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

**IT employment soars to largest monthly employment gain in 5 years,
 adding 22,100 jobs to U.S. payrolls.**

Largest monthly gain in 5 years for IT services industry employment (+11,500 jobs).

**7.9 percent national unemployment rate as employers add 157,000 jobs,
 39,000 fewer than December.**

Vero Beach, FL – Friday, February 1, 2013. An analysis of Friday’s release of January 2013 U.S. employment numbers by the Bureau of Labor Statistics reveals a **net gain of 22,100 jobs** across four industry job segments commonly associated with IT professionals---**the largest monthly increase in IT employment in 5 years**. This follows three months of more modest IT employment gains averaging 9,700 from October to December 2012. With January’s soaring gain, 132,300 IT jobs have been added to the economy during the past twelve months, an average of 11,025 per month in these four BLS industry job segments.

Nearly all the growth in IT jobs in the preceding twelve months of BLS reporting can be attributed to two segments heavily represented by the IT services industries, which together added 143,000 new jobs to U.S. payrolls for the year. The *Management and Technical Consulting Services* segment gained 11,500 jobs in January --- up from 5,800 in December --- for a total of 65,200 new jobs in the past year. The other

segment, *Computer Systems Design/Related Services*, added 4,600 jobs last month (down from 5,600 in December) and 77,800 for the year. (see Figures 3 and 4)

Two segments in BLS' *Information* job group, *Telecommunications* and *Data Processing, Hosting and Related Services* segments, together posted their largest gain in five years in January (+6,000 jobs) but combined for a net total loss of 10,700 jobs over the past twelve months (average 892 per month). Interestingly, in the last six months of 2012 these segments combined for a net *gain* of 400 jobs following total job losses of 18,700 in the first half of the year. Clearly the labor market correction so apparent in *Telecommunications* and *Data Processing, Hosting and Related Services* in 2011 and the first several months of 2012 has waned. 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

“2012 ended on a very positive note for IT professionals seeking employment and that momentum carried into 2013 in a very big way. Momentum means everything when it comes to hiring trends,” insists 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.

“For instance, just in the BLS numbers alone the average monthly IT job gains in the last three months of 2012 exceeded the average in the first nine months of the year by 350 jobs per month. We predicted in our December BLS report analysis that this momentum would continue into 2013 but we didn't see this large an increase coming.

“Our analysts have been very outspoken about IT jobs being on a strong and sustained growth run since last February when the *Management and Technical Consulting Services* and *Computer Systems Design/Related Services* segments gained 17,600 jobs in a single month. The monthly average for these two segments had been just under 10,000 in the twelve months prior. Then the number spiked again in April [+13,800], then June, July, and August [15,500, 13,300, and 19,300 respectively], settled down a bit, then increased by 11,400 jobs in December and now 16,100 jobs in January. Plus the telecommunications

segment stopped hemorrhaging jobs last July and even started adding some jobs---this category lost an average of about 3000 jobs per month in first half of 2012 but in the last half it averaged a net zero job growth.

What is driving this uptick in IT job creation is not as simple as a new year with new budgets, although that is no doubt influencing the January marketplace for talent. What makes this latest news so compelling is that real GDP lost 0.1 percent in 4th Quarter 2012 and closed at just +2.2 percent for the year and national employment has been flat to miserable for some time. Moreover, dysfunction in Washington over the budget and higher taxes that kicked in last month had been expected to shake consumer confidence and hiring early this year. But the Dow Jones Industrial average has reached its highest level in five years and is nearing an all time high, plus consumer spending picked up in 4Q. The federal government reported that business investment has turned up mainly due to equipment and software spending. IT's positive role in all of this has been growing steadily.

According to Foote, "Right now our firm is getting more calls than ever from CIOs and IT leaders who have been essentially 'clean sheeting' their IT organizations. They can't just scrap what they have and start over. But what they *are* doing is substantially refocusing their strategic targets and redefining what is core versus noncore as far as their investments in technology and people. They have always done this to some degree but many IT executives simply didn't have the courage to pull the trigger and actually fully operationalize their transformation ideas. Now they are doing so and being very aggressive about bringing change to their environments.

