

FOR IMMEDIATE RELEASE

**NEW TREND REPORT REVEALS PRESSURE OF
IT LABOR OFFSHORING CONTINUES TO ERODE PAY FOR
TECHNICAL SKILLS AND CERTIFICATIONS**

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New Canaan, CT, January 10, 2004 – Premium bonus pay tied specifically to information technology certifications and stand-alone skills continued to slide in 2003, although with some recovery in higher average bonus pay for infosecurity, project management and systems and network administration certifications. But for the third quarter in a row, offshoring of IT labor is making onshore skills supplies less important---resulting in lower pay for many IT workers.

“We first started noticing offshore outsourcing pressures on stateside compensation early in 2003,” notes David Foote, President and Chief Research Officer for Foote Partners. “Premium bonus pay for many IT certified and non-certified skills that had been performing steadily in our quarterly research began to slide noticeably. These skills coincided with many of the same employment areas that have been most susceptible to offshore outsourcing. Moreover, we've identified a similar trend in our base pay survey research.”

For example, non-certified applications development skills pay declined 8.5% in 2003, and those with certifications lost nearly 18% of their value in the past two years. “These are monies that have traditionally been used to retain and motivate workers. As more programming work is transferred offshore or at least directed away from IT full-timers, premium pay becomes unnecessary. This is a major shift for skills pay and also for base salaries. It’s one of the reasons why IT certifications pay specifically began collapsing in 2003 after a pretty healthy run during this prolonged economic recession. Of course, base pay for many jobs had been depressed long before this due to the economic

recession, but not premium pay for certified skills based on our research in North America and Europe with 40,000 IT professionals.”

I. Certified Tech Skills Pay Findings

Following very healthy performance through 2001 and 2002—though flat, at 0.5% growth---overall certification premium pay in 2003 for 56 IT skill certifications surveyed in the *Quarterly Hot Technical Skills and Certifications Pay Index* (covering 40,000 IT professionals in 1,820 North American and European employers) finally cracked under the strain of three consecutive years of brutal market conditions, declining 5.6% in 2003, to an average 7.6% of base pay at the median. Unlike the much larger 23% drop in pay for non-certified skills over the past two years, certifications have lost only 11% value on average since late 2001, in large part due to demand for workers with project management, information security, and enterprise systems skills:

- Project Management certifications (+6.7% growth in 2003);
- Security (+1.1%);
- Systems Administrations & Engineering/Network OS (+0.4%)
- Networking (-2%)

Certifications pay performance has been diminished by the following certifications categories, which have all performed worse than the overall average in the **12 months** ending January 1, 2004:

- Webmaster/Internet certifications, down 22.7% in 2003
- Beginner certifications like the MCP, CCP, and A+ (-13.6%)
- Database certifications (-9.4%)

In the **24 month period** ending January 1, 2004, these categories of certified skills all performed worse than the overall average for certifications pay:

- Webmaster/Internet and Beginner certifications, each down more than 29% from late 2001;
- Applications Development Tools/Programming Languages (-17.5%);
- Database (-14.7)

Detail - Certifications

Note: *Hot/Warm/Cold* designations refer to the growth trends for the past several months. Strong/Weak designations refer to especially high- and low-paying skills as defined as percent of base pay.

HOT Security certifications

- The security certifications group has achieved steady premium pay growth for the past three years, up 32% in value in the period. Performance has leveled out in 2003, increasing a modest 1.1%, to 8.9% of base pay.
- Top performers:
 - Certified Information Systems Auditor (+25% in 2003 and 38% in past 24 months, the biggest increase for all certifications surveyed in 2003)
 - Certified Information Systems Security Professional (+20%, +50% respectively)
 - GIAC Certified Windows Administrator (+13%, +29%)
 - GIAC Certified Unix Administrator (+13%, +13%)

HOT Citrix Administrator certifications

- Premium bonus pay for Citrix Certified Administrator has increased 17% in 2003 following flat performance in 2002
- Citrix Certified Enterprise Administrator's value grew 10% in 2003, to a hot 11% of base pay (at median)

HOT Linux certifications

- Red Hat Certified Engineer (RHCE) up 14% in 2003. Linux Professional Institute certification/Levels 1&2 has gained 17% in value since late 2001.

HOT Cisco Certified Internetworking Expert

- Premium bonus pay for the CCIE is up 11% in 2003 (to 10% of base pay at median) after dipping in 2003

STRONG Microsoft Certified Trainer, Microsoft Certified Solution Developer, Oracle Certified Professional/DBA, Cisco Certified Enterprise Administrator, Cisco Certified Network Professional, Master Certified Novell Engineer

- These certifications are earning 10% to 11% of base pay in median premium bonus pay in 2003, well above the 7.6% of base pay average across all certifications surveyed

WARM Systems Administration & Engineering/Network Operating Systems

- This certification category earned 0.4% more in 2003, led by Citrix and Linux certifications.

