Margin Index Q2 2020

An insight into the UK's Recruitment Margins

The global pandemic has created an employment market of severe peaks and troughs, experienced over a matter of weeks, even days. The last Margin Index gave insight into the initial impact of Covid19 on industry sectors – the moment when the broader trends in employment, affected by government policy and investment confidence, were wiped out by lockdown. Data for the most recent quarter not only shows the hardest-hit sectors and those who have weathered the storm but also demonstrates how the easing of lockdown on a week by week basis has been felt by employers. Consequently, while the overall picture may be disheartening, more granular data from recent weeks suggests a growing market for the majority of sectors.

Considering the usual data, it is perhaps unsurprising to find IT has come to the fore in terms of growth with a positive 2.45 per cent difference between Q1 and Q2. The shift to home working has no doubt powered this change, not simply through the need for employees to be set up at home but also to be joined up with their colleagues. Additionally, systems require good security and protection from cyber-attacks while operating in a more dispersed structure. This presents an ongoing challenge and one which will, if anything, become more complex and de-manding as work patterns shift.

The construction industry has managed to stay positive this quarter but below one per cent (0.94 per cent). This is a slight improvement on the last margin's data but still shows a sluggish and nervous sector. The impact of coronavirus on this sector has been complex. First, the sector has been hit by a general unwillingness among investors to commence builds due to the wider economic situation. Second, the ability of builders to socially distance while working has been possible resulting in activity recommencing on some sites while lockdown has continued in other sectors. Thirdly, dealing with the impact of the virus on the physical world – new bike schemes, walkways, pedestrian and traffic flows etc. has presented new and immediate opportunities for the sector.

Education's rise of 1.42 per cent has also been driven by the pandemic response. As schools have sought to reopen, they have looked to bring in more staff to teach smaller, socially distanced groups. In these circumstances, it is highly likely that schools will engage temporary staff, not least because the demands around school openings have changed over the weeks and may yet undergo further consideration before September.

It is unsurprising to find that the most stable sector during such unprecedented times has been the healthcare market, with the margins comfortably sitting around the 31 per cent marker. It will be interesting to see how margins fair in the sector moving forward, with global healthcare spending expected to rise by five per cent over the next three years and a change in dependence on the industry

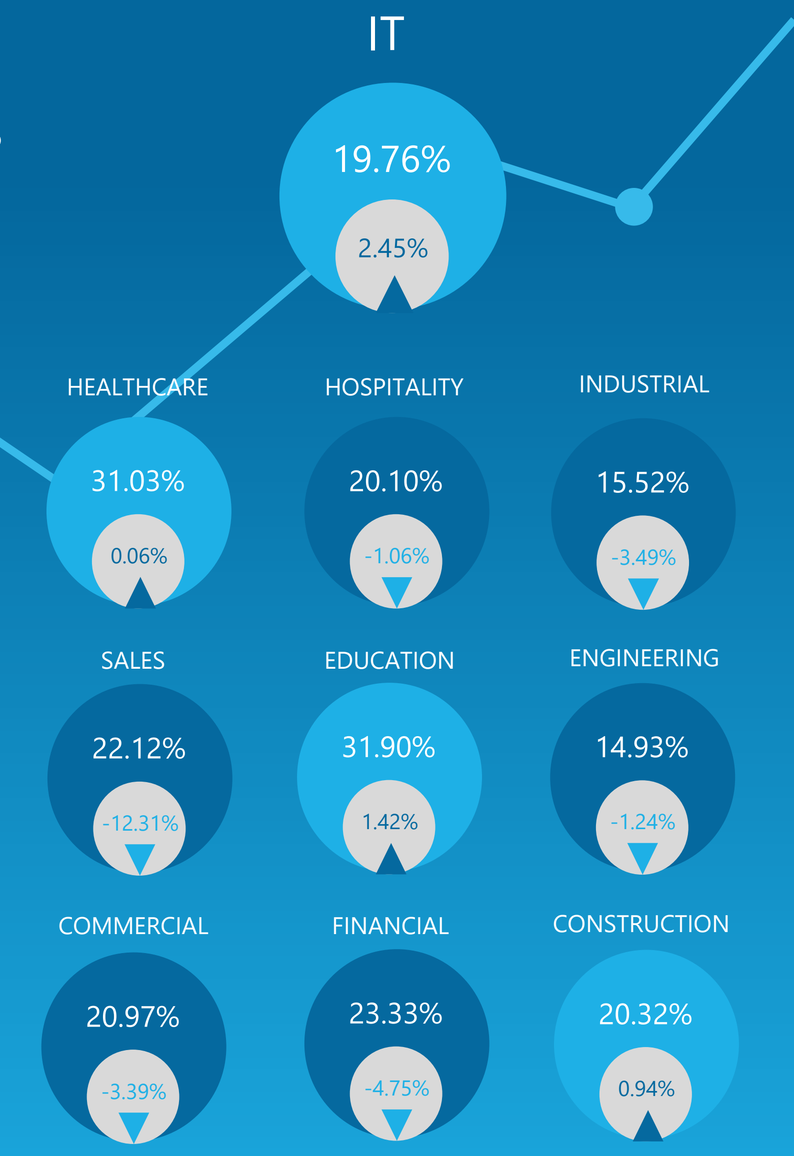
The hardest-hit sector as far as the index is concerned is sales where the index has fallen by a significant 12.31 per cent. As the country shut down and stayed at home the willingness and ability of customers to part with their money has fallen. It has simply not been possible for sales staff to go to their usual markets and sell.

