on maximising the productivity of each recruiter or "seat."

If your goal is to make 50 calls per day, for example, that capacity is directly tied to the person sitting in that seat, along with the tools they use and their overall effectiveness.



Why Seat Cost Matters

Understanding your seat cost is essential for setting revenue targets. If it costs \$110,000 per year to maintain a recruiter, that recruiter must generate at least that amount in placements just to break even. Anything they bring in beyond that contributes to profit.

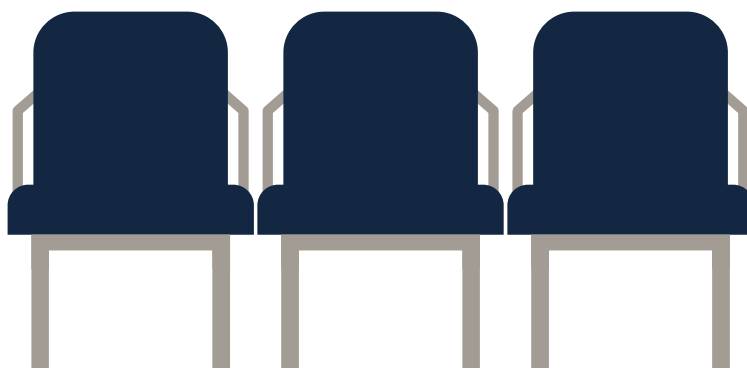
Regularly monitoring seat costs also helps you assess the efficiency of your operations—are your recruiters generating enough revenue to justify their seat, or could there be more cost-effective ways to structure your team?

Calculating Seat Cost

"Seat cost" includes a range of expenses, some obvious and others more hidden. Here's a breakdown of what typically goes into it:

- **Salary and Commissions:** The recruiter's base salary, commissions, and performance bonuses.
- **Office Space:** Rent or mortgage, utilities, and any maintenance costs for the physical office space they occupy.
- **Technology:** The cost of computers, software licenses (e.g., CRM systems like JobAdder), and any other tools the recruiter uses daily.
- **Training and Development:** Investment in onboarding, continuous training, and professional development.
- **Benefits:** Health insurance, retirement contributions, and other employee benefits.

For example, if a recruiter's annual salary is \$80,000, with an additional \$15,000 for benefits, the total compensation is \$95,000. Add in \$10,000 for technology and office space and \$5,000 for training and overheads, bringing the total seat cost to \$110,000 per year.



Expense Audits

Conducting regular audits of your expenses is a practical way to identify areas where you can save. This includes reviewing things like software licenses, subscription services, and office supplies.

Also consider negotiating with vendors. Revisiting these agreements can often lead to better rates or more favourable terms. Simply asking for a discount or exploring alternative vendors can yield significant savings. ance, retirement contributions, and other employee benefits.

Human Resources

Maximising resource efficiency is key to maintaining a lean operation. Keep track of how your resources—including staff time and equipment—are utilised. Are employees spending too much time on non-essential tasks? Could certain processes be automated?

Effective training and development is essential here too, to improve efficiency and ensure your staff able to complete tasks correctly. By identifying areas of inefficiency, you can streamline operations and reduce unnecessary costs.



Way 3: Manage Cash Flow

Managing cash flow is critical to the long-term success of your recruitment firm. While revenue growth is essential, it's the flow of cash through the business that determines whether you can pay your bills, invest in new opportunities, and hire new staff.

By proactively managing cash flow, you can avoid the pitfalls of financial strain and ensure your agency remains financially healthy.

Measure Debtor Days

A key factor affecting cash flow in a recruitment agency is the time it takes to receive payment after placing a candidate. Debtor days measure the average number of days clients take to pay their invoices. The longer the payment period, the more strain it puts on your cash flow.

For instance, if clients have over 30 days to pay, there's a significant delay between earning revenue and receiving cash. Monitoring debtor days helps you assess how efficiently your agency collects payments. High debtor days can lead to cash flow bottlenecks, making it challenging to meet short-term obligations like salaries.

