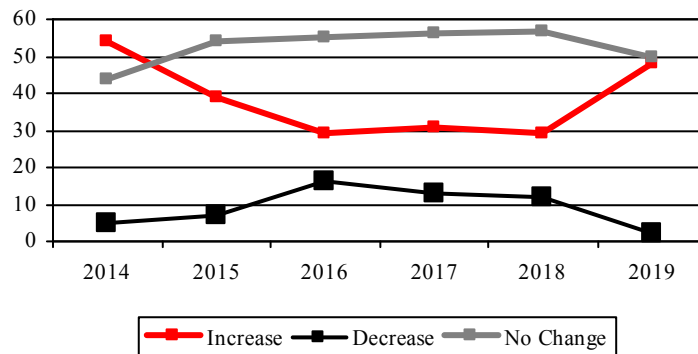


Optimism Returns to Houston

- a whitepaper by James Del Monte, JDA Professional Services, Inc.

With national unemployment close to all-time lows and Houston's rates not far behind, the hiring outlook in 2019 is very strong. Our latest Hiring Trends survey indicated that close to 50 percent of respondents anticipate a net gain of IT staff this year, primarily in full-time positions. This is the first overall increase since 2014, indicating positive growth in the market. We started seeing expansion positions in the 2nd quarter of 2018 with new positions led by stability and growth in the energy sector. Also for the first time since 2014, departmental IT spending will increase with 55 percent having an increase planned for the coming year, taking us from run-and-maintain to growth. The main areas of new money will be for cybersecurity and data analytics followed by software development and ERP systems upgrades. We still think that most large companies will continue to have less staff than in 2014, but smaller and mid-size businesses are ramping up and new businesses are moving into our city.

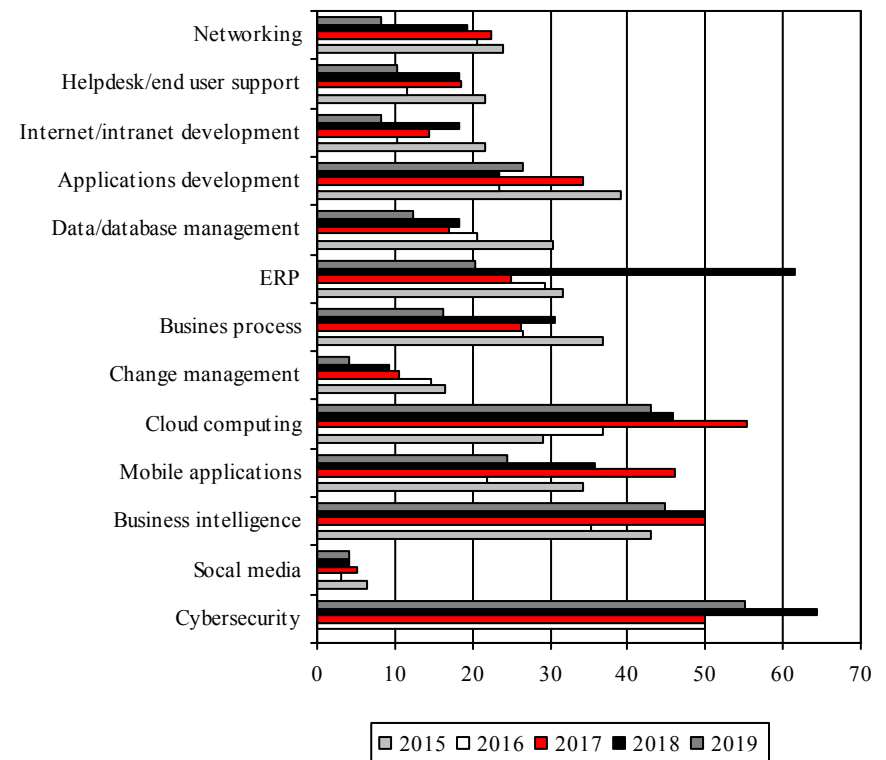
Does your company anticipate a change in total IT staffing level?



