

# IT SERVICES UPDATE

Industry Trends, Research and Developments



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## CONSULTIS®

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### Fed Chief Cites IT and Flexible Labor Key to Economic Growth

In a commencement address at MIT in early June 2006, Federal Reserve Board Chairman Ben Bernanke credited the productivity surge of the late 1990s to two factors – “advances in information and communication technologies” as well as the flexibility of U.S. labor practices. Productivity, in turn, drives economic growth.

Although the same technological advances were available to European markets, U.S. productivity has out performed many other countries. He gives credit to the flexibility of U.S. labor practices that the U.S. is able “to realize greater economic benefits from the new technologies.” One reason that European countries have not experienced similar productivity gains as the United States is because “regulations that raise the costs of hiring and firing workers and that reduce employers’ ability to change work assignments – like those in a number of European countries, for example – may make such changes more difficult to achieve.”

While not using the term, he gives what is an effective endorsement of the IT supplemental staffing model. According to the Fed Chairman, “taking full advantage of new information and communication technologies may require extensive reorganization of work practices, reassignment and retraining of workers, and ultimately some reallocation of labor among firms and industries.”

### Telecommuting Poses IT Challenges

With rising gas prices and the threat of a flu pandemic, companies are reexamining the use of telecommuting for their employees. While a potential solution to a number of workforce issues, telecommuting has its own host of challenges. In addition to security concerns, employers must figure out how to efficiently load software, train workers and troubleshoot remote workers and equipment. These activities increase the burden on already busy IT departments.

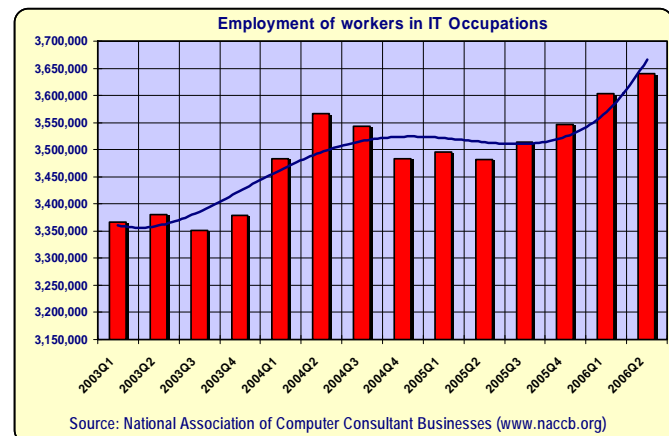
### Outsourcing of IT: A Statistical Overview

According to CIO Magazine, 32% of CIOs plan to increase their use of outsourcing, slightly more than half (54%) will maintain their current levels of outsourcing with only 13% reporting a planned decrease. In terms of the location of outsourcing arrangements, 57% plan to have their work performed in the U.S., 18% in India, 8% in Canada, and 3% in China.

As for the types of activities the CIOs plan to outsource, 76% of them will be using outsourcing for application development, maintenance or support services followed by web, data or application hosting.

Source: CIO Magazine; [www.cio.com/state](http://www.cio.com/state)

### IT Employment Index



## Unemployment Near “Zero” in Some IT Skillsets

Not surprisingly, in the first quarter of 2006, the unemployment rate for many IT occupations remained well below the 4.7% national average (see table, below). In many skillsets, the unemployment rate is at a level well below what economists would term “full employment.”

Occupation	1Q2006 Unemployment rate
Computer hardware engineers	2.0
Computer and information systems managers	2.3
Computer programmers	3.1
Computer scientists and systems analysts	2.2
Computer software engineers	2.3
Computer support specialists	3.6
Database administrators	1.3
Network and computer systems administrators	1.3
Network systems and data communications analysts	2.9

*Source: Unpublished tabulations of Current Population Survey data furnished by the U.S. Bureau of Labor Statistics.*

## CIOs Bullish on Continued Demand for IT Labor

In *CIO Magazine’s* annual survey, CIOs report increasing IT staff in 2006. The survey results of 500 CIOs is consistent with other recent reports including the NACCB’s IT Employment Index. In the survey, CIOs reported that the primary driver for increasing IT staff is the desire to improve business processes in a number of functional areas including accounting and finance (77%), customer service and support (70%), and human resources (59%).

The report was bullish about future demand for IT workers. According to the survey report, more than half (55%) of the CIOs surveyed plan to add staff by an average of 11%; 36% will keep staffing at current levels; and only 9% plan to decrease IT staff. The CIO survey results are the most optimistic report of employment prospects for IT workers since 2001.

## Best Practices in Vendor Management: A Client’s Perspective

As demand for IT talent heats up, hiring managers are under increasing pressure to meet the hiring needs of their organizations.

In response to the challenge of a tightening supply of IT labor, many companies will put out a job requisition to a 100 different suppliers thinking that casting a wide net will get them the best possible candidate. To the contrary, this approach is counter-productive to obtaining good results. According to Cynthia Goss, Team Leader/Alternative Workforce for Chicago-based TransUnion, companies that take this approach discover that their hiring managers are overwhelmed with resumes from suppliers “throwing names over the fence.”

“What I find amazing is that when I talk with vendor managers [at other companies], they believe every one of their suppliers is giving 100% to every one of their jobs,” said Goss. Goss offers some suggestions on how to obtain quality candidates at fair rate:

- Provide feedback on the resumes you receive;
- Provide sufficient detail in the job order’s candidate description – “A java developer” just isn’t enough information;
- Hold conference calls on all job orders so the potential supplier can hear the job described and gain additional insight into the criteria of the hiring manager.
- Don’t just blast your requirements out to the entire supplier community. Suppliers that have a realistic opportunity to be successful will have an incentive to give priority to your requirements.

To foster the exchange of best practices, Goss started VMS Professionals, a grassroots organization composed of corporate vendor managers. For additional information on the organization, go to their website at [www.vmsprofessionals.com](http://www.vmsprofessionals.com)

## Wages for IT Workers Rise

With strong demand for IT talent, the growth in wage rates in many IT skillsets well outstripped the rate of wage growth in the general workforce. According to the U.S. Bureau of Labor Statistics, year-over-year wage growth (comparing March 2006 to March 2005) for all private sector workers was 3.5%, while IT workers in the ISP and web search portal sector experienced an 11.2% rise in hourly wages over the same period. Similarly, wages for workers in computer systems design services and custom computer programming services were up 6.9% and 3.9%, respectively.

*Sources: U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)); NACCB*