

IT salaries are down,  
the job market is still soft, and  
the term 'expense center' has  
returned. So it's no  
wonder that ...

# IT Feels the squeeze

IN A YEAR when it seemed the entire industry was holding its breath waiting for global uncertainties to play out and for the economy to come back to life, few professionals have been immune to the financial pressures put on IT.

For the third year in a row, IT professionals have seen a soft job market and compensation in decline. Of the 2,884 respondents to the 2003 InfoWorld Compensation Survey conducted in March, 182 reported having been unemployed for an average of 12 months. Raises are limping along in the 1 percent to 5 percent range. And monetary bonuses have been slashed by 12.5 percent (see "What Are You Worth?" page 47).

BY HEATHER HAVENSTEIN ILLUSTRATION BY P.J. LOUGHRAN

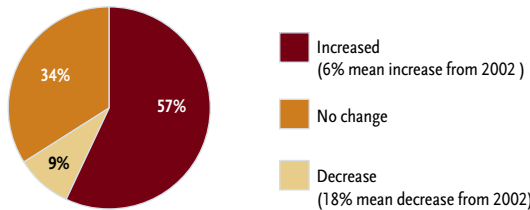
“We saw base pay [in IT] from 2002 to 2003 increasing only 1.3 percent. In essence, it was flat,” says Beth Florin, executive vice president of Clark Consulting, a compensation consultancy in North Barrington, Ill. “Managers had a drop of almost 20 percent in their total direct compensation. Their options are really down. They’re still getting the options, ... but they’re just not worth anything.”

Peter Panagiotatos, who had been director of BI (business intelligence) at Pittsburgh-based Nova Chemicals for three years, was laid off in August 2002. Since October, Panagiotatos has been working as an independent consultant — work he feels fortunate to have, given the market. Taking home approximately 40 percent less than he did at Nova, Panagiotatos is feeling the squeeze. “Consulting fees are not what they used to be,” he says. “There is too much capacity in consultants.”

## Meager Gains

Although the mean salary increase comes in at 6 percent, most respondents received between a 1 percent and 5 percent raise.

How has your salaries changed from a year ago?



Although the 20-year veteran BI professional has been looking for a management position, cutbacks in enterprise BI spending have hampered his search. “[The] kinds of applications that companies are developing are now on the departmental level, not on the enterprise level. The IT budgets are at least 8 [percent] to 9 percent below what they were three years ago,” Panagiotatos explains.

One Lotus Notes programmer, based in the American southeast, has watched his contracting fee drop dramatically during a six-year stint with his current employer, despite having more than 20 years of experience.

“They keep cutting the pay and cutting the rate. I am making 30 percent less than I was six years ago,” says the programmer, who asked not to be identified. “As a contractor, you are always aware that a project could end without any notice, but you didn’t used to think they would cut the rates. There is a lot more pressure to justify the costs of the projects.”

## The Showdown

Flat salaries reflect tight budgets in a soft job market, and those who do have employment feel a greater pressure to perform. “We and our colleagues are challenged to do more with less,” says Robert Cerny, manager of IT strategy and planning at Elkay Manufacturing, an Oak Brook, Ill.-based manufacturer of sinks, cabinets, and other home-building and -remodeling materials.

Sinking markets and poor corporate earnings have IT under scrutiny from tech-savvy CEOs. Nearly 88 percent of CEOs who responded to the InfoWorld survey said they are the final decision makers when it comes to

their company’s IT strategy. Assessments made by IT executives have therefore been under additional bottom-line pressure, and technology departments have suffered as a result. According to the survey, business executives may once again be thinking of IT as a cost center (see “IT Undervalued,” page 48).

“Quantifying the business-case impact on our capital equipment and capital software purchases has driven the role of CTO closer to the CEO role,” explains Cliff Dutton, vice president and CTO of Ibis Consulting in Providence, R.I.

“Capital acquisitions can be done in such a way that they minimize their impact on the margin and that we only scale appropriately with capital expenses as the business grows,” Dutton says.

