



Periodically, we take an objective look at market sentiment, trends and hot topics in the contract software testing market, based on our customers' and contractors' answers to pertinent survey questions.

In this issue we include commentary on contractors views on the prospect of permanent employment, the salaries that would tempt them and also the advice that they would give their permanent counterparts who are considering contracting for the first time.

Market Sentiment

This quarter has seen a huge swing in the confidence stakes. In our Spring 2006 survey we cautioned of a 'lagged effect' since we couldn't reconcile the notable decrease in advertised testing jobs with the conflicting feel good factor that prevailed in February/March. It would seem that this effect has now caught up with us- in today's survey, just 54% of respondents cited that they feel more confident about the prospects for the testing market over the next three months, contrasting with a huge 84% last time we asked them. Many more testing professionals have suggested that prospects for the future remain on a par with today, with 40% concurring, again a huge difference to the last quarter when just 14% stuck with the status quo. The number of people suggesting that the outlook is worse has also risen from 2% to 6%.



Jobs advertised

On 9th June, jobserve.com™ advertised 1,452 contract testing vacancies. This is about the same as we reported in the Spring, at 1,369 and perhaps a little higher than we might have expected given the mood swing towards a less optimistic outlook. The obvious barometer to confidence is the number of phone calls a contractor receives from agencies offering him or her opportunities and, we presume, the more jobs that are advertised then the more phone calls received. However, we're always careful to point out that the same job may be advertised many times by multiple agencies and therefore artificially inflate the numbers.

Rate of pay

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

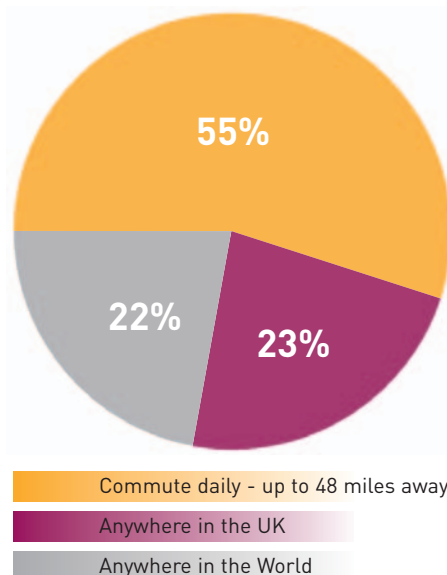
	2003 Q4	2004 Q1	2004 Q2	2004 Q3+Q4	2005 Q1	2005 Q2+Q3	2006 Q1	2006 Q2
Test Analyst	£268	£280	£308	£307	£289	£302	£314	£310
Test Manager	£384	£400	£425	£414	£422	£429	£422	£429

Rates for Test Analysts have fluctuated for 2 years now. Whilst the trend is arguably upwards, the day rates for Test Analysts have actually dropped by 1.3% over the quarter, from £314 to £310 today. What is more interesting is the fact that misplaced confidence a few months ago that led us to expect significant upward pressure on rates, in fact we reported that most contractors would be seeking £331 per day for the next contract. We did warn that this was not tenable but didn't expect actual rates to drop. Expectations for the next quarter are still for an increase to £315 per day but this must be based upon hope rather than anything more concrete.

For Test Managers, we've a pattern which would make the National Lottery adjudicators very concerned. Uncannily, we're back at £429 per day, exactly where we were this time last year and an increase of 1.7% over the quarter. However, like their junior counterparts, Test Managers had suggested last time that they would be seeking rate rises of over 5%. Clearly these failed to materialise and we're more comfortable with our analysis which puts Test Managers back on their traditionally pragmatic path, with an outlook forecasting a decrease in their rates to £420 per day.

When it comes to the location of their next contract it seems that testers are prepared to be flexible. Surprisingly, a modest 55% were adamant that they would only commute daily, with 23% offering to work anywhere in the UK and 22% saying that they would work anywhere in the world. At odds with this last point is the fact that there are few current opportunities for testers to work overseas. However a recent Computer Weekly survey (published 16th May 2006) does allude to large scale global projects and increasing demand for contractors generally in Asia and the Far East. For those stay-at-home contractors, a 96 mile round-trip to the office and back, ie 48 miles each way, seems to be their preferred limit which typically represents up to a ninety minute journey each way.

