Demand for contractors highest since January

Demand for Temporary/Contract Staff

A reading of 50 indicates no change on the previous month. Readings above 50 signal stronger demand.

Sector	This year	Last year
Nursing/Medical/Care	59.4	54.9
Engineering/Construction	56	64.0
Secretarial/Clerical	55.7	61.4
IT & Computing	54.5	61.2
Hotel & Catering	54.0	65.1
Accounting and Financial	52.5	58.3

Higher temp billings were underpinned by the fastest expansion in short-term vacancies since January produced by the London-based NTC Economics and sponsored by the London-based Recruitment and Employment Confederation and London-based research and consulting firm KPMG.

Report Shows Continuing Increase in Demand

The report, released on May 6, 2008, shows that the billings for temporary staff increased by 21.6% in March, up from 12.5% in April. The NTC Job Vacancies Index for Temporary Staff rose to 55.5 where 50 indicates no change. ''This indicates robust demand,'' the report explains.

Demand Will Not Slow For Some Time

Nor will demand slow for some time. The report predicts continued demand rises for some time, as demand for high technology contractors continues steady. Engineering is the second-highest sector in demand, while IT & Computing continues strong even above accounting and financial. Notably, job board advertising has continued to increase at above 30% according to the report.

Contractor Pay Rises...But More Slowly

Contractor pay continues to rise, with April data pointing to an increase in hourly rates of pay for staff in temporary/contract roles for the fifty-ninth month in succession. However, the latest rise was the slowest since July 2003, with only around 8% of panellists indicating growth.

> **"The rise to 55.5 in the job index indicates indicates robust demand for contracting"**
>
> REC KPMG Report

What's Behind It All?

What's behind this continued push for contractors in a slow economy? The report cites ''labour market tightness.'' In the permanent employee area, the availability of candidates has improved, although in the high-tech sectors much less so than in others. But in contracting, candidate availability has improved only very slightly according to the report.

Recruiters See Margins Rise...

According to the report, temporary staff margins act as a leading indicator of labour market tightness, as agencies are able to charge more in a taught job market. These data are currently suggesting that labour market conditions are softening for permanent workers, while recruiter margins on temporary and contractor labour have risen markedly.

This may sound paradoxical, but in fact the fewer permanent employees companies have, the more they need temporary help to complete projects underway. Companies clearly believe that this saves money, and probably the much higher productivity provided by contractors as opposed to permanent employees is taken into account--although one does not hear as much about this as one should. If the number of projects ongoing decreases, these market conditions could of course change, but some work has to be done, and someone always has to do it.

So Contractors Should Charge More

Naturally, the report doesn't say this but contractors should consider raising their fees in the current market conditions. This depends greatly on what you do and the level of experience you've obtained in your particular market niche, but it's definitely something to keep in mind in the current context. If as the economy slows, demand falls, you should rethink this strategy, but watch this space as we provide close coverage of market changes.

> **"Contractor pay continues to rise, with April data pointing to an increase in hourly rates of pay for staff in temporary/contract roles**

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for the fifty-ninth month in succession

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