

IT Contractors and the Economy:

What Hiring Managers Need to Know to Survive the Recovery

Introduction

As the economic recession fades, and the recovery approaches, it's tempting to want to just breathe a big sigh of relief. While better times are certainly a good thing, **how will the economic recovery affect your hiring and retention strategies?**

How is an improved job market going to affect job satisfaction for IT contractors? Will pay rates need to change? Will contractors remain loyal to their jobs? In order to thrive in the recovery, **hiring managers need to understand how IT contractors think and feel about the economy, their jobs, and the future.**

During fall of 2009, TransTech Solution Staffing surveyed Midwest IT contractors (primarily Chicago area) about their outlook on the economy. The results shed light on how IT contractors feel about pay rate, job satisfaction, and their willingness to take a new job.¹

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Outlook on the Job Market

Do you tend to assume your IT contractors think and feel the same way you do about their jobs and the economy? Or have you just never really thought about it? **Interestingly, dramatically different perceptions exist about the job market between IT contractors and their hiring managers.**

When contractors were asked about their outlook on the job market, **contractors were decidedly grim about the next six months.** 84% believe the job market will stay the same or decline in the next six months. However, when asked the same

question in regards to the next 12 months, IT contractors were much more optimistic. 58% responded the job market would get better or much better, and 78% said it would either get better, or stay the same.

In contrast, the small number of hiring managers surveyed was much more pessimistic about the IT contractor job market for the next 12 months. Only 36% of managers (compared to IT contractors 58%) felt the job market would get better or much better in the next 12 months. Why is there a 20% difference in opinion between IT contractors and hiring managers on the outlook for the next 12 months?

This disparity may exist for a variety of reasons. It is possible hiring managers are more realistic, or have a better understanding due to their depth of knowledge about their company and budgets. It's also possible IT contractors have a better pulse on the industry as a whole, due to a wider breadth of knowledge and experience, their contact with other recruiters and companies, etc. Regardless of why there is a difference, the important thing is to acknowledge there is a difference in perception. **Hiring managers must understand that their perception of the job market's future may significantly differ from the perception of their IT contractors.**

Pay Rate

During the recession, pay cuts, furloughs, and benefit cuts have been all too common. Nearly everyone has experienced some kind of hit to their paycheck. It comes as no surprise that 78% of IT contractors felt pay rates have decreased either a little or significantly in the past 12 months. Only 4% felt pay rates had improved, with the remainder indicating pay rates had stayed the same. While this result is expected its relationship to other survey results is important to note. **If contractors feel their pay has been decreasing due to the economy, they may have expectations for how their pay rate will change as the economy improves.**

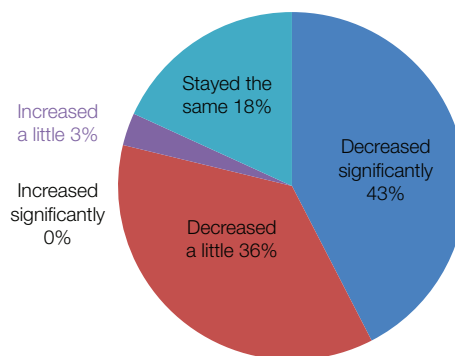
Job Satisfaction

It's not difficult to understand why you want your employees to be satisfied in their jobs. Satisfied employees work harder, are easier to work with, etc. But an IT contractor is different than the typical employee. What does a hiring manager need to know about how their contractors view job satisfaction?

Managers may face serious challenges with retention, even from employees they thought were satisfied.

When asked how satisfied IT contractors were in their current jobs, 73% indicated they were moderately to extremely satisfied. In a tough economy, where jobs are scarce and pay rates are falling, this seems like good news. However, when contractors were asked how open they would be to taking a new job, 89% indicated they would be positively inclined to taking a new job. Only 11% of respondents were ambivalent or negatively inclined to taking a new job. In another question, contractors were asked if they had their resume posted

Last 12 Month Pay Rate



1. A small number of hiring managers were also surveyed. These results are not statistically significant, but were used to contrast and compare to the findings from IT consultants.

online, and if so, how likely would they be to accepting a new job. Only 8% indicated they were unlikely or not at all likely to be interested in a new job. **92% of IT contractors were interested in a new job.**

The ramifications of this finding are significant. Hiring managers must be aware that IT contractors, **despite appearing to be somewhat satisfied employees, are overwhelmingly open to changing jobs right now.** This indicates that as the economy improves, and more jobs become available, **managers may face serious challenges with retention, even from employees they thought were satisfied.**

