Tech Talent Business Survey Report

2023

Foreword

2022 was a tough time for the IT sector, but 2023 has seen different challenges emerge. Many industries ordering tech services are currently facing a slowdown, growing inflation, the consequences of a war just across the border and layoffs related to drops in revenue during the last quarter. In short, it's difficult for a business to grow against such a backdrop.

The talent gap's impact on a candidate's prospects is dependent on seniority and experience. Entry level salaries have stagnated for nearly a decade. On top of this, the most recent economic woes have worsened the position of the junior IT specialist on the job market. In contrast, a shortage of highly qualified IT Talent is pushing up salaries for more senior positions. This gap between junior and senior positions has further widened due to the development of AI-based solutions such as ChatGPT, which can help in work being conducted more efficiently and can be managed by experienced professionals who know what questions should be input.

Running this anonymous study was intended to address the challenges of the new reality that IT companies are facing and to see how these issues are affecting the market. The study's findings may help IT companies to become aware of current trends and the ways of navigating a volatile environment in order to plan ahead.

The current situation on the market

Since the beginning of 2023, the tech market's biggest change has been the mass layoffs of tech specialists. As of now, over 700 tech companies have made over 200,000 employees[2] redundant, with the majority of redundancies occurring in January.

This has happened across the board, from tech giants such as IBM, Google, and Vodafone which has recently cut over 11,000 tech jobs, to smaller businesses which are beginning to experience the same market contractions. Some companies in Europe have cut up to 25% of their staff in order to stay afloat. As issues have even started to impact cost-effective locations, it appears as if the entire IT world is experiencing a slowdown.

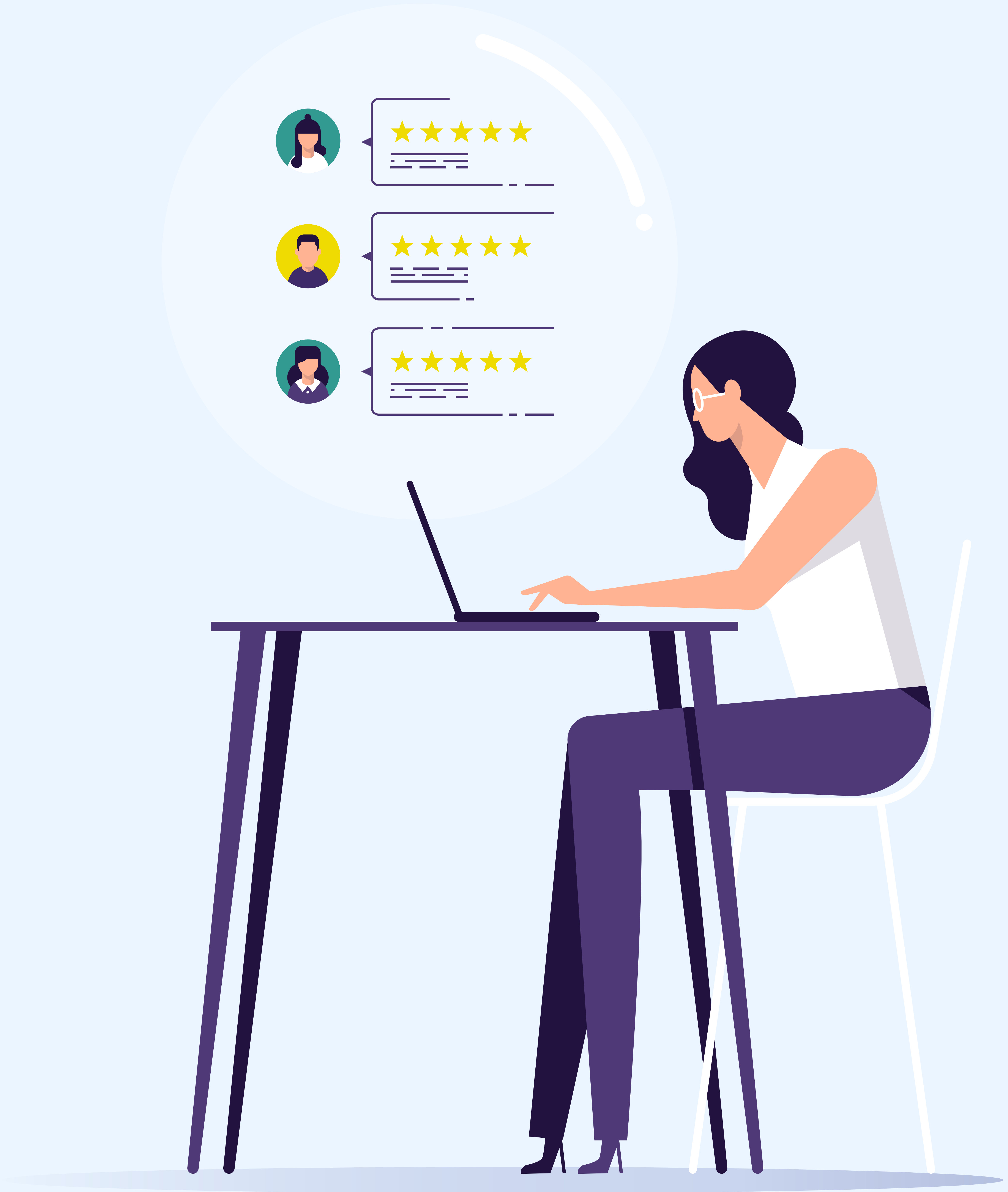
In recent years, there have been significant hikes in the cost of Tech Talent across all geographies. As last year's Talent Alpha survey indicated, more than 93% of companies had experienced Salaries levels increases. Despite this fact, the difference in salaries between the U.S. and Europe is still significant. According to CodeSubmit[8], Qubit[9] and Indeed[10] , U.S. salaries were up to four times higher in certain roles when compared to the same specialization in CEE in 2022. However, our latest insights indicate that the pay gap between UK and CEE specialists' wages has closed to 15% in the first quarter of 2023.

