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DIGITAL TRANSFORMATION IN CRISIS:

THE IMPACT OF SKILL SHORTAGES, TALENT TRENDS AND BURNOUT ON THE UK'S TECHNOLOGY INDUSTRY

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Foreword

By Gigged.AI CEO and Co-founder, Rich Wilson

The government wants to make Britain a tech superpower, growing the sector by over £41bn in the next two years.[i] There's just one problem. Like many countries, the UK suffers from a growing tech skills shortage. Fully 94% of employers admitted suffering from a lack of technology talent last year, up from 89% in 2021.[ii] In cybersecurity alone there's a workforce gap of nearly 57,000 professionals, up by more than 73% year-on-year.[iii]

As boardrooms continue to put their money behind ambitious digital transformation initiatives, such as Google who restructured to Alphabet, a selection of smaller companies allowing it to be much more agile to change, the demand for digital expertise will only grow. It is vastly outstripping today's limited supply.

Roles are frequently left open for months on end as hiring managers struggle to find the right candidates—in areas as varied as data science, software development and web design. Without the right talent, these tech teams will struggle to drive innovation-fuelled growth for their employers. Skills shortage will also put growing pressure on those who currently may be doing the job of two or three colleagues. Burnout is now reaching crisis point.

Announced last year, the government's UK Digital Strategy is nothing if not ambitious: Number 10 claims the approach could help create close to 680,000 new jobs. But it will come to nought if businesses can't find the talent to keep pace with surging demand for digital expertise, whilst supporting their employees to reduce burnout. We know that Britain's got tech talent. So how do we make the most of it? We need to overhaul today's stagnant approach to resourcing and hiring. Leveraging talent platforms can totally disrupt how talent is sourced, retained, upskilled and rehired.

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Executive Summary

This report is designed to provide insight into the UK's technology sector in 2023, specifically, the state of digital transformation maturity, tech talent shortages, and the impact both are having on IT & technology professionals and their employers. To inform the insights shared in the document, Gigged.AI conducted research among 255 UK business decision makers responsible for making decisions around digital transformation programmes, working in a range of departments.
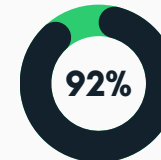
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The Report in Numbers

58% Of respondents have experienced a hiring freeze in the past year

57% Say that the tech talent shortage has worsened compared to last year

92% Report that they are experiencing stress at work, with 36% being very or extremely stressed

37% Employees are spending less time with their families as a result of workplace stress

72% Of organisations are progressing with digital transformation, but just a third are advanced in these projects due to lack of budget, things taking longer than expected and a lack of talent to do the work

62% Of respondents who are stressed at work say that the skills shortage is a contributing factor

CHAPTER ONE

THE STATE OF DIGITAL TRANSFORMATION TODAY

Digital transformation is the deployment of technology at scale to optimise various aspects of an organisation—whether it's to drive process efficiencies, improve the customer experience, reduce costs or increase profits and business agility.

McKinsey claims the pandemic forced many companies over a "technology tipping point", to accelerate the digitisation of their operations by several years.[iv]

Today the momentum is still there, but the focus is more on achieving competitive advantage in a world characterised by business and economic uncertainty.

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> *Most organisations are still firmly entrenched in a "recruit and retain" full-time-employee workforce strategy so it is no wonder that organisations are struggling with digital transformation. The rate of change is affecting the dynamic skill mix needed in organisations which includes the need to both constantly bring in new skills AND retire old skills.*

Steve Rader
Programme Manager at NASA Tournament Lab and the Centre of Excellence for Collaborative Innovation for NASA, and Leader & speaker on Open Innovation, Open Talent, and the Future of Work

Many **(72%)** of UK businesses we spoke to say they are currently taking part in digital transformation projects. Yet within this group, not all are at the same level of maturity. Just a third claim to be well on their way, with "a lot achieved" so far. Half **(48%)** at least have a plan in place, whereas a fifth **(19%)** admit there's still much to do. Some **17%** claim they aren't even currently doing digital transformation, rising to **29%** in the banking and financial sector.

For those who are not currently making good progress on their digital transformation journey, the main reason given is that things are taking longer than expected **(45%)**.

30% claim there is too much work to do and not enough people to do it, while over a fifth (22%) don't have the right talent in place to do it, rising to 29% for those with a hiring freeze in place.

