

IT Recruitment and Retention Report

Autumn 2004



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A note from our Managing Director

Firstly, thank you to all those organisations who contributed information to the report.

As predicted in our report last year the employment market for IT professionals has improved significantly.

Using the Olivier Internet Job Index as a measure, the number of IT jobs has begun to increase from the record low levels of 12 months ago. It has increased by 76% within the last 12 months but is still at only 22% of the peak in October 2000.

Demand for IT staff looks set to continue on an upward path. As confidence comes back into the market, job seekers become more willing to move position. This "churn" is helping to offset the staff shortages that will always exist for certain IT positions.

I hope you find value in this report. Feel free to call me at anytime if you want an update.

Best wishes

A handwritten signature in blue ink that reads "Ben Wood". The signature is written in a cursive, slightly slanted style.

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1. Executive Summary

During the March Quarter 2004, we spoke to around 200 organisations across a range of industries in Sydney, Canberra and Melbourne.

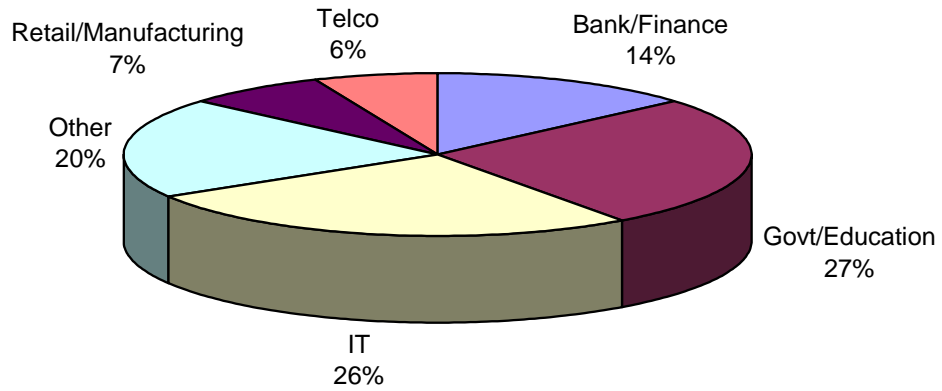
This is the 5th edition of our IT Recruitment and Retention Report. It makes comparisons to data gained 12 months earlier.

In summary the data reveals:

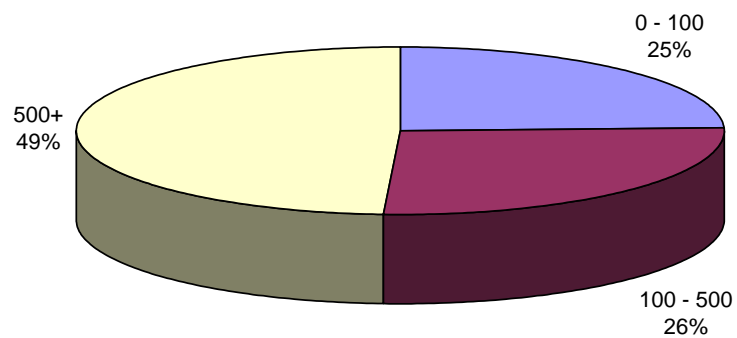
- Positive sales trends: Organisations predicting an increase in sales have increased from 62% to 82%
- IT budgets are lifting: Organisations planning an increase in their IT budgets rose from 30% to 55%
- More overall hires: Organisations planning to increase staff numbers rose from 36% to 48%
- Contracting continues to grow: The IT contracting market has grown by about 40% over the last 12 months. Contractor rates are beginning to firm, but availability of quality people is still good.
- Permanent recruitment activity is lifting quickly. In the last 6 months permanent recruitment activity has increased by about 25%. Job seekers feel more confident approaching the market, "churn" levels are increasing and further growth can be expected.
- Still no pressure on IT salaries: There was no significant change to the annual % increase of IT salaries.
- A low inflation environment means organisations who want to keep their top performers have to develop retention strategies that recognize and reward high performance.

2. About our Sample

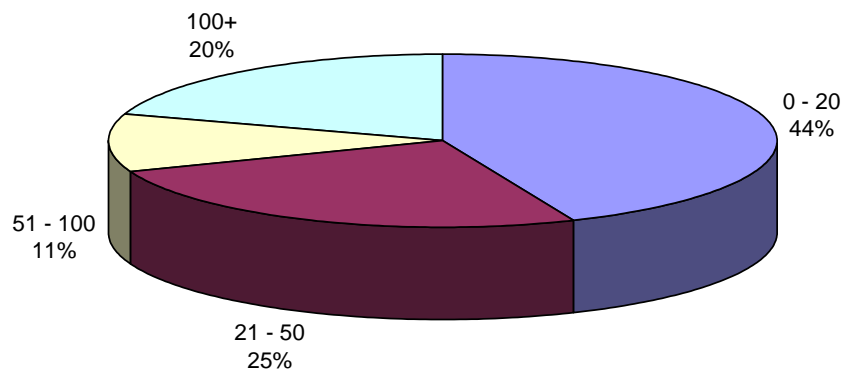
2.1 Survey Respondents by Industry Sector



2.2 Survey Respondents by Company Size (total employee numbers)



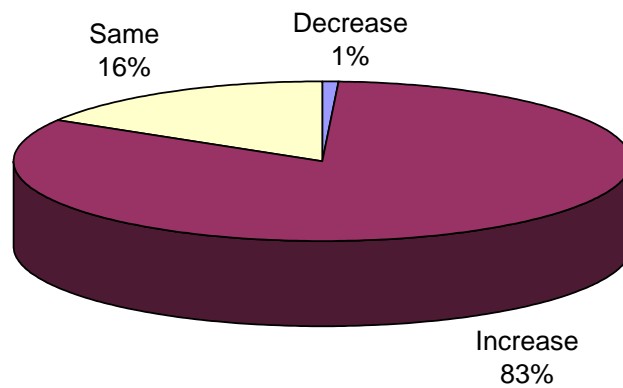
2.3 Survey Respondents by Number of IT Staff



