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FOOTE IT NEWS ANALYSIS – Technology employment trends in the February 2014 Bureau of Labor Statistics United States Employment Report

IT employment posts highest monthly growth since October 2013 as IT service sector jobs nearly double in February compared to January.

Telecommunications industry adds jobs for only the second time in six months.

Overall national workforce numbers are up, leading many to believe weather was a contributing factor to disappointing December and January numbers.

Vero Beach, FL – Friday, March 7, 2014. An analysis of Friday's release of U.S. employment numbers for February 2014 by the Bureau of Labor Statistics (BLS) reveals a **net increase of 10,200 IT jobs** across four industry job segments commonly associated with technology professionals. This gain is a dramatic departure from the previous month's loss of 3,100 jobs and more than double the 4,917 average monthly IT related job growth over the past six months according to BLS reports. (see Figures 1 and 2)

Two IT segments that have been responsible for more than 90 percent of all IT jobs added to US payrolls in the twelve months continued to very strong performances (Figure 5). ***Management and Technical Consulting Services*** produced 5,300 new jobs in February, a significant increase compared to much lower monthly gains in November, December, and January of 600, 3900, and 600 respectively. Last month's gain is slightly higher than the 5,142 monthly average during all of 2013 for this segment. The other segment, ***Computer Systems Design/Related Services,*** grew by 5,000 jobs last month, 300 more than January and nearly 1,000 more than the monthly average in this segment for the past twelve months (4,058).

Despite gaining only 800 new jobs February, the largest jobs increase compared to the prior month was in the ***Telecommunications*** job segment which lost 10,200 jobs in January. Meanwhile ***Data Processing, Hosting and Related Services*** lost 900 jobs last month but is only averaging 425 new jobs every month in the past year.

ANALYSIS

"The American economy came to life last month, creating more jobs overall than in the previous two months. Perhaps this was the effect of two unusually cold and snowy winter months. Still, there were 7,500 new IT jobs created in December, 2100 more than the monthly average over the prior four months. Then in January everything crashed as the numbers turned negative", notes David Foote, chief analyst at Foote Partners which has been tracking and reporting on IT labor trends since 1997. "February was a strong comeback for IT and those 10,200 new jobs is more than the 8,642 monthly average over the last twelve months. The problem is it's still 4,000 less that the monthly average for the first seven months of 2013 (14,200) and therein lies the problem: lost momentum. There is volatility in the marketplace and we're going to see slips like this every now and then but the fundamentals have changed and the rate of IT job creation has declined. The slump began last August and it has continued into 2014.

"Our country experienced solid IT job creation for nearly four years, displaying surprisingly robust momentum in the two years ending in late summer. 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 falling more in line with the overall national job market, though with only about half the national unemployment rate which has traditionally been the case with IT professionals."

"As hiring of full time workers has been receding 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 as a portion of the internal IT workforce at many medium to large size organizations has been rising, often between 10 percent and 25 percent. The ***Management and Technical Consulting Services*** and ***Computer Systems Design/Related Services*** segments of the U.S. workforce have been very strong performer throughout the economic turmoil of the last seven years adding 362,400 jobs just in the past three years," reveals Foote (Figures 3 and 5). "The focus of IT leadership has for some time been on *skills acquisition* rather than hiring full timers. That's because it has become less clear exactly what an employer's internal IT workforce should look like going forward. Change is accelerating and the mandate for agility and flexibility too ingrained in a CIOs thinking to risk their performance as a leader on job searches that can last for months. If you look at skills as one of the main components of executing predictably then that becomes your currency and your focus. And that's why it's not necessarily bad news that hiring of IT full timers has slowed down. They're simply sourcing the labor from other channels for now."

"Businesses are searching intently 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 6, 7 and 8)

- Both the number of unemployed persons (10.5 million) and the unemployment rate (6.7 percent) changed little in February. The jobless rate has shown little movement since December. Over the year, the number of unemployed persons and the unemployment rate were down by 1.6 million and 1.0 percentage point, respectively.