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The lack of talent is therefore clearly having an impact on the success of digital transformation initiatives. This chimes with a separate McKinsey report which claims that one of the six key requirements to "move the needle" on digital transformation is a "strong talent bench with in-house engineers".[v] A healthy environment to encourage digital dynamism and growth would be one in which talent thrives, and technologists are comfortable working side-by-side with business colleagues.

> *Digital Transformation has a lot more to do with people than it does with technology. If you take a close look at the reasons cited by the respondents who are not making good progress on their transformation efforts, not one of them cites technology as the problem. It is vital for business leaders to recognize the role that people and talent play in making their transformation a reality and begin to change their approach to be more people-centric.*

Ema Roloff
Keynote speaker in
Digital Transformation

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CHAPTER TWO

THE TECH SKILLS GAP:
AN EMERGING CRISIS

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It doesn't matter if you're running an SMB or a large enterprise, technology skills shortages are close to being an existential challenge. The bad news is it's not getting any easier for most companies. And for some, the situation is becoming a lot worse as 90% of respondents said they are experiencing a tech skills shortage to some extent.

A third (34%) of the organisations we polled are experiencing a tech shortage to a large or very large extent, perhaps unsurprisingly rising even higher (49%) for those in the IT department of their organisation. A further third (33%) say this is happening to a moderate extent.

1 in 10 claim not to be suffering from a lack of tech skills, this increases to a quarter of small companies with 1-50 employees.

90%

of respondents said they are experiencing a tech skills shortage to some extent

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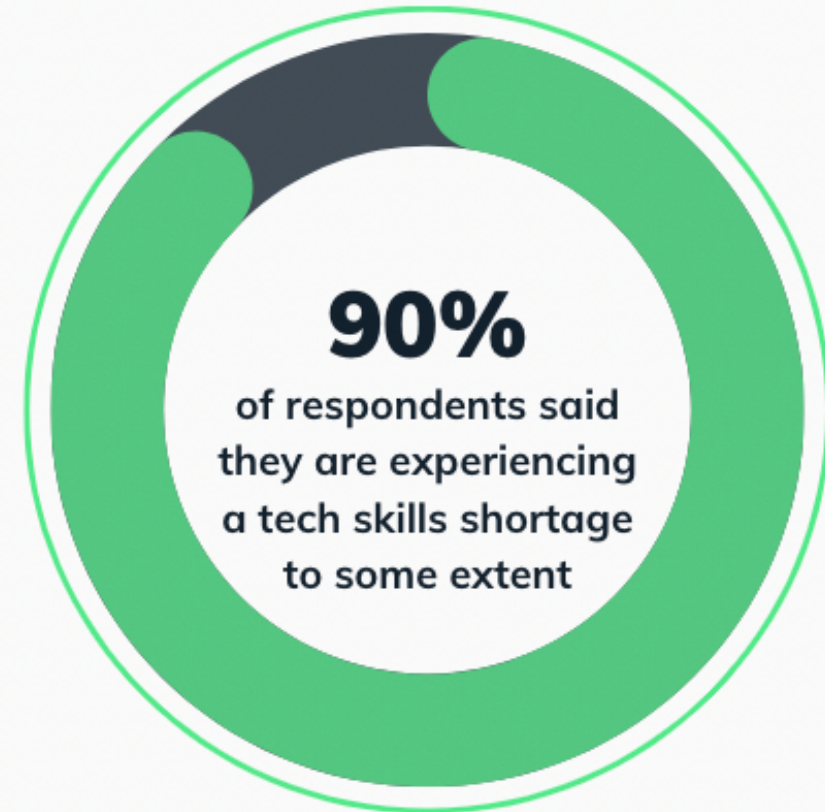
Among those experiencing a shortfall in talent, the biggest gaps are to be found in software development **(37%)**, increasing to almost half of large companies (48%). The next most in demand roles appear to be in cybersecurity, where **37%** of respondents have skills shortages, and digital marketing (36%). It proves that skills challenges are present across a wide sweep of IT roles.

Things are getting tougher. Over half **(57%)** of respondents say that the tech talent shortage has "substantially" or "somewhat" increased compared to last year, rising to **74%** of those companies already experiencing large/very large shortages. Just a fifth **(20%)** say these challenges have eased of late, rising to around a third **(32%)** in government, education, policing and healthcare.

