

IT SERVICES UPDATE

Industry Trends, Research and Developments

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500 Chesterfield Center
Suite 350
Chesterfield, MO 63017
636-237-1010
info@neteffects.com



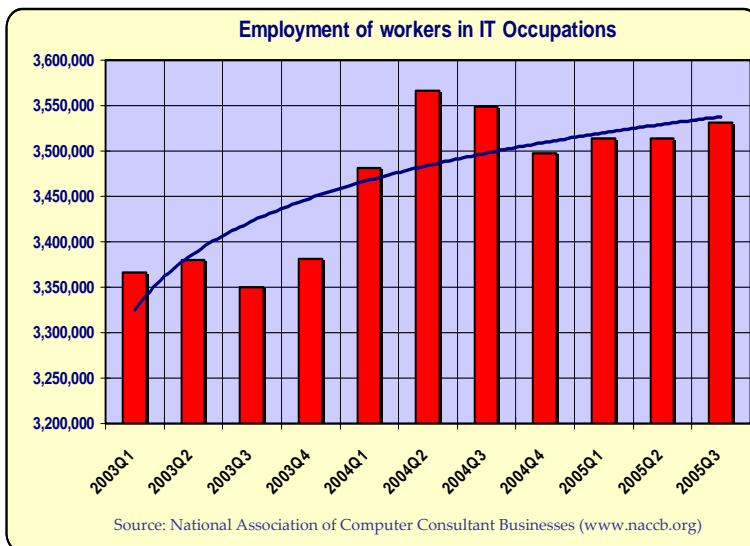
Why Companies Use IT Staffing

Two professors recently published a book, *Gurus, Hired Guns and Warm Bodies: Itinerant Experts in a Knowledge Economy*, which is based on the first academic research study of the IT Staffing Industry. Through extensive interviews with all participants in IT staffing arrangements, the authors addressed a number of important questions including why companies use IT workers on a contingent basis. While utilizing consultants for skills not found within their own workforce remains the key reason consultants are utilized according to the authors, they also identified a number of other reasons. Though consultants typically command a higher hourly rate, **clients avoid the obligation to pay employment taxes, provide fringe benefits, avoid the cost of recruiting, training and separating employees.**

Of course, the authors observed the oft cited **flexibility** in the face of uncertainty as a key client motivation for using consultants. In their work, they discuss three types of **flexibility**: **wage flexibility** (the ability to control wages), **numerical flexibility** (the ability to control the size of the workforce) and **functional flexibility** (the ability to alter the mix of skills in response to change). The authors also observed clients utilizing consultants to **acquire skills, manage headcount, screen workers for direct positions and bringing in skillsets that were hard to find in a full-time direct employee hire.**

The 352-page book can be ordered directly from the publisher, Princeton University Press, www.pupress.princeton.edu/titles/7847.html and also is available from Amazon.com.

IT Employment Index



Benefits Nearly 30% of Compensation

According to the latest available figures, wages made up 71% of employee compensation for workers in the private sector. Of the remaining 29% of compensation, only 8.7% were legally required benefits (Social Security, Medicare, unemployment insurance, and worker's compensation) with Insurance (e.g. life, health, disability, etc.) representing 7.3%; Paid Leave 6.3%; Supplemental Pay 2.9%; and retirement & savings 3.6%.

For more information go to: www.bls.ncs/ect.home.htm

How 700 IT Executives View Their Priorities

Optimize magazine recently sought the views of 700 corporate IT executives and discovered an **important shift in their thinking from a defensive position to a more proactive approach**. No longer hampered by a weak economy in which they were primarily driven by cost-savings objectives, IT executives are **now focused on revenue enhancing activities, increasing market share and improving customer satisfaction**.

The Executives reported that IT was no longer viewed merely as a cost center, but looked to as a contributor to revenue growth.

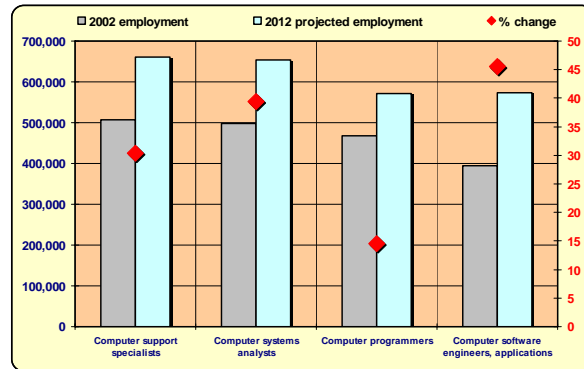
As CIOs become more involved in contributing to the overall strategic direction of the company, they are reporting to more senior executives within organizational hierarchy. Of the CIOs who participated in the survey, **56% reported to the CEO or president and 21% reported to the CFO**.

Despite the increased emphasis on aligning the IT function with corporate financial goals, the Optimize survey found **67% of the IT and IS budget are committed to maintenance projects while the remainder funds new initiatives**. This is consistent with the findings of other organizations. Gartner Research has reported 70% of IT budgets are committed to maintenance.

Source: "Defining the CIO", white paper published by Optimize Magazine based on article of same name in its June 2005 issue.

BLS Projections Show Continued Growth in Most IT Skillsets

Demand for IT workers in many skillsets is expected to remain very strong. The Bureau of Labor Statistics projects high demand for application software engineers along with computer support specialists. In contrast, demand for computer hardware engineers, which currently number around 75,000, is expected to only rise 6% by 2012.



Sources: U.S. Bureau of Labor Statistics; NACCB

Low-Tech Solution to a High-Tech Problem

While IT managers are concentrating on keeping their systems secure by closing backdoors and trying to keep up with security program updates, they may be overlooking an even more obvious vulnerability. Data can be easily exported using a computer's USB ports. According to the *Financial Times*, instead of going through the procedure of disabling USB ports, some IT managers are **simply putting epoxy into the ports to prevent theft of sensitive company data**.

Unemployment Rate Among IT Workers Significantly Lower than Workforce At-Large

Have you been having trouble finding IT talent in some skillsets? According to the Bureau of Labor Statistics, while the overall unemployment rate was 4.9% in the first half of the year, **the unemployment rate for computer programmers' was only 2.9%, 2.8% for computer software engineers and less than one percent (0.6%) for computer hardware engineers**.

C-level view: Changing IT Organizational Focus & Priorities Involved in Today or Planning to Launch		
2004	ranking	2005
Streamline operations/Reduce costs	1	Revenue growth
Revenue growth	2	Streamline operations/Reduce costs
IT Automation	3	Automation of IT systems and processes
Increase worker productivity	4	Business process alignment
Deepen relationships with customers & suppliers	5	Deepen relationships with customers & suppliers
Business process alignment	6	Increase worker productivity
Compliance and governance	7	Compliance and governance
Mergers and acquisitions/company integration	8	Globalization of operations
Supply chain optimization	9	Mergers and acquisitions/company integration
Globalization of operations	10	Supply chain optimization