

## For Immediate Release

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### **New IT Pay Research Refutes Claims of Offshore Outsourcing U.S. Wage Deflation**

**New Canaan, CT, July 18, 2005** – Suggestions of wage deflation for U.S. IT workers created by the popularity of global sourcing popularity are overblown, according to new IT pay research released today from Foote Partners, the New Canaan, Connecticut based IT research consultancy

“It’s true that 18 months ago pay for networking, database, and applications skills were in 7% to 10% annual declines, according to our surveys of 50,000 IT professionals,” concedes David Foote, the firm’s co-founder, president, and head of research. “But the pendulum has since swung to the other side as companies have become more aware of the difficulties in doing offshoring successfully and achieving anticipated cost savings. They are once again investing in their own people to build and maintain systems critical to their business strategies. And they’re using competitive pay to attract and hire workers with the right combinations of technical and business skills to do this.”

Foote cites strong 12-month pay growth for applications development, database, enterprise software, networking, and systems administration skills. Overall pay for non-certified and certified tech skills grew 3.8% and 1.3% respectively in the first six months of 2005 according to Foote Partners' six year old [Hot Technical Skills and Certifications Pay Index](#) (updated and published quarterly), with 4.9% and 3% increases respectively for the twelve months ending July 1, 2005.

Leading skills pay growth for noncertified skill in the first six months of 2005 were operating systems (+8.2%), networking/internetworking (+5.1%), database (+4.3%), and applications development skills.(+2.1%). For certified tech skills, Web (+3.8%), applications development/programming languages (+2.3%), and database skills (+0.7%) showed the most strength.

Foote Partners' [new skills compensation research](#) tracks market values for 176 technical skills in the workforces of 1,800 North American and Europe employers surveyed from April 1<sup>st</sup> to July 1<sup>st</sup>, 2005.

“We projected this continued growth earlier this year, due to several factors now in play,” notes Foote. “There’s been a return to hiring as the economy has strengthened, and certainly concerns about retention of talent connected to legacy systems and critical technology and business initiatives. But the turnaround is really being driven by many factors. For one thing, employers are once again investing in onshore applications development and systems as they’ve become more selective – and risk averse -- in their assessments of what work can go offshore and what needs to be under local control. Consequently, they’re demanding more industry-specific experience to go with tech skills mastery. They’re also searching for workers with solution-specific experience within a particular industry now that money is once again flowing to innovation and new products and services that will ensure their competitiveness against challengers of all sizes and geographies.”

## **What is Skills Pay and Why is it so Popular?**

Skills-related pay reported in Foote Partners' quarterly compensation research is typically paid in the form of cash bonuses or embedded in base salary as an adjustment for the presence of a dominant vendor or technology skill critical to the job. For example, pay for an Oracle Database Administrator, Linux Systems Administrator, .Net Developer, or SAP/ABAP Programmer can be quite different than what an employer might provide for generic "Systems Administrator", "Programmer", and "Developer" job titles. But does a company have to change job titles to solve the problem?

"There has been a renaissance in IT roles and a redefinition of IT jobs so pervasive that traditional job titles are becoming increasingly meaningless. But overhauling job titles is an enormous undertaking because both pay and career paths are normally tied to them," according to Foote. "The simpler solution is to differentiate workers with the same job titles by recognizing technical skills fundamental to their jobs, putting a market value on those skills, and adjusting base pay accordingly." Foote Partners' Hot Technical Skills and Certifications Pay Index provides employers with statistically valid and reliable data on what those adjustments should be based on up-to-date market conditions.

## BY THE NUMBERS

New data on skills pay trends for non-certified and certified skills

### A. **NONCERTIFIED Technical Skills**\_ (for certified skill pay trends, see pg. 6)

Overall median average pay for 89 noncertified skills surveyed grew nearly 5% for the year ending 7/1/2005, to 6.9% of base pay. Over the past four years, pay for such skills has declined over 20%.

