AMSTERDAM STANDARD

White paper

## A tight labor market in Dutch ICT

18/19

Authors: Olga Kitkevich, Leopold van Oosten

Table of content

How tight is the Dutch labor market of ICT workers?

Many Dutch companies have open positions in various ICT fields, but they see difficulties in filling them. Not all of them are sure about the reasons of facing this problem. Is the salary offer too low or the location of the office too far? Or are there just not enough ICT specialists on the market or in certain sectors? In this article, we will try to define possible reasons for the low amount of applications with an even lower amount of suitable candidates and we will look at the possible solution for this issue.
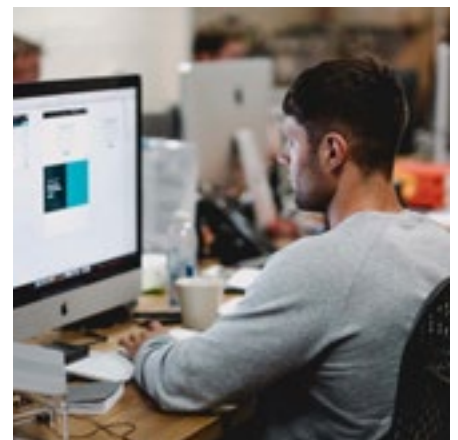
# Dutch economy and the role of the ICT sector in it

To get the full picture of a labor market and especially its condition in the ICT sector let's have a short look on the condition of the Dutch economy and the process of its development during the last 7 years.

Economic growth in the Netherlands

The Netherlands has one of the strongest economies in the world. According to Forbes, the Netherlands is the sixth-largest economy in the European Union. It plays an important role as a European transportation hub, with a consistently high trade surplus, stable industrial relations, and low unemployment. Even though the economic situation has remained virtually unchanged in December 2018 compared to the previous four months of the year (in accordance with the report of Statistics Netherlands (CBS)), in the last years perspective we can see a stable growth in GDP (Gross Domestic Product)

GPD (volume), seasonally adjusted
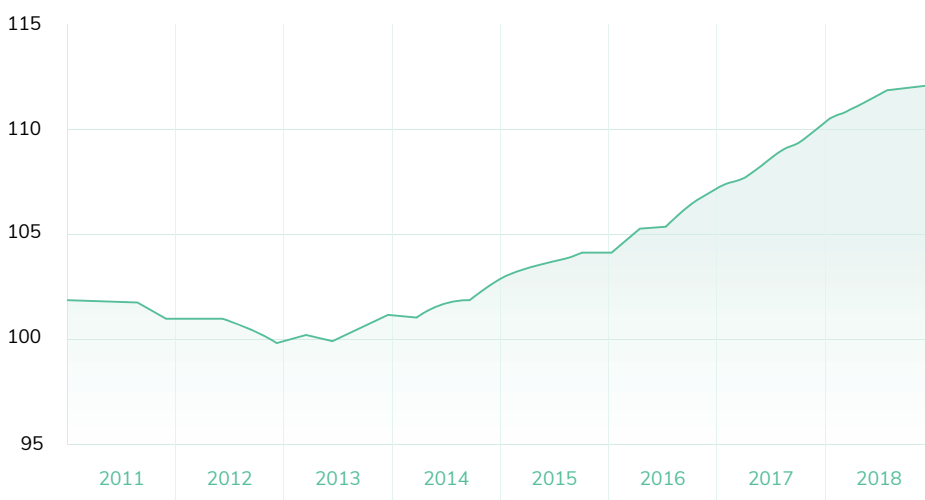
The European Commission's Interim (Winter 2018) forecasts economic growth of 2.9 % for 2018 and 2.5 % for 2019, with the domestic economy strong performance expected to continue. Whilst the figures are slightly less than previously expected, the economy is still growing at an above average rate. CPB Economic Policy Analysis reports that for the fourth consecutive year Dutch economic growth is higher than the European zone average.