How to Reduce Debtor Days

- **Set Clear Payment Terms:** Ensure your payment terms are clear from the outset, typically 14 –30 days is best. Make sure this is included in contracts and agreed upon with clients.
- **Invoice Promptly:** Send invoices immediately after completing your service. The sooner clients receive invoices, the sooner they can process payment.
- **Follow Up on Overdue Payments:** Have a system in place to follow up with clients as soon as a payment becomes overdue. Automated reminders or follow-up emails can help reduce delays.

Cash Flow Forecasting

Cash flow forecasting is essential for recruitment agencies, providing a clear view of your financial position over the coming weeks, months, or quarters. By estimating future cash inflows and outflows, you can anticipate when cash might be tight or when you'll have a surplus.

Given the unpredictable nature of the recruitment business cycle, forecasting helps prevent cash shortfalls during slow periods and ensures you're prepared for major expenses like taxes and salaries.

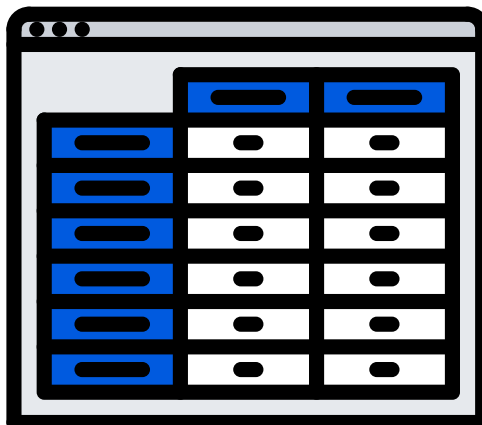
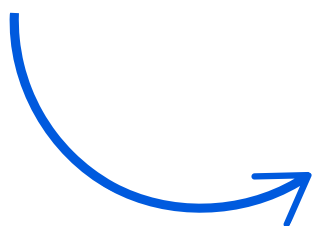
How to Forecast Cash Flow

To create an effective cash flow forecast:

1. Estimate Your Income: Look at your pipeline and upcoming deals to estimate when revenue will come in. Consider factors like typical payment terms and seasonal fluctuations in demand.
2. Estimate Your Expenses: Calculate your fixed costs (salaries, rent, software) as well as variable costs (commissions, marketing, recruitment tools).
3. Calculate the Balance: Subtract your estimated expenses from your expected income to see your net cash position over the forecast period.

Regularly update your forecast based on actual performance and changing market conditions to keep it as accurate as possible.

As a firm just starting up, a tool such as Excel will be more than enough for any initial cash flow forecasting.



Budgeting for Cash Flow

A solid budget acts as the foundation for managing cash flow. By setting clear budget parameters, you can ensure you do not overextend your resources and end up in a cash crunch. Proper budgeting also helps align your expenditure with your long-term goals.

When setting your budget, ensure you consider both operational needs and long-term investments. Break down your expenses into categories.

- **Fixed Costs:** Rent, utilities, software subscriptions, and salaries that remain constant month to month.
- **Variable Costs:** Recruitment commissions, advertising spend, and contractor payments, which may fluctuate.
- **Contingency Fund:** Always allocate a portion of your budget to a contingency fund for unexpected expenses, such as emergency hires or equipment replacement.

Additionally, a well-structured budget includes provisions for tax payments to avoid disrupting cash flow when these bills come due.

Payroll taxes include obligations like PAYG withholding and superannuation contributions for employees, while income tax is based on your business's profits. Both require ongoing attention and accurate forecasting to ensure you're setting aside enough funds.

Have a look at our tips for keeping up to date with tax payments [HERE](#)

Once you've set a budget, it's crucial to track your actual expenses against it regularly. This allows you to spot any discrepancies early and adjust your spending as necessary.



Way 4: Efficiency + Process

In recruitment, efficiency directly impacts profitability. The faster you can find the right candidates, the more value you provide to clients and the more profitable your business becomes.

By refining your processes and investing in the right tools, you can streamline workflows, reduce time-to-hire, and improve accuracy in candidate selection.

