

Skills Gaps, Talent Shortages, and Staffing Strategies

Getting, and Keeping,
the Tech Talent
You Need Now



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Research Objectives and Highlighted Findings



Objectives

This eBook discusses trends in technical talent strategy and challenges faced with respect to recruiting and retaining technical staff, explores if and to what degree technical staffing providers can deliver benefits to organizations, and touches on trends in automation. Data in this eBook is derived from a survey of 300 IT hiring managers.

When you read this eBook, you will:

- See what your peers are forecasting in terms of tech hiring over the next year.
- Review data that underscores the risks organizations face when demand for tech talent outpaces supply.
- Understand how many of your peers are working with tech staffing providers today and why.
- View empirical data showing how automation is going to transform technical staffing.
- See your peers' perspectives on whether a build, buy, borrow, bot, or bridge talent strategy holds the most promise for organizations.

Highlighted Findings



Technology staffing is poised to become more competitive over the next 12 months, with **70% of organizations planning to increase headcount.**



Technology staffing challenges are critical to overcome: **87% say challenges hurt business growth, competitiveness, and/or company valuation.**



88% of respondents have worked with a technology staffing firm and **frequently report benefits like better candidates, faster hires, and lower labor costs.**



Automation technologies are having a profound effect on tech staffing, but the net effect is nuanced.

Trends in Tech Staffing:

Shifting Demand for Technology Talent Means Organizations Must Plan Accordingly



The media headlines don't tell the full story

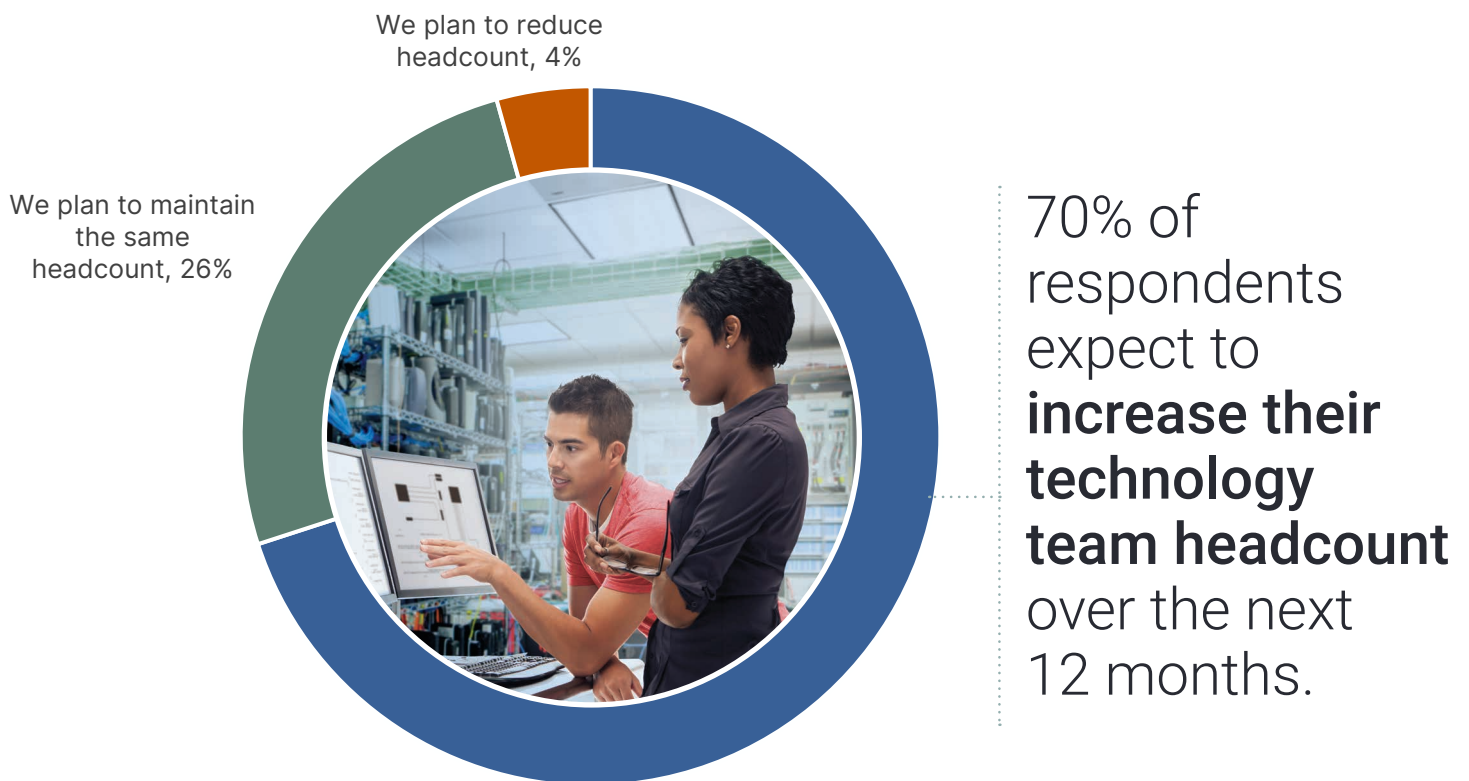
Data from this research shows what many would assume to be true after months of headlines focused on layoffs in the technology sector: Over the past twelve months, layoffs have temporarily eased some of the tech staffing challenges.

More specifically, 61% of respondents reported that it is easier to recruit technology professionals now compared to 12 months ago, and even more (65%) reported that retaining their current technology staff has gotten easier.

However, looking backward is not as instructive to technology leaders as looking ahead and forward-looking data shows that organizations should not get complacent.

The data points to a tightening technology labor market, with 70% of respondents expecting to increase their technology team headcount over the next 12 months.

Technology staff hiring plans for the next 12 months



Whether due to a more bullish economic outlook tied to inflation cooling (the consumer price index has been more than halved since reaching a peak of 9% in June 2022, standing at 3% in June 2023), an expectation that central banks will lower borrowing costs in the future as a result, a realization that staffing cuts made were too deep, or all the of the above, it is clear that the competition for technology talent will heat up. The number of organizations planning to increase staffing levels outnumbers those planning headcount reductions by nearly 18 to 1.

Why a tightening labor market should be cause for concern

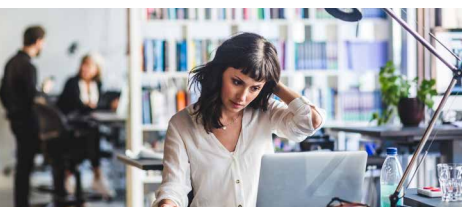
Organizations that have struggled with tech team recruitment and retention in the past 12 months provide visibility into challenges that will become more prevalent as the competition for technology talent becomes fiercer.