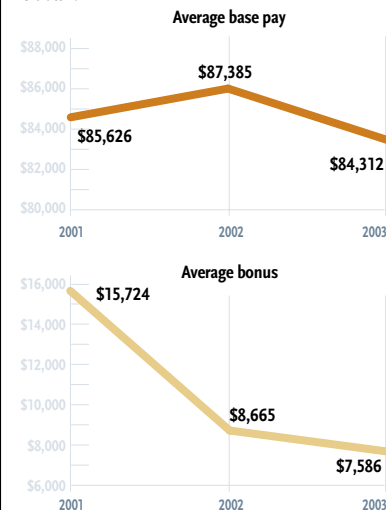
Because companies have flattened their organizational structures, managers — especially CTOs — must monitor projects more closely as they maintain their leadership roles, says Katherine Simmons, president and COO of Novato, Calif.-based Netshare, which provides a subscription-based job service for C-level IT executives (see “Who Makes the Call?” page 49).

“You have to convince [potential employers] ... that you are a business person as well as a technical person. But once you get in, you are having to do more hands-on management than you have [had to do] in the past,” Simmons explains.

Executives closely scrutinizing IT

## Salary Slump

Compared to the previous two years, compensation is down.



expenditures serve the critical role of streamlining operations to weather the stormy economy, says Duane Ebesu, senior vice president and CTO of Housing Works, a New York-based human-services organization. "IT is being scrutinized as a department which spends money; at the same time, it is being looked at as a department that is going to save money."

Ebesu's view reflects a greater optimism and job satisfaction found among senior-level IT executives, but not among the midlevel and staff ranks. Whereas 69 percent of upper-level managers responding to the survey believe that executives do understand and appreciate the value of IT to the company, 46 percent of midlevel managers think those same executives undervalue IT.

