TC GROUP BUSINESS ADVISORS & ACCOUNTANTS

RECRUITMENT SECTOR BENCHMARKING REPORT 2025

Q4 RESULTS & FULL-YEAR REVIEW

Provided by Recruitment Accountants, a division of TC Group
Specialist advisors to 100+ recruitment businesses across the UK.

RECRUITMENT SECTOR: BENCHMARKING REPORT 2025

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MARKET CONTEXT FOR 2025

The recruitment sector has experienced another challenging year and whilst the market didn't fully recover, well run recruitment firms did.

We reported a weak start to 2025, marked by falling income, rising cost ratios and declining confidence, many businesses were forced to reassess how they operate. While market conditions have remained difficult, particularly in the UK, the second half of the year has shown clear signs of stabilisation for those firms willing to take decisive action.

This report brings together benchmarking data from recruitment businesses across the UK to show how performance has shifted over the course of the year. It highlights the pressure points that emerged in early 2025, the operational changes made in response, and the impact those decisions have had on profitability, productivity and cost control by Q3 and Q4. While overall income levels remain under pressure, the data shows that many firms have exited the year in a more controlled and resilient position than they entered it.

The findings reinforce a key theme: the improvement seen in the latter part of the year has not been driven by a stronger market, but by internal change. Businesses that have tightened cost bases, been more selective about work, monitored productivity more closely and challenged how effort converts into revenue have been better able to protect margins despite flat demand.

Alongside the benchmarking data, this report also looks outward to the wider recruitment market. Trading updates from listed firms, broader economic indicators and international comparisons provide important context for understanding where the sector sits today and what challenges are likely to persist into 2026.

The final section of the report focuses on what recruitment businesses should prioritise in the year ahead. With little evidence of a near-term market recovery, the emphasis for 2026 is likely to remain on operational discipline, clarity of focus and making informed decisions about where time, money and effort are best spent.

UNDERSTANDING THE 60:20:20 OPERATING MODEL

The 60:20:20 model is a widely recognised benchmark for financial health in recruitment businesses. While it's a general guideline, it provides a valuable reference point for evaluating the commercial structure of your agency.

Under this model:

- 60% of Net Fee Income (NFI) is allocated to staff costs — including salaries, commissions, and dividends (not in the sense of shareholder return, but as a proxy for a market-rate salary for business owners)
- 20% of NFI covers operational overheads
- 20% of NFI is retained as net profit

Put simply, for every £100 of NFI, around £60 is spent on staff costs, £20 on overheads and £20 is retained as profit.

Few firms are achieving this exact split in the current economic climate, but it remains a strong benchmark. It can help business owners assess whether costs are drifting, how effectively revenue is being converted into profit, and whether there's sufficient headroom to reinvest and grow.

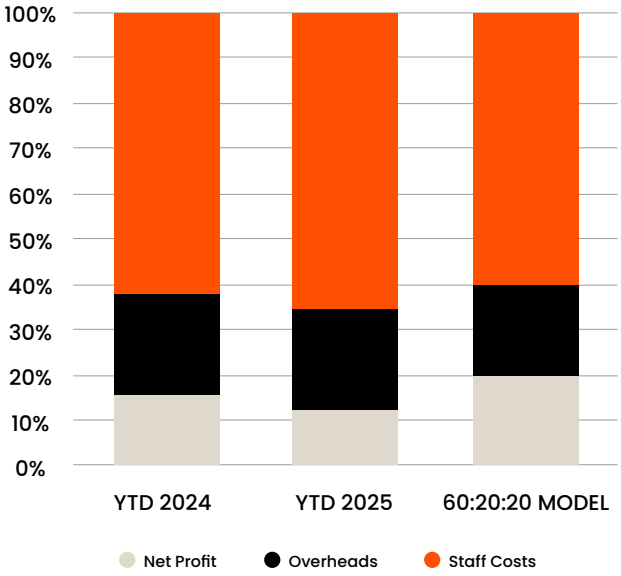
That said, the ideal ratio will vary depending on your business model. A temp-heavy firm may carry higher payroll-related overheads, while an executive search firm might operate with a leaner cost base and stronger profitability.

As you review the financial outcomes throughout this report, we encourage you to keep the 60:20:20 model in mind, and to discuss with your financial team how it applies to your business today.