HOT Project Management Professional(PMP) certification

- The PMP continues to earn a significantly higher premium than any other certification surveyed: 16% of base pay (at median), up from 15% in 4Q2002 and 14% in 2001.

COLD Webmaster/Internet certifications

- Prosoft CIW series certifications have lost between 14% and 50% of their value in past 12 months ending January 1, 2004
- Microsoft Certified Systems Engineer + Internet and Microsoft Certified Professional + Internet have lost 27% and 29% in premium bonus pay, respectively, in the same period.

COLD General Certifications

- Bonus pay for such certifications as **CompTIA A+** and **Microsoft's Certified Professional(MCP)**, typically the domain of new, inexperienced technical workers, has plummeted--down nearly 30% in two years and 13.6% in 2003--as employers channel bonus pay to more experienced specialists.

COLD: Siebel Certified Consultant, Cisco Certified Network Associate, Sun Certified Developer/Java

- These certifications have lost 14% to 22% of their premium bonus pay value in 2003

II. Non-certified Tech Skills Pay Findings

Average median premium bonus pay across all 86 surveyed non-certified skills declined in 2003, down 7.6% from 2002, to an average 6.6% of base pay at the median. Overall skills pay has fallen nearly 23% since late 2001, or approximately 2% of base pay on average for every IT worker earning extra pay for a technical skill.

Stand-alone skills pay performance has been dragged down by the following skills categories, which have all performed worse than the overall average in the **12 months** ending January 1, 2004:

- Messaging/Groupware skills, down 12% in 2003;
- Enterprise Applications (-9.8%);
- Networking/Internetworking (-9.4%);
- Applications Development Tools and Languages skills (-8.5%) [Figure 2, Table 1]

Over the past **24 months** the following skill categories have performed worse than the overall average:

- Messaging/Groupware skills, down 37.1% from 2001;
- Applications Development Tools and Languages (-25.4%);
- Networking/Internetworking (-23.6%);
- Web/E-commerce (-23.1%)

Top performers beating overall technical skills performance in our research over the past year, but still in decline:

- Operating Systems skills (-2.1%);
- Web/E-commerce (-5.7%);
- Database (-6.7%).

Detail – Non-certified Skills

HOT Linux

- Linux skills gained the most value of any skill in our survey in the past year: +25%, to a median 10% of base pay

HOT IBM WebSphere

- IBM's WebSphere software skills grew 17 percent in value in 2003, ranking second of only five tech skills that gained value in the period.

HOT Voice over IP, Gigabit Ethernet

- IP telephony continues to grow in popularity, pushing up the value of VoIP and Gigabit Ethernet skills: +10% and +13% respectively for the year ending January 1, 2004.
- Both skills are earning above average median premium bonus pay: 11% of base salary for VoIP, 9 percent of base for Gigabit Ethernet.

HOT: XML (all variants)

- Up 8% in 2003, to between 11% and 16% of base pay (10th to 90th percentile data)
- Boosted by growth of Web Services

STRONG Microsoft SQL Server, Oracle DB & Applications, project-level security skills

- Microsoft SQL Server and Oracle database skills continue to earn significantly above-average premium pay (11% of base salary at median), although lately losing some value: -15% and -8% annual growth respectively.

COOLING Rapid Applications Development/Extreme Programming

- RAD/XP skills, consistently the highest paying technical skills in our survey since 1999, have begun to lose ground though still paying well above the average IT skill: down 25% for the year, to 12% of base (at median)
- Starting to lose ground as offshore outsourcing of applications development proliferates

COOLING: Microsoft .Net, Progress, Oracle DB, APPC,WML, DB2

- Each of these skills lost ground in 2003 (-13% to -18%) following flat performance in 2002, signaling development of a downward trend that may extend into 2004.

