

INTERIM MANAGEMENT: CENTRAL TO BUSINESS SURVIVAL

A Robert Walters Group Company



ROBERT WALTERS

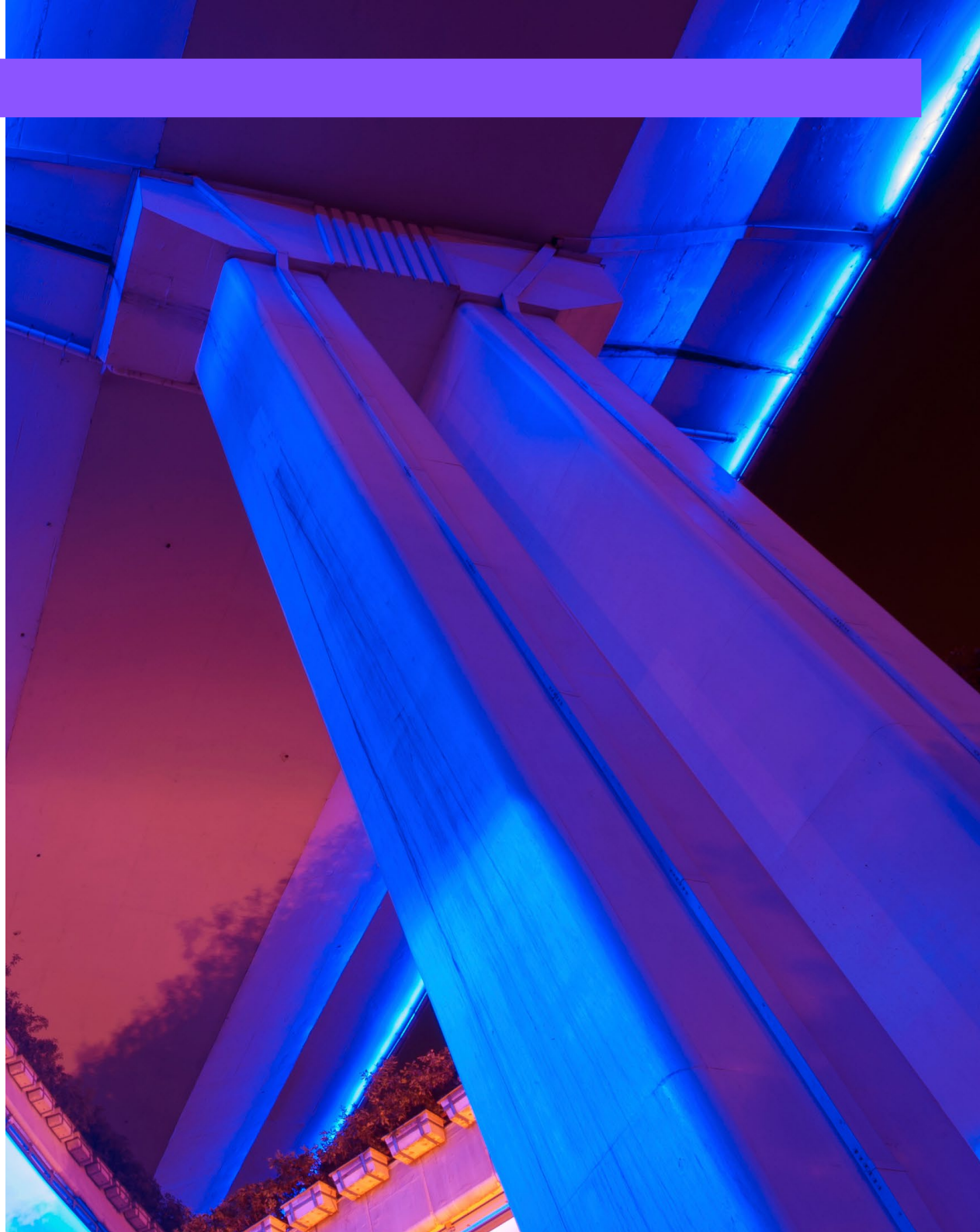


INTRODUCTION

As Covid-19 impacted markets and everyday life around the world, businesses found themselves cornered into having to adapt to a new way of working – with remote operations, financial pressures, and an almost overnight change to consumer behaviour warranting the need for drastic restructure programmes, digital transformation and intensive cost rationalisation.

With the capacity to bring strategic focus, crisis management and project delivery during uncertainty; professional interim managers have a key role to play in helping businesses to ‘ride out the storm’, facilitate recovery, and lead a business through transition and change.

In the wake of a turbulent year for business, Robert Walters has partnered with VacancySoft to investigate the impact of Covid-19 on the UK Interim Management hiring market. Our report explores the factors at play influencing vacancy levels nationally and regionally, and the specialist skills employers have demanded in response to the pandemic.



A glowing lightbulb with a dollar sign filament, symbolizing financial ideas or business concepts. The lightbulb is illuminated from within, casting a warm glow. The filament is shaped like a dollar sign, with the vertical line extending down to the base of the bulb. The bulb is set against a dark background, making the light stand out.

