FINDING THE RIGHT PEOPLE TO NAVIGATE THE PANDEMIC
Insight Report May 2020
Introduction

SThree is the only global pure-play Science, Technology, Engineering and Mathematics (STEM) recruiter operating across a family of brands. And our purpose, "bringing skilled people together to build the future" has never felt more important than it does today.

We recently reached out to a selection of our key clients across the STEM industries to learn more about how they’ve been impacted as a result of the pandemic.

COVID-19 has created an unprecedented challenge for the globalised economy. With most of the world now over a month into lockdown, the ongoing uncertainty on the lifting of restrictions and the possibility of further lockdowns create unpredictability for businesses planning for recovery.

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In the early stages of the crisis, recruitment activity quickly dropped between 30-50% in terms of placements made, applications, and interviews processed, with reduced activity volumes as we enter May. However, as businesses reorganise and prepare themselves to compete in the ‘New Normal’, there is clear pent-up demand waiting to be unleashed in the economy - particularly when it comes to STEM talent.
The economic environment continues to erode business and consumer confidence across all geographies and industries

The global economic situation will undoubtedly show a pause in demand during Q2 2020, and the tightening of private and corporate budgets will likely spill over into 2021’s GDP figures. As the IMF points to a contraction of GDP by 3% in 2020, this is a reversion against expectations by 6 percentage points. Ongoing lockdown measures beyond the second quarter could hit the global economy by up to 8%.

Businesses have already reacted, and unemployment has risen at the fastest rate since records began in the US - in May 2020, a previously healthy job economy reported an unemployment rate of 15%.

In sectors that have been hit hardest – such as transport, tourism, and entertainment – the focus is on basic survival. However, in the broader economy, the focus is on rapidly reconfiguring operating models to serve customers immediately during the pandemic. There’s also a crucial need to build resilience for potential future lockdown phases.

Some clients are operating very much business-as-usual, for example in critical infrastructure such as power generation and transmission. Others have seen sector-specific challenges, for instance implementing social-distancing in manufacturing lines. Nevertheless, there have been common themes across many sectors regarding IT infrastructure, the digitisation of processes, and the reconfiguration of customer channels.
People have been the immediate priority, reacting in record time to changing working conditions and unprecedented business continuity challenges

We are now through the initial shock of workforce mobilisation under a new operating environment. However, after speaking with our clients, it is clear that the overarching priority has been to keep staff safe – nearly a quarter of respondents flagged this as their top challenge. Beyond this, key concerns then become a mix of both people and business continuity challenges.

Organisations are planning for the expected recovery along a continuum of stages and scenarios. They are evaluating the impact and duration of the crisis according to their unique business model and preparing for what will inevitably be a new normal. While demand is expected to quickly recover, cash preservation will still be critical – ‘One of our major challenges is aligning business priorities with the cost savings we will need to make in H2’ – Financial Services provider, Germany.

Mobilisation of the workforce was a concern for 21% of respondents struggling with remote enablement. However, our survey data shows that most companies have moved onto considering the next phases of managing through the crisis, with 19% citing the balancing act of retaining staff while safeguarding business viability.

Beyond employees, the clarity and certainty of the crisis and lockdown status has made decision making increasingly difficult for business leaders – ‘The challenges are to align the business priorities with the possible costs savings we will have to face in H2’ – Banking client, Germany.

What are your biggest people challenges currently?

- Keeping up with legislative changes in the industry: 6%
- Finding the right skills to support business continuity plans: 8%
- Navigating government guidance and support: 10%
- Supporting the health and well-being of those working remotely: 14%
- Balancing employee retention with safeguarding the business’ future: 19%
- Enabling remote working and collaboration: 21%
- Keeping staff safe in the workplace and/or remotely: 22%
Across sectors, the pandemic is accelerating the urgency for business transformation

Despite these notable challenges, some of which are likely to be short-lived as organisations find the right cadence during the crisis, some companies are taking the opportunity to accelerate previously planned projects and programmes.

We have found that the pandemic has highlighted the criticality of certain roles and projects, both internally and externally: "Our aggressive programme of IT change has put us in a good position. We recognise the value this has delivered and intend to maintain delivery of ongoing IT transformation projects" – Transport client, UK.

As we surveyed our clients, we found that 45% of them are dealing with a hiring freeze of some form, putting roles on hold while waiting for business clarity. A further 27% reported ‘Business-as-usual’ with no change to operating conditions or staffing demands, while only 18% had actively implemented job reduction or restructuring initiatives. Lastly, some 8% of clients were actively recruiting new roles to support critical projects and the changing shape of customer demand.

Overall, we are seeing companies reprioritising IT and change projects to drive the transition to remote working. One consequence of this is a resilient demand for technology skills related to digitisation. For example, many companies are migrating to cloud-based platforms, and urgently addressing their technology architecture for more digitally native customer channel management: "The shift away from in-store sales has been a challenge. We are having to make a lot more emergency fixes to our mobile application, and more budget is going towards building resilience in our core technologies" – US retail giant.