The current situation on the market

Despite this change, Central European Talent remains competitive with Western clients in terms of price. This opens the door for CEE businesses, once the crisis subsides, as companies searching for cost effectiveness but also security, are still setting their sights on this part of the world. In the same way that the 2009 financial crisis led to a booming business services industry in Central Europe, today many companies are looking to improve operational results against the backdrop of a number of crises.

The expansion of shared services in a cost-effective location seems to be an option considered by many, given the latest updates by, for example, Google and Visa.

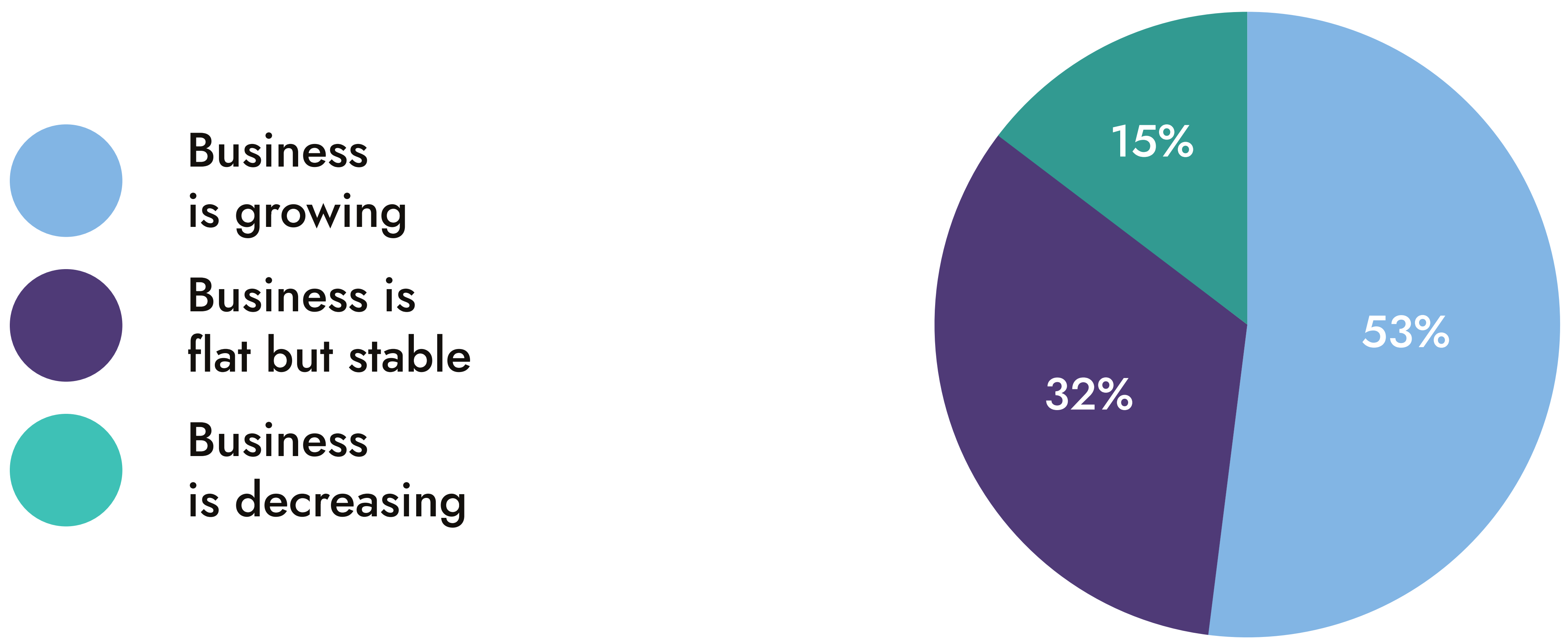
An additional factor that has to be taken into consideration when analysing the latest market conditions, is the technology switch that we are currently facing. With Artificial Intelligence and Machine Learning technology set to revolutionize our world, business must react rapidly in order to stay competitive. It will force companies to build new technology foundations, rethink current development strategies, search for possible niches and create or re-create their technology teams. This will surely affect the entire technology ecosystem, starting from the ways in which technology is being taught to the extent and manner in which these advancements are utilized.