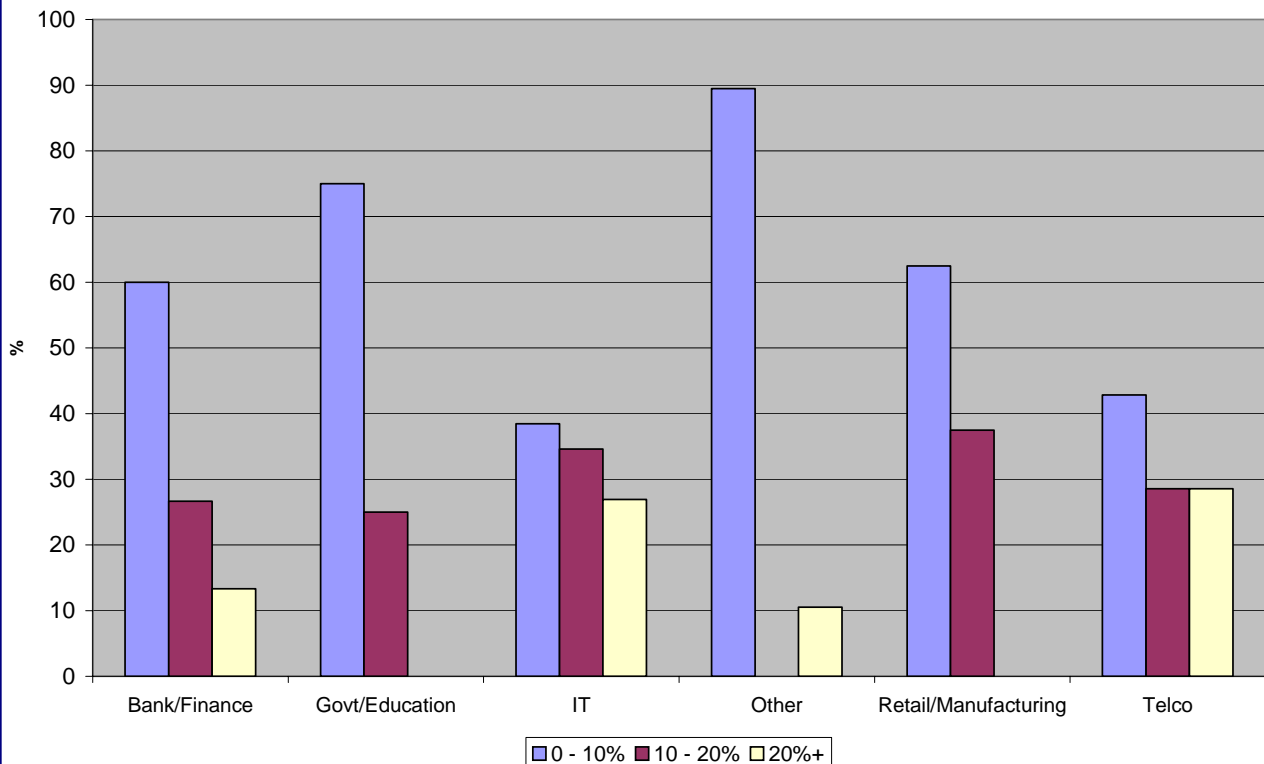
3. Sales Trends

The business environment is much more positive than it was 12 months ago, with 82% of respondents predicting an increase in sales, compared with 62% 12 months ago. The level of growth is still modest with most organisations predicting growth of less than 10%

3.1 Over the next 12 months, how do you expect your sales to change? [all respondents]

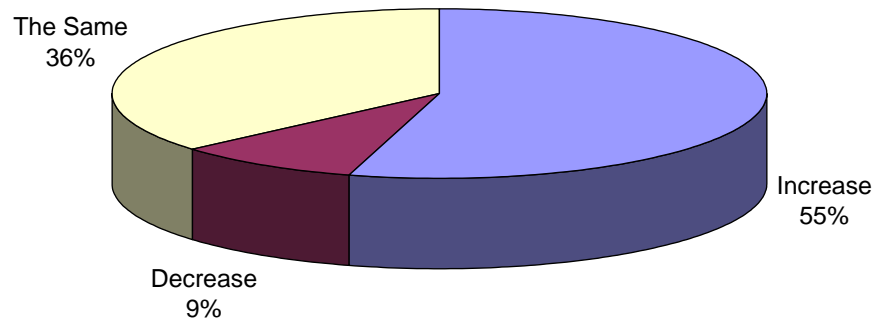


3.2 If you expect an Increase, by what percentage? [by Industry sector]

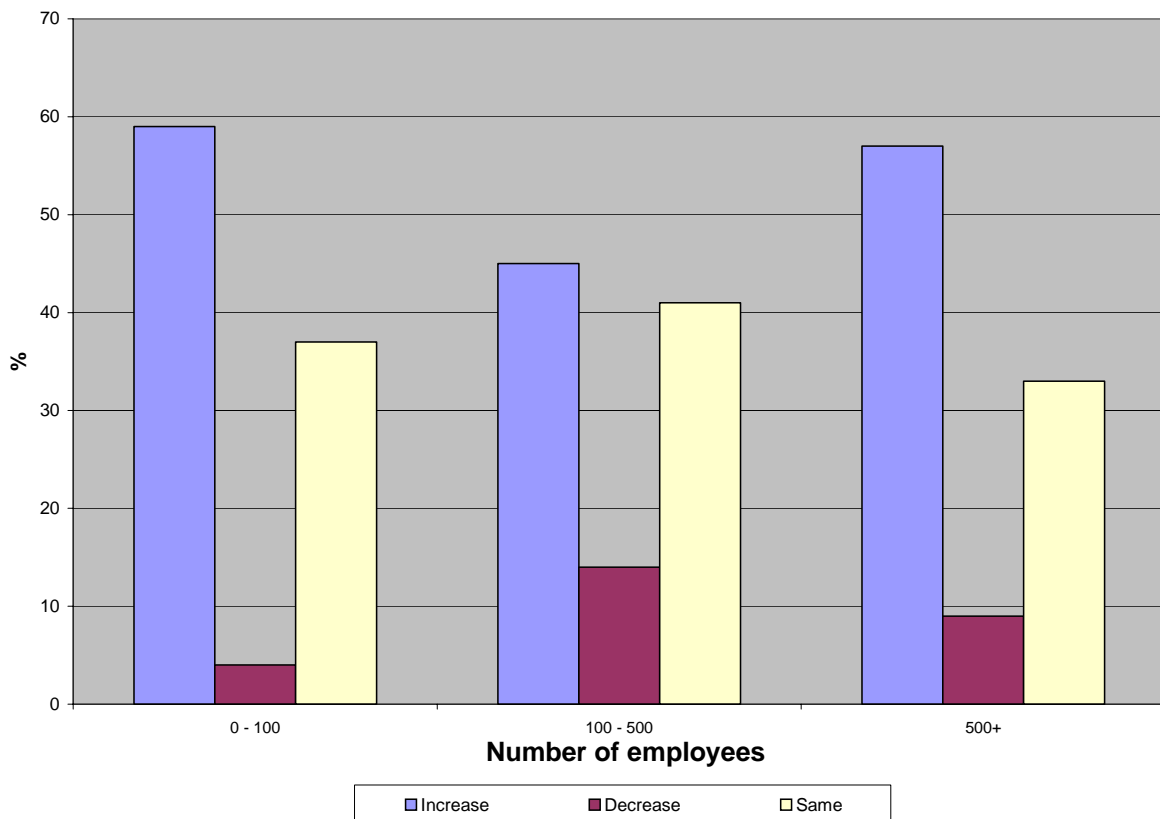


The environment for IT budgets is also looking more positive. 55% of organisations plan to increase their IT budget, compared to only 30% 12 months ago. The increase has been strongest amongst large organisations (500+ employees). 12 months ago only 23% of these were planning to increase their IT budget compared to 57% now.

