



Market Trends Report Q3 2010

Technology Recruitment
Australia

ambition

Introduction

"The global economy continues to grow but uncertainty has gripped observers about the sustainability of growth in the world's three biggest markets: the United States, Europe, and China", writes the author of Deloitte's Global Economic Outlook - 3rd Quarter 2010.

So has Australia escaped unscathed? Well the past few months have certainly shown incredible signs of positive demand for people resources, and as the year draw to its latter stages there is little doubt that we're in a pretty positive place compared to many other countries. That does not and should not however encourage headlong pursuit of growth at the expense of carefully planned risk management and return on investment (ROI) ratios. With talk over the past months in the US speculating on the prospect of a double dip recession, this month (August) we hear Moody's forecast is around a 30% chance. Slight increases in spending and income allowed the economy to drag itself along in a continued push for recovery but the real concern in both the US and Europe related to the stubbornly high unemployment levels of 9.5% (US) and 10 % (Euro Area).

Compare Australia to the global picture and at 5.3% unemployment (July) we are in a much healthier state of play.

Whilst double dips and roller-coaster balance sheets belie their funfair parlour, Australia's Technology Industry at least, appears ready to hop back on the merry-go-round of a candidate skill short market. We'll explore below whether this is myth or reality, and what we should be doing in either scenario.

Summary

The key recruitment market topics are:

- Ongoing debate around whether a Technology skills shortage exists depends on who you ask but rest assured it's once again a hot button.
 - Positivity in business sentiment is tempered by the ability to deliver on growth plans with the availability of resources (people and capital).
 - How to refresh your workforce from within: does the vision still hold true and are we really living our values?
 - Salary reviews: When to give them, why and how much?

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Recruitment Industry News – What's happening now?

In the red corner we have the Technology Skill shortage...

Once again we find ourselves faced with competing media commentary on whether or not a skills shortage really exists in the Australian Technology market. Now the media isn't to blame as they're simply a conduit for the many recruiter commentaries they receive weekly on the subject (yours truly included). The question of course is who's right and why so much disagreement?

Previously I've outlined my views on the fractured development of the Technology Industry over the past ten years and the consequent effect on the job descriptions which have spawned from the very specialist nature of

each new product or platform iteration. Now that's not a bad thing, I'll add, but the need to meet business demands when you'd don't have a sufficiently large enough pool of skilled resources to draw upon, is a problem.

My approach would be to re-educate corporate Australia on the cost-benefit comparison between training/up skilling an available resource or leaving a vacancy open for an extended period, then hiring someone at a premium price. Both have costs; both have benefits and negatives, but the prevailing course of action which I believe grew from the Technology Industry's heavy reliance on specialist contract resources is to scour the country, wait it out then pay a premium price for the person you eventually manage to employ. Note for clarification, the recruiters search fee is fixed so the premium refers to the effects of supply and demand on scarce labour resources.

Finally, jump online and review the barrage of commentary posted when a story about the skills shortage gets headlined. It's an incredibly emotive argument between job searchers, recruiters and corporate employers. I won't pretend the issue is easy but working together as a collective I believe there is a more palatable and cost efficient solution for all parties.

Growth plans remain challenged by availability of resources.

As the positivity of a recharging economy flows through to the work plans of many businesses, so too does the realisation that many may lack the resources to put effect to their plans. Whilst labour is a key driver affected by both availability (see above discussion) and financial constraints there is also a challenge for many to balance the risk profile of their future commitments.

Contract recruitment in the Technology space has seen resurgence this year as clients look carefully at how to get the best 'bang for their buck' in the quickest time period. The benefits of bringing in a transient workforce however can have negative effects when a business has been through a period of depressed economic activity such as the Global Financial Crisis (GFC). The bunker mentality that employees go through together can have a strengthening effect on team morale and commitment so to bring in contractors who haven't been through this with them presents a risk to team unity. That risk can then develop into apathy towards whether to remain with the changing business or pursue other options elsewhere.

Just as smart businesses were able to scale their output as economic conditions deteriorated last year, so too those businesses are now responding with increased output or production in the better times. Perhaps a lesson in caution enforces the paradigm that 'slow and steady wins the

race' as we watch month to month the positive and negative turns the economy continues to take.