Modest falls among the financial, commercial and industrial sectors also reflect the impact of the pandemic. That said, month by month activity comparisons made by Simplicity do present a more encouraging picture for these and other suffering sectors. For example, consideration of month by month activity in the hospitality sector shows a significant uptick - from a shrinkage of 60 per cent in April to growth of 41 per cent in June. Construction, industrial and engineering sectors have also scored highly in June, showing promise of new and positive growth now lock-down is easing.

It also seems that as the government make new announcements to spark a revival in the economy, recruiters feel the impact quite soon after initiatives are made. As mentioned above, the construction industry has been hesitant to start new projects, so perhaps the Stamp Duty holiday will have a knock-on effect through the sector here. Similarly, the hospitality industry may see another spike now VAT has been cut.

The UK's economic sectors are highly sensitive and are experiencing significant change. For ex-ample, figures from Simplicity concerning the IT sector show that while the first month of the pandemic delivered a significant hike in business overall. Weekly activity varied with great highs and lows. As the market levelled off in early May the sector saw activity fall by nearly 20 per cent in the latter part of May, before building back again in June. This sensitivity may well be heightened by the specific experience of the companies included in Simplicity's cohort, but their experience will no doubt have been repeated among other businesses in the sector.

The recruitment industry has long been touted as the barometer of the economy, and the cur-rent scenario upholds this. One lesson that does come from this month's Index, loud and clear, is that ultimately the success of any economic recovery will be determined by how soon, and indeed if, customers are ready to part with their money. Simplicity has reported another silver lining in this respect in that the sales sector activity is already climbing. From May to June, it scored a positive rise of more than 32 per cent. There is a long way to go before sector activity returns to pre-lockdown levels, but at least the journey is underway.



IT	19.76%	2.45% ▲
HEALTHCARE	31.03%	0.06% ▲
HOSPITALITY	20.10%	-1.06% ▼
INDUSTRIAL	15.52%	-3.49% ▼
SALES	22.12%	-12.31% ▼
EDUCATION	31.90%	1.42% ▲
ENGINEERING	14.93%	-1.24% ▼
COMMERCIAL	20.97%	-3.39% ▼
FINANCIAL	23.33%	-4.75% ▼
CONSTRUCTION	20.32%	0.94% ▲

Margin = Sales less payroll costs, which is made up of contractor/temp wages including NI where applicable.
Percentage figures shown = margin/sales x 100

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