Nearshoring in (post) COVID-19 times

Embracing IT Nearshoring

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Introduction

For the last few years, it has been hard to hire suitable developers in the Netherlands. Quality specialists are both expensive and hard to get. COVID-19 hasn't changed this situation. The demand for ICT specialists is still present, especially for developers and other tech specialists who combine professional experience with unique skills and knowledge.

Also, the circumstances in which we work have drastically changed. A lot of employees started working remotely and are planning to keep doing that. Since it's not in our power to change the situation, it's time for us to adapt and make the most out of it. A lot of companies have gotten used to remote employees. Why wouldn't they save costs by hiring skillful and experienced specialists through IT nearshoring?

Why is it so hard to find developers in the Netherlands?

The shortage of ICT specialists in the Netherlands is acute. In recent years, the Dutch economy grew steadily and the ICT sector grew even stronger. As a result, competition between ICT companies has been growing, too, as well as their race for the best specialists.
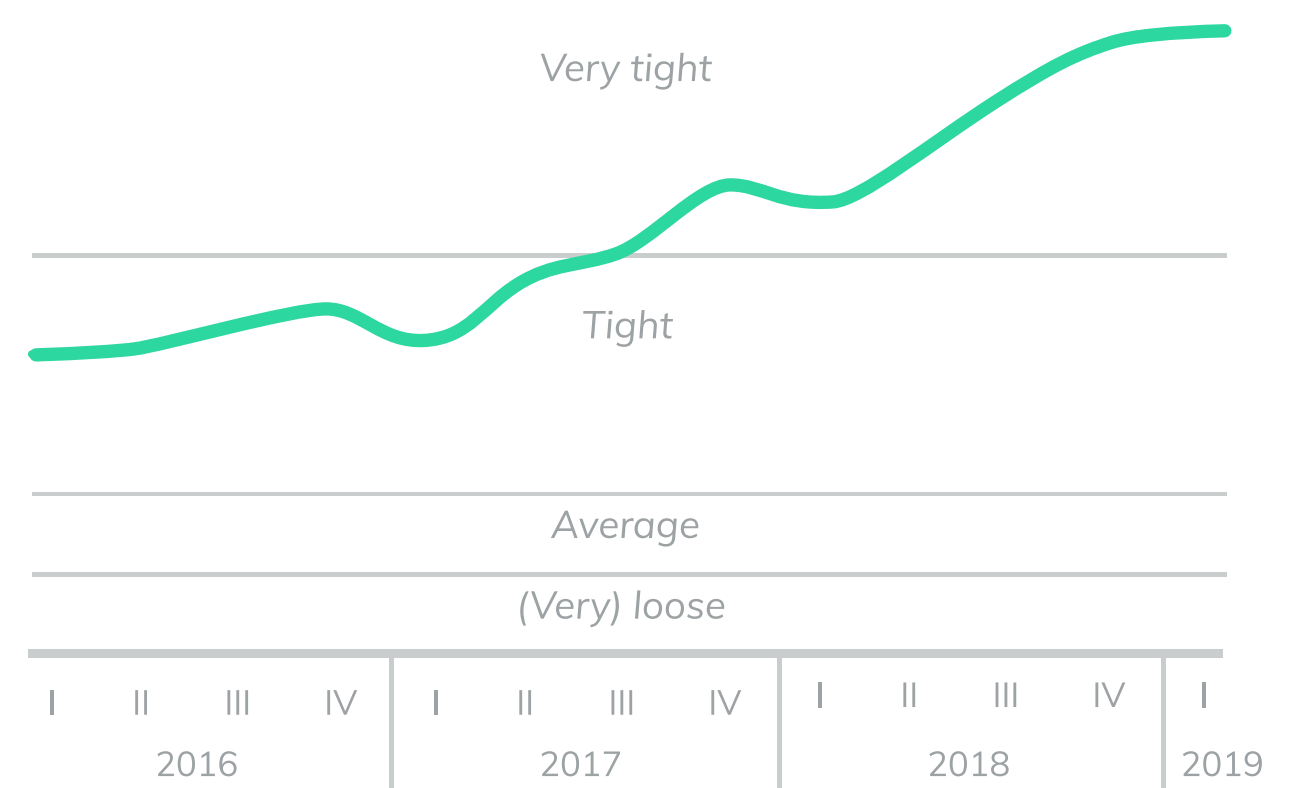
Shortage of ICT specialists

The UWV voltage indicator registers that the labor market for ICT professions has been tight since the second half of 2017. This shortage has only increased throughout the years. Currently, there is no other professional direction with such a high degree of tightness.

As the labor market gets tighter, less short-term job seekers are available per open vacancy. As a result, employers have more difficulty filling in their vacancies. Employers indicate that 70% of ICT vacancies are difficult to fill.

