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CORPORATE FINANCE

Human Capital Sector

Reimagination & Reanimation

May 2020

Reimagination: Key Sector Trends

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Jobs

- Covid-19 will affect recruiters with a heavy role concentration in sectors where space and proximity will need to be rethought (e.g. universities and aviation).
- As lockdowns are lifted, high levels of staff turnover may arise as candidates revisit their goals, values and priorities (e.g. job security).
- The rise of remote working is likely to be sustained, with hirers that can offer flexible work packages likely to obtain and retain top talent.
- While office environments will not disappear, the rise of decentralisation is likely to prompt greater geographic disbursement from central areas (e.g. London), with regional recruiters benefitting from an increase in quality talent.

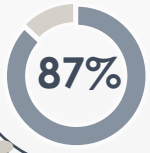
2 in 3

Business owners believe remote working is the future for their organisations

(Yahoo Finance)

Digitisation

- The rise of digitisation during the pandemic has emphasised the importance of a robust digital presence that is both optimised and customised for effective candidate service.
- Lockdown measures have radically changed the addressable digital audience that recruiters have access to, widening the talent pool size and demographic range.
- Greater use and adoption of technology should lead to opportunities for geographic expansion with low physical outlay, enhancing recruiters' market coverage.
- While implementation of effective digital strategy has long been discussed, it is now crucial to corporates' prospects in the sector.



Of business leaders say digitisation is a priority

(Gartner)

Reskilling

- To tackle a rising skills gap, corporates will seek to invest further in both people and technology to both optimise and retain their workforce.
- The extent to which the lockdown has affected young workers is likely to lead to an increased focus on the reskilling of the UK's youth, improving the prospects of recruiters in the Education sub-sector.
- With less emphasis on face-to-face, classroom tuition in the short-term, recruiters that invest in online courses and training academies can help to solve what has become a sizeable skills gap in the UK.
- The UK skills shortage has long been one of the most cited issues for recruiters, but we expect that Covid-19 will provide an impetus for recruiters to solve this, in silos or collaboratively.

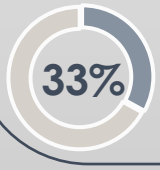
£4bn

UK government spending commitment to tackle the UK skills gap

(Financial Times)

Enhanced Identities

- With the human element of a crisis brought into sharp focus by Covid-19, people and culture will play a significant role in business continuity plans.
- Corporate identities have been stretched, with forced redundancies and reduced social interaction lowering morale and diminishing cultures, highlighting the importance of a strong, intrinsic company identity.
- Hirers that emphasise staff wellbeing as part of their corporate identity are likely to see greater efficiencies in attracting quality talent.
- Employers must also continue to focus on creating a positive workplace culture for existing employees, to help keep them engaged and agile during this period of uncertainty.



Of companies have found maintaining company culture difficult during the pandemic

(Forbes)

Reanimation: Sub-Sector Outlook

Online

- While candidate preference had already begun to move towards 'e-Recruitment' prior to Covid-19, the pandemic has accelerated its widespread adoption in certain sectors.
- Hirers have adopted virtual recruitment policies that harness technology, with the exception of senior or board level appointments, where face-to-face interactions are seen as essential.
- Over the course of the UK lockdown, a new, older demographic has become adept in the use of technology, increasing the prospects of the Online sub-sector.
- Prior to Covid-19, the Online sub-sector was one of the most active in our monitoring of Human Capital M&A activity.

39% ***Year-on-year rise in Online sub-sector M&A deal volumes***

(Gambit Analysis)

86% ***Increase in engagement with learning materials on LinkedIn in April 2020 vs. pre-Covid-19***

(Gambit Analysis)

7% ***CAGR of the Online recruitment sector between 2020-2024***

(Technavio)

Sub-Sector Implications

- Recruiters offering candidates an efficient 'e-Recruitment' process will be well positioned to capitalise on a job market with pent-up demand post pandemic.
- Corporates with in-house software and specialist platforms for Online recruitment will attract heightened attention.
- Recruiters that can help hirers to complete a seamless e-Recruitment process will attract appetite from acquirers upon the market rebound, having proved their importance in keeping the UK recruitment market flowing.

