2022-2023 RECRUITMENT ACTIVITY REPORT

MAY 2023

2022-2023 has been an unprecedented year for recruiting!

This Recruitment activity report provides recruiters with insight and comparison into the average activity of the top sectors Simplicity has funded throughout 2022-2023.

OVERALL ACTIVITY

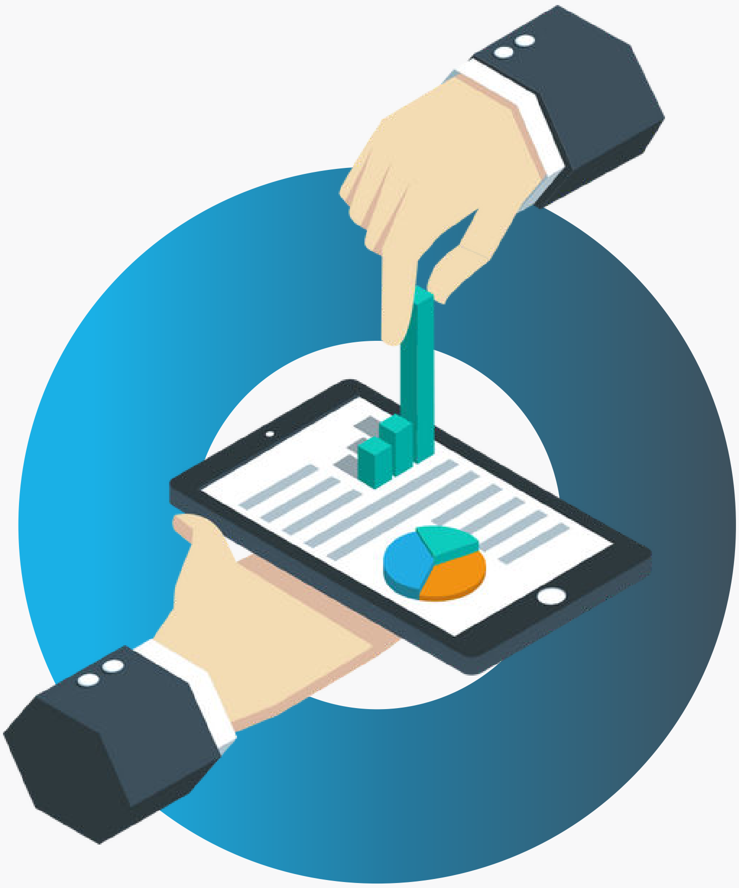
The sector had many ups and downs, including the Great Resignation, Quiet Quitting, Quiet Firing, significant layoffs, and the Great Breakup, which shocked recruiters. A war, increasing oil costs, record inflation, a cost-of-living crisis, political instability (three UK prime ministers by the end of the year), and frequent strikes.

But, amid all this turmoil, we must not overlook the good trends that have given recruiters optimism and will most likely continue to do so in the future year!

2022 saw unemployment plummet to its lowest level in over 50 years, while the number of job openings exceeded those out of work for the first time on record - very uncommon for an economy bordering on recession. The second half of 2022 saw a decrease in job posting activity, mainly due to the extremely tight labour market. There are fewer individuals in the labour market due to an exodus of migrant workers back to the EU from the UK and an increase in the economic inactivity rate - a smaller workforce unable to fill the existing openings.

Vacancies that are difficult to fill continue to exist.

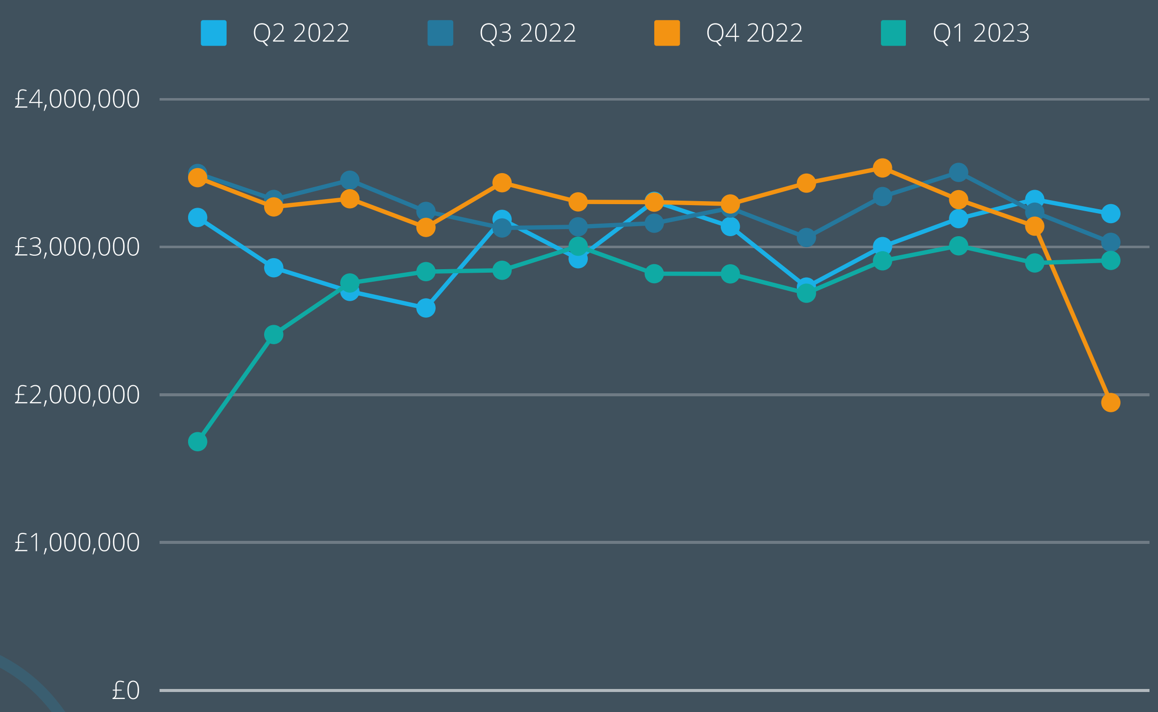
57% of companies have difficult-to-fill positions, and 29% foresee considerable problems filling difficult-to-fill jobs in the next six months. Hard-to-fill positions are most frequent in utilities (82%), healthcare (78%), and education (77%). 40% of companies with difficult-to-fill positions had skills shortage vacancies, which occur when candidates for listed opportunities lack the necessary technical abilities. These factors combined to mean that the need for recruiters was greater than ever to help employers through the difficulties.