Does your team need a mental spring clean?

A good spring clean is not only good for the home but it's good for the soul and after the past few months many people are really starting to believe in the possibility that the economy is heading back to happy days.

That's all good but people are tired, people are being targeted for headhunt exercises and people are at risk of dropping out of your business; so what can you do?

Remember the great feeling when you finally tidied an unruly bedroom or cleaned the garage? Well why not the same about your attitude and motivation or that of your team? Check that your vision is still appropriate for the position and goals of your business, and that your values still ring true. Then consider the following points;

1. Clear out old beliefs that may have served you last year but no longer do i.e. survival and replace these beliefs that hold you back with new ones that are in alignment with what you want for yourself, your team or business and generally life moving forward.
2. Stop the limiting self-talk and start to act with confidence again. Frequently, we don't even know that we're putting ourselves down or reducing our position of influence in the market, but just like old beliefs, these comments can have a serious effect on your business's productive energy and consequently brand reputation.
3. Get rid of any patterns of negative thinking. Those who like to complain and focus on the negative side of things draw energy from you and your team and distract you from achieving your goals. Those people who are making successes of themselves in the recovering market are those who are focusing on what's working well or on how to improve their position in the work/marketplace.

Salary reviews are back on the agenda.

Last year saw most people stall at the boss's door when it came to asking for a pay review. This year the early part of the year was a wait and see game but now we are clearly moving in to a more free market scenario where employees have the confidence to ask the question; can I have a pay review?

As pay reviews have been on the back burner for the past 12 to 18 months there is now a very real need in many organisations to take stock of the market as a whole and re-align if necessary, the salary levels of some of their teams.

Speaking with a Recruitment Consultancy is the best way to start if you are interested in sanity checking your employee's salary and pay benefits against others in the Industry. Whilst you won't get confidential information about your competitors you will get a true reflection on what is being offered by other employers thereby allowing you to make any necessary adjustments.

Recently a well known executive search business conducted research covering more than 50,000 employees and concluded that the cost of a bad management hire starts at \$60k. Consider this stark reminder when you refuse your IT Help Desk Operator a 5% increase in his/her base!

Obviously there is a degree of common sense that needs applying to pay negotiations as the risk exists for you to create discrepancies between similar employee job functions which in turn leads to dissatisfaction and unrest. Much better for you to take stock of market conditions, compare similar job functions and then in conjunction with the request of the individual explore what's really important to them. Don't always assume it's just about the cash – there may be more to bring to the negotiation than dollars alone.

Technology Industry News

Flexible workforce back on the agenda but really need focus for success.

The concept of 'flexible working' is not new but is increasingly relevant in today's Australian market place given the hotly debated skill shortage that many believe exists in the Technology sector.

However you segment the market there are many groups which fall outside of the traditional view of full time, permanent workers. And whatever you call them and whatever demographic they supposedly represent there is in many cases indirect discrimination taking place against their utilisation in corporate Australia (and arguably the world over).

To put it succinctly we have to redress this perception that flexible is less productive than full-time.

The work and social expectations of people in today's society have changed from those of a worker in the 1970's or even 80's. Similarly the obligations

they face have changed too, whilst for many the one element of the 'work – life' equation that has not changed sufficiently is the recognition of the value of minority work types i.e. return to work mums, over 50's or job shares.

This isn't a problem that's going away nor is it a problem that's easily solved but a few companies have established the sole purpose of promoting and supporting some of these different employment groups. Take a look at www.careermums.com.au or www.over40recruitment.com.au as examples perhaps of what tomorrow's work force may look like.

Global Technology stocks take a hit.

Recent commentary in USA Today (Sept 2010) by John Waggoner, suggests the Technology Stocks are not as attractive as they have once been.

Go back a decade and forecasters were predicting that pretty soon there would be microchips in everything from credit cards to cars and food processors, and they were right.

John writes, "Technology is a broad sector, and where you decide to invest in tech depends, to some extent, on your outlook for the economy as a whole. If you're an optimist, and you feel that the world economy is going to grow more rapidly than expected, then you should consider investing in companies that make semiconductors – the brains of modern computers – or even in semiconductor equipment makers, which make the machines that make computer chips".

