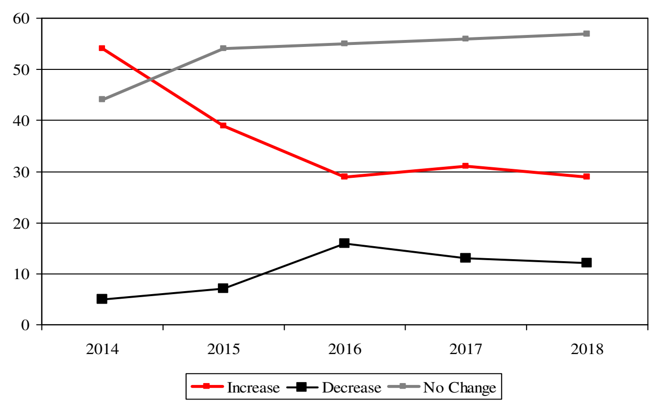
Stability Returns to Houston

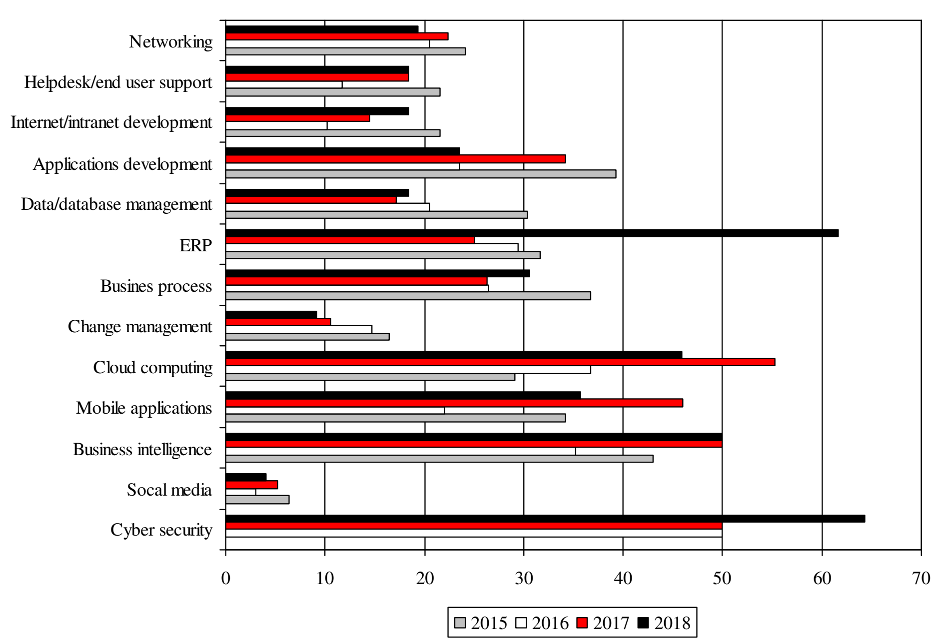
After three years of economic blues, the Houston IT employment market bottomed, stabilized, and now shows signs of growth. Our latest Hiring Trends survey indicated that major cutbacks are over, and backfilling turnover and restoring positions lost during the downturn is almost certain through 2018. The present stretching of resources will force companies to add additional personnel. To this end, 30 percent of respondents plan to increase staff size in the coming year with only 12 percent planning to make cuts. We also anticipate upwards of 40 percent of companies to increase departmental spending to budget new projects, with the brunt of the workload performed by additional full-time staff instead of leaning on traditional contract workers as was done in past recoveries. We predict the greatest growth areas to be cybersecurity, software development, and business intelligence. It’s not time to celebrate yet; no one anticipates the boom experienced from 2008-2014. But no one did in 2008, either.

Does your company anticipate a change in total IT staffing level?

