

Information Communication & Technology (ICT) Market Insights

A Manpower Market Insights Paper



April 2009
New Zealand

What do you do?



Manpower®

The ICT sector has been identified as one of the key contributors to future economic growth and international competitiveness of New Zealand...

However, the outlook for the New Zealand ICT industry in 2009 is much less favourable than in recent years, with economic conditions deteriorating, business and consumer confidence falling sharply, projections for ICT spending have declined steeply. Taking this into account, New Zealand businesses need to reassess how they spend their money on ICT products, services and employment.

In the latest OCED Information Technology Outlook report, it suggests that ICT growth is likely to be zero for the OECD countries during the current economic downturn. A general upturn cannot be expected before the end of 2009 in parallel with renewed GDP growth¹.

Industry Trends in Current Economic Climate

Various research and industry experts indicate that-

Hardware will be the main casualty of the recession: Slower sales and refresh cycles will get longer. As CIOs are under pressure on budget and spending- PCs, servers and storage will definitely be heavy scrutinised to ensure that costs are kept to a minimum².

Software spending will generally grow....but slow: Spending on software such as database, ERM and CRM is expected to continue with a slower growth rate. Similarly, investment in virtualisation will continue as buyers will be looking at minimising hardware purchase.

IT Services are partly recession proof and will benefit from the crisis: Spending on outsourcing services is expected to increase in the short term, especially in the mid-market. The recession will also further boost demand for offshore outsourcing to low cost countries like India and China, specifically for infrastructure management and applications services.

Telecommunications will be mostly immune to the recession: Businesses will revert to more telecommunication services (reduce travel costs through conference calls and video conferencing) and the spending on mobile voice will continue to grow slowly as mobile phones have tangible business benefits and competition on the New Zealand market has maintained prices to levels that warrant extensive business usage³.

Demand for ICT professionals will remain solid: Suggested by industry experts, companies see the slowdown in the economy as time to upskill with quality professionals to address the challenges of increasing efficiencies.

¹ OECD: Information Technology Outlook 2008

² IDC Research: The Economic Recession in Australia: What does it mean for the ICT industry? Oct, 2008

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ICT is an integral component of every sector in the New Zealand economy- working behind the scenes as an “enabler”- and is also a major sector in its own right.

(Source: Mait e-News- Country Intelligence)

New Zealand ICT Industry

New Zealand is a proven early adopter of new technology products, services, methods and systems. Its competitive strength lies in creative technical innovations and the ability to rapidly adapt within a low cost structure.

Overall, New Zealand's ICT industry strengths include:

- Electronics
- Software applications for the internet
- Software applications for the telecommunication sector
- Software and hardware for creative industries, such as film production and post-production

Market Size: Results from the ICT supply survey for the 2007 financial year show that the total sales of ICT goods and services were valued at \$18,228 million, with 91.6 percent (\$16,703 million) of this value being sold domestically, and 8.4 percent (\$1,525 million) being sold to export markets. This is a 3.3 percent increase in total sales, with domestic sales rising 4.2 percent and export sales down 5.3 percent from the 2006 financial year⁴.

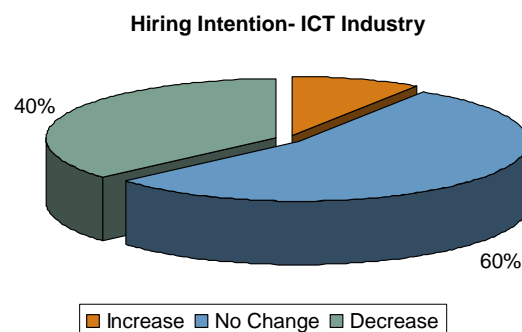
There are approximately 8,800 registered ICT companies operating in New Zealand.⁵ The ICT sector currently accounts for approximately 2% of the total workforce and generates in the order of 5.1%⁶ of New Zealand's GDP.

Growth: New Zealand's information and communications technology (ICT) sector has been growing rapidly over the past decade. At 10.2 per cent, New Zealand currently has the world's highest ICT spend as a percentage of GDP (followed by the US at 9 per cent). ICT subsectors include telecommunications, IT hardware, IT software, IT services, internet services and wireless technologies.⁷

ICT taskforce has identified the potential for the sector to grow to 10% of GDP within a 10 year timeframe.

Recent Trends- ICT Labour Market

- A recent Manpower survey shows that 70% of ICT employers don't believe the current economic downturn is impacting their hiring plan⁸.
- Manpower research also shows 60% of ICT employers continue to find sourcing IT professionals difficult⁹.
- 75% of IT professionals are satisfied with their current job but 27% are intending to change jobs in the next 12 months¹⁰.