Dutch and European zone economy growth

● The Netherlands   ● Average eurozone
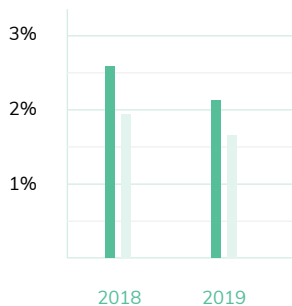
European Commission in the "Country Report The Netherlands 2018" states, that the Netherlands' economic expansion remains strong and offers a window of opportunity to boost the reform momentum.

ICT sector's value in the Dutch economy

Reported by the Statistics of The Netherlands in the period 2011-2015, the Dutch ICT sector showed stronger growth than the overall economy (Picture 3). Both turnover and the volume of labor in this sector saw a much sharper increase than average. The number of ICT companies grew substantially between 2011 and 2017. The fastest-growing sector of ICT is IT and information services, in 2016 it showed a growth of 11% when the total economic growth was 2,6% and the total ICT sector growth fell to 2%.

Production value (turn over)

● Dutch economy (private and public)   ● ICT sector
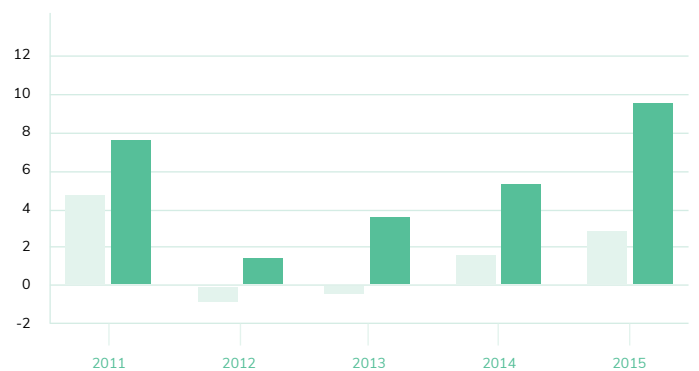
% volume change compared to previous year

Future expectations for the ICT sector remain positive. This is what sector specialist Mark van Kampen of Rabobank writes in the publication from March 2018; ''After a strong 2017, the sector continues to grow in 2018, which is expected to be around 4% (net turnover). The IT sector is the most important 'enabler' for the digital transformation in other sectors and this ensures that the growth of the IT sector goes faster than the entire Dutch economy''.

Van Kampen sees a clear danger: that the Netherlands, despite a good digital infrastructure, deteriorate competitive position because there is simply too little IT talent available.

Tension in the ICT labor market

The vigorous growth of the ICT sector is also apparent from the number of outstanding job vacancies. We would like to show the process of an escalating issue in the period 2015-2018 years, the ratio of graduate students to the number of open positions in this field and experts' opinions about the current labor market situation.
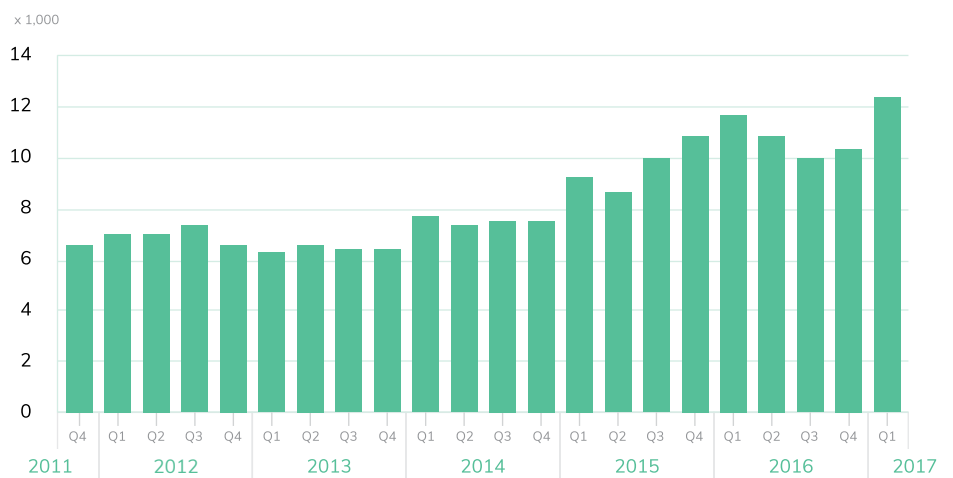
● ICT sector   ● All companies

