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Q1 2023

An insight into the UK's Recruitment Margins

ECONOMIC ACTIVITY SUBDUED

Production in the manufacturing and construction sectors fell, while demand for business services remained steady. As energy and commodity price inflation eased and supply-chain concerns receded, inflationary pressures from raw materials, tradable goods prices, and UK-manufactured products were reduced further. Consumer goods and services price inflation have also eased. However, dangers to the upside persist.

COMMERCIAL

+1.57%

25.36%

The **Commercial** sector increased this quarter by 1.57% to **25.36%**. Investors sentiment for the British commercial services sector is now largely neutral, suggesting that investors expect long-term growth rates to stay stable. In the next five years, analysts anticipate that the commercial printing sector will have 100% annual profit growth. In contrast, it is anticipated that over the next several years, the Security and Alarm Services market will have a profit growth of 5.5% annually. As the sector grows, demand for talent will also, meaning that recruitment margins should increase. Based on this information, it will be interesting to see how this sector performs in the upcoming quarters.

Hospitality has reduced by 1.61%, decreasing the margin percentage to **22.57%**. Just 34% of UK companies say they need help to keep employees. Vacancy levels remain high, but the cost of living squeeze is reducing consumer spending further, and the sector is likely to be one of the hardest hit by the removal of the commercial energy bill cap on 1st April. Both may dampen recruitment in this sector. Technology is becoming one of the main ways that businesses are addressing workforce difficulties, according to Lightspeed Research. To make up for their personnel shortages, 48% of hospitality merchants chose to launch/expand their online operations. In general, 57% of UK restaurant owners thought adopting new technology was essential to their company's survival.

HOSPITALITY

-1.61%

22.57%

The **Construction** sector saw a large decline of 5.38% this quarter to **12.60%**. The drop in output volumes compared to a year earlier was caused by significant home builders slowing construction rates in response to lower demand. The construction of social housing has also suffered. Growing expenses and delays in planning and utility connection continue to limit productivity. Household income has been pinched; thus, expenditure on home upgrades has also decreased.

CONSTRUCTION

-5.38%

12.60%

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MARGIN CALCULATOR



Margin = Sales less payroll costs, which is made up of contractor/temp wages including NI where applicable. Percentage figures shown = $\frac{\text{margin}}{\text{sales}} \times 100$

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EDUCATION

Education has seen a decrease of 2.42% to **24.65%**. According to the National Education Union, 300,000 teachers went on strike in the first quarter of 2023. (NEU). The teachers were demanding a 12% wage increase entirely sponsored by the government and not paid for out of the current school budgets. Despite strikes, the pay rate for educational staff is still low, meaning that education bodies don't have the finances to pay for higher-wage employees, reducing the margins for recruiters.

-2.42%

24.65%

DRIVING

-2.10%

19.64%

The **Driving** sector decreased this quarter by 2.10% to **19.64%**. Postal and courier services and rail transportation declined within the transport and storage sub-sector as both sectors saw strike activity during the first quarter. As employee strikes cost businesses profits, demand for more workers decreases, meaning profit margins for recruiters are following suit and declining.

Healthcare has seen a significant increase in Q1 of 3.46%, from 25.24% to **28.70%**. Most healthcare providers are still struggling with the number of vacancies. This is because the number of people requesting estimates for private health insurance has increased dramatically in the healthcare industry as several strikes begin this week affecting NHS services. It appears that the British are trying to escape the delays and disruptions after nurses, physiotherapists, midwives, and ambulance personnel went on strike, causing an estimated 88,000 hospital appointments to be cancelled. With NHS strikes, healthcare workers are moving to the private sector with higher pay and better benefits. As you can see, this has also increased recruitment margins with the higher demand for private care.

HEALTHCARE

+3.46%

28.70%

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