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FOOTE IT NEWS ANALYSIS – Technology employment trends in the December 2012 Bureau of Labor Statistics United States Employment Report

IT employment in December improves 44% from prior month --- 3,000 new jobs --- as a total of 9,800 IT jobs are added to U.S. payrolls.

IT services industry employment increases by 4,300.

7.8 percent national unemployment rate at as employers add 155,000 jobs, almost exactly equal to the average monthly growth over last two years.

Vero Beach, FL – Sunday, January 6, 2013. An analysis of Friday's release of December 2012 U.S. employment numbers by the Bureau of Labor Statistics reveals a net gain of 9,800 jobs across four industry job segments commonly associated with IT professionals. This follows three months of seesawing IT employment numbers: September's net loss of 1,700 jobs, October's 12,500 surge, and a sudden drop to 6,800 new workers in November (see Figures 1 and 3). Last month's job gain is notably higher than the 9,442 monthly average for IT job growth in 2012, a year which saw a net gain of 113,300 IT jobs in these four BLS industry job segments.

All of the growth in IT jobs in 2012 BLS reporting can be attributed to two segments heavily represented by the IT services industries, which together added 131,600 new jobs to American payrolls for the year. The ***Management and Technical Consulting Services*** segment gained 5,800 jobs in December --- up from no growth in November --- for a total of 56,700 new jobs in 2012. The other segment, ***Computer Systems Design/Related Services,*** added 5,600 jobs last month and 74,900 for the year. (see Figure 3)

Two segments in the *Information* BLS industry job group, ***Telecommunications*** and ***Data Processing, Hosting and Related Services*** segments, continued to post losses in December (-1,600). Together they combined for a net total loss of 18,300 jobs for the year (average 1,525 per month), nearly all coming from telecommunications. Interestingly, over the last six months of 2012 these segments combined for a net *gain* of 400 jobs. Given the loss of 41,700 jobs in these segments in 2011, we continue to believe a strong case can be made that the labor market correction so apparent in *Telecommunications* and *Data Processing, Hosting and Related Services* over the past year is nearing its end. But it's doubtful that we'll be seeing any sustained job growth in these segments for the foreseeable future as industry forces continue to limit the possibilities.

DISCUSSION – IT Employment Trends

"For IT professionals the year certainly ended on a good note, with December exceeding the monthly average for the entire year," according to David Foote, chief analyst at Foote Partners which has been tracking and reporting on IT and business labor trends since 1997, including monthly analyses of the Department of Labor's employment reports. "In fact average job growth in the last three months of 2012 exceeded the average in the first nine months of the year by nearly 350 jobs per month. That may seem like a small margin but there is momentum attached to it and that's a really good sign of things to come in the next few months. Employees also enjoyed slightly faster wage growth and worked longer hours in December according to the BLS, which could bode well for future hiring."

"The caveat in all this is the challenge facing Washington politicians as they continue to wrestle over how to address the budget deficit. The most visible debt-related options being discussed could slow down economic and job growth. The $110 billion in across-the-board federal spending cuts scheduled for March 1, for example, might provoke layoffs by local governments, military contractors and other companies that depend on federal funds. There are a lot of IT workers that could be affected."

"But the fact remains that many of the IT job segments in the government jobs reports, in particular those in IT services, have been on strong and sustained growth runs for some time now. I see no structural shifts taking place right now that could produce sustained IT job losses in 2013," insists Foote. "On the contrary, many of the 2,500 employers we closely track are actively searching for talent and hiring for the future, though with considerable selectivity. They are aggressively searching for new talent investments in cloud computing, mobile platforms and applications development, business analytics and big data, business applications development, and information security, to name only a few areas. So too are aggressive efforts to innovate new products and services creating demand for new workers to fill a variety of roles that combine IT and business knowledge and experience. It's becoming harder than ever to separate information technology and business strategy; this is an ideal marriage of expediency and innovation in a very competitive global business environment."

Overall U.S. Employment Report (see Figures 5, 6 and 7)

The U.S. unemployment increased 0.1 percentage points to 7.8 percent in December as total **nonfarm payroll employment** rose by 155,000 according to the Bureau of Labor Statistics. The number of **unemployed persons**, at 12.2 million, decreased by 500,000 in the last two months of the year.