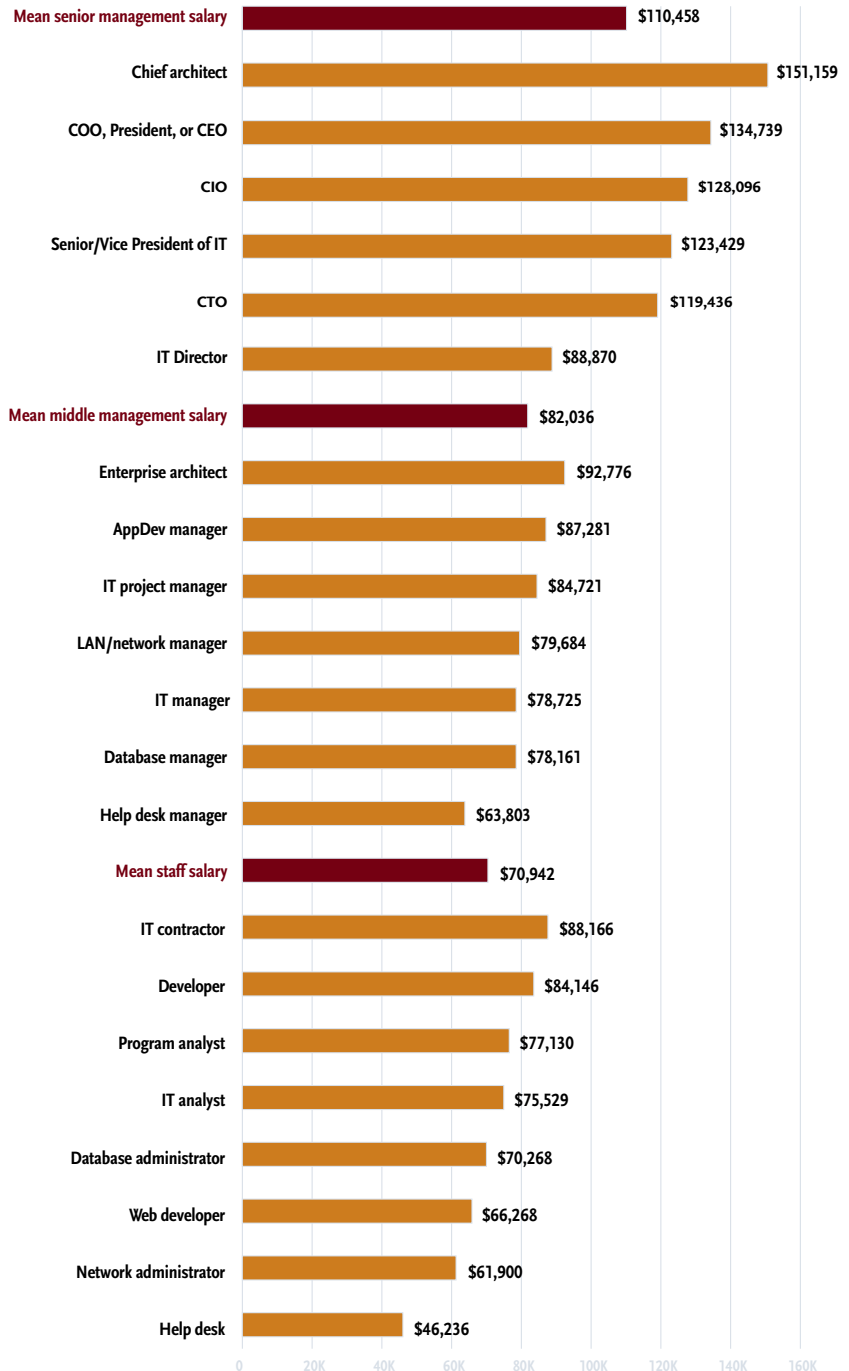
### The Status Quo

Because many CEOs are keeping tight reins on their companies' ongoing IT projects, funding for new projects and hires has been hard to come by. Only 20 percent of survey respondents anticipate IT spending at their company will increase in 2003. Nearly 32 percent expect spending to remain the same, and 15 percent believe spending will decrease.

"Hiring managers are telling us there is much more of a reluctance to do anything new," says James Wright, president of Radican Staffing in Providence, R.I. "We are finding CEOs across the board saying, 'We can't incur new costs. You tech-heads always want to put in new gadgets, but as long as everything is working fine, we don't want to do anything new.' Security is an area where we are hearing a lot of talk, a lot of concern, and ideas about how to approach it. But that is an area for the most part where CEOs are saying, 'Let's not pull

## What Are You Worth?

IT professionals are holding on and holding steady. Nearly 34 percent of respondents report no salary change from 2002. Of those receiving raises, nearly three-quarters report getting a 1 percent to 5 percent increase.\*



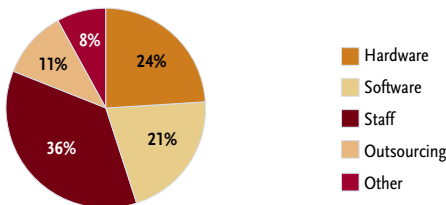
\*Average IT salaries are significantly higher in metropolitan areas such as New York, San Francisco, and Los Angeles.

Of those reporting a base pay decrease, nearly 36 percent said they took lower paying jobs after a layoff.

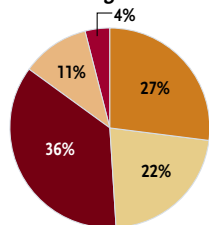
## Budgets Don't Budge

Respondents plan to spend their 2003 IT dollars much as they did in 2002. The mean 2003 IT budget is \$25,643,000, with nearly one third saying their budgets have not changed from 2002.