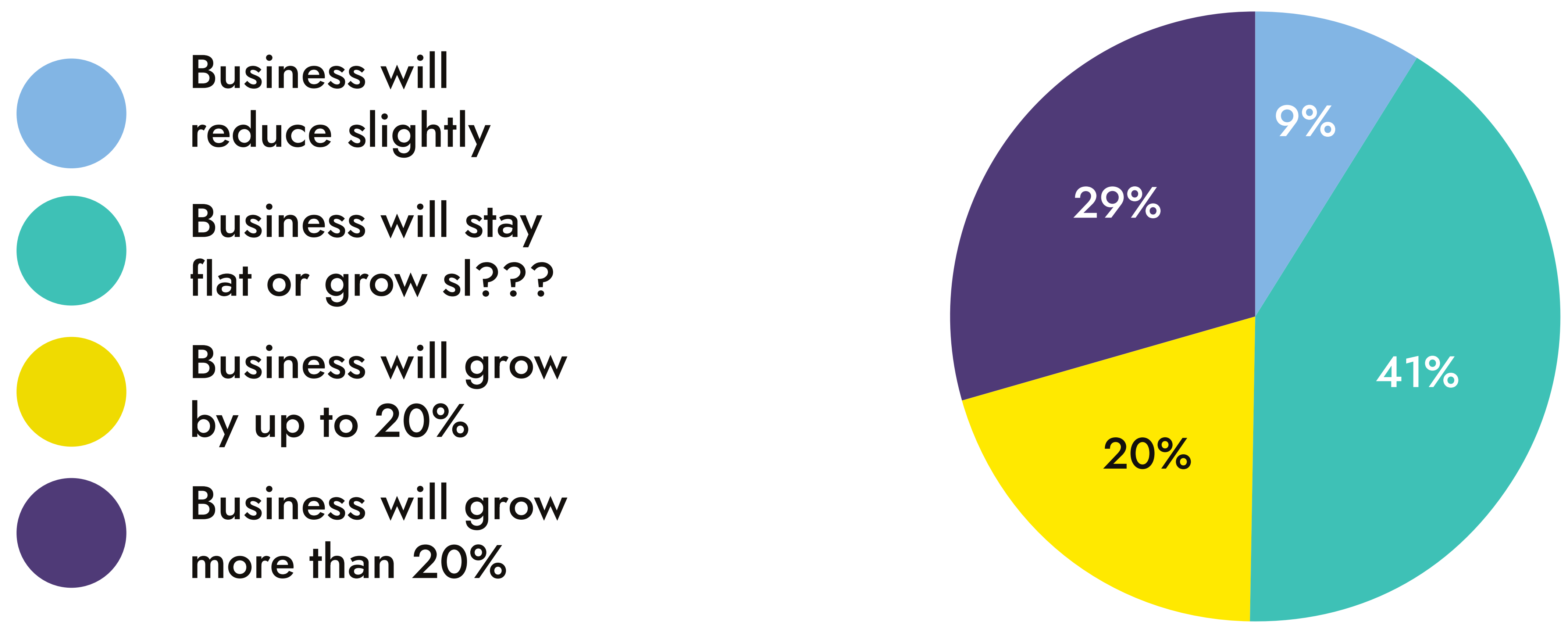
Survey results analysis

1 Reality – what are the obstacles that the IT Business currently faces?

How would you describe your company's situation at the end of 2022?



How much do you predict your business will grow in 2023?