Skills Bonus Pay as a % of Base Salary(Median Ave.)							
NON-CERTIFIED SKILLS CATEGORIES	2Q 2003	2Q 2004	2Q 2005	% Change ANNUAL	% Change 2 yrs	% Change 3 yrs	% Change 4 yrs
Networking & Internetworking	6.6%	6.5%	7.1%	8.9%	6.6%	-3.3%	-23.0%
Messaging, E-mail, Groupware	5.5%	5.8%	6.0%	4.3%	9.1%	-7.7%	-35.1%
Enterprise Applications & Suites	6.9%	7.1%	7.1%	0.0%	3.6%	-12.3%	-24.9%
Apps Development Tools & Languages	6.5%	6.6%	7.0%	6.1%	7.2%	-5.8%	-12.9%
Web/E-Commerce Development	6.7%	6.8%	6.7%	-0.7%	0.1%	-9.8%	-20.0%
Database	7.7%	6.9%	7.3%	6.0%	-4.8%	-13.5%	-16.3%
Operating Systems	6.0%	6.0%	6.6%	10.5%	10.5%	3.9%	-17.1%
<b>ALL SKILLS SURVEYED</b>	<b>6.7%</b>	<b>6.6%</b>	<b>6.9%</b>	<b>4.9%</b>	<b>4.1%</b>	<b>-6.9%</b>	<b>-20.3%</b>

Table 1 (Source: Foote Partners LLC, [2005 Hot Technical Skills & Certifications Pay Index](#))

### What non-certified skills have been growing in value?

By skills category, in order of most growth:

- Operating Systems
- Networking/Internetworking
- Applications Development Tools and Languages
- Database
- Messaging/e-mail/Groupware skills

**A. NONCERTIFIED Technical Skills – cont’d.**

What non-certified skills have been growing in value? – cont’d.

Hot non-certified skills (25% or more growth in skills pay premiums, last 12 months):

- SQL Server
- Websphere
- Active Server Pages
- Microsoft .Net
- SQL Windows

Highest paying non-certified skills, in order of highest paying:

- Project-level security
- RAD/Extreme Programming
- VoIP
- Storage/SAN
- Gigabit Ethernet
- IBM WebSphere
- Oracle DB and Applications
- SQL Windows

What non-certified skills have been losing their value?

By skills category:

- Web/e-Commerce development skills

‘Cooling’ non-certified skills (losing most value in last 12 mos.):

- XML
- Java
- ActiveX
- Linux
- Novell

‘Cold’ non-certified skills (losing significant value over last 12 mos.):

- WML
- Powerbuilder
- Perl
- HTTP
- HTML
- SMTP

### **DISCUSSION – Noncertified skills pay trends**

- Project-level security skills pay is typically connected to approved project budgets, providing a level of independence for security workers that protects them from enterprise-level compensation policies that may limit performance rewards and salary adjustments.
- Experience in IBM Websphere and Gigabit Ethernet skills remains strong due to the popularity of developing and implementing Web services solutions, plus IBM's aggressive marketing and support of the Websphere platform. Many employers cite technical and industry experience over certification as more important to their Websphere staffing decisions.
- Storage/SAN skills pay has been showing strength since late 2004 as companies grapple with increasing data management and storage requirements that must be flexible and cost-effective
- SQL technology skills have been an in-demand, perennial favorite despite the abundant supply of IT workers experienced in these longstanding skills and the level of maturity of legacy systems based on SQL solutions.
- The supply of Linux skilled IT professionals has caught up to demand, driving down their value in 2005.
- The value of VoIP skills has been boosted by the strong market for VoIP solutions in primarily small to medium sized companies. We expect pay for these skills to crest in 2005 and begin a gradual decline as the market matures.

## B. CERTIFIED Technical Skills

Overall median average pay for 87 certified skills surveyed grew 3.0% for the year ending 7/1/2005, to 8% of base pay---more than a full percentage point greater than non-certified skills. Over the prior four years pay for such skills has actually *declined* nearly 3%, underscoring the magnitude of the recent pay surge led by applications development and networking certifications.

