

Contractors seek salary rises

More than half of the UK's IT contractors expect an inflation-busting pay hike of at least ten cent in 2007. This is a key finding of the second annual "Contractor Expectation Survey" carried out by the Watford-based [JSA Services](#), a specialist accounting firm for IT contractors. According to the study, 56 per cent of contractors expect to earn more in 2007 than 2006, with expectations of pay rises varying from 5 to more than 20 per cent.

This expectation is buoyed by the fact that salaries have declined over the past two years. But there is a danger, experts say, that contractors are making a demand for higher pay at the very time the economy is slowing down. As prices rise, and the risk of inflation looms, the [Bank of England](#) is most certain to raise interest rates, and that will put the brakes to five years of economic growth in the UK. The risk is that contractors may not see the pay raises they expect in this economic climate.

"Our advice is: contractors should keep their demands for rises to a sensible level in order to prolong the market's need for them," comments Barry Roback, chief executive of JSA, in an interview with [contractorcalculator.co.uk](#).

"It is clear that the economy will slow down to a certain extent, and demanding large pay rises could limit demand or drive contracting offshore." "The cycle for our industry has been in an upward phase for the past 6 years or so, and we find that the cycle typically lasts about 6-8 years. Then there is a period of surplus," Roback explains.

“ 56 per cent of contractors expect to earn more in 2007 than 2006 ”

"But contractors were a bit spoiled during the last cycle, because it included the special demand created by the Year-2000 problem," Roback points out. So demand has been unusual during the last cycle, and contractors should take that into account.

“ demanding large pay rises could limit demand or drive contracting offshore ”

Barry Roback

Contractors expectations do vary widely, according to the JSA study. About 9 per cent believe that the market will shrink in 2007. A solid 35 per cent think that it will grow at varying rates of speed, and this is where the push for rate rises is undoubtedly coming from. But a full 50 per cent thought that it will remain static.

Certainly contractors have a right to expect pay rises, Roback points out. "IT contractors have a strong sense of their own self worth, and the fact that they expect inflation-busting pay rises, is probably a realistic assessment of their current market position." Roback points out that a large number of contractors have taken advantage of high salary-rate offers in the Middle East over the past two years, and this has created a skills gap here in the UK.

Participants in the survey were also asked whether they had knowledge of any of the ten programming languages which were recently highlighted as the 'must have' skills for 2007 by [E-week.com](#). The results showed considerable skill shortages.

1 PHP	6%
2 C#	11.5%
3 AJAX (Asynchronous JavaScript and XML)	9%
4 JavaScript	17%
5 Perl	7%
6 C	15%
7 Ruby and Ruby on Rails	none
8 Java	16%
9 Python	2%
10 VB.Net (Visual Basic .Net)	16.5%

Further, the move to close down umbrella companies and managed service companies by the Treasury, as announced in the Chancellor's pre-budget speech, is likely to force contractors to demand rises.

Says Roback: "The pressure on managed service companies, which will result in take-home pay being reduced for some under the proposed regime, will inevitably lead to demands for higher gross rates, in order to leave contractors in the same net position, as happened after the introduction of IR35."

Some contractors, in specific skill-set areas, will be in better position than others of course to push for rate rises. "This industry is very much split up into micromarkets, and some skill sets will see far greater demand than others," Roback continues.

The JSA study also concluded that contractors would like to work shorter hours. About 61 per cent said they would like to work less hours, with nearly half saying they would like to spend more time with their families. This may be because 90.5 per cent of respondents are married or with partners and 70 per cent have children.

Most contractors do not use agents. Although some top IT freelancers are using talent agents to get highly paid positions, only 1.5 per cent of respondents say they used such agents. However, 43 per cent said they would consider doing so in future.

For the first time, the survey asked a number of questions about contractors' working patterns and leisure time, which revealed that:

- o Although only 12 per cent regularly work from home, 62 per cent have a dedicated domestic office
- o Only 22 per cent of those who work from home ever feel isolated
- o 53 per cent do not like having to work evenings and weekends.
- o 60 per cent have one major outside interest/hobby. Gym/fitness, golf and computer games are the most popular. Other interests listed include angling, horizontal aviation, steam railways, flying, racing, photography, landscape painting, ten pin bowling, snooker, rugby, badminton, travelling, DIY, property, martial arts, yachting, snowboarding, music and scuba diving.
- o One in five prefer adventure holidays to 'chilling out'
- o The USA is the favourite holiday destination for 17.2 per cent. Other favourites include France, (15.5per cent) South America, (8.6 per cent) Caribbean(8.6 per cent), Greece,(6.8 per cent) South Africa, (5.1 per cent) Austria, and Devon (3.4 per cent). Others destinations mentioned include Portugal, Italy, Suffolk, Norfolk, Cornwall, Jersey, India, Maldives, Cuba, Malaysia.

One thing is clear from the JSA study about contractors in the UK: they definitely want to work fewer hours in 2007. A full 61 per cent said they sought to work less, with 46.5 per cent seeking to gain more free time with the family; 38 per cent wish to pursue hobbies or other interests; but a full 15.5 per cent simply feel that they are too stressed out for the time being and need some rest.

Published: Thursday, January 25, 2007

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