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KEY STATISTICS

VACANCY GROWTH

-75%

drop in interim management vacancies –
Q1 – Q2 2020

103%

growth in interim management vacancies –
Q2 – Q3 2020

30%

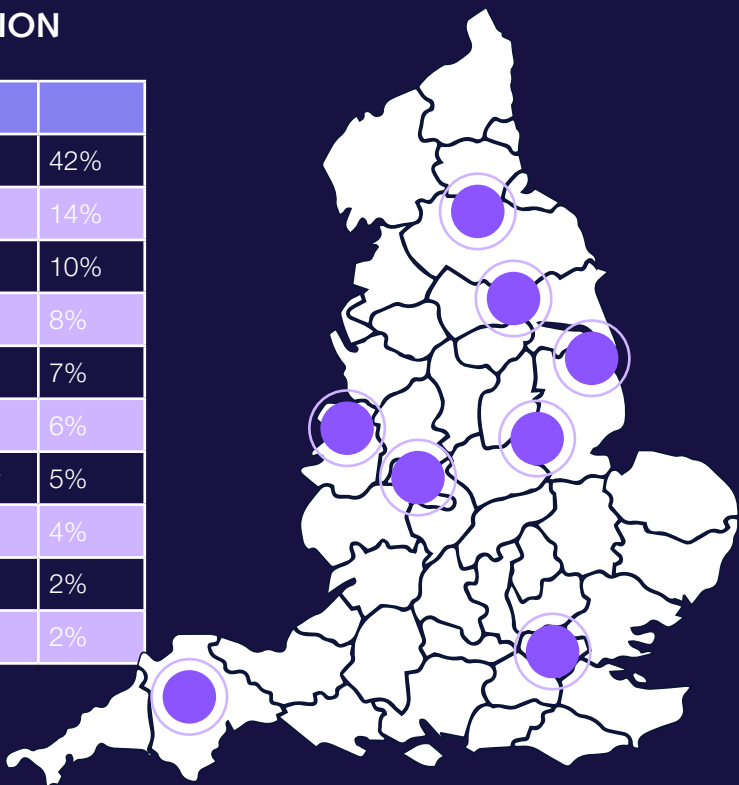
growth in interim management vacancies -
Q3 - Q4 2020

50%

increase in interim management vacancies
in Q4 2020 in comparison to Q4 2019

VACANCIES BY REGION

Region	
Greater London	42%
South East England	14%
East of England	10%
North West England	8%
West Midlands	7%
South West England	6%
Yorkshire and the Humber	5%
East Midlands	4%
Wales	2%
North East England	2%



INTERIM HIRING HOTSPOTS BY PROFESSION



1. Science – 17% YOY Growth



2. Legal – 12% YOY Growth



3. Technology – 10% YOY Growth

HIGHEST GROWTH INDUSTRIES



48%

Telecoms -
48% YOY growth



37%

Technology -
37% YOY growth



22%

Pharma -
22% YOY growth



GETTING BUSINESSES BACK ON TRACK

In the immediate months following Covid-19's emergence, levels of interim management vacancies dipped across the sectors. As a result, the number of interim management jobs almost halved during Q2 when comparing to the same period in 2019.

However, the initial dip in recruitment was short-lived, in part due to the experience interim experts had of working and managing projects remotely. Numbers rose slightly through early summer as the government eased its restrictions, matching the slight recovery seen across the economy as a whole.

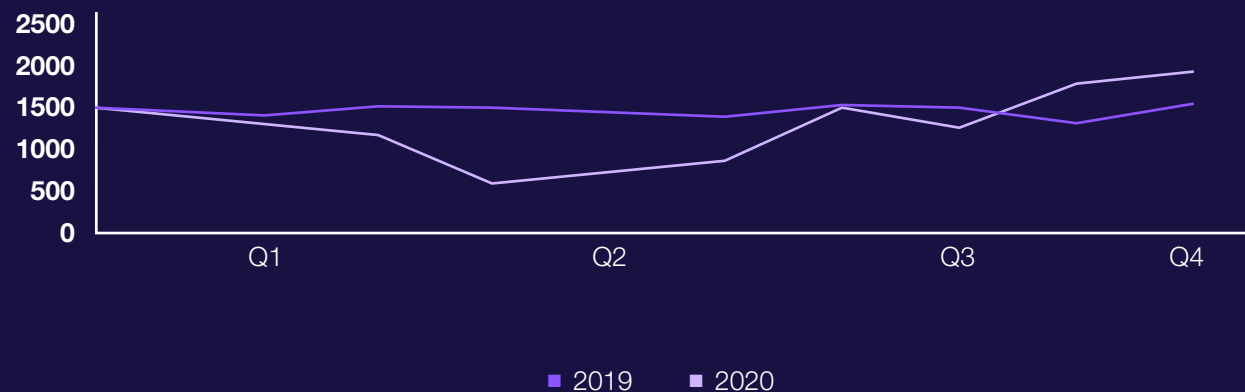
The brief stumble in August mirrors the moment Westminster introduced localised lockdowns to tackle the resurgence of the virus. Interim vacancies, however, quickly regained momentum and continued growing — telling the story of an economy desperate to get back on track, but one also cautious amid continued market volatility.

The labour market data gathered and analysed by Robert Walters in 2020, shows that:

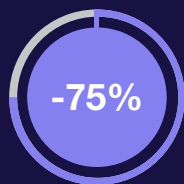
- Interim management vacancies hit record levels in October 2020
- Available interim roles in Q3 (July to September) were up 103% compared to the previous quarter
- Vacancies grew by a further 30% in Q4



INTERIM VACANCIES UK: 2019 VS. 2020



VACANCY GROWTH: 2020



drop in interim management
vacancies – Q1 – Q2 2020



growth in interim management
vacancies – Q2 – Q3 2020



growth in interim management
vacancies – Q3 – Q4 2020

"We naturally saw a drop in interim hiring as Covid-19 shook up the recruitment landscape, with the knee-jerk reaction of businesses being to justify costs, resulting in hiring freezes and letting go of contract resource.

However, in the wake of the initial impact of the virus, businesses have sought to strategise plans for recovery- with interim managers a cost-effective solution to help businesses bounce back much faster than permanent hires. As a result, the interim management market quickly picked up speed, with hiring in September and October surpassing 2019 levels"



**Daniel O'Leary, Business
Director - Interim
Management (North West),
Robert Walters**

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THE INTERIM MANAGEMENT HIRING LANDSCAPE

Across the country, interim vacancies showed different stages of recovery at the end of 2020.