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> " *The size, strength and resilience of the tech sector is largely a function of the talent available. The UK needs to adopt a more systematic approach to supplying that talent, with a joined-up policy across schools, universities and colleges, retraining support to convert from other disciplines, immigration and a lifelong learning programme. Without that we are choosing to limit our economic strength well into the future.* "
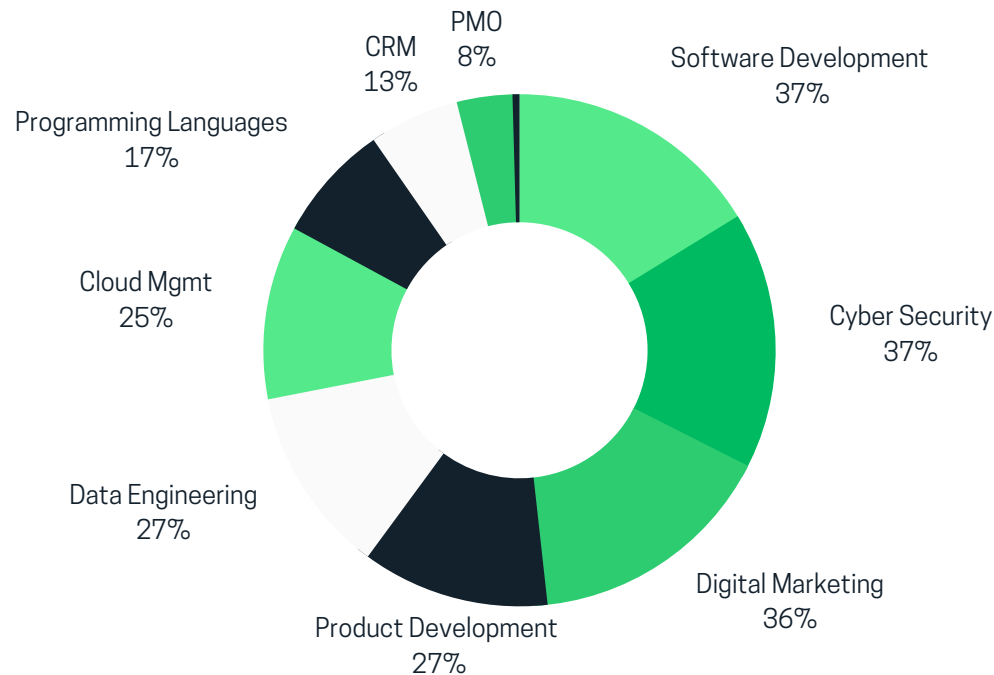
Mark Logan
Advisor to The Scottish Government, Professor of Computer Science at Glasgow Caledonian University and former COO of Skyscanner

What do organisations believe the reasons are for such extensive shortage of talent? A third **(34%)** claim they're not able to find qualified candidates, while in second place, **32%** say it's a lack of budget.

So, whilst there doesn't seem to be the talent available, concerningly **58%** of respondents said they have experienced a hiring freeze in the past year in their company.

PMO
8%

CRM
13%

Programming Languages
17%

Cloud Mgmt
25%

Data Engineering
27%

Product Development
27%

Software Development
37%

Cyber Security
37%

Digital Marketing
36%

AMONG THOSE WHO ARE EXPERIENCING A TECH SHORTAGE, THE MAIN AREAS IMPACTED ARE SOFTWARE DEVELOPMENT (37%), CYBER SECURITY (37%) AND DIGITAL MARKETING (36%)

Over half of respondents have experienced a hiring freeze in the last year, however of those **73%** *are also experiencing a tech shortage to a large or very large extent*

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The dearth of qualified candidates is particularly acute in the IT, Telecomms, Software/Computer Engineering industry where **47%** site this as a main challenge when it comes to recruiting and hiring.

While budget is important, it's also true that even those with the money to spend will struggle to recruit if they can not find the right quality and seniority of talent, aren't looking for them or indeed don't know what they are looking for to support their digital transformation.

> " *Is there a tech talent gap? Yes, profoundly, and the gap just widened considerably. Only a few months ago, AI was incrementally growing in relevance and impact. Open.ai and ChatGPT changed all that, unleashing a tsunami of innovation and a hunger for AI talent in every arena. From stroke prevention by health tech startups like Cerebra.ai, to service roles including analyst, consultant, lawyer, grant writer, illustrator, and journalist, AI is the next internet. Organisations need to get in front of this requirement and more quickly access capability and build the relationships that enable them to take full advantage of this transformative technology.* "

Jon Younger
Commentator on the freelance revolution and the future workforce.

