

# 2004 Hiring Trends

## Return to the Talent Wars of the 1990s

Presented by JDA Professional Services, Inc.

**JDA Professional Services, Inc, a full-service IT staffing firm, is an industry leader that's seen numerous business and technology cycles in its 20 plus year history. JDA's president and CEO James Del Monte is a frequent contributor to industry publications and frequently speaks at industry events. JDA's latest research finds that the skilled labor supply and demand curves are changing again and soon it will be another candidate-driven job market.**

### Employment Climate Turns Around

With the recent labor surplus, it's easy to imagine that the problems employers faced in the 1990s of finding and keeping good workers is a thing of the past, but new signs point to a return to the talent wars of the late 1990s. After a three-year slump, the U.S. economy is set for a strong recovery. GDP and productivity are rising at their fastest rate in years. The U.S. Bureau of Labor Statistics projects that the country's GDP will continue to expand over the next several years, while productivity will continue to improve and inflation will remain stable.<sup>1</sup> These factors point to the next skilled labor shortage.

### National Employment Outlook

The *Wall Street Journal* reports that the overall employment outlook across the nation is optimistic, with confidence at a three-year high.<sup>2</sup> Three out of four CEOs believe that overall economic conditions have improved over last year, with the current economic situation supporting the expansion of their businesses. Nine in ten U.S. employers plan to hire new workers or retain their existing staff this year. 60 percent of U.S. companies plan to increase the number of workers on their payroll and about half plan to increase wages during the next 12 months.

### Local Employment Outlook

Locally, employers are equally optimistic. According to the *Houston Business Journal*, 90 percent of Houston companies plan to maintain or increase their headcounts, 82 percent plan to maintain or increase capital spending, 95 percent expect their sales to increase and 86 percent predict increased profits for this quarter.<sup>3</sup>

### Technology Hiring

Executives in the technology industry are upbeat about future hiring as companies start to invest in technology again. Profits are up and plans are in the works to start new projects or return to old projects that were placed on hold during more uncertain times. Merrill Lynch reported a more than 50 percent increase in operating profits this year over last year in the 46 large technology firms that they track.<sup>4</sup> Companies across the different technology sectors are all rebounding at the same time. Hardware manufacturers, computer systems design companies and dotcoms have all added jobs this year.

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Small and medium-sized companies will hire even more new technology workers than large companies. Many new tech jobs will come from small to mid-sized companies. Venture capital needed to support these companies is abundant. According to Dow Jones Venturewire, venture capital firms have increased their activities by 29 percent this year, creating thousands of new jobs.<sup>5</sup>

James Del Monte, president and CEO of JDA Professional Services, Inc and a 25-year veteran of the IT staffing industry says, “We’re seeing the strongest activity levels since 2001. The signs point to another candidate-driven job market. We’re already seeing that the best candidates have multiple offers. It’s beginning to feel like *déjà vu* to 1997 all over again.”

### Offshoring

The “offshoring” trend, where companies outsource IT projects overseas to reduce labor costs, so far appears to be a double-edged sword. Although many companies have replaced commodity workers such as call center representatives and software developers with inexpensive overseas labor, new “value-added” positions have been created in the U.S.

Many companies have successfully leveraged the offshore trend to reduce costs, increase productivity and grow their businesses. This new business model has created domestic opportunities in more strategic areas such as project management, design architecture, business intelligence, business processes engineering, systems integration and security.

A recent study commissioned by the Information Technology Association of America found that companies sending computer systems work overseas actually boosted U.S. employment by 90,000 across the economy in 2003 and they expect that figure to rise to 317,367 by 2008.<sup>6</sup> The Labor Department reported that in spite of job losses, overall the US economy added 595,000 new jobs in the first quarter of this year.<sup>7</sup>

### JDA’s Staff Busy as Demand Increases

JDA account managers and recruiters have been very busy in recent months with a 600 percent increase in new jobs and hiring activity since September of last year. Clients are calling in with multiple jobs instead of one-off staffing needs. We’re exceeding all of our internal projections and we’re adding additional staff in anticipation of our clients’ future needs.

Phil Odom, an account manager with JDA, another 25-year veteran of the staffing industry, says that he saw a definite change starting in October of last year when activity really picked up. He calls today’s market “the silent market” because so many companies are calling in confidential jobs. Companies want to upgrade their talent without mass advertising. This reflects not a labor surplus in the market but rather a skills shortage. Today, companies want not only technical skills, but a strong functional background, business knowledge, plus the right personality fit.

John Barth, another JDA account manager with seven years experience in the IT staffing industry adds that “new government policies such as Sarbanes-Oxley, the Patriot Act and HIPAA are also helping to drive the IT labor market into another upswing.” In order for companies to meet the

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looming deadlines imposed in these new regulatory acts, their need for IT audit, risk, compliance and security resources will far exceed available workers with these skills.

## IT Workers on the Move

In the last few years, companies have successfully used productivity gains to produce more with fewer workers, but their existing work force has been stretched about as far as they can go. Soon technology companies across the board will add new workers.

