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FOOTE NEWS ANALYSIS

September 2010 U.S. Department of Labor National Employment Report

Services jobs continue to grow but there's not much else to soothe IT professionals' employment hopes as Federal jobs report for September shows continued stagnation in the U.S. labor market

Vero Beach, FL – Tuesday, October 12, 2010. U.S. employment numbers released Friday by the Department of Labor's Bureau of Labor Statistics (BLS) revealed a net gain of 6,500 IT-related jobs in September for the fourth straight month of net jobs gains in this labor segment (FIGURE 1).

Five bellwether IT job segments in the BLS data have shown a net gain of 28,600 jobs from June through September, with the **Management and Technical Consulting Services** segment accounting for 19,500, or 68 percent, of these new jobs. This segment has posted gains in nine of the last twelve months of federal labor data.

"You have to remember that these are federal employment statistics that reflect only a small portion of what you and I would commonly refer to as the IT job market," remarks David Foote, CEO and chief research officer at IT analyst firm Foote Partners that publishes its own national labor trend research. "We believe there are approximately 20 to 25 million IT professionals in the U.S. compared to the government's archaic definition of about 4 million. The fact is that federal data doesn't specifically identify millions of IT

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professionals working in business lines, corporate departments, and in various enterprise strategic and operational functions. These jobs require skills well beyond technology; for instance, precise industry, customer, product, and solution knowledge and expertise.

"Still, it is important to point out that businesses are looking to the IT services industry to help them get their work done and this has created some healthy jobs growth in this sector. They're not depending entirely on consultants and managed services---many of our clients are indeed also hiring workers with specific skills and experience---but it's clear that demand for full time workers outside the services sector in particular has not gained the kind of momentum that many analysts and pundits had been predicting earlier this year.

"Foote Partners has not changed its prediction from last November that there is a slim to no chance for meaningful IT jobs recovery in 2010 and well into 2011, despite recovery in the equity markets," notes Foote. "Moreover, we remain convinced that the length of the tail on this staffing lag will be much longer than previous economic recoveries. Volatility will continue to punctuate staffing and pay levels throughout this year and next, with human capital investments focused on specific IT skill specializations as employers struggle to recalibrate their IT workforces and strike the right balance between costs, agility, and intense competitive market pressures. With so much economic pessimism out there it is certain that this volatility will persist, thwarting any positive momentum that might show up from time to time."

More September national jobs report results

The ***Computer Systems Design and Related Services*** job segment posted net job losses totaling 900 in September following two months of gains in which 9,800 jobs were added to payrolls in this category, ranking it second to *Management and Technical Consulting Services* in new jobs created over the last four months (8,600). (FIGURE 1).

200 jobs were lost in the ***Data Processing, Hosting and Related Services*** segment last month. This segment has posted losses in five of the past seven months for a net loss of 6,000 jobs in the same period. Performing better in September were two job segments in the Computer and Electronic Products industry category, ***Communications Equipment*** (+600 jobs) and ***Computer and Peripheral Equipment*** (+100). Together, a total of 5,900 jobs have been added since March 2010 in these segments (FIGURE 1).

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Good forecasting tools are important. Foote Partners forecasts in-demand certified and noncertified skills in its industry leading ***IT Skills HOT LISTS Report*** ,identifying and rank-ordering those skills and certifications that will rise in value over the next three to six months. The report is updated every three months. Explains Foote, "If you know an IT skill or certification will be more expensive three to six months from now and you've already budgeted to acquire that skill, you might want to invest right now. Or if you're a service provider setting competitive consulting rates, it's important to match those rates to market conditions especially if they are going up in value. Good forecasting sources like our *HOT LISTS* become critical tools for maintaining profit margins. We incorporate a variety of proprietary statistical survey research and field interviews with more than 400 IT executives within our research base of more than 2,000 organizations in order to predict where job and skills gains and losses will be going forward."

Volatility in skills as well as jobs. "In our IT employment market analysis which will be released next week, we will note that volatility remains the dominant trend right now for IT skills as well jobs," notes Foote. "We've been seeing 30 percent to 40 percent volatility since early 2008 in our quarterly surveys of premium pay for certified and noncertified skills, which is defined as the percent of the 457 skills we survey that change in market value---up or down---every three months. And that's unprecedented in our market tracking going back to 1998. Typical quarterly volatility falls in the 14 percent to 19 percent range.

"The accent in the IT workforce right now is on acquiring skills more than it is on hiring full time employees. Beyond the fact that it's more expensive to hire full –timers, it can take months to find the right person even thought the number of unemployed workers is so large. And that works against all the pressure on IT leaders right now to be more agile, react faster, and execute more quickly. This is stimulating interest in managed services, cloud computing, SaaS, PaaS, IaaS, contractors and consultants. It's also contributing to all this volatility in pay and demand for skills and people.