- Among the major worker groups, the unemployment rates for adult men (6.4 percent), adult women (5.9 percent), teenagers (21.4 percent), whites (5.8 percent), blacks (12.0 percent), and Hispanics (8.1 percent) showed little or no change in February. The jobless rate for Asians was 6.0 percent (not seasonally adjusted), about unchanged over the year.

- The number of long-term unemployed (those jobless for 27 weeks or more) increased by 203,000 in February to 3.8 million; these individuals accounted for 37.0 percent of the unemployed. The number of long-term unemployed was down by 901,000 over the year.

- Both the civilian labor force participation rate (63.0 percent) and the employment-population ratio (58.8 percent) were unchanged in February. The labor force participation rate was down 0.5 percentage point from a year ago, while the employment-population ratio was little changed over the year. The number of persons employed part time for economic reasons (sometimes referred to as involuntary part-time workers) was little changed at 7.2 million in February. These individuals were working part time because their hours had been cut back or because they were unable to find full-time work.

- In February, 2.3 million persons were marginally attached to the labor force, a decline of 285,000 over the year. (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 755,000 discouraged workers in February, down by 130,000 from a year earlier. (The data are not seasonally adjusted.) 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 February had not searched for work for reasons such as school attendance or family responsibilities

Industry Highlights – February 2014

- Employment in **professional and business services** increased by 79,000 in February. Accounting and bookkeeping services added 16,000 jobs. Employment continued to trend up in temporary help services (+24,000) and in services to buildings and dwellings (+11,000). Over the prior 12 months, professional and business services added an average of 56,000 jobs per month.

- In February, **wholesale trade** added 15,000 jobs, with nearly all of the increase occurring in durable goods (+12,000). Over the prior 12 months, the employment gain in wholesale trade averaged 9,000 per month.

- Employment in **food services and drinking places** continued to trend up in February (+21,000). Over the prior 12 months, this industry added an average of 27,000 jobs per month.

- In February, employment in **construction** changed little (+15,000). Over the past year, construction has added 152,000 jobs. Within the industry, employment in heavy and civil engineering construction rose by 12,000 in February.

- Employment in **health care** changed little in February (+10,000). This marks the third consecutive month of little employment change in this industry. Offices of physicians added 8,000 jobs in February. Employment in hospitals changed little over the month but is down by 10,000 over the past 3 months.

- **Retail trade** employment changed little in February (-4,000). Among the component industries, a job gain in food and beverage stores (+12,000) was more than offset by declines in electronics and appliance stores (-12,000); sporting goods, hobby, book, and music stores (-9,000); and department stores (-7,000). Over the year, retail trade has added 282,000 jobs.

- **Information** lost 16,000 jobs in February. Most of the decline occurred in motion picture and sound recording (-14,000); employment in this industry can be volatile from month to month.

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

Hiring Trend Charts – IT Employment Segments

February 2014 Employment Situation Summary Report

Department of Labor/Bureau of Labor Statistics

FIGURE 1 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2013 to February 2014)

MONTHLY JOB SITUATION TRENDS – IT Professional Job Segments

(Highlights for four bellwether IT jobs segments)

	2013												2014	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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	274,000	84,000	129,000	175,000
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%	6.6%	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	20,400	35,400
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	600	5,300
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	4,700	5,000
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	0	-16,000
Segment 4: Telecommunications	4,900	400	1,800	1,200	1,000	700	3,600	2,700	-2,700	-300	-2,100	1,700	-10,200	800
Segment 5: Data Processing/Hosting/ Related Services	1,100	-800	-500	-500	-400	1,800	3,600	-100	200	-200	-200	500	1,800	-900
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	-3,100	10,200
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	5,300	10,300

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

Foote Partners, LLC
Foote Research Group

FIGURE 2 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2011 to December 2012)

(Continued) 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	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

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 February 2014)**

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

Highlights for four bellwether IT jobs segments)

