

Contractor calculator market report - October 2007

- o IT holds steady in September despite financial services turmoil
- o Construction is up 12% over last month
- o Engineering, electronics, hold steady
- o UK economy shrugs off Northern Rock fuss

Despite a major bank failure, bad numbers from some of the other international banks, and the tail-end of the subprime crisis, demand for contractors held steady throughout the month of September, according to the Colchester, Essex-based job board [Jobserve](#).

Demand Is Steady

"Despite all the turmoil in financial services, with Northern Rock on the ropes and all the rest, demand for IT contractors held steady throughout the month of September," says Karen McDermott, head of marketing at Jobserve.

Again, construction performed strongly on Jobserve, with the number of jobs published in September rising by 12% compared to last month and year-on-year the figures were even more impressive, at over 140%. The number of Engineering, IT and Electronics jobs published on our site held steady, McDermott says. Clearly demand from the Olympic project is driving the contract offer, but along with it is considerable demand for private sector construction projects which had been expected to start up this autumn. Engineers are profiting from both of these factors as well as construction contractors.

Mid-Level is Being Outsourced

One trend continues manifest. Higher level contracts are staying in the UK, but an increasing number of mid-level contracts are moving offshore. Jon Butterfield, the managing director of the London-based consultancy [ReThink](#), said such statistics, along side anecdotal information from their customers, shows outsourcing is shrinking the UK market for mid-level IT work. Noting that the thousand placements they make a year were shifting to higher-level work, Butterfield asked his customer base. "We placed many more people in higher-end jobs this year. The lower end jobs seemed to be disappearing," he said. "We asked our customers, and majority said they were outsourced."

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Karen McDermott - Jobserve

The firm said this shows that a global division of labour is happening, with the UK taking on higher-level work, while developing countries focus on more technical areas. Statistics from the IT consultancy Jobstats back up the trend (the site looks at the percentage of advertisements for jobs):

Finance Still Highest Payer

- o Finance is still the highest paid speciality but demand has fallen to about 25%
- o Demand for management jobs is up 41.4% at an average rate offered of 41 pound per hour
- o Demand for support jobs is down to 25% at an average rate offered of 37 pound per hour
- o Design is holding at 28.1% with an average rate offered of 39 pound

Skills Shortage Dominates Market

But while these contracts leave the UK, the demand for specific IT skills continues to outpace supply of skilled staff. As McDermott points out, some jobs may leave the country, but in the big-demand skill areas, need continues to grow regardless of economic conditions.

The number of graduates in IT continues to decline, and those who do graduate may not have the right skills. "The UK's IT industry has its own particular pressures - from a general falling off of numbers of students enrolling on tech courses, to a shifting playing field of priorities. IT systems are increasingly important to almost every aspect of a business, which means greater complexity in administering, maintaining and scaling such systems. This does not sit easily with an academic teaching philosophy designed to cover 'fundamentals'," says Rob Chapman, CEO of the IT training consultancy [Firebrand Training](#).

Says Alex Charles, product director and founder of the London-based research firm [SkillsMarket](#): "The continuing skills shortage in the UK will fuel contractor demand regardless of economic conditions. Companies need IT to compete, and there is harsh need for people who have the skills to provide the technology."

“ The number of graduates in IT continues to decline ”

Rob Chapman - Firebrand Training

UK Growth Despite Northern Rock

But will demand slow after the Northern Rock crisis and the accompanying fallout? Gordon Brown has been insisting that it won't (but he's also close to calling an election before the feared slowdown occurs).

A look at the numbers is more intelligent. The [OECD](#) is predicting a possible slowdown in the UK economy, but not if the Bank of England cuts interest rates. That is a most likely occurrence. With interest rate cuts, consumer spending almost invariably rises in the UK, as the OECD points out, and that will take up the slack left by the banks and their subprime problems (most of which will be digested in a quarter or so).

Employment numbers confirm the OECD outlook. The [BERR](#) points out that the UK labour market is in a strong position. It cites the following:

- o 29.1 million people were in work in May to July, the highest figure on record
- o The employment rate is 74.4%, up on the quarter (0.1 points) but down on the year (0.2 points)
- o Vacancies remain very high at 663 thousand and redundancies are very low

What this means is that the machine keeps grinding on in the UK. At least for now, contractors need not hunt too far for job offers, and that will not change in the near future.

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