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THE HUMAN TOLL: **BURNOUT** IN THE **TECHNOLOGY** INDUSTRY
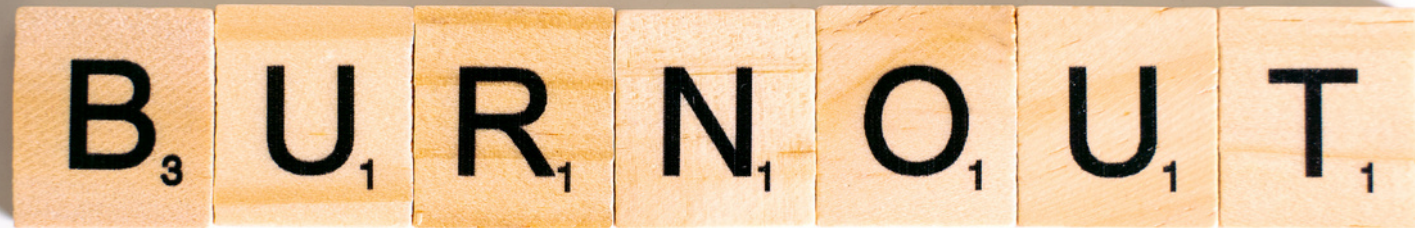
Stress is a fact of life, and of work. It doesn't necessarily need to be a bad thing for technology professionals, in small doses. IT industry association CREST even claims that "brief and controllable stress can be stimulating and enjoyable and within limits people perform better when mildly stressed." [vi]. However, increasingly we're seeing that "brief and controllable stress" becoming longer term and harder to manage.

92% of respondents to our study say they're experiencing some form of work-related stress, with over a third (36%) claiming to be "very" or "extremely" stressed – rising to 43% for 35-44-year-olds. Another two-fifths (41%) claim they are "fairly" stressed at work. Over a third (36%) of respondents are working between two and three hours more per week than they should, with another third (33%) doing an extra four to five hours work per week.

A quarter **(26%)** have had to work whilst on holiday. **27%** of respondents are regularly working outside of their agreed hours, particularly in companies with 501+ employees **(35%)** versus SMB with 51-100 employees **(18%).**

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This kind of chronic pressure is having a significant impact on mental and physical health, wellbeing and workplace performance. Due to work-related stress, over a third **(37%)** of respondents report spending less time with their family, rising to **54%** of those over 45, and **29%** say their morale has been impacted.

A quarter **(26%)** say they're less efficient because of the stress. A fifth **(22%)** have thought several times about leaving their job, which would turn up the pressure on those left behind in the workplace. And a similar share **(18%)** claim it has damaged their relationships. **15%** have even been to the doctors with stress and **8%** have left their current job because of it.

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66 *A key part of any employer's plan to tackle these huge issues should be to embrace greater flexible working. It's proven that giving people more choice and control over how they balance their work and homelife can reduce stress and improve mental health, as well as reducing staff sickness absence and improving productivity. Also, mentioning flexible working in job adverts and during recruitment means employers reach a far wider pool of talent and secure better quality new recruits as a result.* 99

Nikki Slowey
Co-founder and Director of Flexibility Works

Respondents are in no doubt as to one of the main causes of this increasingly unbearable workplace pressure.

Nearly two-thirds **(62%)** lay the blame on the tech talent shortage, this rises to a massive **80%** when you look specifically at Senior management. **47%** of those who believe that the tech talent shortage has contributed to their stress say that they have experienced increased workloads

> 66 *Don't think about how you put the boundaries around work, rather, consider what you need for 'life' first and fit work around that. Time to be non-negotiable with what we need to be our best selves daily with the space we have created in the digital environment. Time to honour personal (wellbeing) appointments with yourself the way you would a doctors or work appointment. Finally, it's time to forget work life balance as a concept and consider instead that it is life, which work is one part of, and definitely not the first part.* 99

Ryan Hopkins
Future of Wellbeing Leader, Author of 52 Weeks of Wellbeing, TEDx speaker, LinkedIn Top Voice for Work Life Balance

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27%

Of respondents say they are forced into meetings about trying to manage team workloads as a result