Respondents at these organizations were asked if these staffing headwinds had caused any issues in how technology teams operated and performed over the past year. The data shows that staffing challenges directly drive an array of issues:

- 70% say staffing issues have resulted in teams being overworked and have ultimately contributed to critical team members leaving the organization, exacerbating the issue.
- 73% of respondents say staffing issues have forced them to put more junior staff in charge of projects despite their lack of requisite experience.
- Finally, 79% of respondents say staffing issues have directly led to an IT project's failure.

Clearly, these issues are interrelated and show how critical it is for organizations to focus on recruitment and retention as tech talent hiring heats up.

Technology team issues faced due to technology staffing challenges



At least 70% report each of the issues has occurred as a result of talent shortages.



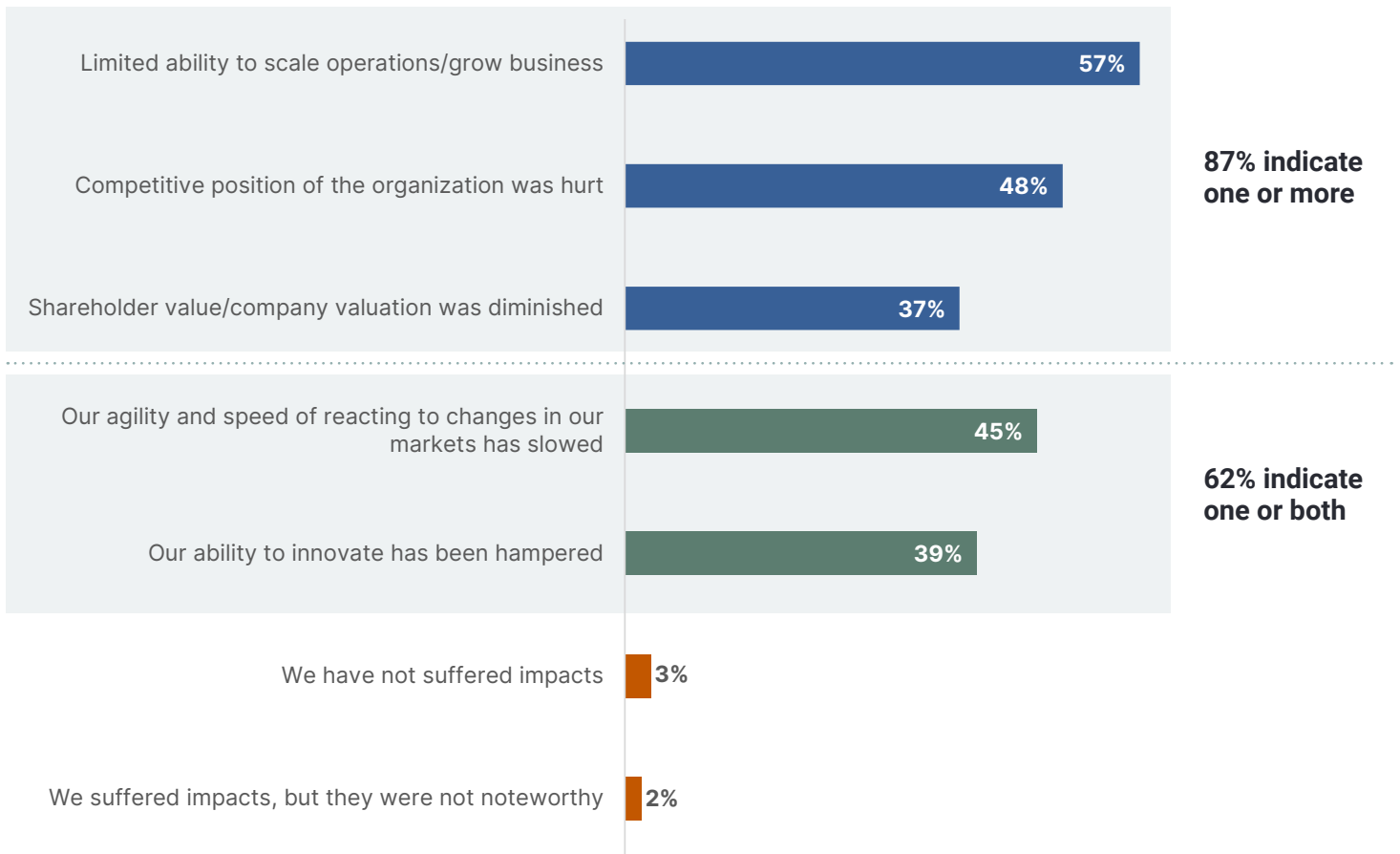
The ripple effects of tech staffing challenges often severely impact business success

Moving beyond IT impacts, the research also inspected if and how tech staffing challenges have negatively affected overall business success.

Again, the data underscores the imperative of having a talent strategy that will allow the organization to maintain tech staffing levels looking ahead.

- 95% of respondents reported their tech talent staffing challenges HAD hindered the business in a meaningful way.
- 87% of respondents said their organization’s ability to grow, its competitiveness, and/or its valuation had been negatively impacted.
- 62% of respondents said staff challenges had contributed to sluggish reactions to changing market conditions and/or reduced innovation.

Business performance issues faced due to technology staffing challenges



The direct line respondents draw between tech staffing challenges and materially diminished business success cannot be overlooked.

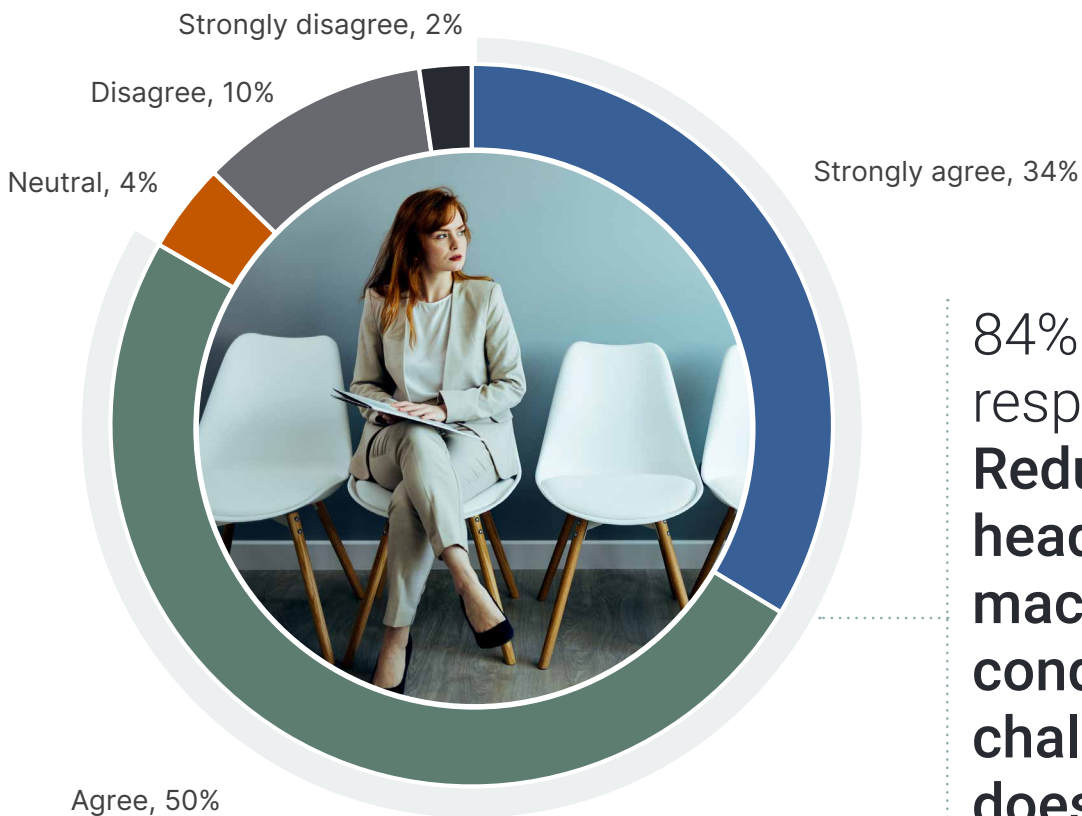
Organizations should take a long-term view when evaluating reductions to tech team headcount