The number of **long-term unemployed** (those jobless for 27 weeks or more) was little changed at 4.8 million in December. These individuals accounted for 39.1 percent of the unemployed. The **civilian labor force participation rate** held at 63.6 percent in December. The **employment-population ratio**, at 58.7 percent, changed little in December.

The number of persons employed **part time for economic reasons** (sometimes referred to as involuntary part-time workers), declined by 300,000 in December, to 7.9 million. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job.

In December, 2.6 million persons were **marginally attached to the labor force**, up 100,000 from November but essentially unchanged from a year earlier. (These data are not seasonally adjusted.) These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months. This is significant because they are not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. Among the marginally attached, there were 1,100,000 **discouraged workers** in December---121,000 more than November. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.5 million persons marginally attached to the labor force in December had not searched for work in the 4 weeks preceding the survey for reasons such as school attendance or family responsibilities.

Among specific industries, **Health care** employment continued to expand in December (+45,000). Job gains occurred in ambulatory health care services (+23,000), in hospitals (+12,000), and in nursing and residential care facilities (+10,000). In 2012, health care employment rose by 338,000.

Employment in **food services and drinking places** rose by 38,000. In 2012, the industry added an average of 24,000 jobs a month, essentially the same as in 2011.

Construction added 30,000 jobs in December, led by employment increases in construction of buildings (+13,000) and in residential specialty trade contractors (+12,000). **Manufacturing** employment rose by 25,000, with small gains in a number of component industries. In 2012, factory employment increased by 180,000; most of the growth occurred during the first quarter. No doubt some of the gains in construction were helped by rebuilding after Hurricane Sandy.

Employment in **retail trade** changed little in December, after increasing by 143,000 over the prior 3 months. Within the industry, employment in clothing and accessories stores fell by 19,000, following gains that totaled 55,000 over the prior 3 months. Elsewhere in retail trade, employment in automobile dealers and in food and beverage stores continued to trend up in December.

Employment in other major industries, including **mining and logging**, **transportation and warehousing**, **financial activities**, and **government**, showed little change over the month.

FIGURE 1 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2011 to December 2012)

MONTHLY JOB SITUATION TRENDS – IT Professional Job Segments

(Highlights for four bellwether IT jobs segments)

2011	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Nonfarm job loss/gain (month)	36,000	192,000	216,000	244,000	54,000	18,000	127,000	57,000	103,000	100,000	120,000	223,000
National unemployment rate	**9.0%**	**8.9%**	**8.8%**	**9.0%**	**9.1%**	**9.2%**	**9.1%**	**9.1%**	**9.1%**	**9.0%**	**8.6%**	**8.5%**
Professional/Technical Services	7,900	10,000	34,700	33,000	40,300	24,200	17,700	16,100	24,100	320	8,800	8,500
Segment 5: Management/Technical Consulting Services	3,600	6,600	-300	11,300	5,200	1,200	5,400	6,000	5,500	3,800	4,500	4,300
Segment 4: Computer Systems Design/Related Services	8,600	4,200	6,400	7,900	8,200	5,700	6,100	7,700	6,000	2,900	5,100	1,200
Information	-1,000	0	-4,000	2,000	-1,000	0	-1,000	-48,000	34,000	-5,000	-4,000	6,000
Segment 4: Telecommunications	-3,600	-2,200	-3,800	-1,000	-3,400	-400	-2,700	-47,300	37,600	-4,900	-2,600	-3,000
Segment 5: Data Processing/Hosting/ Related Services	-1900	-700	-500	-400	700	-300	-200	100	-600	400	-900	-200
Net gain/loss - ALL IT SEGMENTS	6,700	7,900	1,800	17,800	10,700	6,200	8,600	-33,500	48,500	2,200	6,100	2,300
Net gain/loss - ONLY IT SERVICES SEGMENTS	12,200	10,800	6,100	19,200	13,400	6,900	11,500	13,700	11,500	6,700	9,600	5,500

