



IT Recruitment and Retention Report Autumn 2006

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Putting a Face to Technology

A note from our Managing Director

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

Over the past 12 months, we have seen increasing demand for IT Professionals to be employed on both a permanent and contracting basis. The responses we received indicate that demand will continue to increase over the coming 12 months.

I look forward to CCS continuing its relationship with you over the year. Please feel free to contact me at any time if you want an update, or if you need our support with your recruitment activity.

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 February 2006, we received around 300 responses to an electronic survey sent to organisations across a range of industries in Sydney, Melbourne and Canberra.

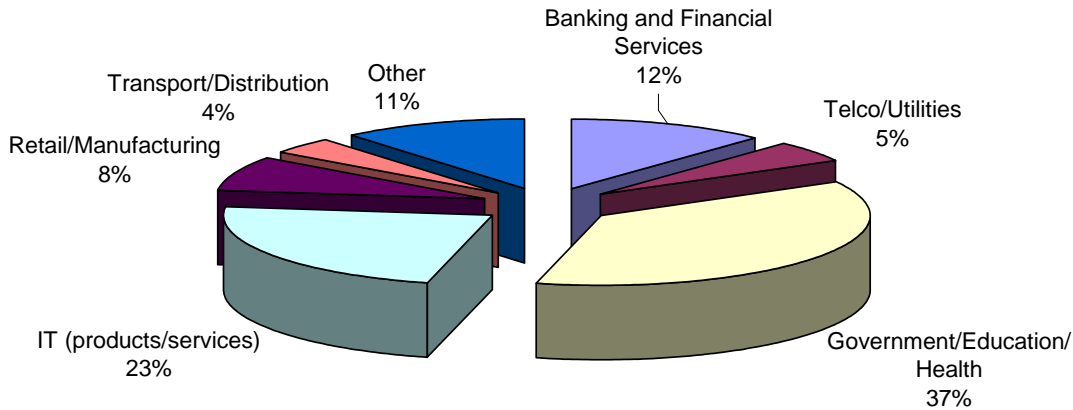
This is the 7th edition of our IT Recruitment and Retention Report. Data is compared to that gained 12 months ago and is analysed by organisation size and by industry sector.

In summary, the data reveals:

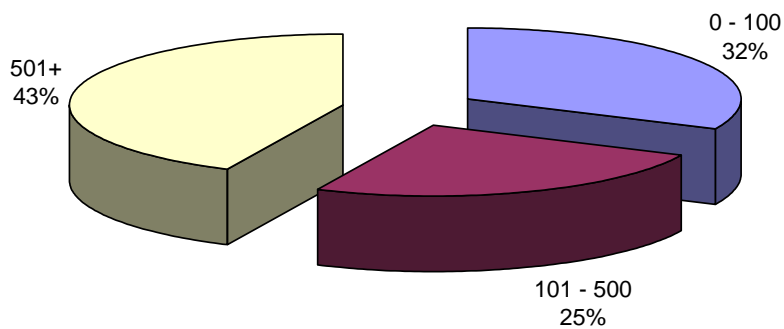
- The overall business environment is positive, with 68% of organisations expecting to increase sales turnover in the coming 12 months. This result is comparable to 12 months ago, indicating a positive but stable business environment.
- 38% of organisations expect to increase their IT budget over the next 12 months, a 20% fall compared to 12 months ago.
- 37% of organisations plan to increase their number of IT staff, only 8% plan to decrease. This is very similar to 12 months ago.
- 41% of respondents expect to increase permanent staff numbers, 47% expect to use more contract staff. The hiring intentions for permanent staff are stable, the contract hiring intentions show a 34% increase compared to 12 months ago.
- Salary increases for IT staff are set to average between 3.5% and 4% over the next 12 months.
- Only 22% of respondents have an IT graduate recruitment programme, and only 31% have hired IT graduates in the last 12 months.
- 49% of respondents claim staff retention rates of under 5%
- 38% of respondents have made employment offers in the last 12 months that have subsequently been rejected by the candidate.
- Whilst some role types are hard to fill there is no evidence of a significantly worsening skill shortage when comparing the difficulty experienced in recruiting IT role types, with data obtained 12 months ago.
- With 38% of respondents experiencing rejected employment offers, pressure on salaries is likely to be high over the next 12 months, as the "counter offer" option will be seen to be more cost effective than replacement in some circumstances.

2. About our sample

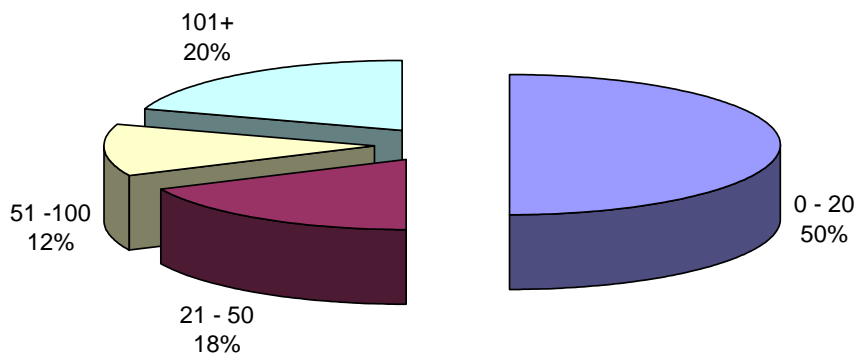
2.1 Survey respondents by Industry Sector



2.2 Survey respondents by Company Size (total employee numbers)



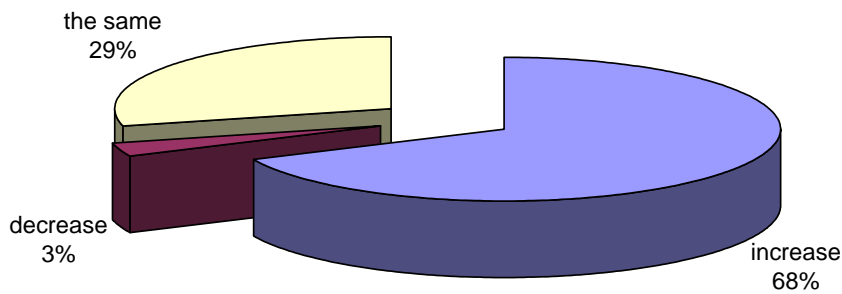
2.3 Survey respondents by Number of IT Staff