On the following pages, we explore some high-level trends in STEM sectors based on our observations and research. No two industries or organisations will be facing the same challenges, though there are some common themes in the desire to return to growth.

How has your business been impacted by the Coronavirus pandemic

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- Restructuring: 18%
- Growing: 8%
- Business as Usual: 27%

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Information Technology

At an aggregate level, the IT space is proving to be relatively resilient. Immediate demand for talent has slowed, but there are companies expecting rapid recovery of demand in H2.

A review of job posting data hints that there has been a shift in the nature of demand for IT skills. Despite the strong demand for technology solutions to support businesses through the crisis, open job postings have dramatically reduced in the IT & Consulting sector. This reflects a weakness in consulting engagements, potentially due to budgets being frozen. This suggests that instead of outsourcing, organisations are choosing to hire in-house talent, including roles related to Cloud Architecture and Software Development.

Organisations with high degrees of online customer engagement (e.g., online retail, media, etc.) are experiencing a high volume of traffic and adopting this platform as a substitution for physical store footfall. Demand is still present for capable IT engineers that can manage transaction platform stability, and a strong demand continues for Cloud Architects, Systems Analysts, and Software Development Engineers. Many organisations have been tested by the rapid shift towards online demand and have focused investment on enhancing digital customer journeys and hardening the IT infrastructure supporting this.

In Germany, the average weekly change in new IT job postings in March and April was a decline of 11%. However, when we look at more recent data focusing on the four weeks from the beginning of April, there’s been an increase of 19% on average per week. Nevertheless, the number of new IT job postings remains considerably below the pre-crisis point.

Looking at long-term (12m) trends, we can see that the demand for Data Science, Software Developer, and DevOps roles has grown consistently. In the UK, for example, the number of professionals in Data Science fields, Salesforce, and DevOps has grown by 10-12%. This is mirrored in the USA and Netherlands, where the number of equivalent professionals has grown by up to 14%.

Organisations are increasingly placing higher value on certain IT disciplines, and the urgency of filling those roles to drive IT stack modernisation.

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Life Sciences

The Life Sciences sector is without question the focal point of the COVID response, so demand remains strong for specialised skills. In many cases, the difficulty in acquiring talent through BAU scenarios has meant little change to hiring patterns. Scarcity for talent will remain an industry challenge moving forwards. Nevertheless, some clients have been hit by deprioritised medical procedures, as COVID-19 becomes the main treatment priority. Suppliers to elective surgeries have seen a temporary, but immediate decrease in demand as they await the evolution of the crisis before returning to full production.

Survey responses are suggesting that QA and Production roles are in demand, as is Supply Chain expertise among Pharmaceutical manufacturers who are rapidly scaling up output for vaccines and treatment. In many geographies the strain on digital health services has increased demand for experts in healthcare technology, while the closing of borders has placed emphasis on the importance of local knowledge and networks to fill roles – ‘As a result of the borders being closed, there is a need for local candidates in what is a limited market’ – Life Science client, Switzerland.

Elsewhere, the reduction in job postings for QA and control engineers in Food & Beverages has reduced by less than 1% (as % of total sector professionals), implying an unsurprisingly strong demand as food production continues. There will be an ongoing need throughout the pandemic for companies to respond to new challenges and repurpose existing projects – ‘New product development is booming, and our critical role in some supply chains means that business is growing. We still need engineers that can help lead projects at a functional level’ – US Life Sciences conglomerate.

What changes have you seen in your staffing plans (Life Sciences view)?

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<tr>
<th></th>
<th>No Change</th>
<th>Paused all hiring</th>
<th>Hiring key roles</th>
<th>Hiring new roles</th>
<th>Other</th>
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<tbody>
<tr>
<td></td>
<td>33%</td>
<td>15%</td>
<td>22%</td>
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In the UK, Oil & Gas UK (the industry trade body) has estimated that the number of direct and indirect jobs supported by the industry could contract by up to 30,000 in the next 18 months. Conversely, renewables are set to be the only energy source that will grow in 2020, with their share of global electricity generation projected to jump. This is thanks to their priority access to grids and low operating costs, and the lower overall demand as businesses operate at reduced capacity.

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In the US, the low oil price – while possibly good for consumers – has impacted shale gas producers significantly. In renewables, there is a sector split, with strong demand remaining in power generation and transmission, and also in wind partially due to the rush to acquire tax credits. Many states have renewable energy goals that run through to 2030 and beyond, so demand is likely to continue. This is supported by news that the administration is considering ways to let solar, wind, and other alternative energy developers continue to qualify for tax incentives critical for paying for the building of wind turbines and solar panel arrays – even if construction is temporarily put on hold.
Engineering

Further reductions in infrastructure spending by governments due to rising deficits and reduced private spend on commercial projects is likely. For now though, projects remain funded, but work has stopped due to social distancing requirements. Furloughs are taking place in the sector, and engineering related to aviation is severely impacted.

