Foote Partners, LLC
Foote Research Group

Foote Partners LLC – News Analysis – January 10, 2014

FOR IMMEDIATE RELEASE

Contact: Ted Lane **tlane@footepartners.com**
Tel: 772-234-2787

FOOTE IT NEWS ANALYSIS – Technology employment trends in the December 2013 Bureau of Labor Statistics United States Employment Report

It's official: IT hiring is in a slump, performing poorly for the fifth straight month after a strong first half of 2013

7,500 new full-time IT jobs added to U.S. payrolls in December, 30 percent less than the monthly average for the entire year

But is the IT workforce really defined by full-time employment?

Vero Beach, FL – Saturday, January 11, 2014. An analysis of Friday's release of U.S. employment numbers for December 2013 by the Bureau of Labor Statistics (BLS) reveals a **net gain of 7,500 jobs** across four industry job segments commonly associated with IT professionals. This is 3,200 fewer jobs than the monthly average for the entire year and a whopping 6,700 less than the average for the first seven months of 2013. (see Figure 1)

One IT job segment that according to BLS reports has represented more than 48 percent of all new IT jobs created in the past twelve months -- ***Management and Technical Consulting Services***—produced 3,900 jobs in December compared to 7,700 in October and only 600 in November. ***Telecommunications*** added 1,700 jobs last month following consecutive monthly net losses of 2700, 300, and 2,100 jobs respectively in September, October, and November. The ***Data Processing, Hosting and Related Services*** job segment produced 500 new jobs in December, a modest increase but noteworthy because it follows two consecutive months of losses of totaling 400 jobs. The laggard among the four IT segments was the ***Computer Systems***

Design/Related Services segment which posted a net gain of only 1,400 jobs following gains of 4,500, 3,200, and 2,700 jobs from September through November.

ANALYSIS

"The fact is that our country experienced solid IT job creation for nearly four years, displaying surprisingly robust momentum in the last two years in particular. At the same time the pace of job creation in the national labor force appeared stuck between 7 percent and 8 percent unemployment with new jobs skewed heavily to part-time and low wage full-time positions. And more and more workers gave up looking for work altogether," notes David Foote, chief analyst at Foote Partners which has been tracking and reporting on IT labor trends since 1997. "But throughout this period IT hiring was strong. Now it's starting to fall more in line with the national job scene. Not without important differences however, which taken together foretell a very positive outlook for people choosing IT as a profession."

"First, unemployment in the IT workforce is traditionally far below that of the national workforce and that will continue. Second, though hiring of full time workers may be receding a bit, the IT contingent workforce continues to expand. Recent studies peg the number of independent IT professionals at about 1 million and growing and contract workers often make up 10 percent to 25 percent of the internal IT workforce at many medium to large size organizations. The ***Management and Technical Consulting Services*** segment of the U.S. workforce has been a very strong performer throughout the economic turmoil of the last seven years adding 175,500 jobs just in the past three years," reveals Foote. [see Figure 3] "A focus of IT leadership has for some time been on *skills acquisition* rather than full the hiring full timers in some sort of reflexive manner to fill labor needs. Change is accelerating and the mandate for agility and flexibility too ingrained in management thinking to accommodate job searches for specific talent that take months. If you look at skills as one of the main components of executing predictably then that becomes your currency. And that's why it's not necessarily bad news that IT hiring is slowing down.

"Businesses are searching intensely for more multidimensional skills sets in their workers: combinations of both business and technology knowledge and experience, and skill sets unlike those you might find in the tracking of labor more common to a traditional IT organization. Employers can acquire the wide variety of hard and soft skills required to get the job done without resorting to full- or part-time hire. Many of the most in-demand jobs require combinations of knowledge and skill in a business or customer context applied to problems and solutions with a high degree of difficulty. And this is where a contingent workforce has become a valuable and necessary source for talent. Converting contract labor to full time status remains one of the most popular strategies for filling full time roles. Speed may be important but not at the sacrifice of caution in bringing aboard the right people who not only have the technical expertise but also fit in with the organizational culture."