He goes on to say, "Semiconductor companies tend to be depressingly cyclical: They soar as the economy picks up, but eventually overproduce, leaving them with a pile of unwanted chips as the economy hits its downturn".

Clearly as a global economy bumps around the bottom of a recovery cycle all stocks can exhibit risk profiles most would rather not take on but strong demand, even in a sluggish economy, augurs well for chipmakers so this might be one for the watch list. Fortune favours the brave as they say!

Industry Sectors

Applications

The development space has continued to gain pace this quarter with demand for developers continuing across all sectors though still strong in the Investment Banking space; typically around equities support and some risk management.

As a result it has been a struggle to find candidates with the right mix of business and technical skills who can develop and support the front office traders. A number of candidates appear to be biding their time waiting for annual bonus payments whilst others are still nervous of the market from last year's sudden Financial Services crash.

Also in demand are front end Java Script developers as many clients take their old desktop applications and bring them up to date converting them into web based User Interfaces (UI). Given that UI roles require not only a technical skill-set but also a design focus these too can be difficult if you're looking for someone who's going to stand above the average.

Finally SharePoint skills remain hotly sought after as more and more enterprises embark on migration to SharePoint or integrate into their existing knowledge/data management structure.

From a rate and salary perspective there has been less movement than in some other areas with those developers who worked through Australia's recession apparently having weathered the rate cuts better than others. Niche skills for both permanent and contract positions can expect to receive a 10 – 15% premium uplift over the more generic or higher supply skills but as with all things in the Technology Industry, market forces really do dictate cost of resources.

Business Information

Demand for Project Managers, Business Analysts and Data Analysts within the Banking and Finance sector is still booming, creating shortages for high quality candidates. As a result the candidates who are available are moving incredibly quickly between roles and within two weeks from the start of a recruitment cycle it is not unusual for the better skilled individuals to hold at least two comparable offers.

The flow on which is no surprise within this sector is that bidding wars are starting to increase in an effort to lure the best candidates to your team. Once again this may be seen simply as natural market forces, but the

negative aspect from an employer's perspective is that it presents the opportunity for candidates to lose sight of what a fair and reasonable rate is for their skills and experience.

Across the Technology landscape there is a need for employers to work on their sales skills again as role description, organisational culture and dollars will once again come in to the equation for candidates making a career decision.

A number of large scale integration projects continue to gather pace in the non-financial services space and as confidence in the economy grows month by month, more project resources are being required to drive ahead with growth plans.

Retention as much as attraction is gaining focus among the more savvy employers particularly when planning project life-cycles which require consistency and stability in their staff members.

Infrastructure

In the Infrastructure arena there is a mix of activity mirroring what we've already talked about. Some of the junior help desk / service desk candidates are quickly recognising their marketability as the shortage of skilled individuals with good communication skills, hits the market. Last year junior candidates were most at risk of being cut from the workforce and faced with an uncertain future a significant number opted for other job choices. Fast forward 18months and we have a clear shortage of people with the right mix of skills for corporate employers.

A number of teams in an effort to retain staff have re-indexed salaries across their whole service desk by up to 10% taking their service desk salaries to circa \$60,000. Contract rates are generally staying the same although some clients are tying up high quality talent with either longer term contract periods or on occasion sign on bonuses.

As you move on through the ranks to the more senior positions in Storage, Security and Infrastructure Architecture, there is a renewed focus on hiring and once again is led by the Banking sector. Whilst some of these roles have seen little movement this year it feels as though the drought is easing.

Rates and salaries across these positions remain competitive though not market leading. We expect in the coming months for the salaries to firm and increase moderately as reinvestment in corporate IT programs are signed off or moved to the next phase of the project management delivery cycle.

More Information

For answers to your questions on market trends, salaries, retrenchments or grading please feel free to contact Ambition with the contact information listed on the back page or visit <http://www.ambition.com.au/>

About Ambition

Through a network of national offices we are able to recruit IT professionals from junior support staff through to senior executives. Our consultants are experienced recruiters who have strong technology industry exposure and who focus on both the contract and permanent recruitment markets.

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