Recruitonomics™

Appcast Technology Snapshot

Has Tech Won This Transitionary Period?

Q3 2023

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Economy-wide breakdown:

- The resilient strength of the United States labor market has astonished economists, employers, and recruiters all. For most of the second quarter of 2023, its strength continued to surprise, until job gains finally came in below expectations in June. The labor market added only 209,000 net new jobs in June, the smallest monthly gain since December 2020. After two years of overheated conditions, the jobs market may finally be inching towards normalization.

- While gains have chilled some, the labor market does remain tight. The unemployment rate remains near an historic low of 3.6% in June. Though prime-age labor force participation has picked up, job openings remain elevated above pre-pandemic levels. Demand and supply for labor remains unbalanced.

- Inflationary pressures have subsided some, with prices up 3.1% from the year before in June (compared to a peak of 9% price growth last year). Respectable economic growth has coincided with sticky core prices. The Federal Reserve hiked rates in July, but if disinflation continues, that could be the last increase for this cycle. It almost looks like the Fed might achieve what once seemed impossible: a soft landing.

- Falling inflation, strong-yet-softening labor market conditions, and steady GDP (Gross Domestic Product) growth have caused many to change their tune on a recession call in 2023. A soft landing seems more possible than it was earlier this year.

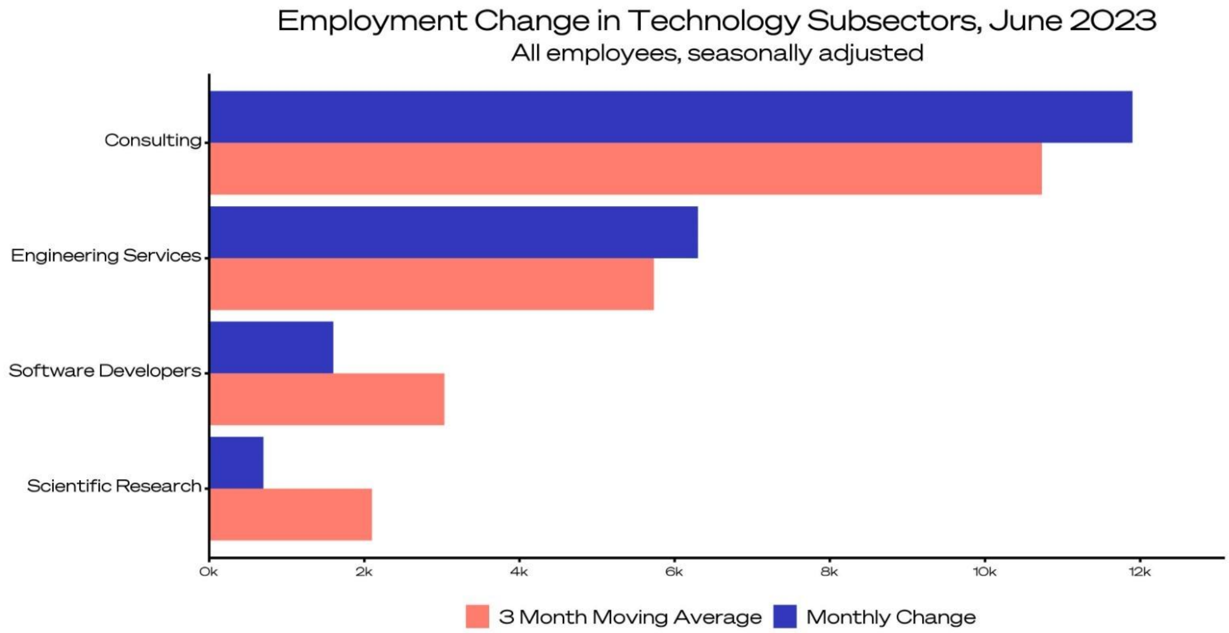
Read our economy-wide breakdown of the latest numbers.