3.3 Change in IT Budget



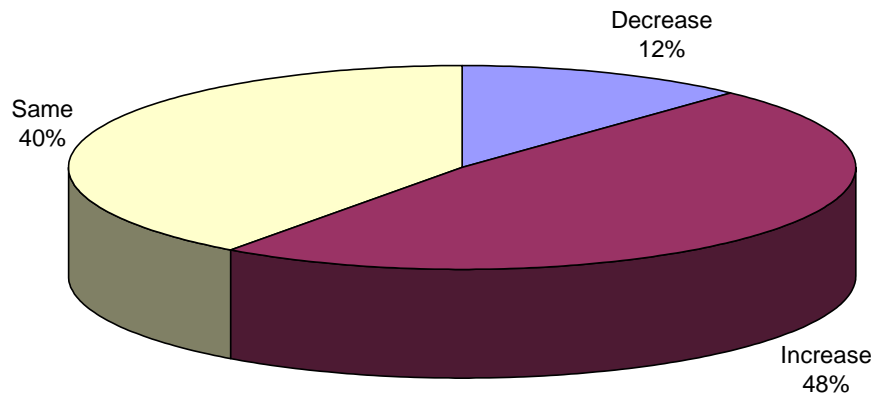
3.4 Change in IT Budget by company size



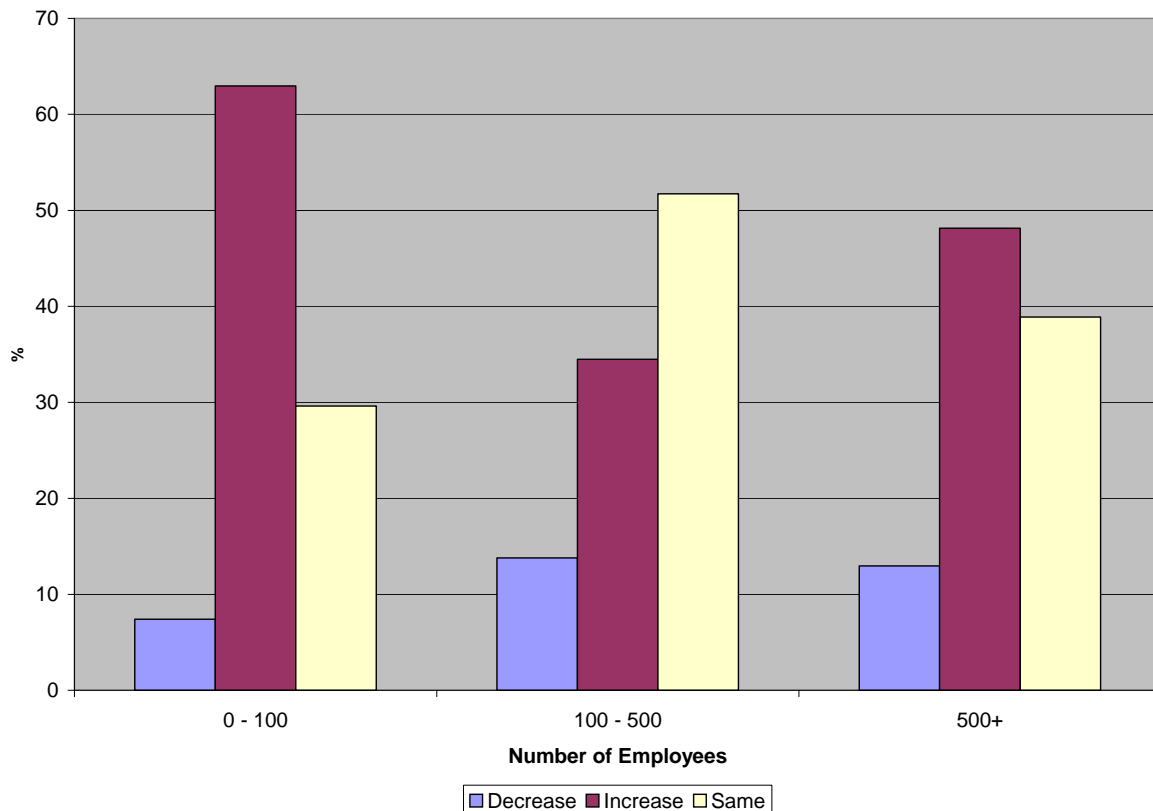
4. IT Staffing Trends

48% of organisations plan to increase total IT staff numbers, up from 36% 12 months ago. Small organisations (0-100 employees) are most likely to increase (63%) their IT staff numbers.

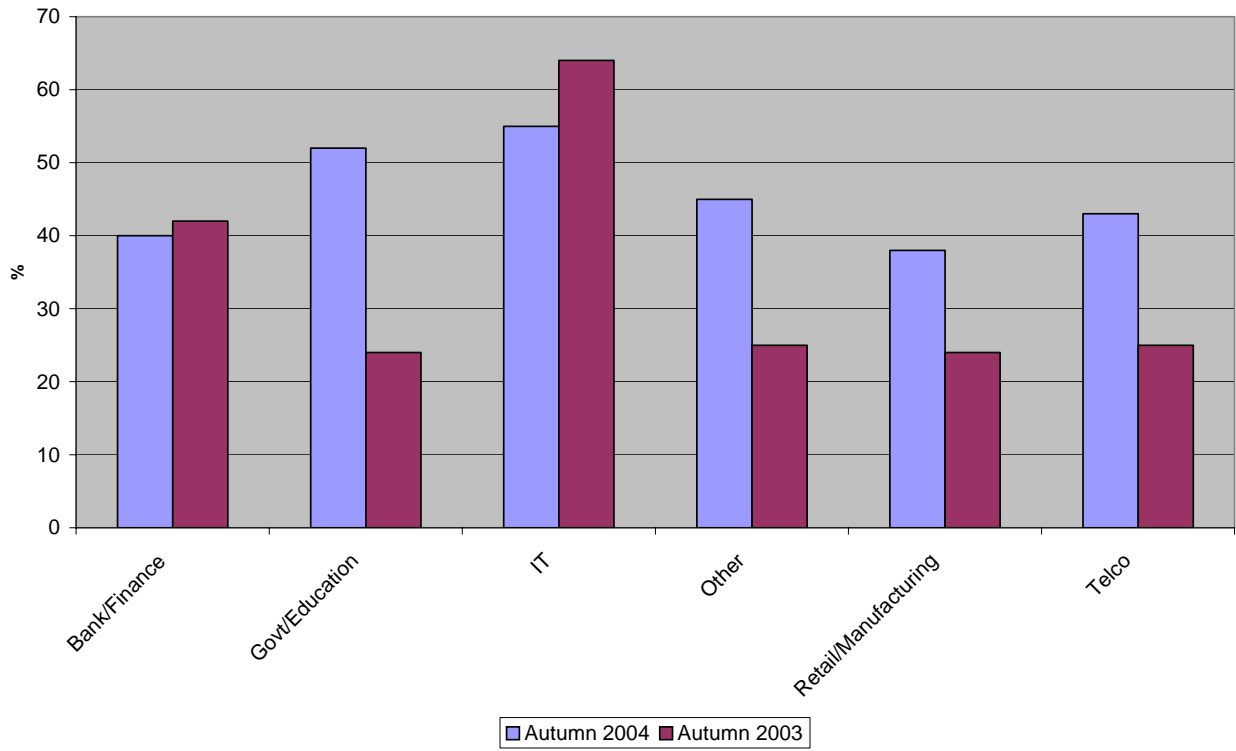
4.1 Over the next 12 months, how do you expect your total IT staff numbers to change? [all respondents]