In our tight labor market, some sectors are close to full utilization: security, compliance, developers, business intelligence, ERP techno/functional analysts, and technical players/coaches. The quantity of local, qualified candidates has decreased, competition is tight, and the most qualified candidates are receiving multiple offers and strong counteroffers. Some companies are willing to train again to develop the resources instead of having an open requisition for many months. Lagging sectors include:

generic business analysts, project managers, infrastructure generalists, general IT leadership, and management. These lagging areas are somewhat saturated, but while we don't anticipate many new positions, most companies will be replacing staff turnover. With more companies moving to cloud-based solutions, the leveraging of in-house support is projected to decline over the next couple of years. Even in the less growth-oriented positions, good people are hard to find and keep.

In your company, what areas are anticipated to have the largest growth potential over the next few years?



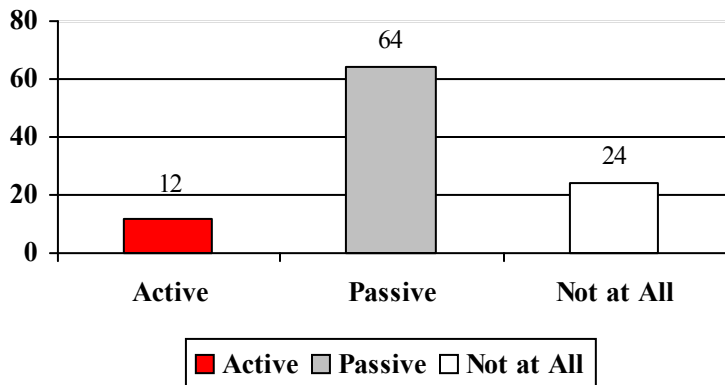
Another trend we see is a pent-up demand for change among employed candidates. Our survey indicates that over 75 percent of employed IT workers are either actively or passively looking for other opportunities. The prevailing attitude to remain in place, inspired by market uncertainty, has largely dissipated. Chief factors include: stagnant career growth—both

technically and into higher responsibility roles, stagnant compensation—base and bonus, the higher cost of health care, Houston’s notorious commutes, and mindfulness of work/life balance among both senior workers who have paid their dues and younger workers transitioning into key roles. Additionally, baby boomers are retiring; however, we also are seeing that many choose to go into semi-retirement, performing contract and project work both in leadership and technical roles. Thus, with 80 percent of respondents’ companies having no formal employee retention plans, companies are better able to make proactive low-cost counteroffers, with additional perks such as flexible work schedules, telecommuting, and an increase in vacation time.

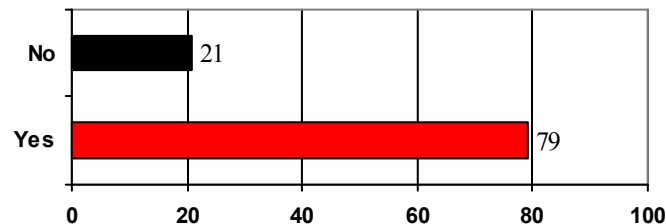
companies are expecting to pay in the 10-20 percent range; this is the highest percentage we have seen in the last 20 years that we have been doing our survey. Many of our clients are at or above targets and will be paying out great bonuses in early 2019. The wild card will continue to be the cost of health insurance as more companies share the cost of the increases.

Contract rates are beginning to increase for all sectors as the demand nationally has increased and there are more options. This could be a concern as some of the best will choose to venture out and seek fortunes vs. job security.

Interest in new opportunities?



Does your company plan to increase base salaries for IT staff in 2018?

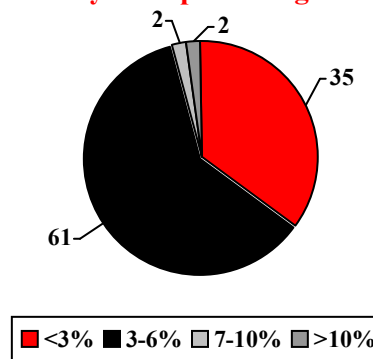


Ultimately, we think that the increase in project load as companies seek ways to scale without increasing personnel will lead to an increased demand for both full-time and contract IT employees over the next eighteen months. As the talent pool in these areas is already tight, premium compensation packages will be required to attract and retain the top performers.

