

Technology

UNDER THE SPOTLIGHT



Deloitte.

From Great Resignation
to Great Reimagination

Sector overview and 2022 outlook

When the pandemic began over two years ago, it catapulted many organizations into the future, rapidly accelerating their digital transformation. Work environments changed overnight as remote work became commonplace and market demands evolved.

As organizations transition from the urgent, crisis-driven reaction of recent times, to a more stabilized and purposeful roadmap for the foreseeable future, the year ahead holds significant promise for the technology industry with an exciting agenda. Tech players will be seen bringing predictability to the future of work, by serving up innovative technological models, meshing dispersed elements of tech infrastructure and informing and enhancing customer experience while securing the systems and information to drive it.

That being said, it will be important for tech leaders to keep a pulse on the industry landscape and evolving trends, to deploy alignment or mitigation strategies and stay ahead.



Key trends we have started to see impact tech in 2022 and beyond, include:

CHIP MANUFACTURING AND SUPPLY CHAIN SHORTAGES FORCING TECH COMPANIES TO REEVALUATE ALTERNATIVES:

The global semiconductor chip shortage, which began with the onslaught of the pandemic, had affected the tech industry significantly, forcing companies to pay more for chips, or delaying their delivery due to manufacturing slow down and zero inventory.

With this shortage likely to continue its course throughout 2022, tech companies, including those producing smartphones, personal computers, game consoles, automobiles, and medical devices are now taking long-term actions to navigate this continued uncertainty.

Tech companies are starting to evaluate supply chain alternatives, including nearshoring which offers more self-sufficient and cost-efficient operations.

To have better control of the supply chain and foster themselves to be self-reliant, tech companies are starting to evaluate alternatives, including nearshoring which offers more self-sufficient and cost-efficient operations or alternatively, plunging into chip development themselves. This will change the dynamics and introduce power-plays into the market, which will be an interesting turn for organizations to assess.

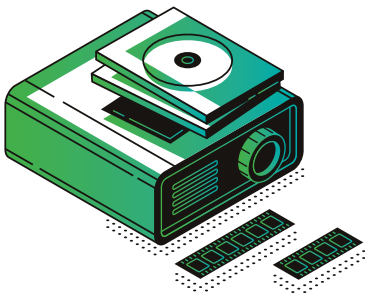
TAKING CLOUD AND ANYTHING AS A SERVICE (XAAS) TO THE NEXT LEVEL:

Workforce challenges and growing IT demands spurred by the pandemic are accelerating businesses' shift to services, as they pivot to provide integrated services to their hybrid workforce. This, compounded with the pressure to 'go-digital,' is mandating tech leaders to create new solutions and business models to thrive in the new normal. At the same time, cloud is rapidly becoming the preferred platform to enable XaaS and power innovation using AI capabilities, intelligent edge services, and advanced wireless connectivity. By distributing workloads across multiple clouds and on-premise, enterprises will need to evaluate how best to satisfy requirements around performance, data security, privacy, regulation, and cost, which varies by application and geography, and above all ensure seamless integration.

TECH COLLABORATIVE TOOLS WILL BECOME COMMONPLACE:

Although we may soon be entering the endemic stage of the pandemic, it can be safely assumed that hybrid and flex work, in some form, is here to stay. This will continue to increase demand for technology products and services that revolutionize work-from-home experiences. With this also comes the growing challenge of establishing and maintaining control over the tasks through surveillance and cybersecurity, bringing new opportunities for tech companies to continue to prototype, innovate and market solutions.

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STEERING THE JOURNEY TO A SUSTAINABLE FUTURE:

Although many of the biggest tech groups have long embraced progressive causes such as LGBTQI+ rights and “green headquarters,” it has become increasingly more of a focus, due to recent government related priorities around Environment, Social, and Governance (ESG) sustainability goals.

In the past five years, tech companies have been at the forefront of delivering exciting innovations and next-gen solutions to combat environmental issues, including climate change. This momentum is expected to continue, as businesses take bold actions to drive this shift.

In the coming months, to ensure compliance to ESG reporting rules, we can expect many tech companies to forge partnerships with industry leaders and invest in newer technologies that conserve natural resources, reduce carbon emissions, negate e-waste, and minimize reliance on fossil fuels. By doing this and more, tech companies will script the charter for a sustainable future.