2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Nonfarm job loss/gain (month)	284,000	227,000	143,000	68,000	87,000	64,000	181,000	192,000	132,000	137,000	161,000	155,000
National unemployment rate	**8.3%**	**8.3%**	**8.2%**	**8.1%**	**8.2%**	**8.2%**	**8.3%**	**8.1%**	**7.8%**	**7.8%**	**7.7%**	**7.8%**
Professional/Technical Services	30,300	34,200	13,800	27,500	-4,000	18,200	17,900	26,800	4,900	15,500	15,300	16,900
Segment 5: Management/Technical Consulting Services	3,000	7,400	5,300	6,400	2,200	8,900	6,300	8,700	-1,800	4,500	0	5,800
Segment 4: Computer Systems Design/Related Services	1,700	10,200	3,900	7,400	5,300	6,600	7,000	10,600	2,900	6,600	7,100	5,600
Information	13,000	-1,000	-900	-2,000	-2,000	-8,000	11,000	3,000	3,000	1,000	12,000	-9,000
Segment 4: Telecommunications	-300	-6,400	-3,600	-3,500	-2,000	-2,100	2,800	-2,300	-400	1,400	300	-1,800
Segment 5: Data Processing/Hosting/ Related Services	-1300	1900	-600	-500	-300	0	2,100	1,100	-2,400	0	-600	200
Net gain/loss - ALL IT SEGMENTS	3,100	13,100	5,000	9,800	5,200	13,400	18,200	18,100	-1,700	12,500	6,800	9,800
Net gain/loss - ONLY IT SERVICES SEGMENTS	4,700	17,600	9,200	13,800	7,500	15,500	13,300	19,300	1,100	11,100	7,100	11,400

Key: Job losses in red
Job gains in green

NOTE: A labor strike in the telecommunications industry caused the temporary loss of 47,300 ***Telecommunications*** jobs in August 2011 and recovery of 37,600 in September 2011.

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

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

(Continued) MONTHLY JOB SITUATION TRENDS – IT Professional Job Segments

(Highlights for four bellwether IT jobs segments)

	2009 Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Nonfarm job loss/gain (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
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%**
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
Segment 5: Management/Technical Consulting Services	11,000	-4,800	-6,100	1,600	700	-1,100	900	-100	400	7,300	5,600	3,500
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
Information	-21,000	-15,000	-10,000	-17,000	-24,000	-21,000	-16,000	-10,000	0	-1,000	-17,000	-6,000
Segment 4: Telecommunications	-3,800	-7,300	-3,900	-7,600	-1,500	-6,700	-5,200	-3,300	-1,300	300	-8,600	-3,500
Segment 5: Data Processing/Hosting/ Related Services	200	-2,000	-200	-900	-3,500	600	-400	1700	-900	-900	-900	700
Net gain/loss - ALL IT SEGMENTS	3,900	-14,400	-14,100	-8,300	-7,100	-9,900	3,200	-5,100	-2,100	11,200	-2,900	4,100
Net gain/loss - ONLY IT SERVICES SEGMENTS	7,500	-5,100	-10,000	200	-2,100	-3,800	8,800	-3,500	100	11,800	6,600	6,900

	2010 Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Nonfarm job loss/gain (month)	20,000	36,000	162,000	290,000	41,000	125,000	131,000	54,000	95,000	180,000	80,000	103,000
National unemployment rate	**9.7%**	**9.7%**	**9.7%**	**9.9%**	**9.7%**	**9.5%**	**9.5%**	**9.6%**	**9.6%**	**9.6%**	**9.8%**	**9.4%**
Professional/Technical Services	-1,600	0	-12,500	80,000	-11,100	4,000	4,800	12,100	-6,900	6,700	7,400	1,400
Segment 5: Management/Technical Consulting Services	-5,000	-3,400	1,100	1,000	-700	10,500	1,800	300	6,900	2,600	3,700	2,900
Segment 4: Computer Systems Design/Related Services	7,100	8,000	-5,800	7,300	-300	-300	5,800	4,000	-900	7,500	900	5,300
Information	0	-18,000	-12,000	-3,000	0	-8,000	1,000	-1,000	-5,000	-1,000	1,000	-4,000
Segment 4: Telecommunications	-3,100	-3,800	-3,100	-6,700	-4,600	-2,300	-5,800	-3,600	-5,200	900	1,100	-4,500
Segment 5: Data Processing/Hosting/ Related Services	400	600	-2300	300	-1300	-1500	300	-1300	-200	500	0	200
Net gain/loss - ALL IT SEGMENTS	-600	1,400	-10,100	1,900	-6,900	6,400	2,100	-600	600	11,500	5,700	3,900
Net gain/loss - ONLY IT SERVICES SEGMENTS	2,100	4,600	-4,700	8,300	-1,000	10,200	7,600	4,300	6,000	10,100	4,600	8,200