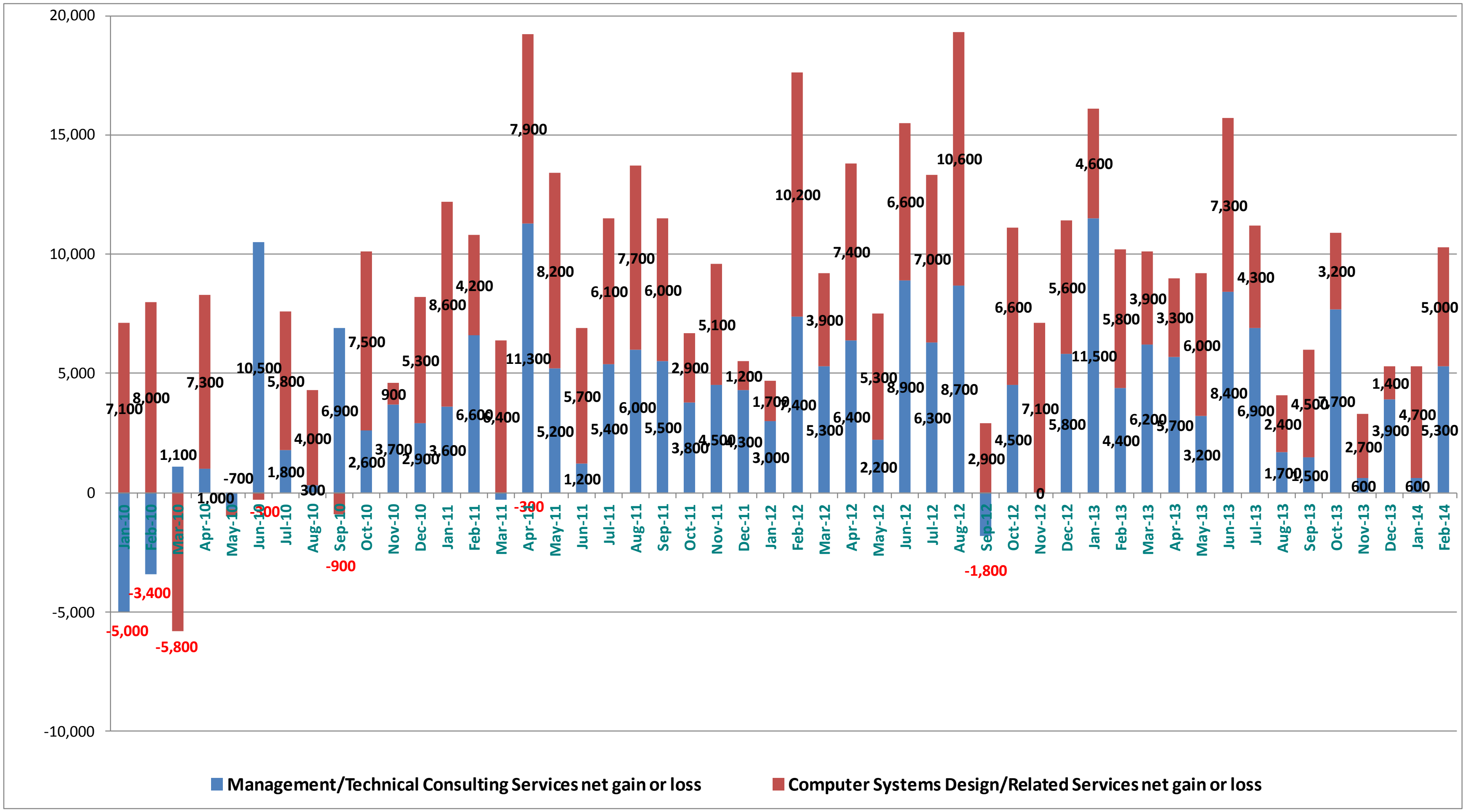
U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES: through February 2014								
JOBS SEGMENT	36 mos.	24 mos.	12 mos.	8 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Mar'11 - Feb'14	Mar'12 - Feb'14	Mar'13 - Feb'14	Jul'13 - Feb'14	Sep'13 -Feb'14	Nov'13 -Feb'14	Dec'13 -Feb'14	Jan'14 - Feb'14
Professional and Technical Services	663,320	391,100	196,700	121,300	89,300	61,600	44,100	55,800
Segment 5: Management/Technical Consulting Services	171,200	113,900	51,700	28,200	19,600	10,400	9,800	5,900
Segment 4: Computer Systems Design/Related Services	191,200	122,100	48,700	28,200	21,500	13,800	11,100	9,700
Information	-6,900	2,100	-35,000	-29,000	-20,000	-29,000	-28,000	-16,000
Segment 4: Telecommunications	-45,900	-7,700	-1,800	-6,500	-12,800	-9,800	-7,700	-9,400
Segment 5: Data Processing/Hosting/ Related Services	3,100	4,400	5,100	4,700	1,200	1,200	1,400	900
TOTAL - ALL 4 IT SEGMENTS	319,600	232,700	103,700	54,600	29,500	15,600	56,800	7,100
IT Services segments	362,400	236,000	100,400	56,400	41,100	24,200	20,900	15,600
Tech Information segments	-42,800	-3,300	3,300	-1,800	-11,600	-8,600	-6,300	-8,500