### 2002 IT Budget Allocation

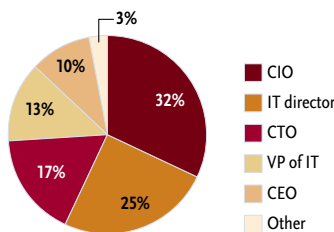


### 2003 IT Budget Allocation



## The Buck Stops Here

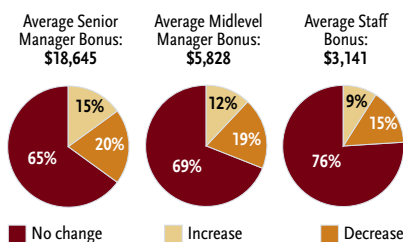
At your company, who is ultimately responsible for the day-to-day alignment of technology with business goals?



## Bonuses Cut to the Bone

Nearly half of all respondents did not receive any bonus compensation in the past 12 months.

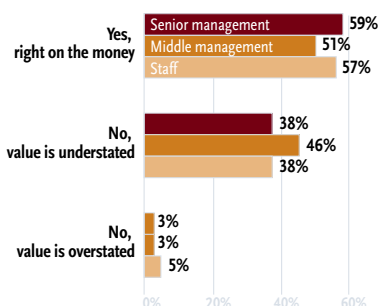
How has your bonus changed from the previous 12 months?



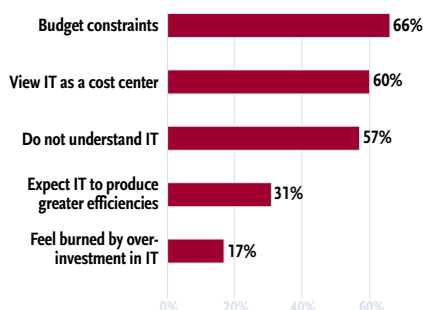
## IT Undervalued

Midlevel managers are more likely than staff and senior managers to say that corporate executives undervalue IT.

Is executive management's perception of IT accurate?



### Reasons executives undervalue IT



the trigger except for the bare minimum.’”

Reluctance to invest in IT projects has increased the pressure on in-house staff who are struggling to maintain existing systems in desperate need of upgrades. Meanwhile, companies have been reluctant to commit to long-term projects, causing contractors and job seekers to also feel the heat.

“[My current employer] had more than six weeks of work, but they were only willing to commit to six weeks,” says Mark Mathis, a Charlotte, N.C.-based Java programmer who has been working as a contractor for the past year and a half. That original six-week commitment was renewed several times, stretching to an eight-month stint, the longest contract Mathis has landed thus far.

Even in areas that have been expanding, new jobs have not necessarily been created. Federal government contractor GTSI, for example, has found its business actually growing in recent months because of the demands of integrated homeland-security solutions.

Amidst that growth the company is hiring, but there are limits on the number of IT positions available. Most hires are of high-end IT-planning professionals who can develop enterprise architectures, says Mays Nakashima, vice president of IT and CIO of Chantilly, Va.-based GTSI.

“We are largely hiring in sales and marketing, though not as much in internal IT,” Nakashima says. “We’re trying to keep our internal costs down. Our IT is growing at a much slower rate than the company is at a whole.”

In fact, when companies invest in new IT workers, they are often reluctant to commit to a full-time arrangement. If they do, it may be to manage offshore outsourced IT operations. Out-

# Who Makes the Call?

IN THIS DIFFICULT ECONOMY, CEOs are looking over IT's shoulder more than ever, getting deeply involved in IT strategy and buying decisions, say CTOs and other IT executives involved with technology purchases.

"[The CEO] is very involved when it is an IT-related acquisition at the business level, but depends on me and my team for typical vendor decisions," says Allan McLaughlin, senior vice president and CTO of LexisNexis in Miamisburg, Ohio. McLaughlin maintains his own team of advisors within the LexisNexis business groups and within the industry that he turns to for advice.

Nearly 92 percent of the CEOs responding to the InfoWorld 2003 Compensation Survey report that they are participating in IT strategizing and planning. Many of the CTO respondents come from small- to medium-sized companies, but IT vendors and other experts say that CEOs at larger companies are also scrutinizing technology buys more carefully.