According to the Office for National Statistics (ONS), real wage growth (adjusted for inflation) decreased by a record 3% from April to June 2022 and 2.6% from September to November 2022. So we have a perfect storm: salaries have climbed at the quickest rate in more than 20 years yet continue to fall short of keeping up with the soaring cost of living, which is rising at the fastest rate in over 40 years. In November 2022, inflation hit 10.7%. Further causing friction is the disparity in pay growth between the public and private sectors (3.3% for the public sector versus 7.2% for the private sector from September to November), resulting in mass strikes in the UK in 2022 and continuing to do so in 2023. According to the ONS, the number of working days lost due to strike action from June to November 2022 was the most since 1990.

You can see by the graph below that the recruitment industry has stayed relatively stable through the year despite troubles in the economy.

Overall Recruitment Profit Margin 2022-2023



CONSTRUCTION

As stated by the Office for National Statistics (ONS) statistics in Q2 2022, construction businesses gave record incentives to retain skilled workers. According to official estimates, construction workers were paid an average of £89 per week in "non-seasonally adjusted incentives". Despite the high cost of labour and supplies, several major projects, such as HS2 and Hinkley Point, to name just two, continued to move forward, resulting in a constant need for workers. As a result, the sector became more balanced in profit margins, job advertisement and the placement of candidates.

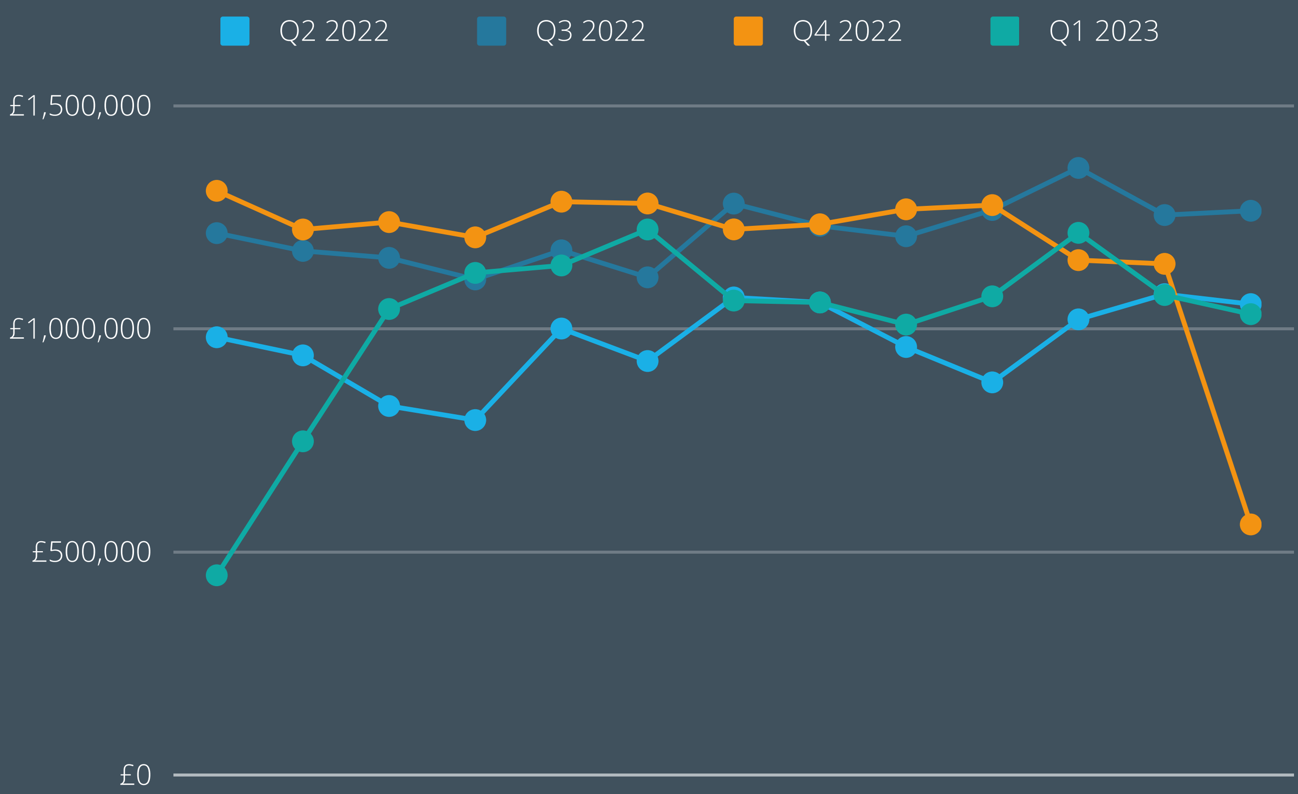
In Q3 2022, the recruiters' margins became more stable due to general construction costs increasing in price, and a further strain on the sector which included the price of materials and Brexit, causing a demand for construction workers.