"When you clean sheet your IT role in the enterprise you end up redefining and then remodeling the IT organization based on the capabilities you need to develop. These efforts are being driven mainly by business urgencies communicated from senior executive management. Something on the order of 'You will do this for the company or we will look for someone else who can get it done'. That's a brutal mandate but not unexpected because the marketplace has revitalized and the corporate war games are in high gear.

"First the CIO remodels on the macro level then drills down to the micro level. Many are now at the micro level where they've defined in some depth the roles they are taking on and the jobs they need to

fill. They have inventoried the current skills base and done assessments of how the existing IT workforce matches up to the new jobs. It becomes pretty clear at this point what's missing and who they need to hire into the newly defined jobs that will support the new IT organization. Continues Foote, "Our firm is working closely with several CIOs and HR departments that are in the middle of this process. It does not surprise me one bit that there is this strength and momentum in the IT employment marketplace and we expect it to continue.

"The only thing that can stop it is another catastrophic event on the scale of the Wall Street crash in 2008. There are forces that could certainly slow it down a few notches but I think this IT job momentum is built on some fairly solid fundamentals having to do with the role of technology and information in allowing an employer to be competitive in the marketplace, to maintain and increase revenues, to be more profitable, to grow market share, or to keep their customers satisfied.

"There have been so many new jobs that have evolved into the mainstream IT workforce such as business/IT hybrid professionals and a variety of developers, analysts, and architects whose multidisciplined approach to their work makes them exceptional and capable of making a demonstrable impact at a departmental, business unit, product team, or enterprise level. In my observation their presence in the workforce has stimulated a lot of demand for talent that is impervious to the ups and down of the economy. Even during the darkest day of the Great Recession of 2008 many of these professionals were in high demand," insists Foote.

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

The U.S. unemployment increased slightly by 0.1 percentage points to 7.9 percent in January as total **nonfarm payroll employment** rose by 157,000 compared to a revised 196,000 jobs the previous month according to the Bureau of Labor Statistics. The number of **unemployed persons**, at 12.3 million, increased by 100,000 from December.

Revised government data showed that the economy added 335,000 more jobs than originally estimated during all of 2012, including an additional 150,000 in the last quarter of the year. That was on top of the previously reported fourth-quarter job growth of 603,000 and 2012 growth of 2.2 million.

In January, the number of **long-term unemployed** (those jobless for 27 weeks or more) decreased by 100,000 to 4.7 million and accounted for 38.1 percent of the unemployed. Both the **employment-population ratio** (58.6 percent) and the **civilian labor force participation rate** (63.6 percent) were unchanged in January. (see Figure 5)

The number of persons employed **part time for economic reasons**, at 8.0 million, increased slightly in January. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job. (see Figure 5)

In January, 2.4 million persons were **marginally attached to the labor force**, down by 366,000 from a year earlier (note: 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 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 804,000 **discouraged workers** in January, a decline of 255,000 from a year earlier and 296,000 from one month earlier. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.6 million persons marginally attached to the labor force in January had not searched for work in the 4 weeks preceding the survey for reasons such as school attendance or family responsibilities. (see Figure 6)

Among specific industries, Employment in **retail trade** rose by 33,000 in January, compared with an average monthly gain of 20,000 in 2012. Within the industry, job growth continued in January in motor vehicle and parts dealers (+7,000), electronics and appliance stores (+5,000), and clothing stores (+10,000).

In January, employment in **construction** increased by 28,000. Nearly all of the job growth occurred in specialty trade contractors (+26,000), with the gain about equally split between residential and nonresidential specialty trade contractors. Since reaching a low in January 2011, construction employment has grown by 296,000, with one-third of the gain occurring in the last 4 months. However,

the January 2013 level of construction employment remained about 2 million below its previous peak level in April 2006.

Health care continued to add jobs in January (+23,000). Within health care, job growth occurred in ambulatory health care services (+28,000), which includes doctors' offices and outpatient care centers. This gain was partially offset by a loss of 8,000 jobs in nursing and residential care facilities. Over the year, health care employment has increased by 320,000.

