CONTRACTOR MARKET REVIEW

About the Survey

Arras People, the project management recruitment specialists, used independent research company Benchpoint's unique real time polling technology to question 1,650 permanent and contract Programme and Project Professionals during January 2008.

The survey provided a detailed picture of project professionals' careers, earnings and prospects building upon the data gathered in previous surveys. In addition this years survey included some questions on gender and work life balance.

We hope you will find this publication useful, and thank everyone who took part.

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How we did the survey

The respondents are principally clients and project management contacts of Arras people, invited personally by email to do a Benchpoint™ electronic survey.

Additionally, a small number of respondents were recruited via the Arras People website.

1,650 People responded. The results have been independently audited and analysed.

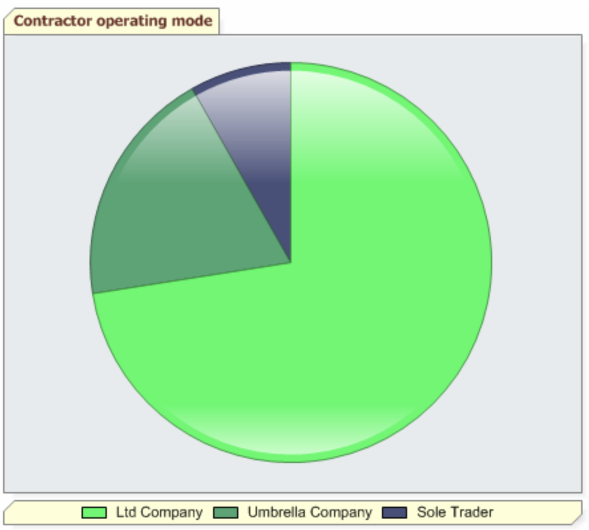
The survey has a confidence level of 99%, and a confidence interval of 3.11

i.e. you can be 99% certain that the views of the entire project manager population are within +/- 3.11% of the numbers in the survey. We treat small demographic clusters with caution, and ignore them in the analysis.

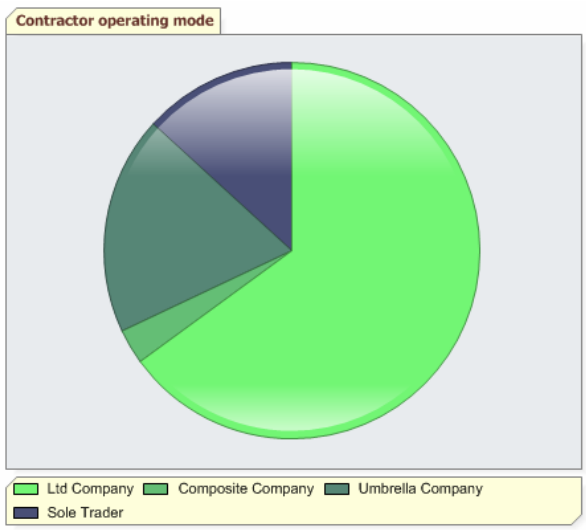
Contractors review

Who are our contractors?

In this section of the report we will look at the responses from the contractors who responded to the survey. The first section looks at the contractor landscape, we then move into the detail of their responses regarding the operating conditions for contractors. Where possible we will look at their responses for the year of 2007, compare that to the responses from last years survey and then cut the details across Age, Gender, Role, Sector and Rates.



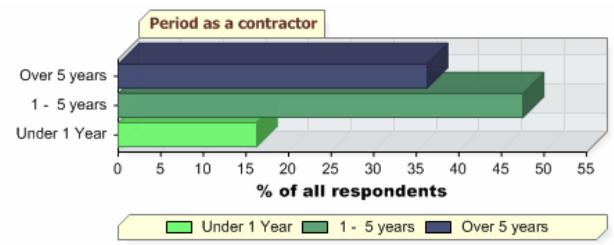
[2007 Results]



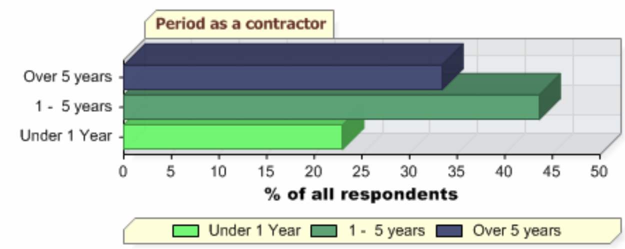
[2006 Results]

The big change in 2007 saw the introduction of legislation regarding the operations of composite services in the form of MSC's [Managed Services Companies]. Contractors operating through these mechanisms had their services withdrawn and had to re-assess their method of operation. Thus contractors had a choice of setting up their own Limited companies, acting through an Umbrella company or managing their affairs as a Sole Trader.

From our data in 2006 we saw that MSC's were not a mechanism used by a significant number of contractors recording just 3% of respondents. The latest data shows a significant increase in the numbers operating through Limited companies +8 %, whilst the numbers operating through Umbrella companies has increased by just 1% to 19% and the numbers of Sole traders also having fallen by 5%. So even with the challenges of Government legislation, ongoing issues regarding IR35 and the potential challenges of S660 the Limited company appears to be on the increase.



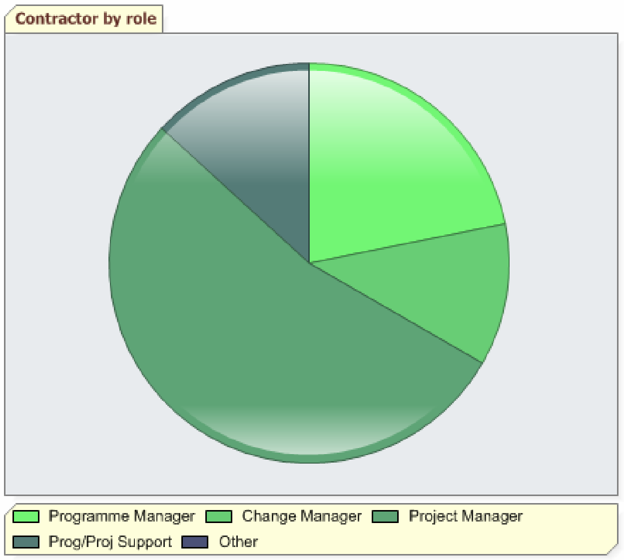
[2007 Results]

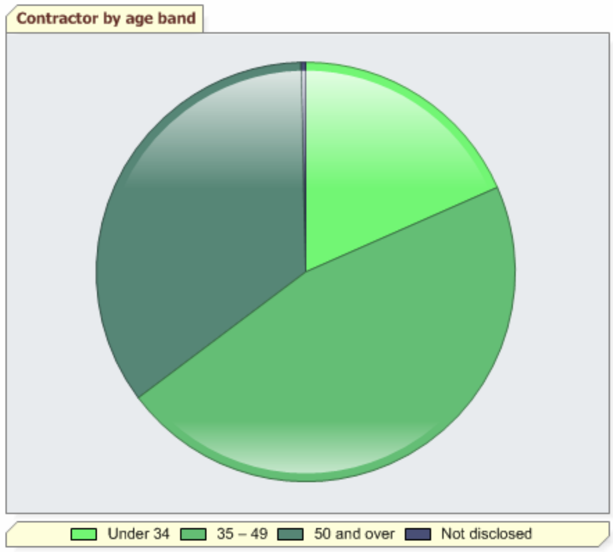


[2006 Results]

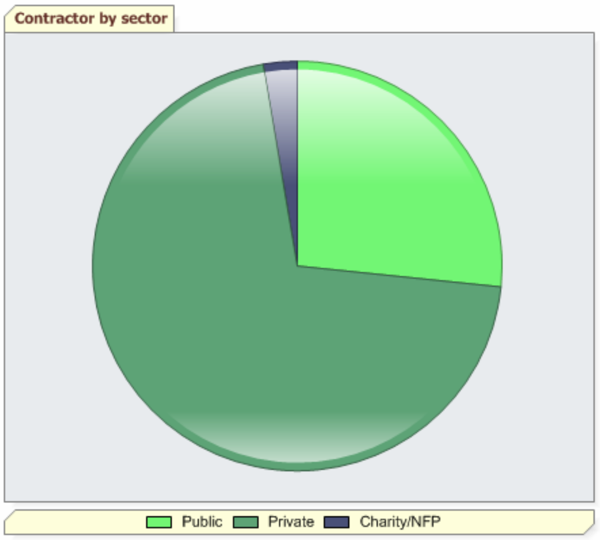
A review of the time that the contractors have been operating in the market shows a sharp decline in the number of respondents who have been contractors for less than one year -7% which may suggest that 2007 was a more difficult year to take the plunge from being an employee. Our experiences at Arras People certainly saw a reduction in the number of contract roles on our books.

