

ContractorCalculator Market Report June 2010

Contractors could be in for a bonanza over the longer term if forecasts by the [Offshore Valuation Group](#) and [Decom North Sea](#) come to fruition. The [Monster Employment Index](#) dipped in April, although IT contractors in Scotland experienced a surge in demand. General performance across the economy, whilst fragile according to commentators, is still going in the right direction.

In this month's ContractorCalculator Market Report:

- o A dip in the Monster Employment Index might indicate slowing demand for workers, or could be a blip on what has been upwardly trending demand
- o The public sector could learn lessons about saving jobs and contracts from the private sector's experience during the recession, says the CBI and Harvey Nash
- o Rates of pay and demand for IT contractors increases in Scotland, according to the latest research by the Bank of Scotland
- o Key CIPS/Markit PMIs in Services, Construction and Manufacturing are still positive, but growth in the service sector might be slowing
- o A 'new economy' of energy and offshore jobs could dominate the contracting sector in the coming decades, say two influential non-governmental bodies.

With so much uncertainty and reported fragility, all eyes will be scrutinising the detail of the new government's emergency budget on 22nd June.

Fall in Monster Employment Index reverses demand growth trend

Although still in positive territory year-on-year, the [Monster Employment Index](#) suffered a decline of 4% from March to April, showing that demand for workers in some sectors and regions has slowed, representing a reversal of the growth trend of recent months.

According to Julian Acquari, managing director at Monster UK and Ireland, demand for workers across the UK is highly variable: "The state of economic recovery in the United Kingdom remains fragile. However, conditions are not uniform across the country and across sectors. Unemployment actually fell in London more than in any other region during the three months up to February."

The key contracting sectors of IT & telecoms, engineering & construction, management and consulting and marketing, PR and media all experienced falling demand for workers, although IT, consulting and marketing were all up year-on-year.

Public sector cuts cushioned by contractors, says CBI/Harvey Nash survey

According to the [CBI \(Confederation of British Industry\)/Harvey Nash employment trends survey 2010](#), flexible working has softened the impact of the recession on the UK jobs market, and these lessons could lessen the impact of forecast public sector cuts. This could work in favour of contractors.

"Employers have come out the other side of the recession, having managed to keep many more people in jobs than had been expected," says CBI Deputy Director General John Cridland. "This has been largely down to the flexibility and goodwill of staff who quickly adapted to emergency measures, including pay and recruitment freezes."

Cridland continues: "So far the public sector has been cushioned from the impact of the recession, but it now faces a squeeze. Drawing on the experience of the private sector in engaging employees during the recession to deliver much-needed change could help the public sector minimise the pain of spending cuts."

Forecast public sector recruitment freezes are likely to increase demand for contractors. That's because they can undertake projects without appearing on the official headcount, as they are classed as business-to-business suppliers, not temporary employees.

Contractor demand strong in Scotland, where rates have also increased

IT and computing workers dominated demand for contractors in Scotland in April, according to the [Bank of Scotland Report on Jobs](#). The Bank's Labour Market Barometer showed a slight increase overall in worker demand compared to the previous month, but with strong peaks in some sectors. The report also says that rates for contractors have increased too.

The contracting sectors in greatest demand include nearly all core contracting disciplines:

“ The state of economic recovery in the United Kingdom remains fragile. ”

Julian Acquari, Monster UK and Ireland

- o IT and computing
- o Engineering and construction
- o Secretarial and clerical
- o Blue collar
- o Executive and professional.

Despite this upbeat message, Scotland still lags behind the rest of the UK in its demand for workers. Bank of Scotland's Chief Economist Donald MacRae, believes this reflects Scotland's later exit from recession.

Strong performance in manufacturing, services and construction

All three of the key [Purchasing Managers Indexes \(PMIs\) in Services, Construction and Manufacturing](#) showed sustained or positive performance in May. Contractors work across all these sectors and will benefit directly from the upturn in commercial activity, although the recovery is still fragile, according to the Chartered Institute of Purchasing and Supply (CIPS) and Markit, who produce the PMIs.

The Manufacturing PMI maintained April's fifteen-year high, with increased demand from China, Europe, the USA, the Middle East and Africa driving exports. This was matched with increased demand for workers in the sector.

All three construction subsectors (housing, commercial and civil engineering) maintained growth in May. But according to the construction PMI report's author, Markit's Sarah Legder, public spending cuts will knock the recovery: "...it is unlikely that the current rate of growth will be maintained over the medium term. This partly reflects the low base from which expansion is being built, but also the uncertainty surrounding cuts in public spending."

Despite the Services PMI showing a thirteenth successive rise in activity, the rate of new business in the sector is slowing. Firms in the sector have also started shedding workers, although contractors may derive a short-term benefit from this, as their services are likely to be required to help with capacity management.

Offshore opportunities for contractors could mushroom

Opportunities from decommissioning the existing North Sea Continental Shelf (NSCS) oil and gas infrastructure, coupled with the forecast growth in on- and offshore renewables could generate huge contract opportunities across the spectrum of contracting disciplines.

Two influential non-governmental organisations, the Offshore Valuation Group and Decom North Sea, have identified the huge potential offered by a number of concurrent projects related to the UK's existing hydrocarbon output being replaced with 'cleaner' energy.

Major projects include dismantling over 470 offshore structures and tens of thousands of miles of pipelines, as well as replacing them with offshore wind, wave and tidal installations.

Contractors in the oil and gas, energy and nuclear, engineering and IT sectors, not to mention the related support disciplines, stand to benefit greatly from this potential bonanza. In fact, according to the Offshore Valuation Group's report, 145,000 new jobs could be created. It concludes: "Britain's extensive offshore experience could now unlock an energy flow that will never run out."

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