The size of the purchase affects who has the final say and who is a key adviser more than it did just a few years ago, says John Dinnig, vice president of strategy and planning at Teradata in Dayton, Ohio. "More [IT] decisions are going up to an executive committee.

The threshold has come down for any capital-appropriate request. Sales [as low as] \$250,000 to the \$500,000 range [are] now in executive committee overview."

Nonetheless, IT executives still have control when it comes to defining corporate technology standards. Nearly 92 percent of the CTOs, 75 percent of CIOs, and 82 percent of IT directors who responded to the survey say they are choosing their technology standards for their companies. Seventy-eight percent of the CEOs who responded say they set the standards, and most of these — nearly three quarters — work at technology providers.

There are some areas of IT where CEOs are less likely to intervene. "For storage, hardware, and networking, we find those decisions are made by and largely left to the [IT executive]," says Ben Gaucherin, CTO of Sapient, a technology consultancy in Cambridge, Mass. "The only caveat that I'll put on this is the connectivity and networking infrastructure. We have seen increasingly the other Cs wanting to know about the high level of the connectivity decisions."

But experts say the CEO may be keeping an eye on IT choices even in areas where IT talent is still at a premium. For example, the enterprise architecture category is one of the bright spots in the job market, as companies look for talent to ease system complexities and drive changes through the business. About 58 percent of those working as a chief architect or enterprise architecture manager say they are key influencers for strategic architecture and buying decisions.

The final decision maker? Eighty-two percent of both CEOs and CTOs say this is their domain.

Because enterprise architecture touches much of corporate IT, the decisions are crucial, affecting everything from revenue generation to accounting practices to compliance with federal legislation. For that reason, top executives feel they must be involved, Dinning says. "We are seeing more CEOs involved in the acquisition decision."

— Loretta W. Prence

sourcing is a huge trend in the market, with many companies outsourcing large operations to vendors who lay off workers and then offer them their jobs back with a 25 percent pay cut, says Peter Woolford, manager of the IT and engineering group at staffing company Kforce's Boston office. Outsourcing is growing in areas such as help desk and application development, he adds. In addition, companies are eagerly seeking employees with project management skills to oversee outsourced IT projects.

Competition from foreign workers is keeping salaries for U.S.-based workers low, and that in turn is driving U.S. workers to take deep pay cuts just to get or keep a job. Sensing this shift in the market, some companies are capitalizing on it.

"We're getting calls for contractors where they are not increasing the number of contractors, they're simply replacing existing talent with lower-priced talent," Woolford says. "They are looking for a 20 to 30 percent price decrease, and they typically are able to find it."

## The Fairy Tale

Many IT workers toiling in this pressure-cooker environment are becoming increasingly enamored of the idea that The Emerald City is still out there — in the shape of another job. This IT fairy tale beckons, and moved by rumors of a better economy, many of those still employed are beginning to daydream about a future paved in yellow bricks.

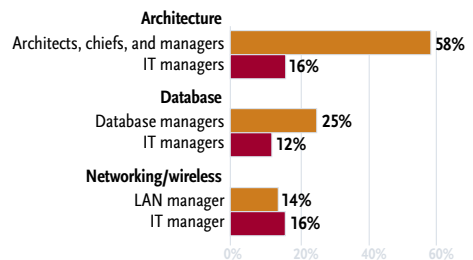
But staying put is a better bet, according to recruiters, who are beginning to hear from the unhappily employed. Nearly 46 percent of all survey respondents are actively or passively looking for an IT job with a different employer.

"Now it's been a year or two, and they are still stuck in their jobs, and they are

## Taking Charge

Some final decisions on strategy and IT acquisitions are made by lower-ranking technology specialists.