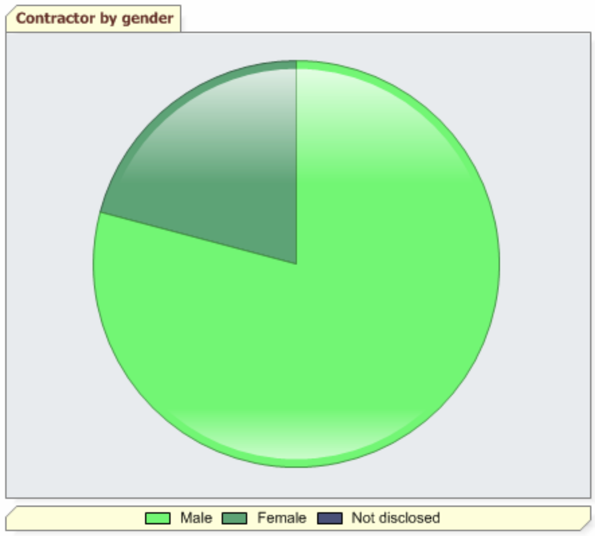
Primary analysis of the 2008 survey respondents who are contractors is shown below. The analysis of responses in the following pages is broken down across these segments.





As can be seen in the graphs above the segmentation by role is dominated by Project Managers with 54% of the responses. The Programme Managers were the next largest slice at 22% followed by Programme / Project Support and Change Managers with 13% and 11% respectively. In terms of age groups the split at under 34 was consistent with last year at 19% of all respondents. The change in the 35 to 49 group was down 6% at 46%, whilst the 50+ group saw a similar rise to 35%.

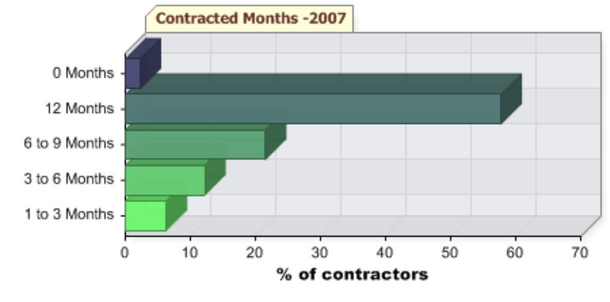


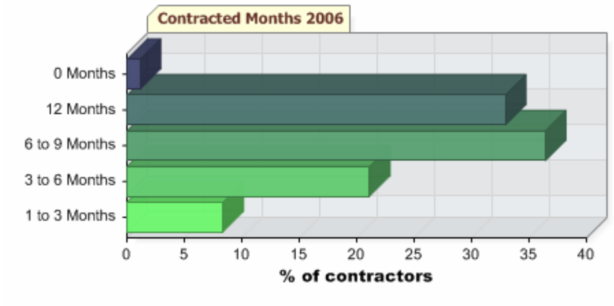


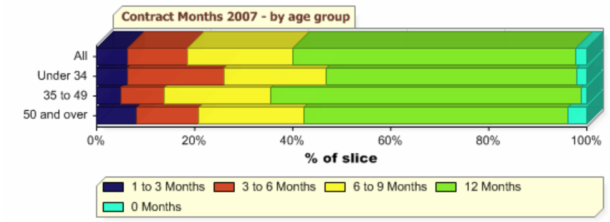
In terms of sector spread the contractors were predominantly working in the private sector with 70% of the total. The public sector had 27% of the total with just 3% registering in the charity / NFP sector.

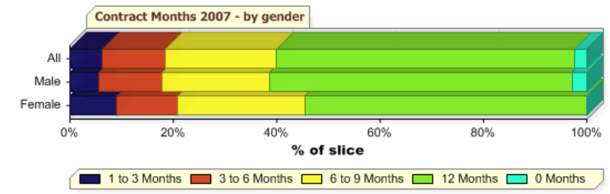
Finally in this analysis we introduced gender to see if there is any important differentiation that can be seen by looking across this split. The response generated 79% male and 21% female responses in the contractor field.

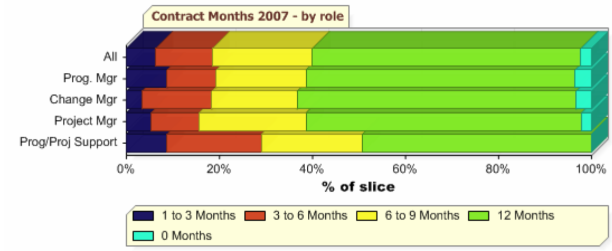
Contractors – Contracted months in 2007

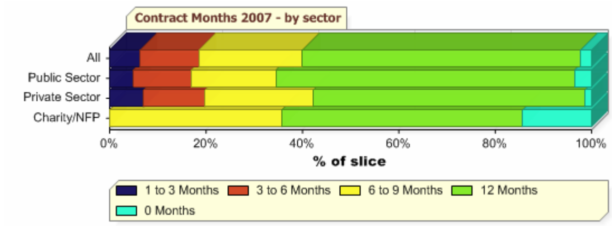


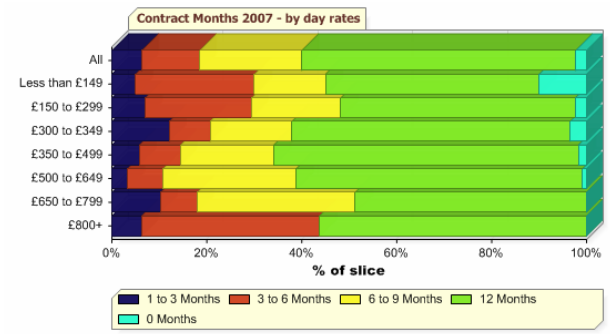












From responses taken it would appear that our contractors were kept much busier during 2007 compared to the results in 2006. Those contracted for the full 12 months rose by 25% to 58% of the respondents. Overall those contracted for between 6 and 12 months accounted for 80% of respondents which was up 10% from 2006.

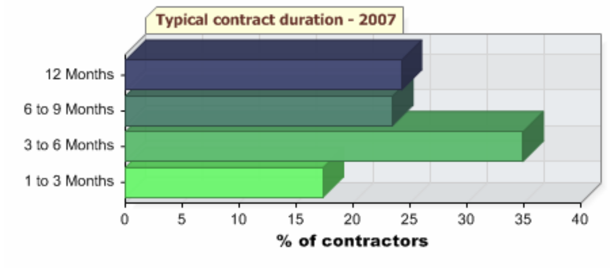
When reviewing by age group the 35-49 year olds appear to be the most active, with the 50+ having the largest numbers at the low number of months and inactive.

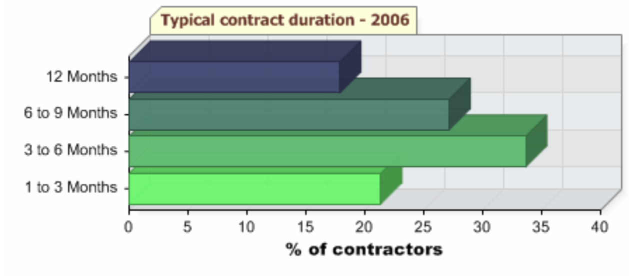
Gender shows a fully active female population, though with a lower number of respondents contracted for the full 12 months.

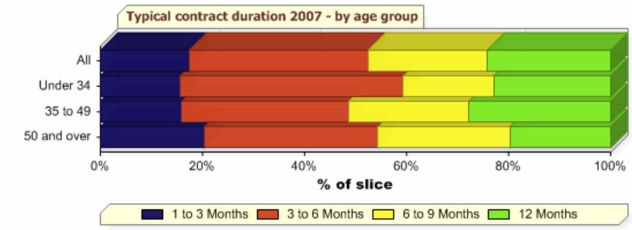
Programme and project support would appear to be the most active with none of the respondents reporting 0 months. However they have a higher than average number of respondents in all the <12 months active.

