

Margin Index Q1 2020

An insight into the UK's Recruitment Margins

To say that the last quarter has been a turbulent time for recruiters would be something of an understatement. With a firm mandate for the Conservative Government delivered at the end of last year, Brexit was finally given the go-ahead by Parliament in January 2020 and followed by the promise that negotiations would not go beyond this year. With that, certainty seemed to enter many sectors.

Alongside this, however, other employment-related legislation promised disruption. A points-based immigration policy with limited room for overseas casual workers and the introduction of IR35 legislation to private sector firms both brought new challenges.

However, these issues were swept away by the impact of the emerging Covid-19 pandemic. As businesses shut down almost 90 percent of recruitment firms reported to an APSCo study that up to 50 percent of their contractors had been terminated. Hiring was described as 'falling off a cliff'. The REC's concurrent Jobs Outlook report found employer confidence in the UK economy had dropped by 22 percentage points with confidence in hiring and investment decisions falling 21 percentage points.

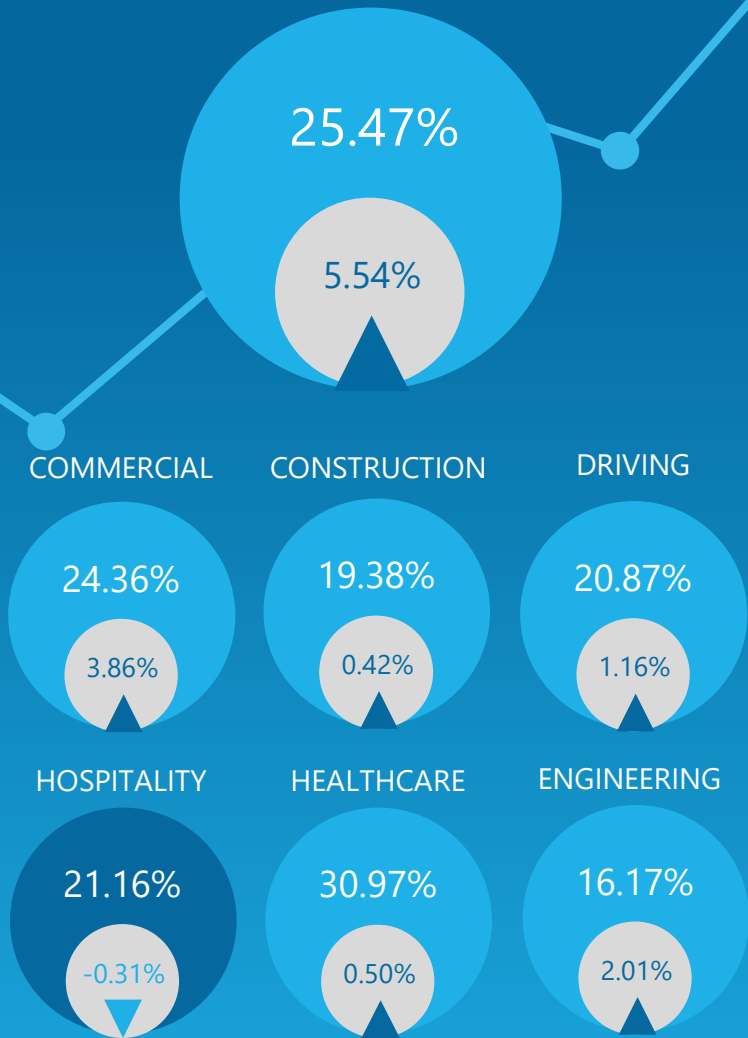
The figures from this quarter's Simplicity Margin Index, therefore, reflect the beginning of the end of what was a promising time. The early confidence that comes with a (traditionally 'pro-business') Conservative Government can clearly be seen in the upswing in the **Commercial** sector – rising by 3.86 percent – and to a lesser extent **Engineering** at 2.01 percent as decisions pending Brexit were made, encouraging investment and headcount. It is likely that the **Construction** sector experienced the same trend prior to lockdown, with a slight rise of 0.42 percent over the quarter.

Equally unsurprising given the time of year and growing compliance concerns, the **Accountancy** sector built on its growth in the last quarter, to deliver a margin growth of 5.54 percent. This sector is likely to continue positively with more demands being made of the function through the management of Government Covid-19 related support, not to mention negotiations with financial backers in order to keep businesses afloat.

The downturn experienced in the **Hospitality** market would not have been helped by the end of the festive period, an active time for the sector. However, the decrease of 0.31 percent is just the tip of the iceberg in terms of the impact the lockdown will have on the sector.

Meanwhile, the uptick in both the **Driving** sector and **Healthcare** – 1.16 percent and 0.5 percent respectively – may herald a positive time for both. The clampdown on 'unskilled' migrant workers is an issue for both these sectors where potential overseas candidates are now unlikely to meet the Government's criteria – drivers and nurses not meeting the required salary threshold. However, as both sectors are active at the frontline of managing the impact of the current pandemic it is likely that these sectors will see continued strong demand over the next weeks and months.

ACCOUNTANCY



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

Percentage figures shown = margin/sales x 100

Need to calculate your margins? Try our [Margin Calculator](#)

