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Q4 2022

An insight into the UK's Recruitment Margins

INFLATION IN THE UK IS AT A 40 YEAR HIGH

With causes such as the Russia-Ukraine conflict, rising energy costs, and the weak pound anticipated to persist beyond 2023. Profit margins have also been constrained as businesses' pricing hikes have not kept pace with growing costs. With wage growth unlikely to maintain pace with high levels of inflation, UK families' disposable income is expected to shrink by up to 10% over the next two years.

HOSPITALITY

+3.51%

24.18%

Hospitality has increased by 3.51%, increasing the margin percentage to **24.18%**. Bookings for the Christmas holiday appeared steady, while customers increasingly made last-minute decisions. Although there are concerns about the possibility of a reduction in reservations in the New Year, pointing out that demand is already migrating to lower-priced venues. As well as this, the industry is failing to function at full capacity; 74% of hospitality businesses reported operating at less than full capacity. According to a recent study, one in three UK-based hospitality businesses are closing one or more days each week due to staff shortages, while the latest Office for National Statistics data reveals that there are around 152,000 hospitality openings in the UK. Because of personnel difficulties, 32% of hospitality businesses were expected to reduce their hours over the holidays. Meaning that the demand for workers is more than ever.

COMMERCIAL

-0.13%

23.79%

The **Commercial** sector slightly decreased this quarter by 0.13% to **23.79%**. Non-food businesses reported a steep reduction in demand for domestic products such as furniture, furnishings, and appliances due to the cost-of-living crisis, resulting in some having surplus stock. People are more mindful of spending and less inclined to buy non-essentials. Hence the need for workers has fallen. As a result, profit margins have shrunk.

HEALTHCARE

-4.85%

25.24%

Healthcare has seen the most significant fall out of all sectors at 4.85%, from 30.09% to **25.24%**. The industry is expected to face various new problems in the coming months and years, including labour shortages. Without intervention, private hospitals may see their margins shrink, and their expansion stifled. Healthcare providers are being pushed to raise compensation to attract and retain employees. NHS employees demand above-inflation pay increases for this year, which may drive up private providers' personnel costs as they compete for recruits. In turn, increasing recruitment margins. It will be interesting to see how this industry fairs over this year.

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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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CONSTRUCTION

The **Construction** sector saw an increase of 3.93% this quarter **17.98%**. A rise in new work orders drove the most recent increase. Construction businesses, on the other hand, continue to suffer difficulties. Subjective information points to persistent pricing pressures from construction materials and goods, labour market constraints, and difficulties in hiring new employees. Because of the difficulty in hiring, the need for employees and recruiters has grown, as has the margin.

+3.93%

17.98%

DRIVING

-1.51%

21.74%

Like the previous quarter, **Driving** increased again by 1.51% to **21.74%**. Vacancy rates have increased from 3.2% in 2021 to 3.7% as of Q4 2022 but remain below the 5.2% vacancy rate recorded before the pandemic, indicating the resilience of demand, which has been fueled partly by structural changes in the retail market and the rise of e-commerce. Plus, the need for HGV drivers is still high, due to the lack of skilled workers in the UK, after the effects of Covid and Brexit. As a result, recruiters continue to charge higher rates when placing these skilled workers, leading to an increase in margins.

INDUSTRIAL

The **Industrial** sector has increased by 1.81% to **22.72%**. Vacancies in the industry are around 65% greater than they were before the pandemic. It is probable that the increase in non-labour expenses, such as energy and raw materials, has hampered businesses' capacity to recruit and retain talent with higher compensation. In addition, there has been an increase of around 420,000 people on sick leave throughout the whole sector. Furthermore, an estimated 100,000 EU employees have been lost since the Covid outbreak began. Due to the loss of EU workers, the industry will be working hard to fill these vacancies suggesting an increase in recruiters' margins.

+1.81%

22.72%

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