

Contractor calculator market report - May 2007

1. IT contractor demand rose by 13% in April
2. Engineering is up 65% year-on-year from 2006
3. Electronics contractor demand rose 52% year-on-year
4. Interest rates to remain at about 5% to year-end

Growth continued but proved slightly less strong than in March during the month of April for the UK contractor market, according to the Colchester-based Web job board [Jobserve](#).

Says Ian Frost, head of marketing at Jobserve: "JobServe is celebrating this month because 10 million job applications have been processed in the UK by the company for the first time in a single year, an increase of 24% year-on-year."

IT Slightly Down in April

Nonetheless, April was slightly down year-on-year for IT, although not by an amount worth noticing, while engineering grew most rapidly of all. The Easter holidays made April a quieter month than March for the recruitment industry but year-on-year figures for the engineering sector still looked strong, with 7,076 jobs advertised during April 07 compared to 4,298 in April 2006 an increase of 65%, according to Jobserve.

Compared to other industry sectors: IT has seen slower year-on-year growth with a 13% increase in jobs, "IT is still seeing healthy growth. But IT is in the mature phase of online recruitment, and so monthly increases are on a lower order than those of other sectors," Frost explains.

Electronics grew at 52%, but construction fell by almost 50% with 1,242 vacancies published, Jobserve says.

"Construction is a difficult one to call," Frost says, "because the volume of jobs is much lower. This suggests that the sector is earlier in the adoption of online recruitment than others and therefore the influence of one or two big contracts being placed can strikingly affect the comparisons."

In fact, according to DTI statistics, construction has slowed markedly in the first quarter of 2007, with orders up only 1%. Analysts attribute the slight slump to rising interest rates, although they note that with the Olympics, and an number of other major public projects taking off should more than offset the effect of rising rates in the next half-year.

“ IT is still seeing healthy growth but IT is in the mature phase so monthly increases are on a lower order than in other sectors ”

Ian Frost-Jobserve

Encouraging Rates of Demand in IT

Despite the slight IT slowdown, the overall view in the industry is that IT demand will rise in the coming year.

A survey published in May by the London-based recruiter [Skillsmarket](#) of almost 1,000 senior decision makers of the UK's leading recruitment companies revealed that 78% expect the demand for IT staff to continue to increase over the next 12 months.

Of these, 26% expect demand to increase significantly, 52% expect a marginal increase and 2% expect it to remain the same. Interestingly, no-one forecast a decrease in demand.

Skillsmarket points out that this demonstrates that the level of confidence in the market at that moment is very high.

Rates of Pay for Technology Contractors Also Rising

Another survey published in May by the [Association for Technology Staffing Companies](#) shows that IT workers have seen the highest ever pay rates rises since the survey was initiated in 2002. Although contract rates levelled off at the end of 2006, there was still an overall 9% increase in pay.

Says ATSCO chief executive Ann Swain: "The difficulty for our members now is in finding good contractors, because 2006 saw the market become much more candidate-driven, especially in niche skill areas. The skills shortage is set to get much worse, so experienced contractors should see further rate rises and even more work in the coming year."

Contract roles to record the highest increases in median hourly rates were Technical Comms Analysts and IT Managers, whilst the biggest quarterly increase for specific skills occurred amongst those working with Linux and COM, ATSCO reports.

“ The skills shortage is set to get much worse so ”

UK Economy Slows Slightly Too

Although it should not markedly affect contractors, the UK economy will almost certainly slow down a bit in the coming year. Says Roger Bootle, Economic Adviser at the London-based consultancy [Deloitte & Touche](#): "The US slowdown and the high sterling exchange rate are likely to take their toll on the UK's external sector. Consumers and the government are not – for once – in a position to offset this weakness fully. Accordingly, we expect GDP growth to slow a touch from 2.8% last year to 2.5% in both 2007 and 2008."

Bootle also considers inflation an issue, but believes that the interest-rate hike is temporary: "Lingering inflation concerns could yet prompt interest rates to rise further in this cycle. But falling energy prices should take the Consumer Price Index-based inflation rate to just 1.5% or so by the end of 2007. Below-potential GDP growth should keep it below its 2% target in 2008. We therefore expect interest rates to fall to 5% next year."

Again, the slight change in interest rates should not affect technology contractors, but will have a slight slowing affect on construction that will be offset in the second half of the year.



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Ann Swain-Association of
Technology Staffing Companies

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