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

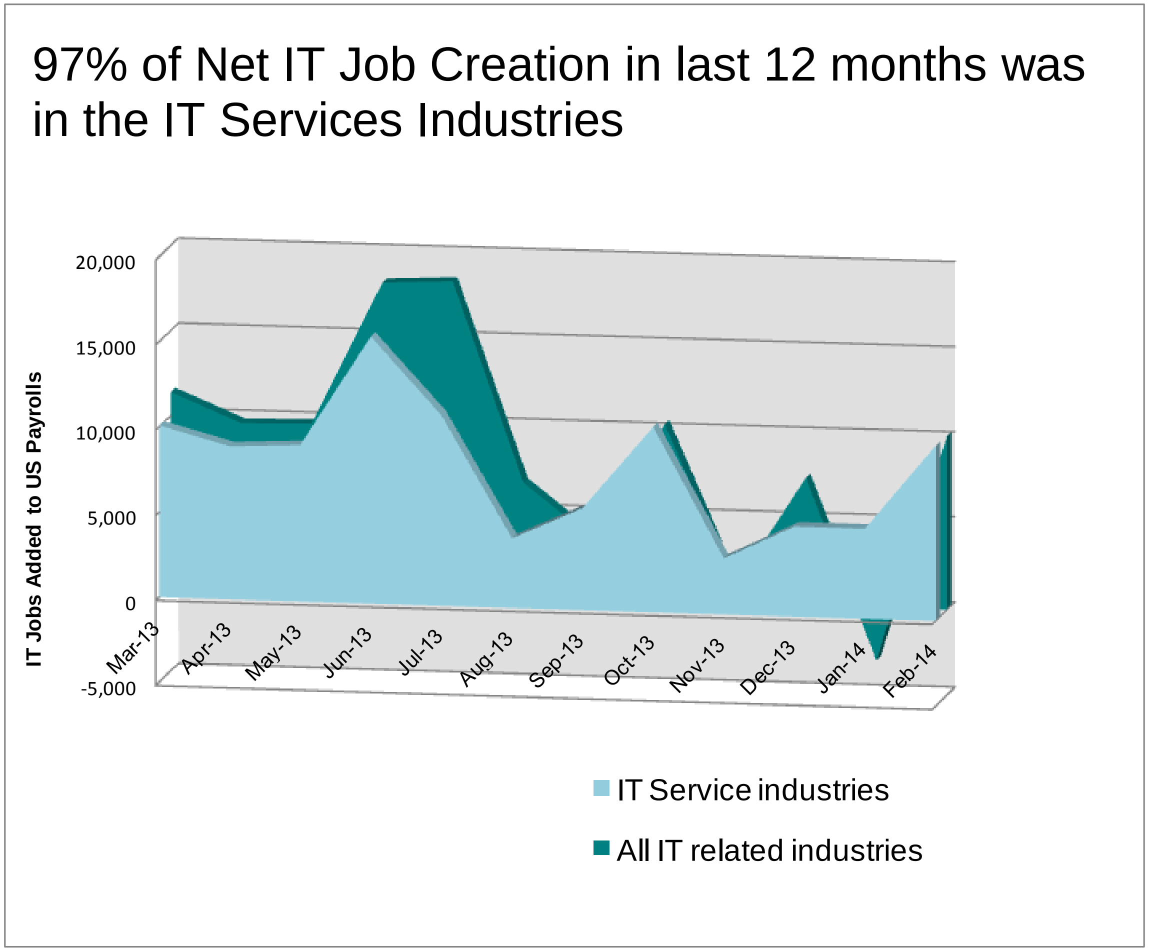
FIGURE 4 – JOB GROWTH/DECLINE - Management/Technical Consulting jobs vs. Computer Systems Design/Related services jobs