Development of tension in the ICT labor market
2016-2019 (Q1) voltage indicator

Source: UWV

Percentage of employers that experiences barriers in business activities due to staff shortages

ICT Services   Total*
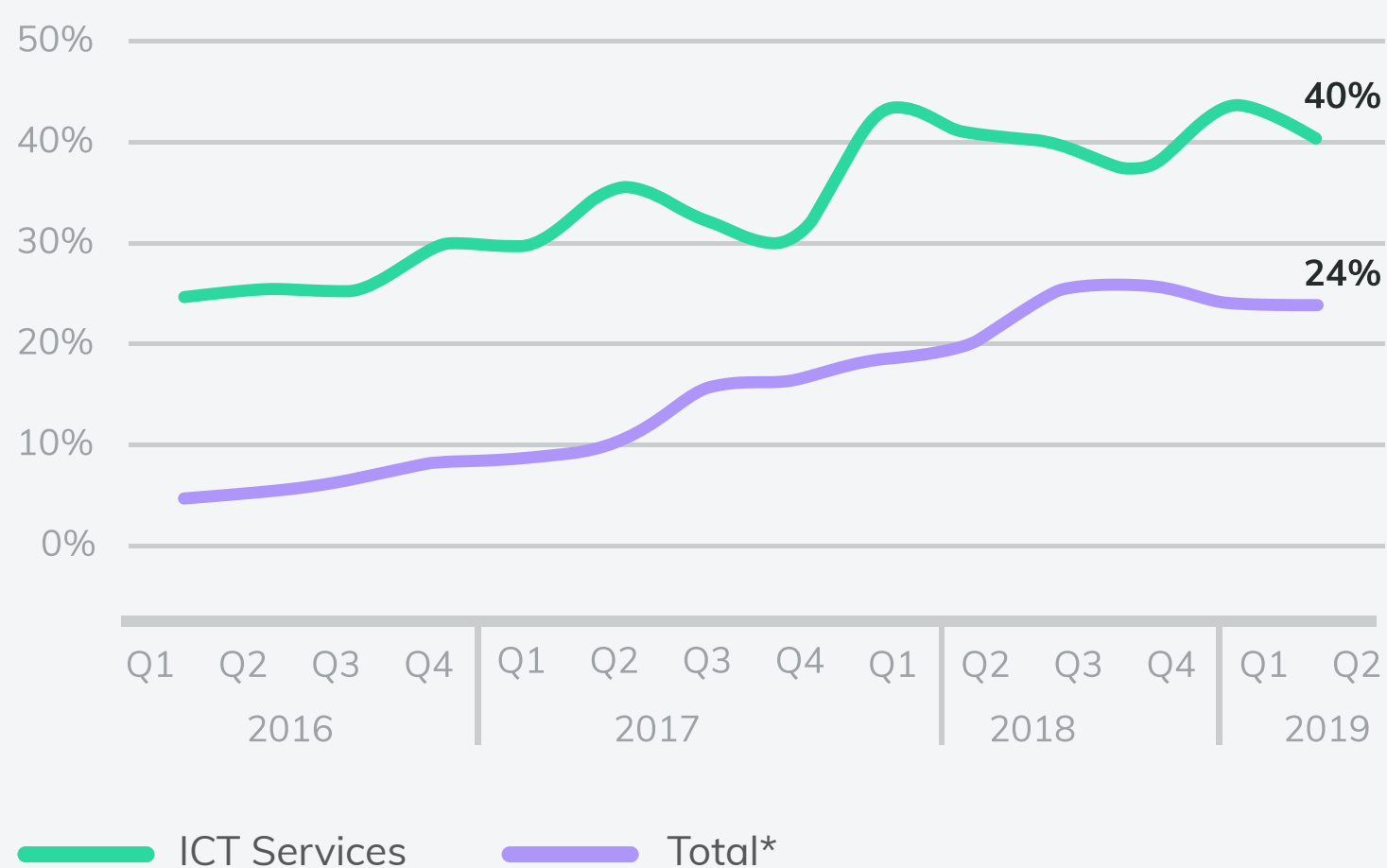
Source: CBS (Conjunctuurenquête)
* All sectors excluding financial and Utilities

ICT specialists are indispensable for many businesses

Tech specialists are indispensable for the success of many businesses. In the second quarter of 2019, 40% of employers in the ICT-services sector reported they experienced obstacles in their business activities due to a shortage of personnel. This percentage had been increasing for years. The share of employers in ICT services experiencing problems due to a lack of personnel (40%) is clearly higher than average (24%).

Sectors of economy recruiting ICT specialists and most-wanted professionals

Tech specialists are sought-after not just in the ICT sector. About 6 in 10 ICT workers work in another sector. For example, banks, governments, and online shops also have great difficulty finding ICT professionals. Virtually every sector faces recruitment problems.