Employment Trends in Technology

At the onset of the year, it looked like it could be the end of Big Tech. Layoffs seemed widespread across some of the most noteworthy companies, including Meta, Twitter, and Amazon. The Federal Reserve's rapid tightening cycle quickly destroyed the zero-interest-rate ecosystem these companies had existed in for over a decade. Without that environment, could tech still thrive? It seems the answer is "yes."

The stories in the news about tech may have shifted from layoffs to artificial intelligence, but the tech jobs market has slowed down. In both May and June, the Information sector – the closest the Bureau of Labor Statistics has to a tech industry grouping – added zero jobs. If you looked at just the information sector, you may believe tech is faltering. But the professional and business services sector, which contains many tech-related subsectors, continued to be strong. Tech is in a transitionary period, trying to find a balance between the recent waves of high-profile layoffs and the buzzing excitement over AI .

Pure tech subsectors have actually experienced some strong growth. Technical consulting gained a strong 11,900 net new jobs in June, engineering services gained 6,300, and scientific research was up 700 jobs. Software developers gained 1,600 net new jobs. Interestingly, the flatlining of the information sector comes primarily from declines in broadcast and content providers, a subsector which lost 3,100 jobs.



Source: Bureau of Labor Statistics; Created on Jul 18 2023

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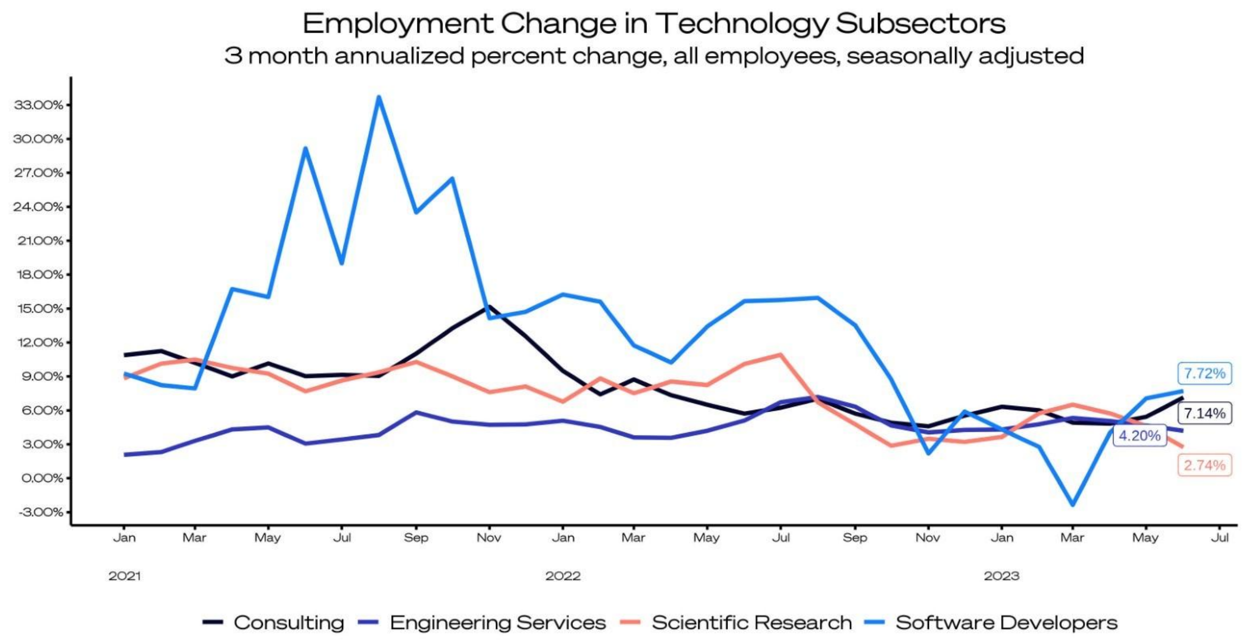
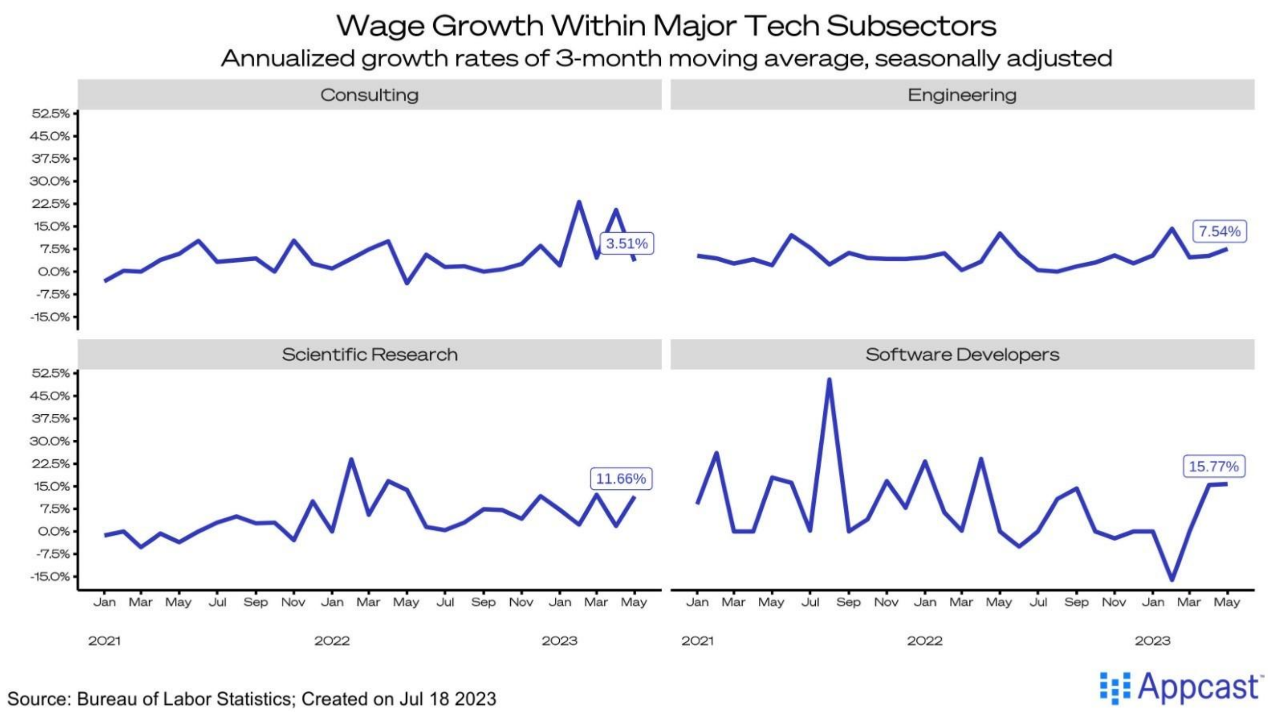
No matter where you look, though, growth has slowed, but not nearly to a standstill. In the case of software developers, annualized employment growth actually seems to be on the rebound, now growing at a pace of 7.7%. Consulting employment growth sits at 7.1%. Both subsectors have seen growth slow from the highs of 2021 and 2022, in which tech hired like wildfire. Engineering services has steadied at 4.2% and scientific research is adding jobs at a pace of 2.7%.