Overall U.S. Employment Report (see Figures 1 through 8)

Total **nonfarm payroll employment** increased by 74,000 in December. The number of unemployed persons declined by 490,000 to 10.4 million in December, and the unemployment rate declined by 0.3 percentage point to 6.7 percent. Over the year, the number of unemployed persons and the unemployment rate were down by 1.9 million and 1.2 percentage points, respectively.

Among the unemployed, the number of job losers and persons who completed temporary jobs decreased by 365,000 in December to 5.4 million. The number of **long-term unemployed** (those jobless for 27 weeks or more), at 3.9 million, showed little change; these individuals accounted for 37.7 percent of the unemployed. The number of long-term unemployed has declined by 894,000 over the year.

Among the unemployed, the number of job losers and persons who completed **temporary jobs** decreased by 365,000 in December to 5.4 million. The number of long-term unemployed (those jobless for 27 weeks or more), at 3.9 million, showed little change; these individuals accounted for 37.7 percent of the unemployed. The number of long-term unemployed has declined by 894,000 over the year..

The **civilian labor force participation rate** declined by 0.2 percentage point to 62.8 percent in December, offsetting a change of the same magnitude in November. In December, the employment-population ratio was unchanged at 58.6 percent. The labor force participation rate declined by 0.8 percentage point over the year, while the employment-population ratio was unchanged.

The number of persons **employed part time for economic reasons** (sometimes referred to as involuntary part-time workers) was essentially unchanged at 7.8 million in December. These individuals were working part time because their hours had been cut back or because they were unable to find full-time work.

In December, 2.4 million persons were **marginally attached to the labor force**, little changed from a year earlier. (The 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. They were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey.

Among the marginally attached, there were 917,000 discouraged workers in December, down by 151,000 from a year earlier. 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 for reasons such as school attendance or family responsibilities.

A 69% decline in new jobs in December compared to November--167,000 fewer jobs---and a drop in the unemployment rate from 7% to 6.7% would appear incongruent if not for the fact that 455,000 fewer unemployed workers looked for work last month according to the BLS report just released.

Among these workers no longer technically defined as unemployed are:

- *Marginally attached workers* (have looked for work in the prior 12 months but not in the 4 weeks preceding the monthly jobs report)

- *Discouraged workers* (have stopped looking for work altogether because they believe no jobs are available for them)

Industry Highlights – December 2013

- Employment in **retail trade** rose by 55,000 in December. Within the industry, job gains occurred in food and beverage stores (+12,000), clothing and accessories stores (+12,000), general merchandise stores (+8,000), and motor vehicle and parts dealers (+7,000). Retail trade added an average of 32,000 jobs per month in 2013.

- In December, **wholesale trade** added 15,000 jobs. Most of the job growth occurred in electronic markets and agents and brokers (+9,000). Wholesale trade added an average of 8,000 jobs per month in 2013.

- Employment in **professional and business services** continued to trend up in December (+19,000). In 2013, job growth in professional and business services averaged 53,000 per month. Within the industry, temporary help services added 40,000 jobs in December, while employment in accounting and
- bookkeeping services declined by 25,000.

- **Manufacturing** employment continued to trend up in December (+9,000). Employment rose in primary metals (+4,000) and petroleum and coal products (+2,000), while electronic instruments (-4,000) lost jobs. Manufacturing added 77,000 jobs in 2013, compared with an increase of 154,000 jobs in 2012.

- Employment in **mining** edged up in December (+5,000). The industry added 29,000 jobs over the year.

- **Health care** employment changed little in December (-6,000). Employment gains in the industry averaged 17,000 per month in 2013, compared with an average monthly gain of 27,000 in 2012.

- Employment in **information** fell by 12,000 in December, driven by a decline in the motion picture and sound recording industry (-14,000). Employment in information was essentially unchanged over the year.