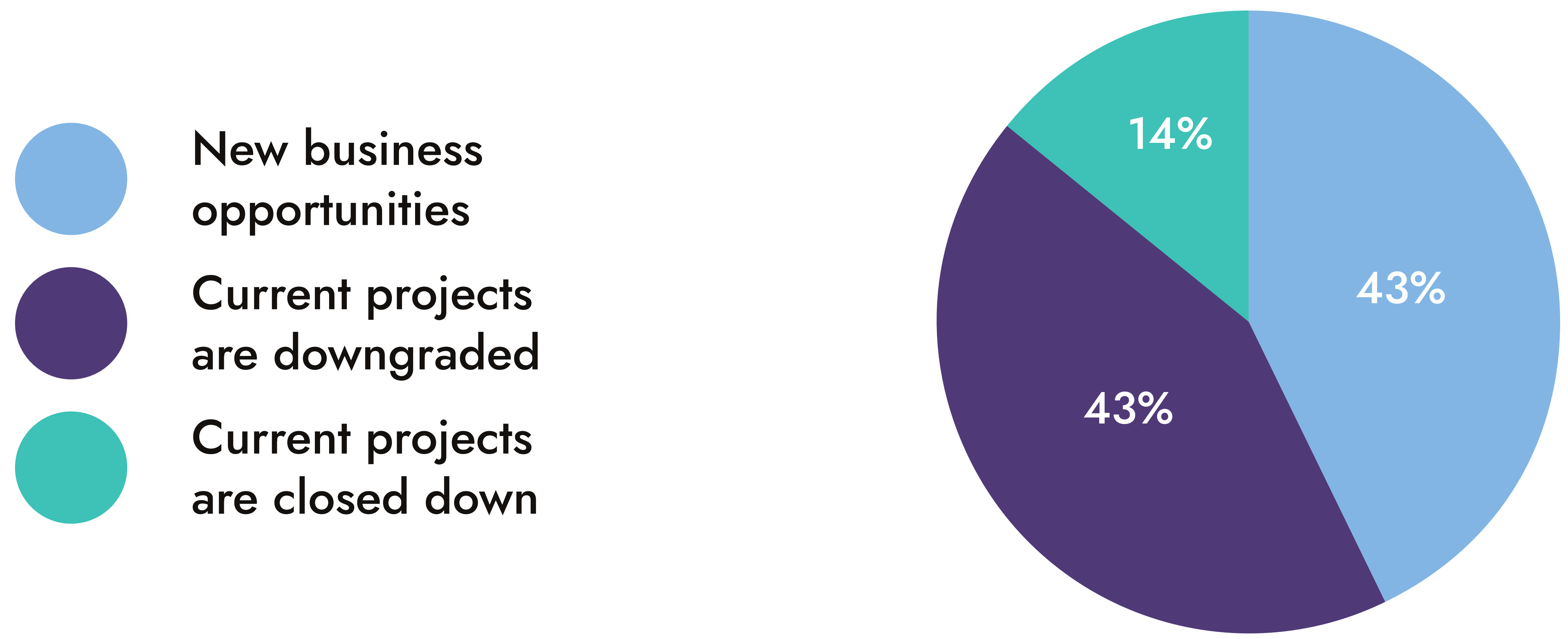
Although 53% of the companies surveyed said their business was growing in 2022, the rest saw a decline (15%) or flattening (32%) in growth. When it comes to predictions – the biggest bet (41%) was on a no growth scenario while 9 % believed that their businesses would drop in performance. The remainder of the companies surveyed were still hopeful, with half of the companies anticipating growth of up to 20% (21%) or even more (29%). However, the latest findings indicate that the aforementioned negative scenarios are becoming a reality.

Positive predictions given in the survey may be motivated with smaller and medium companies finally managing to fill their respective tech gaps during the last quarter of 2022 – many of the specialists laid off by the biggest companies were reabsorbed into the market by smaller companies that had no chance to compete with the salaries and perks offered by the tech giants in the last few years. It is worth mentioning, that according to last year's Tech Talent Survey by Talent Alpha, 9 out of 10 participants said their businesses had been affected by the talent gap. As a consequence, the tech talent gap issue is being resolved in this area, with signs that many smaller businesses might be forced to reduce staffing levels in the coming months. On a positive note, big business, which once exclusively sought cost-effective solutions such as outsourcing, is now focusing on talent from smaller, ergo less expensive companies. However, the general weakness of the global economy means that market conditions remain challenging.