- Net job gains/losses from January 2010 through February 2014



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

FIGURE 5



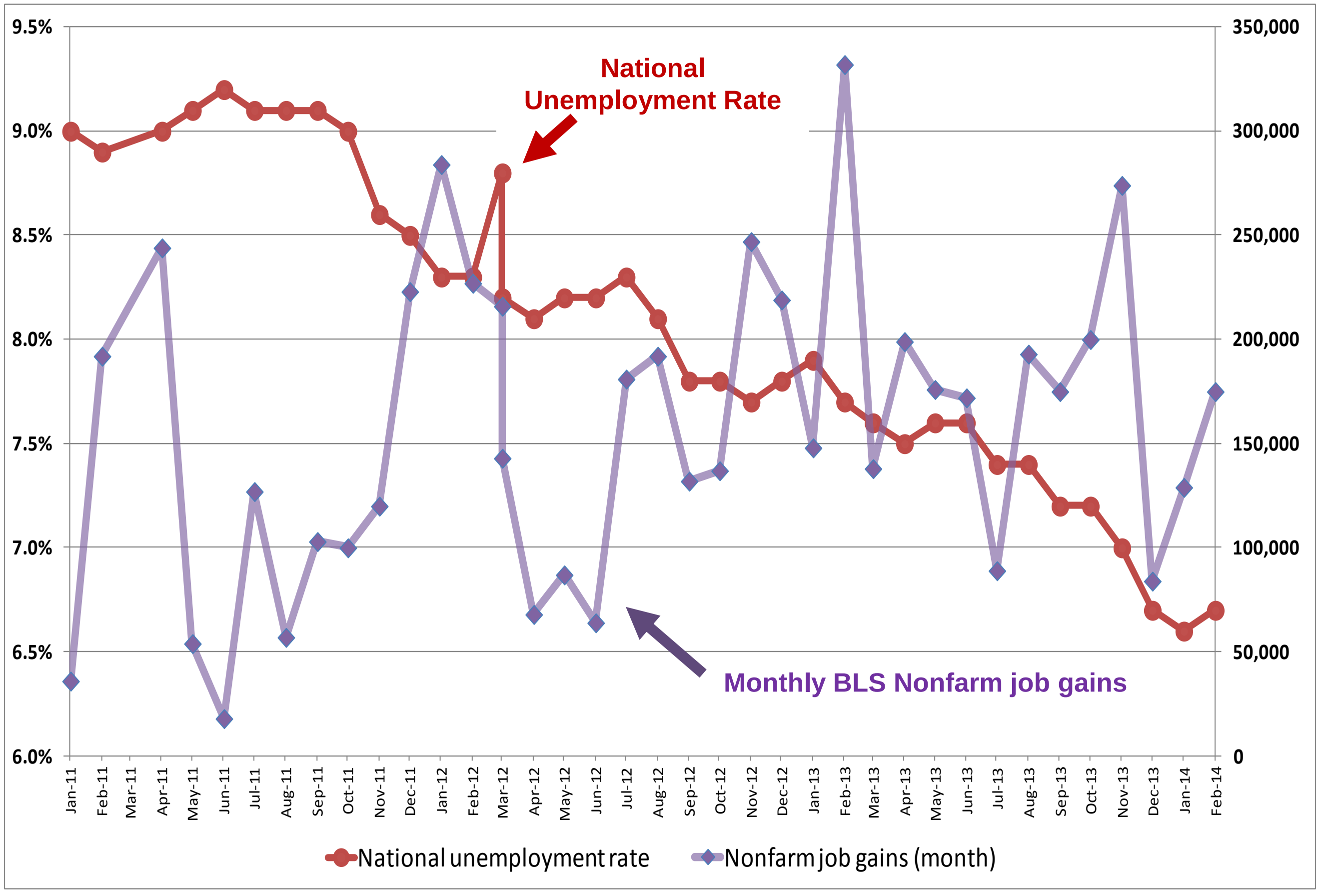
Management and Technical Consulting Services and **Computer Systems Design and Related Services** segments added 100,400 net jobs.

