

ContractorCalculator Market Report September 2010

Contractors continue to do well, particularly in IT and engineering, as UK firms choose the cautious path for investing in growth and capacity. More than one report suggests a return to IT skills shortages in the medium term, further improving the fortunes of contractors in the sector. However, growth in all key sectors has slowed this month, and confidence is brittle across the board, with the full impact of the public sector spending review yet to be felt.

In this month's ContractorCalculator Market Report:

- o The Monster Employment Index fell by 2% in July, possibly due to seasonal factors, but year on year is up 17%
- o IT contractors could be entering a period of a 'tight' labour market, as fewer candidates are chasing an increasing number of IT roles, says the e-skills bulletin
- o UK firms that can't find enough home-grown engineers and IT workers are turning to migrants to plug the gaps, reports the CIPD/KPMG Labour Market Outlook for the Summer 2010
- o Britain's export boom is leading to a renaissance in UK manufacturing, but although firms are hiring temps and contractors, gathering storm clouds threaten a bumpy ride, according to the EEF/BDO Manufacturing Outlook
- o The Markit/CIPS PMIs in construction, manufacturing and services, all key economic barometers, show that both growth and recruitment are slowing.

Online recruitment activity slows following spring surge

The [Monster Employment Index](#) decreased by 2% in July, although overall online demand for workers has increased by 17% year on year. According to Monster, the fall in July represents an easing of online recruitment activity following the 'Spring recruitment period'.

The picture is broadly positive for most contracting disciplines, as IT, engineering and research & development bucked the monthly trend. They did so by not only increasing in July compared to June, but by also outpacing seasonal averages, showing increases of 2%, 4% and 4% respectively. Construction worker demand increased slightly, but online demand for telecoms workers fell.

"The annual growth displayed by the July Index is encouraging, with a 17% increase pointing to a sustained long-term improvement in online worker demand," explains Monster UK & Ireland managing director Julian Acquari "Economic conditions also continue to trend positively, with the latest unemployment readings showing a mild decline in joblessness."

Increased demand for IT contractors

The information and communications technology sector is in 'comparatively good health', with the demand for IT contractors growing by 10% on the previous quarter. That's according to sector skills council [e-skills uk](#), in its latest [Quarterly Review of the ICT Labour Market for the first quarter of 2010](#).

According to the report, the increased demand for IT workers has resulted in a 'tightening' of the sector's labour market, resulting in a fall of the ratio of candidates per job from 1.5:1 to 1.4:1. This shows a real reduction in the number of candidates available for each role. Although there have been no reports of IT skills shortages, the bulletin suggests that, "it may not be that long before such reports start flowing in".

Niche skills, such as Corba, DCOM, CAM, Fortran, PDH, CGI and 4GL, show the highest growth in short-term demand. Over the longer term, more mainstream skills are likely to be in demand, covering expertise like Sybase, C#, Coldfusion, .NET, SQL and Swing.

IT and engineering roles 'hard to fill', reveals labour market report

Contractors in IT and engineering may be missing out on contract opportunities, as a report reveals that UK firms are turning to migrant workers to plug the gaps for 'hard to fill' IT and engineering positions.

According to the Chartered Institute of Personnel and Development (CIPD)/KPMG [Labour Market Outlook](#) for the Summer 2010, 21% of those firms surveyed are filling engineering vacancies with migrant workers, and 18% use migrants to fill IT, accountancy and finance roles.

"Our own research shows that UK businesses are increasingly optimistic about their prospects," says KPMG's UK Head of Markets, Malcolm Edge. "In moving forward, businesses need the right people with the right skills. Increasingly, they are looking overseas to address this skills gap..."

Exports lead demand for UK produced goods

Contractors working in the manufacturing sector look set to enjoy at least another quarter of improved prospects. That's because export demand for UK goods continues to drive the revival in Britain's manufacturing sector.

The [third quarter EEF/BDO Manufacturing Outlook](#) report shows that order levels are being sustained, with the resulting confidence driving up demand for temporary and agency workers, including contractors.

But EEF Chief Economist Lee Hopley warns that the road to recovery will not be smooth: "We have to maintain perspective that the recovery is coming from a very low base and the risks to the economy in the medium term haven't gone away.

"The rebound in exports and modest improvement in investment will need to become much more firmly entrenched if we are to see a much-needed rebalancing of the economy."

“ Our own research shows that UK businesses are increasingly optimistic about their prospects ”

Malcolm Edge, KPMG

Growth in economic activity slows across all key sectors

Despite otherwise positive reports on contractor prospects as the UK emerges from recession, this month's [Markit/Chartered Institute of Purchasing and Supply \(CIPS\) Purchasing Manager's Indexes \(PMIs\)](#) bring reasons to be cautious. The PMIs for manufacturing, construction and services show that not only is growth slowing, but also that in the services sector, the increase in worker recruitment has reversed.

Construction growth remains positive, but the growth has slowed markedly since the highs of spring. Surprisingly, because the construction sector is highly dependant on public spending, civil engineering continued to expand in August.

Manufacturing continues to grow, fuelled largely by increased exports. The demand for workers in the sector has increased in line with growth, with most of those workers recruited tending to be temporary or agency workers and contractors.

Both business confidence and employment fell in the services sector, and business activity rose at its slowest rate for 16 months. But against that backdrop, IT and computing shows the strongest rise in new business and activity in August, suggesting some contractor sectors continue to perform strongly.

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