Current labor situation

THE PANDEMIC AMPLIFIED THE ALREADY-EXISTING DEMAND FOR TECH WORKERS:

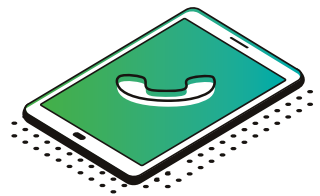
Prior to the pandemic, STEM and tech talent already had a growing workforce need, and this trend was only further amplified by the onset of COVID-19.

Between May 2020 and Feb 2022, the tech sector saw an increase of 136% in monthly job postings, despite other industries laying off their workers due to business slowdown¹ (Deloitte Data Lakes™).

This can be attributed to the demands of the pandemic era, which called for technologists to cater to emerging and evolving needs for virtual customers (e.g., building consumer-facing apps to empower online shopping) and remote workers (e.g., enabling remote technological infrastructure and secure networks to allow hybrid working).

In addition, the flexibility in work location increased competition among tech talent, as workers became motivated to make frequent moves in search of a job that offers better compensation, work-life balance, or workplace values.

This “great reshuffle” is only expected to rise with data² predicting that the IT occupation is projected to grow about three times as fast as the normal average by 2029 at 11.5%, resulting in more than half a million new tech jobs over this time period.



HOWEVER, WITH TECH WORKERS EMERGING AS A PANDEMIC INDUCED SHORTAGE, COMPANIES ARE NOW EVALUATING MERGERS & ACQUISITIONS (M&A) AS A PLAUSIBLE TALENT ACQUISITION ALTERNATIVE:

Estimates of the unemployment rates for tech workers³ are only approximately 1.7 percent (for those in cybersecurity, just 0.2 percent), compared with roughly four percent in the general economy.

With fewer number of qualified workers “available” for employment, increasingly more tech companies are facing a hiring crisis.

With this persistent tight tech labor market, many companies are now putting all options on the table, including M&A.

A Wall Street Journal article⁴ revealed that the pace of M&A deal-making increased in the second half of 2021, jumping 23%, compared to the same period a year earlier.

With fewer number of qualified workers “available” for employment, increasingly more tech companies are facing a hiring crisis.

While M&A has traditionally been deployed as a growth or competitive strategy, segments of companies now consider it a viable avenue for talent acquisition, with Gartner predicting that the global M&A activity is likely to surpass previous highs in 2022.⁵

WHILE TECH WORKERS ARE HARD TO FIND, THEY ARE EVEN HARDER (AND COSTLIER) TO KEEP:

The latest Dice salary report⁶ reveals that the average salary for technologists in the US hit a record high of \$104,566 in 2021. 61% of technologists received a salary increase last year, up from 52% in 2020; yet nearly half of tech workers feel they are underpaid. In this “workers” market, businesses are willing to outbid others to attract and retain talent. Beyond salaries and perks, tech companies are also heavily investing towards their workplaces and new ways of working, in order to amplify employee experience and provide nonmonetary incentives to retain workers.

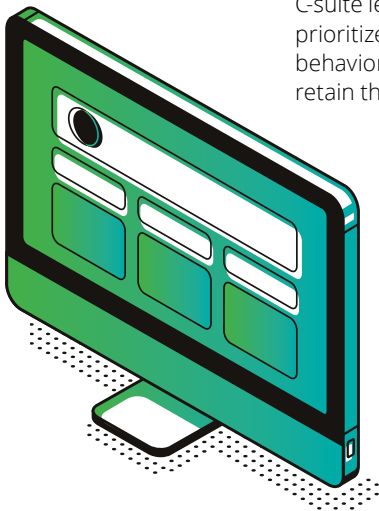
A study by the Society for Human Resource Management⁷ shows that it costs, on average, \$4,129 to hire an employee and highly technical positions are the hardest and most cost intensive to fill.

TECH WORKERS FACE THE BRUNT OF EXTREME BURNOUT, AND ARE TAKING MATTERS INTO THEIR OWN HANDS:

The World Health Organization⁹ defines burnout as resulting from “chronic workplace stress that has not been managed successfully.” While burnout and stress are at all-time highs across industries, tech workers face unique challenges and pressure from their jobs as they work against the clock to cater to increasing demands of growing global businesses.