Source: Bureau of Labor Statistics; Created on Jul 18 2023

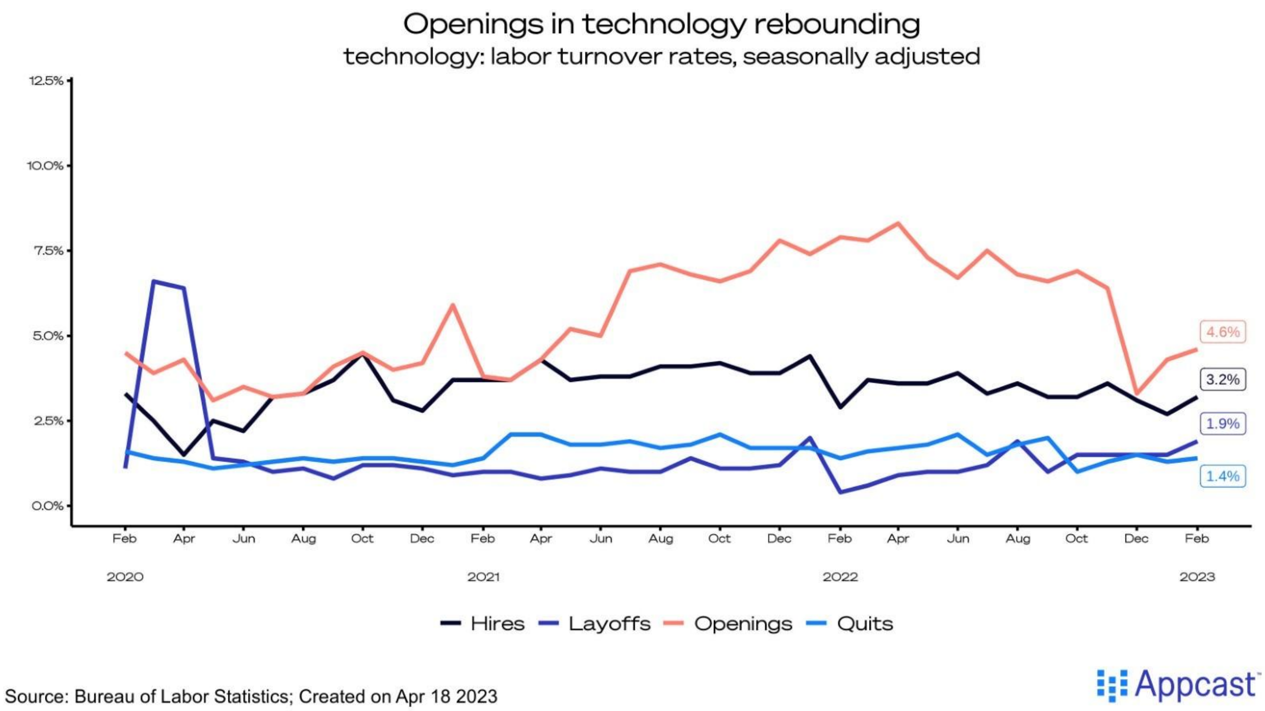
Wage Trends for Technology

While employment trends have slowed some, wage gains seem to be trending upwards. For engineering employees, wages are growing at a steady 7.5%. Software developers have seen a change in fortune, as wage growth rebounded recently to 15.8%! Though growth has been volatile for scientific researchers, it ended on a high note in June, growing at 11.7%. Only consulting seems to be dragging its feet when it comes to wages, with earnings growing at just 3.5%.



