Newswatch

The Disposable IT Worker, Part III: What Lies Ahead?

by Mary Lou Roberts

June 05, 2003 — As the U.S. emerges (if, in fact, it is emerging) from the economic doldrums, what faces IT workers? Will we return to the glory days of yesteryear? Or will the cost-cutting, belt-tightening strategies — that encouraged corporate board rooms to seek low-cost labor over loyalty to employees — become the Best Practices for the years ahead?

Nate Viall, president of research and recruiting firm Nate Viall & Associates, fondly remembers days gone by. “I came into the recruiting business in 1982 as a data collector and began doing salary analysis,” he says. “System/38 people were getting premium dollars then.” He goes on to recall the June, 1988, announcement of “Silverlake.” “We did a benchmark of salaries before and after the AS/400 was delivered,” he says. “At that time, salaries were going up 2 percent a month.”

But some IT workers, including many who were riding high on the salary curve, are knocking on doors today. And skeptics say that even when the economy turns around, workers aren’t likely to regain the advantages of the past.

“A lot of expectations were set up in the ’90s,” says Stephen Lane, Aberdeen Group’s research vice president of IT services. “They were unrealistic and probably won’t return.

Many analysts point to issues that will create a huge imbalance between corporate demand and hiring strategies, and availability of IT talent at a cost U.S. companies are willing to pay.

“There are several big issues creeping up on us,” Viall says. “One of them is the aging population. In iSeries shops, the U.S. could lose 25 percent of its workforce in the next four years. Right now iSeries shops just aren’t hiring. As we come out of the economic malaise, companies will be looking for people with one to three years of experience — and they just won’t be there.” Viall points out that most IT college students aren’t studying the skills that iSeries shops most value.

Marty McCaffrey, a spokesman for The Outsourcing Institute, observes that concern is industry-wide. “The economies of the world today have an insatiable appetite for software,” he says. “There is a huge backlog building up, and there are not enough students coming out of the universities.” He points to the shortage of people willing to learn Cobol programming. “Mainframes aren’t going away, but there’s no one to write the Cobol code,” he says. “Younger people don’t want to do it, and with the aging workforce, it’s a big problem.”

Another change — perhaps brought about by the recession but which seems to have become a new model for the future — is the evolution of the relationship between employee and employer. In the glory days of high salaries and low unemployment, workers could (and did) jump jobs to take advantage of pay premiums for sought-after skills. Now
employers seem to have lost whatever remained of the paternalistic or familial relationships they sought to foster in days gone by.

“Corporations want to be treated as persons under the law,” says Viall. “But they don’t want to be treated as persons in how they handle their employees. They don’t protect their assets. Corporations have lost their balance.”

Janet Kreuger, an independent consultant and worker advocate, agrees. “In the U.S., we have developed a mindset to hire people, use their skills for as long as they are valid, and then hire new people,” she says. “Companies don’t retrain them as they go along.”

“There’s a message for employers here,” says Frank Gillett, an analyst for Forrester Research: “To the extent that they want continuity in their high-end employees, they should be helping to retrain them.”

What do companies like IBM say in response to this charge? IBM declined to be interviewed for this article. That’s not surprising, according to John Brandt, vice president of technical services for iSeries consultancy iStudio400.com: “IBM, [General Electric], and the other big employers won’t discuss this because they don’t report to the workers — they report to the stockholders,” he says.

There was a day when those interests would have been the same. Have we reached a time when the interests of the company and the stockholder can be so different from that of the employees? Perhaps. As Lane emphasizes, “anything that can be done cheaper will be.”

What’s the IT worker to do to prepare for this new climate in IT employment? McCaffrey believes that the numbers and issues of unemployment in the industry are somewhat misunderstood. “Most of the numbers you see out there are not empirical data,” he says. “There is not an unlimited pool of software people or an unlimited number of managers for these people. Right now, there is 5-7 percent unemployment in IT. In large part it is because of the economy. But some of the people who were laid off were not qualified anyway. A certain percentage was dead weight.”

Certainly, the educational background and skills of today’s sought-after IT worker appear to be changing. A May 2003 survey by the Information Technology Association of America (ITAA) reports that companies are placing more and more importance on formal education (a college degree) over specific experience. “As the economy has made an increasing number of qualified job applicants available, hiring managers can afford to be more selective in filling open positions,” the report states. “In the more competitive job market of the late 1990s, employers were more willing to trade formal education for specific work experience. As the job market has softened, employers are more apt to seek education and specific experience.”

McCaffrey also points to importance of education as part of the problem and the potential solution. “Software development is a very cognitive skill, and there is a real shortage of these kinds of people,” he says. “America is going to have to get serious about education. We used to have the largest and best educated workforce in the world. Not any more. Look around the world and you’ll see other countries that are working very hard on education. They are putting out a population of very qualified people, and there aren’t jobs for them in their countries.”

Will citizens of these countries continue to look for U.S. IT jobs? McCaffrey believes so. “If we don’t get serious about education,” he says, “more and more of our jobs really are going to be going overseas.”

Few question that foreign workers — whether brought here on immigration visas or contracted via offshore outsourcing contracts — will continue to play a major role in the new model of IT employment. “The fundamental question,” Lane says, “is whether or not this country’s economy and intellectual capital is flexible enough to replace these jobs that are becoming commodity services.” Will the salad days of the last decade return? On this point, there seems to be unanimity. No.