Telecommunications and **Data Processing, Hosting and Related Services** added 3,300 net jobs.

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

FIGURE 6 – UNEMPLOYMENT RATE vs. MONTHLY JOB GROWTH – U.S, Bureau of Labor Statistics

- January 2010 through February 2014

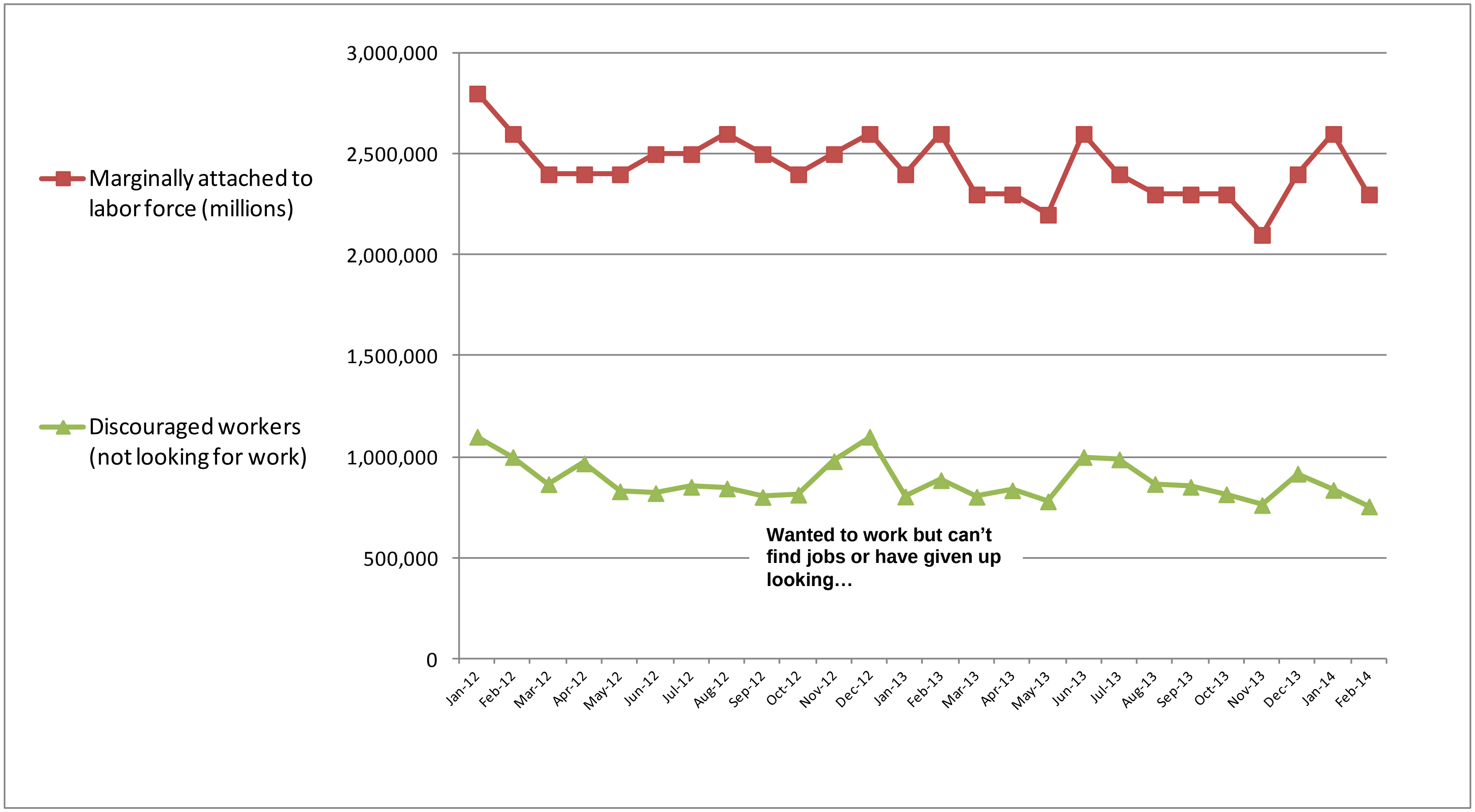


An increase of 38,000 new jobs in January –-a 51% improvement over December but still 161,000 fewer than November---only a 0.1 point decrease in the unemployment rate is hardly good news. 120,000 