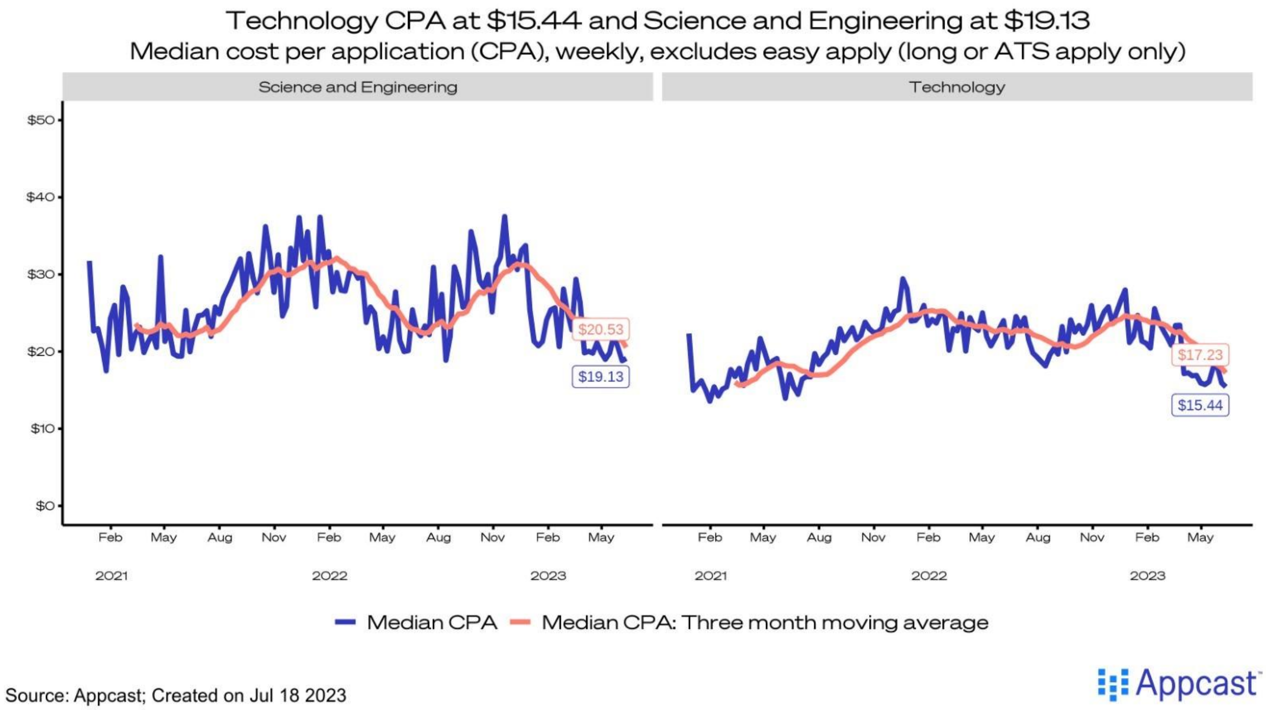
Openings and Turnover Trends in Technology

Openings plummeted during the worst of the layoffs within the tech sector but have begun to rebound: Even in a new economic reality, tech employers are still itching to hire new talent, with the rate now at 4.6%. Unfortunately, the layoffs rate continues to trend upwards, now at 1.9%, and the quits rate has fallen to 1.4%. The balance of power in the tech sector has shifted towards employers, even with relatively high demand compared to pre-pandemic levels.