Because of expected changes in the tech talent market, together with the business impact of tech staffing shortages, companies should be careful about cost reduction strategies that too heavily impact tech talent they may need in the future.

For organizations that significantly shrink their workforce, it can be hard to scale operations up as demand improves. Frequently, these organizations find their teams overextended, find hiring difficult, see wages and candidate expectations rise, and grapple with onboarding and training challenges. All of these factors result in a business that cannot fully take advantage of a macroeconomic growth cycle.

The data shows respondents see reductions in force in tech teams as problematic. More than four out of five agree that reducing tech headcounts when macroeconomic conditions are challenging generally harms the organization more than helps it in the long term.

Reducing tech headcount in a challenging macroeconomic climate tends to hurt the organization in the long term



84% of all respondents agree: **Reducing tech headcount when macroeconomic conditions are challenging does more harm than good.**

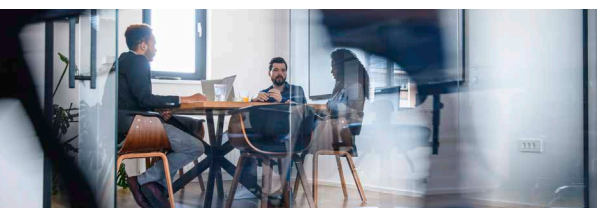
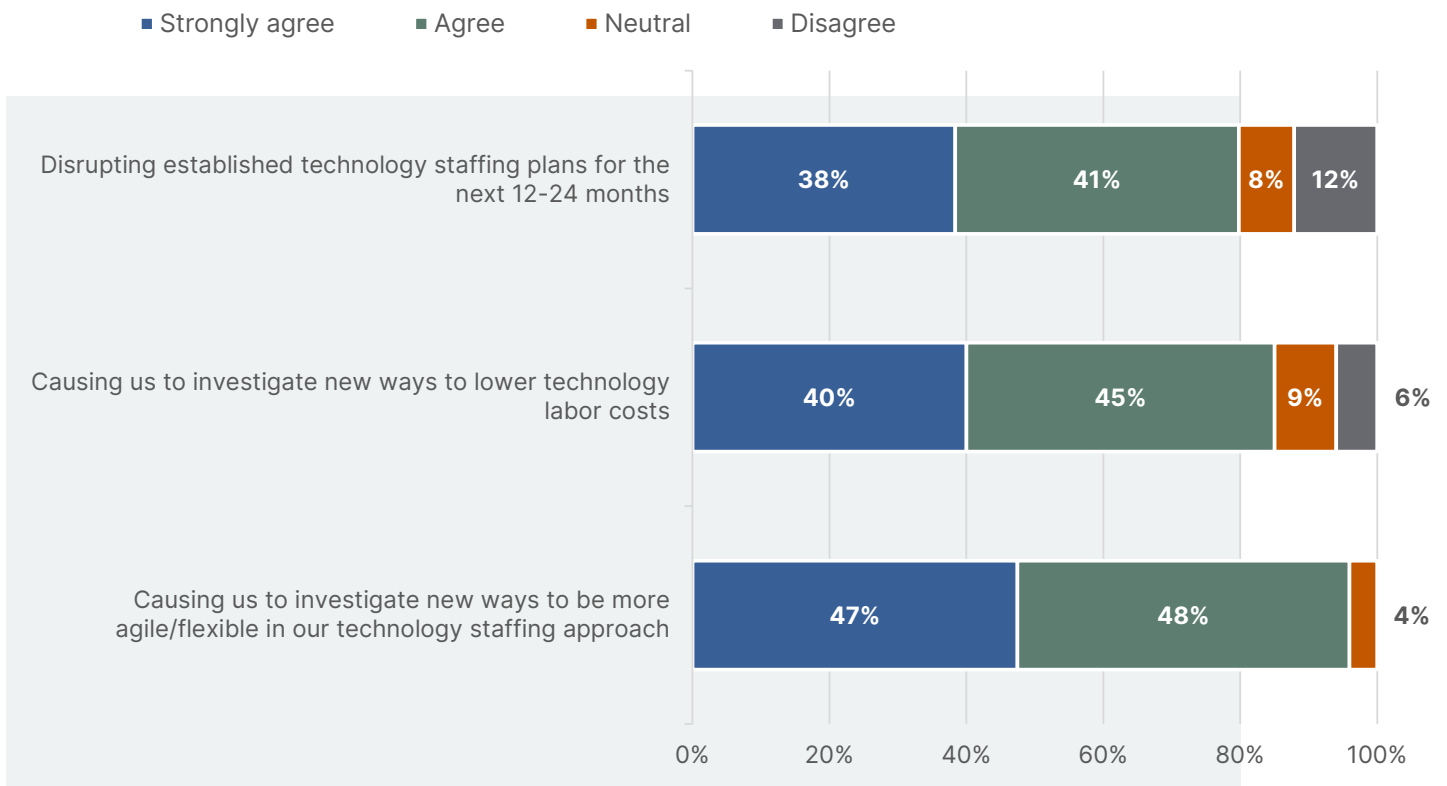
Economic pressures are forcing organizations to take action

While respondents roundly agree that reducing tech team headcounts negatively impacts businesses in the long term, macroeconomic pressures are forcing organizations to take a number of actions.

- 79% say their staffing plans for the next 12-24 months have been disrupted, meaning new hires have been delayed or are being reevaluated.
- 85% are actively investigating new approaches to reducing labor costs beyond layoffs and hiring freezes.
- 95% are similarly investigating ways to be more agile and flexible in staffing their tech teams.