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

FIGURE 3 – **U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (Through December 2012)**

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

Highlights for four bellwether IT jobs segments)

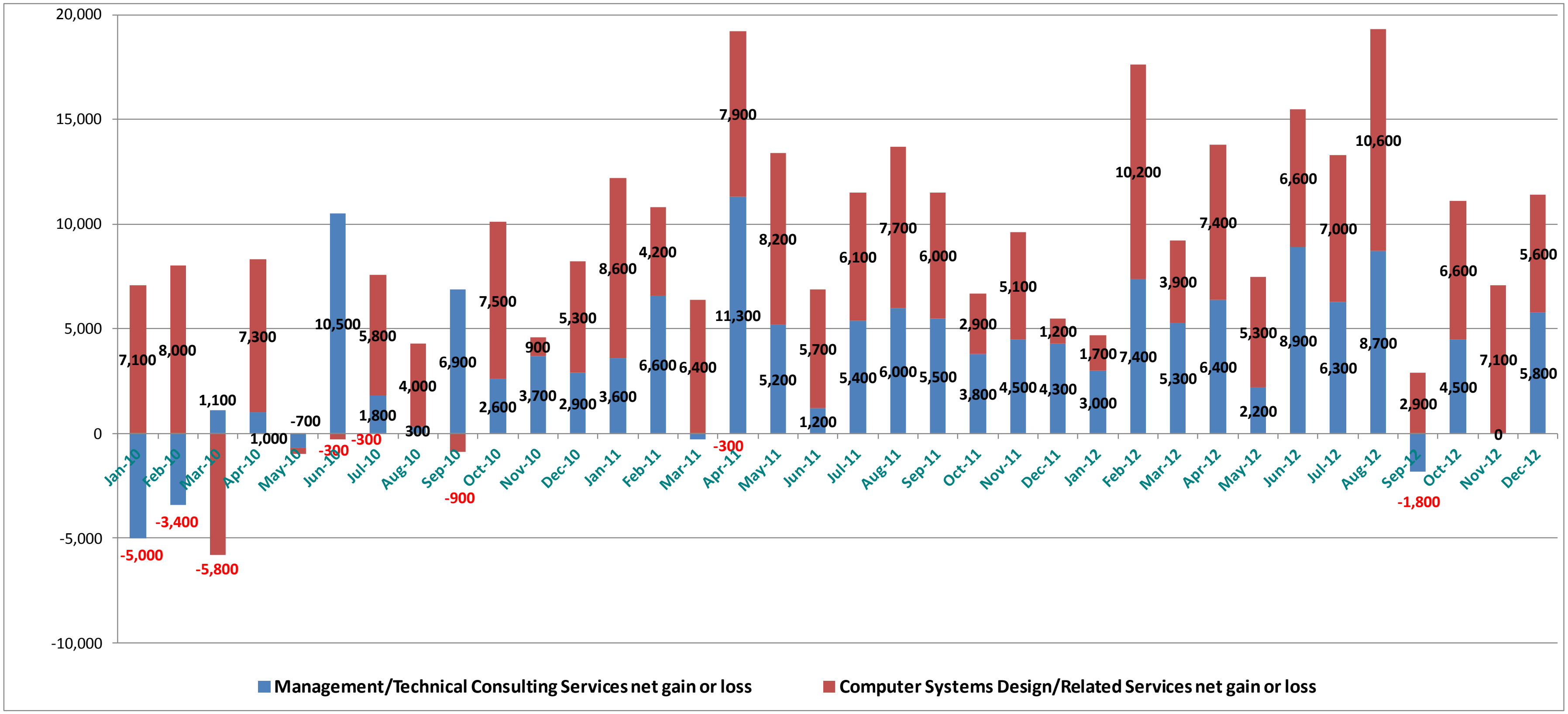
U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES									
JOBS SEGMENT	36 mos.	24 mos.	12 mos.	10 mos.	7 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Jan'09 - Dec'12	Jan'10 - Dec'12	Jan'11 - Dec'12	Mar'12 - Dec'12	Jun'12 - Dec'12	Jul'12 - Dec'12	Sep'12 - Dec'12	Oct'12 -Dec'12	Nov'12 - Dec'12
Professional and Technical Services	527,220	442,920	217,300	152,800	115,500	97,300	52,600	47,700	32,200
Segment 5: Management/Technical Consulting Services	135,500	113,800	56,700	46,300	32,400	23,500	8,500	10,300	5,800
Segment 4: Computer Systems Design/Related Services	183,500	144,900	74,900	63,000	46,400	39,800	22,200	19,300	12,700
Information	-51,900	-1,900	20,100	8,100	13,000	21,000	7,000	4,000	3,000
Segment 4: Telecommunications	-95,900	-55,200	-17,900	-11,200	-2,100	0	-500	-100	-1,500
Segment 5: Data Processing/Hosting/ Related Services	-9,200	-4,900	-400	-1,000	400	400	-2,800	-400	-400
TOTAL - ALL 4 IT SEGMENTS	213,900	198,600	113,300	97,100	77,100	63,700	27,400	56,800	16,600
Tech Services segments	319,000	258,700	131,600	109,300	78,800	63,300	30,700	29,600	18,500
Information segments	-105,100	-60,100	-18,300	-12,200	-1,700	400	-3,300	-500	-1,900

