

## Contractorcalculator market report July 2008

Conflicting reports of what is really happening in the economy continue to mount as we plumb the murky depths of the UK's finances in this month's ContractorCalculator market report. The bigger picture, as reported by [BDO Stoy Hayward](#), seems to show a reduction in overall growth of the contracting sector, rather than evidence of it shrinking.

Figures from a number of sources bear out what contractors at the 'coal-face' have been telling us:

- o Contract opportunities in IT have performed well so far this year, but recent data from [JobServe](#) indicates a slight drop in activity in June
- o Engineering and construction remain bullish, according to JobServe, with year-on-year increases of 44% and 120% respectively
- o Scottish contractors and freelancers are faring less well, as availability of temporary and contract staff has fallen, says the Bank of Scotland
- o Jobseekers are overwhelmingly turning to the net for work, with 76% of respondents to a recent NORAS survey having applied online
- o According to Morgan McKinley, the financial services sector is continuing its slow-down, with new vacancies across the sector dropping by 17% compared with a year ago.

### IT contractors feeling the pinch

Latest figures from JobServe suggest June was a quiet month, with the number of IT contracts falling by 5% on the previous month. And contractors have been telling ContractorCalculator that both contracts and rates are being cut, particularly in the financial sector.

But this should be contrasted with the evidence that one of the largest UK-based IT recruitment agencies, [Harvey Nash](#), is reporting profits up on last year and forecasts remaining strong.

In a survey by [Giant Group](#), contractors themselves are saying they do not expect the situation to worsen to the degree seen earlier in the decade.

As Matthew Brown, Managing Director, of Giant Group, comments: "The financial services sector in the UK is one of the most important users of IT skills, but there is no sign of panic among contractors. Sentiment is on the wane, but few are expecting a repeat of the mass blood letting we saw in the 2001/02 downturn."

Giant Group's research shows the proportion of contractors out of work for three months or more is currently estimated at 4%. To put this into perspective, in 2003, 13% of contractors were without work for three months or more.

### Public sector booming

However, if IT contracts in banking and finance are taking a hit, contracts for projects in the public sector are booming, with no talk of rate cuts.

Recruitment agency [Parity](#) says that it sees no slowing of demand for IT contractors. Its CEO, Alwyn Welch, commented: "We're not seeing anything like the doom and gloom predicted for the recruitment market, as demand for key IT skills remains high."

In another positive for the public sector, the [recent deal signed by the government for two giant aircraft carriers](#), with a project value of £3.2 billion, should secure key roles for IT contractors in systems integration for some years to come.

### Engineering and construction still strong

JobServe's figures for engineering and construction show a sector that is still performing strongly. The total number of engineering positions published on JobServe last month rose 2% to 12,818.

Contractors can take comfort in the fact that the longer-term trend in engineering is very positive. The year-on-year figures show an increase of 44%. Construction is similarly positive, with an increase on this time last year of 120%.

### Scottish contractor billings are down

According to research published by the Bank of Scotland, billings for contractors and agency workers are down on last month, contrasting with the increase seen in May.

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Alwyn Welch, Parity

The good news for contractors in Scotland is that pay has risen at the fastest pace in nine months, with particular increases seen in Aberdeen, a reflection perhaps of the continued strength of crude oil prices.

The figures show the top five sectors for demand in Scotland to be:

- o Nursing/medical care
- o Blue collar
- o IT & Computing
- o Engineering & Construction
- o Executive & Professional.

### Macro-economic factors

In the wider marketplace, BDO Stoy Hayward's latest research cites these fluctuations as evidence of a reduction in growth of the contracting sector, rather than a shrinking of the sector in real terms.

Christopher Clark, corporate finance director at BDO Stoy Hayward, said: "The data should be viewed with caution at this stage as overall the growth has slowed rather than declined and this is after some very impressive growth through 2006 and 2007."

However, last month's joint report from global management consultancy [Hay Group](#) and the [Centre for Economic and Business Research](#) has taken a rather dimmer view of the health and wealth of the nation. The key points of their research forecasts:

- o 350,000 job losses, with the inevitable negative impact on contractors
- o £900 million wiped off company profits
- o The UK economy narrowly avoiding recession.

This is the most extremely negative of all the forecasts published recently and is not an encouraging sign for the contracting market. Having said that, though, firms tend to turn to contractors and freelance professionals during economic downturns, so more opportunities may arise for the contracting sector.

Morgan McKinley's announcement that recruitment in the financial sector has dropped by 17% could be why IT contractor numbers are falling, albeit not catastrophically. Firms are tending not to hire permanent employees, which bodes well for contractors.

### Jobseekers online

The National Online Recruitment Audience Survey (NORAS) published results of its survey of over forty-thousand online jobseekers. Of those surveyed, 76% have applied online suggesting the net is the main place to go for new work.

According to the results, 6% of respondents described themselves as a temporary employee and 5% as self-employed or freelance. Being a 'contractor' was not an option.

Where respondents selected their sector, the key figures were:

- o 4% in IT
- o 3% in Construction
- o 4% in Engineering/Manufacturing
- o 0% in Civil or structural Engineering.

As a total proportion of online jobseekers, contractors and freelance professionals would appear to represent a small percentage.

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