Changes in Compensation

Base compensation for full-time employees is projected to increase more this year than we have ever seen with 61 percent of respondents projecting increases in the 3-6 percent range. This increase surpasses even that of boom years. Bonuses as part of total compensation are also projected to increase with 74 percent of respondents including bonuses as part of their compensation packages. The surprising part is that 57 percent of

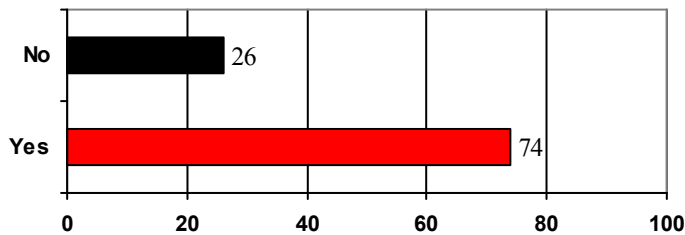
By what percentage?



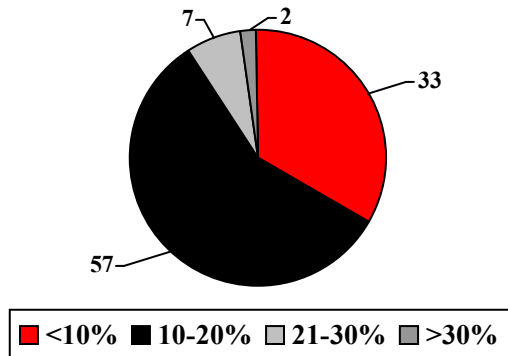
With a strong market projected this could well lead to the talent pool engaging in strategic repositioning—picking up new skills, seeking shorter commutes and increases in compensation. New hires will receive

incentives of 5-20 percent compensation increases and additional free time to make a move. Due to this aggressive competition, we advise our clients to consider the cost of retention versus the cost of turnover as most existing staff is valuable. In addition to compensation, a good retention strategy could include lower cost options such as working from home, increased free time and flexibility, new projects, training, and expressing appreciation for employee efforts and loyalty. An accommodating work environment can make a huge difference in employee retention.

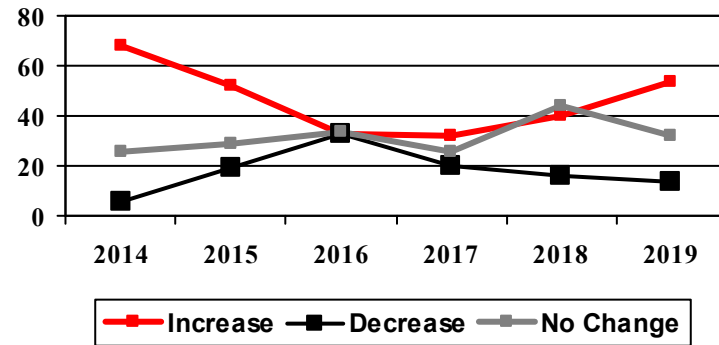
Are bonuses included as part of your company's compensation packages?



If yes, what is the average bonus percentage given based on salary?



Projected IT department spending YOY



With the increase in hiring there are a lot of new entries in the recruiting business locally, nationally, and internationally. If you are hiring, choose an established local resource that knows the market, city, and has the resources to find the right people. Choose JDA: we will take good care of you and get the job done.

How JDA Can Help

Since 1981 JDA has been helping Houston companies build great IT departments. An active recruiter of IT professionals in Houston, JDA is a resource to identify and recruit the passive job seeker either on a full-time or contract basis.

For more information on how we can help you develop a great career, send a resume to jda@jdapsi.com.

We're optimistic for the future. We look forward to working with you.

About the Survey

The information presented above was compiled from our annual IT leadership survey of Houston-area VP's of IT, CIO's and IT Directors, and a survey conducted from our employed candidate pool. Compensation numbers are based on current base salaries and exclude bonuses.