It should be noted that we have already started to see glimmers of recovery in Germany as it loosens restrictions on activity. Research shows that the average weekly change in new Engineering job postings in March and April was a decline of 12%. However, when we look at more recent data, the number of new job postings has recovered somewhat and has remained largely stable in the four weeks from the beginning of April.

Similarly, Engineering jobs appear to be resilient in the Netherlands and USA. The number of new job postings in these markets has been minimally impacted with a reduction of less than 1%. While survey data suggests that roles focusing on Automation and Health & Safety Management have become more valued during the pandemic.
Taking a broad view of the job market there is no disguising the shock collapse in demand and in confidence. Job postings remain low and in many markets hiring is still on pause.

However, there are signs of hope. Our own data suggests that the market for contract placements remains intact, albeit subdued. Projects continue as organisations prepare to come out of the crisis stronger, with modernised processes and better prepared to outperform competitors.

We have found that some employers expect to have significant talent gaps to fill if the economy experiences a bounce-back in H2. Some may use the shift to remote working to widen their talent pools – ‘Change will come in the form of flexibility around resources. If managers become open to more ‘telecommuting’, we could have resources working remotely allowing us access to more candidates’ – Life Science client, US. The shift to flexible and remote working has truly been accelerated, even amongst late adopters.

Not all trends emerging through this crisis will be temporary. We are seeing that digital transformation is accelerating, emphasising the demand for specific IT skills across most industries and sectors. Industries that were previously deprioritising the “digital revolution” are now having to quickly adapt and bring forward their agendas. As noted above, Life Sciences is at the focal point of the global response and this may yield a sustained demand for, and supply of, talent – ‘COVID has put the spotlight on the Life Sciences industry, and this will likely attract more talent in the future’ – Life Science client, Switzerland.

More broadly, some clients may look to reduce the volume of hires but need to maintain access to skills. There is some evidence to suggest therefore that candidates with multiple qualifications or versatile areas of experience will be highly sought after – ‘Having more than one qualification or experience in industry, Business & IT is key for talent. We need people who are tech focused but speak industry language’ – ICT client, Germany.
Flexibility – among employers, candidates, and staffing suppliers – will be key when navigating the fallout from the pandemic. Those who can adapt will likely fare better than others.

Common across industries is the belief that recruitment will need to allow for virtual and remote onboarding of staff. Managing this process and helping with cultural integration is an oft-repeated request made by our clients, and one in which recruitment specialists are well positioned to play. Clearly, organisations are expecting that talent will be critical to navigating the crisis, and that the uncertainty about further lockdowns is changing their recruitment behaviours.

What staffing challenge(s) are you currently facing?

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<thead>
<tr>
<th>End-to-end virtual recruitment process</th>
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<tbody>
<tr>
<td>Virtual candidate onboarding</td>
<td>25%</td>
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<tr>
<td>Workforce planning</td>
<td>23%</td>
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<tr>
<td>Sourcing candidates</td>
<td>21%</td>
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<td>Access to talent and staffing trends</td>
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Talent will be a key differentiator as organisations build the future

As we return to growth through a recovering economy, we believe that the companies best placed to thrive will be those that are reimagining their business models. COVID-19 has highlighted the absolute imperative to move faster on digital transformation. We see that our clients have rightly ring-fenced digital transformation projects, and even allocated more resources on removing manually intensive processes, bypassing legacy IT and simplifying customer journeys. In short, acceleration in the modernisation of the Tech Stack.

The type of skills that have been resilient in this pandemic include software development, IT security hardening, data science and pockets of ERP modernisation talent, all with the goal of improving the interface to the customer.

Additionally, the type of work we are seeing in demand by employers is for short, high impact projects with highly skilled subject experts. In order to fill these roles, employers need to fit into the changing nature of employment to attract talent. Finding the right skills to fill these business-critical roles will often rely on contract workers that can bring highly specialised knowledge gained from deep industry deployments on flexible work contracts. The key employer challenge will be to quickly respond to demand surges, by filling roles through remote onboarding from a pool of reliable and productive contract workers.

Many employers are deploying such specialists on automation projects. Increasingly, we see that customer channels are being rethought - firstly to deliver high volumes of data based on customer touchpoints. Then, with this data being ingested into a data lake, data scientists are building algorithms to optimise commercial operations - from market targeting, to demand planning, to fraud detection. As cloud computing makes machine learning implementations easier, the diffusion of this technology out of the software industry and into other sectors of the economy means that these skills – and importantly the ability to operationalise these techniques – is in high demand by our clients.

At SThree, we understand these imperatives and we work with our clients to source the best talent to help them deal with changing business conditions. We support their needs by focusing on the components of STEM skills that help drive the fourth industrial revolution.