- **Construction** employment edged down in December (-16,000). However, in 2013, the industry added an average of 10,000 jobs per month. Employment in nonresidential specialty trade contractors declined by 13,000 in December, possibly reflecting unusually cold weather in parts of the country.

- Employment in other major industries, including **transportation and warehousing**, **financial activities, leisure and hospitality**, and **government**, changed little in December.

Hiring Trend Charts – IT Employment Segments

December 2013 Employment Situation Summary Report

Department of Labor/Bureau of Labor Statistics

Foote Partners, LLC
Foote Research Group

FIGURE 1 – **U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2012 to December 2013)**

MONTHLY JOB SITUATION TRENDS – IT Professional Job Segments

(Highlights for four bellwether IT jobs segments)

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	247,000	219,000
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

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Nonfarm job loss/gain (month)	148,000	332,000	138,000	199,000	176,000	172,000	89,000	193,000	175,000	200,000	241,000	74,000
National unemployment rate	**7.9%**	**7.7%**	**7.6%**	**7.5%**	**7.6%**	**7.6%**	**7.4%**	**7.4%**	**7.2%**	**7.2%**	**7.0%**	**6.7%**
Professional/Technical Services	14,800	26,800	24,600	22,800	18,200	9,800	21,100	10,900	6,300	21,400	17,500	-11,700
Segment 5: Management/Technical Consulting Services	11,500	4,400	6,200	5,700	3,200	8,400	6,900	1,700	1,500	7,700	600	3,900
Segment 4: Computer Systems Design/Related Services	4,600	5,800	3,900	3,300	6,000	7,300	4,300	2,400	4,500	3,200	2,700	1,400
Information	9,000	20,000	5,000	-9,000	3,000	-5,000	9,000	-18,000	4,000	5,000	-1,000	-12,000
Segment 4: Telecommunications	4,900	400	1,800	1,200	1,000	700	3,600	2,700	-2,700	-300	-2,100	1,700
Segment 5: Data Processing/Hosting/ Related Services	1,100	-800	-500	-500	-400	1,800	3,600	-100	200	-200	-200	500
Net gain/loss-ALL IT SEGMENTS	22,100	9,800	11,400	9,700	9,800	18,200	18,400	6,700	3,500	10,400	1,000	7,500
Net gain/loss-ONLY IT SERVICES SEGMENTS	16,100	10,200	10,100	9,000	9,200	15,700	11,200	4,100	6,000	10,900	3,300	5,300

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

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 2010 to December 2011)

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

(Highlights for four bellwether IT jobs segments)

	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

	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

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

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 3 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (Through December 2013)

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

Highlights for four bellwether IT jobs segments)