On the other side of the coin, the uncertainty of the economy prompted many workers to trade job security for better opportunities. Now that

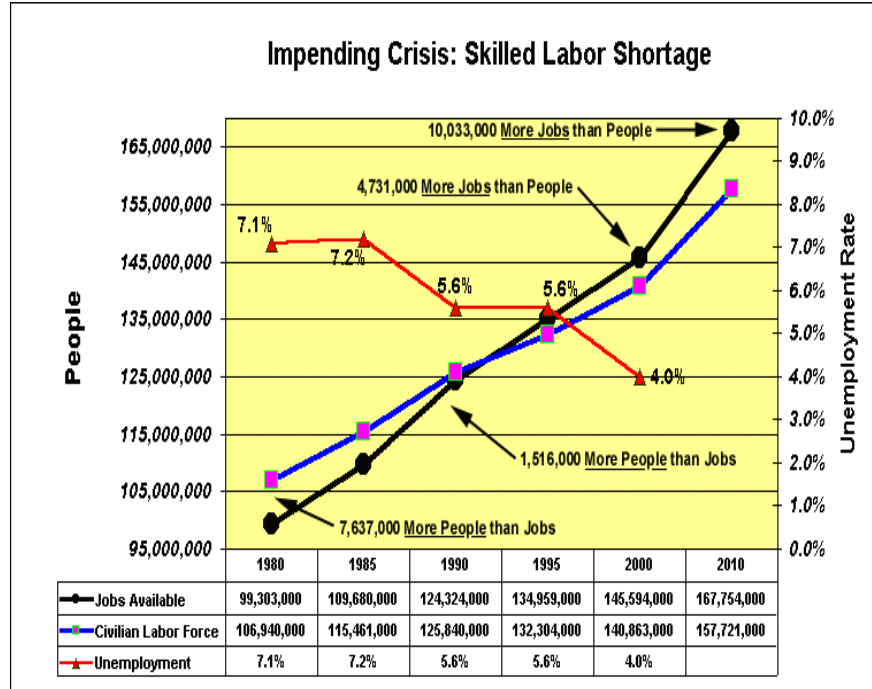
business is picking up again, there's a pent-up demand among workers to want to explore the job market. As companies compete for top talent, they will start to experience higher levels of turn-over. This environment will produce massive churns in the labor market, which few companies are prepared for. When the skilled labor supply and demand curves reverse, the 1990s may feel like it was just a warm-up session.

JDA's survey of Houston IT professionals found that 75 percent of the staff-level associates polled from our database are either actively or passively searching for a new position. 35 percent of managers would make a move for the right opportunity. The most significant trend that we've seen is in the numbers of gainfully employed workers passively seeking new positions.

## Summary

Through the uncertain times of the most recent economic downturn, many IT workers remained ambivalent about a job change. However, as signs of an improved economy emerge and those workers regain their confidence, more will seek out new employment opportunities.

Although, large companies will continue to take advantage of cheap overseas labor, new strategic opportunities will be created domestically and additional job growth will come from small and mid-sized companies backed by increased profits and new capital investments.



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As the labor supply and demand curves change again, it will become increasingly difficult for companies to find workers with the right blend of skills to achieve their business objectives.

### **JDA: A Stable Partner with a Long-term Perspective**

JDA Professional Services, Inc is a full-service IT staffing firm with a focus on full-time and contract technical and management placement services. We have remained a stable source of IT talent through numerous business and technology cycles in our more than 20-year history. During that time we have advised technology professionals on how to survive and thrive in a constantly changing marketplace.

JDA takes a proactive approach, planning one to two years ahead, with a focus on identifying future talent in anticipation of our clients' long-term needs. Our ongoing recruiting and thorough screening process ensures that we are strategically positioned to help you meet the challenge of staffing your information technology positions.

Our staff would welcome the opportunity to speak with you about your company's current or future staffing needs. We are also available to discuss your career interests on a confidential basis.

**JDA Professional Services, Inc.**

**713-548-5400**

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<sup>1</sup> Betty Su, "The U.S. economy to 2012: signs of growth", *Monthly Labor Review*, (February, 2004) 23-35.

<sup>2</sup> Lauren Etter, "Thirty Percent of U.S. Employers Expect to Hire", *Wall Street Journal*, June 15, 2004.

<sup>3</sup> Christine Hall and Thora Qaddumi, "Survey: Houston employers optimistic about future", *Houston Business Journal*, June 11-17, 2004, 35.

<sup>4</sup> Scott Thurman, "Job Growth Finally Returns to the Technology Field", *Wall Street Journal Online*, May 3, 2004.

<sup>5</sup> Ibid.

<sup>6</sup> Dale Buss, "How Offshoring Has Helped Boost IT Careers in the U.S.", *Wall Street Journal Online*, April, 7, 2004.

<sup>7</sup> Eduardo Porter, "Only 2.5% of jobs lost in first quarter are linked to outsourcing", *The New York Times Online*, June 11, 2004.