LONDON

With 4,969 total hires for management positions, London dominates the national interim hiring landscape, accounting for 42% of interim management positions. Despite a -14.4% year-on-year decrease in vacancies, the jobs impact on the capital is broadly in line with the national average (-13.6% national year-on-year decrease).

SOUTH EAST

The UK's second-largest area, the South East, showed relative resilience, with a -10.8% decrease in interim management positions — in part driven by Reading, one of the country's top-performing economies.

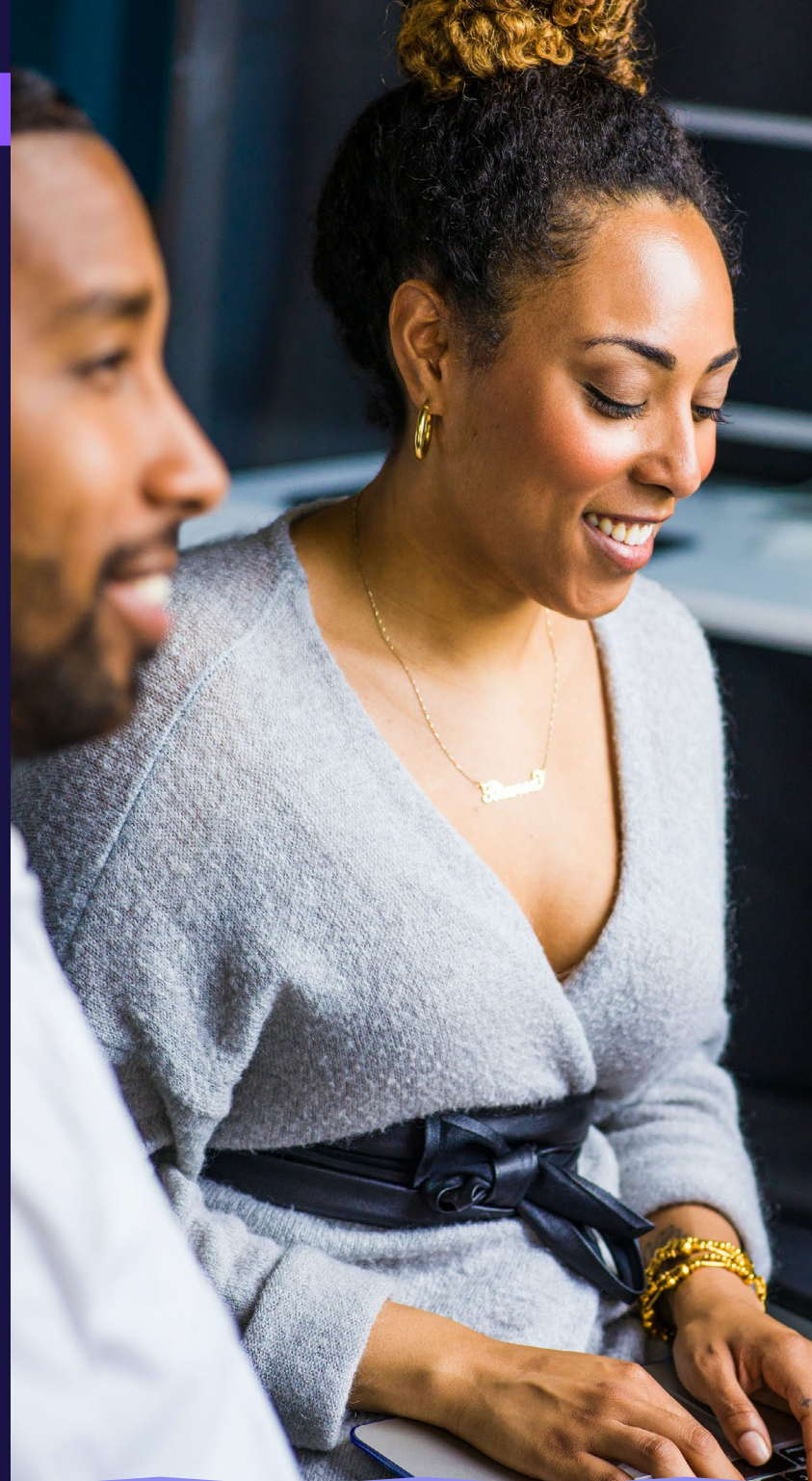
Despite the twin threats of Brexit and the coronavirus, Reading – 'the commercial capital of Thames Valley' - saw a 25.8% increase in interim management roles. Milton Keynes, however, suffered the most. It proved a counterweight to this regional growth, with interim positions plunging -50.3% year-on-year.

NORTH WEST

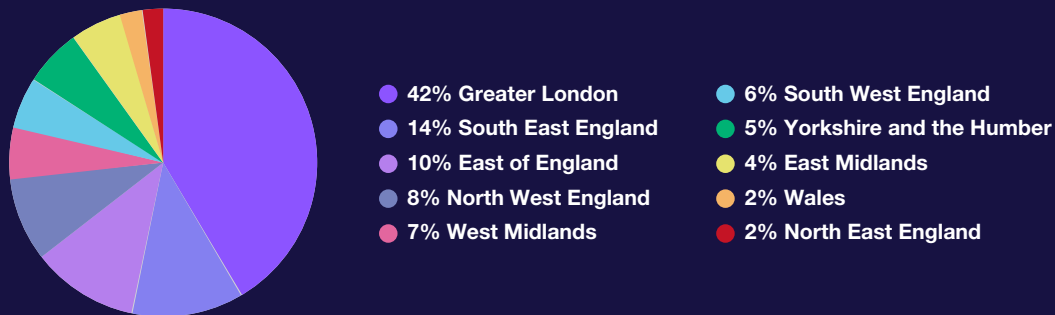
The North West, by comparison, saw numbers almost return to pre-pandemic levels. Its tally of 1,011 vacancies was only -3.6% down on the same period in 2019. The region's largest city, Manchester, showed resilience with an average drop of only -10.3%, year-on-year. Neighbours Liverpool fared slightly better, seeing -8.67% fewer interim management roles.