PERFORMANCE TRENDS

ANNUAL SUMMARY 2024 VS 2025 (JANUARY TO DECEMBER)

Metric	2024	2025	Movement
Net Fee Income (NFI)			● ▼ -2%
Staff Costs (% of NFI)	62%	66%	● ▲ +4%
Overheads (% of NFI)	22%	23%	● ▲ +1%
Net Profit (% of NFI)	16%	11%	● ▼ -5%



2025 closed slightly behind 2024 on NFI (down 2%) and saw higher staff costs as a % of NFI (up by 4%) and overhead ratios (up by 1%), but this masks what was a very uneven year year position that is more stable than the mid year numbers suggested.

The first half of 2025 was significantly weaker than 2024, with Q1 and Q2 delivering the lowest profitability in the dataset. However, the stronger recovery in Q3 and Q4 has closed the gap, resulting in a full year position that is more stable than the midyear numbers suggested.

The improvement seen in the second half of 2025 wasn't driven by a stronger market — which remained largely flat — but by businesses taking decisive action.

Firms have reduced overheads in line with lower income levels, refined team structures, and sharpened productivity expectations. These right-sizing actions have pulled cost ratios back into a more sustainable range and supported the stronger profit margins achieved towards the end of the year.

Taken together, the data shows that although 2025 underperformed 2024 overall, many firms are now entering 2026 in a more controlled and resilient operational position than they were at the start of the year.

ANNUAL OVERHEAD BREAKDOWN – 2024 VS 2025 (JANUARY TO DECEMBER)

Category	2024	2025	Movement
Property (% of NFI)	5.2%	5.4%	● ▲ +0.2%
IT (% of NFI)	3.5%	3.8%	● ▲ +0.3%
Professional Fees (% of NFI)	3.9%	3.7%	● ▼ -0.2%
Advertising & Marketing (% of NFI)	5.0%	6.0%	● ▲ +1.0%
Travel (% of NFI)	1.7%	2.2%	● ▼ -0.5%
Entertaining (% of NFI)	1.4%	2.5%	● ▲ +0.1%
General (% of NFI)	1.0%	0.8%	● ▼ -0.2%
Total Overheads (% of NFI)	21.7%	23.4%	● ▲ +1.7%

Overheads as a percentage of NFI increased slightly in 2025, rising from 21.7% to 23.4% of NFI. While the movement is modest, it reflects small but consistent shifts across several categories.

Those businesses tied into fixed contracts, have seen their overhead costs increase as a percentage of NFI, because NFI has reduced. Until those contracts can be exited or renewed, reductions are unlikely.

A good example is advertising and marketing spend, which includes job boards and LinkedIn. These costs rose by around 1%. Property and IT also increased. Arguably, it's within these three categories, that we see long-term contracts being more common.

Whilst entertaining also increased marginally, hopefully because of a drive for new business, we've seen professional fees, travel and general costs reduced as they are more variable.

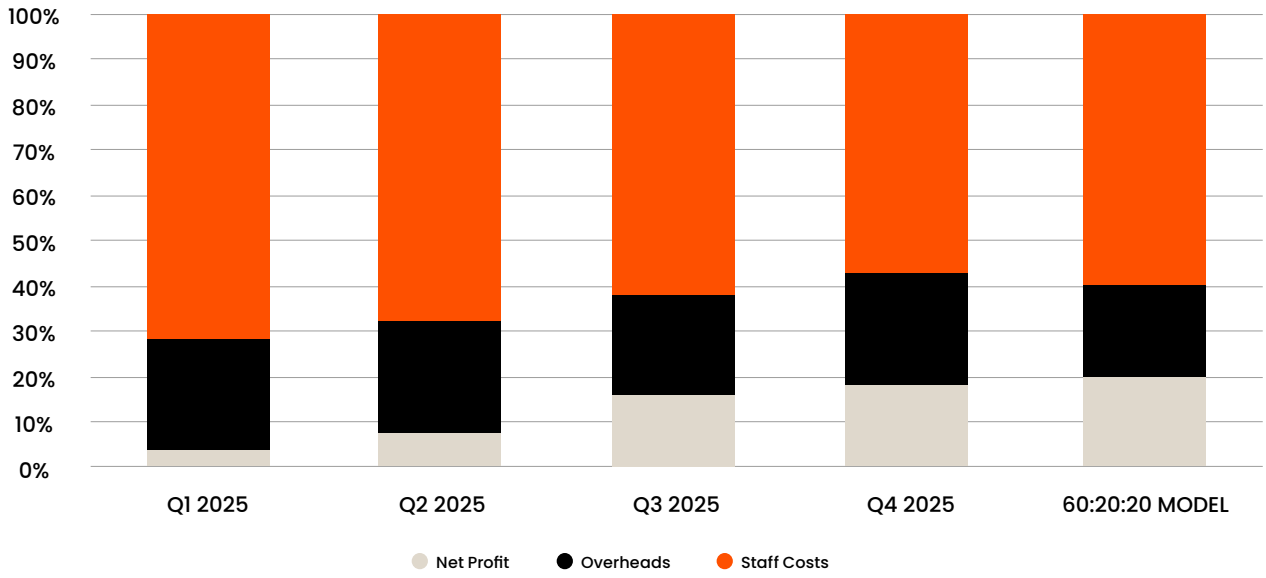
The overall pattern reinforces a familiar message: overheads rarely spike dramatically, but incremental increases across several lines can quickly erode margin, particularly in a year where income has been under pressure.

