

ReThink
Recruitment
being different

IT Directors' Survey

MARCH 2014

Analysis of results

This is the seventh annual ReThink Recruitment report looking at the staffing and budget trends within UK IT departments. We surveyed over 1500 IT Directors in this year's survey, with a wide range of organisations represented, including global companies with hundreds of IT staff.

Stability returning

The results of this year's research have built on the promising figures returned in the last edition and give plenty of cause for optimism for IT departments in 2014. This follows on from the positive findings from the **KPMG/Markit Tech Monitor** report that revealed the UK tech sector recorded its best growth performance for almost a decade in the fourth quarter of 2013.

“Businesses are using monetary incentives to attract and train the best IT skills”

Figures in this latest survey highlight that salaries have continued their upward trend after a challenging period during the global recession. Competition for talent remains stiff, and with a limited pool of specialist professionals, businesses are using monetary incentives to attract and retain the best IT

skills. With staff retention remaining a critical concern, salary increases look set to continue over the coming months.

Another noticeable trend reported was the rising number of organisations offshoring work. A growing shortage of IT skills, coupled with increasing pressure on budgets, has led to more businesses utilising this resourcing stream.

While sentiment on the UK economy remains cautious, with significant concerns in the public sector, on the whole signs are relatively positive. If the IT sector

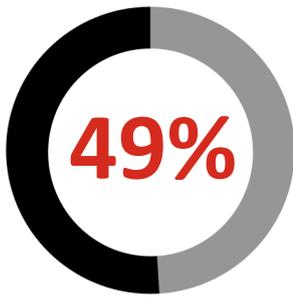
“If the IT sector continues to grow at the rate predicted by our respondents, then 2014 will be a good year for IT departments”

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IT Directors' Survey

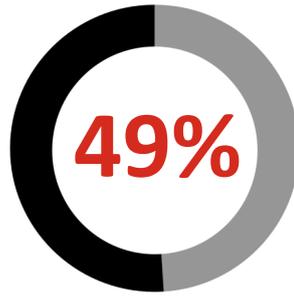
MARCH 2014

Headcount and pay expectations



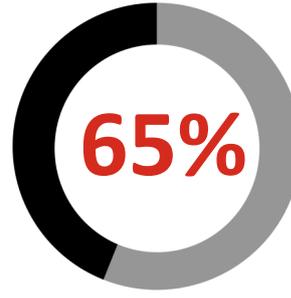
of IT Directors saw headcount increase over the past twelve months

(52% in 2013)



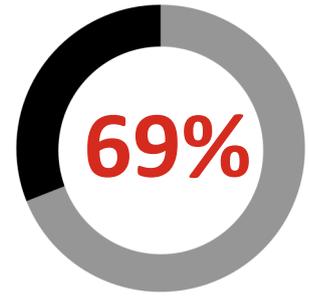
of IT Directors forecast increased headcount over the next twelve months

(46% in 2013)



of IT Directors saw salaries increase over the past twelve months

(54% in 2013)



of IT Directors forecast salaries to increase over the next twelve months

(67% in 2013)



Average IT department headcount in 2013

87% Permanent

13% Contract

1 Has your IT department headcount increased, decreased or stayed the same over the past twelve months?

Results from this year's survey have shown that the market remains stable, with 49% of respondents reporting increased headcount over the past twelve months. While this is slightly down on figures from 2012, it is perhaps unsurprising given the budgetary constraints that many directors were facing at the time of the last report. However, it does represent an improvement of 7% from 2010 and 2011 when a score of 42% was noted by directors.

There does appear to be a level of movement of staff with 27% of respondents noting a decrease in headcount over the last year. This drop is perhaps indicative of the increasing confidence among job seekers. This is in keeping with recent reports from Computer Weekly, which revealed that 80% of IT professionals are looking for other opportunities. However, as we reach the end of the financial year, this figure also represents a possible drop in contractor usage – with the possibility of permanent staff being brought in instead - as budgets for the next twelve months are drawn up."