STRUGGLING REGIONS

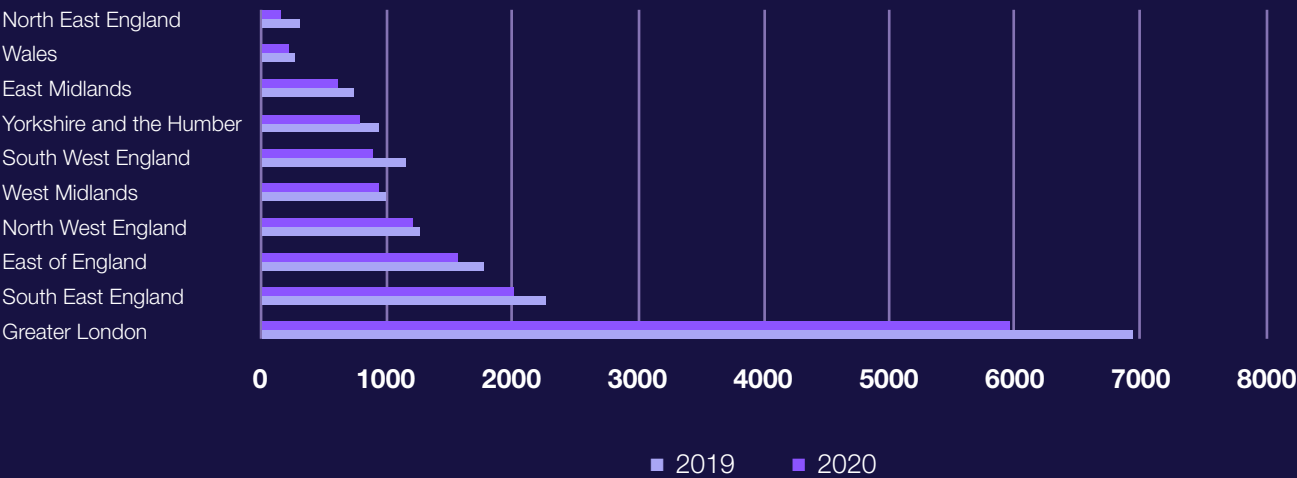
The North East and South West had the least appetite, with numbers down -29.4% and -20.2%, respectively, year-on-year. In the latter, Bristol saw a drop of -16.9% in interim management vacancies to the previous year.




INTERIM MANAGEMENT VACANCIES BY REGION



INTERIM MANAGEMENT YOY VACANCY CHANGE





“As the North West continues to deliver some of the UK’s most important infrastructure projects, and with digital transformation at the heart of the region’s growth strategy, interim management vacancies in this area have helped to keep vacancy levels afloat in 2020.

Running parallel to this, more PLCs have also relocated their operational centres to Manchester, which have been under increased pressure to reduce costs during the pandemic – leading to continued investment in interim management resource.”



**Daniel O’Leary, Business
Director - Interim
Management (North West),
Robert Walters**



INTERIM PROFESSIONAL HOTSPOTS

“The remote workplace has led businesses to pick up speed with their digital transformation efforts, investing in systems that can connect colleagues and customers virtually. With technology professionals typically accustomed to managing teams remotely, interim management vacancies in this area have held strong, now accounting for the highest proportion of overall interim management vacancies.”



James Perry, Head of Technology (UK Regions), Robert Walters

The number of interim vacancies reflect industry responses to Covid-19 and the consequences of the government restrictions.

SCIENTISTS

With the scramble to find medicines and understand the virus's long-term effects, average vacancies for scientists are 17.4% higher, year-on-year.

