



Welcome to the latest edition of MarketWatch from Centre4 Testing, an objective look at the current mood, trends and hot topics in the contract software testing marketplace. Our survey is formed from the results of an extensive survey of our clients and contractors, as we move towards the conclusion of 2006, a busy year in the contract testing industry.

In addition to reporting on market sentiment, in this latest issue we take a critical eye at the ISEB accreditations. A good thing for the testing industry? A good thing for employers and contractors? "Yes" or "no" was the simple answer required but it was rare for any respondent not to express a view on this particular subject. We will also report on the knock on effect of ISEB accreditation for contractors as they share views on their own training needs for the next twelve months.

Market Sentiment

Consistent with reports in other recent industry publications, the results of our Autumn survey reveal a downward trend in the confidence stakes. The decline in confidence was conveyed through our last MarketWatch survey in the summer and there appears to be no upturn in the confidence levels this time around. The results should be taken in the context of an end of year feeling as many employers and contractors shuffle their projects when contracts come to a natural conclusion. A little under two thirds of those questioned stated that their contract ends or is to be formally reviewed over the next three months.

Whilst 49% of respondents cited that they feel more confident about the market prospects for the next three months compared to the last quarter, that's a downward trend from a huge 84% in the first quarter of this year. The next group of 41% expressed a view that their confidence level was the same as the last quarter, ie no change and the remaining 10% were firmly of the view that they were less optimistic for the winter period, an increase from 6% in our Summer 2006 MarketWatch.



Jobs advertised

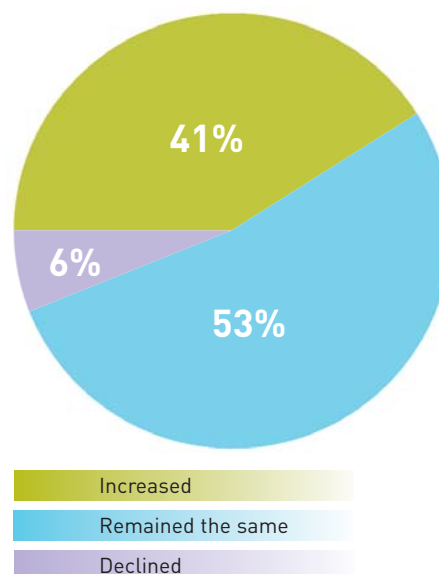
On 22nd September, jobserve.com™ advertised 1,301 contract testing vacancies – more than 10% off the pace from June's 1,452. Concurring with this trend, the latest SSL/Computer Weekly jobs survey found that demand for contract IT staff has declined by 12.7% in recent months. It highlighted a particularly sharp decline in the number of contract vacancies advertised by software houses and finance firms, reporting that this was the biggest fall in advertised vacancies for four years. The downturn is partly explained by the number of large projects in the finance

sector coming to an end. Despite these reports 80% of our survey reported that they felt that the finance sector to be the most buoyant for the next three months. So whilst the reports indicate that there are less opportunities being advertised in the finance sector, the sentiment of our survey is very much that this is still where the majority of contract testing work is taking place. Government departments are also reportedly coming under more financial pressure to scale back on IT projects and only 3% of our survey expressed a positive desire to work in the Government sector. Nevertheless, it appears from the survey results that the lure of perceived higher daily contract rates that are to be found in the finance sector is the motivation of 31% of respondents expressing a wish to work in that particular area of the market. A full 60% of those interviewed expressed no preference to which sector they worked in with the general feeling that their skills were transferable. However, there is strong sentiment expressed on the debate of experience versus ISEB accreditation which we comment upon.

Rate of pay

The background of a less optimistic outlook, contracts due for conclusion or renewal and a decline in advertised positions does not appear to have had a detrimental effect on daily rates at the time of our survey. In fact, the healthy increase to £320 per day for Test Analysts, from an average of £302 a year ago is surprising and perhaps indicative of the fact that the labour pool of experienced software testers remains very tight. The daily rate for Test Managers has also increased, albeit in smaller proportions, from £429 per day to £435 per day. However, as we have done in the past, we caution a "lagged effect" on rates as any rebalancing of demand and the labour pool will certainly be quickly translated in forthcoming daily rates. In the meantime, a meaningful 41% of respondents reported that the daily rate being paid on their current contract was an increase from the previous contract and only 6% reported a decline in their daily rate.