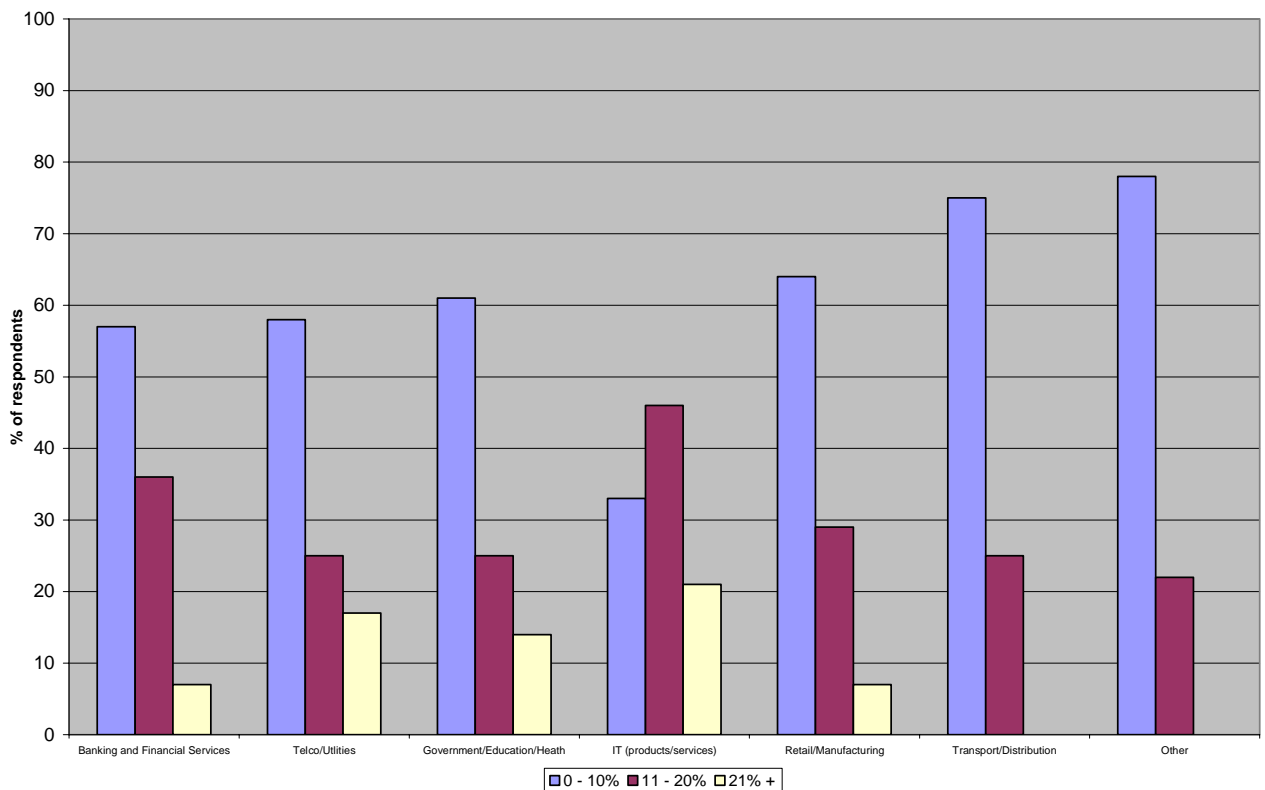
3. Sales Trends

Overall the business environment remains positive with 68% of respondents expecting an increase in sales (\$ turnover). However, compared with 12 months ago, the outlook is slightly more subdued, with lower numbers expecting to increase sales and lower trends of increase expected.

3.1 Over the next 12 months, how do you expect your sales (\$ turnover) to change [all respondents].



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



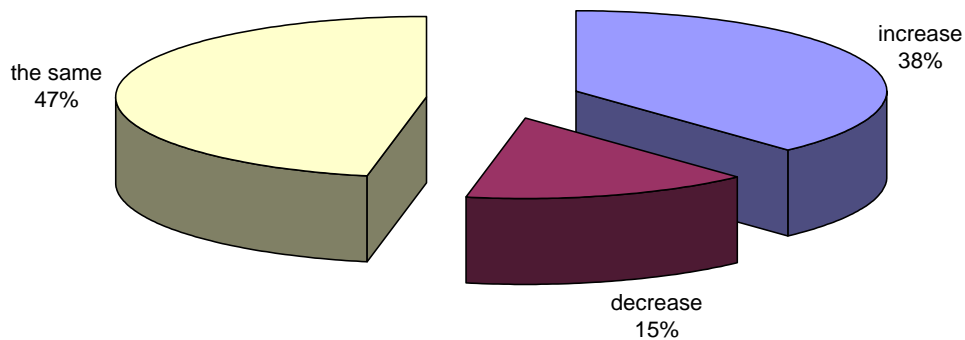
4. IT Budget

IT budgets appear to be tightening compared to 12 months ago. 38% of respondents expect an increase in their IT budget over the next 12 months compared with 47% 12 months ago. Of organisations with under 100 employees, only 8% expect to decrease their budget compared to 18% of organisations with over 100 employees. 38% of Telco/Utility organisations expect to reduce their IT budget, compared with only 3% of IT companies.

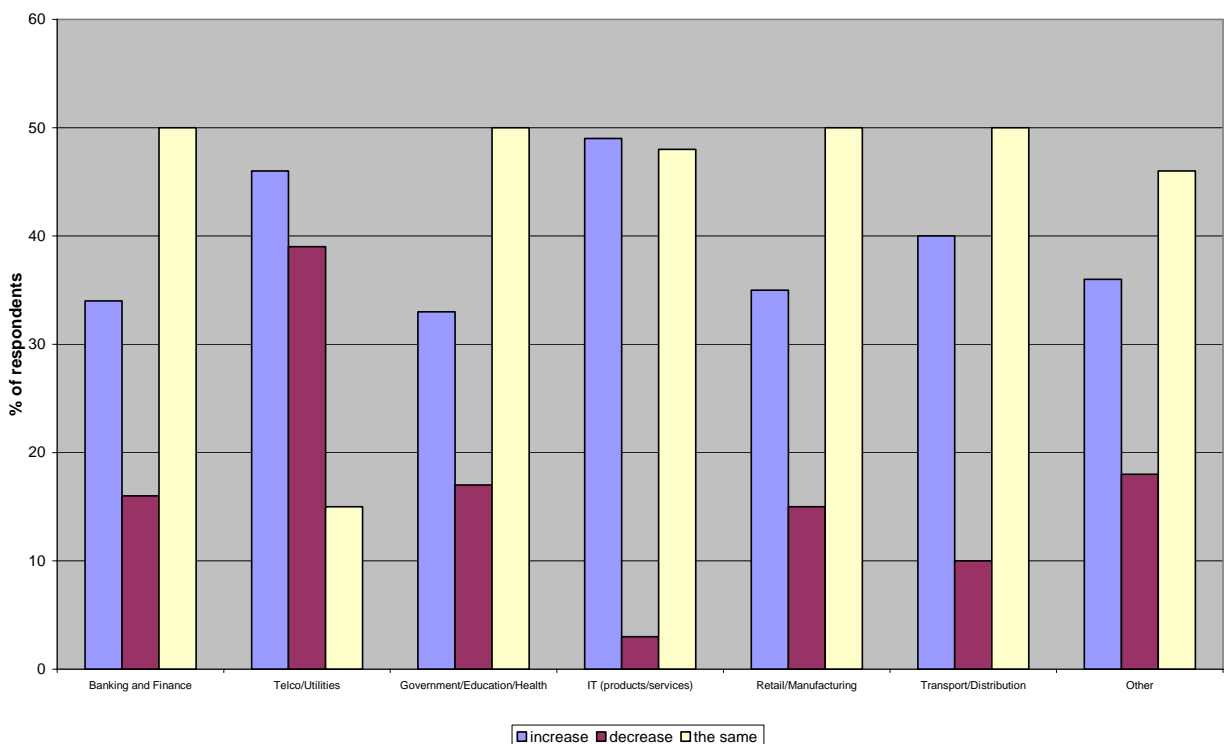
The main drivers for increasing are:

- Growth in business: more customers, new organisations, more IT staff required, additional projects.
- New technology: new ERP/software implementations, integration of existing systems, wireless networking, infrastructure and applications refresh.
- Organisational change: reorganisation and amalgamation, transformation projects, improved ICT governance.

