Welcome to the latest instalment of Tech Employment Shapers – a look at how the market has shaped up over the past six months, and what to expect as we race towards the end of 2022. While there is a significant view that it's a candidate market, are we seeing the beginnings of a softening? Candidates who are in the market are remaining for longer before taking up permanent positions, and demand for contractors is also remaining low. So, while employers are feeling nervous about the continued talent shortage, travel restrictions and getting access to the right talent, is it all bad news?

The purpose of Tech Employment Shapers is to address the questions of where we have come from, what did we predict would happen for the tech recruitment scene, what actually took place and what we can expect going forward. Let's take a look.

What Was Happening?

There has been a really clear trend over the past six months that has made it fairly easy to comment authoritatively on the tech recruitment market from both an employer and employee perspective.

Recruitment activity

Permanent recruitment has continued at pace, however with one major difference. Roles are now taking longer to fill, with the majority of local candidates considering a move in 2022 having made that move already. This means that employers are now reliant on a far smaller domestic candidate pool, and offshore candidates are just beginning to filter in.

> More and more employers are relying on recruitment agencies as traditional advertising fails to attract the right talent.

More and more employers are relying on recruitment agencies as traditional advertising fails to attract the right talent, and recruitment agencies are relying more and more on deep local candidate networks and access to international candidate markets.

Unlike six months ago, where contract opportunities were a flow-on effect from permanent positions remaining unfilled, there has been little demand for additional contract resources over the past several months. While engaged contractors are being held onto firmly and rolled over for longer extension terms averaging six months, we are starting to see new contractors to market sitting for longer before being redeployed.

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. This appears to have continued right through 2022 with little in the way of large-scale projects or transformation.

Infrastructure and support roles

From an 'interesting theme' point of view, L1-3 Service Desk and Support roles have been the real stars of the past six months, offering excellent growth opportunities for candidates in the early years of their careers. We have been recruiting within this vertical, up to 10 roles at a time, manning service desks and providing L1-3 onsite support for internal business customers.

Roles have varied widely in terms of domain, business type and technology, but nonetheless, support has been in great need. This is possibly a reflection of new systems being implemented, change programmes underway within businesses, new products being brought to market, or simply a greater appreciation of the need for internal users to have better access to support of IT systems.

International candidate markets

With the exhaustion of local candidate pools in skill shortage areas, more and more employers are gaining Accredited Employer Status and accessing a growing number of candidates who are ready for relocation to New Zealand. We are also seeing more and more candidates who have lived and worked in NZ pre-COVID-19 now returning, with this channel offering a very clear immediate solution to challenging-to-fill permanent positions.

For those international candidates keen to get a head start, we are also beginning to see an influx of Working Holiday Visa candidates who are able to enter the country, work short term and then transition to longer term skills shortage visas. For those willing, international markets are paying immediate dividends to address resourcing challenges.

Staff retention

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 there 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.

So, What Happened?

As we commented in our last report, 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.

We can confirm, however, that one trend ramped up much harder and faster than we could have expected, and that was the great resignation.

> **77% of the candidates we have recruited over the past six months have either moved roles within Christchurch or within New Zealand.**

Candidates were actively headhunted, approached regarding multiple opportunities (in Canterbury, New Zealand and offshore) and offered incentives and higher salaries to join new employers. The "if there was ever a time to move and reap the rewards, now is that time" rhetoric was really latched onto from an employee perspective, and a vast majority of local candidates changed employers. From a Sourced point of view, 77% of the candidates we have recruited over the past six months have moved roles within New Zealand, across both contract and permanent positions.

Most interestingly, many did not move for advancement or promotion, but moved for more money, work from home/remote work, and great lifestyle benefits. Counter offers, offers from employers outside of Canterbury and offers well above average market rates were the norm, but **only for a short period**. This could be encapsulated as a flurry between January to June at the very latest, and it's now settling.

