marginindex
Q3 2016

simplicity

Mapping the UK's Recruitment Margins

Recruitment companies are pressing ahead with investments in order to keep up with client demand. The jobs market continues to beat expectations with candidate availability at its lowest for over three years. However, rising costs, costly tariffs, access to EU labour and the European market are key concerns going into 2017. Getting on with the business of Brexit is seen as priority.

The **Construction Sector** saw a 3.18% increase in profit margins in Q4 (from 16.95% in Q3 to 20.13% in Q4). What's more, recruiters focusing on white collar professionals increased their margins by over 7.44% to 27.89% in Q4 due to an ongoing skills shortage. Renewed political focus on infrastructure and housing projects will underpin future demand. However, rising material costs and lack of available finance for smaller companies will serve to challenge future project costings.

Margins within the **Engineering Sector** have remained stable ending with an increase of 0.79% in Q4. The Automotive sector ended 2016 on a high with expansion plans and new model programmes announced. The UK Aerospace Industry is worth £31bn but CEO's are fearful of the Brexit impact on its future competiveness. Meanwhile, demand for engineers continues throughout all sectors.

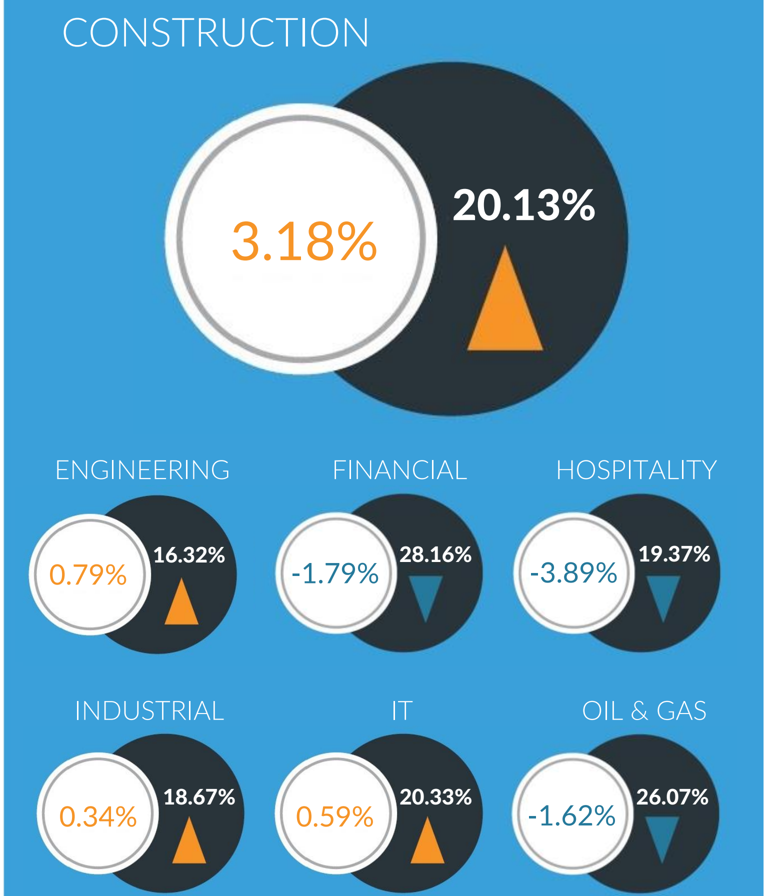
The **Financial Sector** experienced a slight erosion of 1.79% in profit margins (down from 29.95% in Q3 to 28.16% in Q4.) However, the sector still ended 4.43% higher than it started at the beginning of 2016. Contingency planning is underway by the banking community in the wake of Brexit.

Further market rate alignment happened in the **Oil and Gas Sector** with cutbacks in both contracts and perms across operators. Margins have been reduced by 1.62% (from 27.69% to 26.07%) in Q4. Some future prospects with the new Decommissioning Action Plan and new fields coming on stream.

The **IT Sector's** profit margins have risen slightly by 0.59% in Q4 to 20.33% with an overall increase of 2.98% over the year. A shortage of workers in niche areas and cybersecurity fears means demand remains high going into 2017.

Meanwhile the **Hospitality Sector** has already started to feel the impact of rising costs from a weaker pound, with a reduction in profit margins of 3.89% in Q4 to 19.37%. Accessing EU labour; alleviating the impact of the National Minimum Wage and lobbying the government for a reduction in the VAT rate are seen as some of the priorities for 2017.

The **Industrial Sector's** margins have increased by 0.34% to 18.67% in Q4. According to Markit/CIPS, UK Manufacturing PMI reached 56.1 in December. It is the highest reading since June 2014 as improved domestic and external demand boosted output and new order growth. Industrial production as a whole increased by 2% in November beating market expectations.



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