4.1 Change in IT budget over the next 12 months



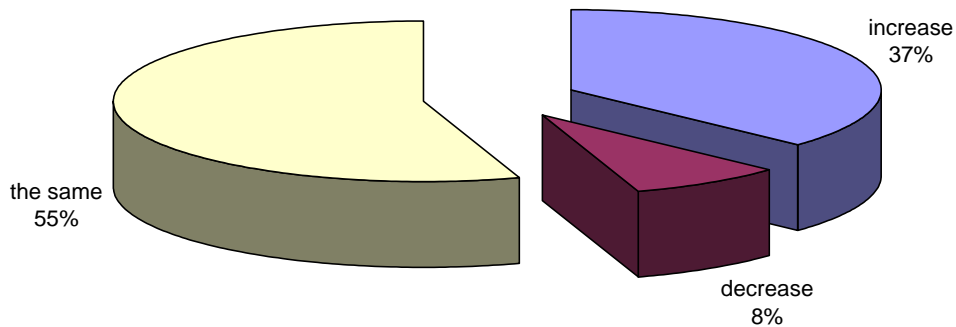
4.2 Change in IT budget by Industry sector



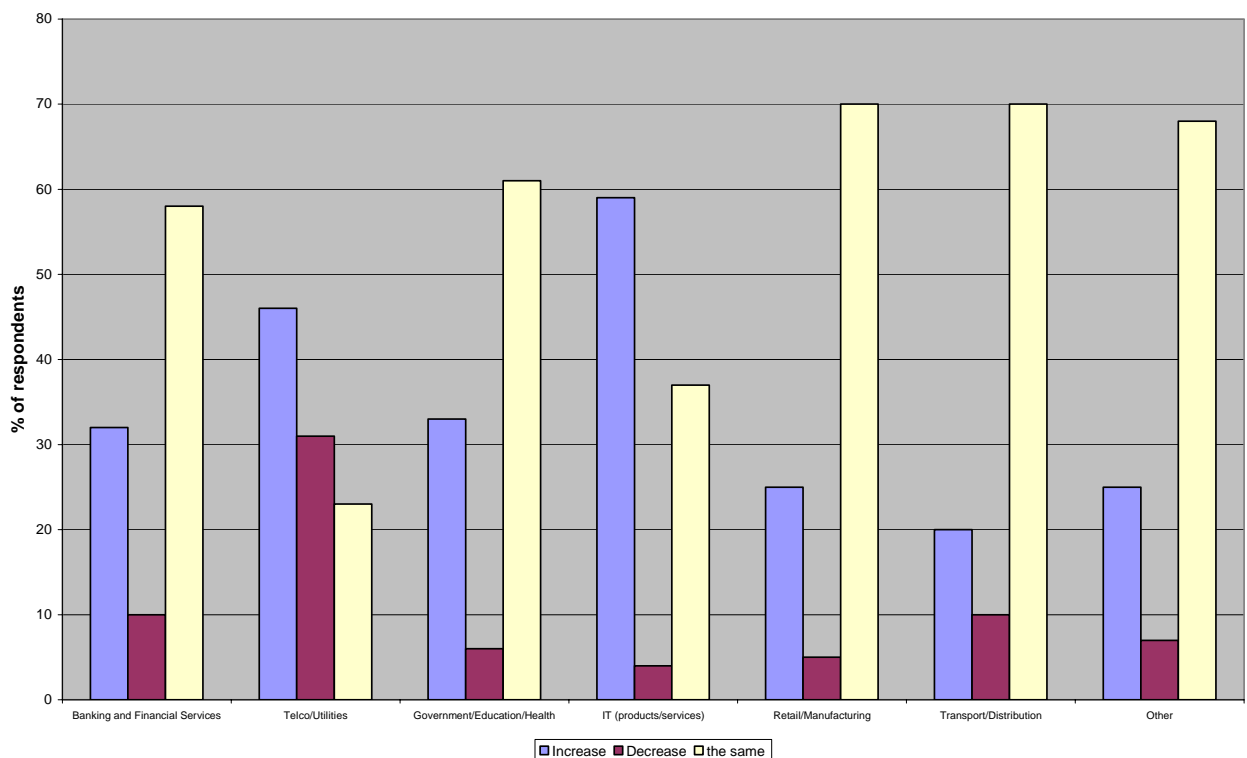
5. IT Staffing Trends

At 37%, the same number of respondents expect to increase IT staff numbers over the coming 12 months as compared to 12 months ago. Only 8% expect to decrease staff. This shows that whilst the outlook remains positive, there is no boom taking place. Demand will remain stable at current levels. Medium sized organisations (100 – 500 employees) are more likely to reduce staff numbers (12%) than small (4%) or large (7%) organisations. Nearly 60% of organisations in the IT (products/services) sector plan to increase staff numbers. 68% of respondents expecting to increase staff numbers plan to do so by less than 10% (compared to 12 months ago).

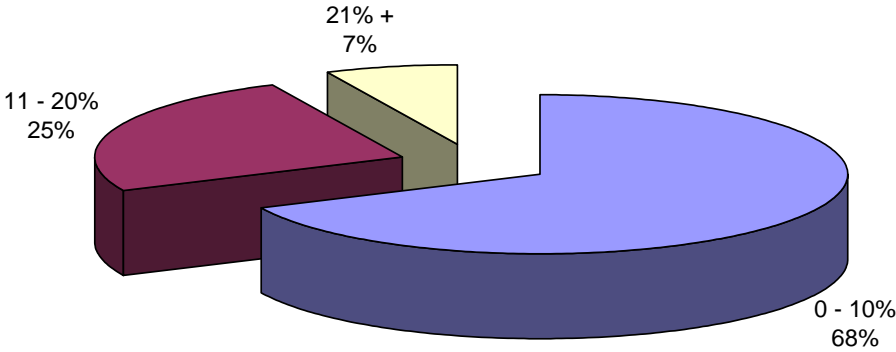
5.1 Over the next 12 months, how do you expect your total IT staff numbers to change? [all respondents]