In Q4, we saw a rise in new work orders. 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 grew, as did the margin.

The Construction sector saw a significant decline in Q1 2023. 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.

As you can see from the graph below, the construction sector maintained levels through Q2, Q3 & the beginning of Q4 but sharply declined towards the end and into the beginning of Q1 2023.

Construction Recruitment Profit Margin 2022-2023



Driving

Transport and Logistics experienced significant challenges in 2021, notably a scarcity of HGV drivers, although the industry got a higher proportion of applications in 2022, indicating that the candidate shortage has been alleviated.

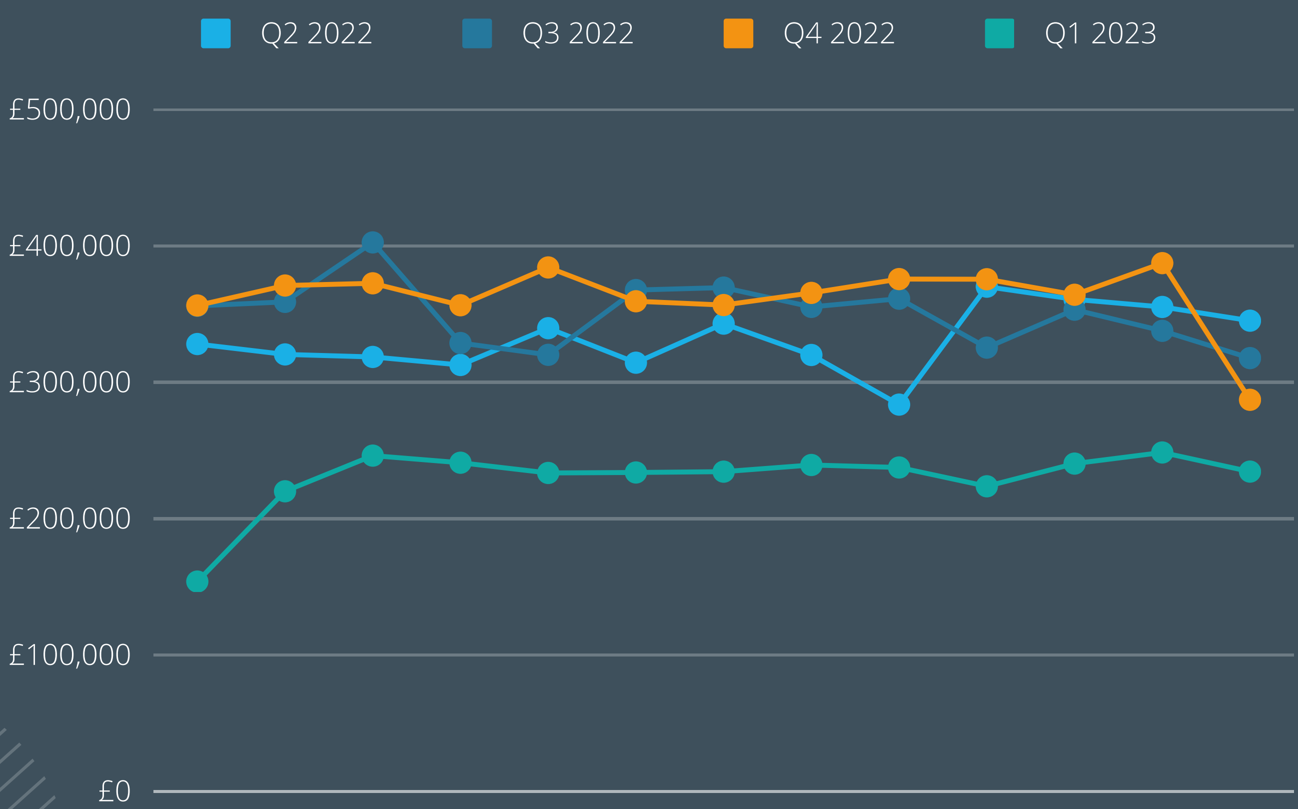
According to the statistics, the number of people taking practical HGV exams increased by 53.5% in Q4 2021 compared to Q4 2019, showing the steadiness of Q2 2022. In addition, the industry expanded access to training and testing for all interested in joining the profession and retaining employees.

In Q3 2022, the quarter saw fairly steady profit margin levels with a few bumps up and down. The need for HGV drivers was still high in Q3, due to the lack of skilled workers in the UK, after the effects of covid and Brexit. Furthermore, the rising cost of living and inflation caused people to shop around (specifically online) for cheaper deals, generating demand for drivers. As a result, recruiters continue to charge higher when placing these skilful workers.

Vacancy rates increased from 3.2% in 2021 to 3.7% as of Q4 2022, indicating the resilience of demand, fueled partly by structural changes in the retail market and the rise of e-commerce. Plus, the need for HGV drivers was still high due to the lack of skilled workers in the UK. As a result, recruiters continue to charge higher rates when placing these skilled workers, increasing margins.

During Q1 2023, as you can see in the graph, there was a rather large dip in margins. We believe this is because postal, courier services and rail transportation are declining within the transport and storage sub-sector as both sectors saw strike activity. As employee strikes hit organisations financially, demand for more workers decreases, meaning profit margins for recruiters are following suit and declining.

Driving Recruitment Profit Margin 2022-2023



Healthcare

Health & Nursing have seen significant job openings but low applications due to chronic workforce shortages that have only worsened since the onset of the pandemic and as a result of Brexit. Health and Nursing offered a comparable percentage (36%) of positions accounting for over a third of all vacancies in the quarter to September 2022, but fewer applicants. The historic labour deficit that has plagued the sector is not abating. Healthcare represented 11% of all vacancies advertised and only 2% of applications. A July 2022 assessment commissioned by MPs discovered that England was short of 12,000 hospital physicians and 50,000 nurses and midwives. Concurrently, it predicted that an additional 475,000 healthcare jobs would be needed by the early part of the next decade.