TECHNOLOGY, PROJECTS AND CHANGE

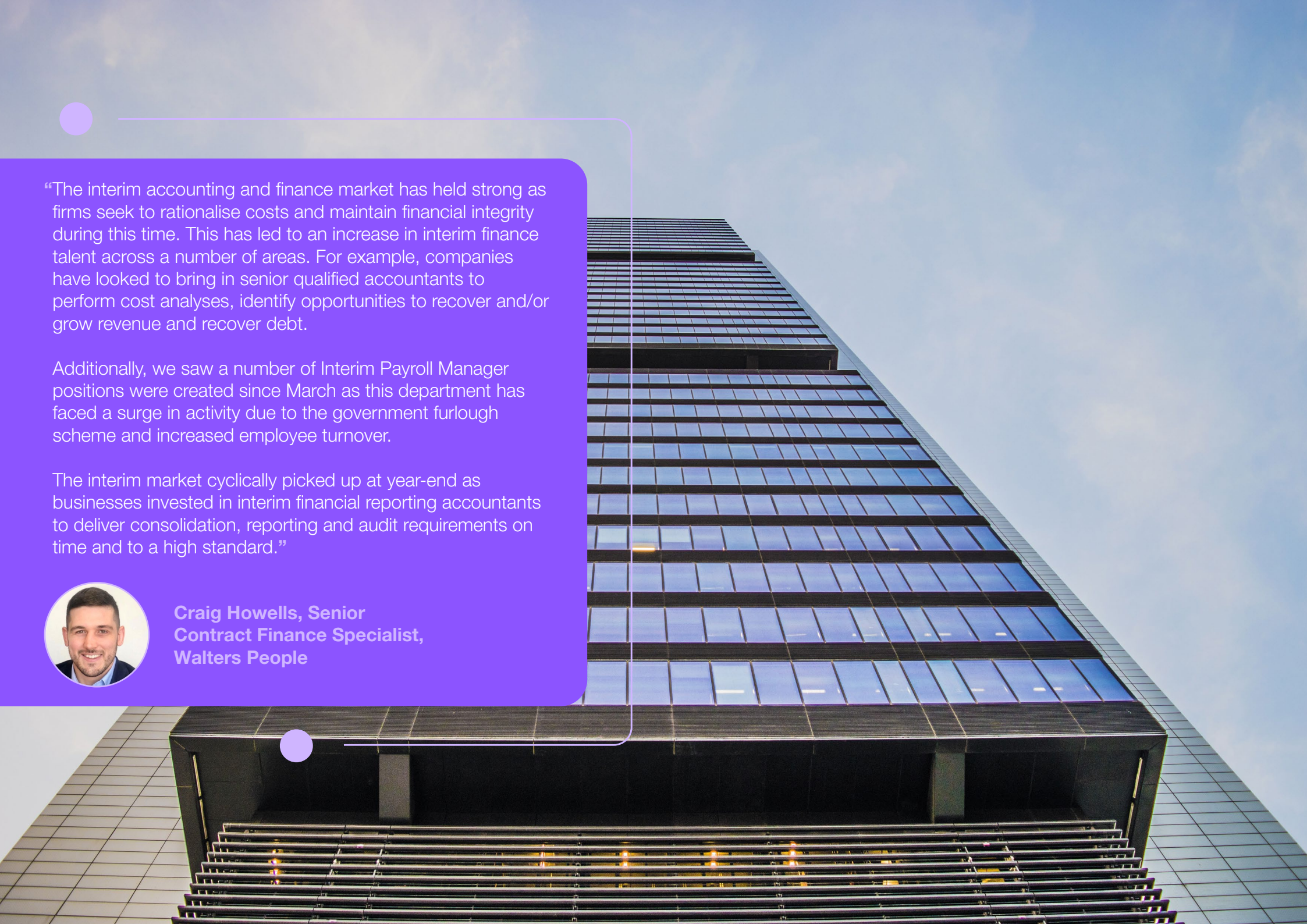
Technology is another area showing resilience and higher annual recruitment figures. More immune than other sectors to adapting to remote working, and with societal interaction increasingly virtual, the need for management positions in this field is up 9.7% compared to 2019.

LEGAL

Only accounting for 3% of UK vacancies, Covid-19 has seen legal interim vacancies spike by 12%, with interim corporate lawyers hired to assist businesses during this volatile period, with M&A activity and divisional or business closures commercial symptoms of the pandemic. Demand for compliance specialists has also sustained growth of legal interim vacancies to help businesses to deliver Brexit-related preparations.

ACCOUNTING & FINANCE

The accounting and finance interim market has dropped by 8% this year, but this area has still fared better than the interim market overall. With businesses faced with a decline in trade; specialist finance skills such as cash management, forecasting, and scenario planning, have been invaluable to enable firms to remain financially stable.



“The interim accounting and finance market has held strong as firms seek to rationalise costs and maintain financial integrity during this time. This has led to an increase in interim finance talent across a number of areas. For example, companies have looked to bring in senior qualified accountants to perform cost analyses, identify opportunities to recover and/or grow revenue and recover debt.

Additionally, we saw a number of Interim Payroll Manager positions were created since March as this department has faced a surge in activity due to the government furlough scheme and increased employee turnover.

The interim market cyclically picked up at year-end as businesses invested in interim financial reporting accountants to deliver consolidation, reporting and audit requirements on time and to a high standard.”



**Craig Howells, Senior
Contract Finance Specialist,
Walters People**

INTERIM PROFESSIONS TAKING A HIT

With the economic activity of retailers badly affected and consumers cautious of spending, firms are consolidating operations rather than expanding or looking to reach new clients. Interim management roles in sales and marketing/PR, consequently, are down significantly — at -40.8% and -30.9%, respectively.

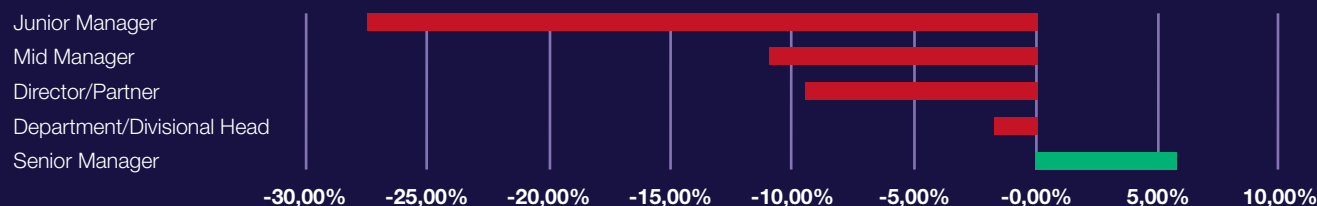
INTERIM VACANCIES BY PROFESSION - 2020



Senior management navigating through crisis

In such an uncertain market landscape, hiring for junior positions has taken the biggest hit; interim vacancies have fallen -27.6% compared to last year. In contrast, companies are looking for more experienced managers to help navigate them through the turbulence. Demand for senior managers is up by +6% year-on-year, followed closely by interim hiring for department heads, down only -3.5% compared to 2019.

YOY CHANGE IN VACANCIES BY SENIORITY





22%

of interim management
vacancies are within
technology



SECTORS IN TRANSITION

TOP 10 INDUSTRIES HIRING INTERIM MANAGERS – NUMBER OF VACANCIES

	Industry	YOY Vacancy Growth
1	Professional Services	-29.5%
2	Commerce & Industry	-13.1%
3	Banking	-12.5%
4	Technology	36.7%
5	FMCG/Retail	-32.7%
6	Insurance	8.2%
7	Pharma	21.6%
8	NFP/Public	-15.0%
9	Healthcare	9.7%
10	Education	-41.9%

HIGHEST GROWTH INDUSTRIES



48%

Telecoms -
48% YOY growth



37%

Technology -
37% YOY growth



22%

Pharma -
22% YOY growth



Interim management sector hotspots

Seen through an industry lens, interim hiring for management positions in fields related to online and digital working are significantly higher year-on-year.

