

Mapping the UK's Recruitment Margins

The road to Brexit has become a reality with the triggering of Article 50 in March. However, with little clarity on future trade and employment deals, uncertainty prevails. Candidate availability in the job market continues its downward trend. However, business confidence remains robust going into Q2.

All eyes are on the **Industrial sector** as the Government pledges its support to increase productivity and drive growth across the UK. Profit margins have increased by 1% to 19.67%. The UK manufacturing sector goes from strength to strength with exports also boosted by the weak pound. The average manufacturing PMI (Purchasing Managers Index) for the quarter as a whole (54.7) was identical to the prior quarter's near three-year high. The outlook for the sector remains positive with employment increasing at both SME's and larger producers. However, rising costs due to the weak pound, higher global commodity prices and supply chain pressures remain ongoing challenges.

Despite profit margins in the **Construction Sector** slipping 4.23% to 15.9%, construction companies remain relatively optimistic about their near-term growth prospects. A recent slowing of momentum in the housing industry has been counterbalanced by an increase in civil engineering and commercial work. Input cost inflation remains strong with higher prices for imported materials.

Changes to profit margins have been minimal within the **Engineering sector** with a 0.51% increase in Q1 to 16.83%. Demand for candidates remains high as companies continue to invest and innovate across all areas including Aerospace and Automotive.

Demand for staff at all levels in the **Healthcare Sector** continues unabated with margins increasing to 31.51% going into Q1. A potential agency staffing ban has been put on hold by the NHSI indefinitely. However, new tax rules covering IR35 come into effect in Q2.

The **Hospitality Sector** has seen a positive start to 2017 with an increase of 5.21% in profit margins for Q1. Lucrative sporting events have benefited local economies, with regional boosts to tourism expected to continue going into Spring.

Profit margins in the **Legal Sector** remain consistent at 22.75% for Q1. However, demand for legal services is expected to increase as public sector projects gain momentum and companies seek advice as a result of Brexit and developing new overseas markets.

Meanwhile, profit margins in the **Oil and Gas Sector** have recovered slightly to 28.16% in Q1; an increase of 2.09% over Q4 2016. Companies have experienced a difficult few years with weak demand and low oil prices but the UK Government is looking at ways of keeping North Sea oil and gas fields in production for longer and spreading the cost of decommissioning between industry and government.

INDUSTRIAL



CONSTRUCTION



ENGINEERING



HEALTHCARE



HOSPITALITY



LEGAL



OIL & GAS



The **Simplicity Margin Index** is the only detailed quarterly report on the average recruitment margins across each major employment sector. Brought to you exclusively by The Global Recruiter, the Margin Index is a benchmarking tool used by recruitment owners looking for accurate and timely market intelligence to help them stay ahead of the competition whilst gaining a greater understanding of how well their sectors are performing.

Margin Index

Margin = Sales less payroll cost, which is made up of contractor/temp wages, including NI where applicable.

Percentage figures shown = margin/sales x 100