5.2 Percentage of organisations expecting to increase IT staff numbers of the next 12 months [by Industry sector].



5.3 If increasing, by what percentage?

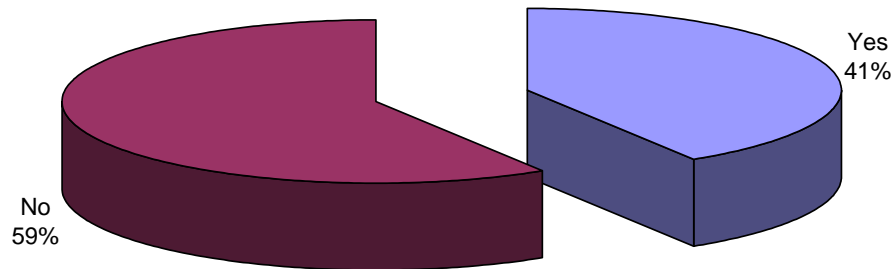


6. IT Staff Mix

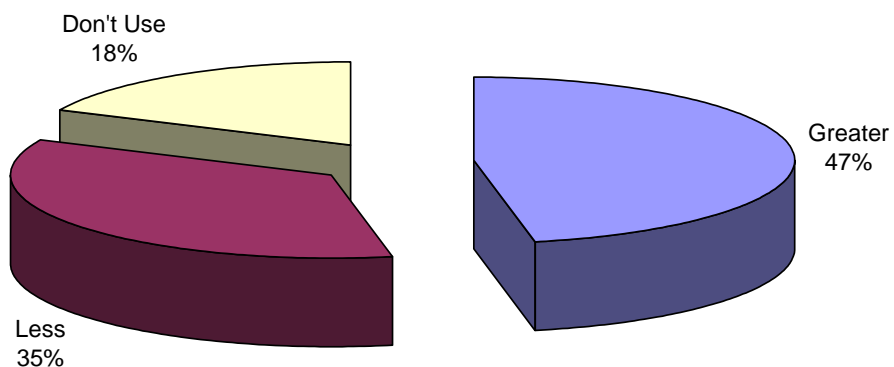
Hiring demand for permanent staff is stable compared to 12 months ago, but use of contractors will grow rapidly with 47% of respondents planning greater use of contract staff over the next 12 months (35% previously). Growth in the use of contractors in the telco/utilities sector is set to be particularly strong. This increase in demand will cause upward pressure on contractor rates.

Interestingly, whilst 31% of telco/utility organisations expect to reduce their IT staff numbers, nearly 80% plan to increase their use of contractors.

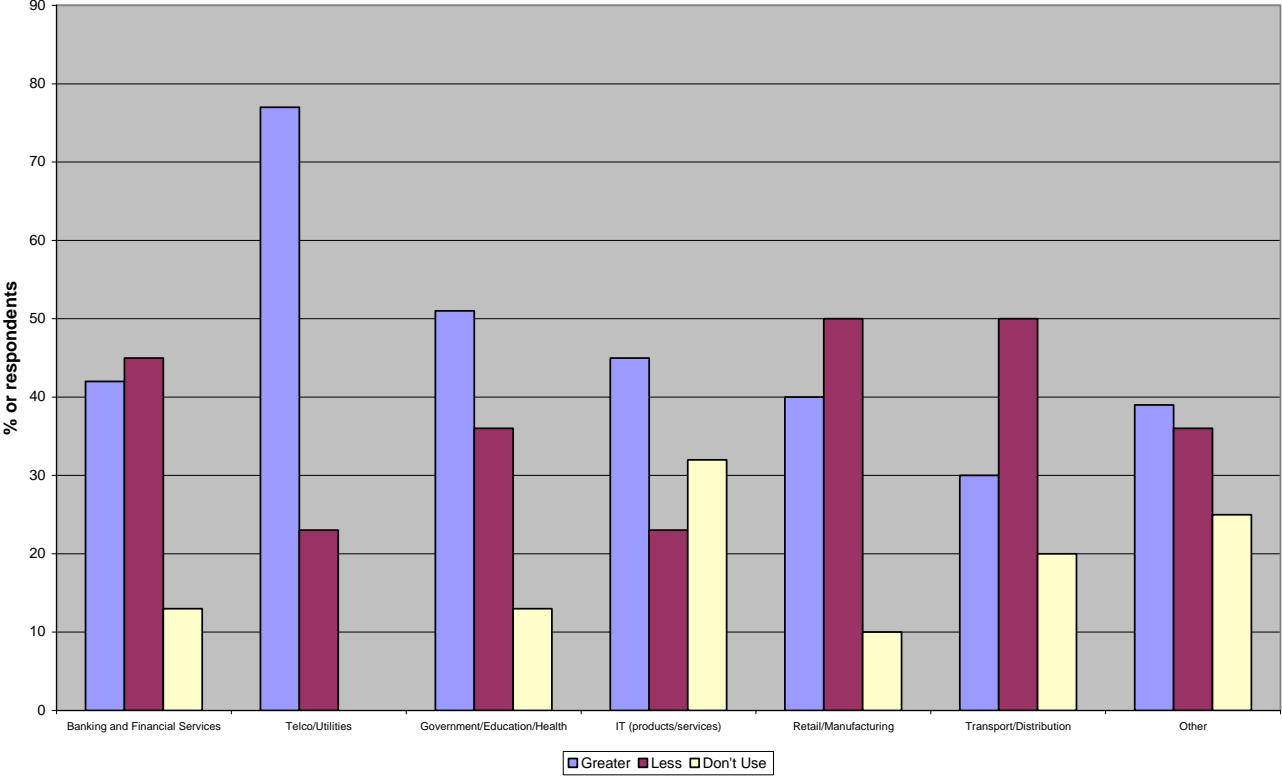
6.1 Do you expect to increase the number of your permanent IT staff over the next 12 months?



6.2 Over the next 12 months, do you expect your usage of IT Contractors will be greater or less than over the last 12 months?



