

NEWSFACTOR SPECIAL REPORT:

By Masha Zager
www.NewsFactor.com,
Part of the NewsFactor Network
October 21, 2002

Smaller companies often want to hire generalists -- "a Jack or Jill of All trades," as Challenger put it -- while offering specialists only short-term contract employment.

Although two recent studies show that the number of IT layoffs has been dropping, hiring remains slow, and salaries in many areas have taken a beating. Still, some skills are in high demand, and job seekers should focus on them to increase their chances in a tough market.

The first study, conducted by outplacement firm Challenger, Gray & Christmas, showed that job cuts in the high-tech sector fell 31 percent to 91,000 in the third quarter of 2002. Telecommunications jobs accounted for nearly two-thirds of tech-sector layoffs this year, while the remaining third occurred in the electronics, computer and e-commerce industries.

The second, a survey by the Information Technology Association of America (ITAA), looked at IT layoffs and hiring in all companies, not just the high-tech sector. (More than 90 percent of IT workers are employed by non-IT firms, according to ITAA.) This study found that the number of IT layoffs dropped from 218,000 per month in calendar year 2001 to 116,000 per month from June 2001 to June 2002.

HIRING AND SALARIES STALLED

But it is probably too early to celebrate, according to John Challenger, CEO of Challenger, Gray & Christmas, who told NewsFactor that several high-tech indicators have not yet shown much promise. Supporting that contention, the ITAA report noted that companies are doing less hiring as well as less firing. New hires fell from 2.1 million in calendar year 2001 to 1.6 million for the year ending June 2002.

With the falloff in demand for IT workers, salaries have either stalled or shrunk. Diane Morello, vice president and research director at Gartner, told NewsFactor that many employees are no longer receiving performance increases or bonuses, and that companies are hiring at the midpoint of salary ranges rather than at the high end.

Allan Hoffman, tech jobs expert at Monster.com, agreed, saying that there appears to have been a reduction in salaries across "a whole spectrum of the IT landscape," and that new hires' salaries are lower than laid-off workers' salaries were.

HIGH-TECH SECTOR HARDEST HIT

The ITAA report found that "IT companies continue to be buffeted by unfavorable economic conditions, and IT job prospects are more favorable outside of the IT industry."

In a similar vein, John Challenger said, "The falloff is in the tech industries and in centers like San Francisco. In IT departments in companies, there probably isn't much of a falloff; they just aren't hiring as much as they were."

Hoffman told NewsFactor that on average, salaries seem to have dropped more at smaller and mid-size businesses than at large companies. Gartner's Morello noted that salaries have held up somewhat better in the financial services industry, since those businesses are so IT-centered. But even there, she added, "we haven't seen aggressive pay packages. More companies are becoming conservative; more companies are putting a cap on how high they are willing to go."

SKILLS IN DEMAND

Certain Web skills that were in great demand during the late 1990s are going begging today. But according to the ITAA report, C++ and Java programmers, Oracle (Nasdaq: ORCL) database administrators and SQL developers are still in demand. Web services, network management, help desk skills and security management are also bright spots. Hoffman warned, however, that "not many skills can be called hot, even security. That time is behind us."

With so many qualified professionals to choose among, many companies hiring IT workers are seeking qualities beyond specific technical skills. Smaller companies often want to hire generalists -- "a Jack or Jill of all trades," as Challenger put it -- while offering specialists only short-term contract employment.

Other companies are rewarding employees who have soft skills -- "the ones who fit into the company culture, are good communicators, can handle client presentations and speak to users," Hoffman said.

Morello cited a survey Gartner conducted earlier this year that showed more companies are seeking business management and technical management skills. "It's not about hands-on coding but about managing the technical environment," she said, adding that other qualities, such as experience and intuition, are being taken into account along with skills.

NO ROSY PROSPECTS

The employment picture seems unlikely to change soon. Morello, who has interviewed many companies about their IT plans, said "no one is asking about recruitment or even retention." Even when the economy recovers, IT employment and salaries are unlikely to reach levels seen between 1997 and 2000.

Many companies have discovered in the last few years that they can outsource development projects to offshore vendors, and this trend will probably intensify. "Programmers have been Napsterized," Challenger noted.

And Morello pointed out that companies that want to make large-scale changes in their IT organizations will not do it by hiring new workers with the skills needed. First they will try to upgrade the skills of their existing staff. Failing that, they will outsource their development offshore.