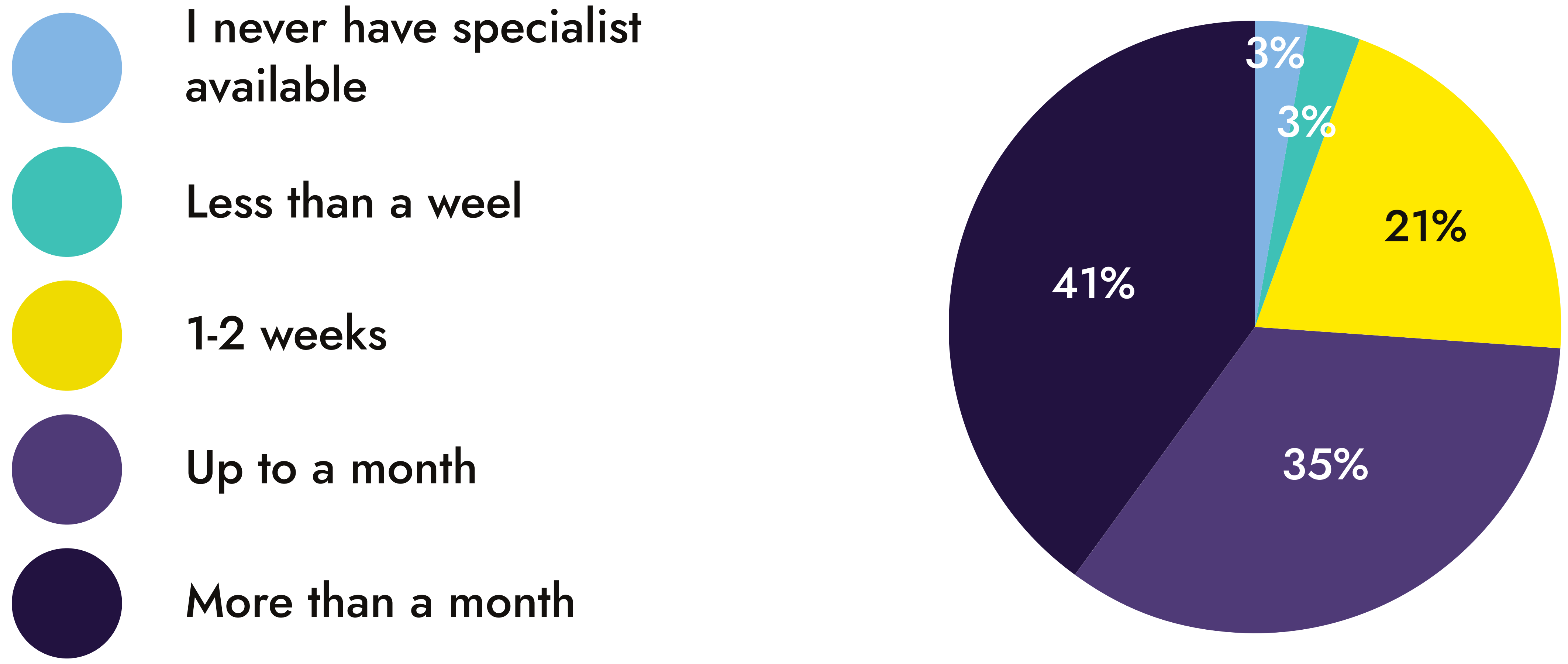
Survey results analysis

1 Reality – what are the obstacles that the IT Business currently faces?

What are the signs of the decrease you're experiencing?



If you have a specialist available now, how long would it take to find them a new project?



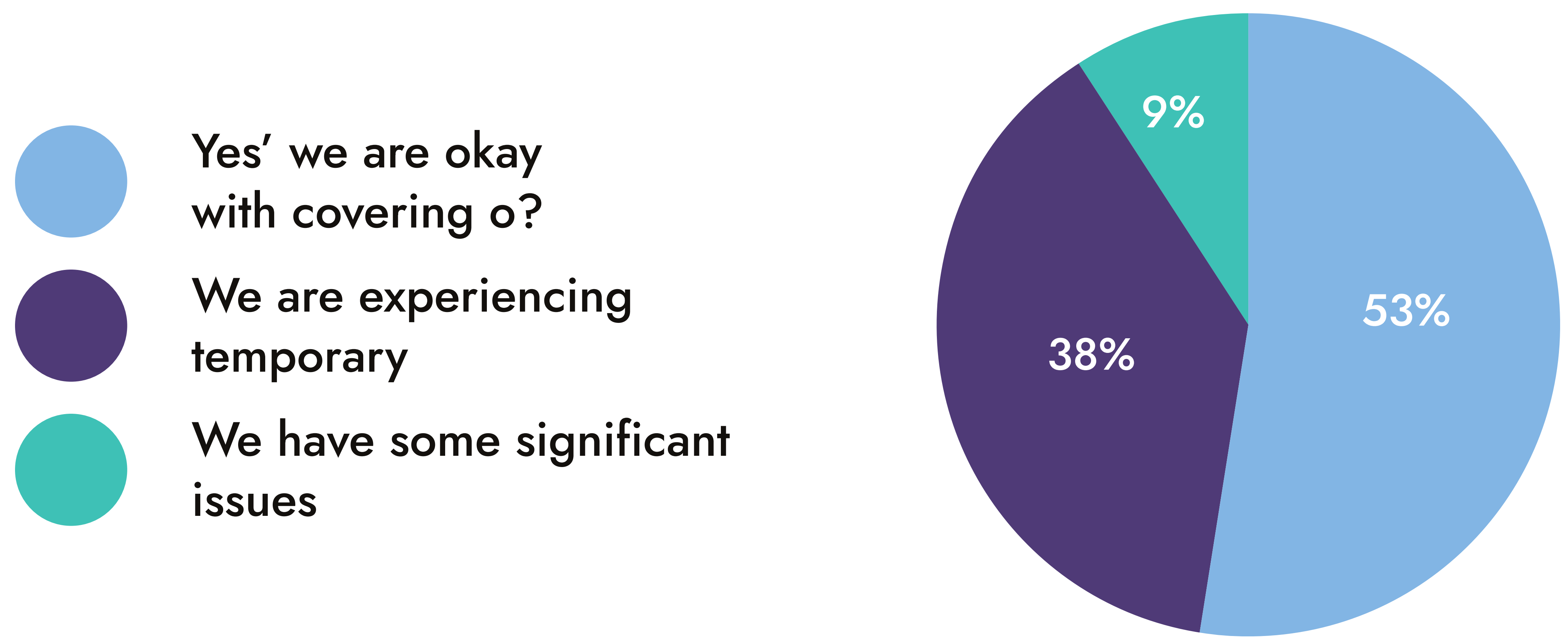
One of the main challenges the IT Market has to deal with, is the shortage of opportunities. 43% of companies stated that they faced a lack of new opportunities, while another 43% said that they suffered from projects being downgraded. In other cases (14%), projects had been closed. The expected time for finding a project for a vacant specialist was a month (41%) or more (35%), with a few companies (21%) expecting a shorter waiting time – even less than a week (3%). There was also a group of niche companies (3%) which stated that they never had specialists on the bench.