The businesses that performed best were those that monitored overheads closely, adjusted cost bases early in the year and ensured spend aligned with current levels of activity and income.

Good news is stabilisation was achieved in Q3 and Q4 and that suggests many agencies acted midyear to recalibrate their operations. As we head into 2026, maintaining this discipline and continuously challenging spend against return will be essential to protecting margins in a market that remains highly competitive and largely flat year to recalibrate their operations. As we head into 2026, maintaining this discipline and continuously challenging spend against return will be essential to protecting margins in a market that remains highly competitive and largely flat.

QUARTER ON QUARTER COMPARISON FOR 2025

	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Quarterly NFI movement		● ▲ +15%	● ▲ +13%	● ▼ -0.81%
Staff Costs (% of NFI)	71%	69%	63%	59%
Overheads (% of NFI)	26%	24%	21%	22%
Net Profit (% of NFI)	3%	7%	16%	19%



2025 was a year of two halves, with the quarterly data showing a clear and consistent shift in momentum as the year progressed.

Q1 and Q2 were exceptionally challenging, with staff costs at 71% and 69% of NFI respectively and overheads sat at 26% and 24%, delivering the weakest profitability in the dataset. These two quarters set the tone for a difficult first half and were the primary drivers behind the year-on-year decline in overall profitability on year decline in overall profitability.

Q3 marked the turning point. NFI increased, productivity improved, and both staff costs and overheads naturally fell as a proportion of income. This shift reflected deliberate action across many firms—resetting expectations, tightening cost control and addressing inefficiencies that had built up over the past 18 months.

Q4 did not see further income growth, with NFI falling slightly by 0.81% compared with Q3. However, despite the marginal drop in NFI, firms still delivered stronger margins — staff costs reduced again to 59%, overheads remained controlled at 22%, and net profit increased to 19%, one of the highest outcomes of the year.

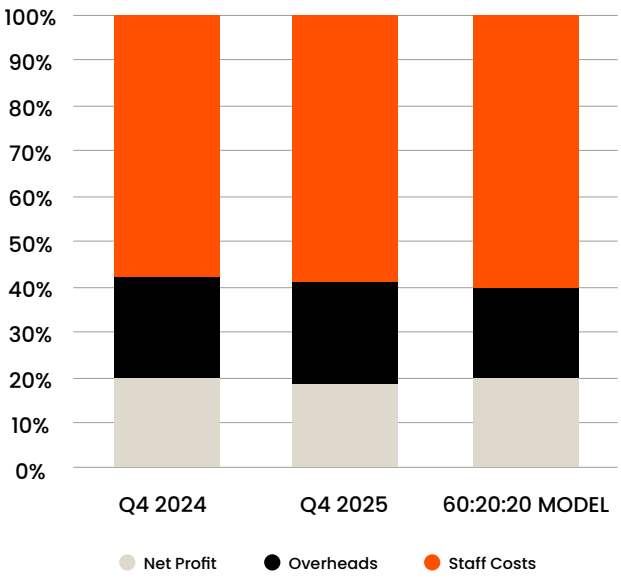
Taken together, the quarterly trend tells a positive story: despite a very weak start to the year, the sector successfully stabilised in Q3 and Q4.

This improvement indicates not a rebound in market conditions but a decisive response from business owners who realigned their operations to current levels of demand.

As a result, many firms exit 2025 in a more stable and sustainable position than at any point during the first half of the year.