⁴ Statistics New Zealand: Information and Communication Technology Survey: 2006/2007

⁵ Source from: <http://www.nzte.govt.nz/section/11757.aspx>

⁶ Source from: <http://www.nzte.govt.nz/section/11757.aspx>

⁷ Source from: <http://www.american.edu/initeb/sf9412a/size.htm>

⁸ Raw data obtained from Manpower Employment Outlook Survey Q2 2009

⁹ Raw data obtained from Manpower Global Talent Shortages Survey 2009

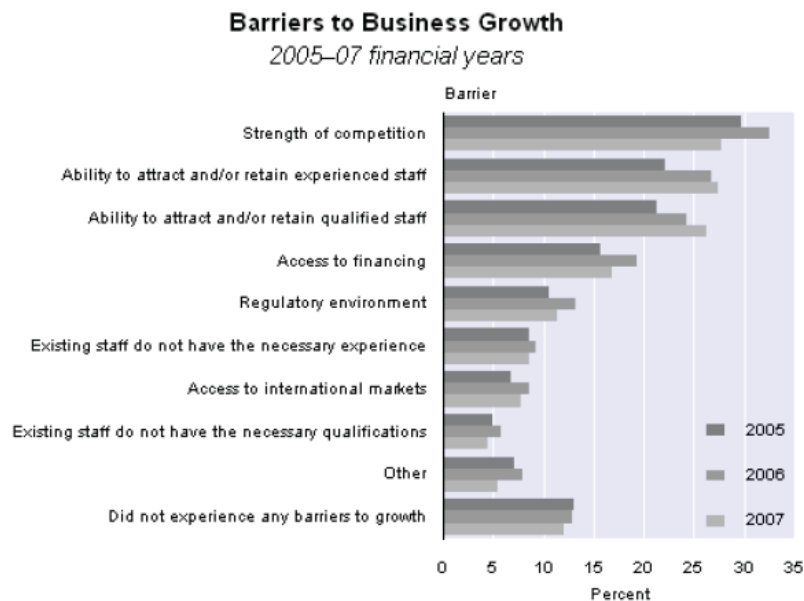
¹⁰ Single Source Data, Roy Morgan Research, Sep 2008

Over 60 percent of the people employed by ICT firms in New Zealand are involved in the provision and delivery of advanced ICT services to domestic and international clients

ICT Industry Barriers to Growth

Over 60 percent of the people employed by ICT firms in New Zealand are involved in the provision and delivery of advanced ICT services to domestic and international clients. These skills are also being utilized to present New Zealand as an attractive destination for offshore outsourcing.

However, similar to Australia, skills shortage is a major issue in the ICT sector and it remains a real threat to New Zealand's economic prosperity.



Source: Statistics New Zealand- Information and Communication Technology Survey: 2006/2007

For the ICT Supply Survey 2006/2007, strength of competition remains the greatest barrier to business growth, at 27.8 percent. However, comparing 2007 with 2006, there was a 14.5 percent decrease in the number of enterprises reporting this as a barrier.

The ability to attract and/or retain experienced staff (27.5 percent) and the ability to attract and/or retain qualified staff (26.3 percent) categories were the second and third greatest barriers reported, increasing by 8 percent and 2.9 percent, respectively¹¹.

¹¹ Statistics New Zealand: Information and Communication Technology Survey: 2006/2007

Building and maintaining a sustainable and world-class ICT workforce and ICT skills base is necessary to meet the current and future needs of the economy and ensure that New Zealand continues to achieve strong productivity, economic and social benefits from the ICT sector.

IT Professionals* are in the top 10 occupations experiencing talent shortages in New Zealand, meaning that both government and businesses need to develop attraction and retention strategies to ensure they can secure qualified professionals.

Of the 45,000* IT Professionals in New Zealand, they predominantly:

- Reside in capital cities and major regions
- Are male
- Are aged between 30-49
- Are tertiary qualified
- Are born in New Zealand
- Earn a median income of \$79K p.a.
- Work full-time
- Work in the private sector
- Work in small-to-medium enterprises
- Work in Communication and Information Services

IT Professionals are generally satisfied with their current job however they are more likely than other occupations to consider moving jobs in the near future.

There are a number of areas of focus for potential or current employers to attract or retain IT Professionals including job recognition, responsibility, opportunities, stability and training.



