

Full Speed Ahead ?

Technology Sector being vigilant about the recovery

Prepared by PERSONNEL SYSTEMS

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High tech companies are approaching the economic recovery with caution as they try to maintain market share and stay competitive. A survey conducted by Personnel Systems in early June 2002 as an update to the report **“Optimism Reigns ... Despite Economic Uncertainty in Technology Sector”**, released in October 2001, revealed that companies were employing more conservative tactics in their compensation and hiring practices. Salaries are moving upwards this calendar year, albeit falling short of what this sector has been accustomed to over the last few years. Companies have also been hiring this year, but the hires have been fewer in number than in past years and more business focused.

Approximately 100 technology companies from across Canada responded to the survey. Twenty-seven percent (27%) reported sales revenue of less than (\$5) million, twenty-one percent (21%) \$5 - \$14 million, twenty-four percent (24%) \$5 - \$50 million, eleven percent (11%) \$51 - \$100 million and seventeen percent (17%) greater than \$100 million. No significant differences in results could be attributed to company size, geographic location, corporate ownership type or revenue size.

Survey Highlights

▪ **Companies increasing salaries.** Sixty-five percent (65%) of companies indicated that they plan to increase salaries this calendar year for all staff; 50% have already adjusted their salaries while 25% of companies plan to make adjustments in the next 3 months and a further 25% plan to do so by the end of this calendar year. In addition, the majority of surveyed companies in each sector have taken action to increase salaries. However, as reflected below, there are some sectors slower in adjusting salaries than others:

Are you planning salary increases this year?	
Sector	Yes
Biotech	87%
Software Dev.	71%
Other *	61%
Manufacturing	46%

- includes Microelectronics, Photonics, Telecommunications, IT Consulting, Wireless

The survey results also suggested that not all parts of the country are moving ahead with such vigor to increase salaries. While 87% of companies in the Toronto area and 83% of companies in Quebec/Eastern provinces increased salaries, only 52% did so in Ottawa and 45% in British Columbia. The slower reaction from Ottawa to drive salaries upwards may be explained simply as a case of local supply and demand. As Ottawa continues to absorb the number of ex-Nortel and ex-JDS employees into its workforce, the increase of ex-Nortel and ex-JDS skills in the market are perhaps making it less necessary for Ottawa area companies to increase salaries.

“putting in place a retention strategy for remaining employees”

While salaries are moving upwards, the majority of companies providing increases (72%) were doing so in the range of 3% to 5%. Whether it is in an effort to retain their employees in anticipation of a market recovery, to remain competitive or as one company responded, “to simply restore reduced salaries”, companies seem more conservative in their approach to compensation.

- **Companies lifting hiring freeze, putting brakes on staff reductions and hiring.** The survey results show that 70% no longer have a hiring freeze in place and 81% do not plan staff reductions this calendar year. Instead 65% of companies in the survey indicated that they started hiring again. However, it would appear from the results that most of the hiring has already taken place for this calendar year. A possible reason for the lack of projection in hiring into the end of the year may simply be due to companies’ inability to predict that far into the future given the uncertain economic outlook. Companies are also not hiring at equal rates in all categories, as the table below shows, hiring is specifically targeted to technical skills:

	% Of Companies Hiring By Employee Category						
	Contractors	Admin.	Support	Technical	Prof. Tech.	Mgmt	Executive
Have already taken action	34%	18%	21%	52%	64%	23%	18%
Next 3 months	8%	11%	12%	15%	30%	18%	1%
Next 6 months	0%	3%	5%	5%	9%	2%	0%

Companies appear to be proceeding cautiously in their hiring and scrutinizing every requirement as they try “to do more with a lot less resources”. It is therefore, not surprising to see that the majority of companies increased hiring by only 2% for all categories of employees.

“Increase hiring to include for growth”

However, companies are paying closer attention to their professional technical staff; 47% of companies who indicated that they were hiring also said that they were hiring professional technical staff at the rate of 3% to 5%. It is quite possible that companies are already thinking about the next big wave for talent search. ITAC (Information Technology Association of Canada) wrote in an article in the Canadian HR Reporter (June 3, 2002) that according to experts “the aggressive recruiting tactics could soon make their return to the high-tech sector”. A study produced by ITAC anticipates IT skill shortages as the economy rebounds. The study found “38,000 new IT jobs will be created this year, however 9,000 of

those jobs will go unfilled due to the shortage in IT talent”. If this is true, companies need to start paying close attention to their human resources requirements and start plotting their next move on where and how to find them.

Conclusion

The result of the survey show that the technology sector is clearly working through the impact of the economic downturn. Although the sector is showing signs of a recovery it would appear that companies prefer to remain vigilant in both their compensation and hiring practices. It would seem that the recovery is well on its way, however, there is evidence that it will be at a more sluggish pace.