Companies looking to balance the challenges and risks of the tech market, critical IT needs, and economic pressures may be well served to increasingly work with staffing and projects services firms to provide flexibility that allows them to balance and adjust tech talent capacity in line with evolving business priorities and economic situations.

As it relates to technology staffing and your organization, macroeconomic pressures are...



At least 79% agree **each action is being taken at their organization due to macroeconomic pressures.**

Tech Staffing Provider Usage and Impact:

Organizations Leveraging
Partnerships Achieve a Material
Advantage

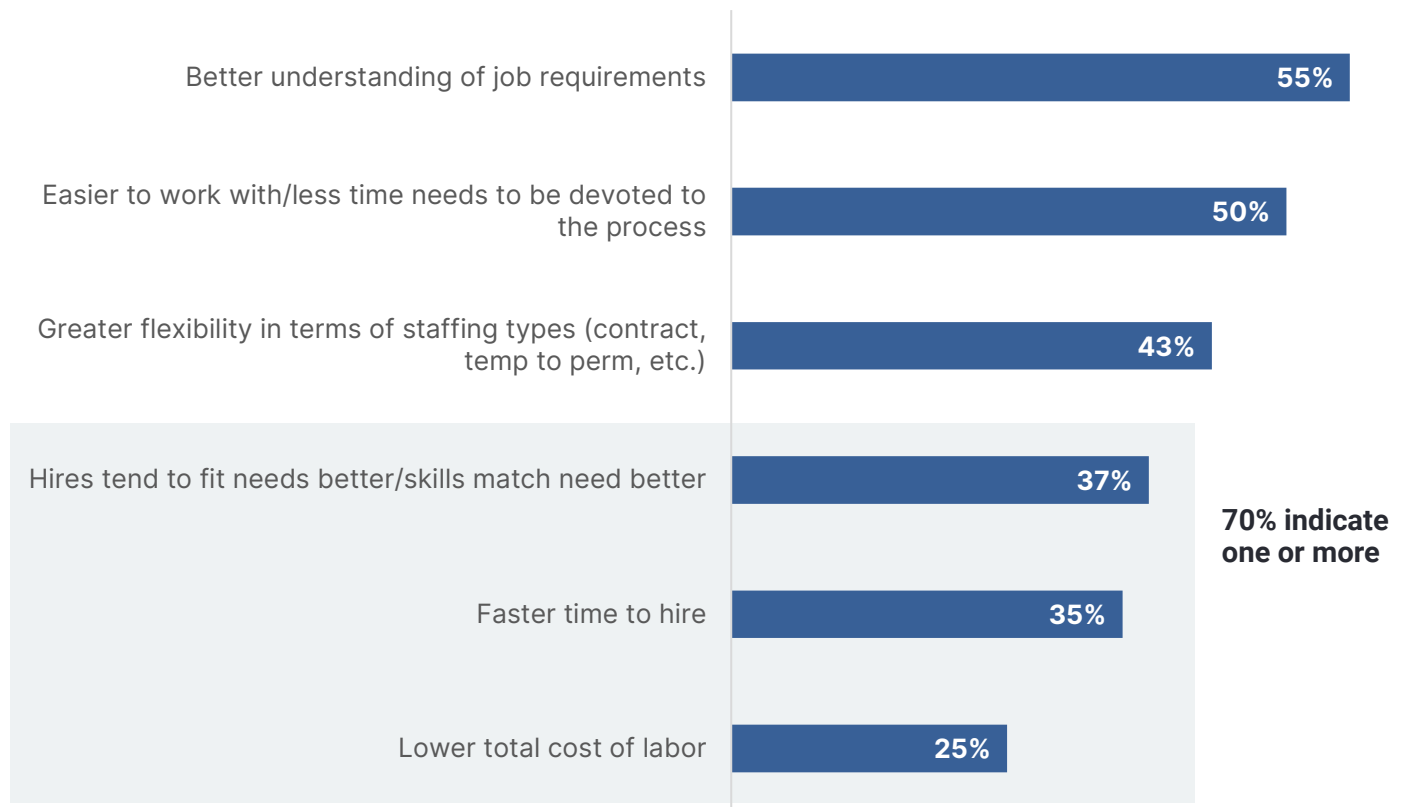


The vast majority of organizations have partnered with technology staffing firms recently

Among organizations surveyed, nearly 9 out of 10 have worked with technology staffing providers in the past 24 months. Clearly there is broad-based agreement among IT decision-makers and hiring managers that working with staffing providers has merit, particularly in the communications and media, financial services, and healthcare sectors, where 100%, 98%, and 97% of organizations, respectively, have worked with staffing providers.

As far as why these hiring managers choose to partner with staffing providers, the majority (55%) say these partners have a better understanding of their requirements than their internal human resources teams do, and half (50%) say staffing providers are easier to work with and make the hiring process less onerous for them.

Why organizations choose to partner with technology staffing providers



Finally, and most notably, 70% say working with technology staffing providers delivers better hiring outcomes for them in terms of hires that better fit requirements, faster time to hire, and/or lower labor costs (relative to working with their internal human resource teams).

Considering this data, it is important to remember that respondents represent a horizontal mix of verticals. For many organizations tech staffing is not core to the mission. In these cases, TechTarget’s Enterprise Strategy Group believes both tech hiring managers and HR teams can benefit from outsourcing tech hiring: IT leaders see better outcomes while HR teams can focus on functions core to their business.

Quantifying the advantages organizations achieve by partnering with tech staffing providers

As noted, 70% of respondents reported that they have been able to source talent that better fits their need, source talent faster, and/or lower their labor costs as a result of partnering with tech staffing providers.

This research sought to understand the scale of those advantages both to help hiring managers understand what's possible and to help them benchmark what they are receiving from their own established partnerships.

As it related to candidates that better fit needs, respondents estimated that 44% more hires made through a technology staffing provider had a "great" skills-to-requirements match (as compared to hires made through internal HR processes).

Moreover, respondents estimate that hiring through technology staffing providers happens 31% faster and results in a 23% lower cost of labor, on average, as compared to hires made through internal HR processes.