4.2 Percentage of organisations expecting to increase IT staff numbers over the next 12 months [by Company Size]



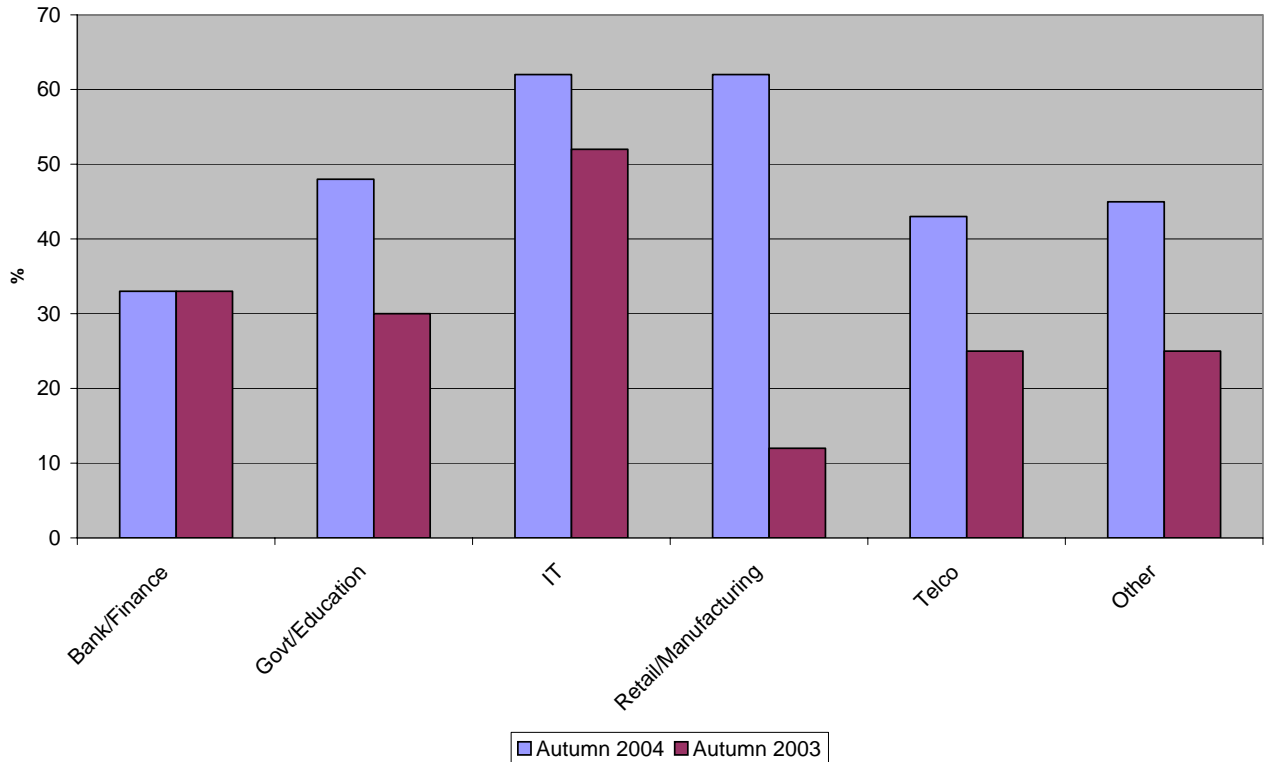
4.3 Percentage of organisations expecting to increase IT staff numbers over the next 12 months [by Industry Sector]



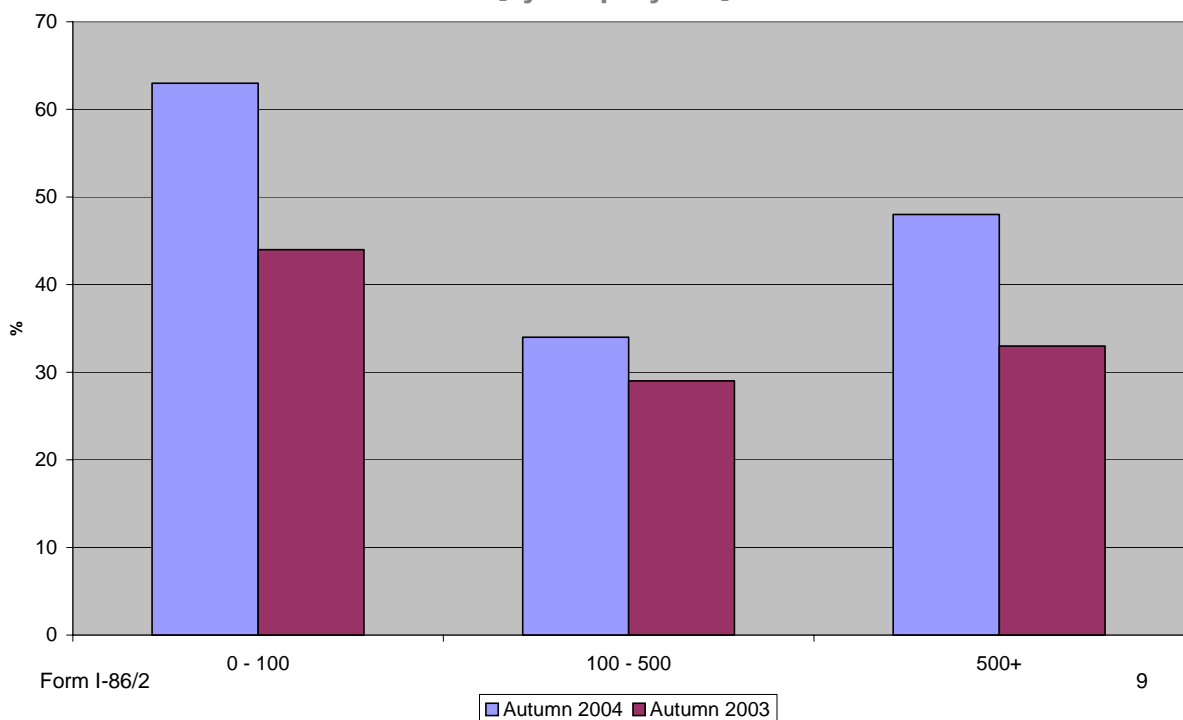
5. IT Staff Mix

Hiring intentions for permanent IT staff is much stronger than compared to 12 months ago in all sectors other than the Banking/Finance (no change). This was predicted 12 months ago – an increase in permanent recruitment activity tends to lag increases in contract recruitment activity.