QUARTERLY COMPARISON – Q4 2024 VS Q4 2025

Metric	Q4 2024	Q4 2025	Movement
Net Fee Income (NFI)			▼ +2%
Staff Costs (% of NFI)	58%	59%	▲ +1%
Overheads (% of NFI)	22%	22%	-
Net Profit (% of NFI)	20%	19%	▼ -1%



Reiterating the messages above; Q4 of 2025 continued the improvements that began in Q3, with performance broadly in line with the same period in 2024.

NFI increased by 2% compared to 2024, staff costs rose slightly from 58% to 59% of NFI, and overheads remained steady at 22%, resulting in a net profit margin of 19%, just 1% below the 20% achieved in Q4 2024.

Although this doesn't represent a significant year-on-year shift, it does highlight that the market remains largely stable if a little underwhelming, with NFI only increasing by 2% compared with Q4 2024.

Rather than indicating rapid growth, these results show that firms have broadly returned to the same trading position as this time last year.

WHAT THE WIDER MARKET IS SEEING

The wider UK recruitment market continues to face challenging conditions through Q4 2025, with the UK operating in an environment that remains cautious, costs sensitive and noticeably slower than historic norms.

Data shared from the large recruiters, paints a bleak picture.

Data from Hays, PageGroup and Robert Walters all point to a subdued market:

a. Hays' update for the three months ended 31 December 2025 reported:

- Income: a 10% year-on-year decline in group net fees, with the UK & Ireland down 9%.
- Permanent Income: a fall of 14%
- Temp Income: down 8%
- Consultant Productivity: increased by 6%

b. PageGroup reported similar patterns.

- Group NFI: declined by 4.6%, with the UK falling 10.1% year-on-year.
- Fee Earner Headcount: reduced by 1.5%, while gross profit per fee earner increased by 3%.

c. Robert Walters posted the sharpest decline

- Group NFI: down 14%. Europe remained its most challenging region, while the UK delivered isolated areas of strong performance.

Beyond the listed firms, broader market indicators continue to underline the UK's stagnation. According to the Global Recruiter International Index, the UK now ranks 57th globally for recruitment market attractiveness. This reflects political uncertainty, higher operating costs and increasing regulatory pressures.

When we started this division back in 2011, there were in the region of 18,000 recruitment agencies in the UK. Roll forward to 2024/2025 and we are double that! The sector also remains heavily fragmented, creating intense competition despite flat hiring volumes.

According to APSCo, 43% of recruitment leaders hold a negative near term outlook, with many anticipating a further slowdown in permanent hiring.

But's let's not get sucked in to that vortex. Let's focus on the positive news and devote our energies to making a difference because:

a. The UK recruitment market is worth £141 billion and whilst is it's not growing rapidly, it's not shrinking either.

b. Where the likes of Hays, Page and Robert Walters are losing out, the work must be serviced elsewhere for the overall market to remain stable. That means opportunities for the SME market.

c. UK inflation has eased to 3.4%, though still above the Bank of England's 2% target, and the base interest rate has fallen to 3.75%.

d. International markets offer a contrast. Countries such as the US, Canada, UAE, Switzerland, Holland and Japan, continue to show more stable hiring conditions, and many UK recruitment firms are exploring these regions to diversify their client base.

In summary, yes, we are in a stagnant market and yes, the competition is extensive, and it is unlikely to change in the foreseeable future!

Businesses with strong leadership, a strong service offering, working in a market where opportunity is available, will succeed in 2026 and beyond.

WHAT TO FOCUS ON FOR 2026

With little evidence of a meaningful recovery in the UK recruitment market, 2026 is likely to be shaped more by how firms operate than by external conditions. The market has stabilised, but it remains crowded, competitive and slow moving. In this environment, progress is less about chasing volume and more about getting the basics right and maintaining control.

COST CONTROL WILL CONTINUE TO MATTER

The last two years have shown how quickly margins can erode when income softens, particularly where overheads have crept up during stronger trading periods. Firms should continue to review their cost base regularly, not just annually, and challenge whether spend still reflects current levels of activity.

This is especially relevant for technology spend. Many businesses have invested heavily in systems, data tools and automation over recent months, often layering new tools on top of existing ones. In 2026, the focus should be on understanding the return on those investments. Businesses should be clear on whether their technology stack is genuinely improving productivity, conversion rates or fee income, and whether tools are being fully used and delivering measurable value.

The same scrutiny applies to marketing spend. Job boards, LinkedIn licences, advertising and employer branding activity can represent a significant proportion of overheads, yet the link between spend and results is not always well understood. Firms should be clear on which channels generate meaningful leads, which convert into revenue, and which costs have simply become embedded over time.