### Final decision maker



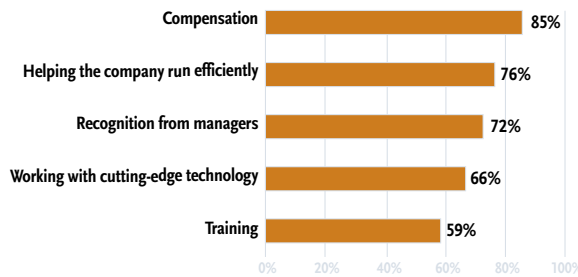
getting no bonuses or pay increases, and they are finally starting to shop around," Woolford says. "Many are thinking that the market is spotty, and they might as well have their toe in the water. People are pretty open to calls from a recruiter. If they're still employed, unless they are facing a layoff soon, they are holding out for a lateral move."

Those eager for a journey through Oz must calculate the cost of venturing far from home, says Radican's Wright, who spends some of his time trying to help currently employed job seekers face the reality of the current IT job market.

## Money Still Matters

Salaries are down, but compensation is still IT workers' No. 1 motivator.

### What motivates you to do your job?



"People who are currently employed are starting to look for something else because it is looking bleak where they are. They are the ones who have the least realistic ideas about the market," Wright says. "We feel like saying, 'You are going to take a loss if you get out.' All the contractors we talk to have lowered

their rates considerably - anywhere from 30 to 50 percent down from what they were getting in the boom times two or three years ago."

In addition to receiving less pay than they may have been accustomed to, new hires are often securing a job title significantly lower than previous posts. According to the survey, 75 percent of the 182 respondents who stated they were currently unemployed would accept a lower-ranking job. "You're seeing a lot more project-based employment — people going in and taking project-manager positions where their last job might have been a CIO or director

# Predicting an Uncertain Future for the

IT'S THE MILLION-DOLLAR question: "What is happening in the IT job market?" The question that often follows is "When will it get better?"

Don't expect improvements any time soon. Respondents to the InfoWorld 2003 Compensation Survey believe IT staffing levels at their companies are not likely to rise in the near future. Only 12 percent of respondents say their companies increased internal IT staffing in 2002, and only 15 percent expect their companies to increase staffing this year (see "Better Job Market Ahead?" page 51).

The Compensation Survey findings are mirrored in another IT workforce study released in May by the Information Technology Association of America (ITAA). Survey-

ing 400 U.S. hiring managers from IT and non-IT companies, the ITAA found that projected demand for IT workers has dropped to 493,000 positions for the next 12 months. That's less than half of the 1.1 million IT positions that ITAA had predicted would be needed for 2002.

Outsourcing, autonomic computing, and increased system reliability may further weaken demand for IT workers. "It will be easier to buy IT 'off the shelf,'" says Peter Cappelli, professor of management at The Wharton School of the University of Pennsylvania. "Unless there's a paradigm break, the job market will remain soft for the next few years."

Overseas competition is also taking its toll on the domestic job market. According to ITAA's report, 12 percent of IT companies and 3 percent of non-IT companies surveyed say they have

opened up overseas operations. Large IT companies were most likely to say they've made this change — 22 percent have already moved work offshore. Additionally, 15 percent of IT companies say either they will move jobs overseas in the next 12 months or they remain undecided. Only 4 percent of non-IT companies say the same.

In the long term, there might be hidden benefits to outsourcing abroad, says Alister Piggott, chairman of Morgan Howard, an executive search company in Stamford, Conn. "Outsourcing allows companies to take out the bloat and invest in new areas. [Companies] will invest the perceived extra capital into their people, taking them up a notch." He predicts that Egypt and South Africa will emerge as lower-cost centers for IT outsourcing.

