

ContractorCalculator Market Report January 2010

Things might be looking up for UK contractors! The very late Pre-Budget Report at the end of last year, coupled with an impending general election, has introduced much uncertainty into the UK's business economy. But the underlying economic trends suggest that contractors should be gearing up for a bountiful 2010, as long as they choose the right markets from the outset.

In this month's ContractorCalculator Market Report:

- o The Monster Employment Index increases for a third month, by two percent, as the jobs market shows signs of recovery
- o Last month's Pre-Budget Report was a non-event for contractors
- o Jobs recovery is backed by increased manufacturing, says the CIPS/Markit PMI
- o BDO cites evidence that subcontracting introduces business risk
- o What does contracting hold for 2010?

Online job recruitment is looking good

Contractors across all the major disciplines can take cheer from the latest [Monster Employment Index \(MEI\)](#), as it has remained in the black for a full quarter. This month, there have been increases in:

- o Construction – from 67 to 68, up 1
- o Engineering – from 111 to 114, up 3
- o IT – 83, no movement
- o Management and consulting – from 168 to 171, up 4
- o Marketing – from 108 to 112, up 4
- o Telecoms – from 65 to 68, up 3.

For IT contractors, whilst there has not been an increase, they can at least celebrate the fact that there has not been a drop this month, as the IT index has remained stable at 83.

According to Hugo Sellert, head of economic research at Monster Worldwide, online job recruitment is once again trending upwards: "Slowly, employers seem to be gaining confidence to hire again."

But, he warns, it's too soon for employees to celebrate, although in the short term contractors will benefit: "...it is not yet clear how soon and to what extent a return to economic growth...will be matched by actual payroll gains.

Contractor comforts - a 'non-budget' reassures all, for now

Chancellor Alastair Darling spared most contractors from the worst in his very late Pre-Budget Report (PBR) last month, although higher earning contractors have once more been hit in the pocket. In fact, Darling even appeared to acknowledge the benefit of contractors when he praised the UK as having 'the most flexible workforce in Europe'.

Despite these high honours, there were no major breaks for contractors beyond delaying the scheduled 1p rise in corporation tax, although the anticipated attacks on [umbrella company expenses](#) and [limited company contractor dividends](#) failed to materialise.

ContractorCalculator's editor-in-chief and CEO Dave Chaplin warns that this doesn't mean contractors are off the hook. "HMRC plans to raise or protect £5 billion, and contractors have traditionally been an easy target," he says. "So we should not be surprised if we see measures that will hit contractors in the emergency budgets forecast for later this year."

Whopping CIPS/Markit PMI kicks-off 2010

Contractors across all sectors can also take cheer from the latest Chartered Institute of Purchasing and Supply/Markit UK Manufacturing Purchasing Managers' Index ([PMI](#)), which confirms the UK's position as the sixth largest manufacturer in the world.

"Despite operating against one of the toughest economic backdrops ever witnessed, 2009 saw the UK manufacturing sector slowly regain its footing to end the year in comparatively strong shape," explains David Noble, Chief Executive Officer at the Chartered Institute of Purchasing and Supply (CIPS). "On the back of significant increases in production and new orders, the December PMI posted its strongest reading in over two years."

Contractors in technical, engineering, interim management and IT roles will benefit from the upsurge in the UK's manufacturing base, but Rob Dobson, Senior Economist at Markit Economics, warns: "The outlook is somewhat clouded given the uncertainty of the timing of fiscal and monetary stimuli withdrawal." In other words, when the government has to stop propping up the banking and other sectors, it could hit contractors serving both the private and public sectors.

Are contractors riskier than they first appear?

There have been some side-swipes at the contracting community, including from accounting firm [BDO](#). According to research it commissioned, "75% of...businesses do not understand that cost cutting exercises such as outsourcing have actually increased their risk of being drawn into litigation, which can be both difficult and expensive."

Not all outsourcing to contractors and others has been successful. Gervase MacGregor, National Head of Advisory at BDO LLP and a partner within the Forensic Accounting stream, says that outsourcing support services using the cheapest alternative can backfire, resulting in what he euphemistically calls "unwelcome side effects".

So, what's in store for 2010?

Crystal-ball gazing has ever been an uncertain science, but contractors can be certain of one thing in 2010: there will be more change. The law requires an election by May 2010 and, whatever the result, we can be certain there will be changes to how the finances of UK PLC are managed.

That the tax burden on us all will increase is not in dispute, but will we see a new administration more sympathetic to the flexible workforce in general and contractors specifically?

Despite all the uncertainty, the fortunes for contractors in 2010 so far look unthreatening, at least when compared to the last 18 months of economic turbulence. And for those who track the contracts market, update their skills and target the right sectors at the right time, 2010 could prove a profitable year.

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Dave Chaplin is a former IT contractor in the City of London, and is founder and CEO of ContractorCalculator, and author of the Contractors' Handbook.

Started in 1999, ContractorCalculator (this site) is the leading independent website for the UK contracting industry – most of whom are highly skilled knowledge workers. [Read Full Profile...](#)

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David Noble, CIPS

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