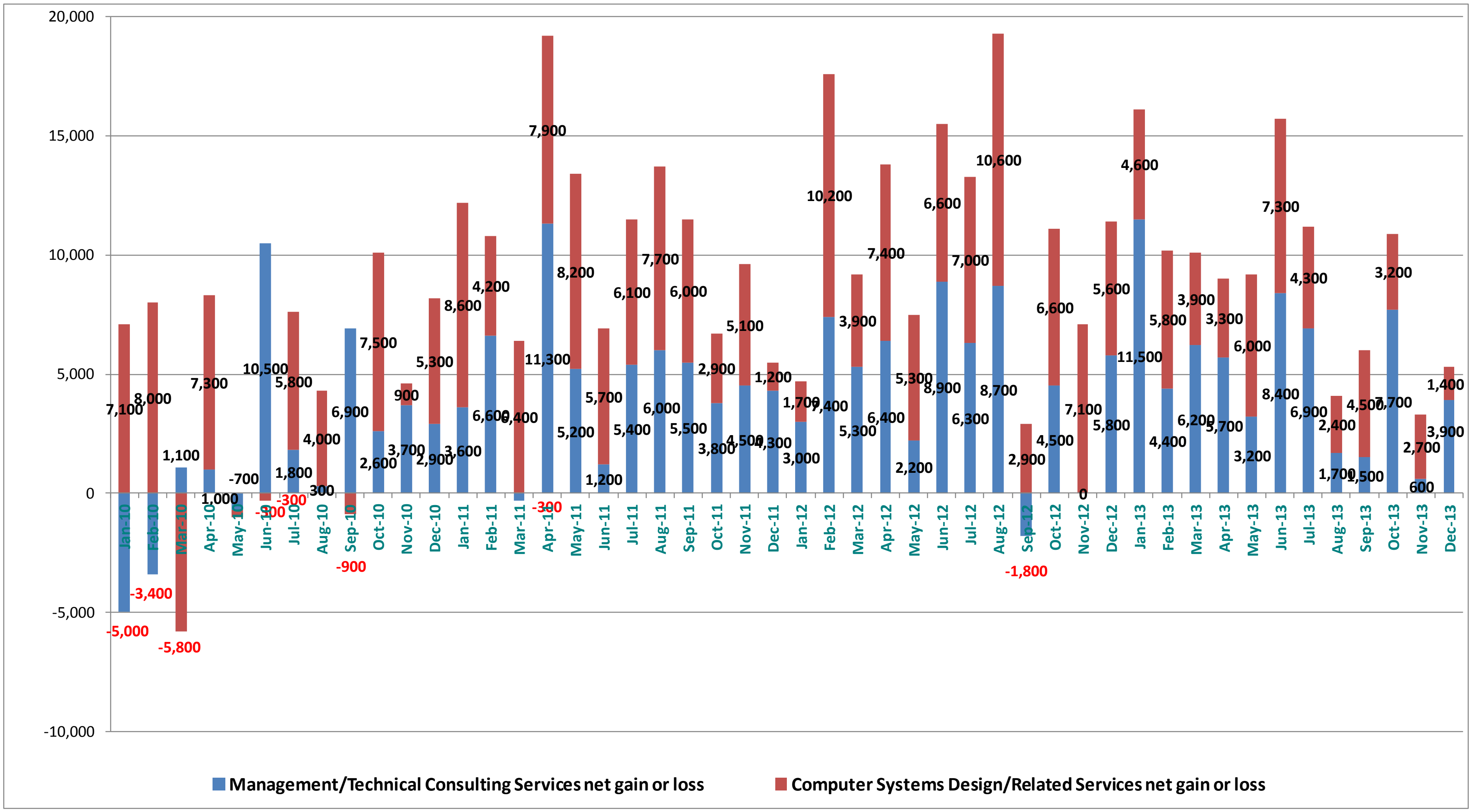
U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES: through December 2013								
JOBS SEGMENT	36 mos. Jan'11 - Dec'13	24 mos. Jan'12 - Dec'13	12 mos. Jan'13 - Dec'13	8 mos. May'13 - Dec'13	6 mos. Jul'13 -Dec'13	4 mos. Sep'13 -Dec'13	3 mos. Oct'13 -Dec'13	2 mos. Nov'13 - Dec'13
Professional and Technical Services	625,420	399,800	182,500	93,500	65,500	33,500	27,200	5,800
Segment 5: Management/Technical Consulting Services	175,500	118,400	61,700	33,900	22,300	13,700	12,200	4,500
Segment 4: Computer Systems Design/Related Services	194,300	124,300	49,400	31,800	18,500	11,800	7,300	4,100
Information	8,100	30,100	10,000	-15,000	-13,000	-4,000	-8,000	-13,000
Segment 4: Telecommunications	-42,300	-5,000	12,900	4,600	2,900	-3,400	-700	-400
Segment 5: Data Processing/Hosting/ Related Services	-400	4,100	4,500	5,200	3,800	300	100	300
TOTAL - ALL 4 IT SEGMENTS	327,100	241,800	128,500	75,500	47,500	22,400	56,800	8,500
IT Services segments	369,800	242,700	111,100	65,700	40,800	25,500	19,500	8,600
Tech Information segments	-42,700	-900	17,400	9,800	6,700	-3,100	-600	-100