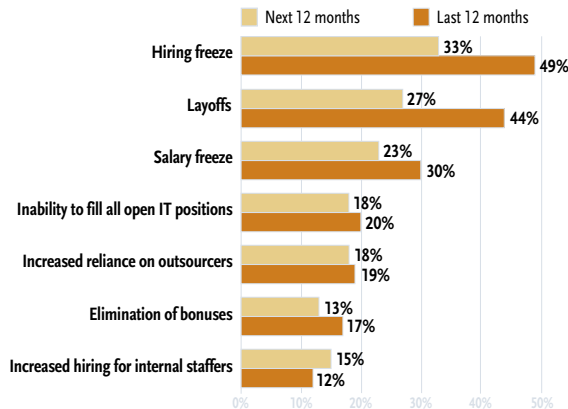
of IT," Netshare's Simmons says. "Companies are more comfortable bringing people in to manage very special projects rather than [someone new] coming in as the head of IT."

### The Hope

Despite their hopes, survey respondents believe the job market will remain soft in 2003 (see "Predicting an Uncertain Future for the IT Workforce," page 50). Only 15 percent predict their companies will increase internal IT staffing in 2003, up only marginally over those who actually did increase staffing in 2002.

## Better Job Market Ahead?

Based on their experiences during the past year, respondents expect layoffs and hiring freezes to decrease in the next 12 months, but with little new job creation.



The bigger story is in the numbers surrounding staffing decreases. Nearly half of respondents reported hiring freezes at their companies in 2002; 44

percent reported layoffs in that same period. For 2003 projections, the news still isn't good, although respondents expect fewer cuts, with 27 percent predicting layoffs and 33 percent anticipating a hiring freeze (see "Better job market ahead?" left).

For those who are either passively or actively looking for new IT jobs, there are some pockets of opportunity, especially within companies that have weathered the recent turbulent economic conditions. Take Rexam Beverage Can Americas, a Chicago-based manufacturer of aluminum cans.

# IT Workforce

Overall, Piggott is optimistic about the future. "The IT job market will improve because the order books are improving now. Companies are saying that they need to upgrade software .... All this is being fueled by the tech sector. They've had enough of cost-cutting and need to start focusing on revenues again .... We'll see interesting growth [in the job market] in 2004 and accelerated growth in 2005."

Even if Piggott's upbeat buying predictions come true, IT salaries will likely remain flat for awhile. "We will see some increases, but not the tremendous bumps like we did in the dot-com era," says Jack Downing, the managing partner at recruitment company WorldBridge Partners in Chicago.

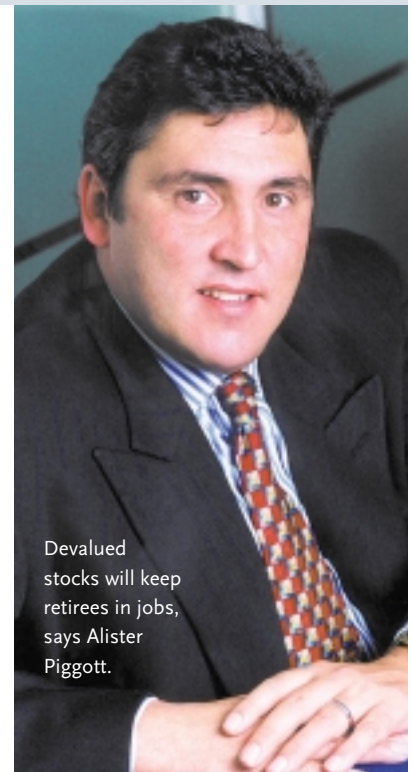
Downing says there are signs that employers are becoming concerned about employee retention. "Companies

are starting to put together compensation models that will keep employees long term, with stock options vesting 3 [years] to 5 years out," he says.

Still, there may be an IT-worker shortage down the road. Companies have expressed an increased need for business-savvy managers but could have difficulty finding them as 7 million baby-boomers approach retirement age. And the current lack of entry-level IT openings — the training ground for future managers — may further deplete the pool. "If you look at the next decade, you will see a hiring frenzy worse than [the dot-com boom]," Downing says.

Not everyone shares that view of the future. Piggott says there are factors that will modify any shortage created by retiring IT workers. "Given the [poor] performance of pensions and 401(k)s, some retirees [are picking] up consulting work [and will] ease any perceived labor shortage. It all comes down to supply and demand."

