

Contractor Calculator Market Report May 2009

What was potentially the biggest story for contractors in April, the [Budget](#), turned out to be largely contractor neutral. Contractors are sharing the pain of the more expensive motoring costs and other tinkering by the Chancellor with the rest of the business community, but there was little other impact on the mainstream contractor. City IT contractors are enjoying a slight renaissance but, according to the [Monster Employment Index](#), jobs overall are still declining, coupled with rapid rises in company insolvencies.

There appear to be some faint glimmers of hope for a strengthening economy, but they're on the horizon and very far away indeed. In this month's ContractorCalculator Market Report:

- o The Monster Employment Index shows a whopping 41% year-on-year fall, with March being the fifth consecutive month that the index has fallen
- o 100% increase in City IT contractor hiring, according to candidate screening firm [Powerchex](#)
- o UK manager survey paints a bleak picture, with managers saying the end or the recession is in sight, but it's a very long way off
- o Insolvency Service figures confirm a massive increase in company bankruptcies, up 56% on a year ago
- o Oil and gas sector boost from the Budget, with energy and 'green collar' contractors in line to benefit.

Fifth month of consecutive falls for the Monster Employment Index

Online availability of work fell in most occupational groups across most sectors as the [Monster Employment Index](#) for March dipped another 77 points, or 41%, compared to the same period last year. This is the fifth consecutive month the index has fallen.

Demand has fallen in the IT, telecommunications and engineering industries, which will have a knock-on effect for contractors looking for new contracts and renewals in those sectors.

However, slight increases have been recorded in other sectors that employ large numbers of contractors, with the top industries looking for workers being:

- o Production, manufacturing and maintenance
- o Education training and library
- o Construction and extraction
- o Research and development
- o Public sector.

According to Monster Worldwide's head of economic research, Hugo Sellert, there is some cause for optimism: "Hiring of education and production workers rose in March and healthcare has shown encouraging annual growth." Not great news, however, for engineers and IT contractors, who have still yet to benefit from these slight improvements.

City IT workers enjoy a renaissance

Employment offers for IT contractors from financial institutions have risen by 100% from March to February, although total numbers are still well below historical figures; this is according to financial specialist pre-employment screening firm [Powerchex](#).

Its managing director, Alexandra Kelly, believes the financial sector will be the first to recover from the recession and that IT contractors, who were first out when the downturn started, will be the first back in when demand picks up.

"History has taught us that they [the financial services industry] are also the first to get their house in order and help the economy grow," comments Kelly. "The decline is slowing and financial services are already planning to take the lead in the recovery."

“ History has taught us that the financial services industry are also the first to get their house in order and help the economy grow ”

Alexandra Kelly, Powerchex

UK managers forecast two-year recession

In research published by the [Chartered Management Institute](#), the majority of managers surveyed (61%) forecast that the recession will last two years and 84% felt that UK GDP will fall over the next 12 months.

The respondents also called for the chancellor to provide major tax breaks for businesses to invest in training and skills development. Such incentives, which failed to materialise in the Budget, could indirectly benefit contractors able to provide a fast and risk-free 'plug

for firm's skills gaps.

Further actions by managers' organisations that may fuel demand for contractors include recruitment freezes and significant reductions in recruitment budgets, reported by 49% of respondents. When permanent headcounts are static or falling, contractors are frequently called on to fill the gaps.

Official figures show rise in company insolvencies

The latest figures released by the Insolvency Service show that the total number of compulsory liquidations and creditors' voluntary liquidations in England and Wales in the first quarter of 2009 were 4,941, an increase of 56% on the same period last year.

A shocking 1 in 130 active companies, or 0.8%, went into liquidation in the period, and this figure includes at least one [umbrella company](#) that went into administration, leaving its contractor employees without pay, benefits and adequate insurance cover.

And according to company monitoring service [Business Sales Report](#), as [reported in The Recruiter](#), 9 recruitment agencies have gone into administration or administrative receivership in March.

Contractors who [run their own limited company](#) but are unable to win new contracts can [apply for Job Seekers' Allowance \(JSA\)](#), but may find they do not qualify, particularly if they are holding too much cash in their business.

Budget to benefit energy, oil and gas and 'green collar' contractors

Contractors in the oil and gas and emerging 'green collar' sectors are set to enjoy the results of some government spending and tax breaks announced in the Budget. These are intended to encourage the development of new oil and gas fields in the North Sea and the growth of the renewable energy sector.

The [Treasury](#) will make it easier for North Sea firms to release existing oil and gas infrastructure for other uses. This means facilities could be used for offshore wind and wave projects, plus gas storage, resulting in a surge in demand for offshore engineering contractors.

In line with the renewables potential of the North Sea, demand for 'green collar contractors', those working in environmental related roles and industries, is likely to increase. And many of the proposed infrastructure projects will require core contracting skills in engineering and IT to complete.

The government has also announced 11 sites in England and Wales where new nuclear power stations could be built. The first new nuclear reactors are set to come on stream from 2018; so, demand for the highly specialised engineering, construction and IT skills required to operate in the nuclear sector is likely to be high.

Published: Thursday, May 07, 2009

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