Where contractors are prepared to work



We are impressed with the attitude of contractors who are happy to work away from home during the week. Many large-scale projects are moving out of the South East, especially with Government departments and blue-chip organisations increasingly locating to far flung economic regeneration areas. By budgeting £50 to £60 per day of tax deductible expense on hotels and weekly travel, contractors are giving themselves a much better choice of contracts and they are avoiding expensive and time-consuming daily commutes. Within reason, clients are often happy to accommodate early Friday finishes and late Monday morning starts.

The permanent job market

Perhaps the recent blip in confidence in the contract market can explain why a surprisingly high 46% of contractors would consider taking a permanent job in testing. Of course, for most people salary is cited as the deciding factor in considering such a move but many respondents felt that career development and training would be important factors. Quality of life, job security, responsibility, challenge and location were also important reasons when considering life as a 'permie'. We suggest that job security should be interpreted as 'not having the worry or the hassle' of periodically having to look for a new contract.

"46% of contractors say they would consider a permanent role"

Certainly, larger organisations and even the more mature SME's are increasingly engaging testers on a permanent basis as they now accept the key role that testing plays in the development and integration life cycle. Of those Test Analysts who told us they would consider permanent work, an average annual salary of £48k is their target. This seems fair and we would agree that testers with a demonstrable track record of five years plus might command upwards of £40k, depending upon location and industry. Contract Test Managers might be considered to be somewhat 'longer in the tooth' but on the whole they would be tempted back into the world of permanent work by a salary of £69k per annum.

After accounting for loaded costs such as 12.2% employers National Insurance and a number of benefits including holiday pay, plus the inevitable recruitment fee, the gap between the cost of contractors versus permanent staff can often be marginal for organisations.

"Test Analysts consider £48k to be a fair annual salary"

A hardened contractor base of 54% in our survey told us that wild horses wouldn't lead them back into a permanent role. And who can blame them – they tell us that they enjoy a variety of work, less politics and can invest in their own training if they so choose.

First time contractors

Our contractors were generous in offering advice to those permanent staff thinking of contracting for the first time. Most of them counselled their colleagues to think long and hard about whether or not it's going to be right for them - the need to consider location flexibility (which we discussed earlier), to

accept new pressures and have the confidence and willingness to get up to speed, learn new skills quickly and have the capability to deliver. Above all, the acceptance of doing an honest days work! Many contractors mentioned the importance of key skills and we would refer readers to previous issues of MarketWatch where we report on the demand for specific skills and application expertise. Not surprisingly, it seems that solid all round experience combined with particular expertise in one or two areas will give you the best chance. When considering whether you should seek a contract before resigning from your permanent post, the consensus seems to be that you should resign after having saved sufficient funds to give yourself a cushion and having first established with a reputable agency that your skills are likely to be in consistent demand. Following your first contract, you should also ensure that you have a slush fund to see you through a quiet patch. Of course, a good accountant can also help organise your tax affairs and company secretarial matters. In summary, we like the words of wisdom that "you need to be flexible and thick skinned" and "just don't expect it all to be easy".

Summary

We warned of a hiccup in the outlook last time around. The 'feel good factor' was very definitely at odds with the demand for contractors. Having said that, in our view the market is now in a healthy state of equilibrium with very few contractors struggling to find work and experienced testers with specialist skills remaining in high demand as always.

In our opinion, rates will stabilise and contractors will be under pressure to accept the same rate at the time of contract renewal.

It's a sign of a maturing market that so many contractors are flexible when it comes to the location of their next contract and we were impressed that only half of our respondents insisted on a workplace within an easy daily commute. Also indicative of a market that's 'growing up' is the number of contractors who would consider moving back into a permanent role and we did not expect it to be as high as 46%.

Our Autumn issue of MarketWatch will comment on the topical question "Can testing be outsourced to a specialist third party?".

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

