



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 during the early summer months of 2008.

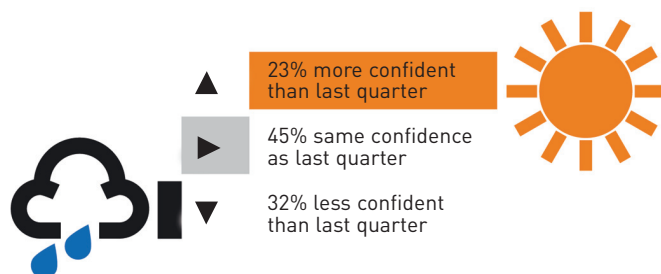
In this edition we look at demand for testing across the many sectors of the UK economy and share with you the views of the testing community as to where the pockets of demand are today.

Market Sentiment

This is our third survey since the rules of the financial markets were re-written. We're now truly ensconced in a global credit-crunch and this, combined with record breaking oil prices and challenging economic dynamics in the UK make for a difficult backdrop to our latest survey.

“our confidence barometer has been stood on its head”

We struggled to understand last time around why testers were so adamant that the good times were still rolling. Just a few months ago, **46%** of our respondents told us that they were increasingly confident about the outlook. What a difference a few weeks makes. In fact, it's uncanny how the tables have turned so that our confidence barometer has literally been stood on its head. This time, it's **45%** of our survey who feel *less* confident about the period ahead. And instead of **24%** last time around feeling less confident, it's just **23%** who feel *more* confident now. You might be surprised that it's even that high and wonder just who these people are. Why on earth do they have a feel good factor that is eluding the rest of us? All will be made clear when we examine what's been happening to pay rates in recent months. The remaining **32%** of our survey believe that there won't be any changes, either positive or negative, in the next period. This is a large group of fence-sitters, very similar to the **30%** last time around which was itself twice the size of the previous group.



For the first time, in this edition of MarketWatch we drilled down and compared responses on market confidence between test analysts and their managers. By virtue of their position perhaps, we've always maintained that test managers have a more

informed outlook and let's hope that this is the case now, because they're less pessimistic about the next few months than their junior counterparts. **39%** of test managers are less confident about the next 3 months, which compares with **47%** of test analysts. And **28%** of managers are even expressing more confidence about the period ahead, compared to **21%** of test analysts.

Jobs advertised

On Wed 11th June, jobserve.com™ advertised **2,251** contract testing vacancies which is a huge spike from spring's figure of **1,301**. However, we failed to rationalise the number in the spring survey and today's figure compares more closely to Autumn's **1,938**. The big problem with relying on this measure of demand is the fact that so many roles are duplicated across a multitude of contract agencies and consultancies. In other words, one vacancy could be advertised by a dozen or even more agencies. This is probably compounded by a trend in many agencies to fail to build and maintain their own organised databases of candidates, preferring instead to be prolific users of job boards and thus there are scores of repeat advertisements today for the same role.

Rate of pay

Earlier on we referred to the fact that overall, **23%** of our survey participants feel more confident about the next three months than the last. While that may seem bizarre to many of us, these people are in fact not the self deluded, head-in-the-sand crowd that you may imagine. You see, rates have actually risen again in recent weeks. It seems unlikely that with headlines screaming of recession that we could actually witness rises in day rates for both test analyst and test managers. Unlike other sectors, we can't point the finger at rising fuel prices as the reason for our increased rate claims - we're not manufacturers or distributors of products after all. Nonetheless, rates have risen.

“yet rates have risen again”

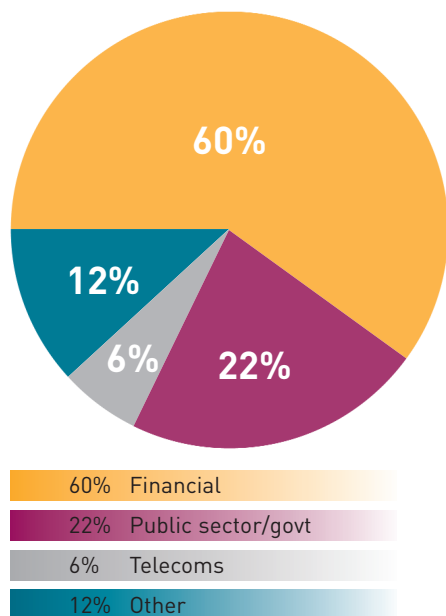
On average, test analysts are now earning **£323** per day, compared to **£320** last time around. That's a rise of nearly **1%** in just a few months and whilst it falls short of the **4%** rise that was forecast by test analysts it does follow hot on the heels of a **3%** rise at the end of last year. Test managers who were earning an average **£440** per day in the spring have similarly enjoyed upwards movement on their rates and are now being paid **£444**, a comparable **1%** rise. As always though, it's the senior team members who are more conservative in their outlook and who predict future rises of less than **1%** which compares with the test analyst camp who are looking for closer to **2%**.

