

## Contractors resilient to credit crunch

The resilience of the contracting sector during times of tough economic choices, such as the current credit crunch, is evidenced by the results of ContractorCalculator's latest survey. When asking contractors if the credit crunch is affecting their contracting, the survey revealed:

- o 68% of those contractors surveyed are currently in a contract, with 28% of the remainder actively seeking work
- o 60% of contractors currently in a contract expect to renew at the same rates, with a staggering 22% expecting to renew at a higher rate
- o 60% would leave and get a contract elsewhere if the client insisted on a rate reduction
- o 64% feel current demand for contractors is stable to high
- o 56% feel contracting rates are stable to high.

Based on these headline statistics, the contracting sector would appear to be very healthy, and positively brimming with confidence at present, despite everything the credit crunch has thrown at it. However further analysis reveals not every contractor is happy with their lot.

### Impact on contracting rates

There was a 60:40 split between those who would reject a rate reduction and look elsewhere versus those that would accept one. Some of the major banks whose decisions arguable led to and exacerbated the credit crunch have been cutting contractor rates for some months, but it would appear this has been affecting only isolated pockets of IT contractors.

The feedback from individual contractors has also been positive, although negative in some cases, with one contractor even stating that, "Rates are plummeting and we're being treated with total disregard". This appears to be an isolated case of catastrophic rate cuts, however, although other contractors in the survey have commented on poor treatment by clients.

Rates in oil and gas contracting appear to be rising in line with the price of oil, with one contractor enjoying three rate rises so far in 2008, resulting in a doubling of rates.

### Ease of contract renewal

Although 60% of contractors have said they would turn down a rate cut and look elsewhere, it appears that finding new contracts is becoming less easy.

When asked how hard it is to secure a contract compared to this time last year, 68% of respondents claim it is harder, with only 3% thinking it is easier. This is likely to impact on the 9% of contractors who say their client is not going to renew their current contract.

Several respondents cite clients' decision making processes as the major barrier to contract renewal; as one contractor explains: "Quite a few projects are waiting to be signed off, hence there is [a] long waiting period between contracts."

### Contracting sectors

Contractors who responded to the survey came from a range of sectors, with the majority, 86%, working in IT, engineering and construction. The trends across the sectors perhaps come as no great surprise:

- o IT has seen a slight downturn but the underlying strength of the market is robust
- o Engineering, particularly oil and gas and infrastructure projects, are buoyant, with oil and gas bordering on high growth
- o Construction is experiencing difficulties, which appear to be getting worse.

On the condition of the IT sector, one contractor had this to say: "IT has stabilised [after the dotcom downturn]...and we have only projects which make business sense and add value to the business."

Respondents working in the oil and gas sector appear to be enjoying the knock-on effects of the high price of oil, as both demand for contractors and pressure on rates is high.

### Contracting prospects in the future

Contractors views' about the future of the contracting market oscillate wildly between the overtly pessimistic – "I'm trying to get out"

**“ Quite a few projects are waiting to be signed off, hence there is a long waiting period between contracts ”**

Engineering Contractor

- to the cautiously optimistic - "Good outlook, at least in my current sector."

Most IT sector respondents settle on stability as the future of IT contracting, at least over the next 12 months. One respondent viewed a slowing of the market as having a positive effect overall, saying: "I think this is a cleansing period, every decade goes through some cleansing."

Another view is that clients will become more selective in both the projects they approve and the contractors they hire. This suggests the market may be about to undergo a Darwinian survival of the fittest phase, where there is not enough fat in the marketplace to support mediocre contractors, and could signal a small exodus back into permanent contracting.

**“ I think this is a cleansing period, every decade goes through some cleansing ”**

IT Contractor

In conclusion, with only one or two minor exceptions, contractors have proved remarkably resilient to the effects of the credit crunch. Given the relatively high proportion of IT contractors who depend on the financial sector, it reflects well on the sector that clients understand the value of their contracting professionals.

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