Current daily rate compared to previous contract



Our table below shows daily rates actually paid to contractors, excluding any agency or consulting firm margin:

	2004 Q1	2004 Q2	2004 Q3+Q4	2005 Q1	2005 Q2+Q3	2006 Q1	2006 Q2	2006 Q3
Test Analyst	£280	£308	£307	£289	£302	£314	£310	£320
Test Manager	£400	£425	£414	£422	£429	£422	£429	£435

ISEB

A part of The British Computer Society (BCS) professional support to the IT industry is being one of only two independent worldwide IT examination providers.

ISEB has existed in one form or another since 1967 and it began life as a single qualification. The NCC (National Computing Centre) and BCS collaborated on developing the "Certificate in Systems Analysis and Design" for the Systems Analysis Examination Board. By the mid 1980's this one qualification accounted for about 1000 candidates per year. Despite the relative success of this one qualification it was not substantive enough to cope with the fast changing and developing industry. In 1989 it was decided to develop a Project Management qualification and it was not long before further qualifications were circulating and with this progress, the Systems Analysis Examination Board made the decision to change its name to ISEB.

After this step a universally accepted qualification became available, that was deemed to be relevant, provided a recognition of ability and competence and set a professional benchmark for candidates and employers. Over **155,000 ISEB qualifications** have been issued since their onset.

In testing terms alone, **25,000** professionals have secured the ISEB Foundation certificate in the UK since its launch in early 1999, with **600** passing the more recent next-level Practitioner grade. There are **40,000** professionals world-wide having passed the international ISTQB standard.

In today's marketplace more and more employers are asking for ISEB accreditation as they compare the merits of individual contractor candidates. Our survey indicates very mixed feelings on this contentious subject but it does appear that whilst not everyone agrees with the merit of the certification, especially when balanced against experience in the Testing industry, more and more contractors are expressing the need to add ISEB to their CV.

When presented with the question "ISEB accreditation, do you think this is a good thing for the testing industry?" the majority felt "yes, it was a good thing." In fact **75%** responded positively but we have to comment that many had reservations and expressed frustration at being overlooked for a position as they did not have ISEB accreditation despite many years of testing experience. Many employers are using this measure as a straight forward indication of an individual's capabilities at the initial comparison of CV's submitted for a position. Whilst there may be some frustration at this, contractors are having to respond through increased training, self study and sitting examinations at either the Foundation or Practitioner level. **55%** of respondents who stated that they would take a training course in the next twelve months suggested that this would be an ISEB accreditation. Certainly food for thought in a competitive contracting job market. It's telling that even within the **25%** group that felt that the ISEB

accreditation was not a good thing for the testing industry, many told us that they were in fact planning to secure ISEB certification.

During the latest survey of the Testing contractor market we also took a deeper look at this question of training. Many respondents, **45%** in fact, cited a need to increase and tailor their skills with courses in areas including project management, automated test tools, SAP or Oracle but **55%** stated that it would have to be ISEB accreditation to satisfy employer pressure to demonstrate competency levels in this way. Without exception individual contractors stated that they would be funding the training themselves. **48%** indicated that they would budget under £1,000 for their training requirements. A further **38%** expected to pay £1,000 - £2,000 and the remaining **14%** said that they were expecting to spend over £2,000 on their training plans in the next twelve months.

Summary

The software testing sector is enjoying a period of equilibrium of supply and demand. Whilst it's tough for agents, consultancy's and their clients to source proven talent, no-one will be prepared to be held hostage to rate. The market is enjoying a phase of growing maturity and this is also evidenced by recent announcements of the acquisition of test consultancy firms Cresta Testing, by SQS and IS Integration by AppLabs. In the latter case, we prophesied six months ago that offshore outfits had their eye on the testing market and AppLabs now lays claim to being the largest global provider of testing consultancy with over two thirds of their 1,500 staff being based in Hyderabad, India. This increasingly common market dynamic will help to keep a reign on rates and sceptics should note that less than 14% of our survey is adamant that testing cannot be outsourced. Offshore organisations are also pretty hot at attaining certification for their staff and processes and we echo the sentiments of our survey respondents in advocating inclusion of the ISEB standards in the CV's of professional contractors.

In our view, the demand for seasoned, qualified contract testers on the ground in the UK will remain positive and the distinction between consultants from traditional consulting firms, contractors from agencies or onshore resource from offshore origin organisations will become increasingly grey, as will the respective rate differential.

Take part in MarketWatch

The information in MarketWatch is based upon the hundreds of conversations that we have with testing professionals each week. You can also complete the MarketWatch survey online, and download this and previous surveys in PDF format, at www.centre4testing.com Our thanks as always to everyone who is contributing.

If you have any thoughts or feedback, including ideas for questions we should ask or measurements we should take, please contact us on 0870 850 3434 or at marketwatch@centre4testing.com