According to a British Medical Association study published in October 2022, 44% of consultants are considering quitting in 2023, while nurses across the UK are on strike owing to low pay. The countrywide shortage of healthcare professionals and hospitals' reliance on contract labour pushes costs and reduces total earnings. From 2019 to 2022, median hourly salaries for contract nurses climbed by 106% (£64 in 2019 vs £132 in 2022), while wages for hired nurses increased by 11%. With the demand for healthcare professionals increasing and wages rising, we can see margins in this sector taking a hit.

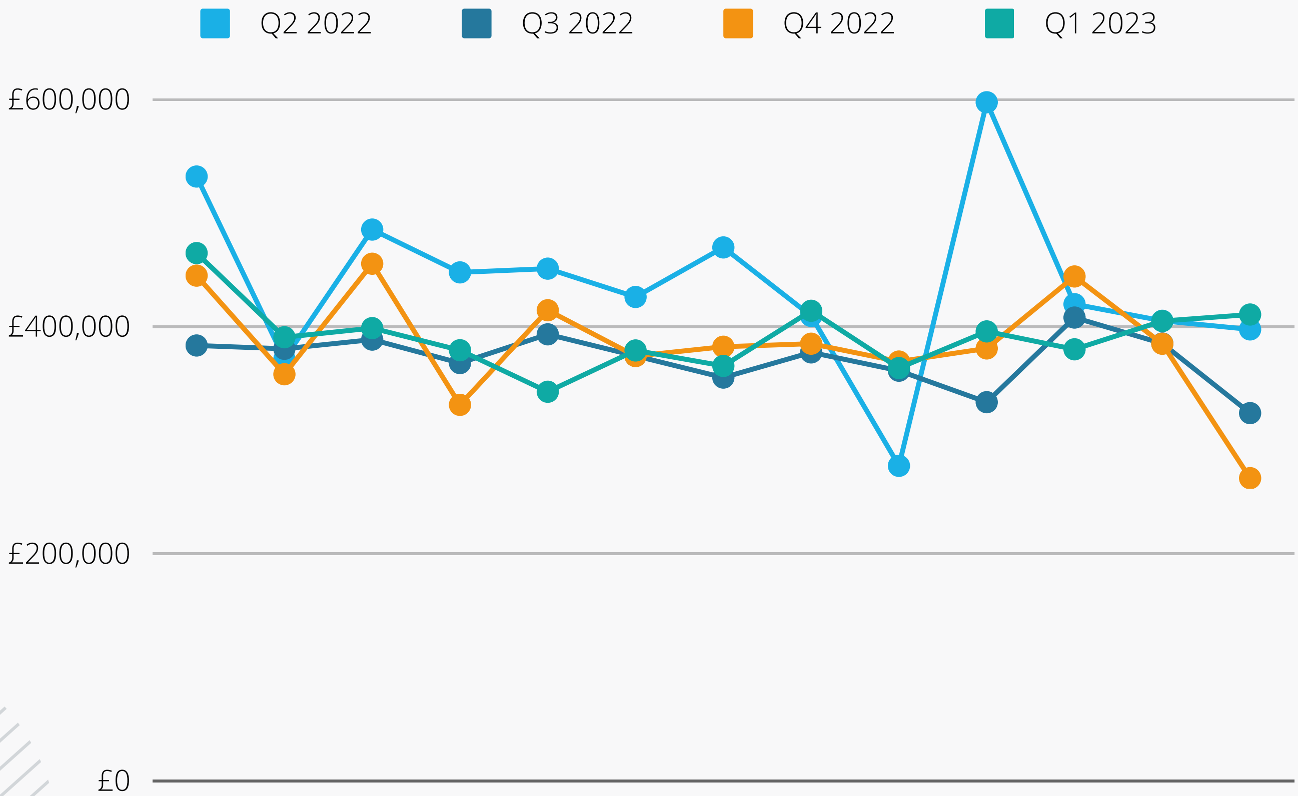
Since Covid, pressure has been put on the NHS, causing the demand for staff to be at its highest. However, not enough candidates fill the vacancies, causing staff scarcity. In addition, the backlog of postponed treatments and additional care for ill health increased pressure due to Long Covid. Consequently, the availability of candidates in the labour market dropped in Q3 2022.

During Q4 2022, the industry faced various new problems, including labour shortages, margins shrinking, and growth stifled. Healthcare providers pushed to raise compensation to attract and retain employees. NHS employees are demanding above-inflation pay increases for this year, which has driven up private providers' personnel costs as they compete for recruits.

In Q1 2023, most healthcare providers were still struggling with vacancies. This is because the number of people requesting estimates for private health insurance has increased dramatically in the healthcare industry as several strikes began towards the end of 2022 and into early 2023, affecting NHS services. It appears that the patients 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, attracted by higher pay and better benefits.

The graph below shows how the sector has been resilient, and demand for healthcare workers increased throughout Q3 2022, Q4 2022 and Q1 2023.