Employment increased in **wholesale trade** (+15,000) in January, with most of the increase occurring in its nondurable goods component (+11,000). Since the recent low point in May 2010, wholesale trade has added 291,000 jobs.

Mining employment increased (+6,000) over the month; employment in this industry has risen by 23,000 over the past 3 months. Employment edged down in **transportation and warehousing** in January (-14,000). Couriers and messengers lost 19,000 jobs over the month, following strong seasonal hiring in November and December. Air transportation employment decreased by 5,000 in January.

Manufacturing employment was essentially unchanged in January and has changed little, on net, since July 2012.

Employment in other major industries, including **financial activities, professional and businesses services, leisure and hospitality**, 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 January 2013)

MONTHLY JOB SITUATION TRENDS – IT Professional Job Segments

(Highlights for four bellwether IT jobs segments)

	2011												2012												2013
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
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	284,000	227,000	143,000	68,000	87,000	64,000	181,000	192,000	132,000	137,000	247,000	196,000	157,000
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%	8.3%	8.3%	8.2%	8.1%	8.2%	8.2%	8.3%	8.1%	7.8%	7.8%	7.7%	7.8%	7.9%
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	30,300	34,200	13,800	27,500	-4,000	18,200	17,900	26,800	4,900	15,500	15,300	16,900	14,800
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	3,000	7,400	5,300	6,400	2,200	8,900	6,300	8,700	-1,800	4,500	0	5,800	11,500
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	1,700	10,200	3,900	7,400	5,300	6,600	7,000	10,600	2,900	6,600	7,100	5,600	4,600
Information	-1,000	0	-4,000	2,000	-1,000	0	-1,000	-48,000	34,000	-5,000	-4,000	6,000	13,000	-1,000	-900	-2,000	-2,000	-8,000	11,000	3,000	3,000	1,000	12,000	-9,000	9,000
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	-300	-6,400	-3,600	-3,500	-2,000	-2,100	2,800	-2,300	-400	1,400	300	-1,800	4,900
Segment 5: Data Processing/Hosting/ Related Services	-1,900	-700	-500	-400	700	-300	-200	100	-600	400	-900	-200	-1,300	1,900	-600	-500	-300	0	2,100	1,100	-2,400	0	-600	200	1,100
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	3,100	13,100	5,000	9,800	5,200	13,400	18,200	18,100	-1,700	12,500	6,800	9,800	22,100
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	4,700	17,600	9,200	13,800	7,500	15,500	13,300	19,300	1,100	11,100	7,100	11,400	16,100

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.

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 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												2010											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	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	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	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%	9.6%	9.8%	9.4%
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	-11,100	4,000	4,800	12,100	-6,900	6,700	7,400	1,400
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	-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	-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	7,500	900	5,300
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	-1,000	1,000	-4,000
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	-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	200	-2,000	-200	-900	-3,500	600	-400	1700	-900	-900	-900	700	400	600	-2300	300	-1300	-1500	300	-1300	-200	500	0	200
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	-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	7,500	-5,100	-10,000	200	-2,100	-3,800	8,800	-3,500	100	11,800	6,600	6,900	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 January 2013)

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

Highlights for four bellwether IT jobs segments)