Have vacancies for

Have difficulty fillings

% companies (ten or more employees)
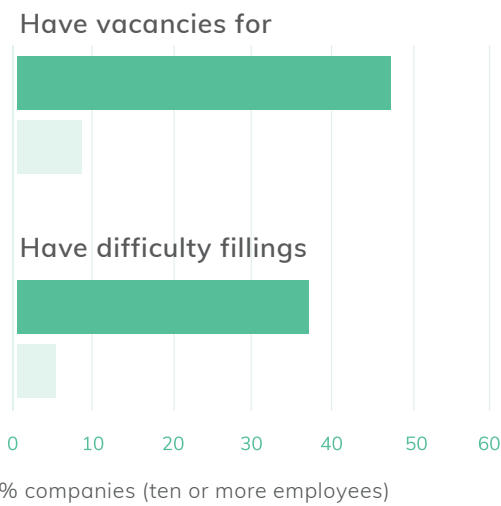
In 2015, 48% of the companies in the ICT sector with at least ten employees provided job openings for ICT specialists; 37% of them experienced problems in filling these, accounting for over three-quarters of all ICT-related vacancies at ICT companies.

In Q4 2016, over 10 thousand job vacancies were unfilled at companies in information and communication technology services, representing 6.3% of all unfilled job vacancies in the Netherlands. This number increased further in Q1 2017 to 12.3 thousand - 6.5 %.

Unfilled job vacancies at ICT companies

× 1,000

Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
2011		2012			2013				2014				2015				2016				2017

Vacancies

—— All sectors – – ICT sector

x 1000
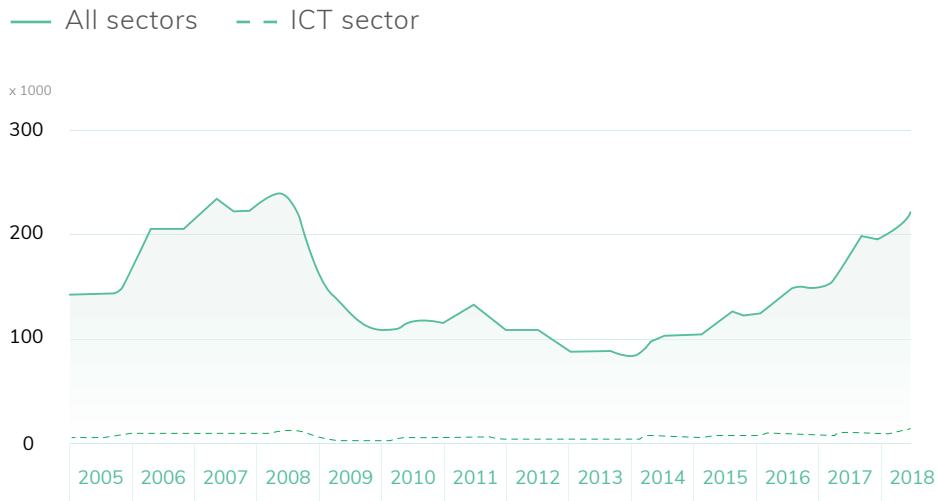
Nearly 16 thousand vacancies were open in the ICT sector in the first quarter of 2018. As a result, the number of ICT vacancies has reached a new peak since the beginning of 2008. In 2015 up to and including the first quarter of 2018, this number of ICT vacancies grew considerably.

In the economy as a whole, the recovery in the labor market continued steadily in 2016. Almost 238 thousand vacancies were open in the entire economy in the first quarter of 2018, compared to more than 188 thousand a year earlier; a growth of almost 26%.

Since 2005, the share of the ICT sector in a total number of vacancies has increased trend-wise. Whereas the ICT sector accounted for about 5 percent of all vacancies in the Netherlands at the start of 2005, this share grew to 8 percent at the end of 2015. At the start of 2018, the share of ICT vacancies had fallen slightly to 6.7 percent.

