

For Immediate Release

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Pay For Technical Skills in 2005 Continues Late 2004 Surge

New Canaan, CT, June 6, 2005 – Information technology professionals have continued to benefit from a surge in pay tied specifically to both certified and non-certified technical skills that began in late 2004, according to new research released this week by Foote Partners LLC, the New Canaan, Conn.-based IT research consultancy. The [study](#) of market values for more than 170 skills involved 48,000 IT workers in North American and Europe surveyed from January to April 2005.

“We projected this continued growth earlier this year, due to several factors now in play,” notes David Foote, the firm’s co-founder, president and chief research officer. “Probably the most obvious has been the economy and the return of hiring and concerns about retention of talent connected to legacy systems and critical technology and business initiatives. But it’s really much more than that when you start looking more deeply at our research,” continues Mr. Foote. “Employers are once again investing in onshore applications development skills notwithstanding their desire to offshore some applications and business processes. They’re demanding more industry-specific experience to go with tech skills mastery, and even systems-specific solutions experience within an industry, which is a fairly new development on the scale that we’ve been seeing it.”

Overall pay for all non-certified and certified skills grew 2.8% and 1.6% respectively in the first three months of 2005 according to Foote Partners’ [Hot Technical Skills and Certifications Pay Index](#), with a 3.6% and 4% increase respectively for the twelve months ending April 1, 2005. “The pendulum continues to swing to the other side,” reveals Mr. Foote, “At this time last year, annual data trending was in negative numbers.”

Skills 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 Mr. Foote. “The simpler solution is to differentiate workers with common job titles by recognizing technical skills fundamental to their jobs, putting a market value on those skills, and adjusting base pay accordingly.” The Hot Technical Skills and Certifications Pay Index was established in 2000 to provide statistically valid and reliable data on just what those adjustments ought to be based on market conditions.

Other contributing factors for the reversal cited in the new research are:

- Emerging hybrid jobs blending IT and operations responsibilities;
- Government regulation;
- Return of merger and acquisition activity

See “Discussion” section on page 7 for more details.

BY THE NUMBERS

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

A. NON-CERTIFIED TECHNICAL SKILLS (for certified skill pay trends, see pg. 5)

Overall median average pay for 89 non-certified skills surveyed grew 3.5% for the year ending 4/1/2005, to 6.9% of base pay. Over the prior four years, pay for such skills has declined over 20%.

Skills Bonus Pay as a % of Base Salary(Median Ave.)							
NON-CERTIFIED SKILLS CATEGORIE	1Q 2003	1Q 2004	1Q 2005	% Change ANNUAL	% Change 2 yrs	% Change 3 yrs	% Change 4 yrs
Networking & Internetworking	7.1%	6.6%	7.0%	7.7%	2.6%		
Messaging, E-mail, Groupware	6.0%	5.5%	6.0%	9.1%	4.3%		
Enterprise Applications & Suites	7.3%	6.9%	7.1%	5.6%	1.9%		
Apps Development Tools & Language	6.9%	6.5%	7.0%	9.4%	6.1%		
Web/E-Commerce Development	7.0%	6.8%	6.7%				
Database	8.1%	7.7%	7.2%				
Operating Systems	6.1%	6.0%	6.4%	4.1%	4.1%		
ALL SKILLS SURVEYED	7.0%	6.6%	6.9%	3.5%	1.3%	-12.5%	-20.2%

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:

- Applications Development Tools and Languages skills
- Messaging/e-mail/Groupware skills
- Networking/Internetworking skills
- Enterprise Applications development skills

A. ON-CERTIFIED TECHNICAL SKILLS – cont’d.

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

- SQL Windows
- Websphere
- Microsoft .Net

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, in order of worst performance:

- Database skills
- Web/e-Commerce development skills

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

- XML
- Linux
- Novell Groupwise
- Java
- Microsoft NT Server

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

- WML
- Powerbuilder
- Perl
- HTTP
- HTML

B. CERTIFIED TECHNICAL SKILLS

Overall median average pay for 83 certified skills surveyed grew 4.0% for the year ending 4/1/2005, to 8.1% 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* more than 6%, 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	1Q 2003	1Q 2004	1Q 2005	% Change ANNUAL	% Change 2 yrs	% Change 3 yrs	% Change 4 yrs
General	5.0%	4.3%	3.8%	-11.8%	-25.0%	-34.8%	-54.5%
Apps Development/Prog. Languages	6.6%	6.5%	7.0%	7.7%	5.6%	-6.7%	-14.3%
Database	9.7%	9.3%	9.6%	2.9%	-0.7%	-17.7%	-7.1%
Webmaster/Internet	6.8%	6.3%	6.0%	-5.2%	-11.5%	-28.9%	-43.8%
Networking	8.5%	8.7%	9.2%	6.1%	8.2%	0.0%	-16.4%
System Admin & Eng/Network OS	7.6%	7.9%	8.2%	3.7%	7.7%	8.1%	14.6%
Security	8.9%	9.0%	8.8%	-2.4%	-1.3%	3.3%	25.4%
Project Management	16.0%	16.0%	13.0%	-18.8%	-18.8%	-13.3%	0.0%
ALL CERTIFICATIONS SURVEYED	7.7%	7.7%	8.1%	4.0%	4.1%	-2.5%	-6.2%

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
- Database certifications

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

- Cisco Certified Security Professional (CCSP)
- Certified Information Systems Auditor
- HP/Compaq Accredited Systems Engineer (ASE)
- HP/Compaq Master Accredited Systems Engineer (MASE)
- IBM Lotus Certified Application Developer
- IBM Lotus Certified Associate Systems Administrator
- Sun Certified Enterprise Architect for Java 2 Platform
- Sun Certified Programmer for Java 2 Platform
- Sun Certified Systems Administrator for Solaris

B. CERTIFIED TECHNICAL SKILLS – cont'd.

Highest paying certifications, in order of highest paying:

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

What certifications have been losing their value?

By certifications category, in order of worst performance:

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

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

- GIAC GSEC
- PMP
- Novell CNA
- CompTIA Network+
- Microsoft DBA

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

- Beginner certs (MCP, CCP, A+);
- Webmaster/I-net certs (MCP+I, Prosoft CIW Administrator);
- Siebel SCC/SCCC
- GIAC Firewall Analyst

DISCUSSION

Several additional factors came forward in the new research to help explain the turnaround in technical skills pay.

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 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 not temporary employment between jobs.”

“More attention is being paid to the risks of losing workers who stuck it out through years of workforce reductions, 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, especially when workers tasked with knowledge transfer and vendor management are involved. IT decision makers have lately become somewhat less inclined to play the offshoring or outsourcing card when under pressure. 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 or straight cash bonuses and sometimes both.”

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 to doing well in the job,” according to Mr. Foote. **“The main reason project management certifications are declining in value, for example, is that they are no longer considered ‘nice to have’ skills but are more and more being required. For that, base salary is the reward, not bonus pay.”**

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.”

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.”

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 by one year. “There is little doubt in my mind that the SOA and other regulations have elevated demand for many infrastructure-related skills, which happens to be where a lot of the compensation growth is appearing in both our base salary and skills pay survey research,” concludes Mr. Foote.

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 and the pending mergers of 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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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 interviews covering 48,000 North American and European IT workers and 1,860 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 46,000 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 governments and leading corporations worldwide on strategic business solutions benefiting from close collaboration and integration of the IT, business, and HR communities.

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

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