Time is Money

Efficiency does not just save time—it drives profitability. By cutting down the time spent searching for candidates, refining placements, and managing the recruitment process, you reduce operational costs and improve client satisfaction. Building a strong talent pipeline means you have qualified candidates on hand when a role opens, allowing for quicker placements and a more efficient hiring process.

Documenting your recruitment processes ensures consistency across your team and improves overall operational efficiency. Written-down processes also allow for easier onboarding of new staff, faster troubleshooting, and more efficient management of complex recruitment projects.

Tools and Software

Using modern software tools can significantly enhance the productivity of your recruitment firm. Whether through automating repetitive tasks, managing client relationships, or improving candidate sourcing, these tools allow you to focus on your core function—finding top talent. Below are some key CRM and software solutions that can boost efficiency.

JobAdder - Recruitment Management

JobAdder is designed to simplify job posting and candidate tracking, with real-time updates on the hiring process.

Key Features:

- Multi-platform job posting.
- Candidate tracking through each recruitment stage.
- Centralised communication tools.

The logo for JobAdder, featuring the word "JobAdder" in a blue, sans-serif font.

Deputy - Workforce Management

Deputy helps manage internal operations, such as scheduling, time tracking, and compliance, ideal for agencies with both permanent and temp placements.

Key Features:

- Scheduling and rostering tools.
- Time and attendance tracking.
- Compliance management.



LinkedIn Recruiter – Candidate Sourcing

LinkedIn Recruiter provides advanced search tools to help find both active and passive candidates, with direct communication through LinkedIn's InMail.

Key Features:

- Advanced search filters for precise sourcing.
- Direct InMail communication with candidates.
- Insights into talent pools.



HubSpot – Sales and Marketing

Whilst not specific to recruitment, HubSpot allows agencies to manage client and candidate relationships, making it useful for sales and marketing.

Key Features:

- Centralised CRM for candidate and client data.
- Marketing automation for streamlined communication.
- Integration with recruitment tools.

The logo for HubSpot, featuring the word "HubSpot" in a dark blue, sans-serif font, with a red icon of three connected dots above the letter "o".

Way 5: Data + Benchmarking

Know your numbers

In the recruitment industry, data is power. Understanding key metrics not only helps you track performance but also provides insight into where improvements can be made.

By leveraging accurate data, you can drive profitability, manage resources more effectively, and ensure your firm is aligned with industry standards.

Focusing on key metrics and presenting them in a clear, visual format can provide the insights you need to stay competitive.

Benchmarking against industry

Benchmarking your recruitment firm against industry averages helps ensure you're not only profitable but also competitive.

Comparing data from the data.gov.au industry benchmarks can be a great place to start. This data is collected by the Australian government from income tax returns across all industry codes.

We have pulled together information from data.gov.au for Recruitment firms from 72110 Employment Placement and Recruitment Services.



Recruitment Firm Benchmarks

Gross Profit Ratio

Gross profit measures the efficiency of a firm's core operations before deducting indirect expenses.

Revenue	Average	Median
\$50-100k	71%	90%
\$100-300k	69%	85%
\$300-500k	73%	81%
\$500k-1m	68%	82%
\$1m-5m	65%	52%

Net Profit Ratio

The Net Profit ratio shows what percentage of revenue is actual profit after all expenses.

Revenue	Average	Median
\$50-100k	42%	49%
\$100-300k	30%	21%
\$300-500k	28%	22%
\$500k-1m	0.24%	16%
\$1m-5m	17%	10%

Source: ATO, Table F2: Company financial ratios, Taxation Statistics 2021-22, [URL](#)

Expense to Turnover Ratio

This ratio measures how much of the income is spent on expenses. As businesses grow in income, their expense ratios tend to increase.

Revenue	Average	Median
\$50-100k	62%	52%
\$100-300k	72%	79%
\$300-500k	72%	78%
\$500k-1m	77%	84%
\$1m-5m	84%	90%

Wages to Turnover Ratio

This ratio indicates how much of the revenue is spent on wages.