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

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

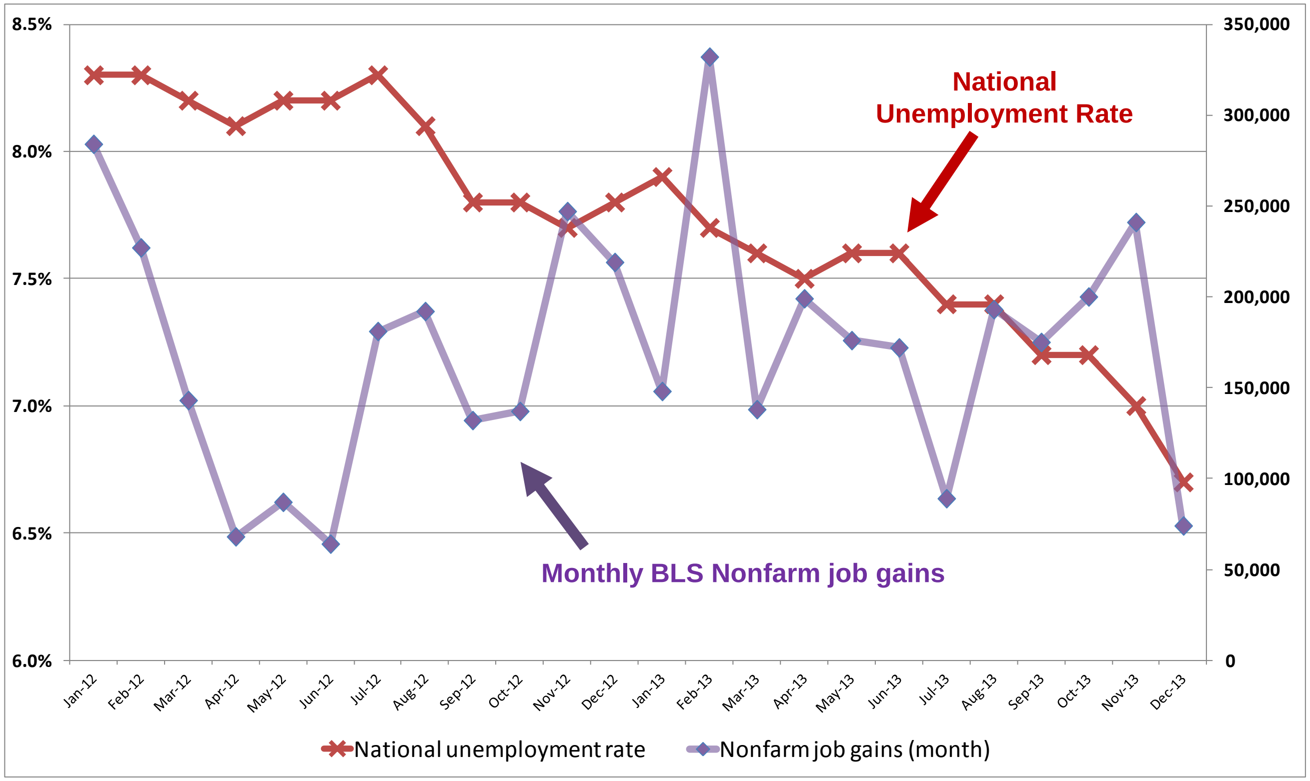
- Net job gains/losses from January 2010 through December 2013



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

FIGURE 5 – UNEMPLOYMENT RATE vs. MONTHLY JOB GROWTH – U.S, Bureau of Labor Statistics