Certifications Premium Pay as a % of Base Salary(Median Ave.)							
CERTIFICATIONS CATEGORIES	2Q 2003	2Q 2004	2Q 2005	% Change ANNUAL	% Change 2 yrs	% Change 3 yrs	% Change 4 yrs
General	4.8%	4.3%	3.8%	-11.8%	-21.1%	-31.8%	-48.3%
Apps Development/Prog. Languages	6.9%	6.8%	7.2%	6.7%	4.7%	2.9%	-8.4%
Database	9.7%	9.7%	9.4%	-2.8%	-2.8%	-17.0%	-11.9%
Webmaster/Internet	6.6%	6.3%	6.1%	-3.5%	-6.9%	-26.7%	-30.4%
Networking	8.5%	9.0%	9.3%	3.1%	9.2%	3.1%	-5.3%
System Admin & Eng/Network OS	7.6%	7.9%	7.9%	0.5%	4.4%	5.9%	-1.3%
Security	8.7%	8.9%	8.6%	-3.5%	-1.0%	0.1%	13.3%
Project Management	16.0%	15.0%	13.0%	-13.3%	-18.8%	-13.3%	0.0%
<b>ALL CERTIFICATIONS SURVEYED</b>	<b>7.7%</b>	<b>7.8%</b>	<b>8.0%</b>	<b>3.0%</b>	<b>4.6%</b>	<b>-1.1%</b>	<b>-2.8%</b>

Table 2 (Source: Foote Partners LLC, [2005 Hot Technical Skills & Certifications Pay Index](#))

### What certified skills have been growing in value?

By certifications category, in order of most growth:

- Applications Development/Programming Languages certifications
- Networking certifications
- Systems Administration & Engineering / Network OS certifications

Hot certified skills (15% or more growth in skills pay premiums, last 12 months):

- HP/Compaq Master Accredited Systems Engineer (MASE)
- HP/Compaq Accredited Systems Engineer (ASE)
- Certified Information Systems Auditor (CISA)
- Cisco Certified Security Professional (CCSP)
- IBM Lotus Certified Advanced Application Developer
- IBM Lotus Certified Associate Systems Administrator
- Sun Certified Systems Administrator for Solaris

## **B. CERTIFIED Technical Skills – cont'd.**

What certified skills have been growing in value? - cont'd.

Highest paying certifications, listed in groups by certification provider:

- Certified Information Systems Auditor (CISA)
- Certified Information Systems Security Professional (CISSP)
- Project Management Professional(PMP)
- Cisco Certified Internetwork Expert (CCIE)
- Cisco Certified Voice Professional (CCVP)
- Cisco Certified Design Professional (CCDP)
- Cisco Certified Enterprise Administrator (CCEA)
- Cisco Certified Security Professional (CCSP)
- Cisco Certified Network Professional(CCNP)
- Cisco IP Telephony Design Specialist
- Cisco IP Telephony Operations Specialist
- SANS/GIAC Security Expert (GSE)
- SANS/GIAC Certified Forensic Analyst (GCFA)
- SANS/GIAC Certified Windows Security Administrator (GCWN)
- HP/Compaq Master Accredited Systems Engineer (MASE)
- Oracle DBA Certified Master Professional (OCM DBA)
- Oracle Certified Professional (OCP DBA)
- Citrix Certified Enterprise Administrator (CCEA)
- Microsoft Certified Solution Developer (MCSD)
- Novell/Master Certified Network Engineer
- IBM Certified Advanced Application Developer - Lotus

What certifications have been losing their value?

By certifications category, in order of worst performance, last 12 months:

- Project Management
- Beginner certifications
- Web/I-net certifications
- Security
- Database

‘Cooling’ certifications (losing value in last 12 mos.):

- PMP
- Novell Certified Directory Engineer (CDE)
- Novell Certified Network Administrator (CNA)
- CompTIA Network+
- Citrix Certified Administrator (CCA)
- Microsoft DBA

## **B. CERTIFIED TECHNICAL SKILLS – cont'd.**

‘Cold’ certified skills (losing significant value over last 2 years):

- Beginner certs (MCP, CCP, A+);
- SANS/GIAC Security Essential
- Microsoft Computing Professional+Internet
- Prosoft CIW Administrator
- Siebel Certified Consultant
- Siebel Customer Certified Consultant
- SANS/GIAC Firewall Analyst