2

Do you expect your IT department headcount to increase, decrease or stay the same over the next twelve months?

Those predicting an increase in headcount look set to remain on par with last year's levels, with 49% of respondents expecting to hire more staff over the next twelve months. This has risen from 46% in 2013. The figures from 2012 were also the first to halt the persistently downward trend recorded during the recession. Encouragingly, the number of directors predicting a decrease in headcount has dropped to 20%, indicating continued stability.

With expectations of a general increase in demand for IT skills and corporations gradually releasing budgets for more projects, it's perhaps unsurprising that a rise in headcount is on the cards for many directors. Looking at specific examples over the coming year, issues such as the recent threats of **cyber terrorism** are likely to add to recruitment activity.

And while some public sector organisations may find their permanent workforce contracts in the face of on-going cuts, much of this should be counter balanced by growth in the private sector. Areas such as retail and finance in particular will need to take on professionals in order to manage the increased use of mobile technology. Other advances such as the growing use of body metrics and financial management software will also require specialist talent which could be behind the predicted increase in staff numbers.

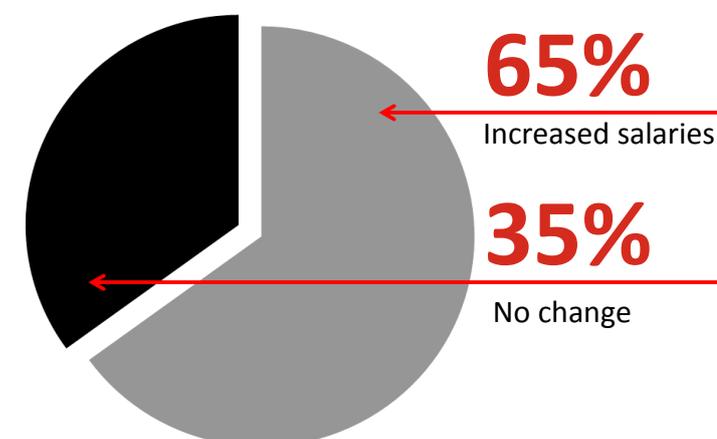
**3**

Have salaries increased, decreased or stayed the same for permanent staff in your IT department over the past twelve months?

With reports from Computer Weekly indicating that increasing numbers of IT professionals will move jobs in the coming months, results in this survey indicate businesses are increasingly using monetary

incentives to retain top talent. The majority of directors reported that salaries grew over the last year, with 65% boosting pay, up 11% from results in 2012.

Encouragingly, for the second survey in a row, no IT Directors have reported a decrease in permanent salaries over the past year. This continues the positivity noted in salaries over the past few years, with only 7% reporting cuts in 2009, 5% in 2010 and 2% in 2011.



The results reflect the stable growth that many organisations will be experiencing in light of improvements in the economy. The last year also saw a fall in the percentage of directors saying salaries would remain static, with 35% stating there would be no change in pay for permanent staff.

4 Do you expect salaries to increase, decrease or stay the same for permanent staff in your IT department over the next twelve months?

With staff retention remaining the biggest concern for IT Directors (Question 8), it's perhaps unsurprising that 69% of respondents are set to increase pay, up 2% on predictions made in 2013.

With the IT industry association, Comptia, revealing in its research earlier this year that the **demand for new IT skills continues to outstrip supply**, competition for top talent is rife. Organisations continue to

“Organisations continue to use financial incentives to retain their best staff”

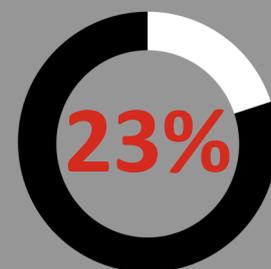
use financial incentives to retain their best staff, particularly those with niche skill sets in areas such as mobile technology and cloud computing.

As these sectors have only been around for a matter of years, we can expect the demand to continue as businesses only have a small pool of talent to choose from. While these factors mean salary increases are perhaps to be expected, it is encouraging to see growth is above predictions made last year, showing the market is improving ahead of expectations.