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

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

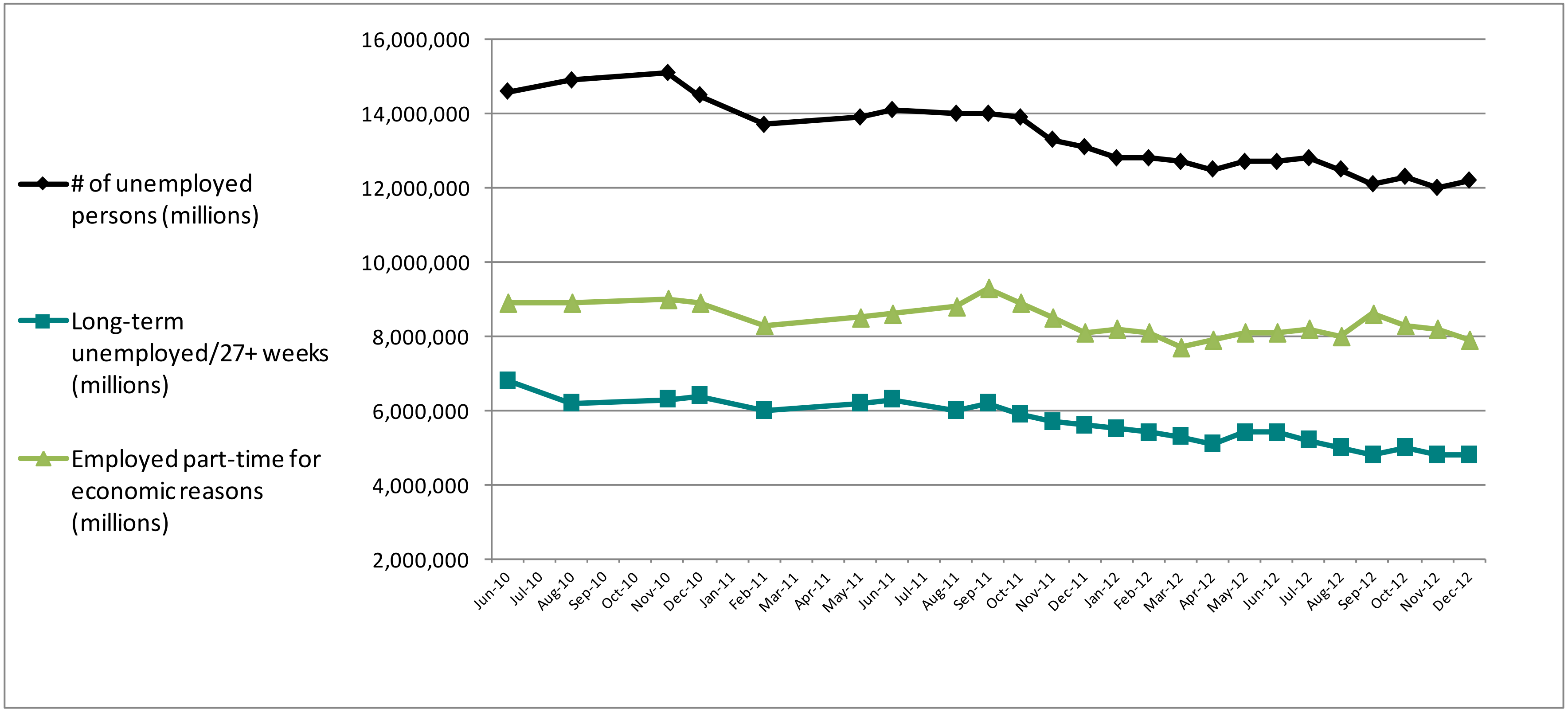
FIGURE 4 – JOB GROWTH/DECLINE - Management/Technical Consulting jobs vs. Computer Systems Design/Related services jobs