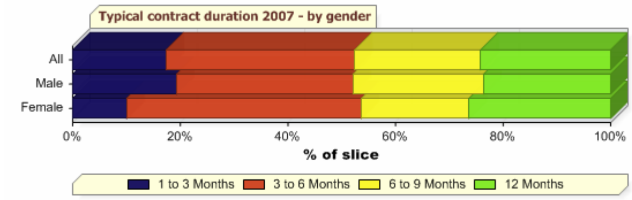
In terms of contracted months by day rate the £350 to £499 group would appear to have the highest utilization with 65% of the respondents contracted for 12 months. The £500 to £649 group are slightly higher if considered between 6 and 12 months at 88% compared to 85% for the latter. Statistically these two groups also account for 56% of the respondents.

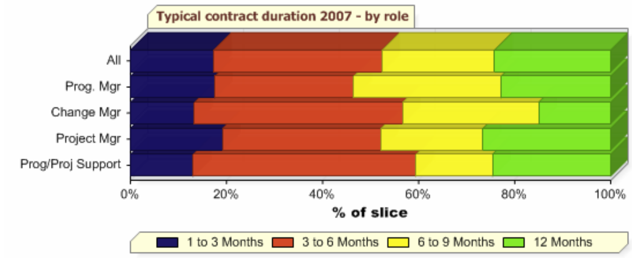
Contractors – Typical contract Duration 2007

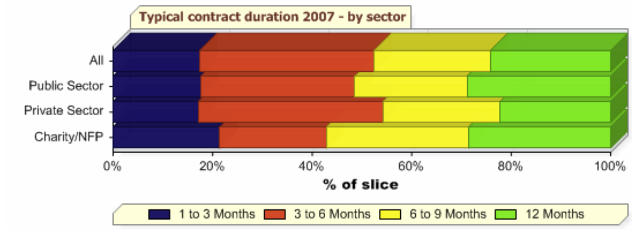












Whilst 58% of our contractors were kept active for 12 months during 2007 it would appear that fewer than half this number were working on a single contract for that duration as just 24% reported that they had contract duration of 12 months. This compares with 18% in 2006 with the 6 to 9 month group recording at 23% and 27% respectively. It would appear that the 3 to 6 month contract duration is still the most typical at 35%, an increase of 1% on the 2006 figure.

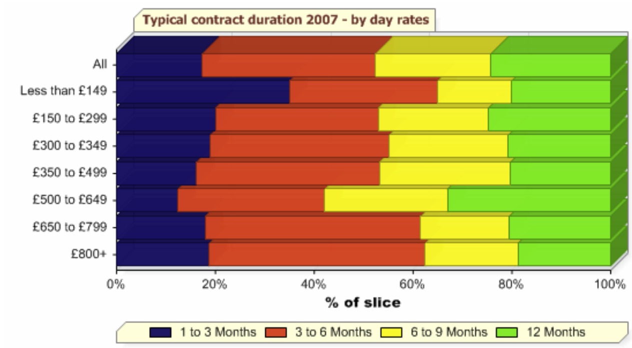
By gender there is a noticeable increase in the 3 to 6 months contract duration, though this appears to be at the expense of shorter rather than longer contracts.

By role the Support roles appear to have a higher than average number of contracts in the 3 to 6 month duration with an average level of 12 month contracts, the squeeze being in the 6 to 9 months durations.

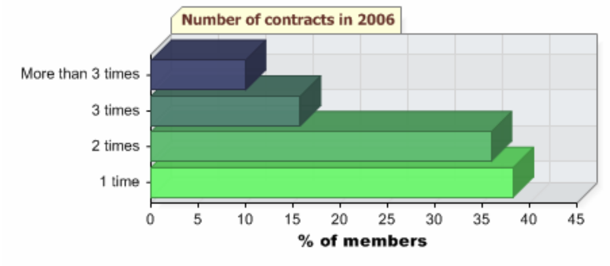
In terms of sector the Public sector would appear to be more generous at offering 12 month contracts at 30% against 22% in the Private sector.

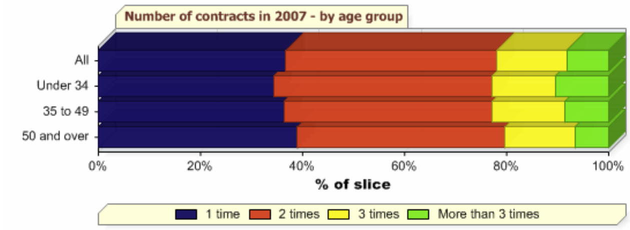
When reviewed by day rate the £300 to £499 group would appear to be the most typical against the norm, these two groups also account for 44% of the respondents.

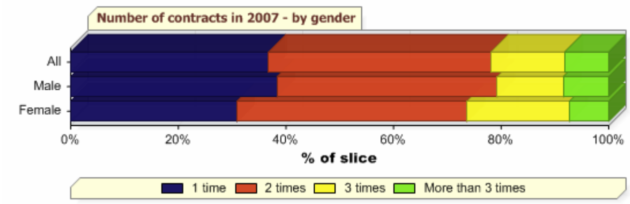
The £500 to £649 group appear to be able to negotiate better contract durations with 58% of this group gaining contracts >6 months in duration against the norm of 47%, this group also account for 23% of the respondents.

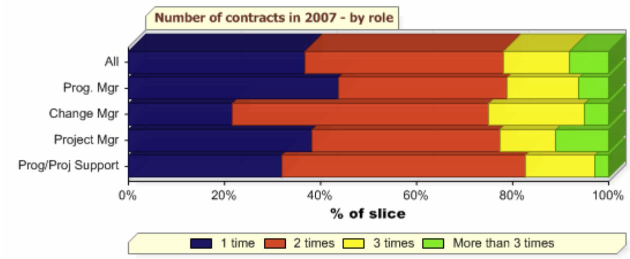


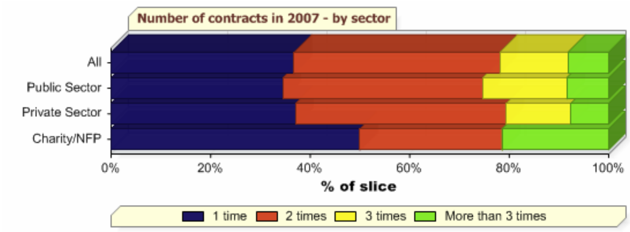
Contractors – Number of contracts in 2007

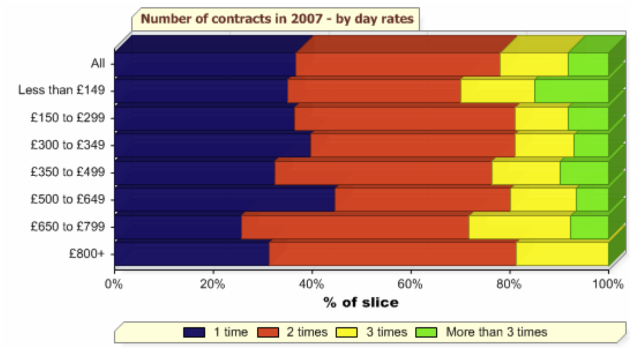












The number of contracts which our contractors worked during 2007 saw a shift in the numbers working more than two down to 22% from 26% in 2006. The most typical number of contracts at 2 was up 5% on 2006 to 41% in 2007.

By age group there would appear to be a very slight difference other than the 50+ having a slightly higher incidence of 1 and 2 contracts.

By gender there is a noticeable difference in the number of females attaining contracts 1 time at 31% which is 7% less than the male group. Overall the incidence of 1 and 2 contracts is 72% for females against 81% for the males.

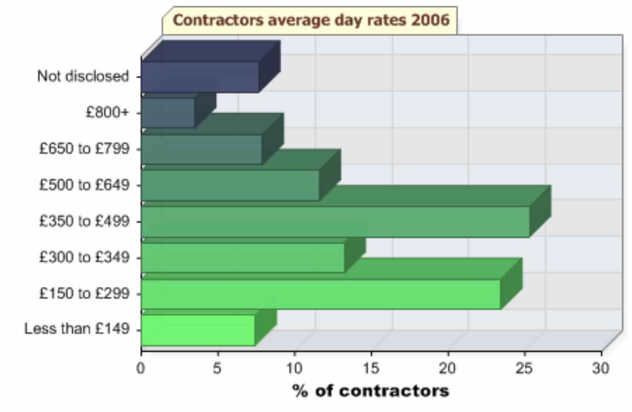
By role the Support roles appear to have a higher than average incidence of 1 and 2 contracts at 83%. The change managers at 22% have the lowest number of respondents with 1 role against the average of 37%.