Data⁹ suggests that off-hour emails increased by 8.3% during the pandemic compared to before, indicating that what was hailed as “work from home” during the genesis of the pandemic, has quickly escalated to a new normal of “living at work.”

As a result, many workers have taken the matter into their own hands, prioritizing their mental and physical health and factoring well-being resources and benefits into their decisions as they consider job packages and opportunities. With burnout serving as a precursor to mental health issues such as depression and anxiety, and workers placing increased focus on personal work-life balance, C-suite leaders must prioritize healthy workplace behaviors and resources to retain their top tech talent.



Drivers of staffing challenges

EVERY COMPANY IS NOW A “TECH COMPANY” AND ARE COMPETING IN THE SAME TALENT POOL:

With more companies embracing automation, connectivity and AI, the lines between tech sectors and other sectors is blurring. Put simply, every industry and sector, is powered by technology today and being transformed by the choices made by technologists.

Whether it is selling a laundry detergent or building a drone, the commonality between the two companies creating their respective products is the tech talent which is enabling it. This now implies that the talent scouts are multiplying and competing for the same technical talent, which is already limited.

With such a high demand for tech talent, the onus is on the employer to find ways to stand out in the eyes of prospective workers and provide a great employee experience to secure their business growth.

According to latest research¹⁰, tech companies added 14,800 roles in the IT services and custom software development category in January of 2022. However, total employer job postings for tech positions reached nearly 340,000, with professional, scientific and technical services, clearly indicative of how technologists today are no longer exclusive to the tech sector. The playing field has widened.

IMMIGRATION ISSUES CONTINUE TO WOE INTERNATIONAL TALENT POOL:

A significant slowdown in U.S. visa processing during COVID-19 induced lock downs and tightened immigration policies stemming from the pandemic, slowed down the number of applications for H-1B visas in the last two years. This is likely to add to the challenges for companies seeking to hire international tech workers to their teams.

An analysis by Bloomberg of the Labor Department¹¹, revealed that H-1B visa applications for mathematics and engineering job candidates, often used by companies to help fill IT roles with highly skilled talent from abroad, were down by 19% in 2021 compared to the pre-pandemic year 2019. While the pent-up demand may continue to linger and immigration uncertainties may be steady, tech companies need to quickly decipher how to gain better predictability over talent pipelines.

AND DIVERSITY IMBALANCES IN ENTRY LEVEL TECH POSITIONS CONTINUE TO HAUNT:

Despite the tech industry's size and influence, it has historically been highly exclusive with extremely low rates of workers who were people of color or female.

The need of the hour is for tech leadership to commit to diversity and inclusion actions and be highly accountable to report and take responsibilities for their outcomes.

A recent research conducted by Zippia¹² revealed that men hold 75% of the US tech jobs and white Americans hold 62% of all tech roles. What was also surprising was that women are offered 3% lower salaries than men in tech. As we attempt to unravel the core of the problem, the realization is clear that, this begins with a significant underrepresentation of minorities in STEM colleges, continues with hiring bias at companies and eventually becomes irreversible due to systemic issues at the executive level.

While we are seeing gradual mindset shifts, there certainly is significant room for improvement. Research¹³ reveals that only 29% of companies with DEI programs took their first action on DEI initiatives during the past 12 months, and only 30% reported having a data-driven DEI plan committed towards achieving DEI-metrics. The need of the hour is for tech leadership to commit to diversity and inclusion actions and be highly accountable to report and take responsibilities for their outcomes.

Implications for the organization

THE RISE OF THE NETWORKED ORGANIZATION:

This has been expedited with COVID-19 as people are now collaborating more intentionally and therefore, some people are left on the periphery, stifling speed and innovation for some tech companies. An IMD survey¹⁴ makes it clear that the ramifications of the COVID-19 crisis is stirring deep anxieties in workers, with a surprisingly high number of junior-level works expressing concerns over loss of core capabilities and the necessity to develop new capabilities over the mid-term than executives. It is therefore important for organizations to evaluate their make-up and be sure to offer the dynamic opportunities their cross-section of workers seek, so that no one section feels isolated and threatened.