*This document reports on the broader IT professional occupation group which includes all ICT occupations under the ANZSCO codes (Computing Professionals, IT Managers and Computing Support Technicians) and extra occupations such as Network Managers, Data Communications and Systems Analysts.

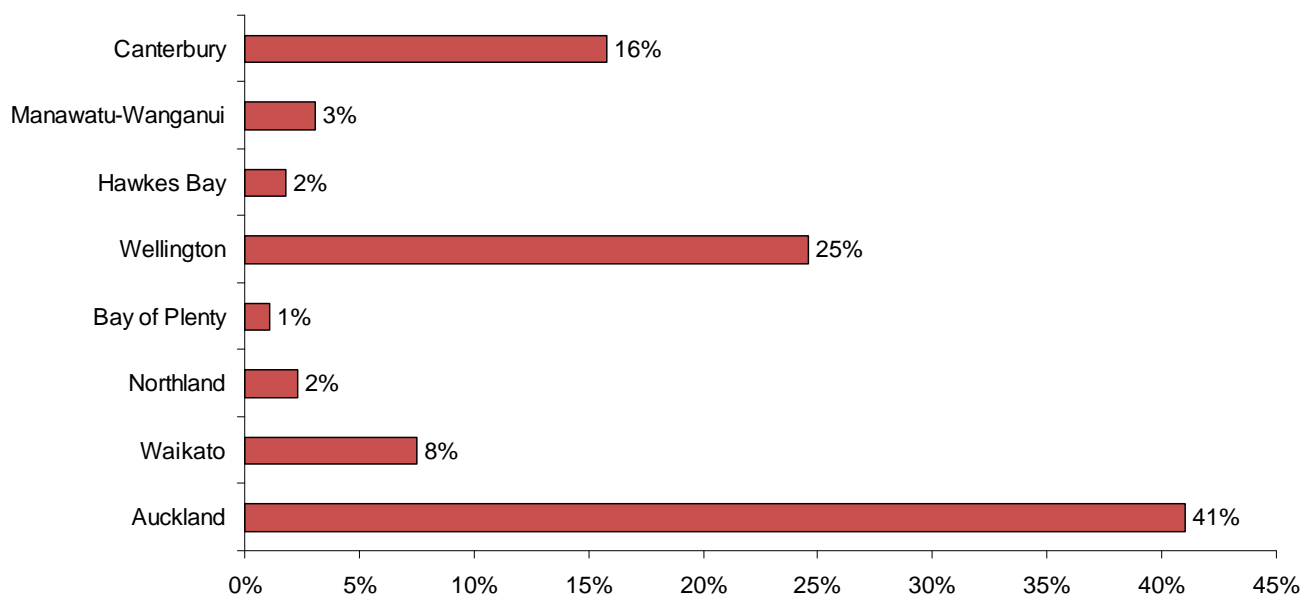
IT Professionals in New Zealand are predominantly tertiary qualified (67%). 56% have a degree and 11% have a diploma. 9% have some university training.

IT Professional Demographic Profile*

In New Zealand there are 45,000 IT Professionals, which include occupations such as Network Managers, Data Communications and Systems Analysts. Of these, 25,000 are tertiary qualified.

Geographic Distribution

41% of IT professionals reside in Auckland. The geographic skew is to the eight capital cities and major regions.



Gender & Age

- 83% of IT Professionals are male.
- 66% of IT Professionals are aged 30-49.

Education

IT Professionals in New Zealand are predominantly tertiary qualified (67%). 56% have a degree and 11% have a diploma. 9% have some university training.

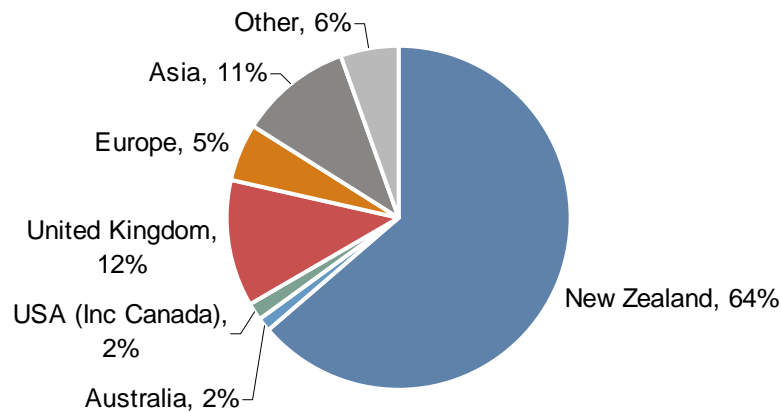
Mobility & Access

- IT Professionals rely upon their car for transport, 92% of them are drivers. Only 5% have company cars (Company, Family Business or Government Department).
- They rarely travel by public transport. In the last 3 months, 39% of IT Professionals have travelled on buses, 23% have travelled by train and 36% have travelled by taxi.