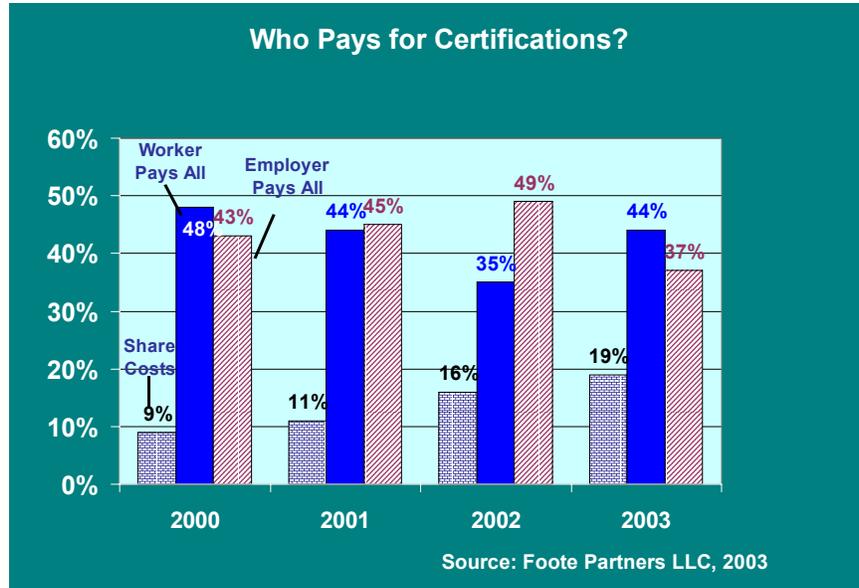
COLD: WAP, Baan, HTML/DHTML, SNA, HTTP, Perl, Visual Interdev, Novell Groupwise

- Each of these skills have lost more than 40% of their value since late 2001 and 20% or more of their value in the past 12 months.

Managers say certifications still matter

“Many IT and business line managers interviewed in our most recent research support the notion that certification is a more meaningful measure for comparing IT workers than untested or self-reported skills competency,” observes Mr. Foote, adding, “They report higher comfort levels -- and success -- in arguing for training expenditures when they can guarantee certifications in return. Some managers are convinced that certification demonstrates greater commitment to job and career, although I suspect that some of these people may also be biased towards specialization versus generalization in their notion of proper career development.”

Budget gate keepers continue to feel more comfortable making decisions awarding pay increases and offering training support to talented IT workers who keep their skills current through recertification, or who broaden their knowledge by adding complementary skills (e.g. security certifications for systems administrators, Unix specialists adding Linux certifications). In fact, more employers are sharing the cost of certifications training: approximately 19% of IT certification holders in our 2003 survey report shared the burden with their employer, against 16% in our 2002 research. Further, in 2003, 44% are shouldering the entire investment and 37% report that the cost of certification including study materials, books and fees is covered entirely by their companies. In our 2002 survey, 35% of certificants paid everything themselves and 49% said their employers picked up the entire tab.



Trends to Watch in Skills Pay

Our research indicates that strong demand can be expected for the following groups of certified and non-certified skills over the next year:

- Security
- Linux
- XML variants/Web services
- VoIP
- Wireless
- Enterprise project management
- Web-enabled analytics, management applications
- SAP/ABAP
- Storage (emerging)

“Employers continue to divert skills and certifications bonus pay to more experienced ‘impact’ workers and to those well-matched to priority projects, where return on investment is more assured,” notes Mr. Foote. “More than ever, in 2003 a smaller group of workers are being given a larger share of available bonus pools. So we’re seeing even more action in manager-level certifications like the CISSP and CISM security certifications and in project management.”

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NOTES TO EDITORS

About the research

The 4Q2003 Hot Technical Skills and Certification Pay Index (HTSCPI), Total IT Compensation Reports, and Skills and Certifications Quick Pay Reports are quarterly compensation research reports compiled from confidential data supplied by IT, business, and HR executives and validated via direct interviews with 38,000 North American and European IT workers from October 1, 2003 to January 1, 2004. The sample includes 1,820 private and public sector organizations and educational institutions in the United States, Canada and Europe, and more than 400 human resource departments.

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
- 25.1% of participating organizations have \$1 billion or more in annual revenues or \$3 billion or more in total assets
- 43% 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)
- 3.7% 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, and McKinsey & Company consultants and analysts, human resources executives, and IT managers. The firm employs innovative "IT insider" data collection methods and analytical techniques that corrects for mismatched job titles vs. actual job and produces a highly accurate, constantly updated, consistent and comprehensive view of what 40,000 IT workers are being paid in total IT compensation in the North America and Europe. For more information, please visit the Foote Partners website: www.footepartners.com.

