

## Contractor Calculator Market Report April 2009

With another month of mostly gloomy statistics and negative reports, contractors' short-term prospects across the IT, engineering and construction sectors are not looking great and there are few green shoots of recovery. However, IT managers are gamely fighting their corner against the corporate slash and burn, with construction and engineering contractors set to benefit from increased public spending.

In this month's ContractorCalculator Market Report:

- o Confused outlook for demand as new research shows IT contractors are still in demand and further cuts will damage corporate performance
- o Construction sector to grow, benefiting from public spending, says Deloitte
- o Global IT spending set to decline in 2009
- o City jobs on the increase, but still 62% down on last year
- o BDO Stoy Hayward forecasts increased business failures.

### Industry Watch predicts increased business failures

In its latest Industry Watch report, accountants [BDO Stoy Hayward](#) have revised up their estimate of business failure forecasts for 2009. The failure rate is set to increase by 59% on 2008 figures as the recession continues to impact on firms' fortunes.

[Limited company contractors](#) could easily become statistics themselves if they fail to secure new contracts, although contractors generally don't have creditors or the cash flow issues that are the cause of most small business failures.

According to the report, the construction and real estate sectors are set to suffer the most, with an estimated 10,300 or 3.2% of all firms in the sector, going to the wall. However, increased public spending (see below) may result in contractors in the construction and infrastructure engineering sectors holding onto their contracts.

Now more than ever, contractors would be well advised to [ensure that their agencies and end-user clients are financially healthy](#) before starting work on new contracts. Not to do so could lead to contractors [not being paid](#), as agencies in particular fall prey to the economic downturn.

### Deloitte forecasts growth in construction

Construction and engineering contractors should be prepared to take advantage of a forecast 2% increase in UK construction output, according to new research by consulting firm [Deloitte](#).

The massive slow-downs in construction and housing developments have contributed to construction firms slashing contracts. But, according to Deloitte's construction partner Nigel Shilton, huge public works programmes previously reported by ContractorCalculator may save the day: "Public projects within the education, health and transport sectors are essential for the short-term prospects of the industry."

However, Shilton's fear is that the need to service public debt will see public spending in the sector decrease from 2010, and if the private sector has not recovered, then construction and engineering contractors could be facing further difficult times.

### IT contractors get mixed messages on demand

The IT contracting sector has taken a huge hit in recent months, mainly through large firms cutting contractor jobs and a sharp fall in demand from the City. However, in a recent survey by contractor agency [ReThink Recruitment](#), IT directors are reported to still be recruiting.

Of those surveyed, 34% of IT directors plan to increase IT staffing levels versus the 20% who say they plan to cut IT worker positions. The remaining 46% plan to keep headcounts static for the next year. 18% are concerned that further cuts in IT budgets could impact IT performance within their organisation, although this might have the effect of increasing demand in future, as contractors will need to be taken on to clean up the inevitable mess caused by neglect.

Overall, the survey provides encouraging news for IT contractors. It follows last month's [Report on Jobs](#) from the [Recruitment and Employment Confederation](#) and [KPMG](#) saying IT worker demand was at a six-year low, and the news that insurer Aviva is cutting hundreds of contractor positions.

**“ Public projects within the education, health and transport sectors are essential for the short-term prospects of the industry ”**

Nigel Shilton, Deloitte

According to Alex Farrell, managing director of specialist IT recruiter The [IT Job Board](#): "Employers continue to advertise permanent and contract positions and, despite the downturn, we are still seeing a great deal of movement in the sector at all levels."

## Global IT spending set to decline

Hard on the heels of the good news, IT contractors may find contracts cancelled and rates squeezed, because IT consultant and analyst [Gartner](#) is predicting a global fall in IT spending of 3.8% in 2009.

The research from Gartner says that government action to stimulate the global economy will have a positive affect, but in the short term, firms and consumers are cutting their spending.

Contractors may yet benefit because they remain a low-risk, short term and cost-effective solution for organisations that have to maintain vital IT infrastructure whilst at the same time freezing or cutting permanent employee headcount.

## Morgan McKinley says City jobs market still depressed

New job volumes in the City increased last month, according to [Morgan McKinley's](#) London Employment Monitor. But overall, the City jobs market is down 62% on last year and it is taking nearly twice as long for workers to find jobs, with more candidates chasing fewer vacancies.

This should come as no surprise for City contractors who have seen contracts cut and rates squeezed significantly in the last 12 months. But Andrew Evans, managing director of Morgan McKinley, warns against reading too much into this month's figures. "Whilst there have been some more positive signs within the wider financial services market of late, such as some US banks reporting a return to profitability during the first two months of the year, the market is still incredibly volatile, he says.

"It is encouraging that recruitment activity has not slipped further, but there is still a distinct lack of visibility with regards to the health of the financial services industry and, in turn, the jobs market within the sector," continues Evans. "As long as this extremely low level of visibility continues, we will need to take each month as it comes."

Permanent staff have seen their pay increase by 1% on the same period last year, whereas contractors have had their contract rates cut by 10-15% by some of the major banks.

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