- The Telecoms industry, under increased pressure to build its cybersecurity capability, along with delivering remote-working solutions, has shown a 48% surge in available positions, with a +76% increase in interim tech roles
- Despite the impact of the first nationwide lockdown, the technology sector has climbed with +37% year-on-year interim vacancy growth
- The rise in interim management roles for pharma, (+21.6%) as well as healthcare (+9.7%), is comprised by the number of firms in these sectors looking to hire scientists

Financial services

In financial services, the data shows a see-saw split between insurance and banking. The former records an +8.2% increase in available positions year-on-year, in contrast to the latter's -12.5% dip.

In a demonstration of the volatility experienced across the entire economy, the insurance sector is displaying noteworthy shifts in interim hiring patterns. The UK's biggest insurers are stocking up on actuaries, with +39.5% more interim recruitment processes now open than a year earlier.

The need for other insurance specialist roles — such as in underwriting, claims and risk — by contrast, fell -23%.





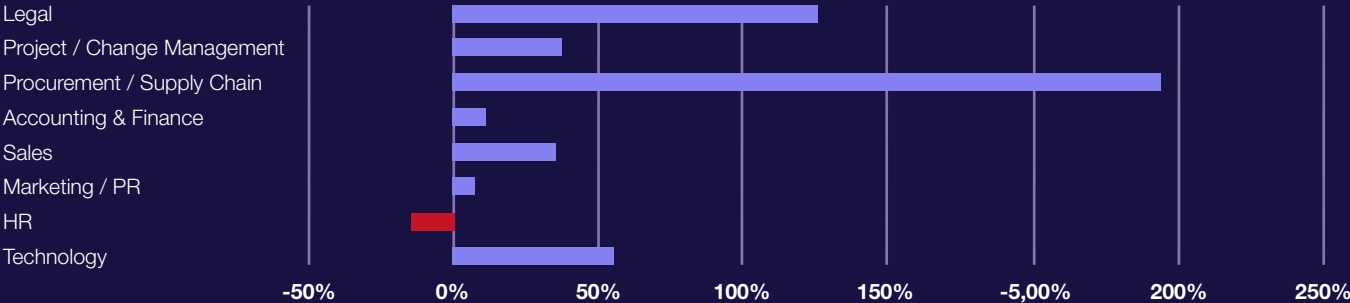
In focus: the technology sector

With buoyant hiring levels in the technology sector, the largest spike is identified across procurement and supply chain positions, which are forecast to shoot up +190% year-on-year in tech, followed by vacancies for legal management at +126%.

Technology professionals were the next-most desirable interim management hires — with 58% more vacancies year-on-year despite Q2 numbers negatively skewed by the UK’s first lockdown. The only field in technology where demand fell was in human resources, with an -86% drop.

Interim vacancies in sales and marketing are generally (and dramatically) down across the top sectors compared to 2019. But not so in tech, where they’re up +13% and +35%, respectively.

INTERIM VACANCIES UK: 2019 VS. 2020



INTERIM VACANCIES BY PROFESSION - TECH SECTOR



Sector hiring trends

- Interim management vacancies for HR professionals were down across the Top 5 sectors, with the exception of healthcare (+14%)
- With a +41% rise, marketing roles were most in-demand in telecoms
- Hiring in accounting was up across most sectors, but not deemed critical in healthcare
- Retail and education are struggling to recover from the Covid-19 crisis, with drops in demand across most professions, resulting in falls of -32.8% and -41.9% when compared to 2019





GROWTH OUTLOOK

“In 2021, we can expect more change and development within the business landscape. Looking at the impact of Covid-19 on the market throughout, it characterises the need for change management - specifically a need for Interim Managers with business restructuring, outsourcing, and even shared service skills.

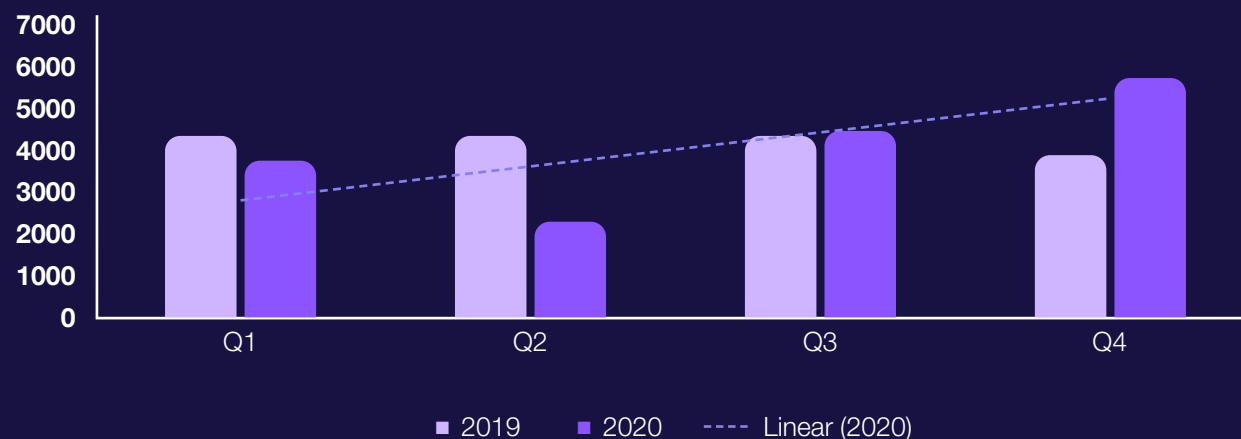
Similarly to the 2009 crisis, we are now seeing the need for very high-quality business restructuring specialists - this will be a key trend we can expect next year at the highest level.”



