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Finance firms cut back on IT contractors as economic conditions worsen

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Finance companies are cutting back on IT contractors as they battle against the credit crunch, research for Computer Weekly has revealed.

Financial firms are delaying IT projects that will not provide an immediate return on investment, slowing down the demand for temporary IT staff.

Computer Weekly's [SSL survey on the IT jobs market](#) has found that the number of finance jobs advertised for contractors fell 16.1% from 12,626 to 10,587 last quarter compared with the previous quarter. This is the biggest drop since 2001.

The number of vacancies for permanent staff in the finance sector fell by 6% from 38,477 to 36,280 compared with quarter three in 2007. Vacancies could fall more sharply next year if conditions do not improve.

"Historically, when a reduction in contractors has occurred, 12 months later there are severe reductions in permanent demand," said George Molyneux, research director at SSL, which carried out the survey.

The trend to cut contractors is showing signs of spreading from financial services into other sectors, the survey shows.

Advertised contractor jobs across all sectors of the economy fell 11.5% quarter on quarter. But this did not stop the job market as a whole growing - there were 3.1% more vacancies in IT this year compared with last year.

Employer groups say many companies are deferring projects that are not urgent or that will not give an



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immediate return on investment.

Ben Booth, vice-chair of Elite, a forum for IT directors, said, "Companies are carrying on with business-growth projects that will make money. But they are being cautious on projects where the return on investment is less obvious.

"Typically, this will include projects such as CRM systems, or projects to do with internal processes, where it is not so easy to show a return on investment."

Companies are shelving decisions on major capital projects, said Edward Truch, chair of the BCS management forum.

"It is mainly in financial services, but we are beginning to see it in other sectors. The construction industry, for example, is beginning to feel the impact of the credit crunch on housing."

Contractors are finding it harder to get contracts, negotiate higher rates or get interview offers, said John Kell, policy manager at the Professional Contractors' Group.

"Companies are starting to look at how they can save money, and are laying off contractors who have been in a job for a long time, because it would be cheaper to make that job permanent," said Gary Ashworth, chairman of recruitment firm Interquest. "There is still a lot of demand, but it seems to be switching from contract to permanent staff."

The financial services sector is cutting back the most, followed by software houses, whose business depends on financial sector companies. These two sectors are the biggest employers of IT contractors.

The news came as Bank of England governor, Mervyn King, warned that Britain faces a real risk of falling into recession.

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Source: *Computer Weekly/SSL*

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