These numbers illustrate that businesses across the United States, Europe and China are all experiencing weakening activity. Concerns caused by the collapse of Silicon Valley Bank, Signature Bank, and First Republic, as well as Credit Suisse have rippled across other industries including the tech sector. This shows that the tech business is sensitive to external, global conditions.

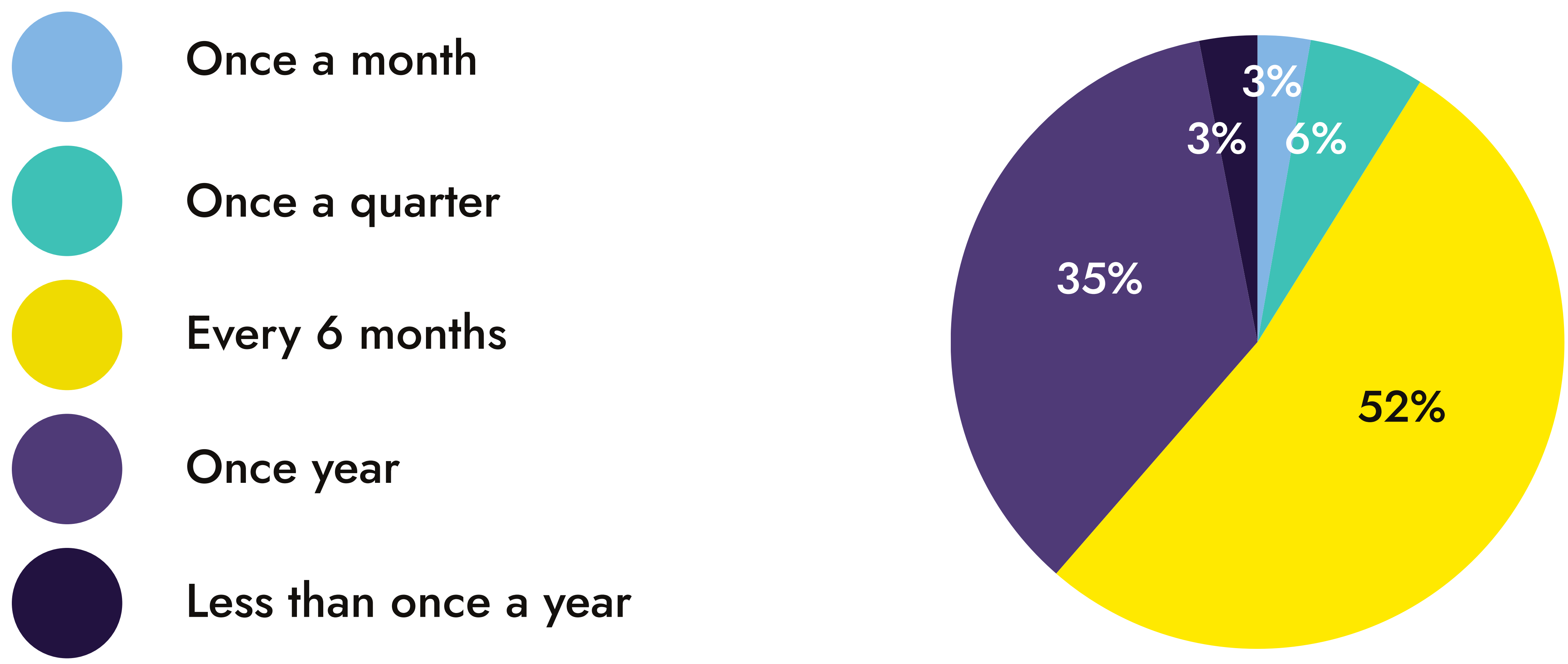
Survey results analysis

1 Reality – what are the obstacles that the IT Business currently faces?

Are you able to cover your staffing needs?



How often, on average, do your tech specialists ask for a raise these days?