fewer unemployed workers looked for work last month according to the BLS report just released because they did not believe they would find work.

Among these workers no longer technically defined as unemployed are:

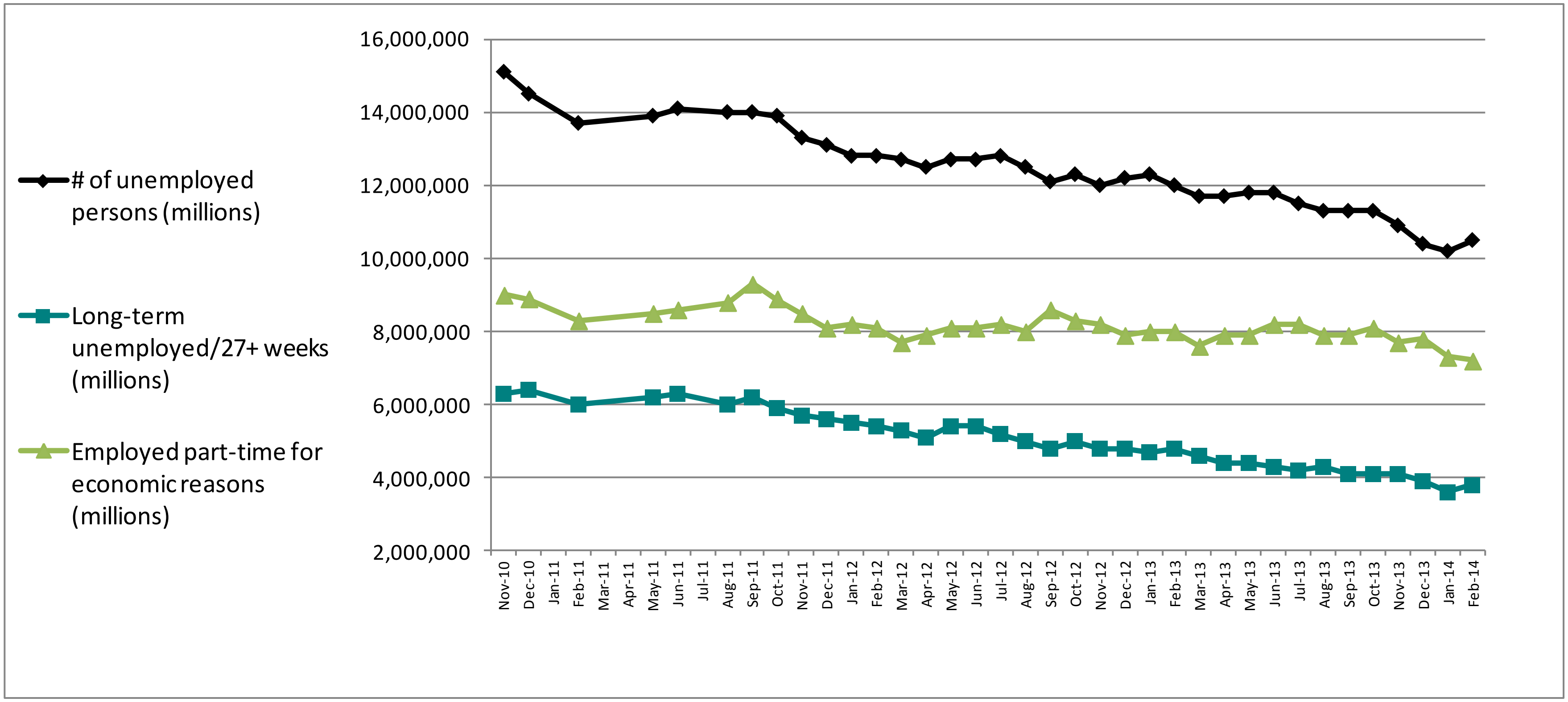
- *Marginally attached workers* (have looked for work in the prior 12 months but not in the 4 weeks preceding the monthly jobs report)
- *Discouraged workers* (have stopped looking for work altogether because they believe no jobs are available for them)