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Market pay for these certifications and skills are reported in Foote Partners quarterly IT compensation research:

**Networking and
Internetworking Skills:**

- TCP/IP
- VoIP
- SIP
- IPX
- SNA
- APPC
- SMTP
- WAN
- WAN/LAN
- WML
- Ethernet Switching
- 10Base-T Switching
- Gigabit Ethernet
- Routing (e.g. OSPF)
- WAP
- Jini (Sun)
- ATM
- HTTP
- Ethernet
- Windows NT Server
- OS/2 LAN Server
- Novell Netware
- Security skills

**Application Development
Tools, Languages Skills:**

- Visual C++
- Visual J++
- C++
- C
- C#
- Visual Basic
- Java/J2EE, SE, ME
- Smalltalk
- Delphi
- SQL Windows
- PowerBuilder
- Oracle Developer
- Progress/Development tools
- Cobol
- RAD/extreme programming

Operating Systems Skills:

- Windows NT
- Windows 2000/ME
- Unix
- HP-UX
- AIX
- Solaris
- Linux
- Apple OS

Web/E-Commerce Skills:

- JavaBeans/EJB
- Java Server Pages
- Active Server Pages
- XML
- PHP
- SOAP
- SAML
- VoiceXML
- HTML
- XHTML/DHTML
- JavaScript
- VBScript
- JScript
- CGI
- Perl
- Cold Fusion
- ISA server
- IIS, Apache servers
- Visual Interdev
- Microsoft .Net (Visual.Net, ASP.Net)
- WebSphere

**Enterprise Applications and Suites
Skills:**

- Oracle Enterprise Apps
- PeopleSoft
- J.D. Edwards
- Baan
- Lawson
- SAP
- ABAP
- Siebel
- Project/functional experience

DBMS/RDBMS Skills:

- Oracle
- DB2
- Sybase Adaptive Server
- Microsoft SQL Server
- Microsoft Exchange 2000 Server
- Visual SQL
- Progress/Apptivity
- dbase/xbase
- Microsoft Access

**Messaging, Office and Groupware
Skills:**

- Lotus Notes/Domino
- cc:mail
- Novell Groupwise
- Microsoft Exchange

Certifications:

- Certified Information Systems Auditor(CISA)
- Certified Information Systems Security Professional(CISSP)
- Certified Network Security Professional(CNSP)
- Certified Computing Professional(CCP)
- Certified Network Professional(CNP)
- Certified Novell Engineer(CNE)
- Novell/Novell Master Certified Novell Engineer(Master CNE)
- Novell/Certified Novell Administrator(CNA)
- Novell/Novell Certified Directory Engineer(NCDE)
- Novell/Certified Internet Professional(CIP)
- Cisco Certified Internetwork Expert(CCIE)
- Cisco Certified Network Professional(CCNP)
- Cisco Certified Network Associate(CCNA)
- Cisco Certified Design Associate(CFDA)
- Cisco Certified Accredited Professional(CAP)
- Citrix Certified Enterprise Administrator(CCEA)
- Citrix Certified Administrator(CCA)
- HP/Compaq Master Accredited Systems Engineer(Master ASE)
- HP/Compaq Accredited Systems Engineer(ASE)
- CompTIA PC Technician(A+)
- CompTIA Internet Technician(I-Net+)
- CompTIA Network Technician (Network+)
- GIAC Certified Intrusion Analyst(GCIA)
- GIAC Certified Incident Handler (GCIH)
- GIAC Certified Firewall Analyst(GCFW)
- GIAC Systems and Network Auditor(GSNA)
- GIAC Certified Unix Security Admin(GCUA)
- GIAC Certified Windows Security Admin(GCWN)
- GIAC Security Essentials Certification(GSEC)
- IBM DB2 Universal Database Certified Solutions Expert(DB2)
- LAN Server Engineer(LSE)
- Linux Professional Institute certification
- Lotus Certified Lotus Specialist (CLS)
- Lotus Certified Lotus Professional (CLP)
- Microsoft Certified Solution Developer(MCSD)
- Microsoft Certified Systems Administrator(MCSA)
- Microsoft Certified Systems Engineer(MCSE)
- Microsoft Certified Systems Engineer + Internet (MCSE+I)
- Microsoft Certified Professional(MCP)
- Microsoft Certified Professional+Internet(MCP+I)
- Microsoft Certified Trainer(MCT)
- Microsoft Certified Database Administrator(MCDBA)
- Oracle Certified Professional (OCP)
- Project Management Professional(PMP)
- Prosoft Master CIW Enterprise Developer
- Prosoft Master CIW Administrator
- Prosoft Master CIW Designer
- Prosoft Master CIW Website Manager
- Prosoft Master CIW Associate
- Red Hat Certified Engineer(RHCE)
- Siebel Certified Consultant(SCC)
- Siebel Customer Certified Consultant(SCCC)
- Siebel Certified Business Analyst(SCBA)
- Sun Certified Programmer for the .Java 2 Platform

- Sun Certified Developer for the Java 2 Platform
- Sun Certified Enterprise Architect for the Java 2 Platform, Enterprise Edition
- Sun Certified Network Administrator for Solaris OS
- Sun Certified Systems Administrator for Solaris OS
- Sun Certified Programmer for the Java 2 Platform

“IT Insider” Compensation Research Product Family Foote Partners LLC –

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