Healthcare

- Despite a turbulent jobs market, Healthcare vacancies, unsurprisingly, rose in line with heightened demand for key workers.
- Expertise from specialist Healthcare recruiters was utilised by the UK government in the building of an agile, sustainable Healthcare worker supply chain.
- The UK's top three employers in April all operated within the healthcare industry, indicative of the sub-sector's importance.
- While demand has increased, greater emphasis on employee safety has arisen in line with the greater risks to wellbeing and recruiters will have an important role to play in managing this.

14% ***Year-on-year growth in Healthcare sector hiring activity for April***

(LinkedIn)

200,000 ***Potential NHS staff shortages by 2023/24 without "policy action and dedicated investment"***

(Financial Times)

80% ***Of the jobs created in the UK since the pandemic began have been by the Healthcare sector***

(Sky News)

Sub-Sector Implications

- The UK government is considering a permanent reserve of medical staff for regular deployment, therefore, we expect recruiters will play an increasingly crucial role in the sub-sector's staffing supply, enhancing valuations.
- Greater adoption of technology in the Healthcare sector is likely, with innovations such as automation adopted, requiring close monitoring by recruiters to secure market position.
- Recruiters that can best service the increased demand while giving due care to employee welfare will improve their prospects.

Reanimation: Sub-Sector Outlook

Education

- Unemployment claims jumped by 69% to 2.1m between March and April, with this trend likely to increase the demand for retraining and reskilling initiatives.
- Pre-pandemic, 73% of recruitment professionals had flagged the skills shortage as the top hiring challenge they face.
- The ability of furloughed employees to undergo training has served to buoy sub-sector activity, sustaining demand levels.
- In anticipation of 'The Return', corporates are likely to invest greater sums into staff training and retooling initiatives to ensure that retention and loyalty are maintained.

13% ***Of all new roles added in April were in the Education sector***

(Staffing Industry Analysts)

24% ***Of employees have taken on additional learning opportunities to boost their employability in light of Covid-19***

(Personnel Today)

>50% ***Of UK workers want to learn new skills or challenge themselves to increase job security***

(Totaljobs)

Sub-Sector Implications

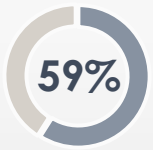
- As unemployment rises during these uncertain times, the Education sub-sector is likely to see a period of heightened demand as reskilling becomes vital to employment prospects.
- Rigid social distancing is set to be maintained for the next academic year, limiting classroom tuition and increasing digital learning practices,
- The UK skills gap has been a long-identified issue and the Covid-19 pandemic is expediting resolution initiatives, with the Education sub-sector set to play a vital role in them.
- Sub-sector valuations will be sustained by the rise of workforce reskilling by hirers looking to build and retain talent.

Engineering

- It is estimated that 90% of manufacturers have now restarted at least part of their operations, becoming one of the first sectors to scale their reanimation following the UK-wide lockdown.
- The UK government's pre-pandemic pledges to infrastructure investment will be vitally important to recruiters' fortunes in the sub-sector, therefore, robust plans for the demand rebound should be implemented.
- While the sub-sector has been quick to reanimate, recruiters are seeking to augment the transition by supporting clients with the implementation of new operational regulations.

48% ***Year-on-year rise in Engineering sub-sector M&A deal volumes***

(Gambit Analysis)



Of manufacturers said that Covid-19 will drive an increase in 'reshoring' or 'near-shoring'

(The Engineer)

£650bn ***UK government's infrastructure investment spending pledge by 2024-25***

(GOV.UK)

Sub-Sector Implications

- A greater shift towards 'reshoring' or 'near-shoring' as a result of Covid-19 will improve the prospects of the sub-sector's domestic market, leading to increased investor appetite for quality UK assets.
- The significant level of infrastructure investment planned by UK government will sustain the sub-sector through this period of uncertainty, offering a degree of stability to recruiters' supply and demand.
- Supporting clients to scale their reanimation will achieve greater loyalty, bringing greater stability and enhancing long-term prospects.

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Gambit Corporate Finance

Established in 1992, Gambit is an independent corporate finance advisory firm specialising in advising private and public companies on mid-market transactions in the UK and overseas. With offices in London and Cardiff, Gambit is widely recognised as a market leader in M&A advice in the Human Capital sector having built up detailed industry knowledge and an enviable track record in deal origination and execution.

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