

## **Foote Partners IT Skills Pay Research**

### **Methodology, Research Demographics, Geographical Scope, and Definitions**

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## **What is Technical Skills and Certifications Pay?**

It is common practice today for employers to isolate, recognize and reward experience in a variety of technical skills. Pay for such skills is usually provided in the form of a premium employers are willing to pay workers who possess high-value technical skills used on the job (with or without certifications for those skills). This pay may be applied in the form of a bonus or it may be embedded in base salary to adjust for the presence of a dominant vendor or technology; for example an Oracle Database Administrator, Linux Systems Administrator, Unix Programmer, or SAP Developer. It is not necessary to alter a job title to reflect the presence of a vendor or skill in a worker's pay package, though more and more companies are doing so as skills become connected to legacy systems and technologies.

Skills and certifications pay can be offered as an inducement in recruiting a prospective employee via internal transfer, and can be effective in securing external candidates on the open market. Some employers pay skills and certifications premiums as separate check received biweekly or monthly accompanied by the usual payroll. Conversely, skills and certifications pay is also used by an employer as a de facto retention bonus or adjustment to bring a worker's *total* compensation up to market rate levels. This may be without regard to other variables such as low/no-cash incentives, merit and bonus pay not connected to specific skills (e.g. profit sharing), work/lifestyle benefits, and other important add-ons not tied specifically to cash compensation for individual performance.

When paid as a variable pay bonus, there is usually a finite 'window' for payment of skills and certifications bonus premiums (12-15 months), after which time a new set of in-demand skills/certs (and valuation for same) is declared and workers are encouraged to become proficient in those skills. The market value for these premiums is driven by supply and demand economics, a vendor's financial health, market share or installed base, and other factors.

Is a certain level of performance necessary to receive a skill or certification premium? Our research indicates that while some employers may attach a performance basis for such a bonus payout, others do not. The trend is towards companies devising measurable performance hurdles whenever possible.

### **How does Foote Partners collect salary and skills pay data?**

The unique nature of information technology jobs and staffing makes passive surveying of Human Resource departments to obtain compensation information an extremely inaccurate method. In the early 1990's, we discovered a better method – dubbed "IT insider" -- which produces incomparably better results, especially for tracking skills and certifications pay which is sometimes paid in informal ways "under the radar" of the HR department.

## What is Technical skills and certifications pay? – cont'd.

Foote Partners' primary research report for technical skills and professional certifications pay is the quarterly **Hot Technical Skills and Certifications Pay Index (HTSCPI)**, which tracks premium pay for 188 technical certifications and skills and is updated and published every three months. The Q4 2005 edition currently available has been compiled from confidential information shared with Foote Partners from October 1, 2005 to January 1, 2006.

In a substantial effort that continuously monitors the compensation of 50,000 private and public sector IT workers in North America and Europe, Foote Partners receives a constant flow of the confidential compensation data directly from HR departments and hundreds of IT, HR, and business executive research partners with whom the members of Foote Partners senior research team have forged relationships over many years as former industry analysts and consultants at top firms like McKinsey & Company, Gartner Inc., and META Group. From our partners we receive the same compensation data about their IT workers that their HR departments possess, plus much more. There is no aggregation of data sources or compilation of other firms' surveys. We're then able to spend more of our efforts on the delicate and critical task of correcting for job titles that don't match what workers actually do on-the-job, using multiple validation techniques including direct interviewing and aggressive interactive surveying.

We report changes in compensation every 3 months, and do so job-by-job, city-by-city (we don't use geographic multipliers). Overall, this uniquely effective "IT insider" methodology produces constantly refreshed 'real world' salary, certifications and skills pay data that is validate, reliable, accurate and consistent.