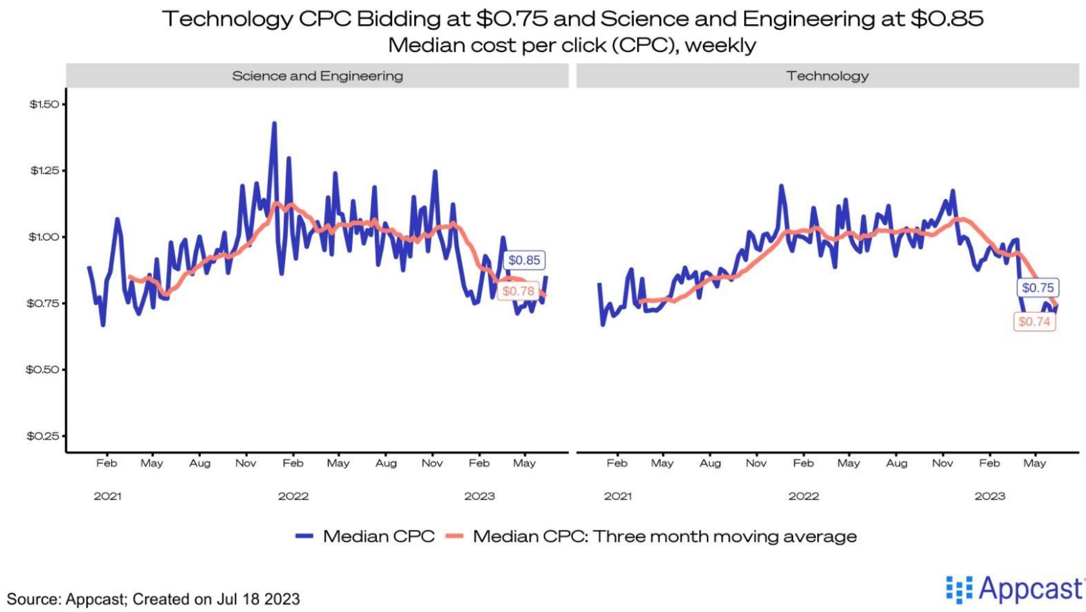


Recruitment Marketing Trends in Technology

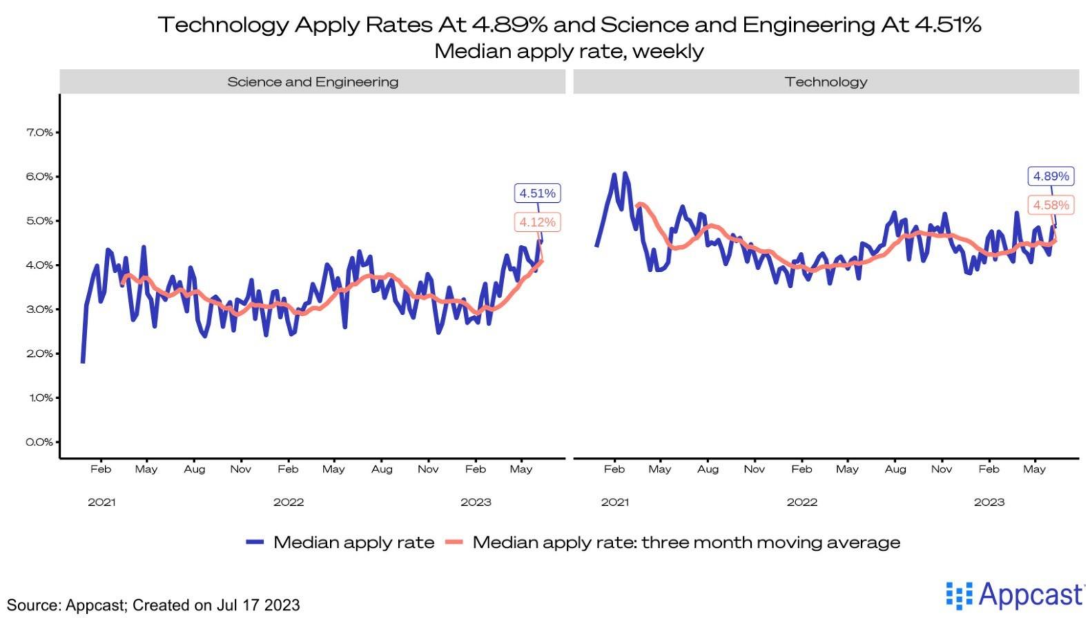
That shift in power is reflected in recruiting costs. The intensity with which tech employers were once hunting for candidates has subsided and no longer does a recruiter need to spend like crazy to find great candidates. For science and engineering positions, cost-per-application has fallen to a three-month moving average of $20.53. These job ads are affected by seasonality, so costs could rebound again as the heat fades. But for pure technology positions, costs seemed to have eased, with CPAs at $17.23. (Appcast benchmark CPAs do not include EasyApply - only "long" or ATS applies.)



Cost-per-click also seemed to have declined – attracting tech talent has become less costly. For science and engineering ads, CPCs have fallen to $0.78 over three months. In technology, costs are nearly identical at $0.74.