- January 2010 through December 2013

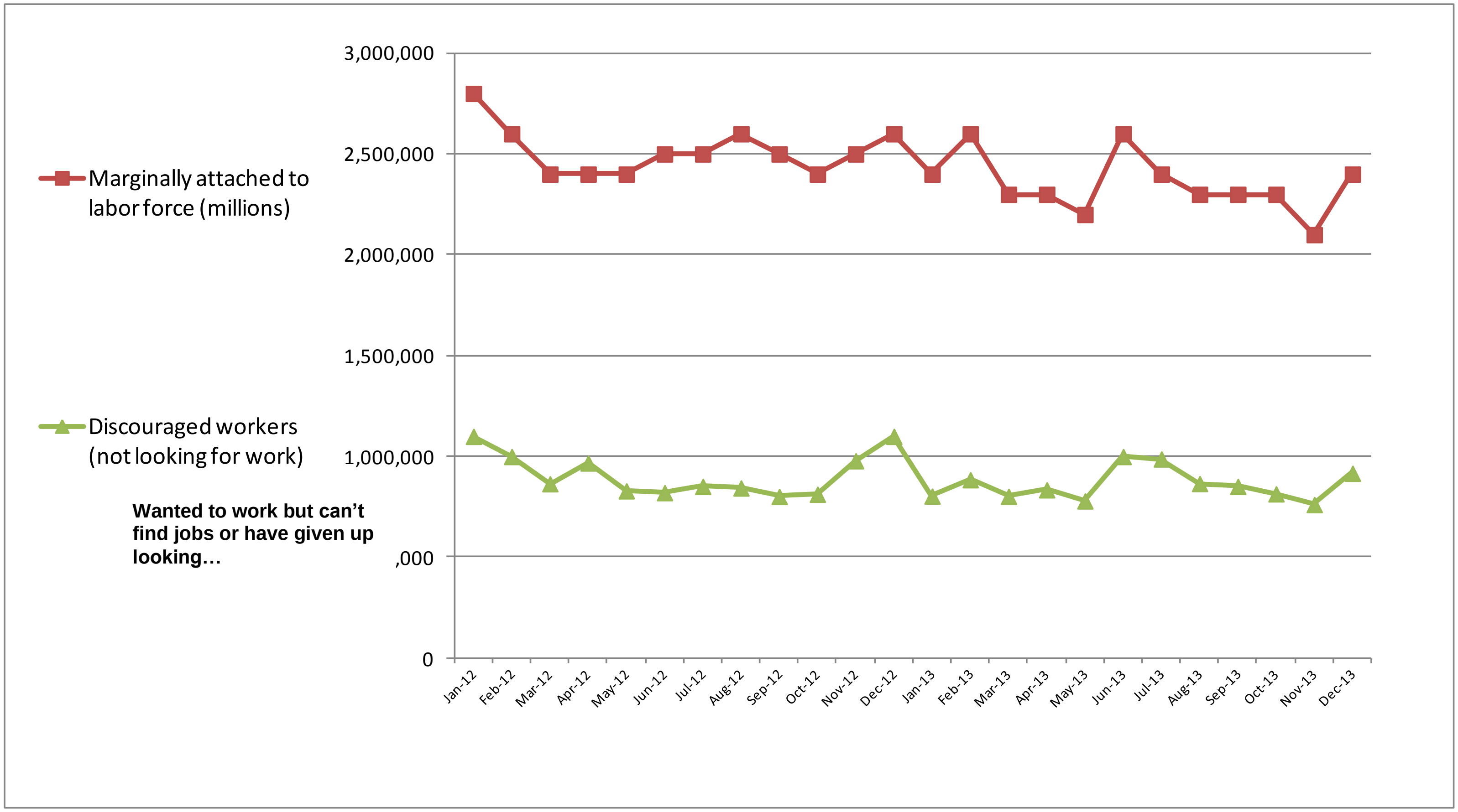


A 69% decline in new jobs in December compared to November--167,000 fewer jobs---and a drop in the unemployment rate from 7% to 6.7% would appear incongruent if not for the fact that 455,000 fewer unemployed workers looked for work last month according to the BLS report just released.