- Net job gains/losses from January 2010 through December 2012



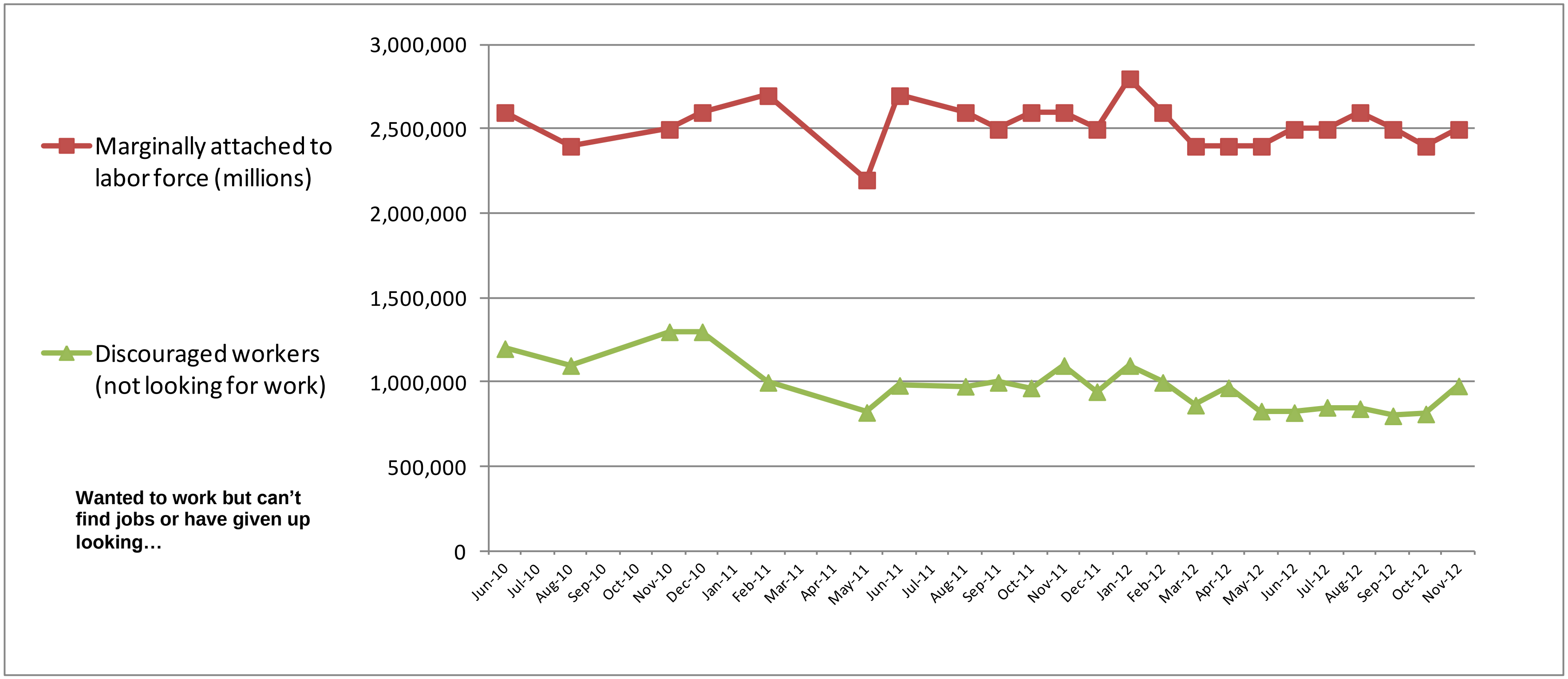
Source: US Department of Labor/Bureau of Labor Statistics. Data chart and analysis by Foote Partners LLC