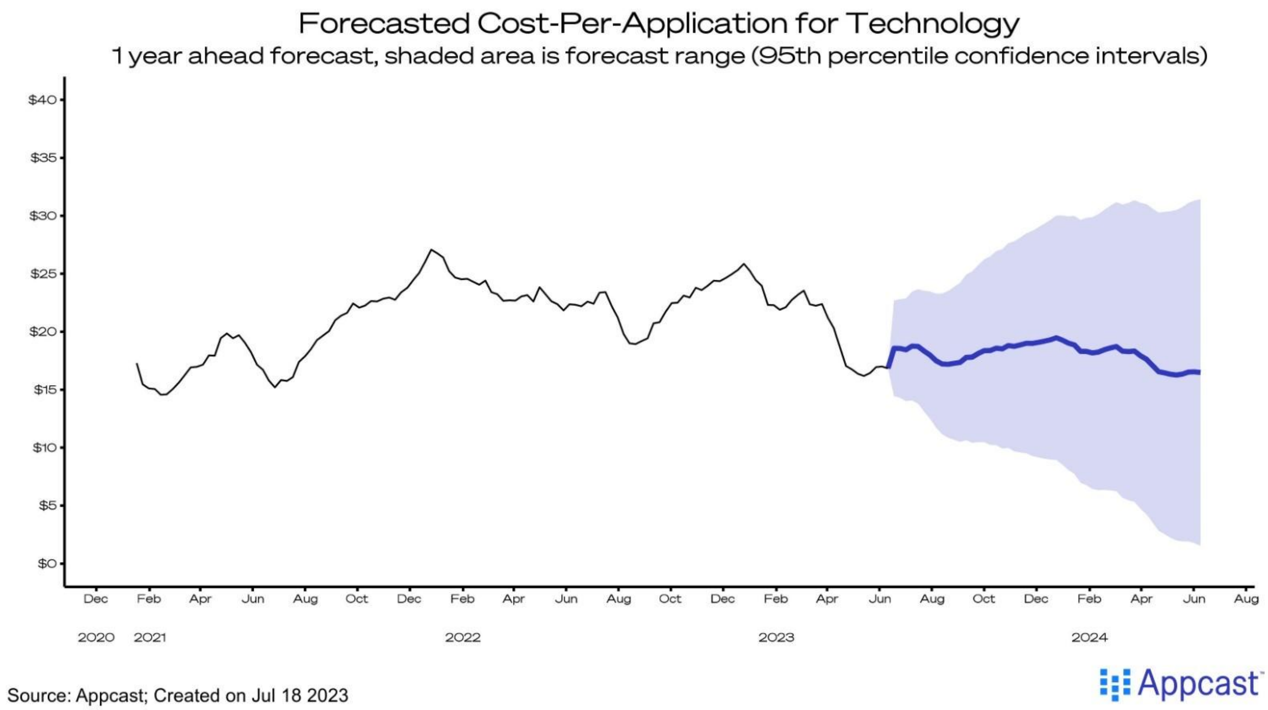


Tech job seekers have less options to choose from, and their apply rates are increasing because of it. In science and engineering, apply rates have climbed to 4.1% in June, while tech job seekers are applying at a rate of 4.6%.