FIGURE 7– LABOR FORCE COMPOSITION: Marginally attached vs. Discouraged - 2012 to 2014



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

FIGURE 8 – **UNEMPLOYED AND UNDEREMPLOYED PERSONS: Total vs. Long-Term vs. Part-timers - 2010 to 2014**



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

FIGURE 9 - U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (Through February 2014)

KEY EMPLOYMENT STATISTICS – Last 30 Months

	Aug-11 (30 mos. ago)	Aug-12 (18 mo. ago)	Dec-12 (14 mo. ago)	Jan-13 (13 mo. ago)	Feb-13 (12 mo. ago)	Mar-13 (11 mo. ago)	Apr-13 (10 mo. ago)	May-13 (9 mo. ago)	Jun-13 (8 mo. ago)	Jul-13 (7 mo. ago)	Aug-13 (6 mo. ago)	Sep-13 (5 mo. ago)	Oct-13 (4 mo. ago)	Nov-13 (3 mo. ago)	Dec-13 (2 mo. ago)	Jan-14 (1 mo. ago)	Feb-14 (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%**	**6.6%**	**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**	**10.2 million**	**10.5 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	3.6 million	3.8 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%	35.8%	37.0%
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%	63.0%	63.0%
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%	58.8%	58.8%
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	7.3 million	7.2 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	2.6 million	2.3 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	837,000	755,000

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. Our research is deeply grounded in specialized proprietary benchmark research, surveys, and empirical intelligence collected from 2,575 U.S. and Canadian employers representing 158,000 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.

Foote Partners' respected ***IT Insider* research series** features comprehensive and up-to-date IT salary/bonus and technical skills premium pay benchmark surveys, and IT organization and workforce trends research. Included in the quarterly ***IT Insider*** series are the following:

- *IT Professional Salary Survey*
- *IT Skills and Certifications Pay Index™*
- *IT Salary+Skills Pay Survey Reports™*
- *IT Professional Job Descriptions*
- *IT Insider Workforce Trends Series™ reports*
- *IT Skills Demand and Pay Trends Report™*
- *IT Skills and Certifications HOT LIST Forecast*
- *IT Skills & Certifications Volatility Index*

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