

## Contractor calculator market report - April 2008

### The Market in March

- o IT fell back 14% in March compared to the previous month.
- o Engineering dropped 11% below February levels
- o Construction jumped about 40%, and electronics was stable
- o Overall contractor demand predicted to remain strong despite slow economy
- o Bank of England will probably lower interest rates by 1/4 point-stagflation tactics being considered

With all of the turmoil across the world--credit crunch, recession in the US, stagflation due to commodities price rises--the factor that most affected contracting in the UK last month was the Easter holiday.

### Holiday Blues

Our industry is in fact quite protected from economic woes, because boom or bust, businesses need high-technology workers or they don't do business. But if we all go on vacation...

Says Karen McDermott, head of marketing at the Colchester-based job board [Jobserve](#): "An early Easter has dampened the number of jobs being published in March on JobServe. For example, IT fell back 14% in March compared to the previous month. For Engineering, 9,207 jobs were published last month compared to 10,402 in February – an 11% drop, But construction continued performing strongly with 3,457 compared with February's 2,461 jobs

McDermott attributes the decline to nothing more than recruiters taking a holiday break, while applications for jobs grew apace. "Maybe this is an indication that although recruiters took an extended break over Easter, jobseekers didn't – perhaps the poor weather conditions kept them indoors job hunting on the Internet," McDermott suggests.

McDermott expects the numbers to improve in April, noting that the decline was not reflected in the number of applications made, with Construction and Engineering up 4% and 5% respectively, and IT increased by 6%. The offer really jumped in electronics up 34%, and it is not surprising that demand in this sector remained unchanged, no doubt due to the shortage of qualified workers.

### Agencies Overall See Growth

Overall, agencies are seeing stable demand for contractors (when the recruiters aren't on holiday). In fact, a research report from the London-based [Recruitment and Employment Confederation](#) called "Key Recruitment Trends 2007" shows that during 2007, employers across most sectors increased the use of contractors as a proportion of their overall workforce.

Further, contractors generally found it easier to find work throughout the UK (except in London). And the number of contractors seeking permanent employment declined to the levels well below 50%, according to the report, which adds that most contractors are very happy to remain being contractors.

### Research Shows Rise In Agencies' Demand for Contractors

This view is supported by research from the Manchester-based research consultancy [Market & Business Development](#). Between 2007 and 2012, the UK market for recruitment consultants is expected to demonstrate year-on-year growth, culminating in an overall real term increase of 15% to 32.42 billion pounds (at 2007 prices) in the latter year. Annual growth rates are anticipated to remain relatively stable, oscillating between 2% and 4% during the forecast period.

The Market & Business Development Research does note that a certain level of maturity is apparent in the market, which is reflected by more moderate growth levels expected between 2008 and 2012. Nonetheless, there is no indication of a decline expectation.

### IT Trends: Continued Spending;CRM;Security;Project Management Top List

If further proof were needed that contractor demand is stable, we would find it in the IT Trends report from the Northampton-based [Society of Information Technology Management](#).

This report highlights a key trend in IT staff turnover. IT staff are changing jobs at the rate of 23% up from 14% in the previous year. The report concludes that contractors are going to have to fill the gaps left by these staff changes.

Despite the economic slowdown, the report shows a rise in management commitment to transformation, which means increased IT budgets. These are expected to go up at an average of 9% across the board. The areas where demand is expected to be the highest,

according to the report, are CRM, security, project management, and Web development--and this confirms trends that we've been spotting throughout the year in this space.

## Engineers Turning Down Work--Need More Skilled Workers

We often write in this space about the shortage of qualified engineers, and how that is maintaining demand for contractors with the appropriate skills. That demand pressure was again brought to the fore in a report last month by the [Institution of Civil Engineers](#). The report noted that a number of engineering firms are actually turning down offers of work because they do not have the qualified personnel needed to do the job.

The Institution report adds that "we as a nation do not have the capacity to complete projected infrastructure projects." So if you're an engineering contractor, you shouldn't lack for work.

## Construction Slows But Projects Increase Demand

Construction activity slowed, according to the [Chartered Institute of Purchasing and Supply](#), yet demand for workers on ongoing projects continues stable. According to the CPI's purchasing managers index for the construction sector fell to 47.2 in March from 52.4 in February--the first time in recent years the Index has fallen below the 50-point level.

Yet we've seen that demand for contractors in construction has increased markedly. The analysts point to the rise in cost of construction materials, and the economic slowdown as the reasons behind the fall in the Index, but they also note that there are numerous ongoing projects in the UK and these have never had enough skilled workers. The Olympic projects also continue to fuel demand. We have also seen press reports about an exodus of Polish workers, and that has indeed left construction contractors with lots of posts to fill.

## And What Of the Economic Slowdown?

The economic slowdown has unquestionably hit the country, as another index from the CIPS--the key Purchasing Managers Index of services purchases -- the single greatest component of business demand -- slowed significantly in February to a four-month low of 52.1.

The [Bank of England](#) is expected to cut interest rates a quarter of a point this week, but that is not likely to open the credit floodgates which are squeezed tight due to the credit crunch. The problem for all the central banks around the world is that we are seeing "stagflation:" slow economic activity coupled with rising prices. Pressure on commodities prices out of Asia--largely from China--are pushing up the cost of living even though we are supposed to be spending less as consumers.

It's difficult to reconcile this with the fact that, as we've seen, contractors still have plenty of work. For now we remain insulated from the worst of the slowdown, but if it continues longer than the expected six months, contractors may finally feel a bit of the pinch. For now, we can make hay while the sun shines.

**Published: Tuesday, April 08, 2008**

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