The shortage is particularly visible for ICT professions at higher professional levels. 78% of vacancies that are difficult to fill require higher professional education. This includes vacancies for software developers in specific languages or applications, security specialists, database managers and analysts.

Programmers in specific languages like Java, C # or PHP are especially hard to find. The same goes for developers of .NET, SharePoint, or cloud applications. In ICT, supply and demand do not always match concerning knowledge and experience. For example, ICT workers increasingly have to work in multidisciplinary teams, leading to a stronger request for soft skills.

The influence of the pandemic on the ICT market

COVID-19 heavily influenced the way we work. Businesses were forced to adapt to the new situation. The main factors of change have been the digitalization of many processes, the conformation to remote working conditions, and the process of building up cost resilience.

Digital transformation

Digital transformation has been a hot topic long before 2020. However, COVID-19 made it a necessary business-strategy component. The pandemic boosted the digital transition of companies, public administrations, and schools. Plans that could have dragged on for years, suddenly had to be implemented at short notice, overcoming cultural barriers and technological, organizational and skill gaps.

Digital signatures, accounting software, surveillance cameras, big data: these are but a few examples of digital services that businesses can use to streamline or boost their processes. Over the past 10 to 15 years, there has been a significant increase in the number of companies specializing in software to help you with any given business process. All of them require ICT specialists. The increasing number of IT companies makes competition even tougher. Sometimes, it makes it easy for staff to switch between IT companies. Staff shortages are a problem for over 40% of IT companies, and it is expected that this will continue to be the case in the long term.

Remote working is the new normal

This year, the whole world was forced to switch to remote working. This showed us that most employees are as productive and sometimes more efficient when working from home. Some companies, including a number of multinationals, are planning to stick to this way of working after the crisis.
Working remotely thus gained wider acceptance. It has become part of the normal working arrangements, with potential social and environmental benefits. An online survey from Eurofound (2020) estimated that close to 40% of those currently working in the EU started working remotely full time as a result of the pandemic.

Before the outbreak, only 15% of the working population in the EU regularly or occasionally worked remotely. As we start to imagine a post-pandemic future, there will be many who prefer to keep working from home. A US poll conducted in the midst of the crisis, suggests that 59% of remote workers would like to continue working remotely as much as possible once the social restrictions are fully lifted.

According to the yearly State of Remote Work, 98% of the respondents said they would like to work remotely at least some of the time for the rest of their careers. This confirms the finding that remote workers almost unanimously want to continue to work remotely. Remote work is sometimes portrayed as a trend, but these results imply that it is here to stay. Also, once people get a taste of working remotely, they tend to recommend it: 97% of the respondents said they would recommend remote work to others.

Would you like to work remotely, at least some of the time, for the rest of your career?

98%

2%

● Yes

● No
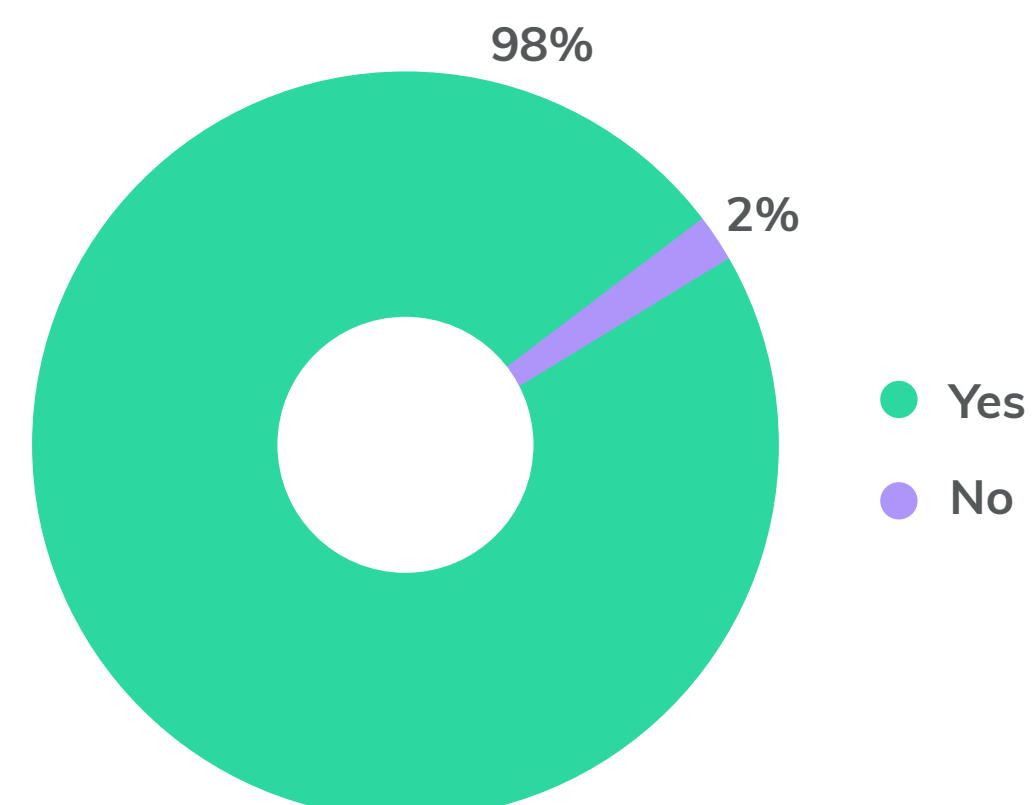
State of Remote Report 2020
buffer.com/state-of-remote-2020