5.1 Do you expect to increase the number of your permanent IT staff over the next 12 months? [by Industry sector]



5.2 Do you expect to increase the number of your permanent IT staff over the next 12 months? [by company size]

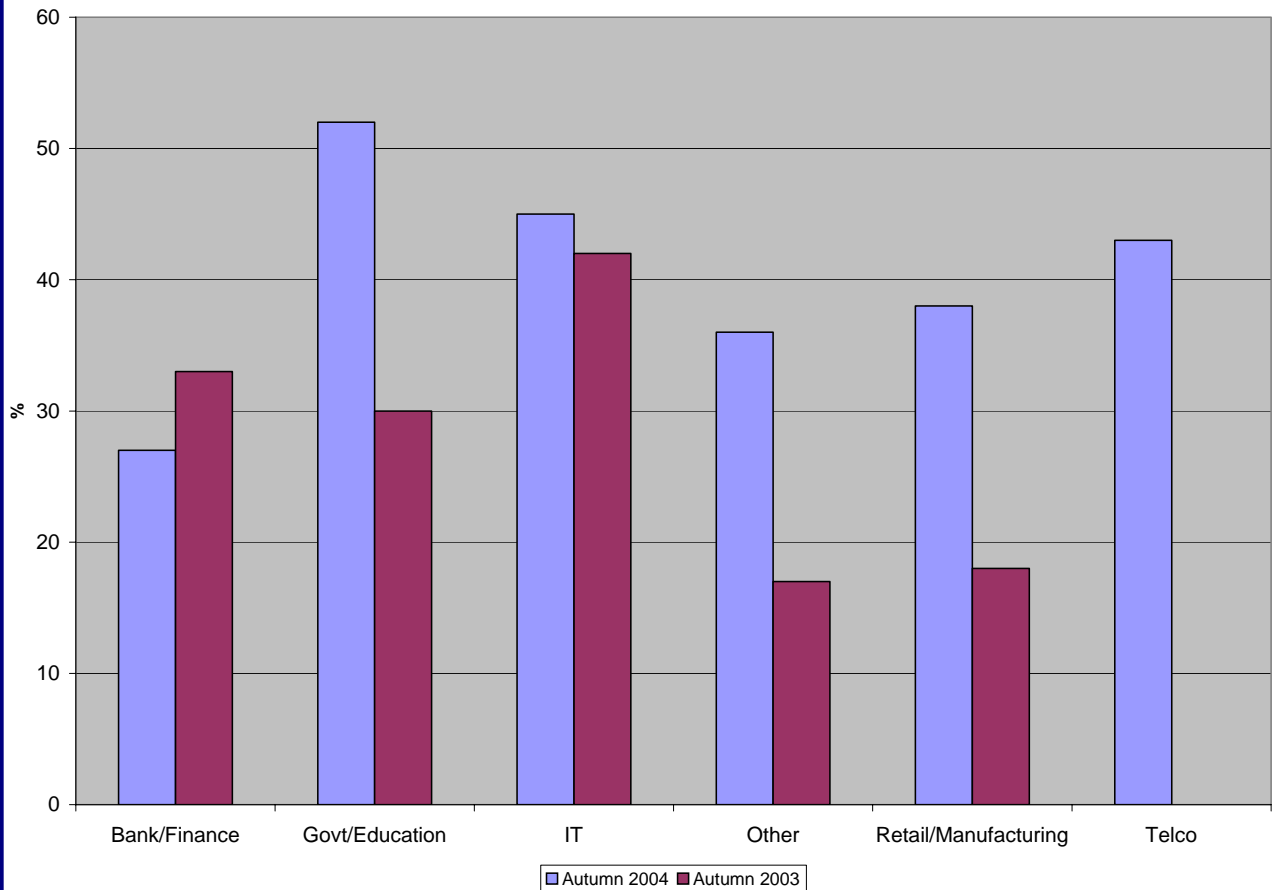


Contract recruitment activity has been increasing strongly over the last 12 months and this looks set to continue. Availability of quality candidates for contract roles is still good, but this will become tighter over the next 12 months. Contractor rates are also beginning to increase.

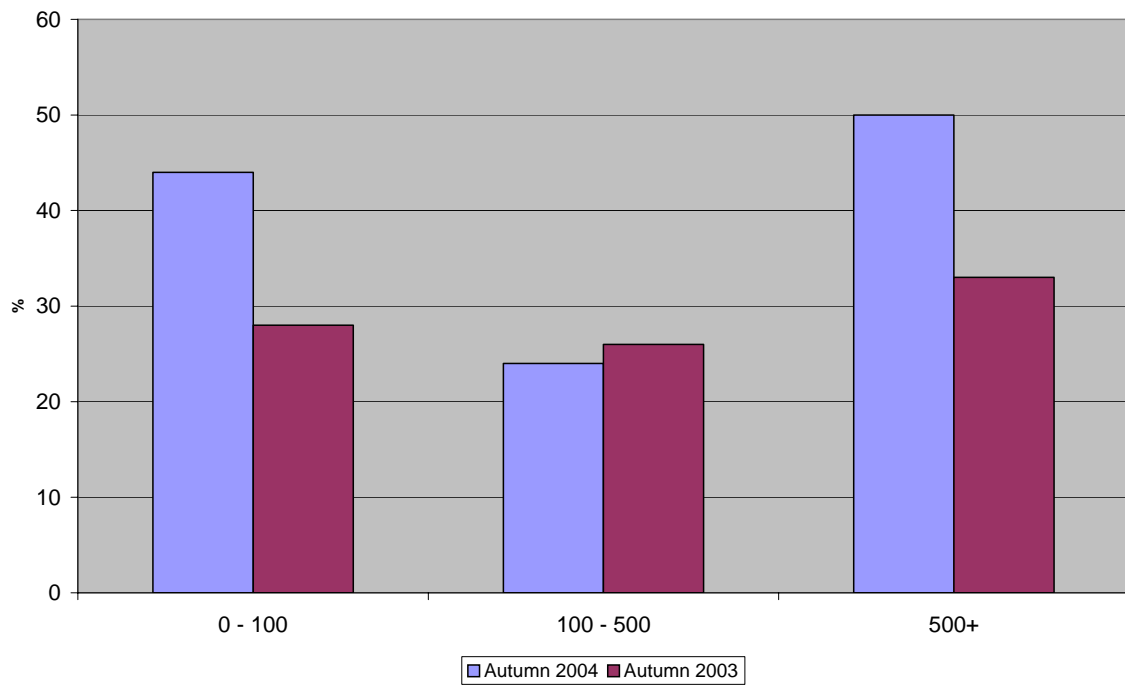
During the year we have seen more organisations hiring contractors with a “view to permanency”. This approach has been used for a long time but an increase in its usage indicates that a further strengthening of the permanent recruitment market is likely.

One strategy designed to control costs of contractors, is the continuing move from hourly to daily rates. Most large users of contractors are moving in this direction.