THE ROLE OF TEMPORARY WORKERS BECOMING MORE “PERMANENT”:

Recognizing that temp workers bring fluidity to the talent dynamics and can be engaged and released at short notice depending on the needs of the business, companies are actively pursuing the channel. Not only is this labor source agile, but it is rapidly growing. One key factor fueling this growth is the shift of preference of full-time workers to contract or temporary ones, as workers have come to appreciate the flexibility offered by remote work during the pandemic.

According to a survey of 4,000 professionals, 20% of Americans are considering freelance work (Upwork¹⁵). As organizations continue to explore what the future of their workforce will look like, it will be crucial to understand the evolving motivations, ambitions and often non-negotiable preferences of their workers.

UNCERTAINTY AROUND WHAT THE “WORKPLACE” WILL LOOK LIKE:

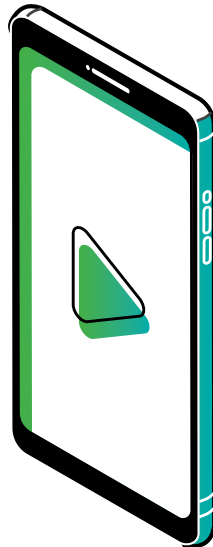
Tech companies are trying to capture the best of both worlds, the at-home experience, and the in-office one, balancing the flexibility their workers are demanding with the business needs of their organization.

94% of tech companies who participated in the Deloitte Remesh™ insights survey last year¹⁶, admitted that their organizations would be moving to a hybrid work environment in the near future. It's clear that there needs to be a focus on creating equivalence between in-person and virtual work, driving purposeful engagement, and establishing rules on how and when to co-locate.

While it is easy to tip this balance, an added complication will be the nuances around how the planned and proposed global and US tax reforms will impact remote, hybrid, and in-office work— and the imminent decisions which may or may not appease the tech workers.

THE RISE OF NON-TRADITIONAL CAREER PATHS:

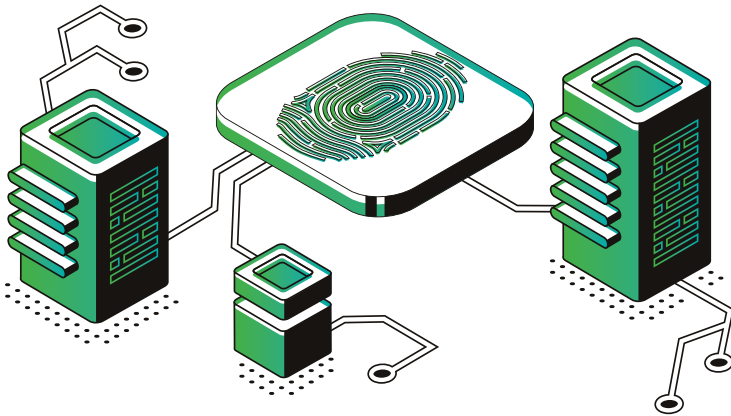
Increasingly, companies struggling to fill their vacancies have started looking at candidates that don't entirely match the stereotypical tech profile. Most tech companies are already considering skipping resume and academic requirements while assessing candidates, and four in ten say they regularly find potential hires with non-traditional backgrounds.¹⁷ Companies are increasingly embracing the path to upskilling “unconventional talent” by establishing apprenticeships and supplementing the capability gaps through intensive learning programs, instead of continuing in the wait for “the perfect hire”.



DEVELOPING AMBIDEXTROUS MANAGERS:

It is evident that with the increasing pressures and demands of the hybrid workspace, the role of the manager has become more important and complex. In many cases they are being asked to perform their responsibilities, plan for uncertainties, manage a hybrid and geographically dispersed workforce, with varying worker types (temp, contractor, part-time) and to do so with DEI in mind.

With little time to ramp up to the changing expectations and little understanding of how to demonstrate success in this evolving situation, many managers are struggling. Gartner's 2022 Predictions¹⁸ reveal that 47% percent of workers believed their manager are incapable of leading the team to future success and analysts predicted that by 2024, 30% of corporate teams will be without a boss. To avert this situation, companies need to start focusing on strategizing a targeted manager experience and investing in manager enablement learning and development pathways in order to develop successful ambidextrous leaders for today and tomorrow.