— L.W.P.



Devalued stocks will keep retirees in jobs, says Alister Piggott.

During the past 16 months, the company has begun a massive overhaul of its business processes in preparation for a new SAP [Service Advertising Protocol] ERP system and e-business applications deployment. C-level executives at Rexam have been keeping close tabs on IT efforts, says Paul Martin, Rexam's vice president of IT and CIO. That scrutiny, Martin says, involves looking at IT as a business enabler, not a cost center.

"We haven't slowed down; we're driving business-process change," Martin says. "This company's history has not been one in investing in technology. It was basically maintaining a utility. Two and a half years ago, we began this business-process re-engineering project, leveraging IT to take cost out of our system."

IT spending at Rexam has jumped from approximately \$9 million to current spending of the same baseline plus an additional \$23 million this year and next for projects tied to process re-engineering, Martin says.

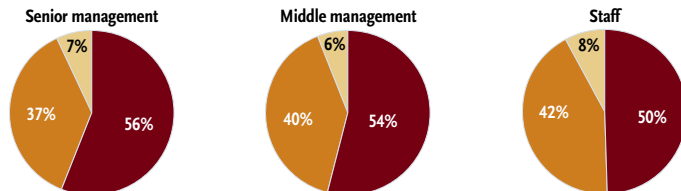
Rexam is mostly hiring business analysts and employees with experience in SAP application and portal development. The company is also hiring developers to design customized Internet

## You Don't Pay Me Enough

Eighty-five percent of respondents say compensation is the biggest motivator in their job, and nearly 40 percent feel unfairly compensated.

Given your duties and level responsibility, are you adequately compensated?

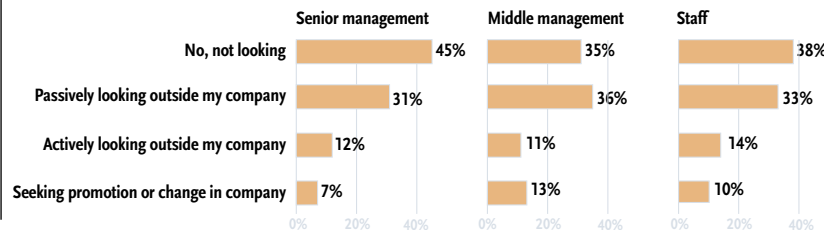
■ Yes ■ No ■ Don't know



## Checking the Want Ads

As pressures mount and companies indicate their need for more staff, many IT professionals are putting out feelers for a new job.

IT Job hunting?



applications for customer and supplier communications.

Despite the economic downturn, some companies have boosted the role of IT to successfully weather the storm. IT participates in the business strategy meetings, Elkay's Cerny says. As the economy has been going south, IT was important to the company's cost-cut-

ting efforts by ensuring that business and IT strategy and planning processes were synchronized, he adds.

"We helped them to come up with a sales-productivity inventory system that better merged our sales planning with our production facility capacity," Cerny says. "We also looked at streamlining some of our freight programs. We might be heading into a period where we don't hit our sales budget. ... But you won't find a program or a dictate that we need to cut headcount. ... We're not going to shortchange the future just to save some dollars in the immediate period."

With myriad pressures on every level of the IT workforce, the next 12 months will prove crucial. Although layoffs and hiring freezes are abating, according to the survey, the current environment may prompt dissatisfied IT workers to leave their current jobs if there's even a minute sign of a market recovery. ↗

## How We Conducted the Survey

In March, every 10th visitor to *InfoWorld.com* was served a pop-up inviting him or her to participate in the survey. Visitors could bypass the survey in order to go to their intended destination. In addition, 20,000 *InfoWorld* print and newsletter subscribers were sent an e-mail with a unique address to access the questionnaire. Cookies ensured that respondents could only answer the survey once. A total of 2,884 individuals responded. At the 95 percent confidence level, the margin of error for this sample size is +/- 1.82 percentage points.