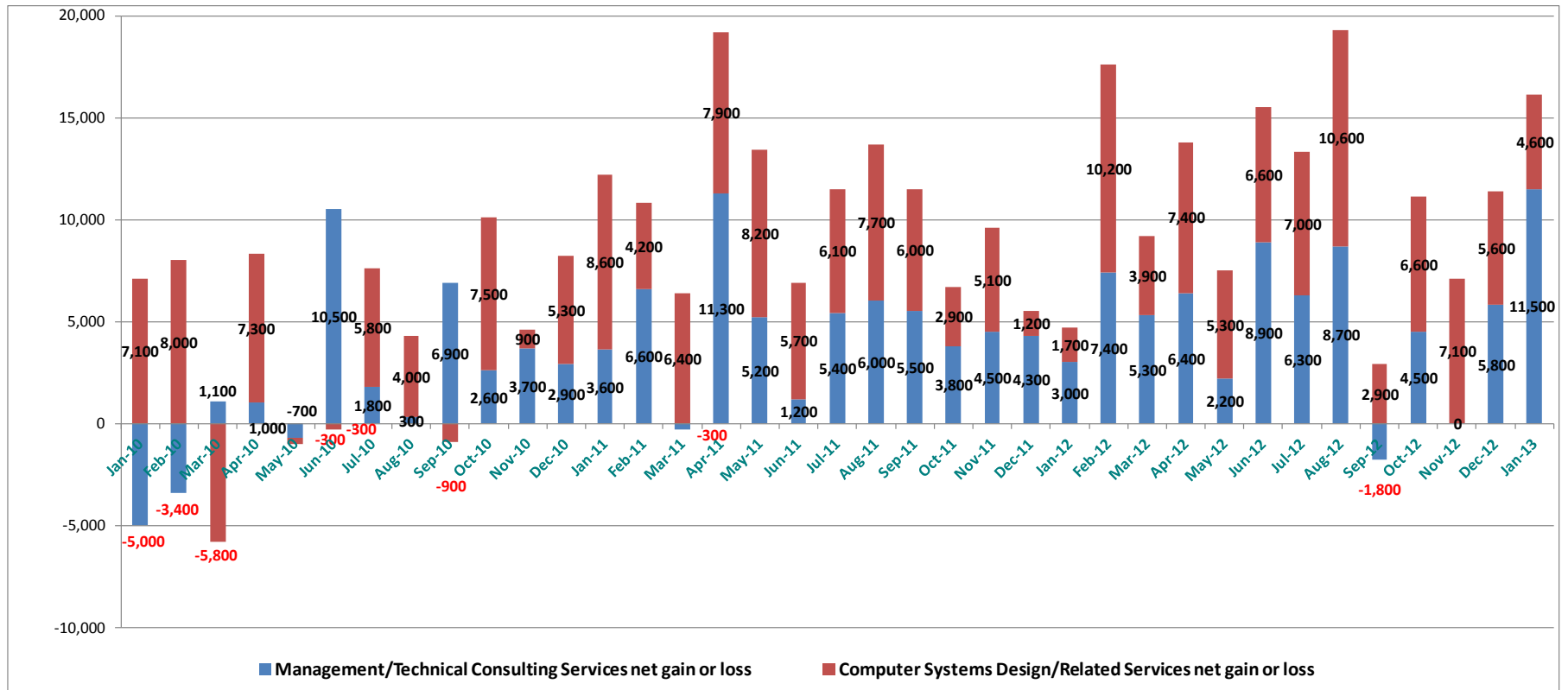
U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES									
JOBS SEGMENT	36 mos.	24 mos.	12 mos.	10 mos.	7 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Jan'09 - Jan'12	Feb'10 - Jan'12	Feb'11 - Jan'12	Apr'12 - Jan'12	Jul'12 - Jan'12	Aug'12 - Jan'12	Oct'12 - Jan'12	Nov'12 -Jan'12	Dec'12 - Jan'12
Professional and Technical Services	543,620	449,820	201,800	153,800	112,100	94,200	62,500	47,000	31,700
<i>Segment 5:</i> Management/Technical Consulting Services	152,000	121,700	65,200	52,500	35,000	28,700	21,800	17,300	17,300
<i>Segment 4:</i> Computer Systems Design/Related Services	181,000	140,900	77,800	63,700	44,400	37,400	23,900	17,300	10,200
Information	-42,900	8,100	16,100	18,000	30,000	19,000	13,000	12,000	0
<i>Segment 4:</i> Telecommunications	-87,900	-46,700	-12,700	-2,700	4,900	2,100	4,800	3,400	3,100
<i>Segment 5:</i> Data Processing/Hosting/Related Services	-8,500	-1,900	2,000	700	1,500	-600	700	700	1,300
TOTAL - ALL 4 IT SEGMENTS	236,600	214,000	132,300	114,200	85,800	67,600	51,200	56,800	31,900
Tech Services segments	333,000	262,600	143,000	116,200	79,400	66,100	45,700	34,600	27,500
Information segments	-96,400	-48,600	-10,700	-2,000	6,400	1,500	5,500	4,100	4,400