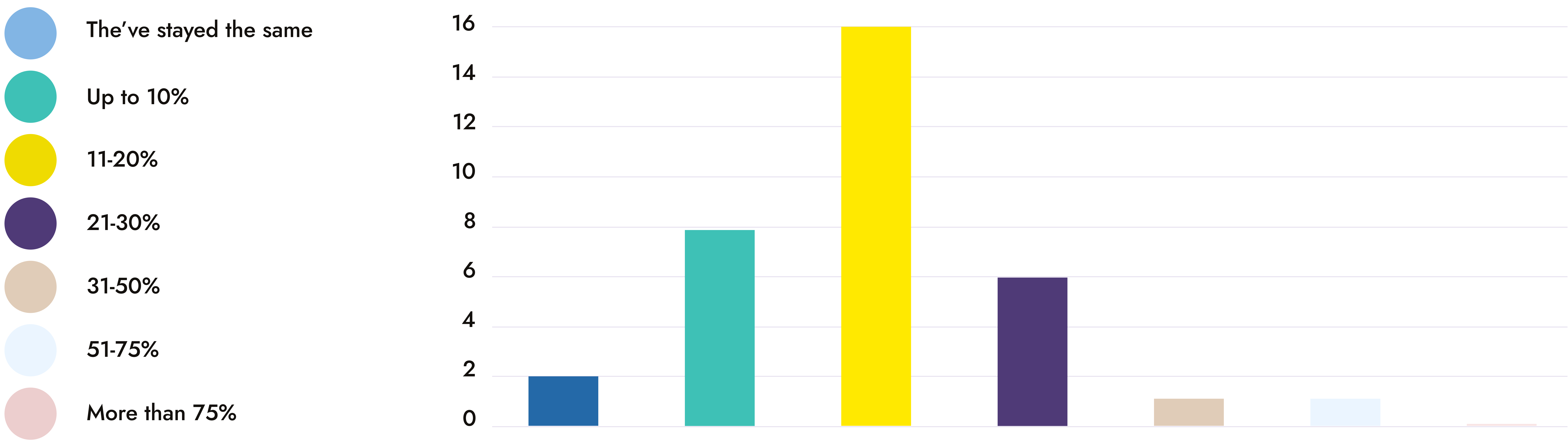
This economic factor is seen as the source of the biggest concern for IT businesses with recession, inflation and instability of finances regarded as the greatest dangers. According to the latest data[16], up to 83% of IT companies were concerned about the future and were cautious when it came to expenses. This illustrates the current sentiment in the IT market. Another issue related to the uncertain economic situation is linked to the low variety of new opportunities – businesses are worried about clients postponing or even cancelling projects. Another important group are respondents who were afraid of growing salary expectations, which may be justified as inflationary pressure was having an impact on wages at the beginning of the year and global job opportunities for local specialists. What is worth mentioning, is the fact that none of the respondents were afraid of other cost increases, which shows how important salaries are in IT businesses' overall costs.

The survey's results confirm that businesses are noticing only slight challenges related with covering their staffing needs. 38% of the companies surveyed had experienced temporary challenges in this area, with over half (53%) feeling confident about this matter. Only 9% had significant issues with covering their staffing needs, with no company seeing this situation as critical. Looking at market data, company owners admitted that they had changed employers in 2022 due to compensation (20%), with a quarter planning to do so in the near future. According to the survey, the average time for specialists to ask for a raise was six months or once a year. Specialists asking for salary increases once a month or every quarter were a rarity.

Survey results analysis

1 Reality – what are the obstacles that the IT Business currently faces?

How much, on average, have the salaries of your IT specialists grown in the last 6 months?



Last year's results showed that only 6.1% of companies did not experience increases in specialists' salaries. For a significant proportion (32.4%), salaries grew by 20-30%, while some (2.7%) said there had been a rise of over 75%. In 2023, salaries have still been growing but on a different scale. Most often, rates have increased by 11-20%. On average, the range of rises is 10-30%. This year, no company has declared that they would raise their specialist's salary by over 75%. The issue of continuously raising rates may be a bigger problem as it will exacerbate the talent gap and force companies to accept reductions in their margins.

Research by Dice[15] shows that nearly half of IT specialists still believed that they were being underpaid. This and the large workload are the main reasons for specialists quitting. With the current global downturn, we may see that the growing financial appetite for IT specialists may stall for a while, at least until the economic situation stabilizes.

Survey results analysis

2 Trends – plans on dealing with challenges.

While taking into consideration the results of the survey and data from the market, some recurring patterns are visible. There are different ways of dealing with such a situation but there are five trends that Tech Companies are planning to utilize during these difficult times.

Investing in sales - as the most common way of escaping from the crisis.

What seems to be the safest solution in times of crisis, is to strengthen ties and build a lasting relationship with current customers. The focus is on the sales department, to help build lasting relationship with partners – existing and prospective. 62% of companies, who took part in the survey, planned on investing in sales. In the context of the survey, some of the solutions for dealing with difficult market conditions were still in the sphere of plans and declarations.

Nonetheless, there is a noticeable increase in the forecasts for 2023, assuming that sales will grow between 4% and 6%. It is not on a par with pre-pandemic levels, but it is still somewhat interesting that despite tough times in the finance sector, many have decided to invest and help the business. To underpin this fact, 80% of CEOs worldwide plan on investing in innovations to keep engagement and loyalty at a high level.

Cutting non-employee costs.

The economic recession was the biggest fear (78%) for the majority of companies who participated in the survey. This is in line with the results of other surveys which showed that up to 74% of CEOs[16] perceived inflation as the top external challenge in 2023, while 99% of CFOs were looking to cut their company's budget. The step of examining and minimizing expenses seems reasonable since tech companies' expenses have been outpacing revenue. Companies who took part in the Talent Alpha survey were planning to find resources for balancing the budget and future investments by cutting costs elsewhere. The results showed that 50% of the companies surveyed were looking to cut operational costs.

Passing growing costs on to the end clients.