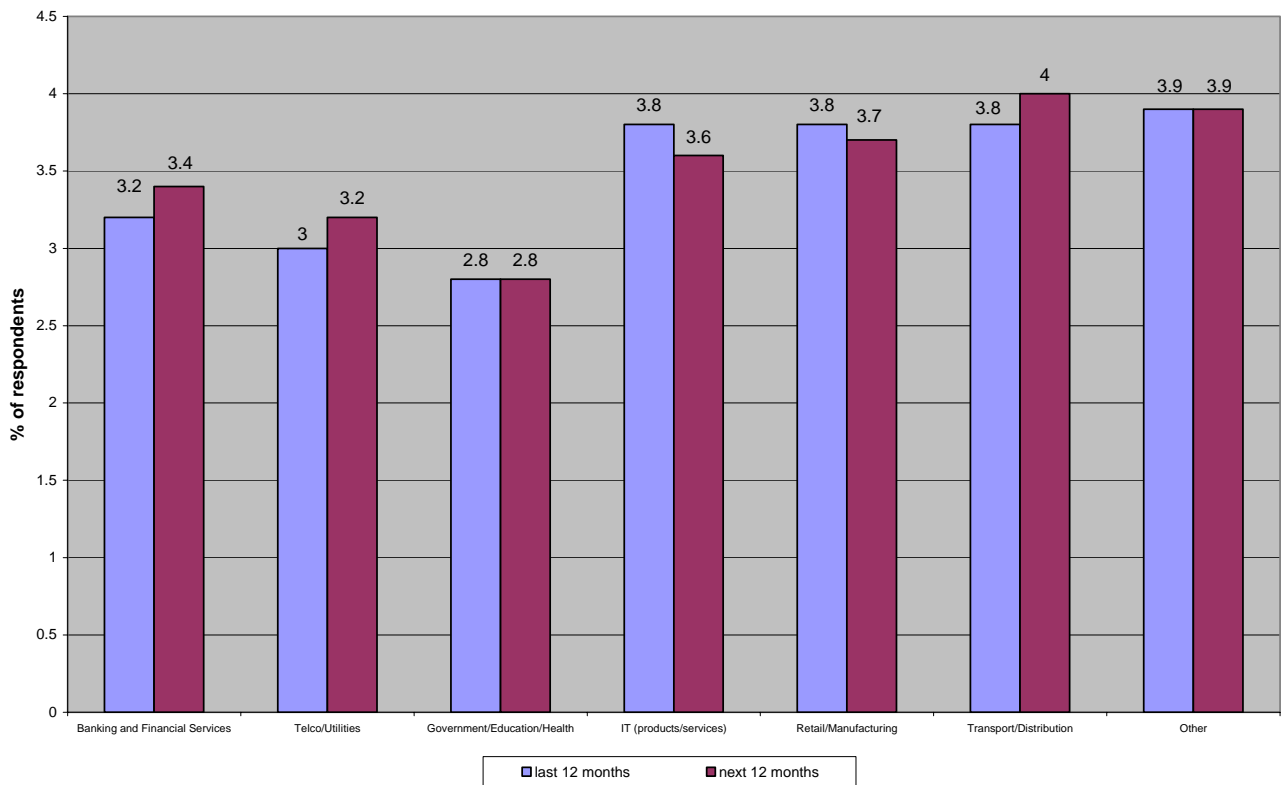
6.3 Over the next 12 months, do you expect your usage of IT Contractors will be greater or less than over the last 12 months?



7. Salary Policy

Overall, the average rate of salary increase is stable at 3.5 to 4.0%. Only 12.5% of respondents planned to increase salaries by more than 5%.

7.1 On average, at what percentage rate have your salaries for IT staff increased over the last 12 months and at what percentage rate do you expect salaries for IT staff to increase over the next 12 months? [by Industry sector]



8. Recruitment Activity and Approach

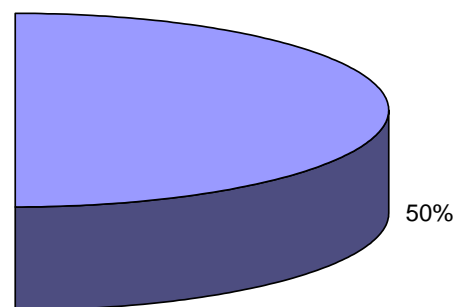
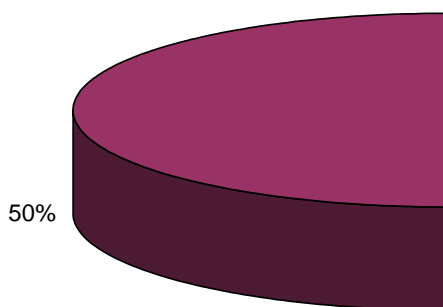
When it comes to an organisation's approach to recruitment, there are two broad approaches. There is either a focus on skills (often referred to as the "buy" approach) or a focus on attitude (referred to as "build"). Interestingly, of the nearly 300 respondents, there was an equal split.

As demand continues to grow, those organisations that have the training and professional development processes to support the build approach may have more success in attracting and retaining the best quality staff.

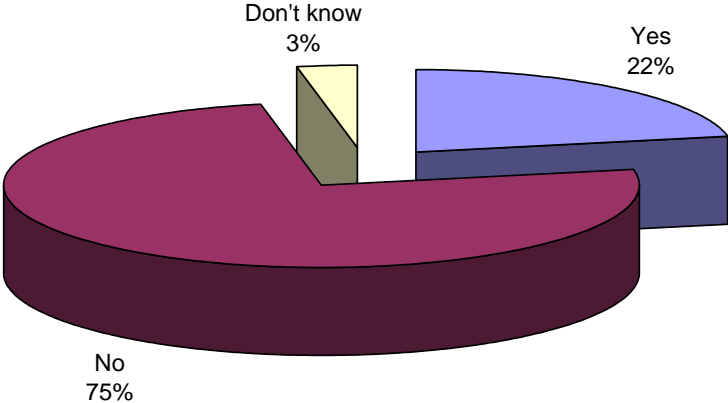
Aligned to this concept is an organisations commitment to graduate recruitment, the ultimate "build" strategy. Only 22% of respondents have a graduate recruitment program for IT staff and only 31% hired graduates over the last 12 months. Bearing in mind how well established tertiary IT courses have become, it seems that many organisations are missing out on this high quality labour pool.

8.1 Which statement most closely reflects your approach to recruitment?

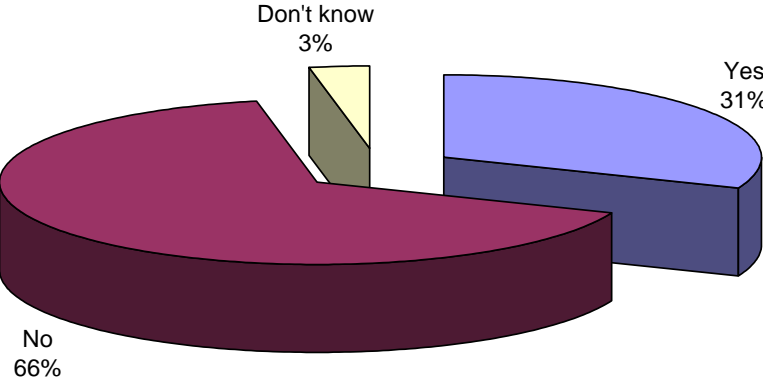
- With IT positions, the most important consideration is that the person has the skills to do the job.
- When recruiting IT people, I am happy if they don't have all the skills required, so long as they have the right attitude.