In terms of sector the Public sector there would appear to be little discernable difference.

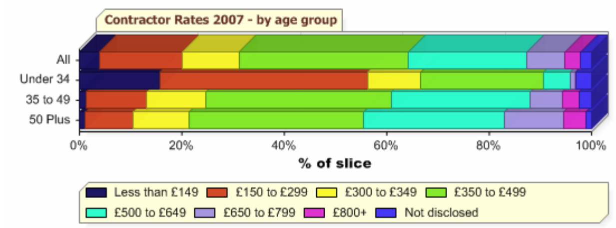
When reviewed by day rate, again the £300 to £499 group would appear to be the most typical against the norm.

The £500 to £649 group appear to be able to negotiate better contract durations with 45% of this group working on 1 contract against the norm of 37.

Contractors – Average day rates in 2007

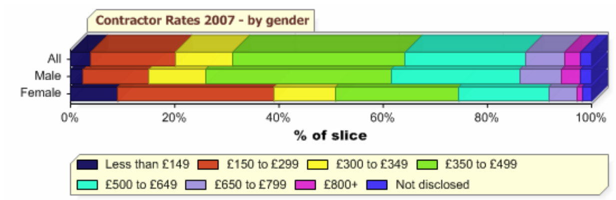


When comparing the 2007's top day rate earners against 2006 respondents the >£650 per day population has remained constant at 11.5%. The first significant shift is in the £500 to £649 range where an 11% increase can be seen against 2006 taking this range to 23% of the total respondents. The £350 to £499 is still the most common banding for our contractors with 33% an increase from 25% in 2006. Bands below £349 account for 31% of respondents in 2007 against 43.5% in 2006.

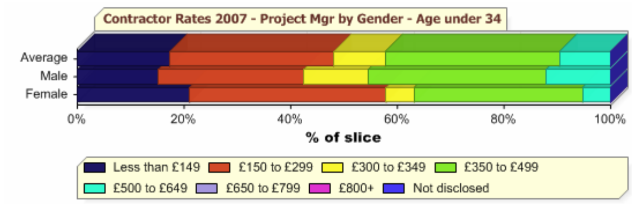


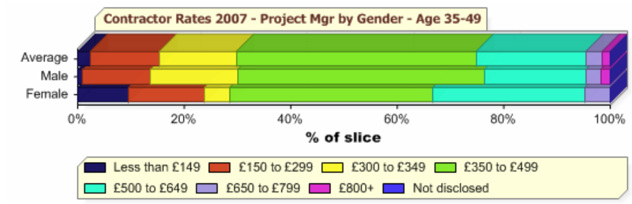
When viewed by age group we can see significant differences in earning power for the contractors at both ends of the scale. Under 34's have 15.6% of respondents at less than £149 per day against the average of 3.8% with a consistent trend through all the ranges.

At the other end of the scale the 50+ range of respondents have 16% earning >£650 against an average of 10.5% with a significantly lower percentage in the <£350 per day range also.

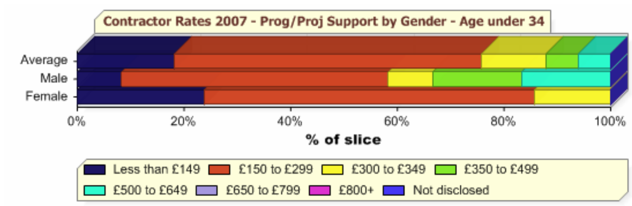


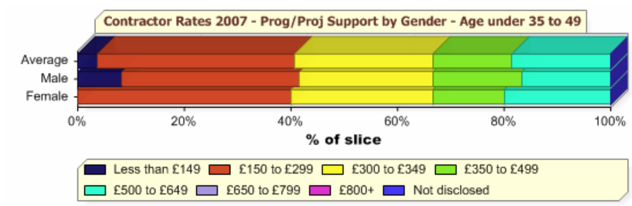
Gender provides a sharp divide between the earning powers of our contractors with 39% of respondents at less than £300 per day against the average of 20%. In the next band of £300 to £349 the females return is slightly above the average at 12%, then rapidly falling behind in the next band at 23.5% against the average of 33%. At the top end of the scale females earning >£650 records at 6.5% against an average of 10.5%.



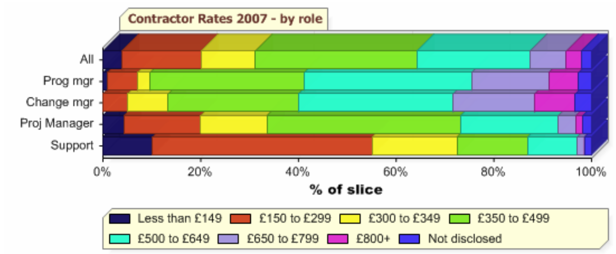


When Project Manager roles are cut by gender and age there is a noticeable difference in the spread between the male and female respondents. At the lower end of the scale <£300, has 57.9% of females compared to 37.4% of the males. There is parity between the genders in the £350 to £499 level and then again a 6.9% differential once the higher band of £500 to £649 is reached. Once in the35-49 age groups there are still more females at the lower bands <£300 and fewer at the >£650 per day levels.





When Project Support roles are cut by gender and age significant differences can be seen at the under 34 levels with the data suggesting that the females pay lags considerably behind that of the males. Once in the 35-49 age groups this appears to even out.

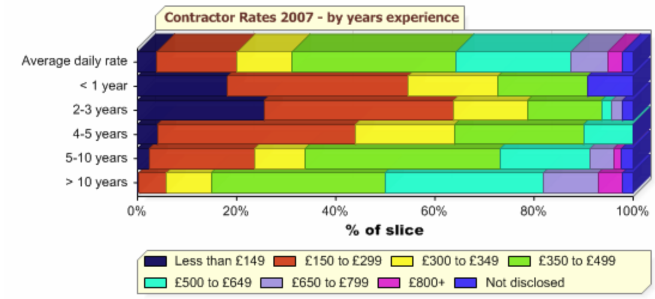


When day rates are viewed by role it produces what many would see as a stereotypical view if the marketplace with clear differentiation across the differing skills.

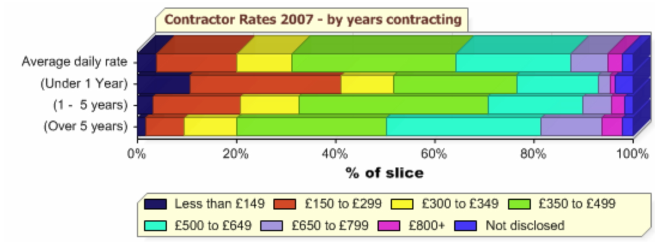
Support roles have 55% of respondents in the <£300 per day bracket against 20% across all roles.

Project Managers have a salary spread across all bands with the bulk (40%) in the £350 to £499 band which reflects the varying levels of the role.

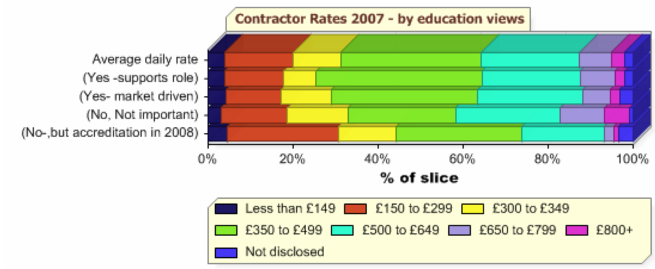
The £350 to £649 banding is pretty consistent for Programme, Change and Project Managers, the percentages in the £650+ bands is considerably different with 22% of Programme managers, 25% of Change managers and just 5% of Project Managers.