This HTSCPI reports pay in the following classifications, for full-time IT workers only (these premiums do not apply to contractors or consultants):

### Skills:

- Networking and Internetworking
- Operating systems
- Web/e-Commerce Development
- Messaging and Groupware
- Apps Development Tools and Languages
- Enterprise Applications/Suites
- Database
- Project Experience
- Management

### Certifications:

- General
- Application Development/Programming Languages
- Database
- Webmaster/Internet
- Networking
- Systems Administration and Engineering/ Network Operating Systems
- Security
- Project management

## **What is Technical skills and certifications pay? – cont'd.**

### **How is the data presented?**

Skills and certifications pay is displayed as a percent of base pay, a normative view that is also the most common form in which such bonuses are paid. We display three data points for each skill or certification:

- 10<sup>th</sup> percentile
- 50<sup>th</sup> percentile (median)
- 90<sup>th</sup> percentile

### **Research participant metrics**

IT compensation data for our Q3 2005 research findings were collected from 1,860 public and private sector organizations representing 24 private sector industries plus government and educational institutions. Data was collected from July 1, 2005 to October 1, 2005. Approximately 50,000 IT workers were included in these findings.

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 than \$500million (nonprofit/government/educational sectors)

## Cities and Metropolitan Areas Surveyed – Q4 2005 Research

### Canadian Cities, European Countries

#### CANADA

|                 |               |
|-----------------|---------------|
| Calgary, AB     | Montreal, QUE |
| Edmonton, AB    | Ottawa, ON    |
| Halifax, NS     | Toronto, ON   |
| London, ON      | Vancouver, BC |
| Mississauga, ON | Winnipeg, MB  |

#### EUROPE (55 cities)

|                |             |
|----------------|-------------|
| United Kingdom | Netherlands |
| Ireland        | Portugal    |
| France         | Spain       |
| Germany        | Switzerland |
| Italy          |             |

### Tier 1 Cities(U.S.)

|             |                            |                     |  |
|-------------|----------------------------|---------------------|--|
| Atlanta, GA | Houston, TX                | New York City, NY   | San Jose, CA                                       |
| Boston, MA  | Los Angeles/Orange Cty, CA | Philadelphia/So. NJ | Seattle, WA  |
| Chicago, IL | Miami, FL                  | Phoenix, AZ         | St. Louis, MO                                      |
| Dallas, TX  | Minneapolis, MN            | San Diego, CA       | Washington, DC                                     |
| Detroit, MI | New Jersey/Northern        | San Francisco, CA   | Westchester County, NY/<br>Lower Fairfield Cty, CT |

### Tier 2 Cities(U.S.)

|                          |                                      |  |                                       |
|--------------------------|--------------------------------------|--|---------------------------------------|
| Albuquerque/Santa Fe, NM | Greensboro/Winston-Salem, NC         | Milwaukee, WI                            | Portland, OR                          |
| Austin, TX               | Greenville/Spartanburg /Anderson, SC | Nashville, TN                            | Princeton/So. NJ Providence, RI       |
| Baltimore, MD            | Hartford, CT                         | New Orleans                              | Raleigh/Durham, NC                    |
| Birmingham, AL           | Indianapolis/Ft Wayne                | Norfolk/Virginia Beach/ Newport News, VA | Richmond, VA                          |
| Charlotte, NC            | Kansas City, MO                      | Oakland/Walnut Creek/Concord CA          | Sacramento, CA                        |
| Cincinnati, OH           | Las Vegas, NV                        | Oklahoma City, OK                        | Salt Lake City, UT                    |
| Cleveland/Akron, OH      | Long Island, NY                      | Omaha, NE                                | San Antonio, TX                       |
| Columbus, OH             | Louisville, KY                       | Orlando, FL                              | San Diego, CA                         |
| Colorado Springs, CO     | Madison, WI                          | Peoria, IL                               | Tampa, FL                             |
| Dayton, OH               | Memphis, TN                          | Pittsburgh, PA                           | Upper Fairfield County/ New Haven, CT |
| Denver, CO               |                                      |  |                                       |
| Grand Rapids, MI         |                                      |  |                                       |

## **A Word About Technical Certifications**

While a lot of factors go into an employee's decision to get and stay certified (e.g. job advancement, career satisfaction), certification is largely about money. IT professionals spend billions on getting certified and should therefore expect a return on their investments in themselves and their companies. There is no doubt that certification does often serve to increase the annual salary of IT professional

There may be more virtuous and less secular reasons to pursue a technical certification, but the expectation of certification candidates is very much centered on the income and job security. IT professionals pursue certifications so they can contribute to mission-critical functions of the business enterprise. Through the certification process, they bring to the table a set of acquired skills that can help the business enterprise grow and/or have higher earnings. Since certificants contribute directly to company growth and profits, it is reasonable that they expect a significant return on their certification training and testing investment.