Quantified benefits associated with partnering with technology staffing providers



Amount of time saved
by working with technology
staffing providers,

31%



Average reduction in cost
by working with technology
staffing providers,

23%

44% more

hires sourced through technology
staffing providers **have had a great
skills-to-requirements match**
(relative to hires made through HR)



Data-driven Strategies:

Differences Between Organizations that Partner with Tech Staffing Providers and Those that Do Not



Painful skill gaps are the first indication additional resources are needed

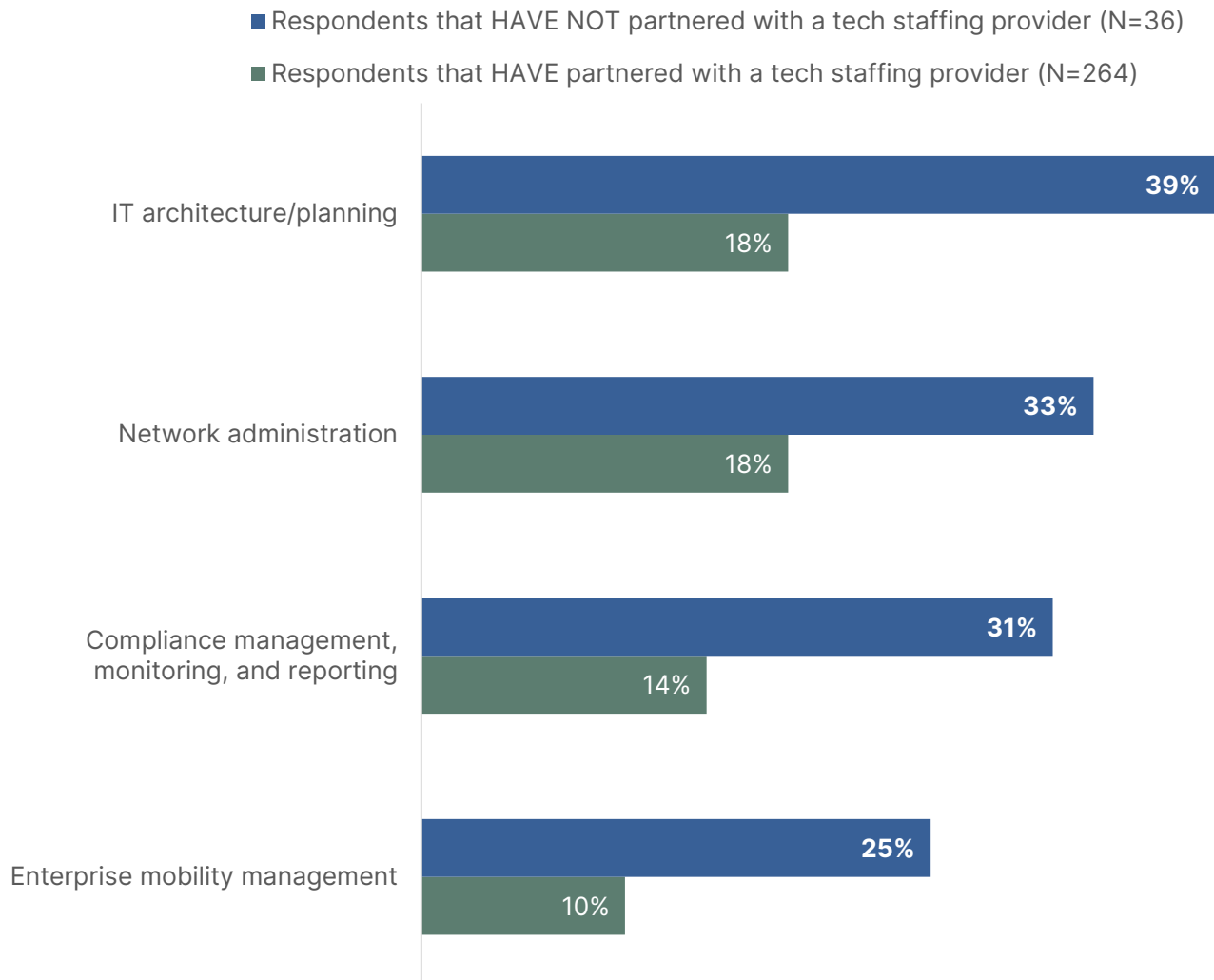
The research covered areas of technology where hiring managers see their organization as having problematic skills gaps.

In the aggregate, only 6% of respondents reported they had no problematic skill gaps. On average, respondents reported shortages in >3 distinct technology disciplines, most often in areas like application monitoring and observability (24%), data science (23%), cybersecurity (21%), and software engineering (20%).

More interestingly, when comparing the data from organizations that have partnered with tech staffing firms to organizations that have not, several differences are clear:

- Those that have not partnered with a tech staffing provider were more likely to report a problematic skills shortage in 16 of the 18 distinct technology disciplines listed.
- While many of those differences were directional, several were statistically significant at a 95% confidence level, including IT architecture, network administration, compliance management, and mobility management.

Presence of skill gaps within organizations



Organizations are prioritizing globalization strategies

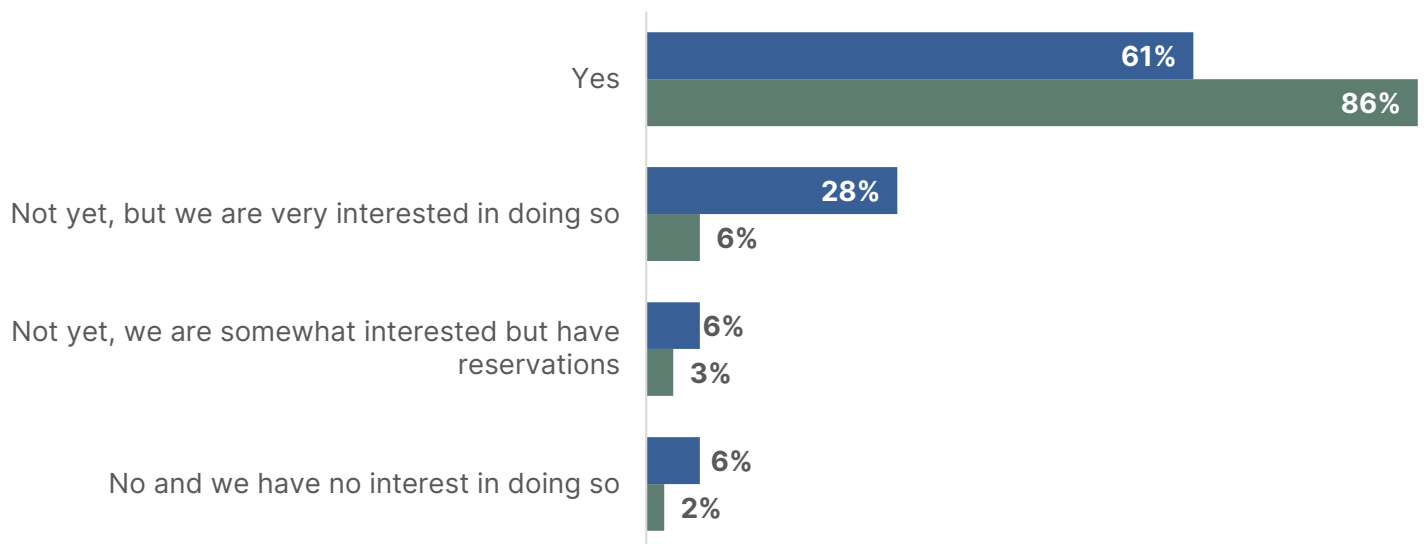
The research asked respondents if their organizations are pursuing a more globalized talent management strategy, including hiring from anywhere and leveraging offshore resources.