Especially after 2009, the share of the ICT sector in the total number of vacancies has become much larger. The ICT sector's share of vacancies is, therefore, larger than the share of the ICT sector in employment (4.3%) and the total economy (4.7%), which indicates a tighter labor market for the ICT sector.

Part of ICT sector in all open vacancies

%
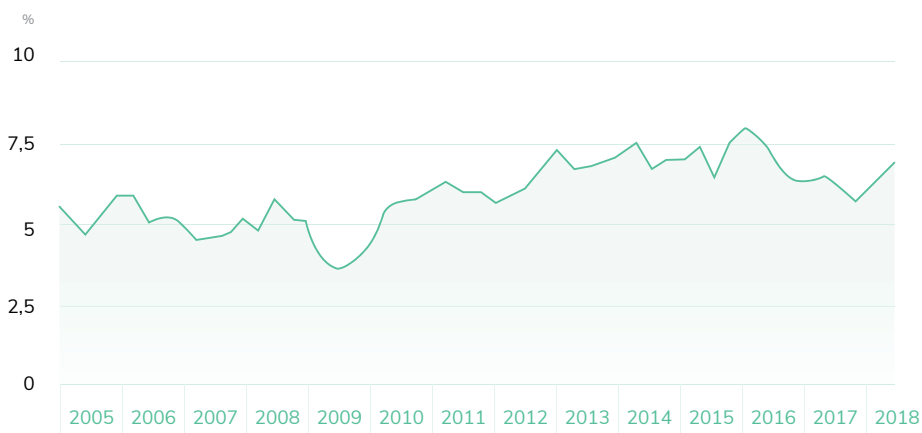
New graduates and their ability to cover open positions

The number of graduated IT students is slowly increasing year over year. The average growth of graduates per year of amounts of 7,3%. But the amount of IT vacancies is increasing with even greater intensity. It reaches about 18,3 % growth a year. As a result: demand in IT markets is much higher than the availability of talent.

Development of IT graduates and open positions in the IT field

Year	Graduates HBO	Graduates WO	Graduates Total	Vacancies Q1	Vacancies Q2	Vacancies Q3	Vacancies Q4	Average amount of vacancies	HBO	WO	Total
2013	2027	1603	3630	6470	6570	6540	6510	6522.5	31%	25%	56%
2014	2026	1738	3764	7880	7620	7820	7870	7797.5	26%	22%	48%
2015	2144	1958	4102	9440	8780	9930	10880	9765	20%	18%	38%
2016	2239	2241	4480	11580	11040	10140	10290	10762.5	22%	22%	44%
2017				12330	12790	11930	13770	12705			
2018				15810				15810			

Sectors of economy and most-wanted specialists

According to the Fact sheet on the labor market issued by UWV (Employee Insurance Agency), ICT specialists occur in all sectors. Virtually every sector is therefore faced with recruitment problems. The sectors of information and communication, government, education, and business services are most commonly have difficulties in fulfilling ICT vacancies.

Half of all ICT vacancies are difficult to fulfill according to employers. Especially the demand for highly skilled programmers, developers and security specialists is high. Particularly HBO-vacancies are difficult to fill in the ICT, according to a survey among HR professionals.

In 80% of all ICT vacancies that are difficult to fill it concerns HBO education. In 14% it is a WO vacancy. Only in 5% of the difficult to fill vacancies in ICT involve MBO positions.

Geographical areas of recruitment tension

There is a tough situation in recruitment in all regions of the country, but this issue appears the most in the middle and south of the Netherlands (think of the regions Haaglanden, Greater Amsterdam, Midden-Utrecht and Southeast Brabant). In the Randstad (Noord-Holland, Zuid-Holland, Utrecht), 4 out of 5 online published job openings cannot be filled with active job seekers. On the picture we present supply in ICT recruitment sector versus demand per province. The colour explains the shortage and the proportion of the supply versus demand is shown inside the circle.