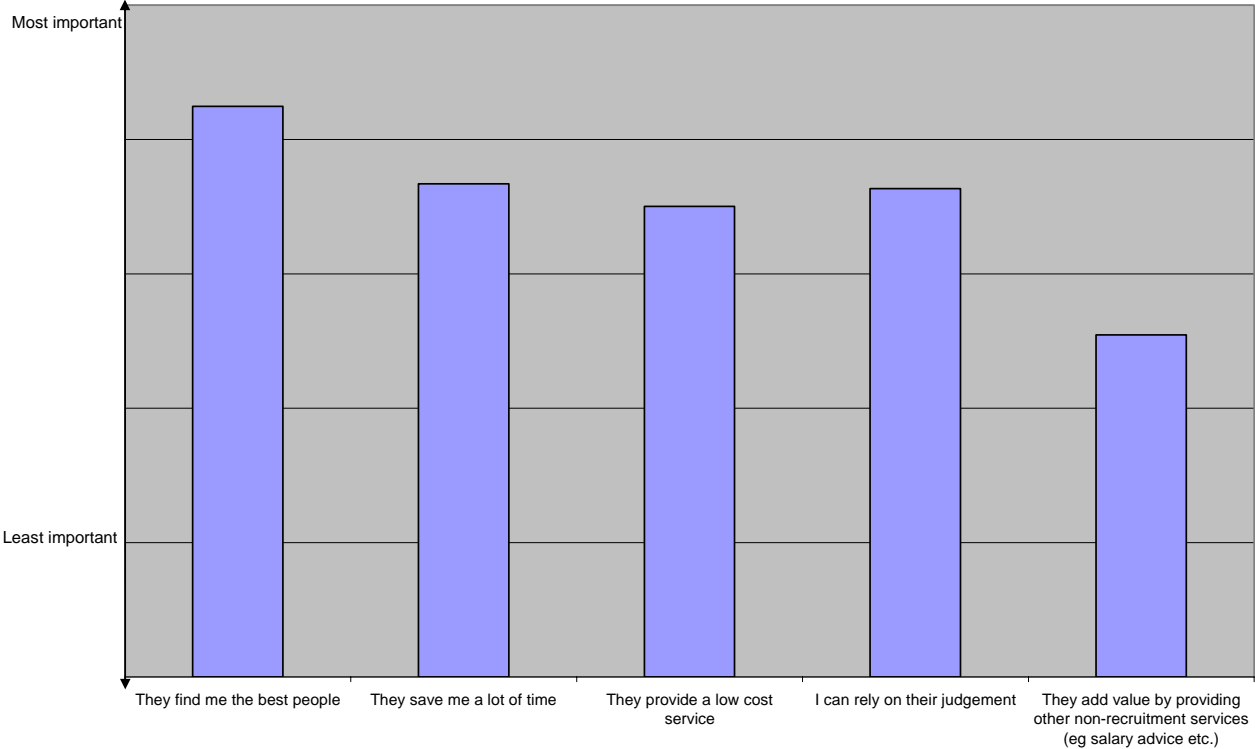
8.2 Do you have a graduate recruitment program for IT staff?



8.3 Have you hired IT graduates in the last 12 months?



8.4 What is most important to you in the service you receive from your recruitment partner?



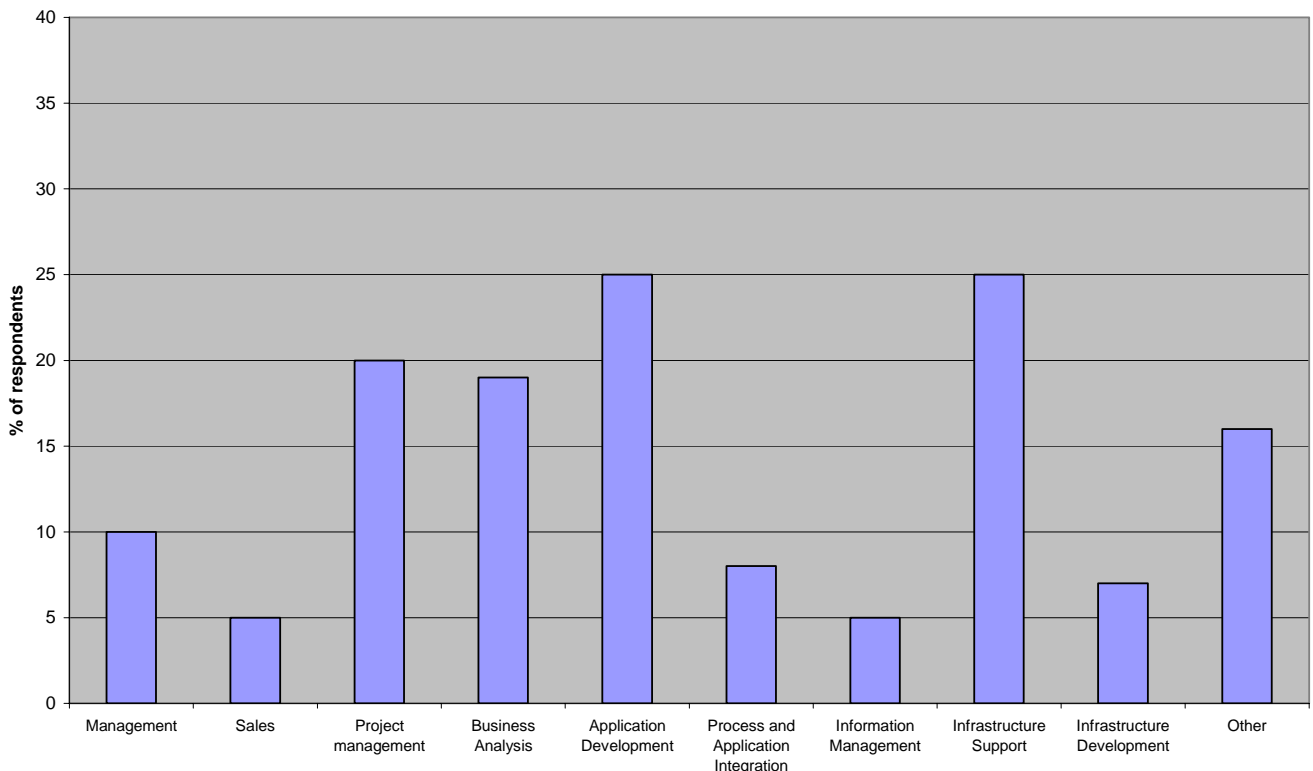
9. Skills in Demand

Generally speaking, the “skilled practitioner” in either infrastructure (systems engineers, networking specialists etc) or applications development (developers, architects) is more in demand than the “manager”.