Healthcare Recruitment Profit Margin 2022-2023



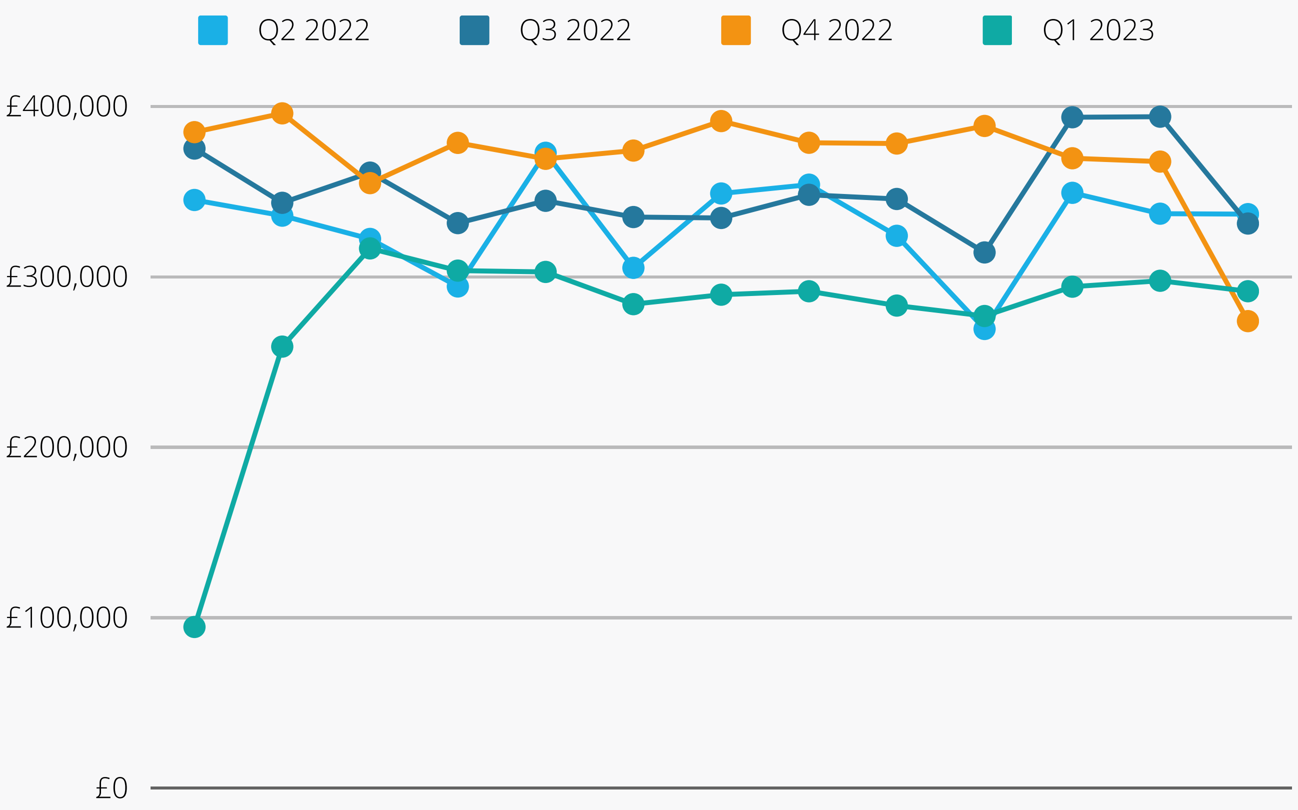
Industrial

Due to COVID limitations and supply chain concerns, output in the UK Manufacturing industry was significantly impacted. It recovered in 2021, but Make UK predicts a 4.5% decrease in 2022, owing partly to higher energy and material prices impeding growth.

In Q2 2022, the most talked about topics which affected the industrial sector were inflation and the supply chain challenges. For example, the economy's slowdown caused many business manufacturing disruptions around the UK. Delivery delays, price increases, empty petrol stations and gaps on store shelves are all results of supply issues.

Vacancies in Q3 2022 were around 65% greater than before the pandemic. It is probable that the increase in non-labour expenses, such as energy and raw materials, hampered businesses' capacity to recruit and retain talent with higher compensation. In addition, there was 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. Due to the loss of EU workers, the industry will have to work hard to fill these vacancies.