- *The size of the circles indicates the numbers of available talent. Available talent is talent that is actively looking for a new job.*

- *The figure as well as the colour explain the shortage.*

- *Available talent: vacancies*

Supply versus demand per province

- ● Supply and demand are in balance. No shortage
- ● There is a huge shortage of talent
- ● There is an extreme shortage of talent
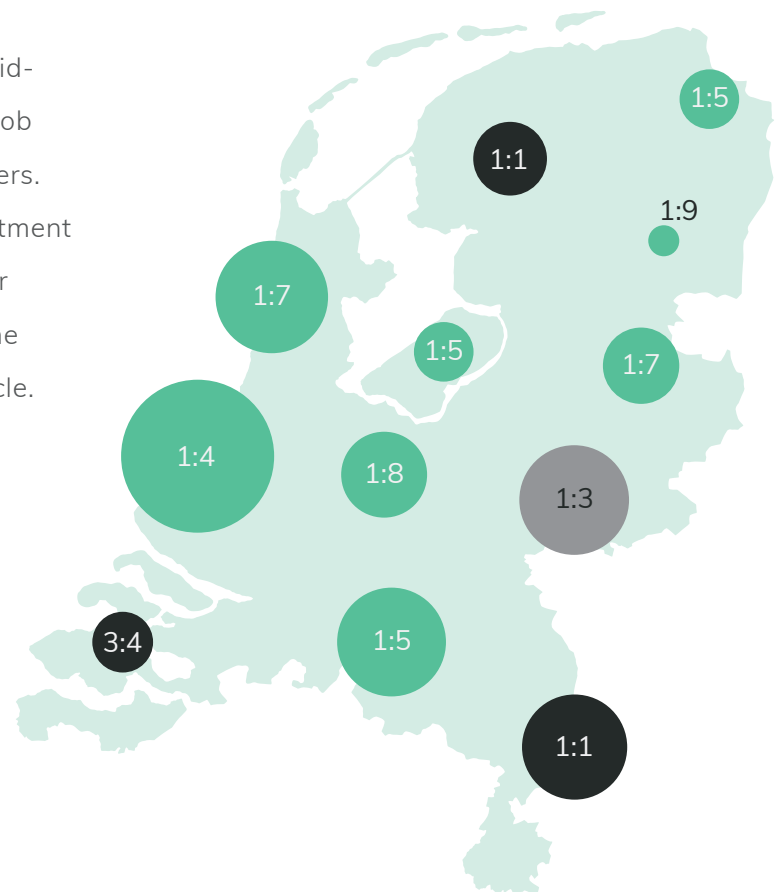
The countries around the Netherlands are also struggling with filling ICT vacancies. "Software and application developers" turned out to be the number one crunching profession in Europe in 2016.

Journalist Erwin Boogert wrote in his article for Emerce recruitment from 14 January 2019, that European start-ups and scale-ups are looking for 100,000 new employees until the end of 2019. Designers, developers, product managers and everything in between and around it are essential to keep the European tech industry going.

What people say

Roos Tji, responsible for the IT development at a company that develops software for insurance companies in his interview for NOS says: "I really had vacancies open for a year, and I got nobody in. The people who are available do not have the right qualities or are freelancers and therefore very expensive."

"There are many job-seekers with a lower level of education than employers ask", notes Freek Kalkhoven, labor market adviser at UWV in the NRC article from 20 April 2018. "In ICT there is a clear qualitative mismatch: the required knowledge is often specific and must be up-to-date."

According to Tim Toornvliet, spokesman for the Netherlands ICT, published in Ad.nl, the number of shortages, in reality, is even greater than the numbers make. He says that there are companies that indicate that they do not even post jobs on the website or that they have a vacancy permanently on the site 'because they can still use ten of them'.

Resume

In the situation of the growing economy in the Netherlands and even faster-developing ICT sector, the problem of a low volume of ICT specialists is still present. With the technological evolution, these specialists are in high demand in almost all sectors of the economy. And the problem is not just in the disproportion of the open positions to the number of available specialists, but also in differences between employers expectations to education and experience level of those specialists.

An alternative solution for ICT specialists recruitment

In the current situation on the Dutch market, it's hard and expensive to hire a suitable candidate. Hiring a freelancer can be an option, but it has its disadvantages like expertise conformation. When hiring an outsource company the difference in time zone, culture and security and law enforcement can be problematic. There is one more, relatively new, but not less effective option for filling open positions in the ICT field - Nearshoring.

