IT TALENT WARS AND THE GIG ECONOMY

IS THE C-SUITE READY FOR THE FUTURE OF WORK?
EXECUTIVE SUMMARY

Technology is woven into the fabric of any company that wants to compete and win in today’s fast-paced environment. Those that harness it well can operate more efficiently, innovate faster and do more. Those that don’t are less productive and lag behind their competition. Much has been written about the evolution of technology, but less so about the IT talent -- the people responsible for architecting, developing, testing, managing and supporting it.

Yet there is a major shift happening in how companies hire, motivate and use IT talent today. The competition for hiring technical talent is more intense than ever, and this war for talent is costing companies millions. The demographics of the workforce - and the way they want to work - are shifting dramatically. The “gig economy” is taking hold and enterprise IT is not immune to the trend. To bridge the talent gap and meet demands of both businesses and employees, many companies are turning to crowdsourcing. But not all.

This report, The Talent Wars and the Gig Economy, highlights these trends from the perspective of the C-suite and individual IT staff. It is based on research conducted by Wakefield Research and Appirio in August 2015. The companies surveyed 400 respondents in the US and UK, including 200 IT executives and IT staff at companies with 500+ employees.
THE WAR ON TECHNICAL TALENT

There is an outright battle being waged for IT-related talent. By now, the story is a familiar one: a small number of people possess in-demand technical skills, and HR must create a compensation package compelling enough to attract and retain these highly prized employees.

The enterprise overwhelmingly agrees that recruiting and retaining IT talent is a significant problem within their organizations. In fact, 90 percent of the C-suite surveyed agree that recruiting these crucial hires is a top business challenge.

The stakes are continuing to be raised, with a larger spend every year being put toward stopping the bleeding. The C-suite estimates more than one third of their entire HR budget is dedicated specifically to recruiting and retaining technical talent alone.
Yet this spend isn’t working — and the C-suite knows it. Despite the attention of top leadership and significant budget allocation, IT talent continues to turn over at an alarming rate; the enterprise estimates 25 percent of their company’s IT department leaves each year, and further suspect that their prized IT talent are being approached by recruiters an average of five times each month. Rank-and-file IT staff confirm this unsettling reality, admitting recruiters attempt to poach them an average of six times each month.

**QUICKFACTS**

*Average (percentage)*

- **C-Level**: 34%
- **IT Staff**: 20%

**QUICKFACTS**

*Average (times)*

- **C-Level**: 5 times
- **IT Staff**: 6 times
This constant talent upheaval isn’t just costly in its own right in terms of hard cost of recruiting and onboarding; the instability has a pronounced negative effect on overall productivity and an enterprise’s ability to execute and innovate.

IT respondents admit that at least 25 percent of projects are abandoned altogether because of IT capacity limitations, and projects that are eventually finished are delayed an average of 5 months. These delays aren’t just an annoyance for the CIO; nearly 17 percent of IT projects go so badly that they threaten the very existence of the company\(^1\), with worldwide IT inefficiencies costing nearly 3 trillion dollars annually.\(^2\) The impact of the talent gap ripples far beyond HR and IT.

The cycle of an understaffed IT department perpetuates itself. Nearly 69 percent of both C-suite and rank-and-file IT staff say having a well-resourced IT department is the top factor new hires consider when evaluating a job offer — in fact, more important than compensation. IT inefficiencies repel the talent desperately needed to turn the tide.

---

\(^1\) [www.mckinsey.com/insights/business_technology/deliver-large-scale-it-projects-on-time-on-budget-and-on-value](http://www.mckinsey.com/insights/business_technology/deliver-large-scale-it-projects-on-time-on-budget-and-on-value)

Which of the following factors, if any, do you think are essential to IT employees when evaluating a potential new job?

- IT department is well-resourced: 68% (C-Level), 69% (IT Staff)
- Company has up-to-date technology: 61% (C-Level), 61% (IT Staff)
- Working hours and location are flexible: 56% (IT Staff)
- Leadership is forward-thinking: 51% (C-Level), 51% (IT Staff)
- There are formal training opportunities available: 49% (C-Level), 50% (IT Staff)
- There are opportunities for collaboration: 45% (C-Level), 33% (IT Staff)
- None of these: 1% (C-Level), 1% (IT Staff)
THE GIG ECONOMY: FRIEND OR FOE?