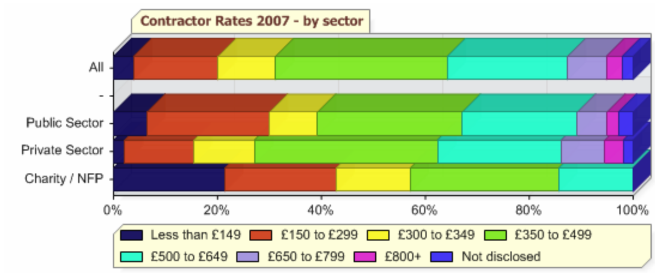
When the contractor's years of experience in their field of delivery are factored in, the data shows a very clear pattern that experience drives achievable day rates for the majority of contractors. Again this spread ties in with a career path and accumulation of knowledge that makes a contractor more valuable in the market.



When rates are viewed against the number of years that people have been contracting the average is pretty much driven by the contractors with between 1 and 5 years experience. In this group the most common banding is again the £350 to £499 where there are 38% of the respondents.

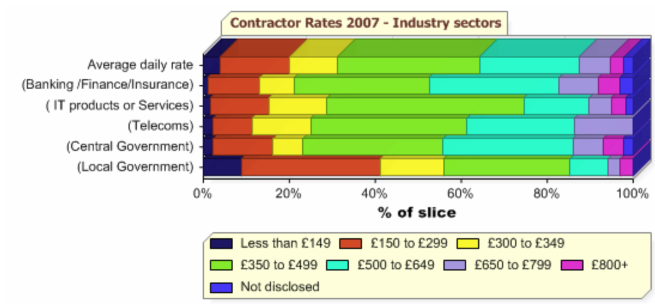


The view towards education is interesting from the stance of those contractors who do not see it as important. There are those that appear to be doing well and earning well, 43% >£500 against the average of 33%. Whilst at the same time there are a significant number (33%)who are operating at the lower levels of the band <£350 who may have the opportunity to increase their earning powers. There also appears to be a healthy number of contractors who are looking to take some form of accreditation during 2008 to support their position in the marketplace.



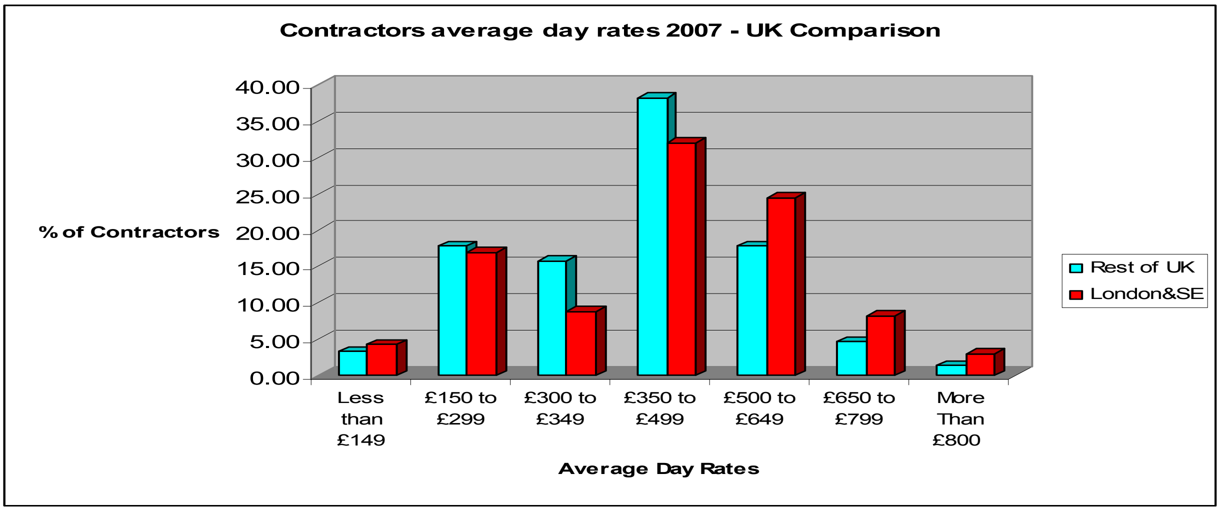
When viewed by sector the rates attained by the contractors are much more consistent at the top end ie. >£500 per day across the Public and Private sectors.

At the lower end of the scale the Public sector has a greater level of people below the £350 per day mark (39%) compared to the Private sector with 27%.



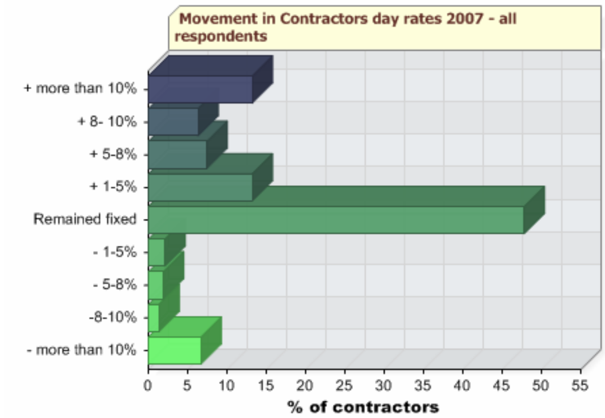
A snapshot of rates across industry sectors shows that the Central Government rates which our respondents attained during 2007 were on a par with those available in the Private sector.

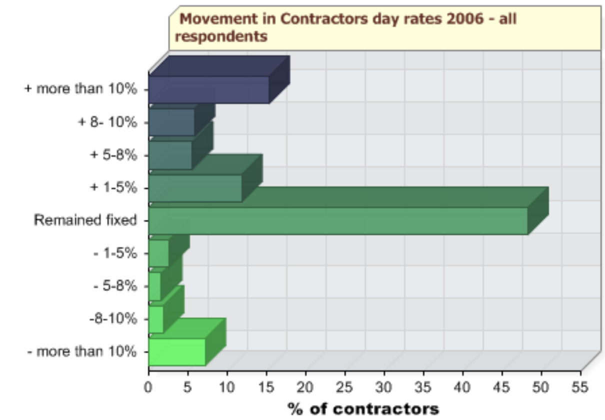
The data would also suggest that the Local Government sector does not, on the whole have the spending power to compete with either Central Government or the Private sector.



Geographically we have again limited the comparison to the London and the South East against the rest of the UK due to the balance of respondents working in the different regions. The plot clearly demonstrates that day rates of £500+ are on offer more in London and the South East than the rest of the UK. However if contractors are happy to earn in the £350 to £499 band then they appear to have options that are outside of the Capital and surrounding areas.

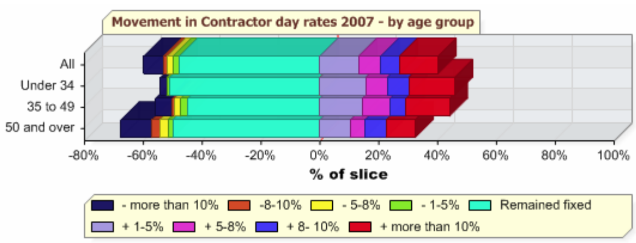
Contractors – Movement in day rates 2007



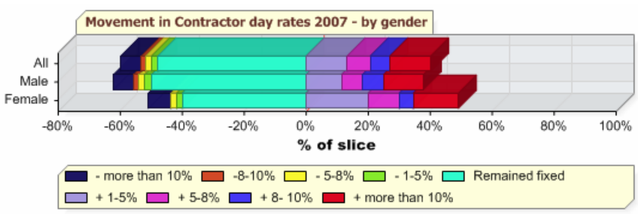


2007 once again saw mixed fortunes for our contractors in their day rates as the squeeze was kept on costs. Again we saw a significant number of our respondents reporting that they did not see any increase in their day rates. 2006 and 2007 saw 48% of respondents saying rates remained fixed.

Contractors seeing increases in their day rates rose by 1.5% in 2007 to 40%, whilst 12% of contractors reported that their day rates had decreased. Of those seeing increases each of the three bands, 1 to 5%, 5 to 10% and >10% were equally populated with 13.3% of the respondents.