Revenue	Average	Median
\$50-100k	64%	62%
\$100-300k	51%	51%
\$300-500k	44%	40%
\$500k-1m	47%	45%
\$1m-5m	51%	52%

Source: ATO, Table F2: Company financial ratios, Taxation Statistics 2021-22, [URL](#)

By regularly reviewing these benchmarks, you can identify where your firm stands in comparison to the industry, before improving the metrics within your business.

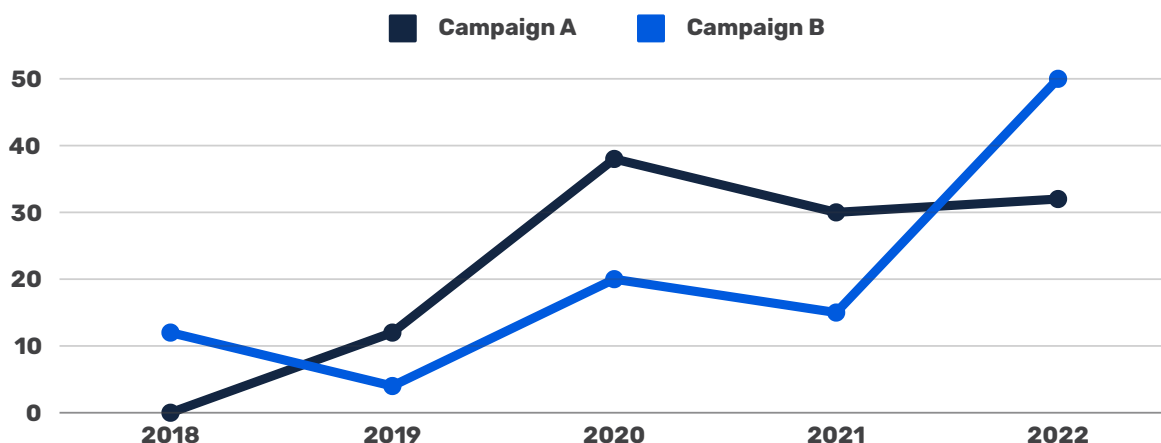
Grow Your Numbers

Now you have compared financial ratios across to benchmark in industry, it's time to formulate a strategy to grow these, for example:

- **Benchmark Performance:** Use industry benchmarking data to see where your firm stands in key areas like expense-to-turnover and gross profit (see page 16) to match best practices.
- **Track Key Metrics:** Regularly monitor KPIs like time-to-fill, cost-per-hire, and client satisfaction. Reviewing these numbers consistently allows you to address inefficiencies before they become problems.
- **Analyse Trends:** Use data to identify trends over time. Are certain roles taking longer to fill? Are costs rising without an increase in quality? Identifying patterns helps target areas for improvement.
- **Sales and Marketing:** Track the success of your marketing campaigns by analysing lead generation, conversion rates, and ROI. Adjust marketing strategies based on what delivers the best results.

Our Tip: Keep data clear and simple

For busy recruitment firm owners, simplicity is key. Present your data in a visual format like graphs or dashboards, making it easier to digest and act on. When your data is clear, so are your steps to implement controls.



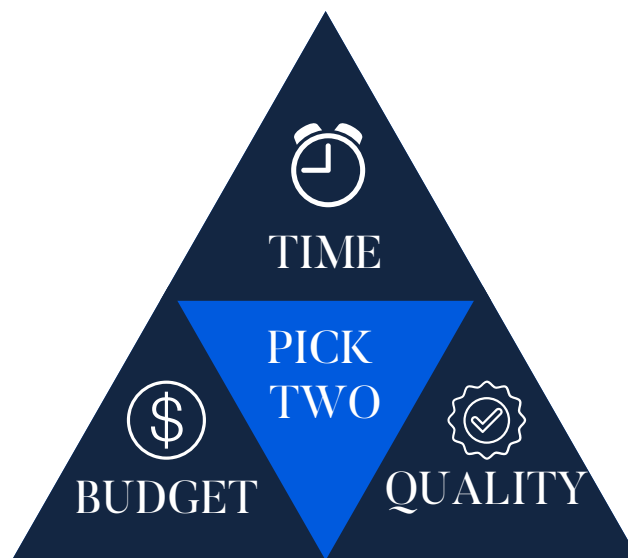
Way 6: Target Market / Niche

One of the most powerful ways to grow your recruitment firm is to find your niche and dominate it. When you specialise, you're not just another agency in a crowded market—you become the go-to expert in your field.