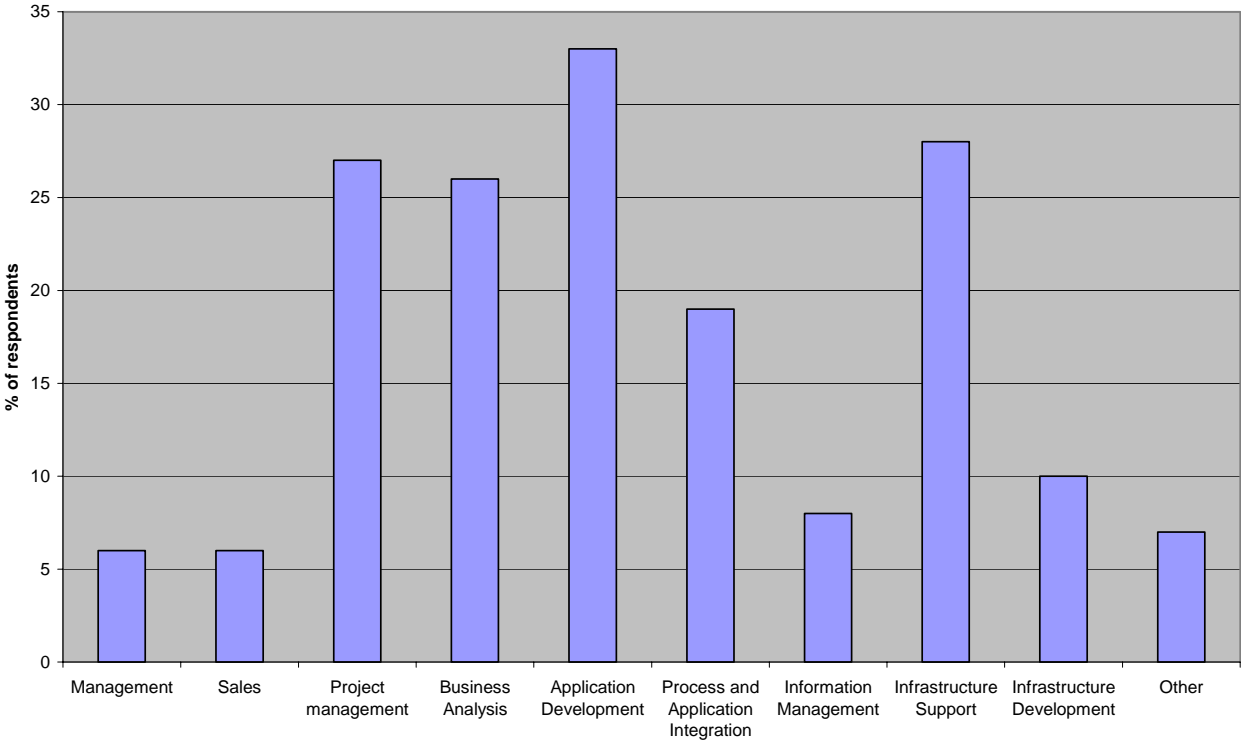
IT role types expected to be in greater demand in the next 12 months are Project Management, Business Analysis, Application Development and Infrastructure Support. This also suggests that the type of work planned for the next 12 months is based around improving technology through developing applications and improving infrastructure.

Unsurprisingly, the more specific/specialised the role, the greater the imbalance between demand and supply. IT will always have hot spots. As technology platforms rationalise and become more homogenous, these become more predictable and chronic in nature. Java and Microsoft development tools, Microsoft infrastructure platforms (Sharepoint, Active Directory etc), CISCO, SAP are well known to be in demand. Demand for ITIL Service Management knowledge is growing.

9.1 Over the last 12 months, which IT role type have you had the most difficulty in recruiting?



9.2 Forecasting demand for your organisation over the next 12 months, which IT role type do you expect to be in greatest demand?



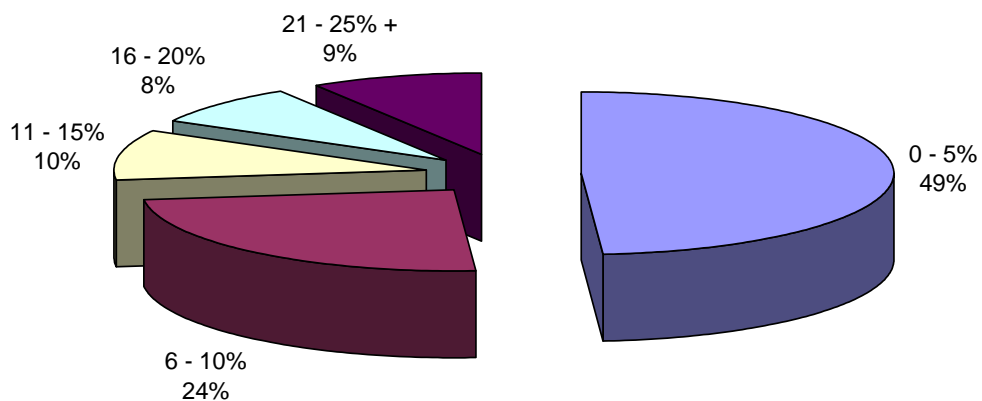
10. Retention Rates

Retention rates appear to be stable compared to 12 months ago. They were highest in the Banking and Financial Services sector.

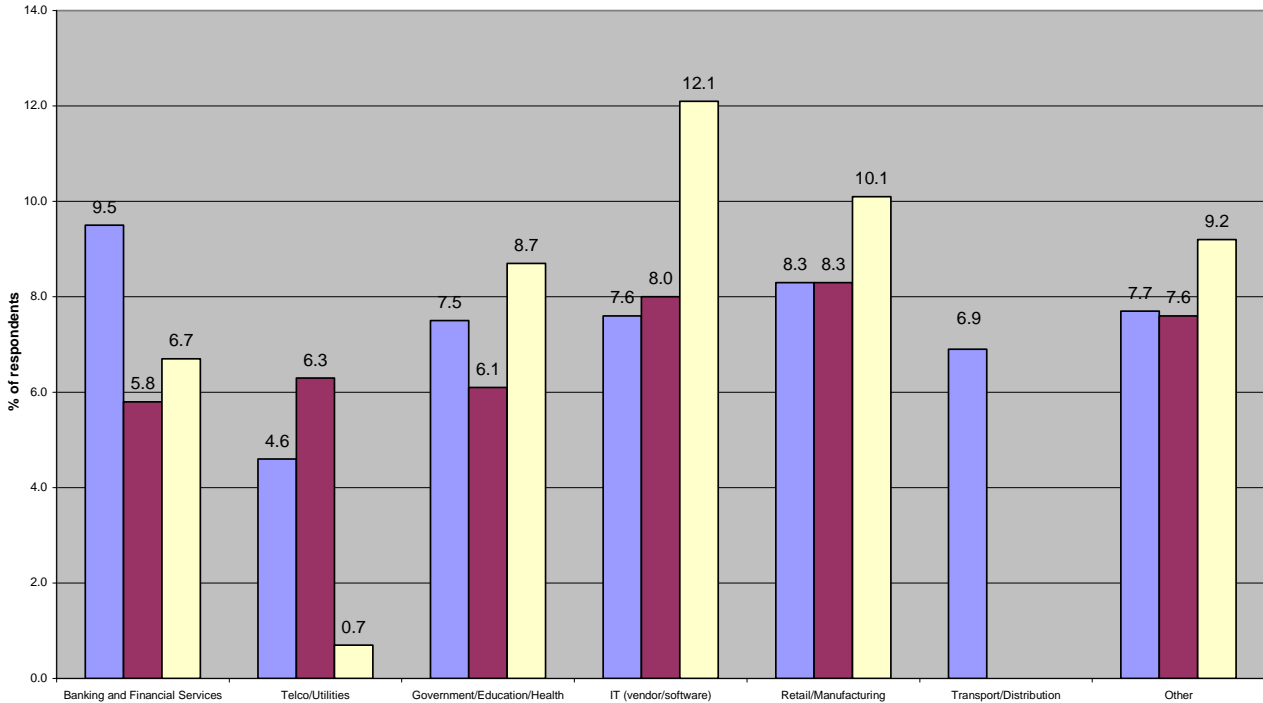
Of the staff that departed in the last 12 months, 23% left involuntarily (ie the employer made the decision to terminate employment) and 76% left voluntarily (ie the employee made the decision to terminate employment).