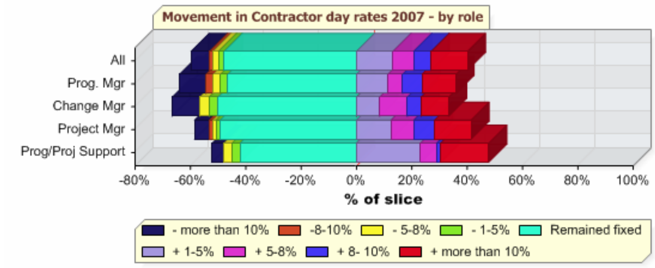


When viewed by age group it would appear that the 50+ age group fared worst with 68% failing to get any increase in their rates. The under 34's performed best with 46% increasing their rates. Interestingly the three bands, 1 to 5%, 5 to 10% and >10% were equally populated with 15.6%.

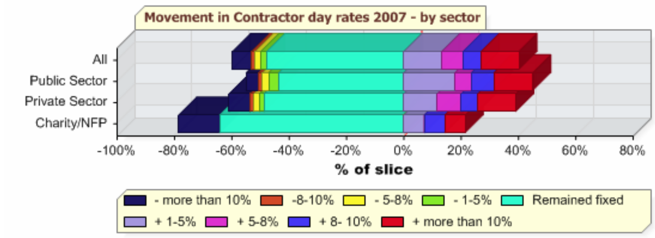


In the gender analysis the females came out on top with 49% increasing their rates as against 37.5% of the male respondents.

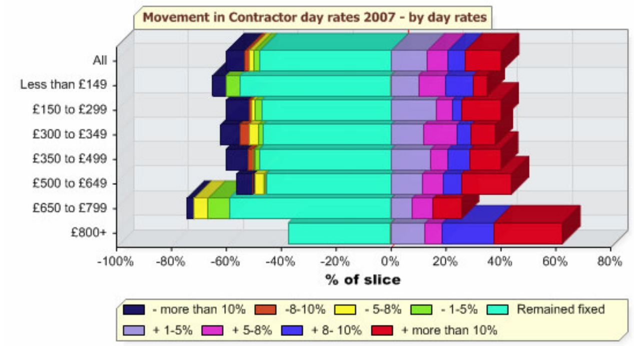
20% managed an increase of 1 to 5%, whilst the bands, 5 to 10% and >10% were equally populated with 14.5%.



By role the contractors operating in Support roles topped the scales on increases with 48% reporting an increase in rates. 23.2% managed an increase of 1 to 5% as against the norm of 13.3%, with 17.4% reporting >10% increases. Change managers had the toughest time with 66% not achieving any increase at all.



Sector analysis shows that the Public sector contractors saw more day rate raises, though a higher proportion (17.9%) of these were in the 1 to 5% band when reviewed against the Private sector (11.6%). Higher bands were very similar.

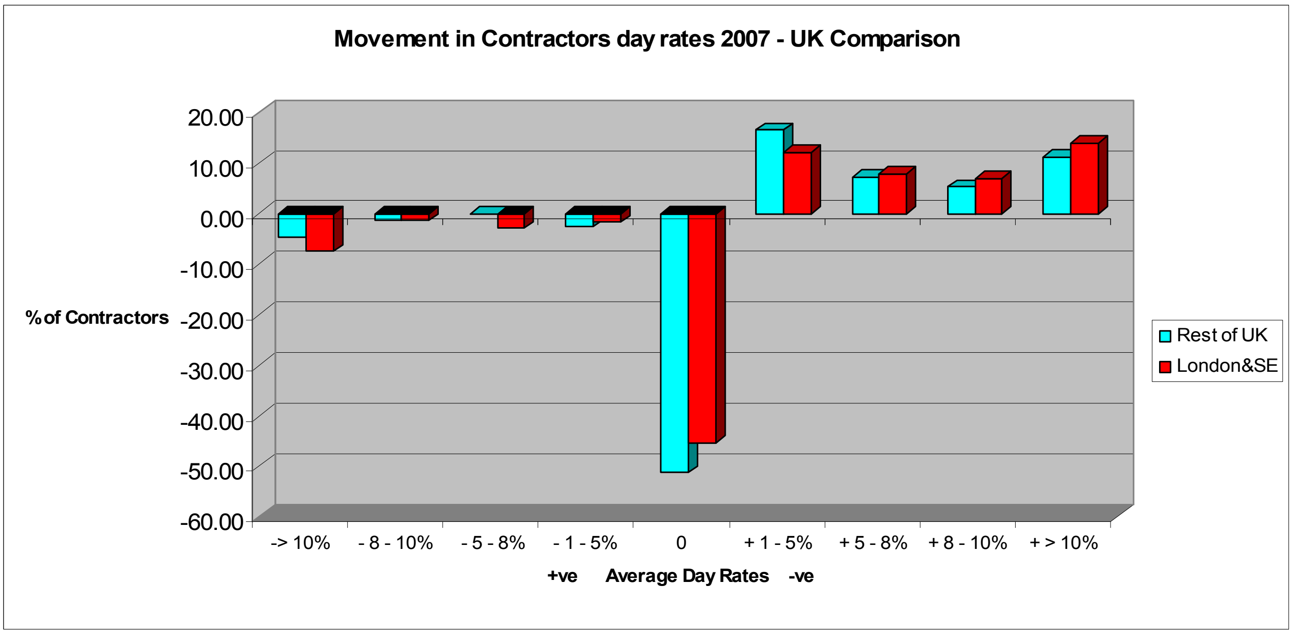


When viewed by day rate the movement in contractor day rates shows a very clear band that took a hit during 2007 with the £650 to £799 band seeing 74.35% no increase in their rates.

The core bands covering £150 to £500 per day were all averaging out at 47% remaining fixed with an average of 40% achieving an increase in rate. Of those 25% managed increases greater than 5%.

The most successful salary band in terms of gaining increases was the £500 to £649 day rate where 44% managed an increase, with 33% seeing greater than 5%.

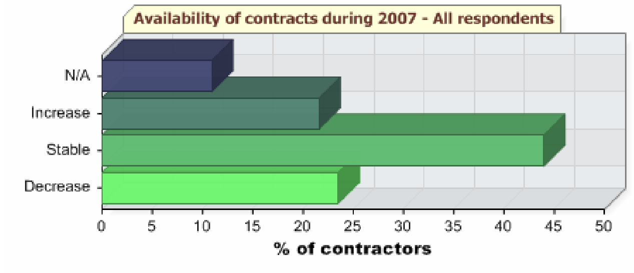
(£800 plus excluded due to low sample size)

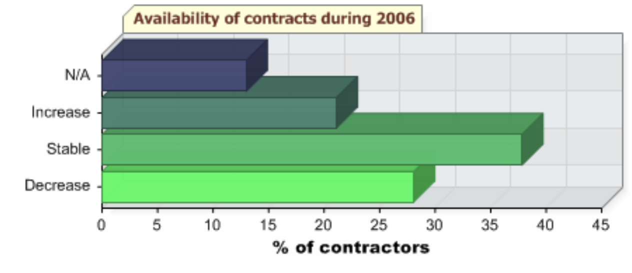


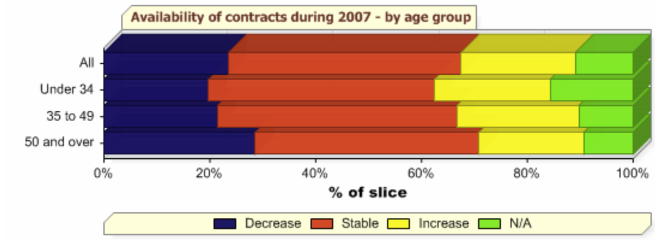
Geographically we have again limited the comparison to the London and the South East against the rest of the UK due to the balance of respondents working in the different regions. From the plot we can see that whilst both regions saw contractors achieving an increase at 40%, those in London and the South East achieved the higher value increases with 28.7% achieving >5%. than the rest of the UK (8.55%).

However contractors who saw a decrease in their rates were harder hit in London and the South East where 13.9% saw their rate reduce as against 8.6% across the rest of the UK.

