

Margin Index | Q3 2021

An insight into the UK's Recruitment Margins

INFLATION, SHORTAGES & THE END OF FURLOUGH

The economy and sales still increasing throughout Q3 despite inflation and shortages. Although, even before the present crisis, the Bank of England predicted that UK inflation would reach 4% in Q4 2021 - "twice its target rate." Warning of "hard yards" ahead for the UK economy, observing that "supply chain shocks" are "weakening" the recovery. It will be interesting to see how this will affect Margins during the festive period in Q4.

The **Rail** sector has seen a 2.61% drop to **17.39%** this quarter. According to the Office of Rail and Road, this drop results from worldwide trade disruption caused by Covid-19, including a global container shortage. In addition, reduced automobile manufacturing, component supply problems, and staff shortages are the causes of a 29.8% drop in international traffic volume compared to the same time two years before. Despite a prediction of expenditure in this sector due to weather occurrences, there is light at the end of the tunnel, with large retailers opting to use freight distribution services to solve the supply crisis.

The **IT** sector has increased margins to **17.86%** this quarter. As investment in UK startups increased to £13.5 billion in the first six months of 2021, recruiting increased across the country, with technology now accounting for 13% of all UK job openings. The Government announced £53 million funding for five new digital manufacturing research centres and initiatives assisting supply chains to become more productive. The research is for the development of the most advanced digital manufacturing technology.

The **Healthcare** sector has seen a drop in Q3 to **24.84%**. Prime Minister Boris Johnson proposed a £5.4 billion rescue package for the National Health Service (NHS) amid fears that the UK's healthcare system is on the verge of collapsing. Long treatment delays caused by the Covid-19 pandemic and staff shortages have led experts to warn that services may need to be reduced unless the NHS obtains an additional £10 billion in funding. It will be curious to see whether action will be taken regarding a recent poll, stating 43% of nurses said they were thinking about leaving their employment. Will this have a significant impact on margins in the healthcare sector.

Hospitality continues to rise this quarter to **22.05%**. As a result of lifting lockdown restrictions across the UK, expenditure on pubs, bars, and clubs increased by 43.4%, the biggest increase in over 17 months. This sector has continued to show a high demand for skilled staff. With the festive season fast approaching and 34% of people planning to spend more money on takeout, the hospitality sector will see a larger number of vacancies to be filled over the coming months.

The **Sales & Automotive** sectors have shown another increase this quarter to **26.92%** for sales and **21.88%** for automotive. Secondhand car prices have risen sharply (by 5.6%) due to a global shortage of computer chips, restricting the supply of new vehicles. According to the Society of Motor Manufacturers and Traders, new automobile registrations fell to their lowest level since 2013, with only 68,033 units sold. The month was also 7.6% lower than the 10-year average. However, demand for new battery-electric (BEV), hybrid (HEV), and plug-in hybrid (PHEV) cars increased by 32.2%, 45.7%, and 72.1% in August.

The **Driving** sector has seen a slight increase to **18.76%** maintaining levels through this quarter. The demand for drivers is still very much high, with retailer's sales further increasing throughout Q3. In addition, the Government announced a three-month temporary visa arrangement to make it simpler for foreign truck drivers to work in the UK, which is due to end on Christmas Eve. With this temporary solution, the increases in the shortage of drivers and more supply-demand, it will be interesting to see how this sector pans out in Q4 and even in Q1 2022.

The **Commercial** sector has seen a minimal decline this quarter. With a negative difference of 0.56%, the new percentage is **21.11%** compared to the previous 21.67%. The slight decrease tells us commercial has stayed relatively level since last quarter, with only a couple of factors affecting the results. For the first time in 25 years, we have seen a four-month consecutive decrease within retail. The shortage of lorry drivers could be causing this decrease due to the lack of materials delivered around the UK. However, despite the current decrease, retail sales are up 4.6% compared to pre-pandemic levels. Now we are entering the lead up to Christmas; we should see a significant rise within this sector.

With the Summer holidays out of the way and the new school year starting, there was a 3.06% increase to **32.75%** in **Education** output in Quarter 3, reflecting the reopening of schools over the period as in-school attendance rates increased; hence the demand for teachers increased.



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](#)