*Information in this section was obtained from Roy Morgan Single Source Data, September 2008

Country of Birth

IT Professionals come from a range of backgrounds. Over half were born in New Zealand (64%). 12% were born in the UK, 11% in Asia- of these, 2,000 were born in India and 1,000 were born in Hong Kong.



Income

The median income of IT Professionals is \$79,042 p.a. in 2008.

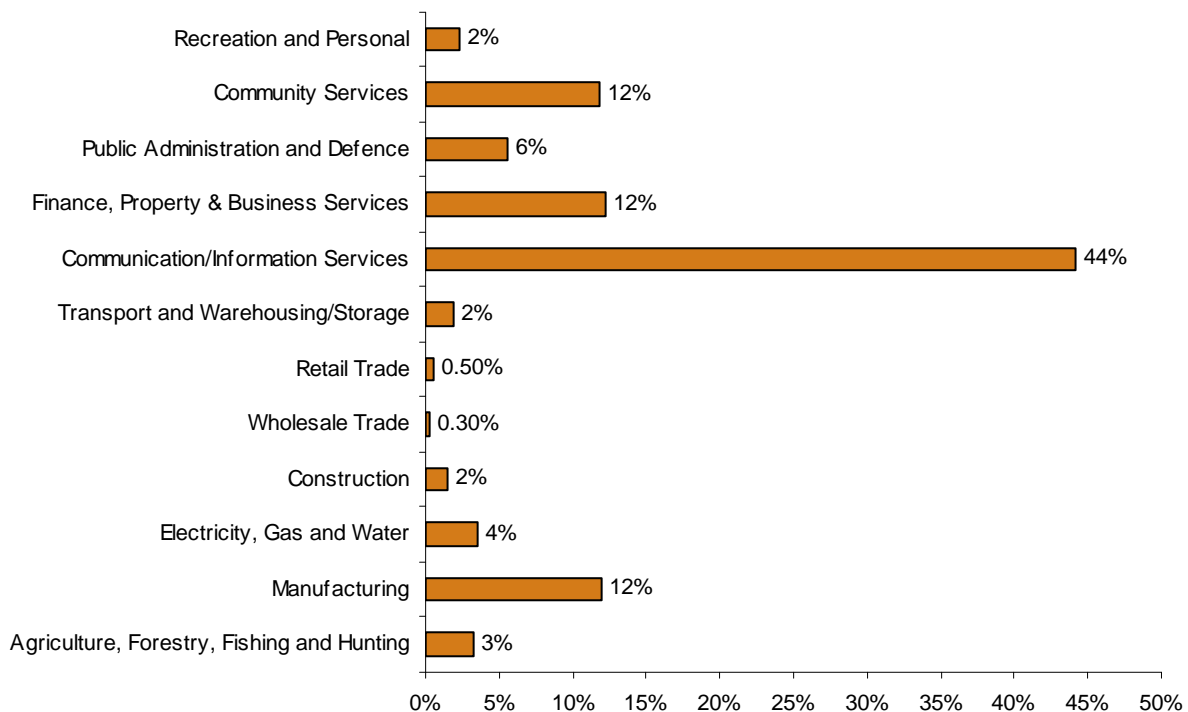
Work Status & Company Size

- 86% of IT Professionals work full-time. Only 14% are part-time workers.
- IT Professionals tend to work in small to medium enterprises, 1-299 employees (62%). 38% work for large companies (300+ employees).

Industry & Sector

IT Professionals predominantly work in the private sector (78%). 16% work in the public sector and only 6% are self-employed.

Nearly half of IT Professionals work in the Communication/Information Services. Other sectors that IT Professionals tend to work in include Finance, Property & Business Services, Community Services and Manufacturing.



IT Professional Attitudes*

About IT Professionals

IT Professionals:

- consider themselves as intellectuals (58%) and leaders (46%)
- are success-driven (66%) and time poor (63%)
- believe job responsibility is important in their role (68%)
- need security in their job (69%)
- feel that computers and technology given them more control over their lives (57%)
- wouldn't have difficulty coping with a demanding career/job (70%).