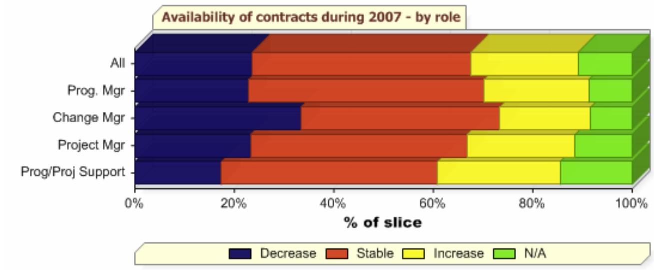
Availability of Contracts in 2007







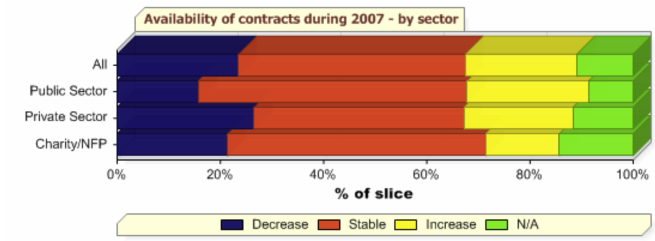
We asked our contractors for their views on availability of contracts during 2007 and the overwhelming majority responded that the market was stable at 44%. This compares favourably with the response in 2006 when it returned 38%. The number of contractors feeling that opportunities had decreased fell by 4% to 24%, whilst those who felt there was an increased opportunity increased by 1% to 22%.



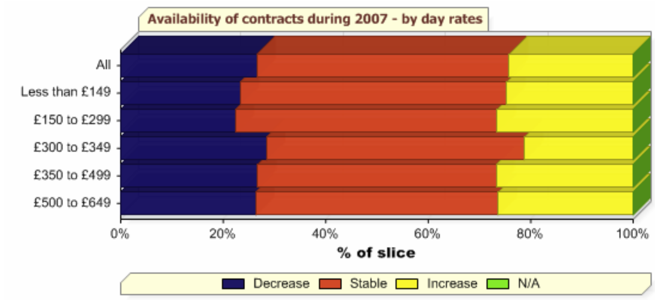
Availability by age group shows the 50+ group reporting the highest decrease at 28.6% against the mean of 23.6% with the 35 to 49's reporting the highest increase at 23%.

By gender there would appear to very little difference.

By role the Change managers are having the biggest decease in availability with 33.3% reporting a decrease in availability, -9.7% from the mean. The support group having the least impact with 17.4%, +6.2% from the mean.



When viewed by sector the contractors operating in the public sector appear to be having fewer issues with regards to new contracts with just 15.7% reporting a decrease in availability. This compares to 26.7% in the private sector who also saw 12% fewer respondents stating that opportunity was stable.

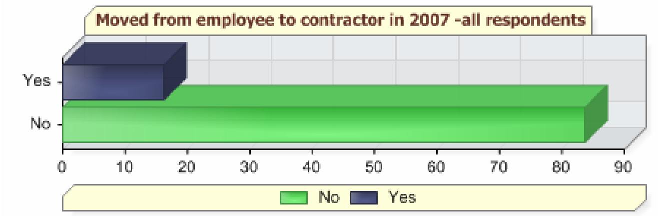


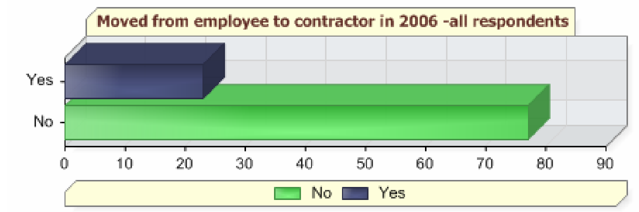
Day rates were again very close when compared to the mean. Lower rates <£299 saw average stability with a reduced level of decrease, by 3.5%. £300 to £349 saw the highest level of decrease at 2% above the mean with a 3% below the mean decrease against increased opportunity. Finally the higher bands >£350 were aligned to the mean.

Contractors who moved from employee during 2007

Having viewed the market perception of contractors, another indicator of the market opportunity and mobility is the number of people making the transition from employee to contractor.

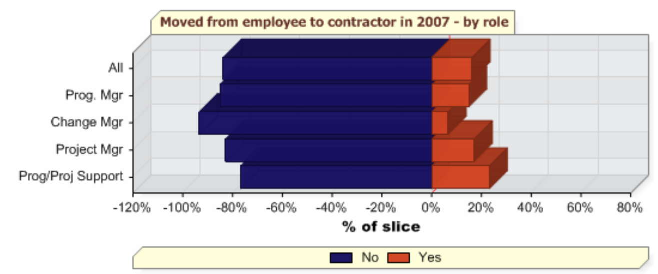
Respondents indicated that 16% of our contractor pool had made such a transition during 2007, this is 7% lower than the corresponding response in 2006 when 23% had made the move.





When the movers are reviewed by age group the most significant group is the under 34's where 25.8% made that first step into the contracting world, 9.6% above the mean.

The 35 – 49 age group moves were at 2% above the mean whilst the 50+ age group were -7.4% against the mean.

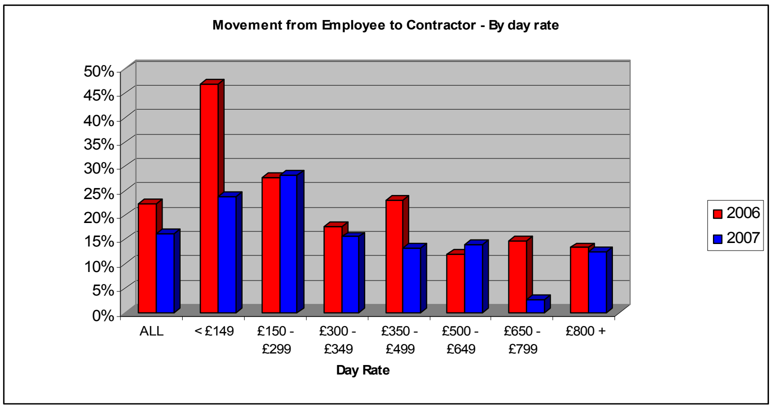


When viewed by Gender, sector and role the most significant change groups are females, Public sector and Prog / Project Support all with higher levels than the mean.

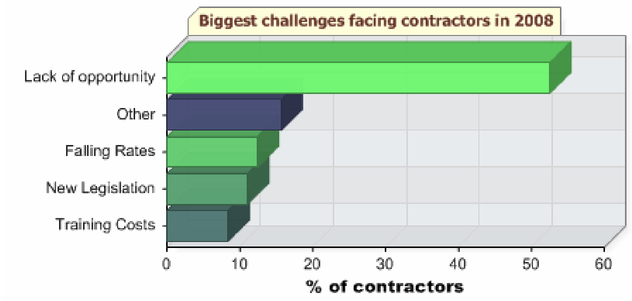
The most significant being;

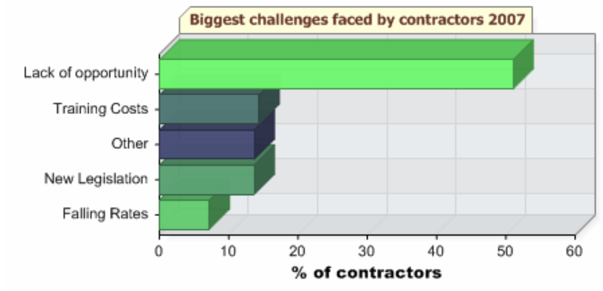
- Females +5.5%
- Prog/Project Support +6.7%

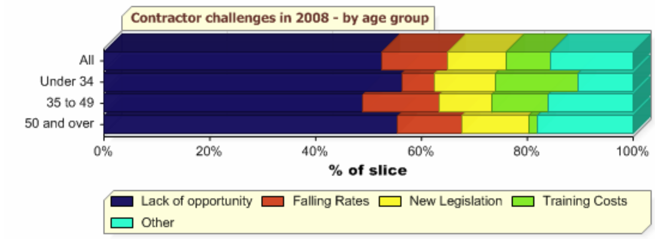
When respondents who moved from employee to contractors are viewed by their day rate the movements in 2007 compared to 2006 it is noticeable that the significant movement occurred at <£300 day rate. Most rate bands saw a decrease or parity with 2006 in the numbers making the jump to being a contractor except for the £500 to £649 band which saw a 2% increase.

