It seems that everybody has something to say about the current market. Candidates are feeling optimistic, with the sense that the balance is in their favour as opportunities, headhunting and salaries rise steadily. Employers are feeling nervous around the continued talent shortage, travel restrictions and getting access to the right talent.

So, what roads have led us here? Where have we come from, what did we predict would happen, and what actually took place? Let's take a look.

What Was Happening?

There were some really clear and consistent themes over the last six months of 2021.

Recruitment activity

Firstly, recruitment activity was on an almost unprecedented level. This was across both permanent and contract markets, and touched on most levels and role types, with particular strength in the Business Analysts, Software Developers and Systems Analysts.

Contract opportunities were a flow-on effect from permanent positions remaining unfilled, with a consistent volume of contract roles being recruited right up until December 2021. Engaged contractors were being held onto firmly, and rolled over for longer extension terms averaging six months, as clients could see work continuing through into 2022 and recognising the value of their contractors.

While volume recruitment was driving the mid-year point of 2021, by August, recruitment volume was beginning to plateau, with most clients recruiting on average 1-3 roles at a time and activity being driven more by busier-than-usual periods of BAU and smaller ongoing improvement projects.

Staff retention

Staff retention levels remained very high with very little local movement, meaning recruitment was coming from those relocating from within New Zealand, people moving from permanent roles to contracting and expats returning to New Zealand, (in smaller numbers).

While salaries were remaining fairly stagnant and weren't a driving factor for candidates in July, by October, we were seeing the first signs of market swing. More candidates were being offered significant pay increases and work-from-home opportunities to try to secure local talent, and more requests were coming from candidates interested in remote work opportunities.

More candidates were being offered significant pay increases and work-from-home opportunities to try to secure local talent.

opportunities to try to secure local talent.

Year-end movement

By the end of 2021, demand was holding strong, with just a slight dip heading into Christmas. We were seeing more and more candidates looking at work from home options, and beginning to take up opportunities working for organisations in other centres/countries in a fully remote capacity.

At this point, local candidates were still not actively applying for new positions and retention levels remained high, but here was the first real awareness of the demand levels for their skills and more and more began to mark themselves as 'open for the right move'. At the same time, candidates were being very selective, more demanding in their salary negotiations and less prepared to move unless there was a significant incentive.

How Did We See the First Quarter of 2022 Playing Out, and What Actually Happened?

Crystal ball gazing is always a fun, but tough experiment. Often trends will ramp up much harder and faster than we could have imagined, or conservatism will rule, and emerging trends will die out before they ever gain traction.

With all the information in front of us, here were our top picks for how the market would shape up in the early months of 2022, along with whether they actually came to pass.

How Did We Do?

✓ We felt that opportunities would remain available across most levels, and there would be very high competition for certain skill levels amongst employers.

✓/✗ We felt that salaries would continue to rise as the availability of resources remained low.

✗ We predicted that more and more employees would become aware of the demand for their skills and their potential worth, driving employers to remain open to recruiting when top candidates became available as opposed to waiting for specific roles to be framed up.

✓ We felt we would need to continue looking to regional markets to bring in new talent.

✓ We saw that work/life balance, learning opportunities, growth and development and a positive work environment would still be important for candidates, but salary would begin to feature strongly.

✓ We saw candidates tending to be more selective, more demanding in their salary negotiations and less prepared to move unless there was a significant incentive.

Shifting power balances

The biggest theme we are seeing right now is that most candidates can be tempted. There is an obvious awareness from a candidate perspective that it's a hot market right now, and their skills are in very high demand. We are getting consistent feedback from candidates that if there was ever a time to move and reap the rewards, now is that time. Are they correct? More on that later.

For now, candidates are being actively headhunted, approached regarding multiple opportunities (in Canterbury, New Zealand and offshore) and being offered incentives and higher salaries to join – there is a definite sense that the power sits well and truly with the candidate.

Competing for talent

Unfortunately, a lot of clients are feeling very much at the whim of the market or have not yet adjusted to the new norm. Counter-offers, offers from employers outside of Canterbury and well above average market rates are here, and it's presenting really interesting challenges for local employers. How to retain parity, how to drive team and culture with a remote workforce, and how to build in rising salary costs to operational budgets are top-of-mind concerns.

As a recruitment agency, dealing with counter offers, increasing salary demands and scarce talent present real issues. We are always in partnership with our clients first and foremost and attempt to balance the realities of their business and requirements, and of the market and its escalation. Not all talent is alike, and while clients will pay over and above for some candidates, this isn't the same for all.

While we are seeing a general upward trend in salary levels, this must be balanced with the fact that we have seen very little growth over the past 3-5 years, and that the way we work is shifting. Remote work, working for employers in other centres, contracting and part time are all becoming the new normal. The idea of a fully inhouse 9-5 model is quickly becoming the exception, not the rule.

> ***Remote work, working for employers in other centres, contracting and part time are all becoming the new normal.***

Going remote

Demand is remaining high across permanent and contract recruitment, and while we are still trying to attract talent in from the regions and looking with optimism to New Zealand opening its borders, realistically, a shift may be needed where we start to look at talent in other regions who can work for local companies 100% of the time. We are losing so much local talent to businesses in other parts of the world, so why would we not do the same?

We have talked much in this report about the increased frequency of WFH/Remote work opportunities, and yet, on a much smaller scale, there are pockets of people who are resisting or suffering from work from home fatigue. These are the candidates who have been working from home through most of 2021 and into 2022 and are seeing a mix of in-office and at-home as the best balance. They tend to be in more collaborative roles (e.g. PM/BA, Delivery roles) where getting people in a room to nut out solutions is always going to be much more effective than doing it via MS Teams.

Every business will need to find its own best fit, but things are changing, and fast.

The great migration?

As New Zealand prepares to open its borders, we wonder how much, if any talent we will lose to the likes of Australia, and similarly, how much international talent that may have previously had eyes on New Zealand will now settle in Australia, driven by a combination of our challenging working holiday visa (WHV) rules and with their borders opening earlier.

One of the suggestions floated internally this week to ameliorate this, and put to the RSCA to consider lobbying for, is to issue all WHVs for three years and to allow all WHV holders the ability to accept casual and fixed-term employment offers of any duration in any industry. (At the moment, WHVs range in length from 12-24 months and holders from some countries cannot work longer than 3 months in any one job.)

We had a lot of younger candidates in 2020 who had been preparing for their OEs needing to adjust their plans and remain local, so it will be interesting to see if we have a flow-on effect as travel and overseas work becomes possible again. It's possible that, with more and more international opportunities available from home, this may somewhat lessen the blow, but we will get a better understanding of that in the next quarter.

The Market in a Nutshell

So, to summarise the state of the current market, this is where we are at:

State of The Current Market

- Opportunities remain available across most levels, and there is high competition for certain skill levels amongst employers.
- Salaries are continuing to rise to remain competitive when recruiting.
- Salary level and flexible/WFH options are featuring very strongly when candidates are considering opportunities.
- Candidates are acutely aware they are in demand, and most would move 'if there was enough incentive.'
- More and more candidates are moving into roles working for companies that are not based in their city or country.

Three Things to Watch:

Salaries will continue to lift, with an average 20% rise year-on-year compared to 2021.

Staff retention will be at its lowest level since 2019.

Employers will conduct internal rightsizing exercises to close the flood gates of escaping talent.

As further developments unfold, we will continue to watch the market and share more about how it's shaping up. Keep an eye out for our next update to learn more about the challenges and opportunities of the current landscape, and feel free to get in touch to discuss any of these insights further.