We suggest that a plausible explanation for rate rises is that rates are in fact polarising, that's to say they're ticking up nicely for those hard-to-find skills but for the vast majority, rates are pretty much static. Another point worth noting is that demand for

testers employed on a permanent basis still continues unabated. In response to this Centre4 Testing has itself developed a permanent recruitment service for key strategic clients and has focussed on securing talent at the senior end of the market. However, whilst our colleagues tell us of one client who has recently engaged as many as 9 Senior Test Managers from Centre4 Testing, all of them on six-figure remuneration packages, they also advise that other organisations – notably in banking and finance – are battenning down the hatches and have announced recruitment freezes.

Market Sectors

It's been 18 months since we compared demand for testers between the various sectors of the UK economy, or at least the demand perceived by our survey audience, so in this issue we revisit the market 'hotspots' for you. We don't think anyone will be surprised to read that demand for testers in the financial sector has tailed-away. This mega-sector includes all forms of financial services, predominantly retail or investment banks and insurance companies and represents the place where 60% of our survey believe there to be most opportunities for testers today. It's still the prevalent sector although its dominance has slipped from a massive 72% when we last carried out this analysis in our Winter 2007 edition. It's interesting to note our survey then made reference to the media making a noise over 'mind-blowing City bonuses'. This is evidently not the same market today and it seems we're not talking about investment banks clamouring for testing services, rather it's the pension and life assurance companies that have the most requirements.



Interestingly, it's the public sector which has come full circle and back into its own. 18 months ago we reported that this sector accounted for just 9% of market demand but that this had tumbled from an earlier high of 25%. Today we're back at 22%.

There's nothing much to shout about in the Telecom's sector and as for our 'Other' classification, a number of respondents suggested that utilities and oil companies were busy – we're not sure about that but no doubt they're particularly profitable just now.

It's worth noting that unlike our analysis of pay rates which is backed by empirical data, the perceived areas of demand are just that, ie perceptions. And just like the confidence-factor, if your

friends and colleagues have just told you about a project they've heard about in a particular sector then, for you at least, that's where you'll tell us the demand is. Like the confidence-factor, this can change on a weekly or even daily basis.

Summary

Since launching MarketWatch in 2004, this is the first time we've seen such a marked swing in our confidence barometer. That's important and it's probably fair to say that for the majority of our readers this is likely to be the first recession that they will have experienced. The last comparable softening of demand in the economy, coupled with negative equity in the housing market, was nearly two decades ago in the early Nineties and, in fairness, the IT services market was quite unrecognisable compared to today. Although there have blips in demand in the intervening years since, we haven't faced the combination of economic challenges that we're currently presented with and it will be interesting to see how various organisations and sectors navigate their way through the next period. It would certainly be naïve to subscribe to some commentators views that 'the worst is behind us'. It's more prudent to concur that we're still at the start of the journey.

In terms of demand for software testing, we can now be sure that we're no longer operating in an area of discretionary spend, so that suggests that our livelihood is tied in with IT budgets as a whole. There may be ambitious projects that go on hold for the time being but a recession, if that's what we're really faced with, is also a period which 'sorts out the wheat from the chaff' and there will undoubtedly be winners as well as losers.

It may not be the ideal time to consider contracting for the first time and indeed some contractors – and we suggest that it's the two distinct groups operating at either the junior end or at senior levels - might even consider permanent employment again. For proven, experienced contractors in the middle ground, it's likely that supply and demand might be more harmonious for the time being and as we counselled in the Spring issue, continuity of work should be the target.

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



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