

Tech Wage Inflation Puts Pressure on Companies; Many technology workers are commanding compensation increases of 20% or more, corporate tech chiefs say

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FULL TEXT

Wage inflation in the technology sector is accelerating, pressuring companies to boost compensation for key roles by 20% or more as they compete for a limited pool of workers skilled in areas such as cloud computing and data science.

There is no single source of data on all tech jobs, but it is clear from a range of market analysts and executives that demand for labor in the tech sector is on the rise. During the first quarter, U.S. employers posted 1.1 million tech jobs, an increase of 43% from a year earlier, according to information technology trade group CompTIA. Demand for workers to fill those jobs has been surging since the pandemic began, prompting companies to turn to remote work and other digital initiatives. Inflation at a 40-year-high and the war in Ukraine disrupting tech and outsourcing hubs in Europe also are pushing compensation for tech workers higher.

The tech roles in greatest demand include cloud computing architects, data scientists and modelers, and machine learning experts. Staffing firm Mondo, an Addison Group company, said at the high end of the compensation range, cloud architects saw average salary increases of 25% between 2020 and this year, while average salaries for software engineers rose 11% over the same period.

The rising cost of hiring and retaining top tech talent is creating challenges for chief information officers and other tech leaders and has even caught the attention of chief executive officers.

"It's stunning," said Michael Burns, co-founder and executive chairman of iDEAL Semiconductor Devices and managing director of the Murray Hill Group venture capital and private-equity firm. Mr. Burns said wage increases in the tech sector can top 20%, and in hot markets such as Austin, Texas, they can hit 30%.

CIOs and other tech chiefs are under pressure to convince board members to approve higher spending for tech salaries that may exceed pay levels for other jobs, according to Scott Spradley, executive vice president and chief technology and automation officer at Tyson Foods Inc. Given the tight labor market, the cost of running and maintaining IT operations is on the rise, and the cost of investing in innovation is going up at an even faster pace, he said.

Wage pressures are acute in Europe, too, according to Vineet Jain, founder and CEO of Egnyte Inc. The enterprise file-sharing company employs 250 people in Poland, where average wage increases are 50% and some workers have doubled their pay during the past year, according to Mr. Jain. "And these were not low-paid people," he said. Rising salaries aren't limited to veteran tech workers. Jai Bhagat, a software engineer at HashiCorp, a San Francisco-based enterprise software company, said some hiring managers in the tech industry are offering recent graduates compensation packages in the six-figure range, compared with starting salaries of \$70,000 to \$85,000 a few years ago.

Outsize gains in tech compensation, while increasingly common, aren't universal. An AT&T Inc. spokesperson said in an email that salary increases in the company's technology services organization averaged 5% this year. Cisco Systems Inc. in an email said average pay levels for its software engineers across the U.S. rose between 5% and

10% this past year.

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