Industrial Recruitment Profit Margin 2022-2023



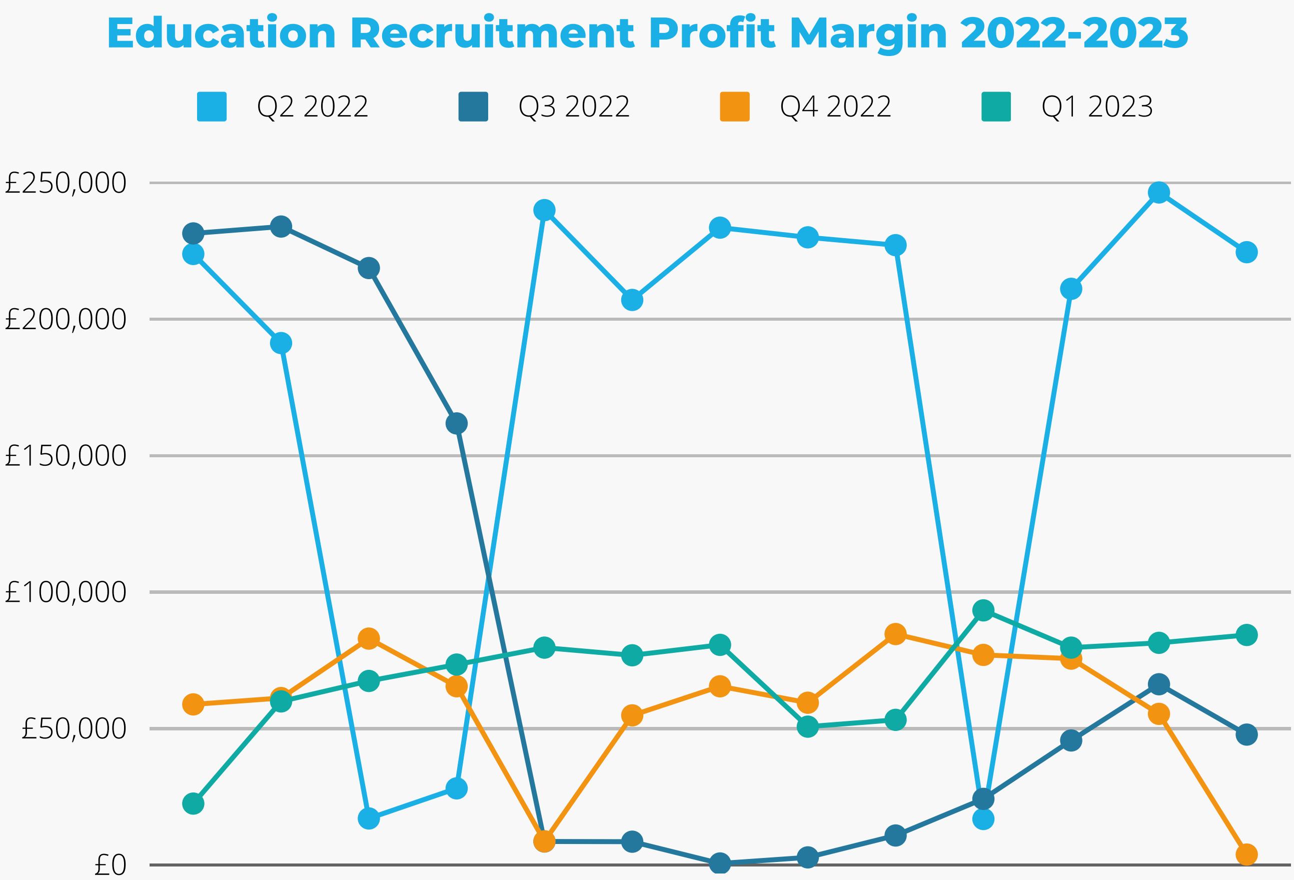
Education

Recruitment to initial teacher training (ITT) was significantly below target across a range of subjects last year. As of February 2023, ITT recruitment is likely to be slightly better than last year, while teacher vacancies are significantly higher than the year before the pandemic. Recent trends in recruitment and retention confirm that tackling recruitment and retention should be an urgent policy priority to guarantee that schools in England have enough personnel to offer a high-quality education to students.
The number of teacher openings reported by schools, a measure of staff turnover, was 93% greater in the academic year leading up to February 2023 than in the same period preceding the pandemic.

Falling retention rates and historically low teacher recruitment numbers indicate that teaching is losing competitiveness in compensation and working conditions compared to other vocations, which requires immediate finance action throughout the sector to rectify.

According to the National Education Union (NEU), 300,000 teachers went on strike in the first quarter of 2023. The teachers demanded 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, as a result, education bodies don't have the finances and are struggling to attract higher-wage employees from other sectors.

The graph shows how the sector has been affected by various economic difficulties and, with staff shortages and strike actions, Q2 2022 Margins were affected the most due to the activity in educational recruitment. But has started to level out in Q4 2022 and Q1 2023.