38% of respondents have had employment offers rejected over the last 12 months. In 55% of cases this was due to financial reasons (ie the candidate accepted a higher paying role).

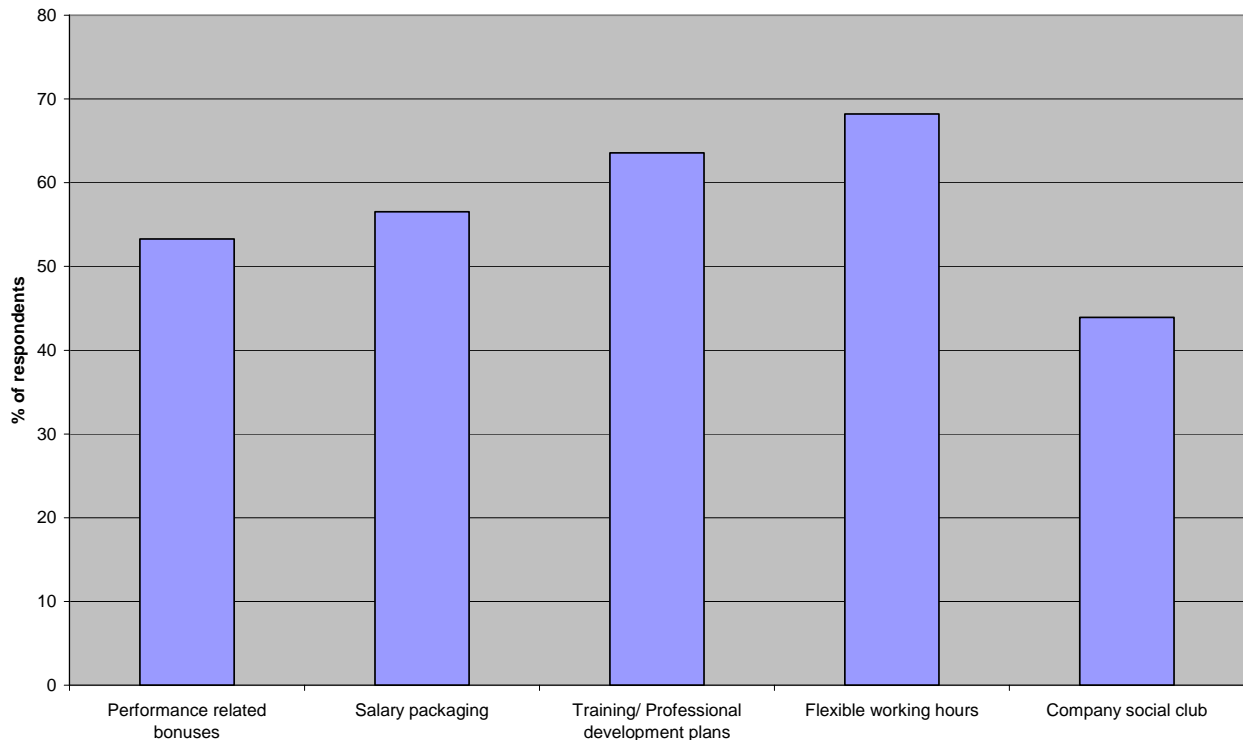
10.1 What has been the approximate % rate of your IT staff turnover over the last 12 months?



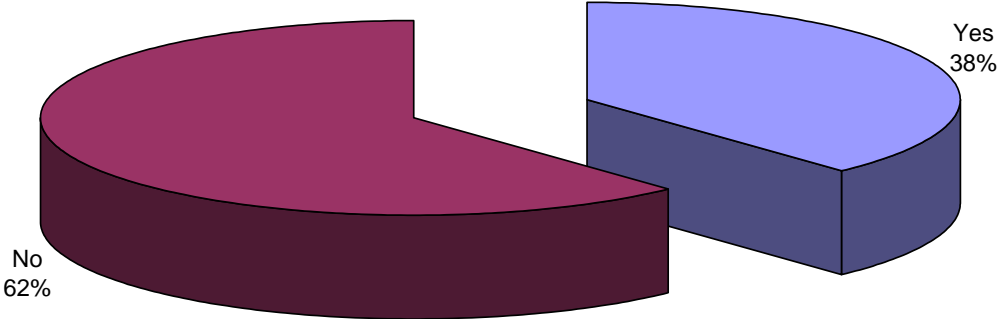
10.2 What has been the approximate % rate of your IT staff turnover over the last 12 months?



10.3 Which of these special initiatives does your organisation provide to improve your staff retention?



10.4 In the last 12 months, have you had employment offers to candidates rejected?

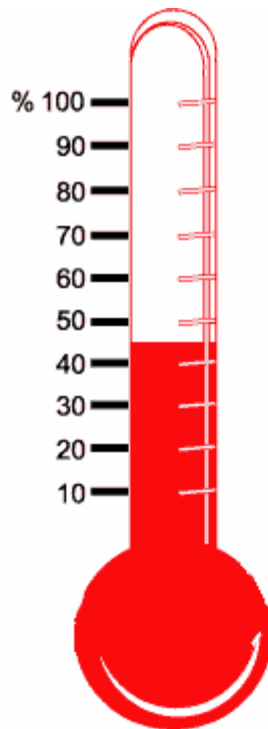


11. Health of the IT Industry

In order to assess the health of the IT industry, we asked respondents to indicate how strongly they agree or disagree with the following 5 statements, where a rating of 0 was strongly disagree and 5 was strongly agree:

- We can see that for the next 3 years demand for IT services and products will remain strong
- IT is meeting business demands and driving business improvement
- IT budgets are increasing as a % of company revenue
- The supply of IT talent is aligned to the demand for it
- The industry has a reputation for delivering value and results, on time and on budget

Converting the responses to a percentage, where 100% would mean a totally healthy industry and 0% would be totally unhealthy, our health rating for the IT industry is 45%.





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