Among these workers no longer technically defined as unemployed are:

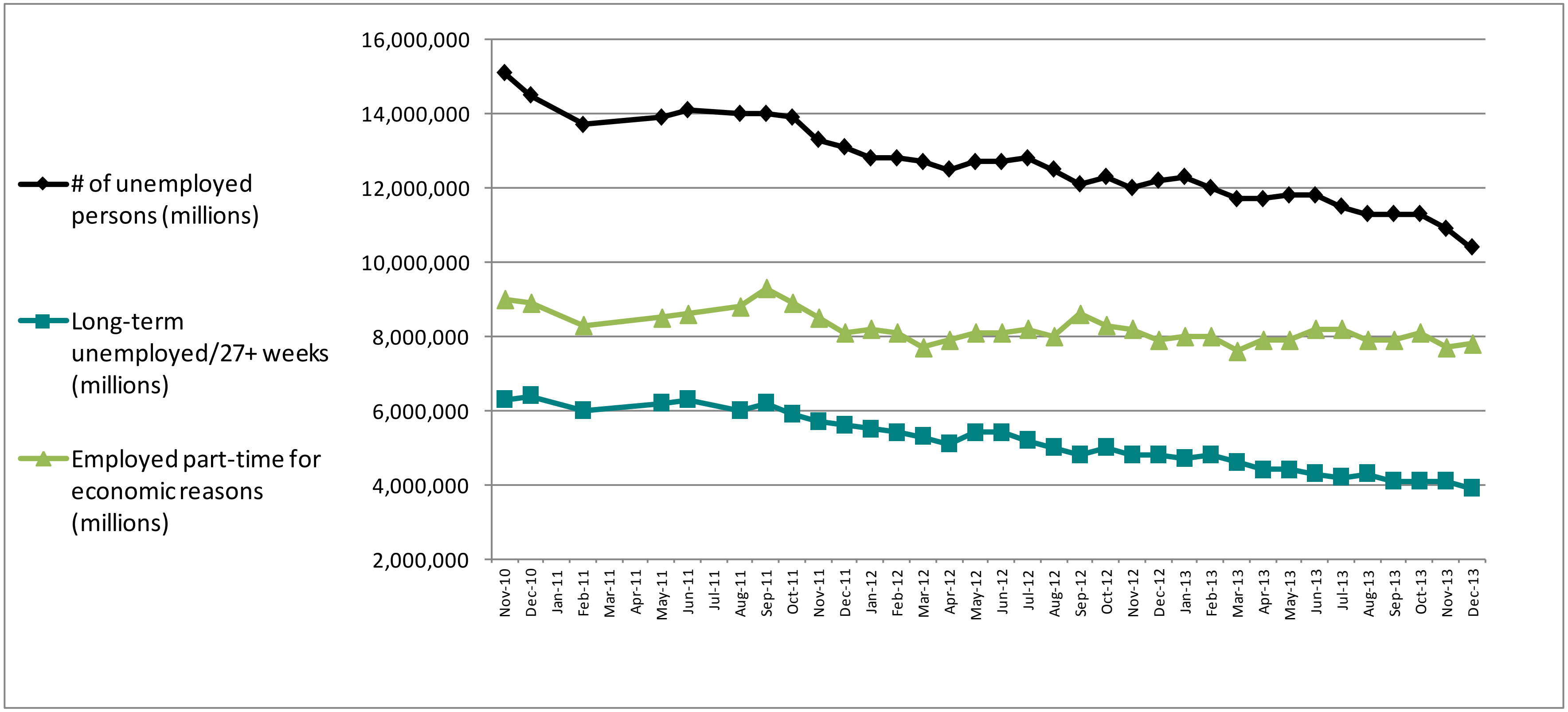
- *Marginally attached workers* (have looked for work in the prior 12 months but not in the 4 weeks preceding the monthly jobs report)
- *Discouraged workers* (have stopped looking for work altogether because they believe no jobs are available for them)