**Peter Milne, Principal
- Interim Management
(London), Robert
Walters**

How the Covid-19 crisis impacts the labour market long-term is subject to much debate. However, as the markets stabilise and adapt — and with the government's plans to vaccinate the most vulnerable populations by the spring — staffing investment and long-term optimism look set to return.

Under normal circumstances, this would signal an end to the surge in interim recruitment and confidence returning to permanent recruitments. However, in the UK, a lot will still depend on the private sector's response to incoming IR35 legislation. As incoming IR35 changes are again drawing closer, this will undoubtedly cause the entire FTC and contract markets to fluctuate in 2021.



The UK's IR35 legislation ensures that contractors pay the same Tax and National Insurance contributions as an equivalent employee. New IR35 changes will be implemented in April 2021 for private sector contractors - this will transfer responsibility to assess IR35 from contractors, to large and medium companies (the client).

The new rules will only apply to medium and large businesses in the private sector who are the end user of the worker's services and to the fee payer, if different, such as fee payers in the recruitment sector.

Richard Harris, Chief Legal Officer at Robert Walters, addresses some of the most pressing questions that may impact the interim market.

What do interims and senior contractors need to be aware of regarding IR35 when looking for a new project in 2021?

Contractors & interims should be mindful that on the whole many large companies will have started preparation for IR35 in advance of last year – when the changes were expected to come into play in April 2020 – and so the last-minute Covid-related pushback by Government would not have changed how far down the line several large firms would have been in their preparedness. As a result, whilst during the past year it has been possible to work through a limited company, many large companies have simply chosen not to take this approach in spite of potentially missing out on better candidates for Covid-related projects.

The next thing to bear in mind is unless there is a real sea change from the government - which based on the direction of travel that they've taken around the self-employed seems unlikely – IR35 is definitely coming into place this year on 6th April, and for limited company contractors or interims it is important to note that it is not a foregone conclusion that you are inside of IR35. As a result it is important to be looking for projects that can be properly scoped, and ensure you can effectively demonstrate that you are free to work in an independent manner – of which helpfully remote working enables much more easily.



Will an interim's earning potential be impacted by IR35?

This is a really interesting point and there are a number of 'boxes' to go down, all with different eventualities.

For example, if we take the extreme end of a limited company contractor – who pays themselves the minimum salary and dividends on top of that – a client who is keen to keep the contractor on may decide to gross-up their pay and therefore pay the NI owed. In reality this will make the cost of the contractor quite expensive to the company, if you consider the additional tax that needs to be paid.

Even in a scenario where the contractor & client may want to meet in the middle and keep the day rate the same, the cost still increases as the client is now having to pay the contractor's NI which before April they did not need to.

What we are potentially likely to see in the short-mid term is for clients to drive down day rates in order to take into account the employer's NI they would now be paying. Unfortunately this could be a real double whammy for contractors and interim professionals where your day rates have reduced, in addition to no dividends, and a higher overall income tax.

What is the situation if an interim or a senior contractor took on an 18-month contract in early 2020 and it goes beyond April 2021?

The tax rules actually haven't changed at all in terms of the underlying whether you are inside or outside of IR35.

What's changed is where the enforcement would sit, so that contractor would still be liable for anything that happened which is incorrect prior to the switch over date. After the switch over date, essentially the client could potentially be liable but if they do their job properly and they take reasonable steps to make an assessment it'd actually fall on the agency or 'fee payer' as first port of call.

In some ways the interim manager or the contractor is actually in a slightly better position personally on the basis that HMRC will be coming after the agency and not them. In turn, it'll be the agency then passing that liability down that chain.

Another thing to bear in mind from an employment law stance – not HMRC perspective - in the switch over from limited company contractor to a fixed-term employee. If a company does this then they run the risk that all the time they were working for you before may actually be accounted for as continuous service. In addition, if they have been on the project for more than two years they will have protection from unfair dismissal just like any other employee.

What will the hiring market look like this year after the introduction of IR35?

The world as we knew it around contractors is coming to an end – in regards to questioning of limited company contractors, I believe this will be driven more by the clients than by actually what the law says.

In the short term there is going to be a little bit of a nuclear winter around contractors and interim managers - just in terms of working through that model but naturally this will relax as companies begin to see that you can actually be a legitimate limited company contractor. As a result, that market will naturally open up again but similar to the public sector we'll see the shutters come down and then an easing up.

What's positive is that demand for senior contractors and interim managers will no doubt be high during the Covid recovery and Brexit period, and as the overall market begins to reopen and charge forward there will in turn be a candidate shortage which by nature will push up day rates.



**Richard Harris, Chief Legal
Officer, Robert Walters Group**



“This survey contributes significantly to identifying what has actually gone on in the UK interim market during 2020.

As ever, it shows the ‘curate’s egg’ nature of the market with areas of gain and loss. It is interesting to see that the traditional areas of functional strength (HR and Finance) have not done so well through the year’s turbulence, where procurement/supply chain has been very positive, along with technology-based skillsets.

Given the impact of Covid on organisations’ thinking about value chains and looking at risk, it would appear that some movement from a ‘long/thin’ model to ‘shorter/thicker’ to provide a more robust approach is being considered. The shift to a much more digital world and the systems support necessary as organisations prepare to meet the new challenges offered in 2021 and beyond is also evidenced.

It is also noted that the market as a whole has been recovering after the Q2 lockdown ‘shock’. Let’s hope this continues in 2021 with improvements being more widespread as the benefit of the government’s vaccination programme is fully felt.”