Think of it like this: you're honing in on a specific problem that only you can solve exceptionally well.

This is where the Value Equation comes into play.

In business, you can't have it all—time, budget, quality—so you need to decide where you'll excel. Need high quality fast? It's not cheap. Want it cheap and quick? Quality suffers and becomes standard.



For example, if your niche is recruiting for emerging crypto/web companies, you might focus on speed and quality because those companies need top talent fast and are willing to pay a premium.

By mastering this niche, you're not just filling roles—you're solving a critical business challenge, which allows you to charge more for your services.

When you become a specialist in your niche, you're not competing on price but on value.

Marketing to your Niche

Your brand is more than just a logo; it's the personality and promise of your agency. Crafting a strong, consistent brand identity involves defining your agency's values, voice, and visual elements, all of which should resonate with your target audience and differentiate you from competitors.

This starts with building a website and SEO. A clean, user-friendly website showcases your services, while effective SEO strategies ensure that you're visible and attractive to search engines in the niches you dominate, eg 'recruitment for accounting firms'.

You will also need to lean into digital marketing strategies to attract the right type of leads. A well-planned digital marketing strategy, encompassing content marketing, social media advertising, and email campaigns, can significantly expand your reach and engagement.

The image shows a screenshot of the jd scott +CO website homepage. The top navigation bar includes the logo, a phone number (+61 (02) 8089 2561), a 'BOOK A CONSULTATION' button, and a search icon. Below the navigation bar are menu items: WHO WE ARE, YOUR JOURNEY WITH US, SMALL BUSINESSES, CORPORATE, INDUSTRIES, EXPLORE & LEARN, and CONTACT US. The main content area features a background image of hands typing on a laptop keyboard. Overlaid on this image is the text 'YOUR TRUSTED SYDNEY ACCOUNTANTS' and 'Solving Your Accounting, Tax & Business Problems' with a play button icon. At the bottom, three promotional cards are displayed: 1) 'Growing? Here's your next move.' with a person climbing a wall; 2) 'Your Journey With Us' with a signpost; 3) 'Have you got a FY25 Forecast?' with the Sydney Opera House.

Way 7: Always Be Improving

1. Continuous Learning:

The recruitment landscape is constantly evolving, and so should you. By committing to continuous learning and staying ahead of industry trends, you can ensure that your firm remains competitive and relevant in a rapidly changing market.

2. Feedback Loops

Improvement isn't just about big changes—it's about constant, incremental enhancements. Establishing feedback loops with clients and candidates allows you to gather valuable insights that can be used to fine-tune your processes and deliver better results.

Ensure you have policies in place to record and develop solutions surrounding constructive client and candidate feedback.

Way 7(1/2): Enjoy the Ride

Running a recruitment firm is demanding, but it's important to find balance. Taking time to enjoy the journey can improve your mental well-being and make you a more effective leader. Remember, success isn't just about profit margins—it's also about creating a fulfilling business.

Big or small, every achievement deserves recognition. Celebrating your successes, whether it's landing a major client or hitting a personal milestone, helps maintain motivation and fosters a positive work culture.

Your Path Forward

Running a successful recruitment firm involves more than just finding the right candidates and clients—it requires a smart business strategy that works for you.

By implementing these 7 (& 1/2) strategies, you can improve efficiency, increase profitability, and create a more rewarding experience for yourself and your team.

Next Steps

Now that you have these insights, it's time to take action. Start by applying these tips in your daily operations and see the difference they can make.

Contact JD Scott + Co for a complimentary consultation. Whether you're looking to optimise your processes, refine your pricing strategy, or simply get advice on how to grow your firm, we're here to assist you in achieving your goals.



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