The tech industry has significantly suffered from the impact of rapidly increasing prices for services. Many felt the urge, to rethink their budgets. One way of dealing with constantly raising expenses was for companies to pass on price increases to their customers. 29% of companies which took part in the survey plan to increase their margins. Given the latest insights from our Partners ecosystem, some companies may not be able to implement this plan. Regarding the topic of raising margins, there are different perceptions in various research. At one end of the scale - due to financial problems, many tech CEOs see a pressing need to raise prices for services to increase company revenue. On the other hand, another survey noted that 93% of business leaders in Europe expected to cut margins by between 10 and 25%[17]. This is bound to vary from location to location. Even if there has not been much growth in this area, the responses in the Talent Alpha's Survey may herald future shifts in many IT businesses' strategies.

Implementing a hiring freeze - while passing additional work on to subcontractors.

Regarding all of the plans of IT Companies in dealing with the crisis, one area is particularly interesting. This year has seen changes in recruitment trends. Despite the layoffs happening on the market, hardly any of the survey's respondents planned on reducing salaries (6%) or staff (3%).

In fact, nearly everyone had plans to grow their teams. Our latest findings indicate that software houses have had to rethink their strategy although this situation may change in the next quarter.

When it comes to employers, there was also some interest in reaching out to gig workers instead of investing in permanent hires. Some (17%) had decided to rely more on gig workers in 2023. Such a shift in hiring can help companies cut costs, resolve temporary issues and increase efficiency. According to other research, only 33% of the market used gig workers.

This way of dealing with the crisis may be seen as fairly revolutionary, since minimizing expenses is widely seen as one of the top benefits of utilizing contract workers. It can work both ways – according to Talent Alpha's survey, 97% of IT services companies had IT Specialists available during the year. It could be less than 5% of the company's workforce (47% of surveyed companies), or even up to 30% of a team's specialists (12%).

Although the results show that finding opportunities may be somewhat difficult during the crisis freeze, it can still pay off.

> 17% of the IT companies have decided to rely on the gig workers in 2023.

Survey results analysis

3 Staff reduction as the worst-case scenario

Despite anticipated obstacles, only 6% of companies surveyed would slightly reduce their teams. In January 2022, the tech unemployment rate fell from 1.8% to 1.5% in December, according to CompTIA's[25] analysis. With the growing need for Talent, the decision to cut nonemployee costs may be more urgent.

Despite being the main asset of a company, employees are also its biggest expense. For small and medium-sized businesses in the growth stage, investor requirements can be an important factor in cutting the headcount, as it seems to be the first action for some.

Survey results analysis

4 The market – who took the survey?

The results presented in the report were based on questionnaire responses from 34 companies as well as more than a dozen indepth interviews with representatives of companies that hire over 400,000 employees alltogether. These companies were 67% software houses, 18% more complex IT service businesses, 9% HR/recruitment-related businesses, and 16 % others.

The majority of these companies that answered the questionnaire were SMEs with 1-50 employees (65%), or 51-250 employees (32%), located mostly in the CEE region (Albania, Bulgaria, Croatia, Estonia, Georgia, Hungary, India, Lithuania, Mexico, Poland, Romania, Serbia, Ukraine, the United Kingdom, and other Asian countries).

The top three countries in which respondents operate were in the United States, Germany, and the United Kingdom. Industries in which respondents operate were: 65% tech/software development, 6% retail/ e-commerce, 6% outsourcing, 3% HR/recruitment, 3% consulting, 6% banking & finance, and 3% marketing and media.

Survey results analysis

5 Key takeaways

Changes induced by inflation, the pandemic and the war will persist. 70% of companies surveyed said that the situation will linger for more than a year.

In this report, Talent Alpha focused on examining how SMEs had operated in the last few months of the crisis. The report also provides fresh perspectives and approaches on how to deal with IT market conditions - implemented or planned by companies.

The report looks at issues such as the talent and wage gap, rising salaries for IT professionals, and the declining number of new opportunities for businesses.

Below are some key thoughts from the report and the most interesting trends:

- Although 53% of those surveyed said their business was growing in strength, 43% of companies were experiencing a lack of new opportunities.
- The economic factor is the biggest fear factor – 78% of the businesses surveyed were concerned about the financial lability on the market.
- 94% were planning on increasing staffing levels. It's good practice to change the way of thinking about the workforce – 17% of companies were hiring part time contractors. This can help with plugging the gap without exceeding one's budget.

Rethinking the budget – relocating expenses and investing in trying times may be the way to go.

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About Talent Alpha

Talent Alpha is a tech talent platform that connects smaller IT businesses with large enterprises. Founded in 2018, the company's platform now has a pool of 850+ vetted service providers, with a talent pool of over 55,000 tech specialists.

We want to be as close as possible to our service providers and to precisely know what ongoing changes they are experiencing so as to ensure our platform is even more suitable for the challenges that lie ahead.

To do this we match international enterprises with smaller IT service providers in CEE which haven't been utilized by big organizations. Talent Alpha's talent marketplace, thanks to AI, has a sourcing process that can be up to 10 times quicker than traditional HR recruitment procedures.

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