5.3 Do you expect you will use IT Contractors more over the next 12 months? [by Industry Sector]

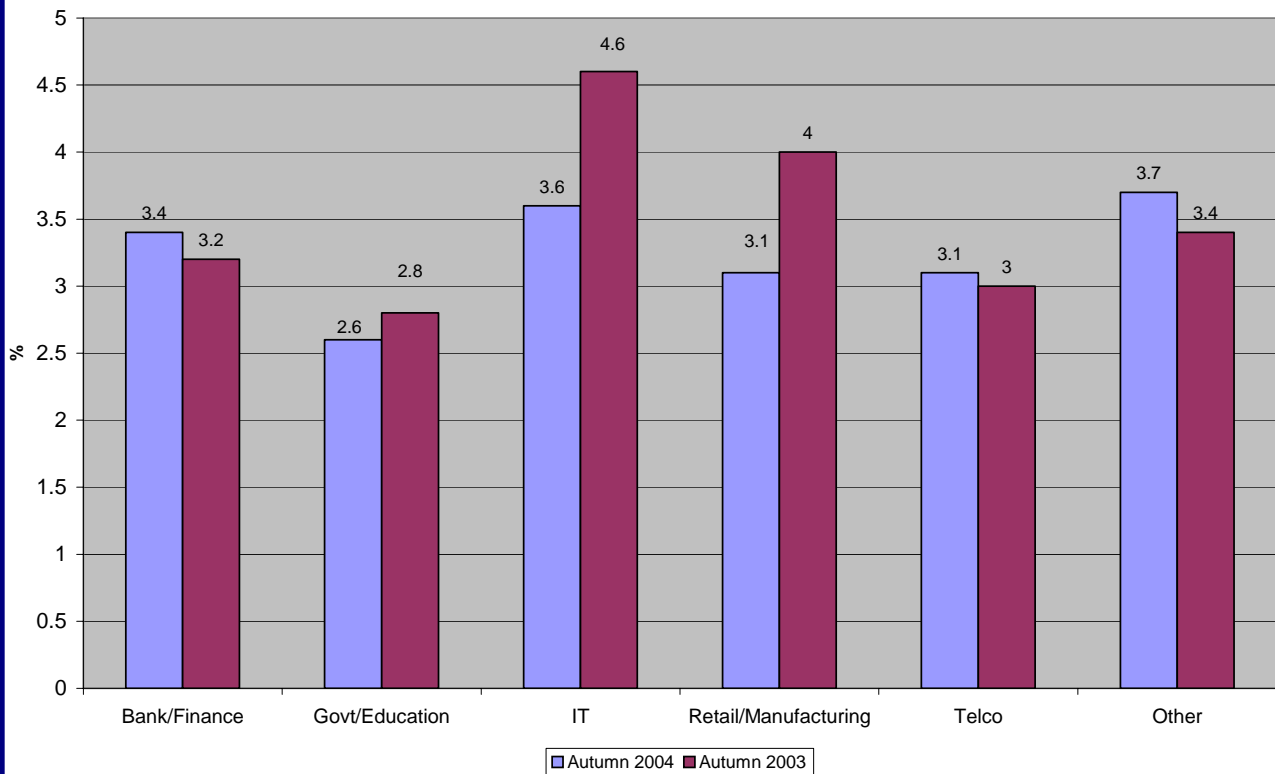


5.4 Do you expect you'll use IT Contractors more over the next 12 months? [by company size]



6. Salary Policy

6.1 By what percentage do you expect your salaries for IT staff to increase over the next 12 months?



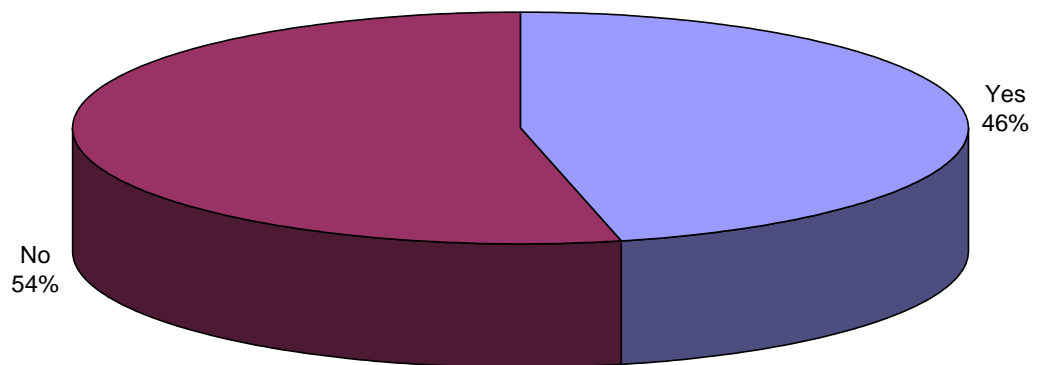
The good news for employers is that the increase in demand for IT staff is yet to cause a significant increase in salaries with the average % increase around 3.2%. In a low inflation environment, it becomes increasingly important (and challenging) to retain top performers. Organisations that have developed retention strategies that focus on recognition and reward of high performance, will be best placed to keep their top talent.

7. Recruitment Activity and Approach

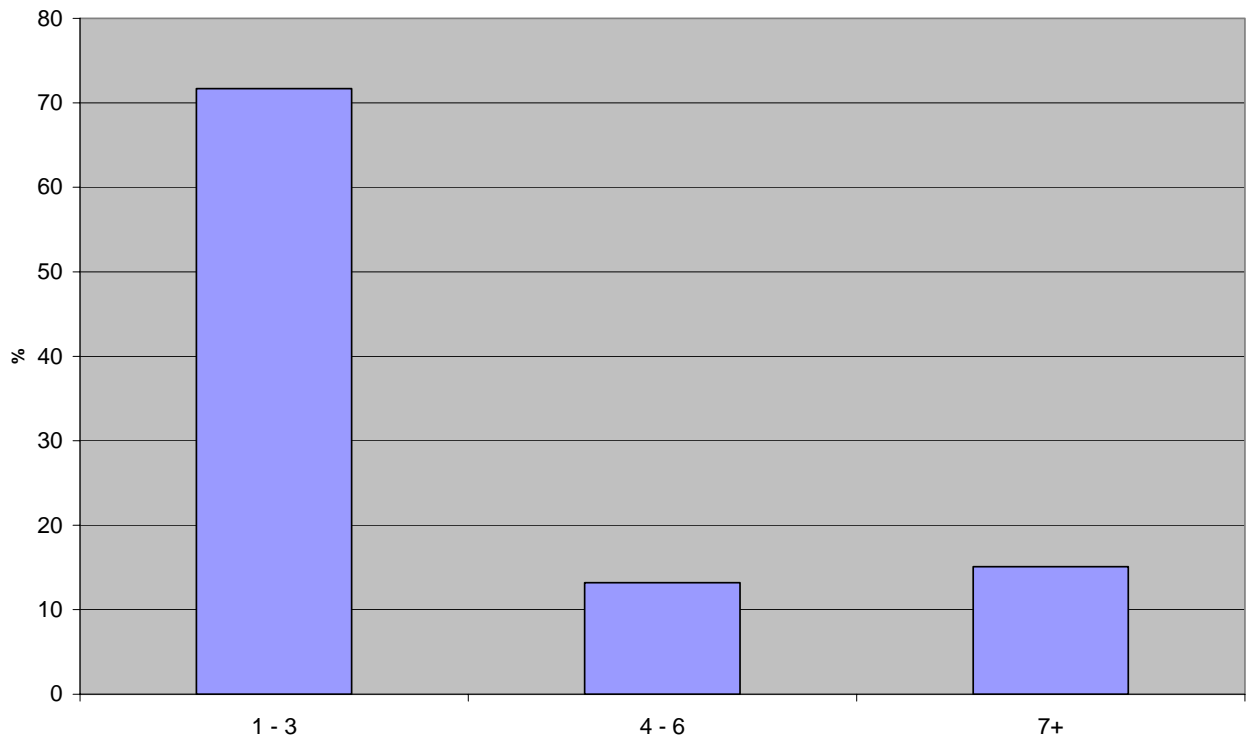
There has been a small decline in the number of organisations who have a list of preferred suppliers for IT recruitment.