In this regard, there is significant interest in whether organizations should lower labor costs, open up new markets, achieve more continuous operations, or all the above.

“**In total, 83% of respondents said that they were pursuing these strategies, with an additional 11% reporting they weren't yet but were interested in doing so.**”

Are organizations pursuing a global talent strategy?

- Respondents that HAVE NOT partnered with a tech staffing provider (N=36)
- Respondents that HAVE partnered with a tech staffing provider (N=264)



However, there was a clear divide between organizations that have partnered with tech staffing providers and those that have not. Among the former, 86% are actively pursuing greater globalization versus 61% of the latter.

Additionally, 99% of respondents pursuing or interested in increased globalization say technology staffing providers can help advance these strategies.

Partnering with tech staffing providers is a mitigation strategy for organizations with age-related workforce turnover concerns

The research discussed the topic of technology staff aging out of the workforce as an issue that respondents say frequently creates (or exacerbates) skill gaps (52%), creates employee engagement issues (50%), and causes hiring managers to spend undue time on workforce planning (45%).

However, not all organizations are forecasting challenges related to tech workers aging out at an elevated rate in the medium- and long-term time horizon. While 88% of organizations that have partnered with tech staffing providers see issues on the horizon with their workforce’s age-related churn, just 36% of those who have not worked with these partners forecast issues.

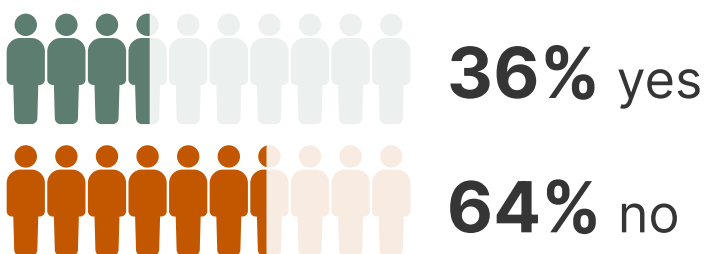
This data suggests that organizations that see high levels of age-related turnover on the horizon are partnering with staffing providers to help them get ahead of the issue and minimize the negative business impacts that can accompany this type of churn.

If your organization’s workforce is approaching a major demographic shift (and 81% overall are!), know that many of your peers are engaging staffing partners, likely in part to help navigate oncoming skill gaps created by elevated employee turnover.

Are organizations **CONCERNED** about tech staff aging out of the organization at a disruptive rate?



Respondents that **HAVE** partnered with a tech staffing provider



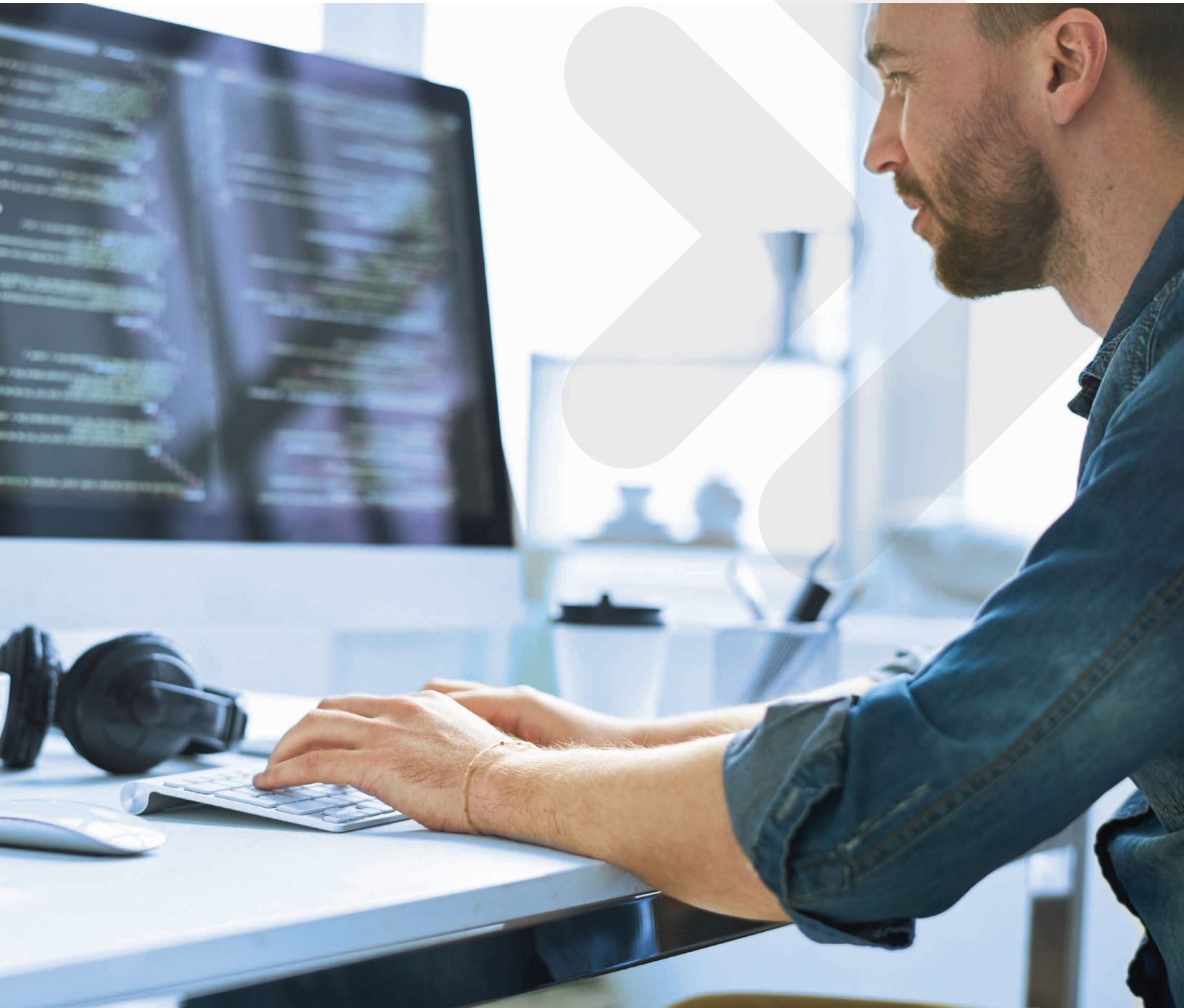
Respondents that **HAVE NOT** partnered with a tech staffing provider