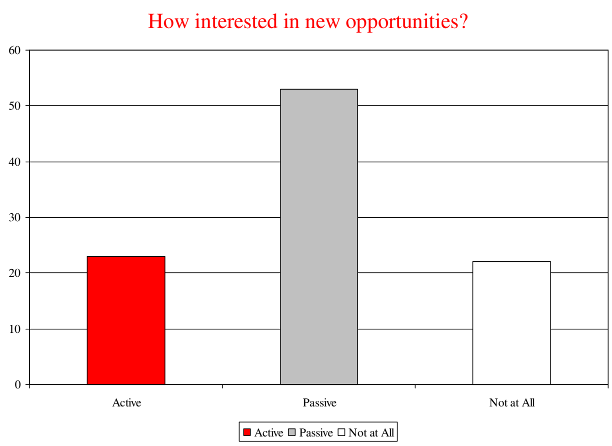


In the tight labor market, some sectors are close to full utilization: security, compliance, developers, business intelligence, ERP techno/functional analysts, and technical player/coaches. Lagging sectors include generic business analysts, project managers, general IT leadership, and management. These lagging areas are saturated, and we don’t anticipate much activity until we get into a true growth environment.

In your company, what areas are anticipated to have the largest growth potential over the next few years?



The primary trend we see is a pent-up demand for change among employed candidates. Our survey indicated that over 70 percent of employed IT workers are either actively or passively looking for another opportunity. The top reasons include: stagnant career growth both technically and into higher responsibility roles, stagnant compensation—base, bonuses, the higher cost of health care, Houston's notorious commutes, and mindfulness of work/life balance among both senior workers who have paid their dues and younger workers transitioning into key roles. With 80 percent of respondents' companies having no formal employee retention plans, companies are better able to make proactive low-cost counteroffers, with additional perks such as flexible work schedules, telecommuting, and an increase in vacation time.



We notice several shortages placing strain on the IT market; more baby boomers are reaching retirement age, the post-Y2K drought of IT workers sees shortages at certain skill levels, and foreign workers on H1's that previously supplemented the boom's high-end workforce are relocating out of Houston or the country. Due to these shortages, job postings in Houston have increased, with IT one of the most active sectors. However, the quantity of local, qualified candidates has decreased by more than 30 percent in the last year. Competition is tight, and the most qualified candidates are receiving multiple offers.

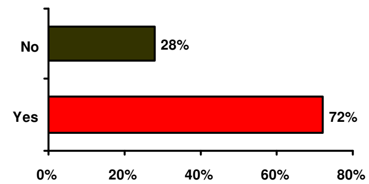
Houston's recovery is driven primarily by the energy sector, with the last three years demonstrating that almost everyone in Houston is impacted by the energy industry. The stabilization of commodity prices and doubling of rig count are positive signs; however, as profits are still tight, we foresee consolidations in all industries, from energy to healthcare. To better leverage internal resources and minimize headcount growth, companies are reaching out to third parties for datacenters, cloud computing, SAAS, software development, and on-going support. This could lead to another round of cutbacks at the corporate offices in late 2018/19.

Ultimately, we think that the increase in project load as companies seek ways to scale without increasing personnel will lead to an increased demand for both full-time and contract IT employees over the next eighteen months. As the talent pool in these areas is already tight, premium compensation packages will be required to attract and retain the top performers.

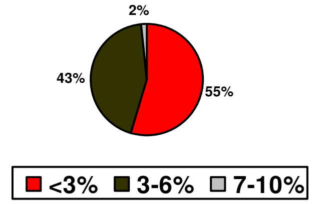
Changes in Compensation

Base compensation for full-time employees remained flat through 2017, with most receiving, at best, the standard 1-3 percent increase. However, when considering total compensation—including bonuses and health insurance cost sharing—some have actually taken cuts in pay. Projections from our annual salary survey suggest that this will change through 2018, with 72 percent of respondents anticipating compensation increases this year. The majority of increases (54 percent), again, fall within the standard 1-3 percent range with 43 percent projecting increases in the 3-6 percent range. Contract rates for lower demand positions, on the other hand, have been cut by as much as 50 percent as supply outpaces demand, leading some of the best contractors to leave Houston altogether. Even with close to full employment, wages have remained stagnant.