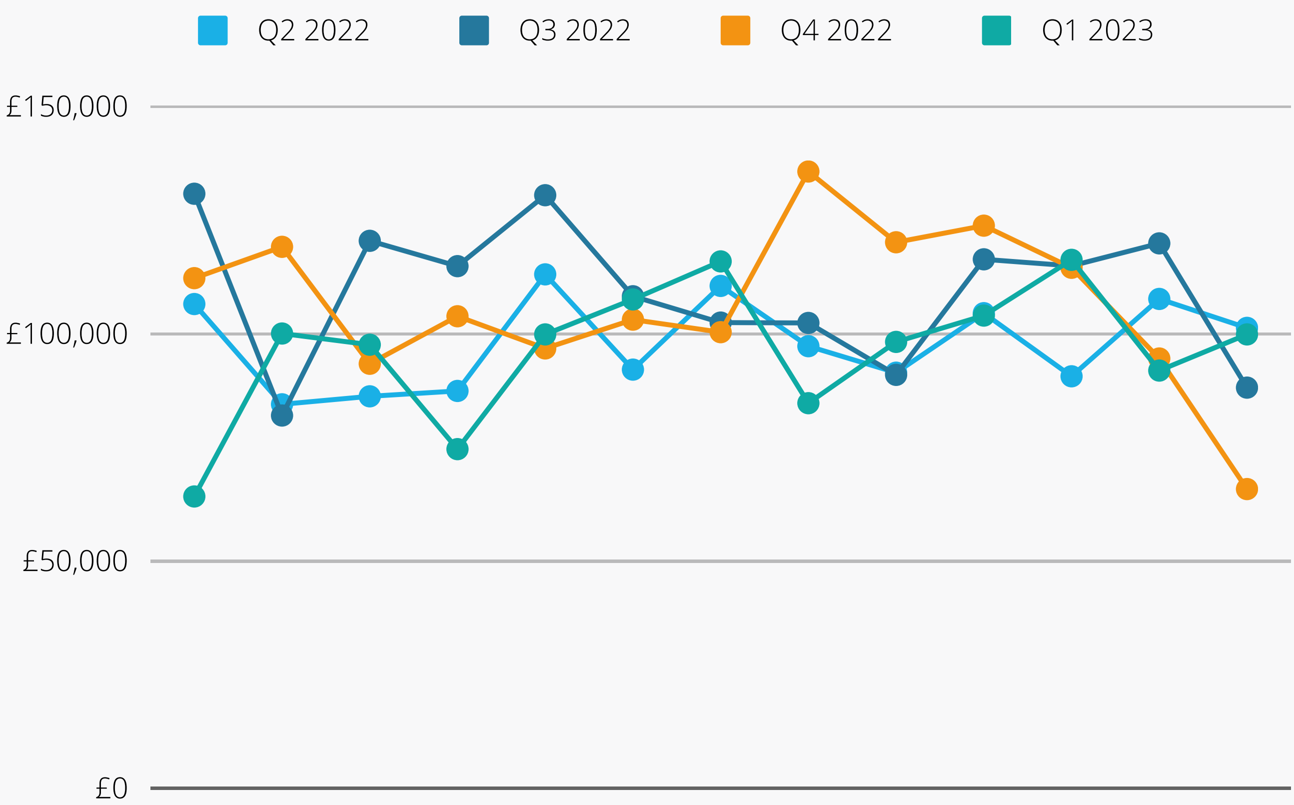
Commercial

In Q2 2022, retailers prepared themselves to experience a worrisome decline as the cost-of-living crisis and stagnating wages eat away at most customers' disposable income. Food shops declined by 1.6% in sales volume during June 2022, the decrease connected to the rising food costs and the cost of living. With people being conscious of what they are spending and less likely to buy non-essentials, the demand for staff has decreased.

In Q4 2022, 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.

Investors' sentiment for the British commercial services sector suggests that in Q1 2023, they expect long-term growth rates to stabilise. 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, the demand for talent will also grow. Based on this information, seeing how this sector performs in the upcoming year will be interesting.

Commercial Recruitment Profit Margin 2022-2023



Hospitality

Catering & Hospitality advertised a higher percentage of positions than applicants received, indicating that the industry is still struggling to find enough workers.

In Q2 2022, over two-thirds (63%) of businesses boosted consumer prices, propelling the sector to a new high of 72.9 on the Tracker's Prices Charged Index. However, labour constraints continued to impede capacity, and employers had to raise wages to keep teams in place. Furthermore, recruiters aren't missing out on margins with the 3.7% rise compared to the previous quarter, meaning clients are happy to pay a premium for skilled workers. The increase in National Minimum Wage resulted in a 6.6% wage raise.

As prices increased in Q3 2022, profit margins decreased, and customers were more cautious with spending. They even halted unnecessary expenditures to save money due to the continuous rise in living costs over the three months.

As we entered Q4 2022, bookings for the Christmas season appeared steady, while customers increasingly made last-minute decisions. Despite worries that reservations may drop significantly in the New Year, the demand was already shifting to less expensive venues due to people reducing their spending because of the cost of living.

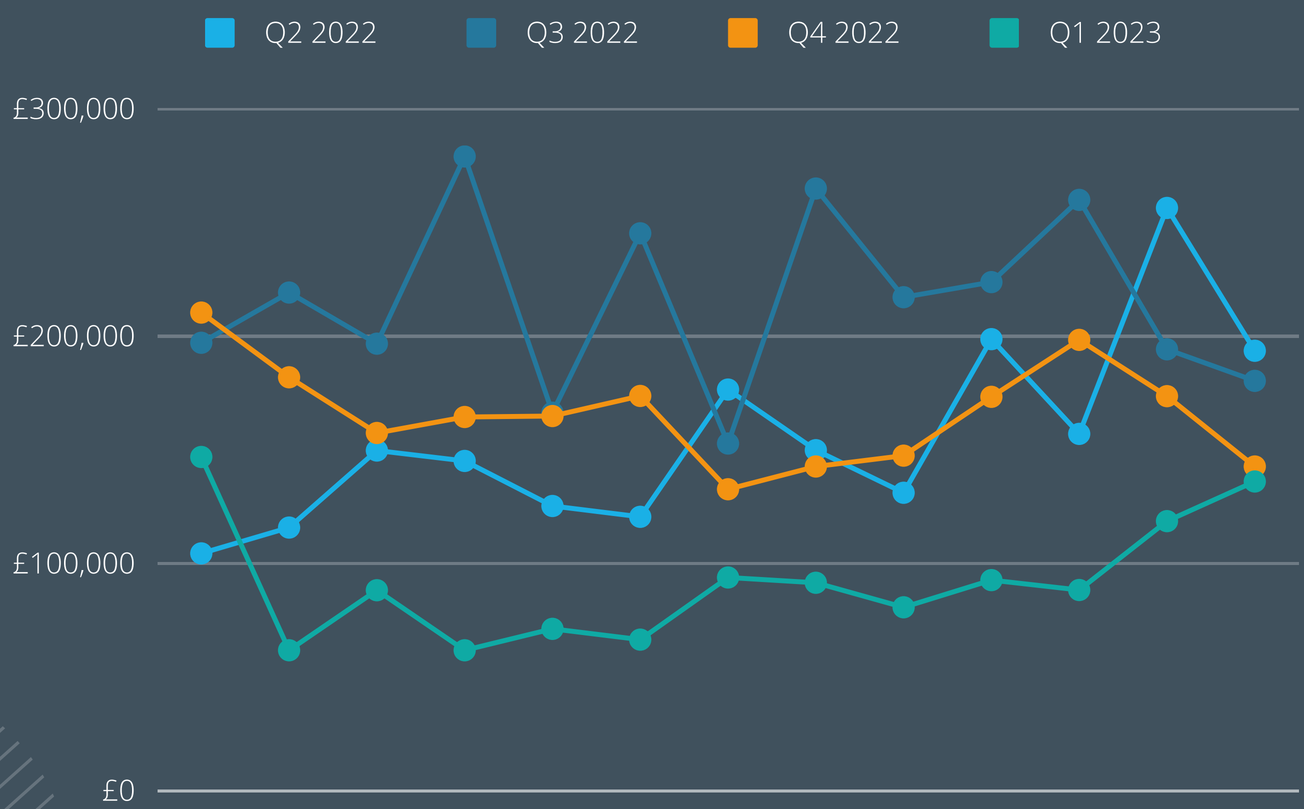
As well as this, the industry failed to function at full capacity; three quarters (74%) of hospitality businesses reported operating at less than full capacity.