“If your organization’s workforce is approaching a major demographic shift (and 81% overall are!), **know that many of your peers are engaging staffing partners**”

The Impact of AI on Tech Talent Needs:

Automation Will Upend Some Roles but Also Create Opportunities



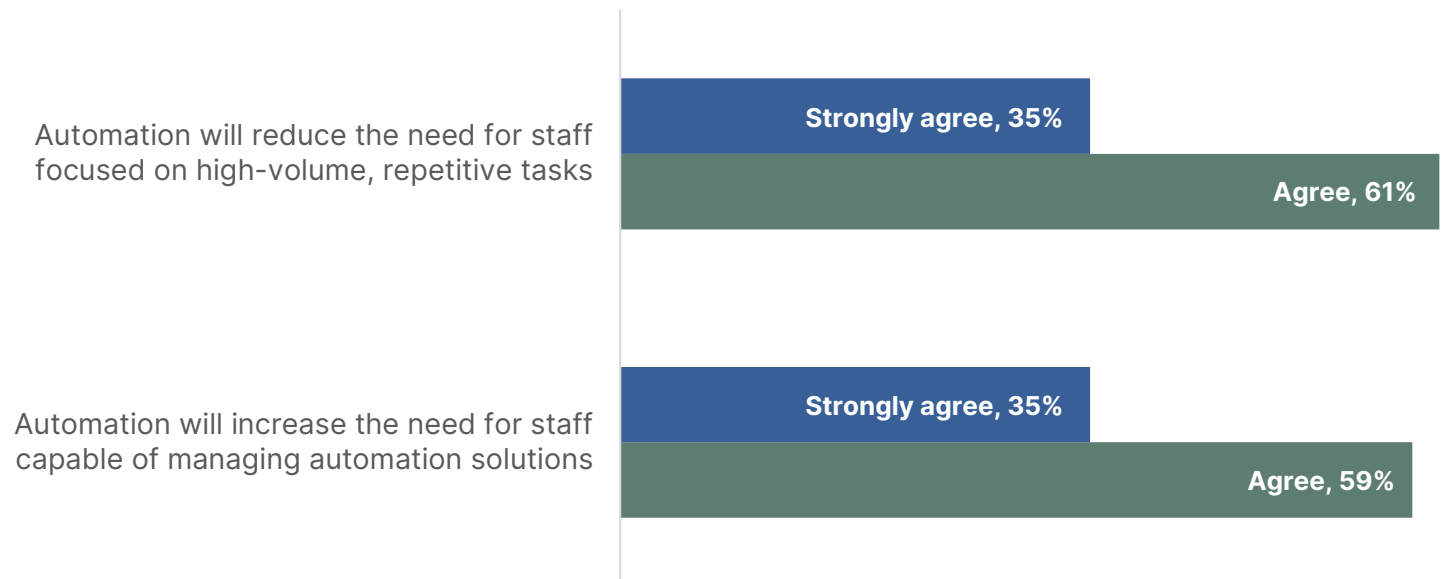
Automation is a double-edged sword when it comes to talent management

No examination of talent management trends would be complete without addressing the topic of AI and automation. Indeed, 98% of respondents to the survey say their organization will be increasing investment in technologies like robotic process automation, bots, and digital workers over the next 12-24 months.

However, the net impact on staffing is hard to forecast. While 96% of respondents expect automation to materially decrease the demand for staff focused on high-volume, repetitive tasks, a similar percentage (94%) forecast an increased demand for technology staff with the ability to manage and optimize automation technology.

In fact, when asked about challenges related to automation technology, the top challenge reported was a lack of familiarity with these solutions in the IT team, underscoring the need to skill up, staff up, and/or engage outsourced experts.

How will automation change organizations' staffing needs?



Automation is not (fully) a substitute for human expertise

While we are definitively and justifiably experiencing an upswing of hype related to AI, large language models, and how work will change, it is important for technology hiring managers to keep expectations grounded.

The data shows that, to date, automation has rarely caused a seismic shift in how tasks that require experience and human judgement are accomplished: Just 3% of respondents report that the automation of such tasks has delivered the most value for their organization (versus 59% saying the automation of high-volume, low-value tasks has delivered the most value).

Tech hiring managers need to recognize that the current generation of AI tools have not replicated what can be accomplished by skilled staff and rather focus their application of AI to high-volume tasks that don't require expertise.

Where organizations have unlocked the most value with automation technologies



Automating high volume, low value tasks that can be performed by entry-level employees,

59%



Automating higher value repetitive manual tasks that require some degree of experience and judgement,

38%



Automating complex tasks that require both experience and human judgement

3%

A 'Build' Philosophy for Tech Talent Holds the Most Promise

But Organizations Frequently Need Help



How your peers want to build out their tech teams

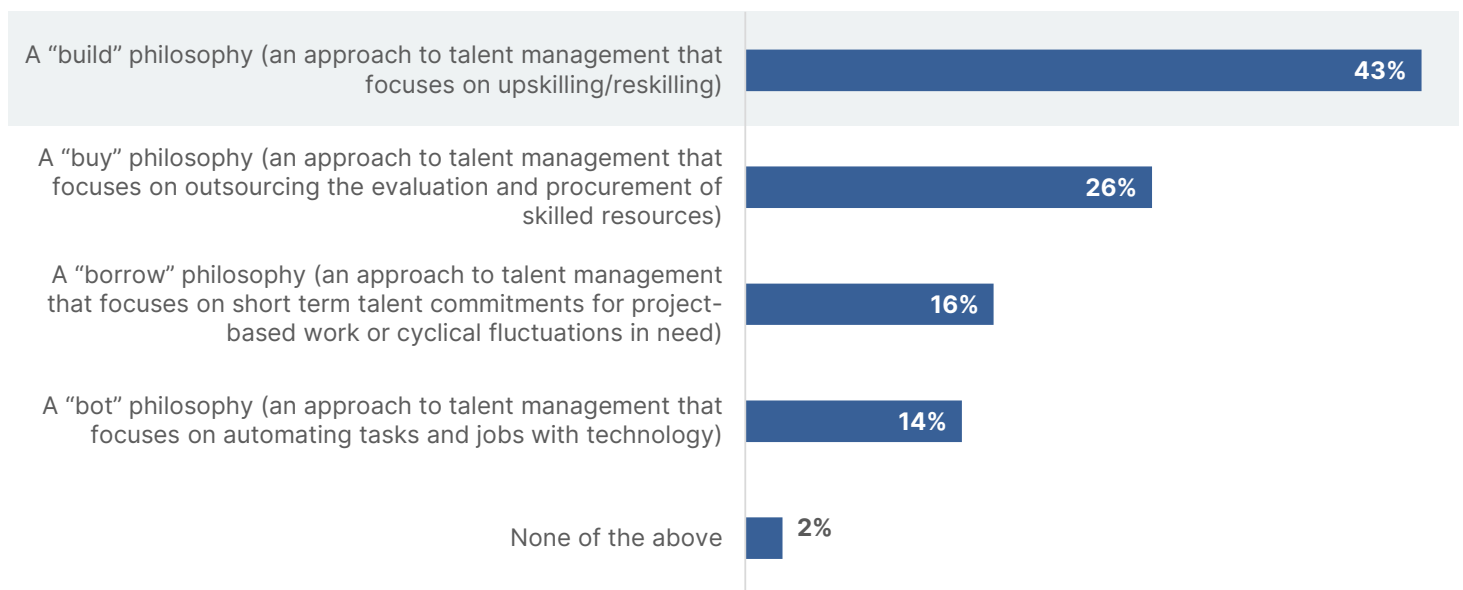
The final topic outlined in this eBook relates to the talent acquisition philosophy respondents believe has the most promise to help their organization adapt and thrive over the next 3-5 years.