FIGURE 5 – **UNEMPLOYED AND UNDEREMPLOYED PERSONS: Total vs. Long-Term vs. Part-timers**



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

FIGURE 6 – LABOR FORCE COMPOSITION: Marginally attached vs. Discouraged



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

FIGURE 7 - U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (Through December 2012)

KEY EMPLOYMENT STATISTICS – Last 31 Months

	Jun-10 (31 mos. ago)	Feb-11 (23 mos. ago)	May-11 (20 mos. ago)	Jan-12 (12 mo. ago)	Feb-12 (11 mo. ago)	Mar-12 (10 mo. ago)	Apr-12 (9 mo. ago)	May-12 8 mos. ago)	Jun-12 7 mos. ago)	Jul-12 (6 mo. ago)	Aug-12 (5 mo. ago)	Sep-12 (4 mo. ago)	Oct-12 (3 mo. ago)	Nov-12 (2 mo. ago)	Dec-12 (1 mo. ago)
Unemployment rate	**9.5%**	**8.9%**	**9.1%**	**8.3%**	**8.3%**	**8.2%**	**8.1%**	**8.2%**	**8.2%**	**8.3%**	**8.1%**	**7.8%**	**7.9%**	**7.7%**	**7.8%**
# of unemployed persons	**14.6 million**	**13.7 million**	**13.9 million**	**12.8 million**	**12.8 million**	**12.7 million**	**12.5 million**	**12.7 million**	**12.7 million**	**12.8 million**	**12.5 million**	**12.1 million**	**12.3 million**	**12.0 million**	**12.2 million**
Long-term unemployed--27+ weeks	6.8 million	6.0 million	6.2 million	5.5 million	5.4 million	5.3 million	5.1 million	5.4 million	5.4 million	5.2 million	5.0 million	4.8 million	5.0 million	4.8 million	4.8 million
(% of total unemployed persons)	45.5%	43.9%	45.1%	42.9%	42.6%	42.5%	41.3%	42.8%	41.9%	40.7%	40.0%	40.1%	40.6%	40.1%	39.1%
Civilian labor force participation rate	64.7%	64.2%	64.2%	63.7%	63.9%	63.8%	63.6%	63.8%	63.8%	63.7%	63.5%	63.6%	63.8%	63.6%	63.6%
Employment-population ratio	58.5%	58.4%	58.4%	58.5%	58.6%	58.5%	58.4%	58.6%	58.6%	58.4%	58.3%	58.7%	58.8%	58.7%	58.6%
Employed part-time for economic reasons	8.6 million	8.3 million	8.5 million	8.2 million	8.1 million	7.7 million	7.9 million	8.1 million	8.2 million	8.2 million	8.0 million	8.6 million	8.3 million	8.2million	7.9 million
Marginally attached to labor force	2.6 million	2.7 million	2.2million	2.8 million	2.6 million	2.4 million	2.4 million	2.4 million	2.5 million	2.5 million	2.6 million	2.5 million	2.4 million	2.5 million	2.6 million
Discouraged workers (not looking for work)	1,200,000	1,000,000	822,000	1,100,000	1,000,000	865,000	968,000	830,000	821,000	852,000	844,000	802,000	813,000	979,000	1,100,000

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

ABOUT FOOTE PARTNERS

Foote Partners LLC is a Vero Beach, FL based IT analyst firm and independent benchmark research organization focusing on the human capital aspects and execution (i.e. 'user' versus 'vendor) side of managing technology and IT value creation. A thought leader and trusted advisor to more than 2,300 employers on six continents, the firm provides pragmatic and forward-thinking benchmark research and analysis about managing the modern business/IT hybrid professional workforce that is deeply grounded in specialized proprietary benchmark research, surveys, and empirical intelligence collected from 2,405 North American employers representing 143,775 IT professionals with whom the firm as forged long term research partnerships.

Founded in 1997 and comprised of former Gartner and META Group industry analysts, McKinsey & Company, Towers Watson, and Mercer senior consultants, and former corporate HR, IT, and business executives, the firm's research division publishes 140 quarterly-updated IT and HR decision support benchmark research products that help employers benchmark their IT professional compensation, solve difficult information technology management and workforce problems, and strengthen their ability to execute complex solutions to increasing revenues, improving profitability, and building customer satisfaction.

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