Purchasing Activities of IT Business Decision Makers

In the last twelve months:

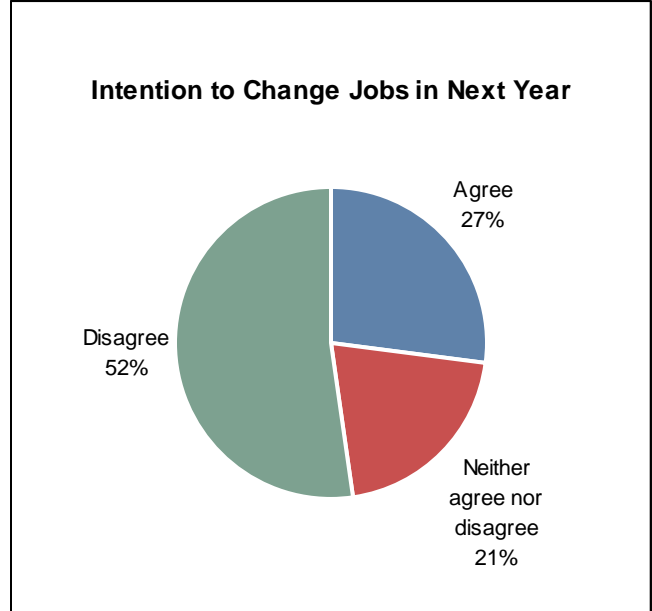
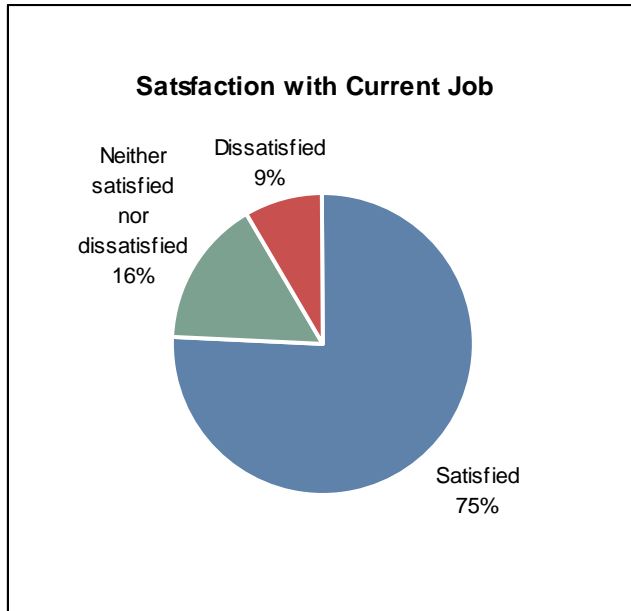
- 8% have made decisions on hiring people/recruitment
- 34% have purchased computing software and PCs
- 7% have purchased telecommunication equipments

**Information in this section was obtained from Roy Morgan Single Source Data, September 2008*

IT Professional Job Satisfaction*

Overall Job Satisfaction and Intention to Change Jobs

75% of IT Professionals are happy with their present job, this is slightly higher than the rest of the working population (74%). More than one quarter (26%) are planning on changing jobs in the next year, which is slightly higher than the rest of the working population (24%).



Satisfaction Drivers

Job Recognition

62% of IT Professionals in New Zealand are satisfied with the job recognition they receive in their present role. Compared to the rest of the population, IT Professionals are slightly more satisfied with the amount of job recognition that they receive.

Job Opportunities

Less than half (39%) of IT Professionals are happy with the opportunities available to them in their current role.

Current Rate of Pay

IT Professionals are generally satisfied with their current pay, with 59% stating they are happy and 25% believing the pay they receive is fair. Only 11% believe their current pay is poor.

Job Security

IT Professionals are more satisfied with the security (70%) they have in their current role compared to other employees (53%).

Training

Half the IT Professionals are satisfied with the training they presently receive (51%) and only 14% are unhappy with their training.

