

Contractor Calculator Market Report November 2008

Recent months have shown mixed economic indicators, but as the downturn starts to affect almost every area of the economy, the picture is becoming sharper. It is not, however, all bad news for contractors, with public sector contracting and employment, in particular, holding up well.

In this month's ContractorCalculator Market Report:

- o The latest [Deloitte Economic Review](#) says the worst of the economic downturn is yet to come
- o The [Monster Employment Index](#) falls to an historic low, showing the first ever year on year negative growth
- o IT contractors are getting hammered whilst the engineers are in ascendance, but for how long?
- o As the [European Parliament](#) votes through the Agency Workers Directive, signs are that contractors have may have won the argument to be excluded
- o Strong arguments from contracting groups have been despatched in response to the [Treasury's umbrella company expenses consultation](#).

Recession like the 1990s says Deloitte report

The recession is likely to be in the same league as the downturn of the early 1990s, according to Deloitte's economic adviser Roger Bootle of Capital Economics, in the latest issue of the [Deloitte Economic Review](#). In fact, he warns: "The bulk of the economic fallout has yet to be felt."

The Review goes on to predict a downwards spiral of reducing company profits and thus business investment. Bootle forecasts that inflation will plummet to 1% by the end of next year, with a corresponding fall in interest rates to possibly the lowest on record, below 2%, and GDP falling by as much as 2.5%.

Contracting sector polarised

Times are likely to get very tough for some areas of the contracting sector. As a result of the near-collapse of the banking and financial services sectors, for example, IT contract availability has plummeted.

According to [JobAdsWatch.co.uk](#), there are 13.3% fewer IT contracts available this quarter compared to the previous quarter, and a decrease of 30% on the beginning of the year. Not all IT roles are falling however, as demand for contractors as project managers and in managerial roles have grown.

With the dramatic downturn in the construction sector, the results of the latest [Monster Employment Index](#) show that construction contractors are flooding the jobs market with nowhere to go.

Contrast this with the surge in contract vacancies in the oil and gas and engineering sectors. Fuelled by high oil prices, recruitment website [OilandGasJobVacancies.com](#) has topped its own previous record with over 5,000 positions advertised on its website.

The site also advertises vacancies in the broader power and nuclear engineering fields, sectors that are gearing up for proposed expansion to tackle the UK's increasing energy gap.

Infrastructure and repair and maintenance are two areas that typically do well out of an economic downturn, and contractors with the right skills to exploit in these areas could ride out the storm in greater safety.

Monster Employment Index in historic drop

The dismal economic indicators are mirrored by the Monster Employment Index's latest results showing the fourth consecutive fall and, for the first time since the index began, a year-on-year decline.

"However, while the private sector is growing ever more cautious about adding staff, once again the public sector is showing that it less affected by a struggling economy," says Hugo Sellert, Monster's Head of Economic Research. The index has actually shown an increase in the public defence and community sectors; early evidence, perhaps, of Prime Minister Gordon Brown's vow to spend the UK out of recession.

But, Sellert warns: "The latest Index findings suggest that overall job losses are likely to intensify as the troubled financial and housing industries continue to drag down the wider UK economy."

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Agency Workers Directive one step closer

Hugo Sellert, Head of Economic Research, Monster Worldwide

MEPs voted through the [Agency Workers Directive](#) with no amendments, bringing it a step closer to becoming law in the UK. This gives the Department of Business, Enterprise and Regulatory Reform ([BERR](#)) the green light to work on deciding how the AWD is to be implemented in the UK.

If the AWD, which promises to provide agency workers with the same pay and conditions as their permanent counterparts, were to be implemented to include contractors, then the cost to the sector would be significant and could potentially force many end-user clients to cut their use of contractors.

However, recent indications from key members of the government, and chair of the influential House of Commons [Regulatory Reform Committee Andrew Miller MP](#), point towards a solution to ensure contractors are excluded from any new legislation.

Contracting sector responds to umbrella consultation

Three contracting sector bodies last month responded to the [Treasury's consultation on the tax relief](#) given to contractors working through umbrella companies.

The [PCG](#), the Association of Employment Management Companies ([AEMC](#)) and the Service Providers Association (SPA) all urged the Treasury in their responses to adopt restraint, should it choose to take action.

The response submitted by [Lawspeed](#) on behalf of the AEMC and 14 key contractor umbrella companies painted a grim picture of mass redundancies at the umbrella companies and a mass exodus of contractors into [limited companies](#), both of which would be counter-productive to the Treasury's likely aim to increase tax revenues.

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