"This is not simply a short term market condition. It's part of a systemic transformation of traditional IT service delivery models. Market volatility in skills and jobs will be the new standard in market behavior for years to come in our opinion," insists Foote.

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Figure 1 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2009 to September 2010)

MONTHLY JOB SITUATION TRENDS – IT PROFESSIONALS

(Highlights for five bellwether IT jobs segments)

	2009												2010								
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep
Nonfarm job loss (month)	598,000	651,000	663,000	539,000	345,000	467,000	247,000	466,000	263,000	558,000	-4,000	85,000	20,000	36,000	162,000	290,000	41,000	125,000	131,000	54,000	95,000
National unemployment rate	**7.6%**	**8.1%**	**8.5%**	**8.9%**	**9.4%**	**9.5%**	**9.4%**	**9.7%**	**9.8%**	**10.2%**	**10.0%**	**10.0%**	**9.7%**	**9.7%**	**9.7%**	**9.9%**	**9.7%**	**9.5%**	**9.5%**	**9.6%**	**9.6%**
Computer/Electronic Products	-8,800	-13,100	-5,300	-11,700	-14,400	-16,100	-7,400	-8,300	-7,400	-6,300	-4,900	-2,400	-3,600	-1,900	0	100	2,800	1,100	1,100	2,600	1,800
Segment 1: Computer/PeripheralEquipment	700	-3,100	-1,500	-2,900	-3,200	-2,300	-700	-1,700	-900	-1,800	-500	-400	1,300	-200	-400	300	700	-200	700	900	100
Segment 2: Communications Equipment	-500	-200	600	200	-600	-2,100	-300	-800	0	-1,100	-300	400	-1,000	800	600	-100	1,500	600	-500	1,100	600
Professional/Technical Services	-28,600	-36,700	-31,300	-17,100	-18,800	-40,400	-7,300	-11,300	-6,000	-11,000	1,200	8,800	-1,600	0	-12,500	80,000	-11100	4000	4800	12100	-6900
Segment 3: Management/Technical Consulting Services	11,000	-4,800	-6,100	1,600	700	-1,100	900	-100	400	7,300	5,600	3,500	-5,000	-3,400	1,100	1,000	-700	10,500	1,800	300	6,900
Segment 4: Computer Systems Design/Related Services	-3,500	-300	-3,900	-1,400	-2,800	-2,700	7,900	-3,400	-300	4,500	1,000	3,400	7,100	8,000	-5,800	7,300	-300	-300	5,800	4,000	-900
Information	-21,000	-15,000	-10,000	-17,000	-24,000	-21,000	-16,000	-10,000	0	-1,000	-17,000	-6,000	0	-18,000	-12,000	-3,000	0	-8,000	1,000	-1,000	-5,000
Segment 5: Data Processing/Hosting/ Related Services	200	-2,000	-200	-900	-3,500	600	-400	1700	-900	-900	-900	700	400	600	-2300	300	-1300	-1500	300	-1300	-200
Net gain or loss - IT SEGMENTS	7,900	-10,400	-11,100	-3,400	-9,400	-7,600	7,400	-4,300	-1,700	8,000	4,900	7,600	2,800	5,800	-6,800	8,800	-100	9,100	8,100	5,000	6,500

Key: **Job losses in red**
Job gains in green

Source: US Department of Labor/Bureau of Labor Statistics.
Data chart and analysis by Foote Partners LLC

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Figure 2 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2009 to September 2010)

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

Highlights for five bellwether IT jobs segments)

INDUSTRY	CUMULATIVE NET JOB GAINS/DECLINES					
	12 mos.	7 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Oct09 - Sept10	Mar10 - Sept10	Apr10 - Sept10	Jun10 - Sept10	Jul10 - Sept10	Aug10 - Sept10
Computer and Electronic Products	-9,600	9,500	9,500	6,600	5,500	4,400
Segment 1: Computer/PeripheralEquipment	500	2,100	2,500	1,500	1,700	1,000
Segment 2: Communications Equipment	2,600	3,800	3,200	1,800	1,200	1,700
Professional and Technical Services	67,800	70,400	82,900	14,000	10,000	5,200
Segment 3: Management/Technical Consulting Services	28,900	20,900	19,800	19,500	9,000	7,200
Segment 4: Computer Systems Design/Related Services	33,800	9,800	15,600	8,600	8,900	3,100
Information	-70,000	-28,000	-16,000	-13,000	-5,000	-6,000
Segment 5: Data Processing/Hosting/ Related Services	-6,100	-6,000	-3,700	-2,700	-1,200	-1,500
TOTAL - ALL 5 IT SEGMENTS	59,700	30,600	37,400	28,700	19,600	11,500

