

# EXCLUSIVELY FOR CONTRACTORS

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## Is The Worst Over For Contractors?

Those of you with moderately long memories will recall that about 12 months ago when IT specialists were deserting the contractor market in droves and heading back to the first half decent permanent job they could find that we said that this was not the end of the world for computer contractors but a stage that the market was going through.

We think it worthwhile repeating what we said then,

“The economic cycle operates in three stages:-

- 1) A buoyant and expanding economy creates a demand for IT services which cannot easily be filled because there is a shortage of skilled professionals who can actually do the work. This stage of the economy as far as contractors are concerned finished in 1999 when numbers peaked.
- 2) The economy slows down and employers use less contractors relying much more on their full time staff.
- 3) As the economy ‘flattens’ even more companies no longer want the fixed costs associated with permanent employees and are also looking to make savings on their overheads. This is the stage when redundancies are made and companies begin to rely heavily on contract staff who can provide the skills required without adding to fixed costs.”

When this article was written in January last year we said that the third stage of the cycle had not yet been reached but major employers like Hewlett Packard and ICL were already reducing costs by slashing pay rates and the next stage would be increasing numbers of permanent staff being made redundant. This is the point in the cycle, we said, “when computer contractors feel least optimistic that things will start to pick up for them but everything is in place for their services to be really in demand”.

We were therefore very interested in the recent article published by our friends at NamesFacesPlaces.com. Statistics that they have been collating show that rates for

IT jobs hit the bottom in early November and have gradually increased since then. In their view this is not a manifestation of Christmas approaching but the fact that the market is getting squeezed.

You are in a market which is governed by the laws of supply and demand. NamesFacesPlaces believe that as the year goes on it will more clearly be demonstrated that the depths of November last year will clearly be seen as the market reaching its bottom.

Don't forget it is always darkest before the dawn!

### CATER ALLEN

In our last issue we wrote about Cater Allen who had gained a reputation for being the Contractor's favourite bank because they offered excellent banking deals and had managed to capture a huge share of the computer contractor market. Typically, contractors would save the money that they had set aside for their tax liabilities in a Cater Allen interest bearing account.

Alas, all this suddenly changed following a big policy shift at the bank. They now actively discourage this kind of business and according to a report in the Sunday Times have gone even further by kicking out one of their customers who had the temerity to complain about the introduction of a £10 administration fee on his account.

Oddly enough this dramatic change in policy was announced only two or three weeks after we had met two Cater Allen Executives who quite clearly knew nothing about the impending action.

Presumably this sudden change has been forced on the bank by their new owners,— Abbey National, whose commercial judgement has been called into question on a number of occasions over the last few months.

It's not surprising if they are prepared to walk away from lucrative markets like this,— is it?

### IN THE BROWN STUFF

The aura of invincibility which has surrounded Gordon Brown during his long tenure as Chancellor of the Exchequer evaporated over the hour that it took him to deliver his pre-budget speech.

For the Chancellor's spending plans to be financed as he anticipated it would have required a level of growth in the economy which, with the rest of the world slowing down, always looked suspect. The result is a shortfall of a mere £20bn and if growth slows down further it could be worse. Most individuals and businesses faced with a shortfall in income would make cuts in their planned expenditure but not Gordon Brown. His view is that as long as he balances the nation's books 'over the period of the economic cycle',— whatever that may mean, then he can do what he wants and what he wants is to borrow the £20bn.

We think that Mr Brown has been a lucky man so far. He came in as Chancellor on the back of a vibrant economy and collection of tax revenues has become so much more efficient that money has come into the Treasury coffers much quicker than it ever did before.

So, what have we got to look forward to now? We had better all pray that the Chancellor has got it right this time. A 1% increase in National Insurance contributions awaits us in April and any further slippage in growth will either mean a reduction in Government expenditure, more borrowing or even more increases in taxation.

No prizes for guessing which one our money is on!

## INLAND REVENUE TURN UP THE PRESSURE

Taxpayers struggling to complete and submit their Self Assessment Tax Returns before 31 January so as to avoid the automatic £100 penalty now have an additional incentive to get their return in on time.

The Inland Revenue, which has set itself a target of forcing 94% of taxpayers to pay their bills on time is believed to be considering enforcing a little known penalty in addition to the £100 fine for non submission of the return.

The legislation allows a penalty of up to £60 a day to be levied until the return is submitted.

So, even if this is a rumour spread around to further encourage taxpayers to toe the line, we urge everybody to make sure that their returns are filed by 31<sup>st</sup> January. You only have a couple of weeks left to do this.

You have been warned!

## UNIVERSITY FEES AND STUDENT LOANS

The apparent acceptance by Tony Blair that university fees would be allowed to rise must have sent shockwaves through parents who have children at school. In many cases, having shelled out large amounts for school fees and probably heaving a mental sigh of relief that at least the cost of drilling some kind of learning into their children will probably decrease when they leave school, they are now faced with what could be a considerably higher burden once they go to university.

At the present time the maximum contribution to tuition fees is £1,100 per annum. That is for a family with income in excess of £30,500 per annum. Those families earning less than £20,480 per annum pay nothing with a sliding scale in between. If tuition fees really do rise virtually immediately to £10,500 per annum it will give many families little or no chance to put in place saving schemes to provide at least some of these fees and with the maximum student loan available being £4,815 per annum there is likely to be a significant gap which can only be filled by additional borrowing by the parents or well paid vacation jobs for the students.

So, what will happen? Will applications for university places from UK students decline dramatically or will the Government phase in this increase over a number of years to give parents some chance to plan for what is likely to be the greatly increased cost of university education?

## WOULD YOU BELIEVE IT?

A man was awarded £23,000 by the New South Wales District Court when he broke his arm after slipping on a grease trail left on a pub floor by a customer who had pork chops strapped to his feet (yes,— that is not a typo!).

It's quite simple really,— the man had won the meat in a raffle at the pub but the pub refused to serve him because he was barefoot. In a protest against this he put the pork chops on his feet.

This doesn't happen too often in Victoria (London that is!) but then pub raffles seem to give bottles of champagne as the prize. Now we know why?

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