These concerning figures reveal that the tech talent shortage is indeed causing alarming levels of mental health stress for employees, and companies need to quickly assess their employee and hiring needs to ensure that their workforce is not leading to a severe and damaging **case of burnout.**
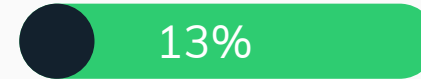
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Business Owners are over three times as likely to be 'extremely stressed' at work (16% vs. 5%)
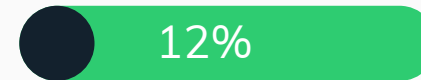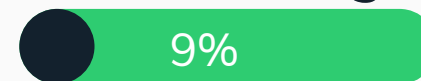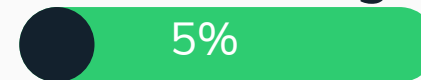
% Extremely stressed

Owner
16%
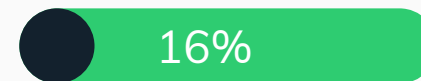
C-level exec
13%

Director / Head of Department
12%

**Senior management**
9%

Middle management
5%

BUSINESS **REDEFINED**: WHY IT'S TIME TO RETHINK HOW TO RESOURCE THE **WORKFORCE**

Digital transformation is the application of technology at scale to drive business agility, profits and other goals. But it ultimately boils down to people. Technology workers are the ones tasked with designing and implementing projects. So finding the right talent for the job is absolutely critical to the success of initiatives.

With talent shortages and burnout reaching crisis point, it's time for organisations and policymakers to think about more flexible ways to tackle these challenges. The good news is that many appear to be doing exactly this.

27% of those we spoke to say they're creating training programmes to upskill current employees, in a bid to plug talent gaps. Additionally, 80% report that their company offers employees the opportunity to take on additional digital responsibilities, with 44% hoping to take advantage. Nearly two-fifths (37%) of respondents think that on-the-job training could help improve things when it comes to the tech talent shortage, and around a third believe ramping up salaries (33%) and benefits (32%) for existing staff would too.

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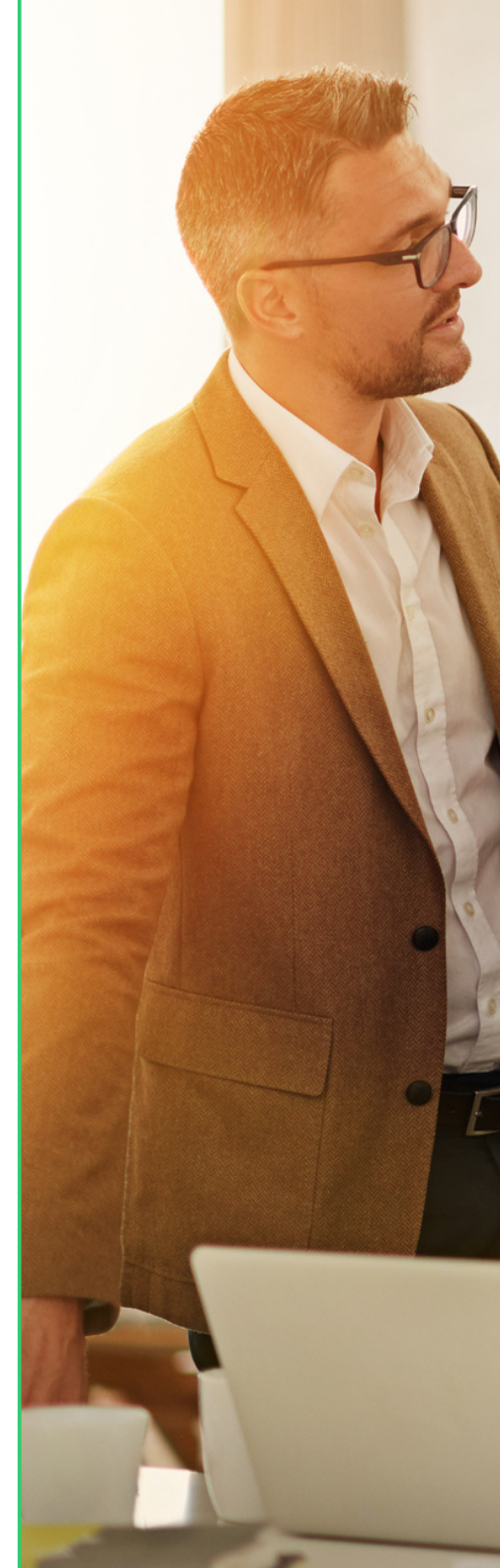
However, under a quarter **(24%)** of those asked are looking at more flexible options such as freelancers or consultants to fill the gap, and only **15%** are looking at rehauling their approach to hiring. This demonstrates that companies need to think differently about how they access tech talent, outside of the more traditional, full time roles which can have large overheads and not necessarily be needed long term.