5 Have rates increased, decreased or stayed the same for contractors in your IT department over the past twelve months?

Contractor rates have risen for the second year in a row after a slight fall from 2010 to 2011. 23% of respondents reported an increase in contractor rates in the last year, up on the 19% recorded in 2012.

For many professionals, **contracting is becoming the new norm**, with a growing number of experts choosing this career route to take advantage of the more flexible work/life balance. And with continued indications of a skills shortage in the IT arena, specialist contract workers are in high demand, resulting in a slight rise in rates. The percentage of directors cutting contractor rates has fallen significantly in the last twelve months, down to 5%, the lowest figure reported in four years.



23% of IT Directors reported an increase in contractor rates in the last twelve months

6 Do you expect rates to increase, decrease or stay the same for contractors in your IT department over the next twelve months?

Contractor rates look set to remain stable over the coming year, with 71% of respondents reporting no change. A further 27% of directors plan to increase rates, up slightly on actual rate rises in the last year, and the number of respondents expected to cut rates continuing to drop even further to just 2%.

Staff retention and project delivery were reported as the top two concerns facing directors in the next year. This is hardly surprising given **recent reports** that 72% of IT professionals believe they need to move employer to progress their careers. This is further exacerbated by the on-going shortage of certain skills.

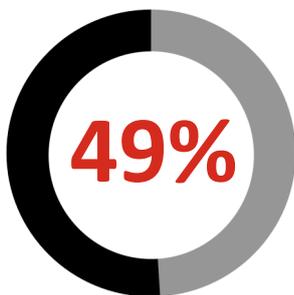
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What are the main challenges and concerns you face within your IT department?

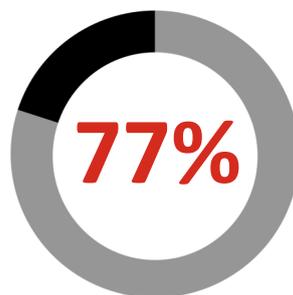
According to respondents, their biggest challenge is keeping top talent with 66% stating that staff retention was a significant concern. Fears over talent attraction and retention have proven to be a consistent worry over the course of the IT Directors' survey. In 2010, 77% were apprehensive about attracting high-quality professionals with this figure rising to 85% in 2011 and 89% in 2012. This issue looks set to remain, with the lack of available talent, combined with reports of **a rising trend of regular job-hopping**, leading to increased movement among job seekers. As earlier reports in the survey indicate, many businesses are using pay as a means of attracting professionals and this is causing problems for directors who are already struggling to retain their top performers. The survey also found that 40% of respondents believe that delivering IT support and new projects within budget was their second most significant challenge. This is further exacerbated by the concerns surrounding the ability to deliver support with existing resources, with only 48% of directors indicating they can increase output with current staffing levels.

“Fears over talent attraction and retention have proven to be a consistent worry”

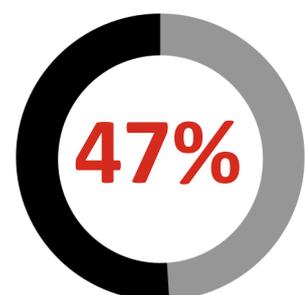
IT budgets and workload



49% of IT Directors saw budgets increase over the past twelve months



77% of IT Directors forecast increased workload over the next twelve months



47% of IT Directors expect to see an increase in budgets over the next twelve months

8

Is your department more protected from budget cuts than it was five years ago?

Over a third (38%) of IT Directors believe their budget is better protected than it was during the global recession, representing an improvement of 3% year-on-year. However, with almost two-thirds reporting their budget is under more threat from cuts than it was five years ago, there is obviously still a long way to go before businesses return to pre-recession confidence levels. This is a particularly sobering thought for public sector IT departments who will **continue to face cuts over the coming years**.

These results indicate the caution which remains embedded in the minds of business decision makers, who are still obviously wary of heavily investing following a challenging few years. It is, however, encouraging to see this trend steadily improve as the economy continues to recover.