Tony Evans
Co-Chairman
(For and on behalf of
the Institute of Interim
Management)





KEY FINDINGS



Interim management market quick to recover

With businesses finding themselves navigating uncharted waters due to the pandemic, the interim management market experienced a boomerang recovery after an initial downturn, with levels of recruitment in Q3 (July to September) going on to exceed the number of vacancies posted in Q1 (January to March).



North West market stays resilient

While total hires are down across all UK regions, the North West proved to be the region that was least disrupted by the brief interim management recruitment slump. With digital transformation at the heart of the region's growth strategy, and a thriving technology sector, vacancies only dropped by less than 4% overall.



Vacancies thriving across key sectors

The impact of Covid-19 has spurred on projects across several industries, namely telecoms (48% YOY growth), technology (37% YOY growth) and pharma (22% YOY growth), with a focus on scientists and technology disciplines.



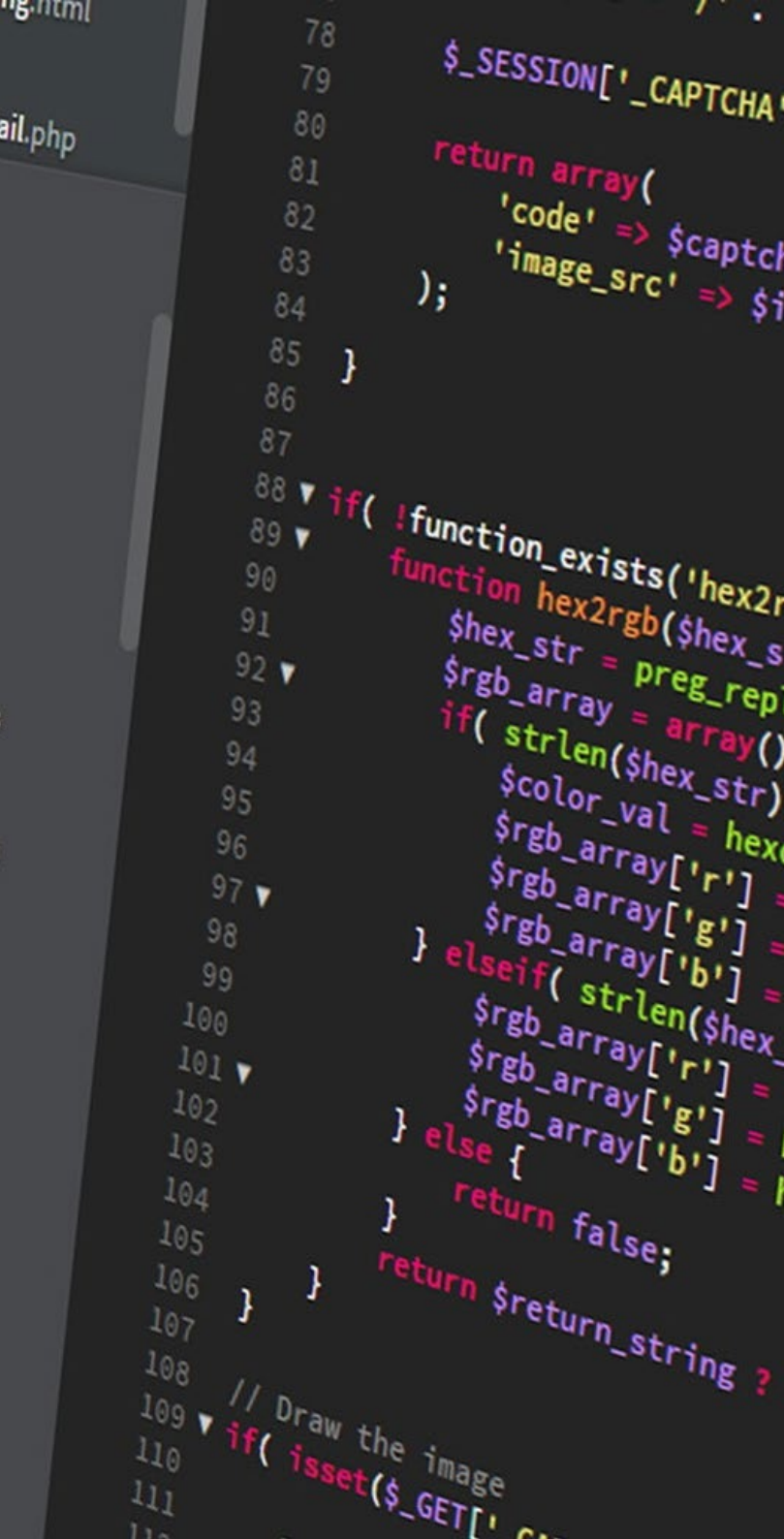
Digital transformation continues unabated

Transitioning to remote working, enhancing digital services and adopting of technologies to streamline costs has meant digital transformation has remained a strategic priority for businesses. Talented interim leaders with knowledge of how to roll out new technologies, as well as an understanding of their future potential will be fiercely competed for, with demand for interim technology specialists growing by 10% year-on-year.



Future demand dependent on incoming legislation

With the interim management market predicted to end on a high, future demand is difficult to predict. Despite, being delayed for one more year until 2021, HMRC's introduction of the off-payroll changes (IR35) will no doubt have an impact on the interim industry - with companies likely to take a more considered and cautious approach to assigning projects to external professionals.



ABOUT THE PARTNERS

Robert Walters

Robert Walters is a global, specialist professional recruitment consultancy. Operating across 31 countries, with offices in technology hubs in London, the North West, Midlands and South East. Organisations rely on us to find high quality professionals for a range of specialist roles. Leaders in technology recruitment, we place candidates on a permanent, contract and interim basis in organisations ranging from the largest corporates world-wide, through to SMEs and start-ups.

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