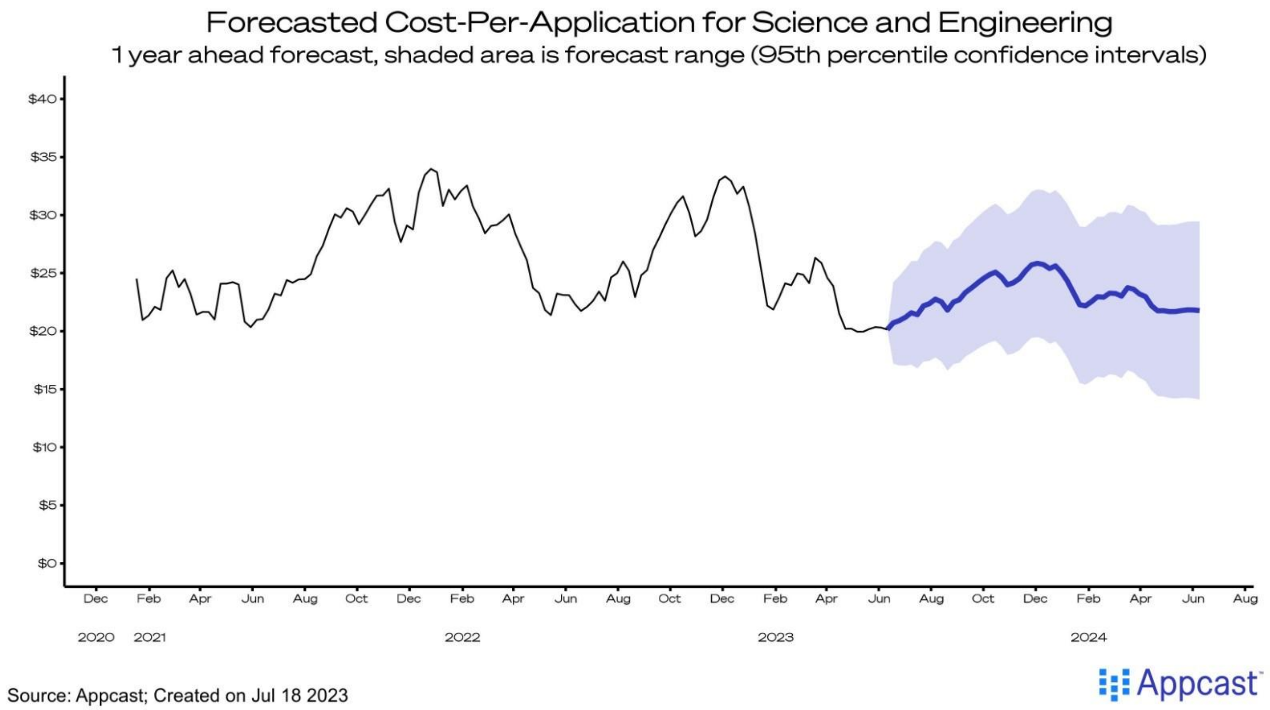


Recruitment Marketing Forecast in Technology

Using Appcast's weekly historical CPA data, Recruitonomics has created a one-year forecast of cost-per-application for the technology sector. CPAs are anticipated to remain relatively flat around the level they are currently at, as tech employers continue to balance AI anticipation and a new economic reality.



In science and engineering, seasonal shifts are expected to raise CPAs once again, but to a less extreme level than seen in past years. As the winter thaws next year, recruiters can expect to pay similar CPAs to todays.



What does this mean for Technology?

The tech sector has faced many challenges this year, from layoffs to a new financial ecosystem. So far, though, the subsectors that make up the tech sector have continued to add jobs at a reassuring pace. Demand in the sector, too, has held up despite the challenges, even rebounding in recent months. The tech sector may be normalizing, but it isn't exactly slowing. And with less competition comes lower recruitment costs, which will allow recruiters to continue to add exciting talent as they tackle the latest exciting development.

Forecasting Methodology

Cost-per-application (CPA) is forecasted one year ahead using the previous two years' worth of one-month moving average data. A combination of ARIMA, exponential smoothing, and seasonal naïve models are used to create an ensemble forecast. The forecast provides both the 95th percentile confidence intervals, indicating the likelihood that each value will be within the CPA range provided.

Thank you

Why Recruitonomics?

Recruitonomics is a hub for data-driven research, powered by Appcast, that aims to make sense of our evolving world of work. Combining labor economics and recruitment best practices, Recruitonomics seeks to bring clarity to the chaos of a changing economic landscape.