MARGIN INDEX | Q4 2023

An insight into the UK's Recruitment Margins

FINAL LOOK INTO 2023 PROFIT MARGINS

Following the recent months of the last quarter of 2023, we once again saw a fall in vacancies despite the typical seasonal trend of increased vacancies due to the festive period ultimately requiring extra labour. Therefore, we should expect to see a fall in the margins of several sectors this quarter. Additionally, we are actively seeing growth in the average pay, driven by workers demanding higher pay in line with the current cost of living crisis. As we approach the new financial year, coinciding with the minimum wage increase, the simultaneous rise in wages and decrease in job vacancies are key factors contributing to anticipated changes and inconsistencies in Q4 2023.

CONSTRUCTION

+1.94%

14.01%

Construction is one of the most significant sectors within recruitment, which you can see in this quarter's profit margin increase of **1.94%**. It is known that the construction industry is currently taking a hit due to the increase in materials and the slowdown in the property market. However, due to large existing, private residential and pre-planned projects continuing through Q4, our results in the profit margin for construction support this increase. Conversely, once these projects are finished, they are expected to decrease within the next few quarters.

HOSPITALITY

-1.47%

20.41%

Despite the usual busy festive period, we saw a decrease of 1.47% in the hospitality sector. Rail strikes and the cost of living crisis are to blame for this. There were a few train strikes in the lead-up to Christmas, which factored into a drop in sales within Q4. This decline also resulted in decreased labour, ultimately reducing the profit margins.

FINANCIAL

+1.62%

28.43%

Despite reports of weaker activity in the logistics, advertising and marketing sectors, a handful of **financial** services overweigh these downfalls, and therefore, we see an increase of **1.62%**. Companies like corporate insurance have played a pivotal role in boosting profit margins amid the rise in banking net revenues from increased interest rates. This relationship has contributed to financial stability and facilitated a positive trajectory for the financial sector. Additionally, this sector has significantly increased since COVID-19 due to corporate events and travel and accommodation being picked back up, supporting the recruitment margins for the financial sector.

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NEED TO CALCULATE YOUR MARGINS? TRY OUR

MARGIN CALCULATOR

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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INDUSTRIAL

+0.64%

21.53%

With widespread uncertainty regarding their future and the possibility of liquidation, many businesses within the **industrial** sector have slowed or entirely halted their recruitment efforts and the requirement for additional workforce. Consequently, the sector saw a mere increase of **0.64%**, resulting in a levelled margin compared to the previous quarter. In addition to recruitment challenges, orders across the UK display only a marginal improvement, further contributing to the factors behind the margin this quarter.

DRIVING

-0.78%

18.93%

The **driving** industry faced challenges in Q4 2023, experiencing a decline of **0.78%** in recruitment margins. Even though this margin has only decreased slightly, several factors, including reduced consumer spending and lower demand for goods like furniture and large items, contributed to a slowdown in sales. As the demand for these goods decreased, there was a corresponding decline in the need for staff within the logistics sector, resulting in the margins also declining.

ACCOUNTANCY

+0.61%

23.26%

Despite many sectors, this quarter has a decreased margin due to factors such as the market slowing and hiring reticence. Job marketing within the **accountancy** sector has been reported to remain steady and saw a **0.61%** increase. Additionally, the hiring approach managers are taking has been altered to be driven by the desire to attract highly skilled candidates from a limited pool. This change enables recruiters to charge higher fees for placing such qualified professionals successfully. Furthermore, the accountancy sector frequently faces higher labour costs than other sectors, allowing recruiters to charge increased fees for securing skilled workers and thereby reflecting a boosted margin.

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