9 Do you think your IT department will offshore more work in the next twelve months?

The percentage of IT Directors expecting to offshore more in the next year has risen from 21% to 35%, which is perhaps indicative of the continued budgetary restraints facing IT departments. With two thirds of respondents reporting their budgets are under more threat, it's unsurprising that many will look to offshore support in order to reduce expenditure.

Given the increasing competition for niche skills in an already constrained talent pool, many directors are perhaps expecting to fill immediate demand through this outlet.

These results are exacerbated further considering that only 48% of directors believe they can increase output with current staffing levels, reflecting the necessity to offshore more work.



of IT Directors expecting to offshore more work in the next twelve months

10 Has your IT budget increased, decreased or stayed the same over the past twelve months?

Despite the perception from some respondents that budgets remain under threat, 47% stated that their



budget had grown over the last twelve months, representing an increase of 5% year-on-year and in line with predictions made in the last survey. In other positive findings, just 25% of directors reported that their IT budgets have decreased over the past twelve months.

These figures halt the downward trend shown over the past few years as budgets have been routinely cut. In 2010, 29% of respondents reported budget reductions with this figure rising to 32% in 2011 and 38% in 2012.

While there is still a way to go before the caution around expenditure fully lifts, it's very encouraging to see fewer departments suffering cuts.

11 Do you expect your IT budget to increase, decrease or stay the same during the next financial year?

The number of respondents predicting a rise in budgets looks set to remain on par with figures from the last year. Encouragingly, though, the proportion of respondents predicting budget cuts has dropped by 7% year-on-year, indicating growing stability over the next twelve months. The 18% of respondents who expect their budgets to be cut is also the lowest score recorded for four years. This is typical of the growing efficiency that many departments are experiencing as business returns to 'normal' levels following the global recession.

These figures are somewhat unexpected, particularly when considering the optimism felt in the IT sector which, according to **KPMG and Markit**, is on the verge of a 10-year high. However, the results may well indicate a cautious approach by IT decision makers who are wary of over-investing so soon after the global recession.

Do you expect workload of your IT department to increase, decrease or stay the same over the next twelve months?

The majority of those surveyed (77%) expect to see an increase in workload over the next twelve months. While this remains on par with 2013 figures, the stark comparison between this and budget

“IT Directors do not feel they have the capacity to increase output with current staffing levels”

forecasts suggests IT departments are set to continue working in a ‘more for less’ environment.

With only 47% expecting a rise in budgets, it’s perhaps unsurprising that 52% of directors do not feel they have the capacity to increase output with current staffing levels.

Conclusion

Initial signs suggest stability is returning to the market, but there is clearly some way to go yet before full confidence returns. IT Directors face growing competition for talent driving salary increases across the board, with pay rise expectations up 11% year-on-year and a further 69% predicting wages to climb even higher in 2014.

Recruitment within this arena also looks set to be highly active with 49% of those surveyed planning to increase headcount. This mirrors recent reports from KPMG and Markit which indicate that 44% of UK tech firms plan to hire more staff in 2014.

This may prove a particular issue if directors continue to struggle to retain top talent, with **reports** indicating that 80% of IT professionals are actively looking for other opportunities. In an industry where talented specialists are always in high demand, it will certainly prove challenging for many directors to keep their top performers and, indeed, attract new experts. While the UK economy continues to show signs of positivity, it seems the IT arena still has a number of challenges to contend with. The next year, then, looks set to be extremely busy for IT professionals.

Supporting Action for A-T

ReThink Recruitment would like to thank all the IT Directors that have participated in this year’s survey. During the survey, all participants were asked to provide their name and contact details in return for a financial donation made to a chosen charity by ReThink.

The chosen charity for this year is “Action for A-T” a charity dedicated to researching and identifying a cure for Ataxia-Telangiectasia, a very complex condition that affects a variety of different systems in the body. The research they fund can also provide insights into many other common conditions like cancer, compromised immune system and lung conditions and health generally.

For more information, please visit www.actionforat.org

(Registered Charity Number: 1145303)