Key: Net job declines in red
Net job gains in green

Source: US Department of Labor/Bureau of Labor Statistics.
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ABOUT FOOTE PARTNERS

Foote Partners LLC is a Vero Beach, FL based independent IT benchmarking research and advisory firm targeting the 'execution' side of IT and providing pragmatic and forward-thinking advice and data about managing the modern business/IT hybrid professional workforce. Founded in 1997 and comprised of former Gartner and META Group industry analysts, McKinsey & Company and Towers Watson consultants, and former corporate HR, IT, and business executives, Foote Partners has been a thought leader and trusted advisor to thousands of employers seeking improvements in managing IT's impact on their businesses and customers.

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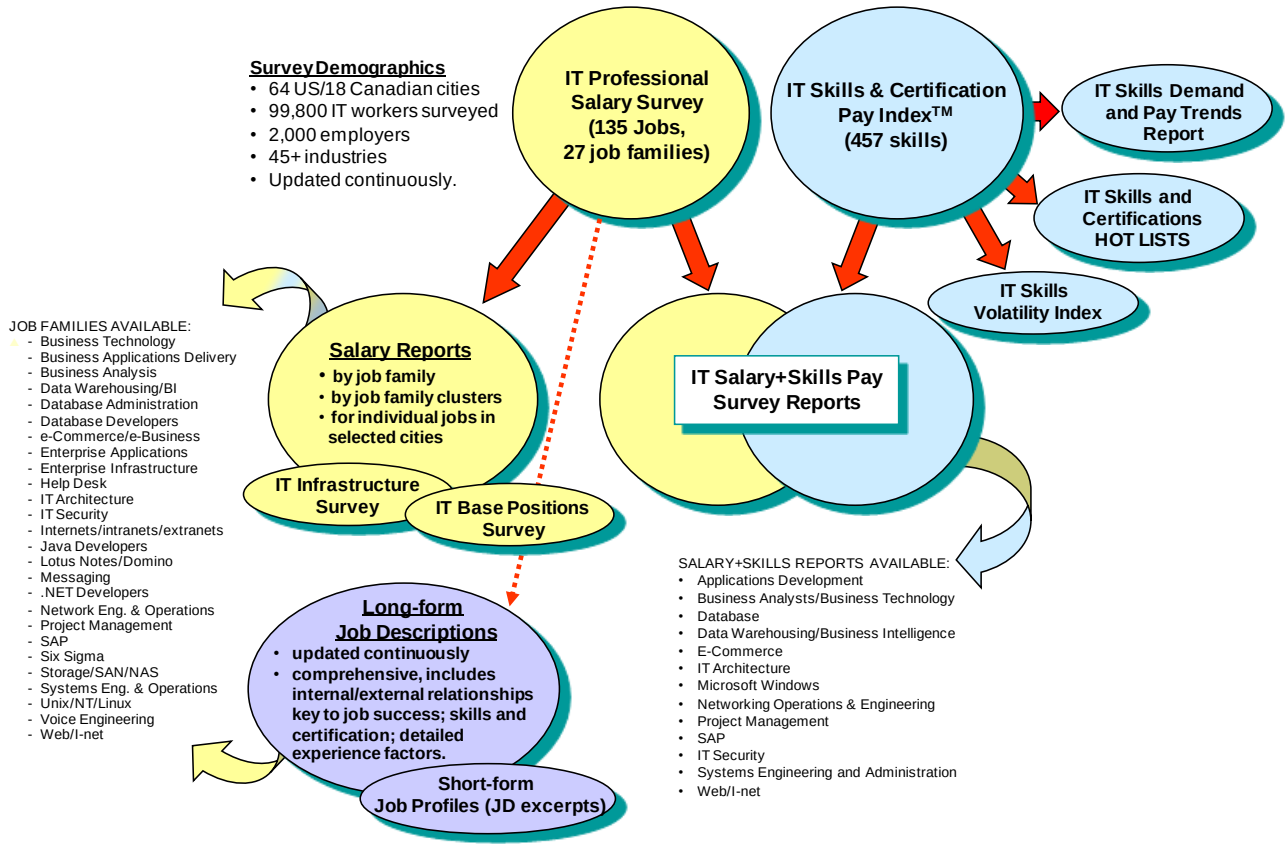
Foote Partners 2010 IT Compensation Survey - PRODUCT MAP



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