According to the UKHospitality study, one in every three UK-based hospitality businesses started closing on 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. Furthermore, 32% of hospitality businesses were expected to reduce their hours over the holidays because of personnel difficulties.

Only 34% of UK companies say they need help keeping employees in Q1 2023. Vacancy levels remain high, but the cost of living squeeze is further reducing consumer spending, and the sector is likely to be one of the hardest hit by removing the commercial energy bill cap on 1st April. These factors dampen recruitment in this sector.

However, according to Lightspeed Research, technology is becoming one of the main ways businesses address workforce difficulties. For example, 48% of hospitality merchants chose to launch/expand their online operations to compensate for their personnel shortages. In general, 57% of UK restaurant owners thought adopting new technology was essential to their company's survival.

Hospitality Recruitment Profit Margin 2022-2023



OIL & GAS

According to an OEUK survey, skills shortages are highlighted as a key concern throughout the industry, despite employers projecting an 11% increase in staff over the next two years. The research also cautioned that as activity levels rise, so will competition for qualified personnel from across the energy sector, both on and offshore.

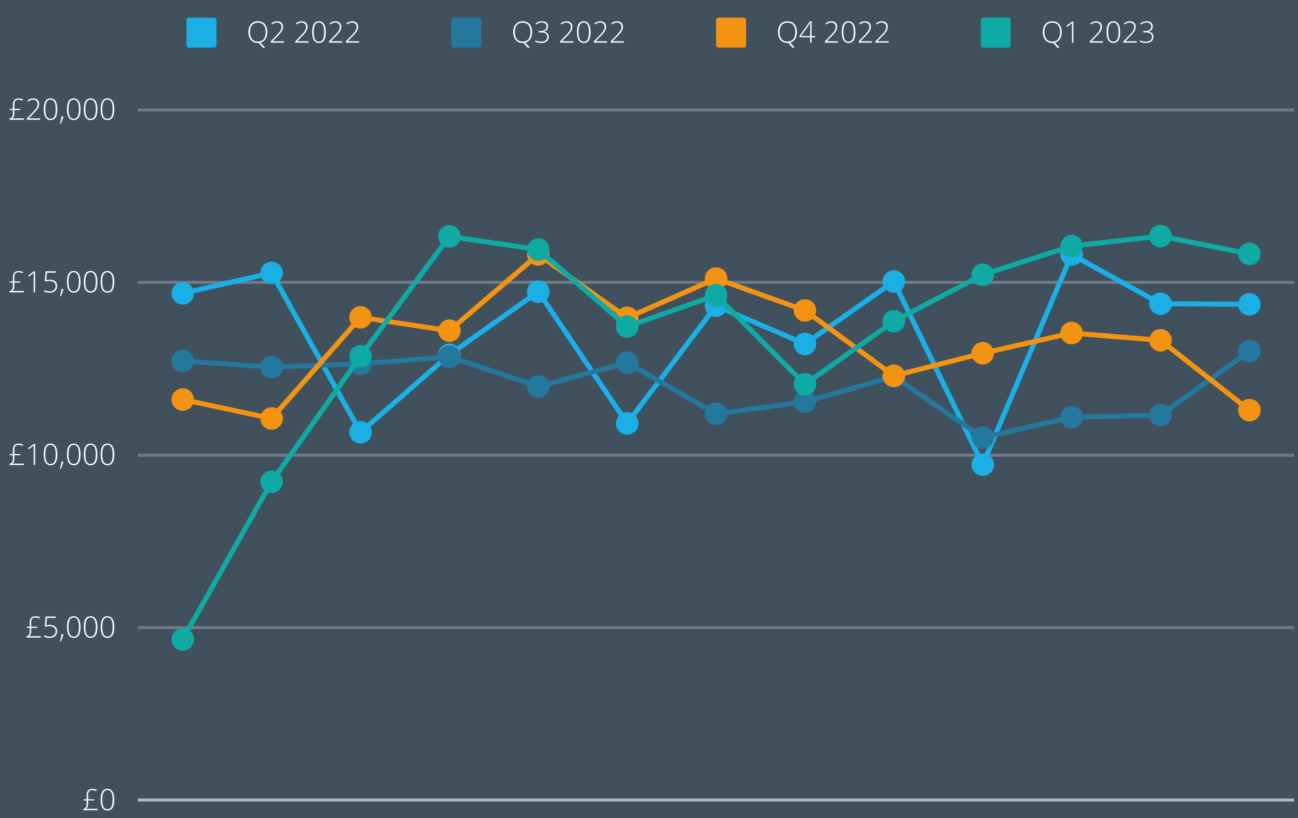
When asked why they would look for a new job, energy employees answered 'increasing inflation' as the main factor (35%). The second most popular response was sustainable development/climate change (27%), indicating that employees in this sector are less likely to be influenced by external variables in their professional lives than workers in other areas.

Because there is now no price cap on non-domestic energy, rises in corporate energy costs will result in higher consumer prices overall. There are also likely to be broader negative economic effects, especially if prices continue to grow. Higher wholesale costs caused some to predict that the price cap limit may increase by 40-50% in October 2022.

It is known that the Economy made plans in Q3 2022 to reduce oil & gas usage due to the ongoing rising cost, which further strains the whole of the UK, not just the recruitment sector. In addition, the high demand for gas & oil in 2021 has caused a knock-on effect for the second time in 2022. Many countries face challenges regarding oil & gas trading prices.

Although you can see from the graph below that this industry has maintained a steady margin throughout the last year, the drop-off at the beginning of Q1 2023 quickly stabilised through the quarter.

Oil & Gas Recruitment Profit Margin 2022-2023



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