*Information in this section was obtained from Roy Morgan Single Source Data, September 2008

Management's Use of Employee's Ideas

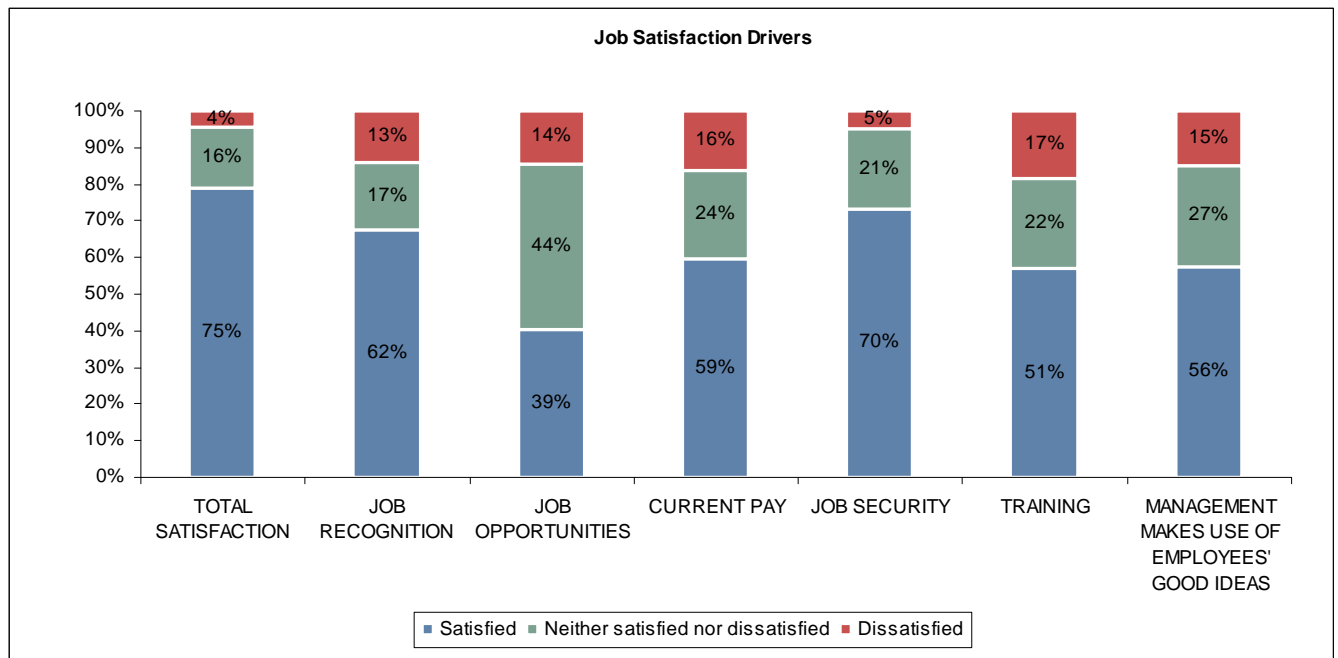
Generally IT Professionals are slightly more satisfied with management's use of their good ideas when compared to the rest of the working population. More than half (56%) are happy with this satisfaction driver.

Outcomes

IT professionals in New Zealand are generally satisfied with their jobs but 26% of them are considering changing jobs in the next year.

Employers seeking new IT candidates or wanting to retain their present IT Professionals should focus on job recognition, career path development, job stability and suitable and adequate training.

Remuneration alone is not a significant issue for IT Professionals as they are generally happy with their current rate of pay.



Conclusion

ICT is a major driver of New Zealand's economic growth and a key productivity enabler for other industries. In 2009, the outlook for the ICT industry has weakened with the turmoil in the world economy. However, no economic recession will last forever and general growth is still continuing in some markets and products, as well as demand for ICT professionals- companies should utilise the slowdown in the economy as time to upskill with quality professionals to address the challenges of increasing efficiencies.

Over the past decade, employment in ICT occupations has shown long-term growth. Further growth is expected to continue in the next five years and it would not be heavily impacted by the economic downturn as the prospects for ICT are linked to New Zealand's overall economic and employment growth prospects.

About Manpower Inc.

Manpower Inc. (NYSE: MAN) is a world leader in the employment services industry; creating and delivering services that enable its clients to win in the changing world of work. Celebrating its 60th anniversary in 2008, the US\$22 billion company offers employers a range of services for the entire employment and business cycle including permanent, temporary and contract recruitment; employee assessment and selection; training; outplacement; outsourcing and consulting. Manpower's worldwide network of 4,400 offices in 82 countries and territories enables the company to meet the needs of its 400,000 clients per year, including small and medium size enterprises in all industry sectors, as well as the world's largest multinational corporations. The focus of Manpower's work is on raising productivity through improved quality, efficiency and cost-reduction across their total workforce, enabling clients to concentrate on their core business activities. Manpower Inc. operates under five brands: Manpower, Manpower Professional, Elan, Jefferson Wells and Right Management. More information on Manpower Inc. is available at www.manpower.com or www.manpower.co.nz.

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