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An insight into the UK's Recruitment Margins

CHALLENGES AMIDST ECONOMIC SHIFTS

In the current economic landscape, various sectors have experienced shifts in margins and demand, shedding light on the challenges and opportunities within each industry. Inflation, interest rates, and a competitive labour market remain major business obstacles. These difficulties are prompting business executives to combine short-term market demands with long-term growth in order to position their organisations for stability whilst preserving cash.

INDUSTRIAL

-0.93%

20.89%

The **Industrial** sector has decreased by 0.93% to **20.89%**. Most companies (72.7%) find that policy incentives in other regions, such as the US Inflation Reduction Act and EU measures, impede UK investments. Furthermore, 74.1% note that the lack of policy consistency in the UK harms creating a stable business environment despite having access to investment capital. Total orders, encompassing both UK and export orders, have turned negative. At the same time, recruitment plans have significantly relaxed, marking the first instance since the EU referendum that they have shown a negative balance. These changes have also been reflected in recruitment margins.

FINANCE

+6.58%

26.81%

Finance saw a significant increase in margins of 6.58% to **26.81%.** Recruitment continues to be a significant concern for industries with ongoing skill shortages. Finance is a good example. Peoples' confidence in these industries has been affected by the high-profile bank collapses, shaky global stock markets, and rising bond yields. Due to a shortage of experienced workers in specific fields, recruiters can now charge higher fees for finding and placing these in-demand individuals.

DRIVING

-0.71%

19.71%

The **Driving** sector decreased this quarter by 0.71% to **19.71%.** Economic fragility and escalating expenses are causing some individuals and businesses to defer their relocation or expansion plans. Despite these challenges, the current vacancy rates stand at a comparatively modest 3.8%. While this figure is notably higher than the pre-pandemic sub-3% levels, it is reminiscent of the rates seen in 2017. This indicates a subdued demand for labour, which is likely to result in a decline in recruitment margins.

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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SALES

-5.04%

25.82%

Q3 saw **Sales** margins decrease by 5.04% to **25.82%.** Wet weather in July dampened demand, especially for seasonal items at supermarkets. Although drier weather improved sales, consumer caution increased, leading to decreased demand for premium food items. Discounts, including extensive back-to-school offers, boosted sales of clothing and footwear. The sluggish housing market continued to weigh on sales of furniture, appliances, and carpets, with garden furniture sales further hampered by the wet weather. These factors combined to cause a dramatic decrease in worker demand and reducing recruiters' margins.

OIL & GAS

+1.6%

21.74%

Another sector where recruiter's margins have increased is **Oil & Gas**, with a 1.6% rise to **21.74%,** recorvering from last quarter's decrease. Projects in the UK have played a role in the country's energy landscape. While there has been an emphasis on renewable energy sources and the transition to a greener economy, the UK's offshore oil and gas sector remains vital. The North Sea continues to be a focal point for exploration and production activities, and the industry has been adapting to embrace more sustainable practices and technologies. As the UK works towards achieving its climate goals, there is a growing emphasis on carbon capture and storage (CCS) projects within the oil and gas sector to reduce emissions. It is likely, the demand for skilled workers will become higher than in previous quarters.

HOSPITALITY

-1.05%

21.88%

Hospitality has decreased by 1.05%, decreasing the margin percentage to **21.88%.** UK accommodation providers saw lower demand from domestic tourists due to cost-of-living pressures and increased foreign travel options. Attractions had decent demand from foreign tourists, but spending on secondary items like gifts and food was weaker. Pubs and restaurants initially struggled with wet weather in July but improved in August, although spending per customer was lower as people chose cheaper menu options. This meant the worker demand was much lower than anticipated for the time of year.

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