What's Important in a Job

How can a hiring manager possibly improve retention if satisfaction isn't an accurate indicator of job loyalty? How can hiring managers ensure their IT contractors are both satisfied and not likely to leave? **The key lies in understanding what is important to an IT contractor – and how that may be different from what you value in your job.**

Contractors were asked to rate the factors most important in a job right now (job security, pay rate, location, challenge/type of work, and work environment were the factors). The most important factors in a job were pay rate and job security (respectively, 73% and 74% rated it very important or most important). Contractors not only rated pay rate as highly important, but also did not rate it as unimportant. Only 4% of contractors rated pay rate as "least important." Location, challenge/type of work, and work environment had significant percentages who rated it as important (63%, 63% and 61%), but had much higher ratings of "least important." This indicates that while location, challenge/type of work, and work environment might be influencers, most contractors do not consider them highly important in a job. On a related note, respondents were also asked what factors would prevent them from accepting a new position. Again, pay rate was very significant, with 56% rating it a very or most likely. Interestingly, location was also rated extremely important, with 57% rating it very or most likely to prevent them from accepting a new job. Job security, challenge/

type of work, and work environment were rated as much less significant in preventing a contractor from taking a new role. This seems odd and even counter-intuitive. It's key to understand that what drives an IT contractor is often very different than what drives you.²

The majority of IT contractors are looking for what will improve their quality of life.

Although other factors may be influencers, pay rate and perhaps location are the most important factors in a job to an IT contractor. Although they may seem satisfied and though job security is important in their roles right now, lack of job security is not likely to be a major deterrent in accepting a new job. Simply put, **the majority of IT contractors are looking for what will improve their quality of life** – more money and a better location.

What You Can Do

The economic recovery is approaching. After you breathe a sigh of relief, it's time to get busy. Consider how you are preparing yourself and your company to thrive. It is essential for hiring managers to understand and embrace how IT contractors think and feel about the economy, their jobs, and the future.

To help you begin strategizing for the recovery, TransTech Solution Staffing suggests three areas to focus on:

1. Pay Rate

While it's certainly understandable that pay rates have suffered over the past year, pay rate is a key factor in job satisfaction for an IT contractor, and in preventing one from accepting a new role. If you are looking to both retain and attract the best IT contractors, pay rates will likely need to increase in the next 12 months.

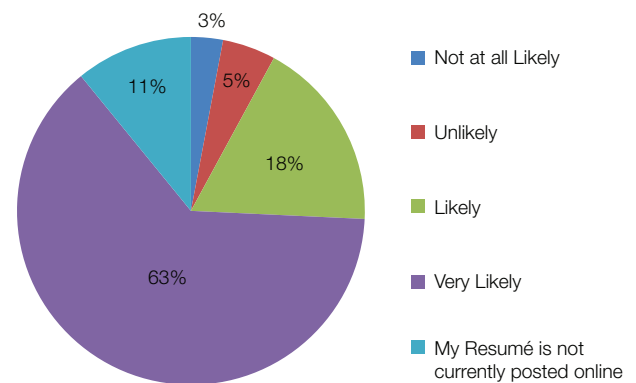
2. Quality of Life

What are IT contractors looking for in a job? What constitutes job satisfaction to you may not be what makes an IT contractor

happy in a job. Contractors are looking for a job that improves their quality of life – through a good pay rate and a location that fits their needs. **The quality of life factor is why job satisfaction is not enough to retain an IT contractor.** Things like a good company culture and

interesting work are certainly nice to have, but they are not key drivers in satisfaction for an IT contractor. Consider what matters to them might be very different from what matters to you. Expect that pay rates will have to rise at some point, and consider being flexible with working arrangements to help compensate for a location that might not be ideal.

How Likely Are You to Consider a New Job?



3. Outlook

You think things are getting worse but your IT contractors think things are getting better. Who is right? It doesn't matter. What's important is that in general, IT contractors are more optimistic about their job market in the next 12 months.

Thriving during the recovery may not be easy, but TransTech is here to help equip you for success. Just getting the right IT contractors isn't enough – in today's economy you need to know how to retain them.

White Paper and associated research were written and compiled by TransTech Solution Staffing, a Chicago area based IT staffing and professional services firm.

2. Respondents were able to rate multiple factors as the same level of significance.