### **DISCUSSION – Certified skills pay data**

- The contrasting slide in pay performance for certified skills in the first six months of 2005 compared noncertified skills (one-third the growth rate, or +1.3% versus +3.8% respectively) is being driven principally by the premium employers are now willing to pay workers for on-the-job industry and solutions experience. Still, most employers favor both experience and credentialing in a job candidate whenever possible. To meet this challenge, certification programs have taken steps to include components that provide participants with hands-on experience. Examples include CompTIA’s National Information Technology Apprenticeship System (NITAS); Microsoft’s recently added performance-based certifications tests; and Cisco, Novell, Red Hat, and other certifiers’ lab exams which offer their certification candidates direct interactions with professional environments. The trend is for more and more credentialing organizations working with employers and developing new testing methods to give certificants practical experience which will increase their marketability in the labor pool.
- Pay for auditing certifications such as the Certified Information Systems Auditor (CISA) will continue to be boosted by stiff compliance requirements and independent auditor control provisions stipulated by government regulations such as the Sarbanes-Oxley Act and Gramm-Leach-Bliley.
- The decline in pay for information security certifications in the past 12 months should not be interpreted as diminished demand. It is instead the result of a flood of IT professionals into the infosec field in search of job security and attractive pay, driving down pay for many popular beginner and intermediate certifications. Expanding corporate governance and terrorism regulations will continue to boost security spending and hiring and feed the current growth trend in secondary school security curricula and degree programs. We expect the supply of qualified infosecurity workers will level off somewhat against demand over the next 12 months as SOX-related spending slows, with security certification pay likely being driven upward by (1) the frequency and intensity of security breaches; (2) senior managements’ acceptance of higher security expenditures as routine costs of doing business in order to remain competitive; (3) customers/partners demanding more assurances that sufficient security measures are in place to protect their hard and soft assets; and (4) continued growth of global projects and sourcing that require more complex security solutions.

**Discussion – Certified skills pay data – cont’d.**

- The recent decline in premium pay for project management certifications is not due to diminished demand, but instead the evolution in the demand for project management expertise in IT job requirements. At one time specified in IT job descriptions as a ‘highly desirable’ or ‘nice to have’ skills to possess, demonstrated proficiency in project management or experience as a member of project teams that span an entire development life cycle is now required by hiring decision makers. As such, pay for project management talent it is more often factored into base salary levels instead of paid as a separate skills bonus for those who qualify. We expect project management skills to increase in value and importance as project teams spanning multiple geographies continue to proliferate.

## **DISCUSSION – Other trends influencing IT compensation**

Several additional factors have come forward in Foote Partners IT workforce research to help explain technical skills pay trends.

### 1. Staff retention concerns and increased competition for talent in some industries

“Overall, our findings indicate the reemergence of talent wars, but on a smaller scale than in the past and more industry focused, particularly the IT professional services business,” remarks Mr. Foote. Hiring by IT services firms has accelerated in 2004 and 2005, driving up skills pay for consultants with niche skills according to the new study. “This is very positive news indeed for tech workers wondering what to do about their careers and considering consulting as a career choice instead of temporary employment between jobs.”

“More attention is being paid to the risks of losing workers who stuck it out through years of workforce reductions or who have taken on multiple responsibilities, and for good reason,” continues Foote. “For one thing, offshore outsourcing has proven to be far riskier and tougher to succeed at than had been anticipated, in part due to employee retention issues. Losing key ‘anchor team’ members tasked with knowledge transfer and vendor management can be a huge blow to an offshoring implementation. IT decision makers have lately become somewhat less inclined to play the offshoring or outsourcing card when under pressure, or where systems core to business performance and competitiveness are involved. They’re looking instead for ways to keep go-to ‘A team’ players from jumping ship and, according to our research findings, that is showing up in premium skills pay increases that are being paid in base pay adjustments, straight cash bonuses, or both.”

### 2. Proliferation of jobs with stricter employer requirements for specialized experience and skills

It may not be enough these days to simply have a solid technical background, reasonable interpersonal skills, and a respectable track record to get a good IT job. Job interviewers are grilling candidates for experience in a specific industry developing specific solutions with specific technologies for specific customers, and expect an unblemished performance record. “Certifications are still extremely popular for getting noticed in these situations but not necessarily for getting the job offer. Total compensation packages are reflecting the specializations desired in the form of premium skills pay, but also in adjustments to base salary to reflect the importance of technical specialties and “soft” (interpersonal, management) skills essential for doing well in the job,” according to Mr. Foote.