Cost resilience

Nobody can predict how the COVID-19 crisis will unfold. This uncertainty makes it difficult for businesses to act according to their financial plan. Rapid response to the new conditions is required. The investments organizations make in digital transformation can help them reduce costs while providing a framework for speed, efficiency, and organizational change to remain ahead of the curve. While business owners and managers are currently focusing on coping with the operational challenges of the crisis, their attention is already squarely on prudent IT-cost management. It's possible not only to cut current IT costs, but also to help position the company for recovery and future growth.

Costs need to be brought down quickly, but in a smart way. While IT is usually perceived as a fixed cost, most IT budgets have plenty of flexibility built-in, enabling the company to adapt to changes in business cycles and demands. IT should contribute to overall cost savings and should optimize the performance of the business. That's why it's important to maintain the current level and quality of IT infrastructure (consisting of specialists and services) at lower costs.

If they want to be able to face a new crisis such as the COVID-19 pandemic, companies have to swiftly adjust their cost models, based on an agile and scalable business.

How can your company adapt to the new reality?

The pandemic has forced companies to adopt new ways of working. Remote working proved to be as effective as working from the office. Companies are forced to cut IT costs while maintaining or even increasing the IT force.

Companies looking to hire tech specialists should look into nearshoring, a relatively new and effective way of filling open positions. Nearshoring is the practice of transferring a business operation (or a part of it) to a nearby country, especially in preference to a more distant one. Both parties expect to benefit from the geographic proximity, time zone, cultural, social, linguistic, economic, political, or historical linkages.

Nearshoring enables companies to quickly hire experienced specialists, to flexibly scale up and down, and to save on IT costs. Should employees who work remotely be in the same country as your organization?

The answer is no. With the world switching to remote work, there is no need for the employees to be present in the office location. Nevertheless, it's still convenient to work simultaneously. Communication is the key to delivering IT projects successfully. Team interaction is much easier in real-time. That's why one of the most obvious benefits of the nearshore business model is the time zone – especially compared to offshoring. Working at the same time leads to a more stable and productive workforce and results in an expansion of work volume. Also, speaking a common language helps you to become fully involved in projects and to gain a clear understanding of all the processes going on.

It is almost impossible to travel between international locations because of the pandemic. Regular commuting has become rather complicated, too. Working remotely instantly solves these issues. By nearshoring your developers, you give operational cohesion, effectiveness, and team camaraderie the chance to prosper.

The common understanding of business ethics and work requirements in European countries are pretty much alike. That's why Eastern European countries such as Poland, Croatia, Serbia, and Romania are interesting nearshoring destinations from a Dutch point of view.
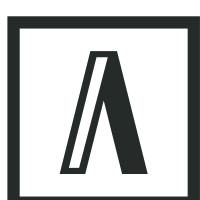
How can you benefit from IT Nearshoring?

Having developers work remotely can help companies save costs on office rental and facilities. Working with remote nearshore specialists can help you avoid recruitment costs, cut on salary expenses and reduce the spending on project development. Recovering from the pandemic, many companies are forced to cut costs and spend their budgets cautiously. Nearshoring to lower-income countries offers a substantial potential for savings.

Advantages of nearshoring

It saves time and energy

It is cost-efficient

It gives scaling-up and scaling-down opportunities

It gives the opportunity to improve the quality

Checklist: "Is nearshoring for you?"

Nearshoring has many advantages over other business models. Still, not all companies can benefit from it equally. Check the list below to determine if nearshoring is the right choice for your business.

✓ You need to build a new department or extend the existing one

✓ You get used to the remote way of working

✓ You expect to save costs

✓ You know what you are aiming for

✓ You expect consistent quality

✓ You don't compromise on quality standards

✓ You are searching for experienced and passionate specialists

✓ You don't want to waste time on hiring

✓ You want your team to be available in real-time

✓ You are pro fair hour-rates

If you recognise yourself and your company in these statements, nearshoring is a good opportunity for your business. Would you like to know more about nearshoring or hiring a nearshore development team?

Feel free to contact us by phone (+31207155384) or by email (info@amsterdamstandard.com). We are looking forward to hearing from you.

Amsterdam Standard

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