The most successful agreements recognise the skill involved in finding the best candidates and are prepared to pay fee levels that reflect the time and expertise involved.

7.1 Do you have a Preferred Supplier for IT Recruitment? [all respondents]



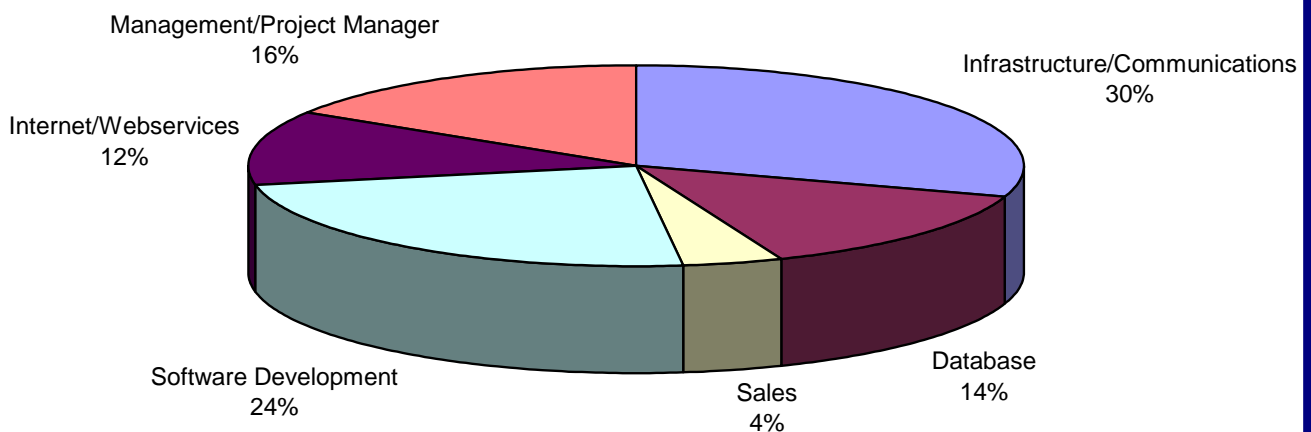
7.2 If yes, how many suppliers do you have? [all respondents]



8. Skills in Demand

39% of respondents had experienced no difficulty in recruiting a suitably skilled person over the last 12 months. Of those that had, table 8.1 outlines which categories these fell into.

8.1 Over the past 12 months which IT skill have you had the most difficulty recruiting? [% of respondents indicating a specific skill set]

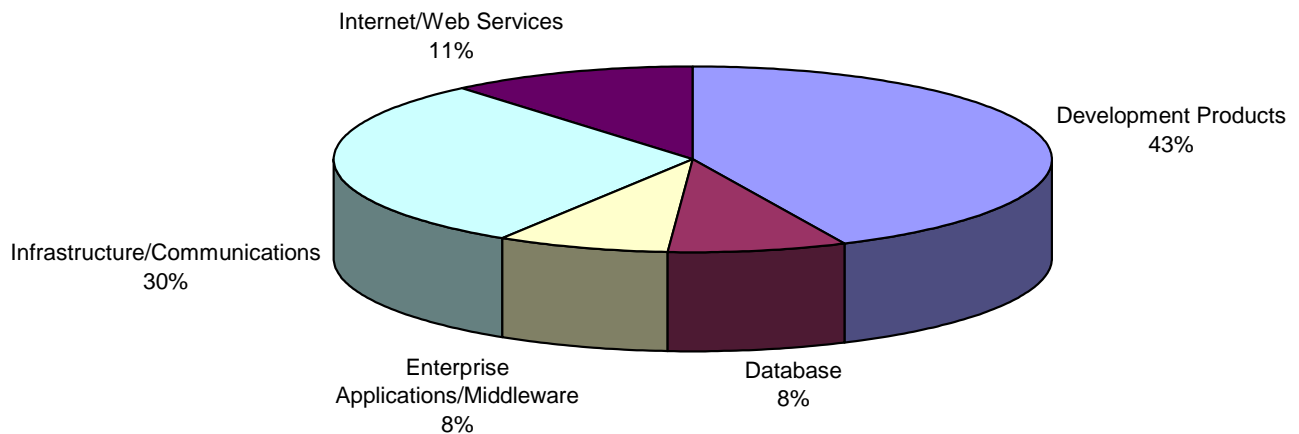


In Infrastructure/Communications, security and storage rated highly. In Software Development, .Net, Java/J2EE and Delphi were mentioned frequently. In the database category the focus was on business intelligence skills. Generally, there was an emphasis on “practitioners” rather than “managers” as well as “hybrid” IT/Business people particularly in the area of Business Analysis.

9. Technologies in Demand

.Net and Java (J2EE/J2ME) are clearly the two predominant development platforms. There was frequent mention of mobile computing solutions. In Infrastructure, a lot of organisations plan to upgrade to XP/Win2003. This upgrade of technology is particularly happening with small/medium sized organisations. Citrix thin client, security and storage were other technologies in strong demand.

9.1 Which technologies do you expect there to be greater demand for over the next 12 months? [% of respondents indicating a specific category]