### 3. Emerging hybrid jobs blending IT and operations responsibilities

With traditional titles rarely an accurate reflection anymore of what many IT workers actually do, the practice of defining equitable pay has become a battlefield between employer and employee. Complicating this an emerging trend in which operations and information technology responsibilities are merging into “hybrid” jobs. “Our research indicates that this has been occurring in the banking/financial services, insurance, telecommunications, and utilities industries where operations and technology have had a close relationship historically, but now we’re seeing it elsewhere,” indicates Mr. Foote. “The question becomes: For people in these jobs, should you benchmark their pay as operations or IT professionals? The answer is

neither. These are new jobs requiring new salary surveys that must specifically benchmark a portfolio of technical, business, and process skills and knowledge appropriate to the ops/tech blend. It amazes me how few compensation consulting firms are aware of this trend much less able to provide the benchmark data.”

#### 4. Popularity of offshore outsourcing, although with mixed success

“Last year our firm released a study that indicating that offshore outsourcing was suppressing hiring and even compensation stateside, even though nearly sixty percent of offshoring initiatives have been failing to measure up to expectations especially in cost savings,” states Mr. Foote. Still, offshoring is expected to continue its robust growth, evolving from a focus on cost-savings to enabling innovation and process improvements.

Continues Foote, “While this may be resulting in short-term job loss, it is ironically creating job opportunities for multilingual, well-traveled IT workers skilled in specific technical skills and disciplines, global project management, collaborative work models and cultural integration. Why? According to our **2004 Offshore Outsourcing Best/Worst Practices Report** published last year, offshoring disappointments are mainly caused by poor communication, organization, and transition management, overestimating project management and human resources aptitude and capabilities, and lousy cultural integration and vendor relationship building.”

#### 5. Government regulation

Skills pay is also being affected by increased government regulation that has spurred demand for IT consulting services and is expected to stimulate corporate hiring activity. Case in point: a flood of pent-up upgrades and systems enhancements this year that were delayed in 2004 as substantial IT resources were shifted to meet a Sarbanes-Oxley Act compliance deadline which was extend last November. “SOA and other regulations clearly elevated demand for many infrastructure-related skills, which happens to be where a lot of the compensation growth has been appearing in both our base salary and skills pay survey research,” concludes Mr. Foote.

#### 6. Intensified merger and acquisition activity

Integration challenges are immense where M&A’s are concerned, not just technology but culture too. “With many more of the likes of Oracle/Peoplesoft, Bank of America/Fleet Financial, Verizon/MCI and SBC/AT&T, expect some small consolidation-driven layoffs,” suggested Mr. Foote. “But more optimistically, M&A’s create job growth in the IT services industry and opportunities for versatile IT workers with various blends of technical, business, and soft skills that are highly prized in architecting, systems engineering and integration, security, project management, and business technology.”

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To purchase the latest edition of the Hot Technical Skills & Certification Pay Index, please click on this link: [Pay Index](#)

## **ABOUT THIS RESEARCH**

The “IT Insider Compensation Benchmarks and Management Trends” research series is compiled from confidential data supplied by IT, business, and HR executives and validated via direct interviewing covering 50,000 North American and European IT workers and 1,800 private and public sector organizations. The size of the participating organizations, measured most appropriately for the type of business, by revenues, assets, total premiums and operating budgets, are as follows:

--12% of participating organizations have \$3 billion+ in sales/\$15+ billion in total assets

--26% of participating organizations have \$1 billion or more in annual revenues or \$3 billion or more in total assets

--42% of participating organizations have \$500+ million in sales/\$3+ billion in total assets/\$500+ million in premiums/\$500+ million operating budget (government, educational, not-for-profit)

--4% have operating budgets of \$500 million or more, 4% with operating budgets \$100 million to less

## **ABOUT FOOTE PARTNERS**

[Foote Partners LLC](#), founded in 1997, is a New Canaan, Connecticut based management consultancy and IT workforce research firm comprised of former Gartner Inc., META Group, Forrester/Giga and McKinsey & Company consultants and analysts, and former HR, IT, and business executives. The firm employs innovative data collection methods and analytical techniques to correct for mismatched IT job titles (versus actual job content and duties) and produce a highly accurate, constantly updated, consistent and comprehensive view of what tens of thousands of IT workers in the North America and Europe are being paid in total IT compensation. The firm’s senior research team publishes survey-backed analytical trend reports on a variety of management and technology subjects and advises companies on increasing performance and achieving business goals through maximizing collaboration and integration of IT, business, and HR resources.

For more information, please visit the Foote Partners website: <http://www.footepartners.com/>.

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