According to "The IT Certification Training and Testing Market, 1998-2005," a study conducted by International Data Corp. (IDC), the IT training and testing industries reached \$2.5 billion in 1999 and is expected to reach \$4.1 billion by 2005, representing a 15 percent growth rate. As those numbers show, both IT professionals and the companies that employ them invest heavily in gaining better capabilities and resources.

Approximately 41% of IT certification holders we surveyed recently have shouldered the entire investment in their technical certification(see Fig.1), while 16% shared the burden with their employer; 43% had the entire cost of certification covered by their companies, including study materials, books and fees. With their own skins in the game and their own money at stake, certification candidates and employers alike expect their certification will provide a return financially.

To understand the size of investment required by certificants and/or their companies, one only needs to analyze what types of vendor-approved and third-party materials these professionals utilize in the certification process. Certification candidates purchase self-study books, product documentation and practice exams, in addition to flash cards and videos. They pay for the instructors and invest time in on-the-job training, as well as CBT programs and community college tuition.

Their investment can be considerable. According to our research, the average certification holder has invested in at least two technical certifications—evidence that technical certification does pay tangible benefits. Also, 70 percent of the certification holders surveyed were anticipating they would add at least one other certification to their vitae within the coming year. It is doubtful that these IT professionals would lay out their own funding for certification if it would not provide an attractive return.

## A Word About Certifications, cont.

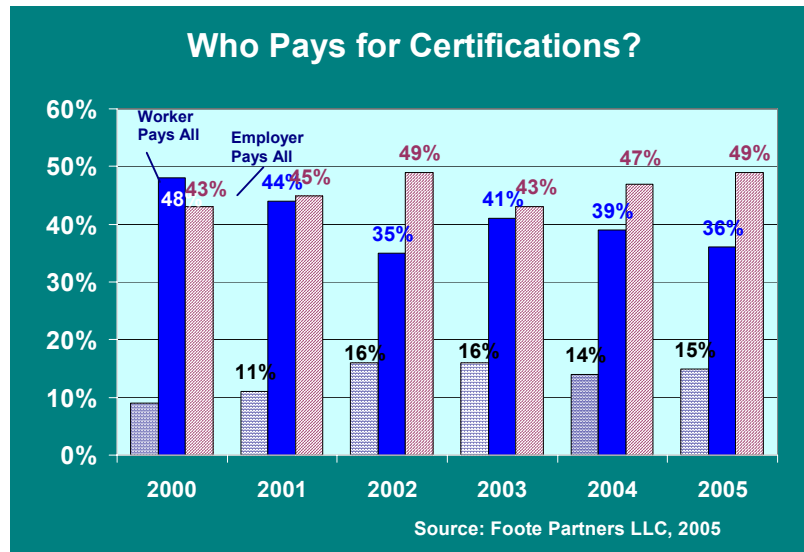


Figure 1

But what can an employer realistically expect from workers holding certifications? Many managers interviewed by Foote Partners believe that IT employees who have demonstrated their knowledge and skills through certification are able to solve problems much faster, work better in teams and show a higher level of confidence in their own abilities and solutions than those who haven't. The result is greater confidence from the customers, both internal and external. Ultimately, better solutions and employees with greater confidence lower costs by simplifying processes and relationships. If fewer people are required for projects, that reduces project complexity, which further reduces costs.

Many IT projects suffer from technology challenges, inadequate cost estimation, complexity introduced by team size, inappropriate systems development processes and poor risk-assessment techniques. Any one of these factors can lead to delayed or incomplete projects and cost overruns, and even bring litigation against a company. If an employer can prove that it has sound methods in place for measuring its employees' skills and the quality of their work, and if they have ensured that their people have external validation of their skills (especially through nonprofit industry associations) or have maintained the currency of their certification, so much the better.