

The Axiom Aftermath to Date
Questions & Lessons for All

The high-profile bankruptcy filing of a major payroll and workforce management company left a lot of client companies asking important questions. What about the welfare and well-being of the bankrupt company's contractors and consultants on assignment at their organizations? What about their paychecks?

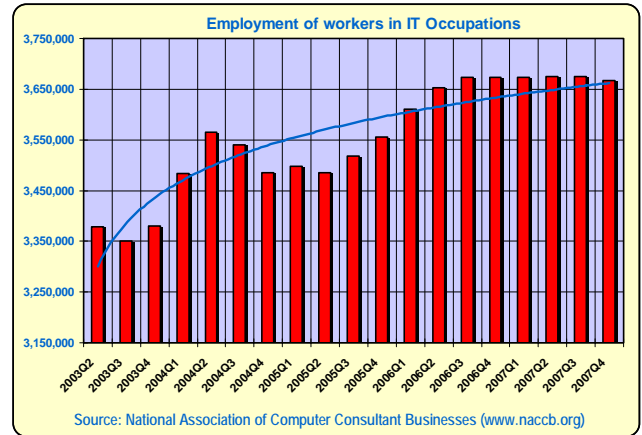
Axiom International, along with numerous subsidiaries that included one of the country's largest vendor management services (VMS) companies Ensemble Chimes Global (ECG), shuttered its doors without public warning in January. Its abrupt closure left hundreds of its own employees and thousands of contract workers in limbo regarding paychecks as well as annual W2 forms.

Axiom was one of a small number of payroll companies specializing in the entertainment industry. Defamer.com, a Hollywood-centric Web site, offered the following comparison: "Axiom: The Enron of the Payroll Services World?" Currently working its way through the legal system, the reasons behind Axiom's fall are all allegations and rumor at this point. That fact does little to help companies using ECG at the time and the thousands of workers it employed.

Corporate IT departments as well as many large businesses like to use VMS arrangements to purchase goods and services because it streamlines bidding and ordering processes. Put the requirements and specifications into the VMS system and then pre-approved vendors offer their goods and services back to the business.

VMS can work well for some goods and services, although the tendency for a computerized or automated system is to homogenize the process so much that it can be difficult for businesses to identify quality services for unique needs. VMS and MS (managed services) arrangements are rarely able to take into account the distinctive IT staffing process that involves an in-depth understanding of the requirements of an assignment. In some instances, the VMS can become an impediment by blocking access between the actual provider of the good or service and the business/customer.

How will Axiom's fall affect VMS usage among businesses and IT departments? Much depends on how the mess is cleaned up and how smoothly and quickly staffing and payroll issues are managed.



Demand for IT Jobs Remains High
Salaries Expected to Rise

Although the debate as to whether the U.S. economy has or will slip into a recession continues, there is widespread agreement that the economy is struggling due to slowing housing and credit sectors. So here's the question: How will a slowdown impact IT jobs? Apparently, very little.

The general consensus is that IT spending for hardware and software will slow in 2008, but not stop. If the slowdown is brief, which many expect, it won't be long enough or deep enough to push IT spending down dramatically.

"IT spending will slow, but not go into the negative," says Andrew Bartels, an analyst with Forrester Research who shared the research company's predictions in the December *eWEEK.com* story titled "Economic Slowdown Should Not Hurt IT Jobs, Salaries."

And with demand for IT professionals high, as evidenced by the low unemployment rate for most IT occupations, CIOs are not expected to lessen their headcounts for fear those IT professionals may not be available when the pace of activity starts to grow again. Actually, some CIOs may see this lull as a prime opportunity to pick up talented IT professionals.

In a survey for *CIO Insight*, half of the respondents at mid-market firms (revenues of less than \$500 million) said it was "likely or very likely" that entry-level IT salaries will rise by 25% or more in 2008 because of the shortage of graduates with computer science and IS degrees. IT staffing levels are expected to remain the same or increase.

More Skills, More Work

People working in IT and computer-related occupations continued to be in high demand as evidenced by low unemployment rates. The unemployment rate was significantly lower for managerial IT and technology occupations requiring high levels of skills, such as network/computer systems administrators and analysts as well as computer and information systems managers.

Occupation	4Q2007 Unemployment rate
Computer and information systems managers	1.6
Computer hardware engineers	1.5
Computer, automated teller and office machine repairers	3.1
Computer programmers	1.4
Computer scientists and systems analysts	3.1
Computer software engineers	2.0
Network and computer systems administrators	3.9
Network systems and data communications analysts	1.0
<i>Source: unpublished tabulations of Current Population Survey data furnished by the U.S. Bureau of Labor Statistics.</i>	

Some interesting developments emerged for workers in the manufacturing side of the IT/high-tech industry. Although workers in the computer and peripheral equipment sector saw their *hourly* wages decline slightly (down 0.2%) in November 2007 from a year earlier, their weekly wages actually grew (up 11.7%) Why? Because their employers increased their hours by 11.9%. If this is a sign of increased demand for equipment, then there could be an increased demand for related IT services to come.

That increase in hours was actually a reverse of the trend for all private sector employees who—although they saw their *hourly* wages grow by 3.8%—saw their *weekly* wages grow at a slower pace of 3.5%. This is the result of a decrease in the total number of hours worked per week.

Ostensibly because of the law of high demand and low supply, wage increases in most IT and high-tech related service sectors were greater than for all workers in the private sector. Workers in computer systems design services were receiving 8.7% higher weekly earnings, while those in custom computer programming services were up 7.9%.

Global IT Budgets Increasing, CIO Role Expanding

Regardless of an economic slowdown, or perhaps because of it, the importance of the CIO will be expanding as IT budgets worldwide increase an average of 3.3% in 2008, up slightly from 2007. According to the Gartner EXP CIO report *Making the Difference: The 2008 CIO Agenda*, 85% of CIOs expect significant change in the years ahead. The survey was taken by 1,500 CIOs, who represent more than \$132 billion of IT spending. These CIOs recognize "the importance of IT in 'making the difference' by changing business processes, attracting customers and developing new products and services," said the Head of Research and Group Vice President of Gartner EXP, Mark McDonald.

In the survey, staffing was one CIO challenge specifically addressed. The survey found that only 27% said that their current staffing levels are adequate enough to meet business needs. Gartner's McDonald does not expect the issue to be resolved soon because only half of the CIOs said that building IT skills was one of their top five priorities for 2008.

The survey found that Web 2.0 technologies, such as social networking, will play a growing role in the way companies communicate with and gather information about their customers and the market.

"CIOs see business expectations of IT taking a big leap in 2008, and CIOs are now expected to deliver the solutions that make the enterprise different in a way that matters to company performance and customer satisfaction," McDonald said.

Business priorities	Ranking	Technology priorities
Business process improvement	1	Business intelligence applications
Attracting and retaining new customers	2	Enterprise applications (ERP, CRM and others)
Creating new products and services (innovation)	3	Servers and storage technologies
Expanding into new markets or geographies	4	Legacy modernization, upgrade or enhancement
Reducing enterprise costs	5	Technical infrastructure

Source: Gartner EXP (January 2008)