It is worth addressing the unicorn(s) in the market; that is, just how common are approaches from offshore at 'double the money' and all the best work benefits? There have certainly been a few examples of this happening, but it is not the norm and it's clear that the rumor mill has overstated the value and certainly the frequency of this behavior. This is providing motivation and 'ammunition' for some job seekers when it comes to salary reviews or negotiation, and **it is worth reminding employers that we will happily offer advice on where salary is currently sitting for a given skill set.**

We are currently seeing the after-effects of this great switch around, with employers grappling with parity, revisiting work-from-home policies, engagement strategies, and bedding in new team members. It almost felt like a big spring clean that is now settling back into a sense of normalcy.

The good news is that we expect retention levels to be high right through the remainder of this year and into next, as most candidates have made their move and new candidates are coming in from alternative channels such as relocation.

Employer intentions

With a large portion of recruitment now complete and hard-to-fill or more specialist roles remaining, a lot of employers are pushing back on salary demands and/or being a lot more selective on those candidates they choose to engage with. They are prepared to wait longer to secure the right talent rather than settling for what is available. Having ridden out the crazy beginning of the year, there is a wariness to engage in counter offers and salary hikes, and almost a resolution that recruitment may just take longer so they are willing to wait it out for the right hire.

Going remote

Let’s address remote working. It is now the new state of normal. Where employers are unwilling to consider work from home policies, we have seen strong pushback from candidate markets and this is becoming a real barrier to employment. While the idea of 100% remote working appears now to be much less favourable from an employee perspective, we seem to have settled on a 50/50 split of team time and work from home. This no longer feels like a trial, but a long-term change in the way that we work, and people are acknowledging more and more that work can happen in many different ways and from many different places.

The great migration?

As New Zealand prepared to open its borders, we had previously pondered how much, if any, talent we would lose to the likes of Australia. Another question is how much international talent that may have previously had eyes on New Zealand would instead settle in Australia, driven by a combination of our challenging working holiday visa (WHV) rules and the timing of borders opening.

Fortunately, we have ended up with a positive outcome on both ends. We have seen very little migration of local talent to overseas destinations and a really strong flow of international candidates looking to come to New Zealand. However, with borders open just in time and visa processing times speeding up, we appear to be in a great position to target hard these international markets.

So How Did We Do?

In the last Tech Employment Shapers report, we noted the following as the ‘things to watch’

Sourced
We get people.

Our predictions for the last six months:

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

Salaries have absolutely lifted, with at least an average of 20% rise compared to 2021. Software Engineers and Business Analysts have been the biggest winners, with BA salaries on average up $20-$25k at the senior end, now sitting comfortably between $130-$140k, up from a high point of $120k in 2021. Similarly, with Software Engineers, we are now seeing salaries track further up into the $100,000's getting ever so close to the mid $100k range ($125-$140k on average) up from an average of $100-$115k in 2021.

Service Desk/Level 1-2 roles are also on the increase, with salaries up on average 15% and now moving well into the $60ks. This is an area of high demand right now, so we may expect to see more movement still.

Staff retention has predictably held very strong, with most local candidates that were looking to move having now made that transition. We don't expect to see any significant turnover now until at least the end of 2023.

As we noted also, a lot of employers have now completed their rightsizing exercises internally, ensuring they are paying competitive salaries to hold on to their best talent.

The Market in a Nutshell

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

Sourced
We get people.

State of The Current Market

Level 1-3 Support roles are the hottest skill demand right now

Demand for contractors remains very low across all disciplines

Staff retention levels are very high with the vast majority of local job turnover having happened

International markets now offer the deepest candidate pools, and employers are prepared to wait to find the right talent

Salary levels that were on the rise have now plateaued

Three trends to watch over the next six months:

Recruitment remaining difficult as staff retention levels remain high

Employers taking longer to make recruitment decisions or holding out for the most suitable talent

International markets working to soften local salary demands

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.