Does your company plan to increase base salaries for IT staff in 2018?

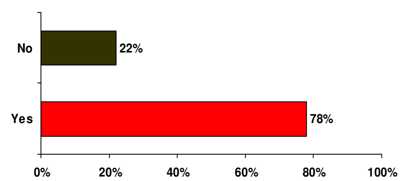


By what percentage?

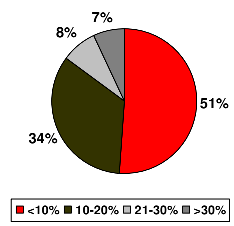


Three years of a flat market left many of the most employable with a pent-up demand for change. Again, over 70 percent of full-time staff and over 90 percent of contractors are interested in new opportunities. This could well lead to the talent pool engaging in strategic repositioning—picking up new skills, seeking shorter commutes and increases in compensation. New hires receive incentives of 5-15 percent compensation increases and additional free time to make a move. Due to this aggressive competition, we advise our clients to consider the cost of retention versus the cost of turnover as most existing staff is valuable. In addition to compensation, a good retention strategy could include lower cost options such as working from home, increased free time and flexibility, new projects, and expressing appreciation for employee efforts and loyalty; an accommodating work environment can make a huge difference in employee retention.

Are bonuses included as part of your company's compensation packages?

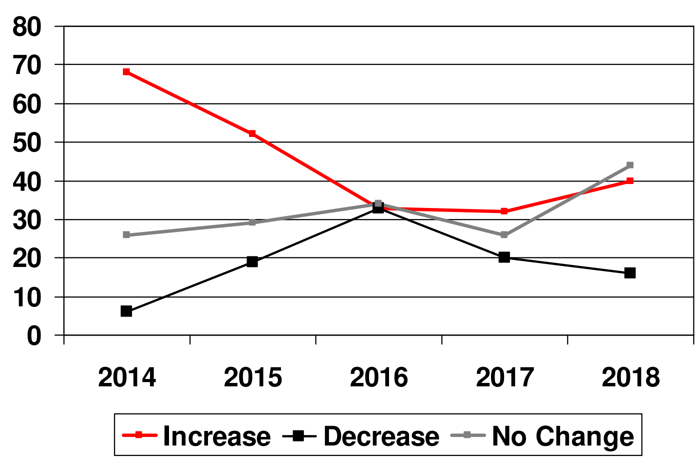


If yes, what is the average bonus percentage given based on salary?



One of the big challenges for CIOs will be budgetary pressure, despite a 40 percent increase in respondents reporting budget increases in 2018. The transition from building to sustaining has also caused unrest at the executive level with a high percentage interested in other options; however, a strong CIO business strategy can have a tremendous impact in repositioning companies for growth or sale.

Projected IT department spending YOY



We are living in interesting times, and what we have learned from the past is that Houston is a vibrant city with an entrepreneurial attitude. We have the largest port, medical center, and energy industry in the country. There is buzz about being able to ramp up quickly for domestic oil & gas production at a reduced cost. With the glut of premium office space, favorable tax rates, low cost of living, and a business-friendly city, we are in prime position to attract new business growth to our area.

How JDA Can Help

With over 35 years of experience actively recruiting IT professionals in Houston, JDA is a great resource to identify and recruit the passive job seeker either on a full-time or contract basis.

For more information on how we can help you develop a great career, send a resume to jda@jdapsi.com.

We're optimistic for the future. We look forward to working with you.

About the Survey

The information presented above was compiled from our annual IT leadership survey of Houston-area VP's of IT, CIO's and IT Directors, and a survey conducted from our employed candidate pool. Compensation numbers are based on current base salaries and exclude bonuses.