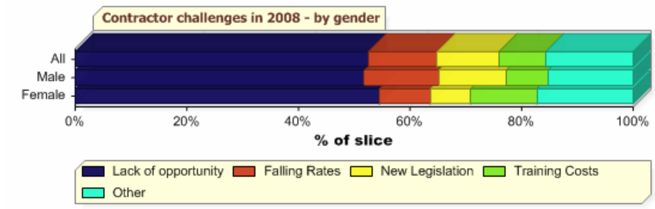


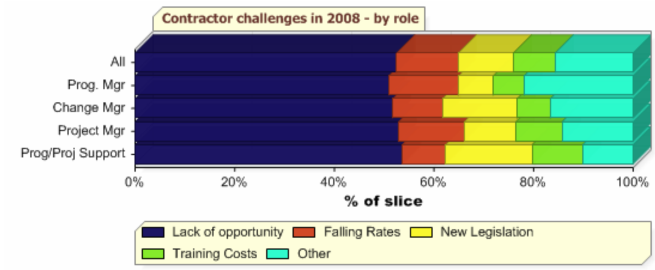
Contractor Challenges in 2008

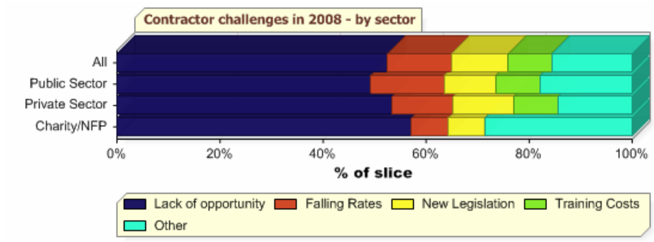


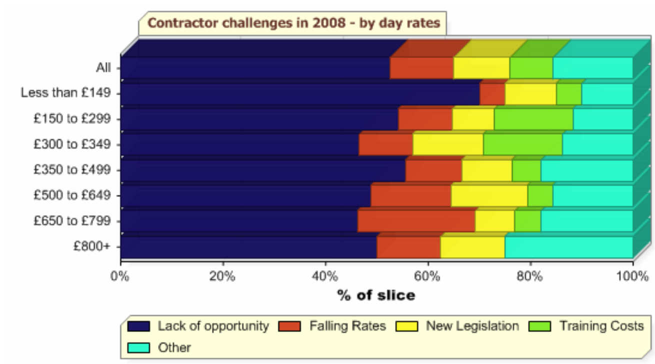












As we moved into 2008 we asked our contractor respondents what they saw as the biggest challenges as they looked forward to the coming year.

Once again the lack of opportunity was seen as the number one issue with 52% of our respondents, very similar to the previous year at 51%.

Training costs, a large concern in 2007 saw a significant decrease this year with a drop from 14% to just 9%.

Falling rates also dropped in terms of the overall cut this year with just 12% of the cut compared to 14% last year.

The under 34 age group have concerns about the lack of opportunity above the mean, whilst having lower concerns about falling rates. Training on the other hand is a major concern at 16.3% which is twice the mean. The 35-49 group by contrast are mostly concerned about rates falling with 14.5%. As could be possibly predicted the 50+ age group have little worry over training costs at 1.6%.

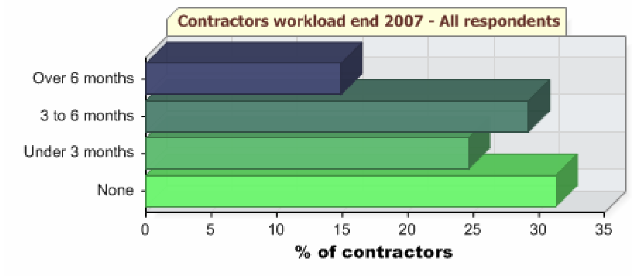
By gender the biggest challenge for females is stated as training costs, with a lower than the mean concern about falling rates.

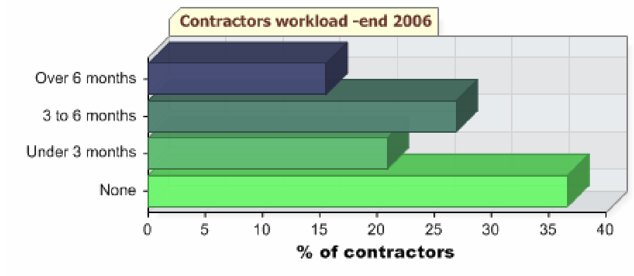
The public sector contractors seem to have least worry about lack of opportunity but increased concerns about their rates falling.

Comments left by respondents included a wide range of comments both positive and negative. Many of the challenges we have already discussed in different parts the survey, some comments left included;

- Age - it is STILL an growing issue
- Combination of available roles with maintaining rate - do not want to drop rate to keep fully occupied
- Credit Crunch
- Decision whether to return to PAYE
- Due to clients requirement of Prince 2 accreditation
- Falling rates and fewer contract positions are also making the chances way more competitive. Companies appear to want cheaper; younger people irrespective of real experience. Its all cost focused rather than quality
- Had a baby and wish to find a part time contract - not very likely though
- I am keen to seek a part-time contract ie 3 or 4 days a week but recognise this may be difficult to achieve.
- I believe there will be plenty of work
- Self development whilst remaining employed

Contractor Workload at end of 2007

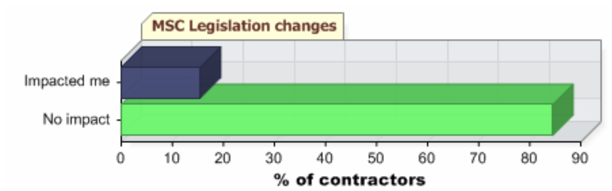


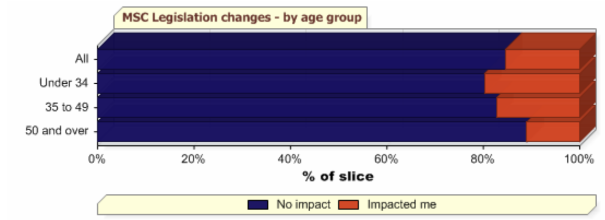


Contractor workload at the end of 2007 looks slightly more positive than twelve months ago with 44.2% of respondents carrying >3months work into 2008. There is a slight drop in those with >6 months at -0.7% with an increase in 3 to 6 months work up 2.5%. Those with no work moving into 2008 is down 5.4% at 31.3%.

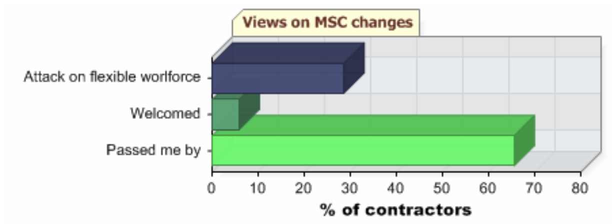
MSC Legislation changes

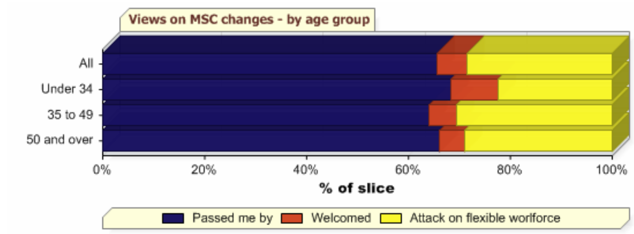
The final question we asked our contractors regarded the changes to legislation around MSC's.





Of the respondents, 15.4% reported that the changes in MSC legislation had had an effect on them.
When viewed by age groups the least impacted group was the 50+ with 11%, the under 34's being the most impacted with 19.4%.





In terms of awareness and views, 66% of the contractors stated that the legislation changes passed them by!
28% saw the changes as yet another attack on the flexible workforce with just 6% seeing it as a welcomed change.

Comments left by contractors included the following:

- The S660 tax implications (Arctic Systems test case) are a concern; if the Government changes the dividend rules; I will start to wonder how long it will be sustainable to remain as a sole operator
- Current and planned legislation appears to work against the goal of a flexible workforce
- Government legislation is trying to kill off the independent Ltd co contractor
- Increasingly bureaucratic, only means more of my own time is spent preparing accounts/tax than before. No impact on the tax I pay.
- It does make the benefits of contractor vs employee fewer in comparison. I may now take a permanent job in 2008 as a result.
- None that are printable here
- There is no understanding of the high levels of experience in the PM sector by many employers; my daily rate on the current contract? 400 is same as in 1998 - yet inflation has averaged at least 3% over the last 10 years.