“ Respondents are prioritizing an organic ‘build’ philosophy **that focuses on upskilling and reskilling staff.**”

However, reskilling strategies are not without their challenges: Only 3% of respondents reported that they have not encountered any challenges to their reskilling efforts. The time required (36%), lack of applicable training (35%), and rapidly shifting nature of in-demand tech skills (35%) are most frequently cited as pain points.

This data underscores that for almost all organizations, tech training is not central to their mission, which drives inefficiency into internal upskilling efforts. This is a challenge organizations must find a way to overcome in order to optimize their “build” talent management strategies.

Which talent management philosophy holds the most promise for your organization?





Conclusion

This eBook shows that the competition for tech talent is expected to get fiercer over the next 12 months. This creates a mission-critical mandate for technology hiring managers to enact effective talent management strategies now or risk project failures, slower business growth, and even lower company valuations in the future.

Leveraging tech staffing providers is a strategy nearly all organizations employ as part of their talent management mix, and the returns organizations achieve in terms of agility, high-quality hires, fewer skill gaps, and reduced labor costs are noteworthy.

When evaluating if your organization is effectively leveraging outsourced talent management, the data points to several questions to ask yourself:

1. **Are you grappling with hard-to-close skill gaps, particularly in areas like architecture and planning, networking, governance and compliance, or mobility?**
2. **Is your organization looking to increase its level of staff globalization?**
3. **Is your team likely to face skills gaps tied to age-related turnover in the next few years?**
4. **Does your organization have the expertise to deploy and manage the next generation of automation technology?**

These questions can help you uncover if your organization has an opportunity to optimize its operations through broader and deeper partnerships with tech staffing providers.

How Experis Can Help

With expertise in business transformation, cybersecurity, digital workspaces, cloud and infrastructure services, and enterprise applications, Experis delivers a powerful combination of in-demand skilled talent with outcome-based project solutions and services critical for business success. These solutions include the Experis Academy, an upskilling program that enables Experis's staffers to learn in-demand skills while helping Experis's clients employ a hybrid talent strategy: to "build while they buy."

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Research Methodology and Respondent Demographics

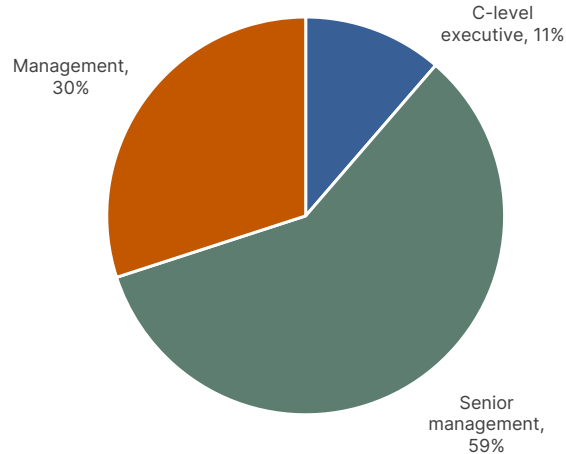
To gather data for this eBook, TechTarget’s Enterprise Strategy Group conducted a comprehensive online survey of 300 IT hiring managers in the US and Canada.

Organizations represented span all private- and public-sector organizations and include both large midmarket organizations (i.e., those with 500-999 employees, 8%) and enterprises (i.e., those with 1,000+ employees, 92%). The survey was fielded between April 4 and April 12, 2023.

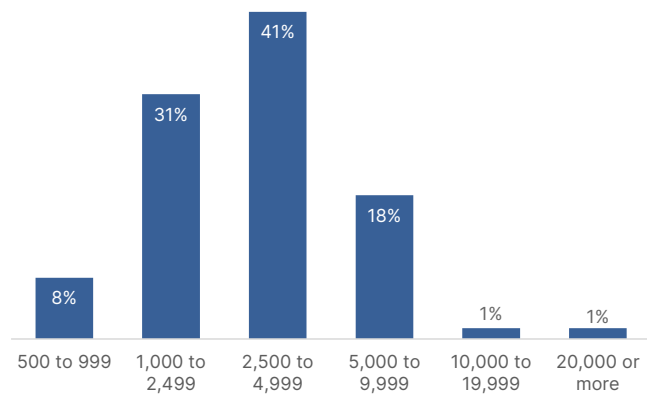
The margin of error at the 95% confidence level for this sample size is + or – 6 percentage points. All respondents were provided an incentive to complete the survey in the form of cash awards and/or cash equivalents.

Note: Totals in figures and tables throughout this report may not add up to 100% due to rounding.

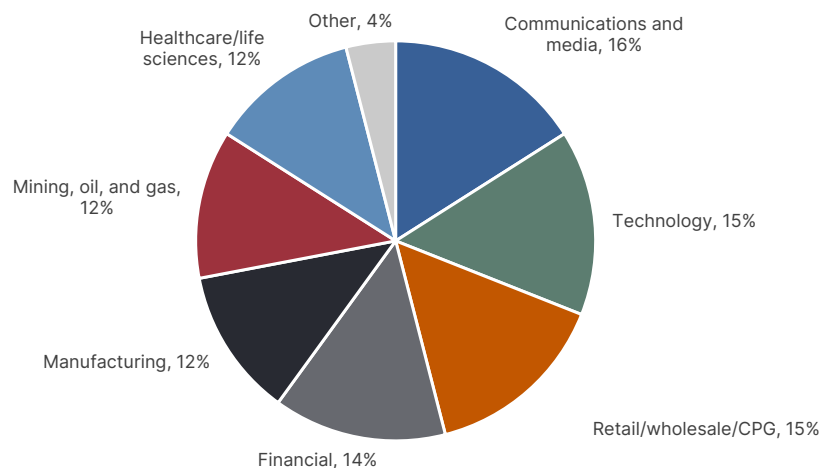
Respondents by seniority



Respondents by company size (headcount)



Respondents by industry



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