MONITOR CONSULTANT PRODUCTIVITY MORE CLOSELY

In a flat market, understanding how consultant time converts into fees is essential. Fill rates are a useful starting point. If a firm is operating with a fill rate of say 25%, it means that three quarters of the work being done by consultants for free. In a stagnant environment, this represents a significant drain on time, not to mention the opportunity cost.

Reviewing fill rates by consultant, team and job type can quickly highlight where effort is being diluted and where tighter qualification or prioritisation is needed. This applies equally to role selection and client behaviour. Time spent on poorly defined briefs, non exclusive roles or clients with a track record of low conversion carries an opportunity cost. Firms that are performing better in the current market tend to be more selective about which roles they pursue, how much resource they commit and when they step away. Clear expectations around job qualification, client engagement and candidate availability can materially improve outcomes without increasing workload.

INCREASE USE OF RETAINERS, PROJECT WORK AND STATEMENTS OF WORK

In a slow and competitive market, reliance on contingent recruitment alone leaves firms exposed to volatility and wasted effort. Many businesses are therefore placing greater emphasis on retainers, project based work and statement of work arrangements, which provide earlier revenue recognition and a clearer link between effort and return.

Retained and project work changes the risk profile of recruitment. Securing commitment from clients upfront not only improves cash flow, but also helps to improve conversion. Consultants are more selective about the work they take on, clients are more invested in the process, and time spent on

roles is more likely to result in an outcome. These models are not appropriate for every client or role, but applied selectively they can reduce wasted effort and smooth revenue in a flat market.

SPECIALISM REMAINS A CLEAR DIFFERENTIATOR

The wider market data continues to show that generalist recruitment is under the greatest pressure, while firms operating in niche, high skill areas see more consistent demand. Depth of expertise, rather than breadth of coverage, is increasingly important. Businesses should be clear about where they genuinely add value and resist the temptation to chase roles outside their core strengths, particularly where competition is high and margins are thin.

DATA, DATA, DATA

Timely, accurate information allows decisions to be made early rather than reactively. This includes understanding consultant level profitability and productivity, tracking overhead trends and ROI, client spend and ensuring that commentary sits alongside the data so management time is spent on actions, not interpreting the data. Firms that use financial and operational data as part of day to day decision making tend to respond faster and more effectively when conditions change.

LOOKING FURTHER AFIELD

While the UK market remains flat, some international markets continue to offer more stable demand. The US, Canada and the UAE are among the regions attracting interest, particularly in specialist areas where UK recruitment firms already have strong expertise and credibility.

Where international expansion works best is often through people already within the business. Rather than losing key talent looking to relocate, some firms are exploring opportunities to grow together — backing a trusted individual to establish a presence in a new territory, often with shared ownership or long term incentives.

This does, however, come with a caveat. International expansion requires investment, planning and ongoing support. Any move into a new market needs to be deliberate, well resourced and grounded in a clear understanding of why that territory makes sense for the business.

Taken together, 2026 is likely to favour firms that understand where their time and money are being spent and are prepared to adjust how they operate in response. Progress is more likely to come from disciplined decision making than from waiting for market conditions to improve.

ABOUT THE DATA

This benchmarking report is based on financial data from 78 recruitment agencies across the UK. The majority operate within professional services recruitment, including specialisms such as finance, legal, marketing, medical, and technology. The dataset includes a blend of business models, with a strong presence of executive search, retained and permanent recruitment firms.

To ensure comparability, shareholder dividends have been excluded and replaced with a market-rate salary for business owners. This allows all firms to be benchmarked consistently against the 60:20:20 model regardless of ownership structure or remuneration strategy.

Each agency structures its profit and loss account differently and we have endeavoured to group costs such as CRM, job boards, and LinkedIn licences into consistent categories to the best of our ability.

ABOUT US

Recruitment Accountants are a specialist division of TC Group, working with over 100 firms across the UK - from fast-growing independents to multi-entity, international groups. Our sector expertise means we do more than file accounts. We provide commercially focused insight on:

- **Strategic planning and forecasting**
- **Profit and margin improvement**
- **Restructuring and right-sizing**
- **Staff incentive plans**
- **Tax planning, cashflow and investment**
- **M&A preparation and exit strategy**

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If you would like practical, specialist advice on improving profitability, strengthening cashflow, or preparing for growth or exit, speak with our recruitment sector advisors:

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