

# IT SERVICES UPDATE

Industry Trends, Research and Developments



Spring 2006 Issue

## CONSULTIS®

INFORMATION TECHNOLOGY  
FINANCE & ACCOUNTING

NACCB  
National Association  
of Computer Consultant Businesses

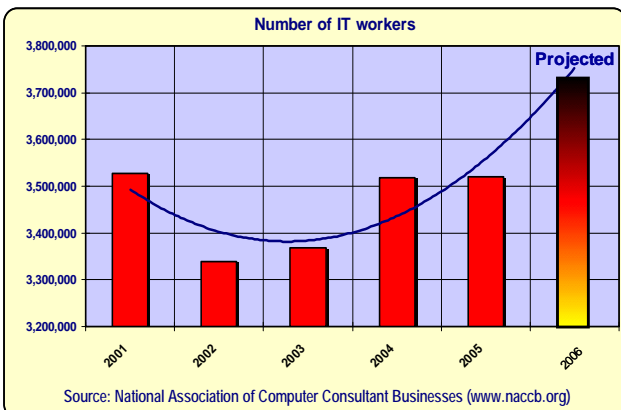
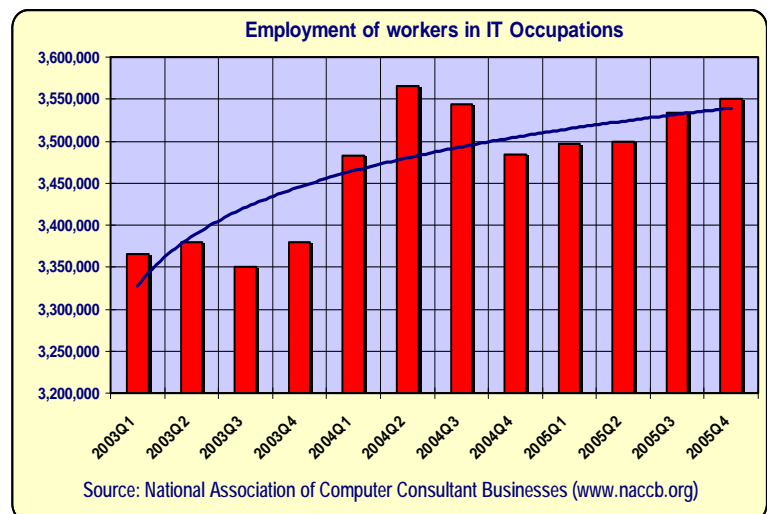
### IT Employment Returns to Pre-Recession Levels

Employment of information technology (IT) workers returned to pre-recession levels. According to the National Association of Computer Consultant Businesses (NACCB), national IT employment climbed to more than 3.5 million in 2005, returning to levels that existed in 2001.

In light of the downward pressure on IT employment following Y2K, the bursting of the tech bubble, the 9/11 terrorist attacks and the 2001 recession, the return of IT employment to pre-recession levels reflects a strong recovery in the IT sector.

While the economy began to improve toward the end of 2001, IT employment continued to fall. With the growth of IT employment picking up in 2004 and showing strength in 2005, IT employment is expected to remain robust. Based on current trend-line projections, employment of IT professionals is expected to increase between 5% to 10% in 2006.

### IT Employment Index



### IT Professionals in Many Skillsets Expected to be in High Demand

Consistent with the favorable IT employment data, IT staffing firms are reporting strong demand for IT professionals in many skillsets. In many cases, IT staffing firms are providing consultants for longer term IT projects—auguring well for consultants in skillsets through-out the software development life cycle.

In early 2006, the call for IT project managers is up sharply. Demand is expected to also remain strong for other skillsets including systems designers, systems analysts, database administrators, IT professionals responsible for quality assurance and testing, as well as technical writers and trainers.

## Unemployment Virtually "Zero" Among IT Professionals in High Demand Skillsets

Are you having difficulty finding IT professionals in certain skillsets? If so, you are not alone. While unemployment is extremely low within IT generally, unemployment in some high demand skillset is virtually zero. According to the U.S. Bureau of Labor Statistics, the unemployment rate for computer and information systems managers is only 1.2%--reflecting an effective unemployment rate of near zero. With growth in demand expected to continue, companies should expect shortages and increasing wage rates in many IT skillsets.

Occupation	3Q2005 Unemployment rate
Computer hardware engineers	1.4
Computer and information systems managers	1.2
Computer programmers	1.6
Computer scientists and systems analysts	2.2
Computer software engineers	2.0
Computer support specialists	2.8
Database administrators	3.2
Network and computer systems administrators	3.4
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.*

## Strong Demand Pushes Up Pay Rates for IT Professionals

Consistent with the maxim that increased demand for labor will result in increased wage rates in a market economy, pay rates for many IT professionals are on the rise. According to the U.S. Bureau of Labor Statistics, pay for workers in the occupations classified as computer systems design and related services sector rose almost 4.7% in December 2005, compared with wage rates from a year earlier. For some of the high demand skillsets, the wage rate increases were even greater. Wages rose nearly 5.3% for IT professionals in custom computer programming. In general, private sector employees saw only a 3.1% increase over the same time period.

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

## CIO Survey Yields Interesting Findings

Among CIOs responding to a recent survey on leadership issues conducted by CIO Insight Magazine, 21% reported favoring a "logical" leadership style, 15% favored an "inspirational" leadership style while more than half felt that no one leadership style made for a more effective CIO. Among IT managers and other IT professionals who responded to the same survey questions in late 2005, 31% favored a "logical" leadership style, 13% favored an "inspirational" leadership style while 41% felt that no one leadership style made for a more effective leader.

On a completely different topic, the survey addressed the issue of succession planning within IT organizations. Of the CIOs and other senior level IT executives responding, only 22% had a succession plan in place for the CIO position, 28% had a succession plan in place for other senior IT executive positions, and 43% admitted that they did not have a succession plan for any position within the IT organization.

And what do the CIOs think of their bosses? While nearly 38% said that they would "go through fire and water for my boss," 7% said, "my boss is a real danger to the company"---anonymously of course.

[www.cioinsight.com/article2/0,1540,1913759,00.asp](http://www.cioinsight.com/article2/0,1540,1913759,00.asp)

## Looming Labor Shortage and Infrastructure Limitations may Hinder India's Rate of Growth in Outsourcing

While there has been much discussion regarding both the opportunities and challenges confronting the U.S. IT services industry in light of the growth of offshore outsourcing, some of the countries benefiting from this trend are expected confront their own set of challenges. According to a recent report published by NASSCOM, the Indian IT trade association, in conjunction with business consultancy McKinsey & Company, by 2010, India may have 500,000 fewer IT professionals than it needs to meet demand. A McKinsey partner stated "...the skills and quality of the workforce need to be improved, since only 25 per cent of technical graduates and 10-15 per cent of general college graduates are suitable for employment in the off-shore IT and BPO industries respectively."

The looming labor shortage coupled with insufficient infrastructure to support the torrid growth rate may threaten the country's global dominance in off-shore outsourcing of services. Given that the IT services and BPO industries have helped fuel the Indian economic engine, a slow down in the rate of growth in these industries could have a significant impact on the overall Indian economy.