It's time to take action



#1 EXPANDING THE TALENT POOL:

Having a larger talent pool to choose from, is especially important for tech that doesn't have enough qualified workers to go around. Tech companies are aiming to attract and recruit candidates from overlooked worker segments such as those returning to work or transitioning from other industries, while some others are tapping on workers who are considering resuming back their careers after the pandemic pause.

A recent trend among tech is also employing a "work from anywhere" models, which expands the available pool of exceptional, diverse talent to nationwide and even global, not just within commuting distance of the office.

Given the nature of tech work, which allows asynchronous work in a virtual format (versus retail, manufacturing, life sciences and other sectors which need an office set-up basis for their nature of work), this is certainly an area that tech companies can use to their advantage in expanding the talent pool.

Similarly, companies must tap into the gig economy as another channel to identify talent. The pandemic has propelled the on-demand workforce to gain a strong footing in the economy. There are currently 57 million workers participating in the American gig economy, accounting for 36 percent of the US workforce, and this proportion is expected to increase (Deloitte Gig Economy POV¹⁹).

Tech companies are aiming to attract and recruit candidates from overlooked worker segments.

By 2027, this "alternative workforce" of freelancers, gig workers, and crowd workers is expected to become the majority of the US workforce. Organizations should leverage this adaptable and available workforce as a flexible source of talent to meet ongoing demands.

#2 REDESIGN JOBS TO AUTOMATE AND AUGMENT:

As AI adoption advances, the way organizations do their work is evolving. 71% of adopters report that AI technologies have already changed their company's job roles and necessary skills.²⁰ Changing how work gets done within the organization—by making operations more efficient, supporting better decision-making, and freeing up workers from repetitive tasks—is core to what companies want to achieve with AI.

Automation is already taking over routine and repetitive tasks in many industries and may even be used for complex or more specialized efforts. Early AI and automation projects should focus on “freeing up” time.

Deloitte researchers propose reimagining work not as a set of tasks arranged in a predefined process but, rather, as a collaborative effort in which humans define the problems, machines help find the solutions, and humans verify the acceptability of those solutions. It's a win-win situation.



#3 DESIGN THE NO.1 TALENT EXPERIENCE:

Beyond attracting new talent, making workplace strategy a top priority for existing and incoming workers is key. According to a survey by TalentLMS and Workable²¹, 85% of tech workers surveyed felt that their company focused more on attracting new workers than investing in existing staff.

With up to 72% of tech workers considering a job move over the next 12 months, companies that take time to identify focus areas and implement solutions to address workers' concerns will be the ones that stand out. Companies must start with a clear worker value proposition with differentiated rewards to attract talent and drive performance. Rewards should clearly link to talent ratings with a clear focus on rewarding over-performers while developing others instead of trying to differentiate the broad middle.

Managers should de-couple compensation from developmental feedback and leverage intrinsic motivators such as recognition and non-financial rewards. What is important to promote is to promote equity and fairness through complete transparency, to ensure an equitable design of total rewards for all populations. This should also be checked regularly through pay equity analysis that benefits and supports all populations (e.g., LGBTQ+, working parents, disable workers, minority groups, millennials worker sections, and more.)



#4 YOUR WORKERS ARE TELLING YOU WHAT YOU ARE MISSING; BUT ARE YOU LISTENING?:

As we look beyond the great resignation and pivot to transforming this as an opportunity to reimagine the path forward, it is important for leaders to keep a pulse on the evolving needs of their talent-force and iterate their plans as necessary.

Data²² suggests that, while more than one out of four companies purchased new technology during the pandemic to passively track and monitor their workers, and 95% of IT leaders increased the frequency of worker listening since COVID-19 began, the ongoing feedback and check-in process is imperative for us to ensure we do not miss the evident clues along this journey which can be a point of differentiator in the long run.

As companies return their workers to the office—many of whom will have never met their colleagues face-to-face before—companies must continue to gather and analyze insights into how workers are doing and what adjustments need to be made.

This, along with an increased analysis of more objective data (such as digital communication), will give them real-time insights into employee sentiments and shaping the future of work.

**READY TO
REIMAGINE
WHAT'S
NEXT?**

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