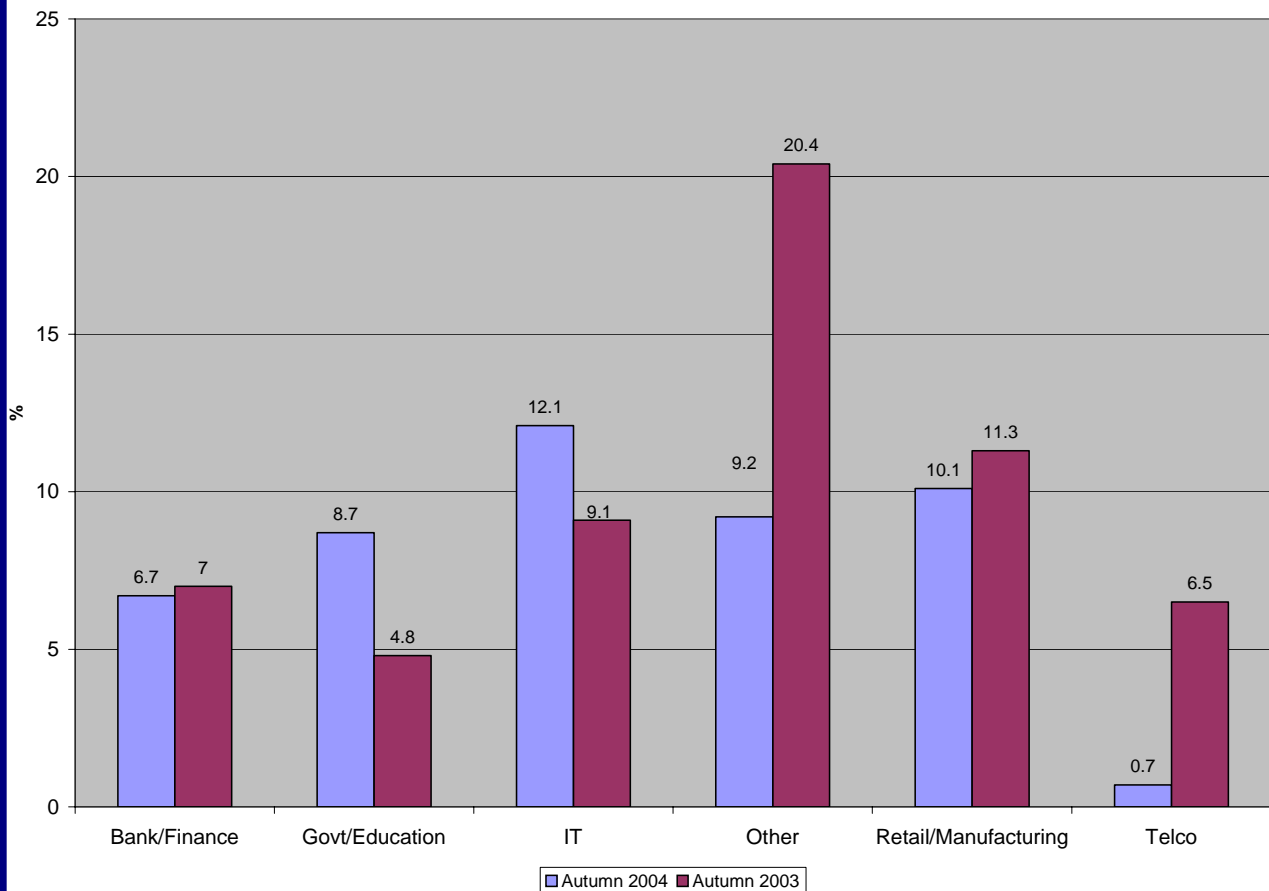
10. Retention Rates

Overall, retention rates are better than 12 months ago. Organisations are learning how to keep their key staff. They are supplementing this with the use of contractors (not included in staff turnover figures). There are fewer forced departures now compared to 12 months ago, so the overall environment is more positive and therefore stable. However, as confidence grows, unhappy employees will have more options.

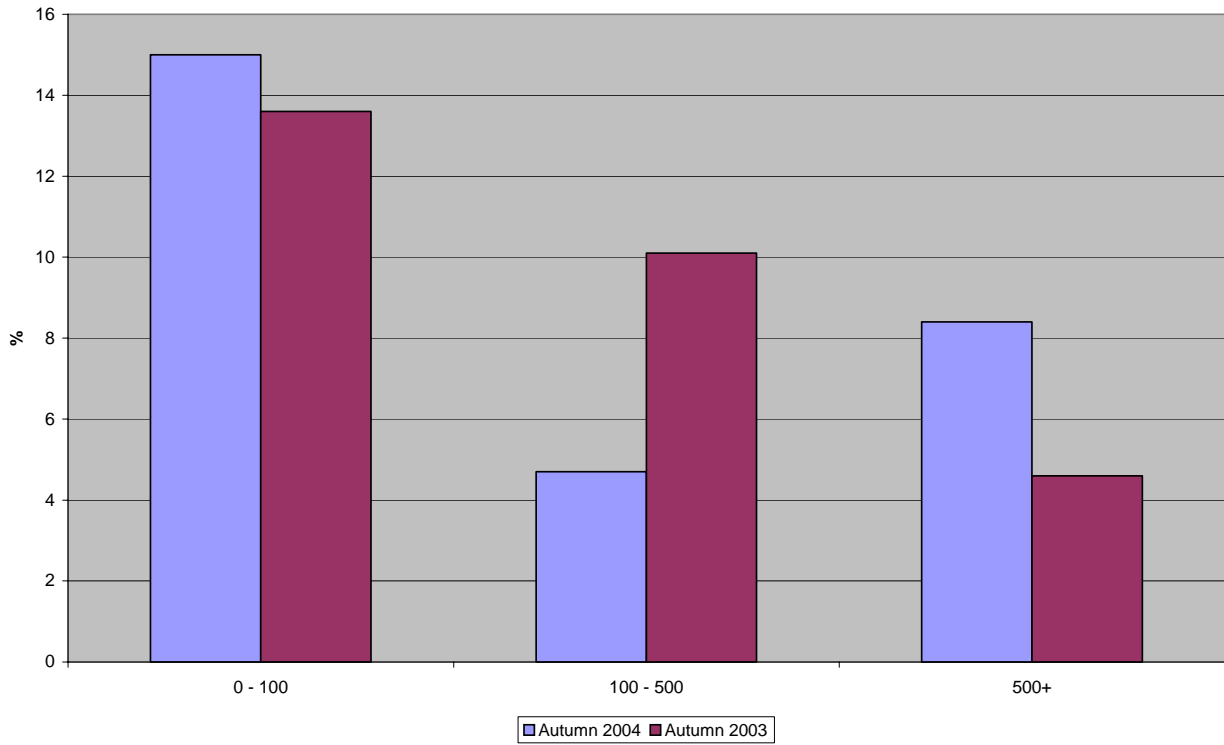
Retention strategies that work, focus on two areas:

- 1) Professional Development Programmes that provide 6 monthly performance appraisals, defined career paths and a commitment to training.
- 2) Employee Assistance Programmes that offer access to financial advice, personal and other counselling at a “family” rather than just “individual” level.

10.1 What has been the approximate percentage rate of your IT staff turnover over the last 12 months? [by Industry Sector]



10.2 What has been the approximate percentage rate of your IT staff turnover over the last 12 months? [by Company Size]



Unsurprisingly, smaller organisations show the highest levels of turnover, but it is larger organisations that have increased most compared to last year.

Key Predictions for the next 12 months

- Candidate shortages will begin to bite resulting in:
 - A significant increase in salaries.
 - Counter offers from organisations desperate to retain staff.
 - Multiple offer scenarios for both permanent and contracting job seekers.

- Organisations seeking to hire the best people will need to shorten their permanent recruitment timelines: this requires better recruitment practices with clearly identified key result areas and key selection criteria.

- Organisations looking to renew/extend a contractor term will need to bring forward their decision process to one month before the end date or risk losing contractors to other opportunities.

- The IT employment market will continue to grow rapidly over the next 12 months.