FIGURE 6 – LABOR FORCE COMPOSITION: Marginally attached vs. Discouraged - 2010 to 2013



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

FIGURE 7 – UNEMPLOYED AND UNDEREMPLOYED PERSONS: Total vs. Long-Term vs. Part-timers - 2010 to 2013



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

FIGURE 8 - U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (Through December 2013)

KEY EMPLOYMENT STATISTICS – Last 28 Months

	Aug-11 (28 mos. ago)	Aug-12 (16 mo. ago)	Dec-12 (12 mo. ago)	Jan-13 (11 mo. ago)	Feb-13 (10 mo. ago)	Mar-13 (9 mo. ago)	Apr-13 (8 mo. ago)	May-13 (7 mo. ago)	Jun-13 (6 mo. ago)	Jul-13 (5 mo. ago)	Aug-13 (4 mo. ago)	Sep-13 (3 mo. ago)	Oct-13 (2 mo. ago)	Nov-13 (1 mo. ago)	Dec-13 (Now)
Unemployment rate	**9.1%**	**8.1%**	**7.8%**	**7.9%**	**7.7%**	**7.6%**	**7.5%**	**7.6%**	**7.6%**	**7.4%**	**7.3%**	**7.2%**	**7.3%**	**7.0%**	**6.7%**
# of unemployed persons	**14.0 million**	**12.5 million**	**12.2 million**	**12.3 million**	**12.0 million**	**11.7 million**	**11.7 million**	**11.8 million**	**11.8 million**	**11.5 million**	**11.3 million**	**11.3 million**	**11.3 million**	**10.9 million**	**10.4 million**
Long-term unemployed--27+ weeks	6.0 million	5.0 million	4.8 million	4.7 million	4.8 million	4.6 million	4.4 million	4.4 million	4.3 million	4.2 million	4.3 million	4.1 million	4.1 million	4.1 million	3.9 million
(% of total unemployed persons)	42.9%	40.0%	39.1%	38.1%	40.2%	39.6%	37.4%	37.3%	36.7%	37.0%	37.9%	36.9%	36.1%	37.3%	37.7%
Civilian labor force participation rate	64.0%	63.5%	63.6%	63.6%	63.5%	63.3%	63.3%	63.4%	63.5%	63.4%	63.2%	63.2%	62.8%	63.0%	62.8%
Employment-population ratio	58.2%	58.3%	58.6%	58.6%	58.6%	58.5%	58.6%	58.6%	58.7%	58.7%	58.6%	58.6%	58.3%	58.6%	58.6%
Employed part-time for economic reasons	8.8 million	8.0 million	7.9 million	8.0 million	8.0 million	7.6 million	7.9 million	7.9 million	8.2 million	8.2 million	7.9 million	7.9 million	8.1 million	7.7 million	7.8 million
Marginally attached to labor force	2.6 million	2.6 million	2.6 million	2.4 million	2.6 million	2.3 million	2.3 million	2.2 million	2.6 million	2.4 million	2.3 million	2.3 million	2.3 million	2.1 million	2.4 million
Discouraged workers (not looking for work)	977,000	844,000	1,100,000	804,000	885,000	803,000	835,000	780,000	1,000,000	988,000	866,000	852,000	815,000	762,000	917,000

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

NOTE: A labor strike in the telecommunications industry caused the temporary loss

Foote Partners, LLC
Foote Research Group

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. Our research is deeply grounded in specialized proprietary benchmark research, surveys, and empirical intelligence collected from 2,575 North American employers representing 155,000 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 more than 130 quarterly-updated IT 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.

Headquarters: 4445 North A1A, Suite 200
Vero Beach, FL 32963
Tel: 772-234-2787
Web: www.footepartners.com
Twitter blog: @FPview