Nearshoring is the practice of transferring a business operation to a nearby country, especially in preference to a more distant one. Both parties expect to benefit from one or more of the following elements: geographic proximity, time zone, cultural, social, linguistic, economic, political or historical linkages.

One of the most obvious benefits of the nearshore business model is the time zone. Working in the same hours of the day leads to a workforce that is more stable and productive and as a result of it - an expansion of work volume. Communication is the key to the successful delivery of IT projects. Team interaction is made much easier as they are happening in real-time. Good knowledge of a common language means you can be fully involved in a project and have a clear understanding of all the processes going on.

Travel between locations is made more simple and common under the nearshore model. Time and geographic proximity greatly enable operational cohesion, effectiveness, and team camaraderie.

Different work ethics in an offshore model makes project-oriented collaboration difficult. Work expectations, deadlines can be interpreted differently, also diversity in hierarchy systems can influence on a speed of decision making and therefore on the execution of the whole project. While cultural differences exist also inside Europe, the common understanding of professionalism and efficient work requirements is pretty much alike. That's why Eastern European countries such as Poland, Croatia, Serbia, and Romania are a quite interesting destination in nearshoring for the Netherlands. Also, these countries provide high education with a remarkable number of IT-students graduate there every year.

Nearshore teams are an excellent option to help you scale on demand in the event of staff shortages. Rather of waiting for the right developer to pop out of nowhere on a local market there is the nearshoring option to consider before wasting

too much time, money, and nerves on the recruiting process. Amsterdam Standard is the company with significant experience in nearshoring. With headquarters in Amsterdam and a talented team of almost 100 developers in Poland, we are ready to get your challenging project on board for a fraction of the cost. It is the team you can rely on, - proved by the many Dutch companies in a long-term partnership with Amsterdam Standard.

The launching process of nearshoring worker/team from Amsterdam Standard

The hiring process of nearshoring specialist looks pretty similar to the usual hiring process: CV submitting, phone and face to face interviews, but without any risks for your party. Our specialists in different fields of IT are ready to work on your upcoming or existing projects. Get in touch with us to find your new IT colleague.

Feel free to contact us

Olga Kitkevich

Leopold van Oosten

by phone: +31 20 715 53 84

Or by e-mail address: info@amsterdamstandard.com

We are looking forward to hearing from you.

References

https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-netherland-en.pdf

https://www.forbes.com/places/netherlands/

https://longreads.cbs.nl/ict-kennis-en-economie-2018/ict-en-economie/

https://www.cbs.nl/en-gb/news/2018/52/gdp-growth-rate-0-2-percent-in-q3-2018

https://www.cbs.nl/en-gb/news/2017/26/ict-sector-growth-above-average

https://www.cpb.nl/en/forecast-december-2018

https://nos.nl/artikel/2217258-ict-sector-zoekt-personeel-in-nederland-konden-we-niemand-vinden.html

https://www.rabobank.nl/bedrijven/cijfers-en-trends/dienstverlening/ict-dienstverlening/ict-update-maart-2018/

https://www.uwv.nl/overuwv/Images/ICT_beroepen_factsheet_arbeidsmarkt.pdf

https://www.emerce.nl/nieuws/europese-techbedrijven-zoeken-100000-medewerkers

https://www.nederlandict.nl/news/mismatch-op-de-ict-arbeidsmarkt-door-gebrek-aan-juiste-kennis-en-opleiding/

https://www.techopedia.com/definition/24401/white-label

https://intelligence-group.nl/_file/308/IT_Labour_Market_Monitor_2018_The_Netherlands.pdf

https://www.nrc.nl/nieuws/2018/04/20/goede-icters-moeilijk-te-vinden-a1600210

https://www.ad.nl/ad-werkt/ict-ers-komen-met-de-raarste-salariswensen~ae63187b/

https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-netherland-en.pdf

https://www.cpb.nl/sites/default/files/omnidownload/CPB-Macro-Economic-Outlook-MEV-2019-translation-chapter1.pdf