There's also hope that technology could help in time to alleviate skills shortages. Generative AI in particular has been hailed for its ability to generate code and perform as a kind of virtual assistant, boosting worker productivity. Over half **(51%)** of respondents think tools like this will help alleviate tech skills shortages, although **44%** have concerns about the ethical impact of replacing roles previously occupied by humans.

> *Management and organisations need to recognize the fundamentals that have underpinned organisations for over 100 years have now changed. Agility is no longer a nice to have, it is a survival trait. The future of organisations is agility driven by digitally native talent accessed from talent clouds and powered by AI. If senior leaders don't understand that last sentence and don't know that DAOs are likely the new building block of business, then it is hard to imagine how they can catch up in time to not fall victim to the disruption that is surely headed their way*

Steve Rader
Programme Manager at NASA Tournament Lab and the Centre of Excellence for Collaborative Innovation for NASA, and Leader & speaker on Open Innovation, Open Talent, and the Future of Work

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Employers are also aware of the growing mental toll that tech shortages are taking on their IT and digital workers. Some **69%** say they offer mental health support to employees, rising to **80%** of large (500+ employee) organisations and **89%** of banking sector firms. Just as importantly, a similar share (69%) of respondents say they'd use such services if offered.

However, there's still some work to do in order to reduce the social stigma associated with mental health. A quarter of those unlikely to use support services say they don't want work to know **(24%)** or they worry people will think their mental health challenges will impact their ability to do their job. Also, concerningly, nearly a quarter of respondents reported that their organisations do not offer any mental health support to employees at all.

Organisations and policymakers will have to work harder on alleviating concerns if help is to get to those most in need or indeed creating programmes and support to their employees, particularly given the rising amount of reported stress amongst the workforce.

> " *The Tech skills crisis is driving many employers to think differently about talent in their business. With advances in AI and talent marketplaces, organisations can now gain real-time insights into the availability and skills of potential candidates, both within and beyond their existing workforce.*
>
> *However, true competitive advantage will go to the employers who treat all workers equitably regardless of their employment status. This includes providing fair compensation, opportunities for development, and a supportive work environment that fosters engagement and productivity.* "

Matt Alder
Talent Acquisition Futurist, The Recruiting Future Podcast

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CONCLUSION

Conclusion

Digital transformation is critical to the success not only of UK organisations but also the economy at large. Research by AWS reported that digital technology could grow the economy by over **£413 billion** by 2030. That makes it a challenge for business leaders and policymakers alike. Yet one major roadblock stands in the way of their ambitions: a lack of skilled professionals to design, deploy and manage these projects.

The scale of the problem is clear. **A third** of UK organisations say they're experiencing large to very large tech skills shortages. And over half say the situation is getting worse. Many are at risk of slipping into a vicious circle, where talent shortages amplify workplace pressures for existing staff, causing burnout and ultimately an even smaller pool of workers.

Gartner recently listed **Internal Talent Marketplaces** in the Emerging Technology Hype Cycle. Organisation that use this technology to create strong internal mobility across distributed workers will have less talent shortages and improved retention levels. Adding on-demand talent to internal mobility can cut down expensive full-time hiring to keep up with the sheer velocity and dynamism of today's tech jobs market.

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ABOUT

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Gigged.AI is on a mission to make hiring tech talent simpler for global enterprises. Its proprietary AI-powered talent platforms provide businesses with dependable solutions to tech skill shortages. The On-Demand Talent Platform gives instant access to verified, on-demand tech talent to accelerate digital projects. Its Internal Talent Marketplace captures the skills within a workforce and matches them to the right project, reducing the need for lengthy and expensive recruitment, and improving retention. Gigged.AI has 15,000 highly skilled tech professionals on its platform, covering 450+ skills in 43 locations globally. Find out more at Gigged.AI.

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ABOUT
RESEARCH STUDY

The survey was conducted among 255 UK business decision makers responsible for making decisions around digital transformation programmes, working in a range of departments.The interviews were conducted online by Sapio Research in July and August 2023 using an email invitation and an online survey. Sapio Research is a full-service B2B and tech market research agency that helps businesses grow thanks to high quality, efficient and honest research solutions.

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