Further complicating the battle for IT talent is the future of work, which has arrived at the enterprise. Highly prized talent entering the workforce are choosing non-traditional paths to monetize their skills. The rise of the so-called “gig economy” has empowered workers to maximize their freedom and choose journeys over jobs. The C-suite knows the future of work has arrived: 83 percent say that by 2050 the economy will shift toward gig-based work over full-time employees.

Enterprise leadership acknowledges that offering the kind of flexibility these workers demand is even more important than compensation when attracting top talent — and workers agree. Eighty-one percent of IT staffers say they’re more likely to leave a job because of a lack of flexibility in working hours and location than for reasons of compensation. The tactics HR and the C-suite are using to fight the talent gap — upping the ante with compensation packages — fail to address what IT talent say they’re looking for: ownership of their job via a flexible, individualized model of what work means.

How strongly do you agree or disagree with the following statement – by 2050, more than half of employees will be “gig-based,” rather than full-time workers.

Agree or disagree: IT workers are more likely to leave a job because of a lack of flexibility than because of complaints about compensation.

- C-SUITE: 87% Agree, 14% Disagree
- IT STAFF: 81% Agree, 20% Disagree
If you had to guess, what percentage of your company’s full-time employees work “gigs” in addition to their position at your organization?

![Bar chart showing percentage of employees working in the gig economy.](image)

**QUICKFACTS**

Average (percentage): 28%

Have you worked in the “gig economy?”

![Bar chart showing percentage of employees who have worked in the gig economy.](image)

**QUICKFACTS**

Yes (net)
C-Level 68%
IT Staff 51%

IT workers are diving into this new way of work without hesitation; more than half of IT staff in the enterprise have also worked in the gig economy in some manner. Their bosses, however, may be in denial over the extent to which the future of work has taken over the enterprise: the C-suite estimates just 28 percent of their workers have engaged in the gig economy. The disconnect between the management and the new workers is clear.

While the enterprise may admit that the future of work is inevitable, it is still perceived as a threat rather than an asset.
The C-suite feels gig workers are less reliable and less knowledgeable than traditional full-time employees, yet they're overwhelmingly scared that they’ll lose their FTEs to the gig economy. Eighty percent of the enterprise feels like the gig economy is a distraction to their workers, while just 52 percent of IT workers feel the same way. Here again the disconnect is clear; the enterprise fears potential downfalls of the future of work, which may not represent the reality of the gig-based economy.

For which of the following reasons, if any, do you think your company does not take advantage of “gig” workers?
How concerned are you, if at all, that the “gig economy” will result in the loss of IT staff at your company?

How concerned are you, if at all, that the “gig economy” distracts IT staff at your company from their work?
Faced with a slew of tired options that have yet to effectively solve the talent gap (offshoring, onshoring, and outsourcing), the enterprise is hungry for a new way to get work done. Innovative companies are dipping their toes into the crowdsourcing water as a way to alleviate issues and modernize the workforce. Nearly 70 percent of enterprises have implemented crowdsourcing within their organization in some capacity.

Crowdsourcing provides the enterprise with an elastic talent pool, sourcing solutions from the best minds in the world — regardless of geography. Leveraging the gig economy through competition-based crowdsourcing alleviates the pain points of access to talent, declines in innovation, and backlogs of uncompleted projects due to capacity issues, allowing a business to widen the innovation funnel and churn through projects at an unprecedented rate.

Crowdsourcing not only addresses the pain points of the enterprise; it also addresses the needs of the worker. Participating in the crowd provides individuals with the opportunity to work whenever, wherever, incentivizing continuing education (whether formal or informal) and rewarding innovation and creativity rather than time or effort spent.

---
3 The act of taking a job or service traditionally performed by a designated person or team and sourcing it to a large group of people in the form of an open call (Jeff Howe, From Wired Journalist & author of Crowdsourcing)
METHODOLOGY

The Appirio Future of Work Survey was conducted by Wakefield Research among 400 total respondents, including 200 US and UK C-Level executives at companies with 500+ employees and 200 US and UK IT staff at companies with 500+ employees, between July 30th and August 11th, 2015, using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 4.9 percentage points among the total audience and 6.9 percentage points among the C-Level and IT staff audiences from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.