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

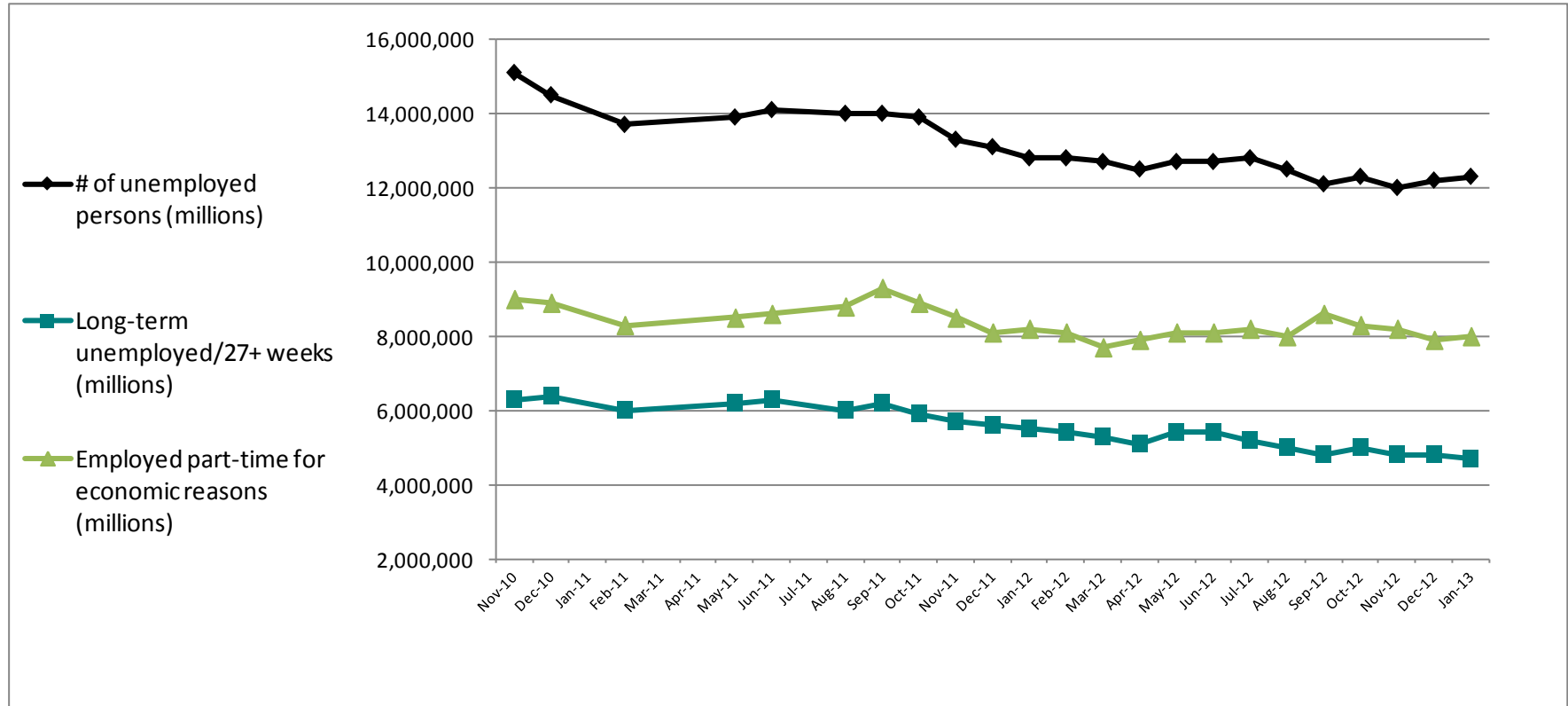
FIGURE 4 – JOB GROWTH/DECLINE - Management/Technical Consulting jobs vs. Computer Systems Design/Related services jobs

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



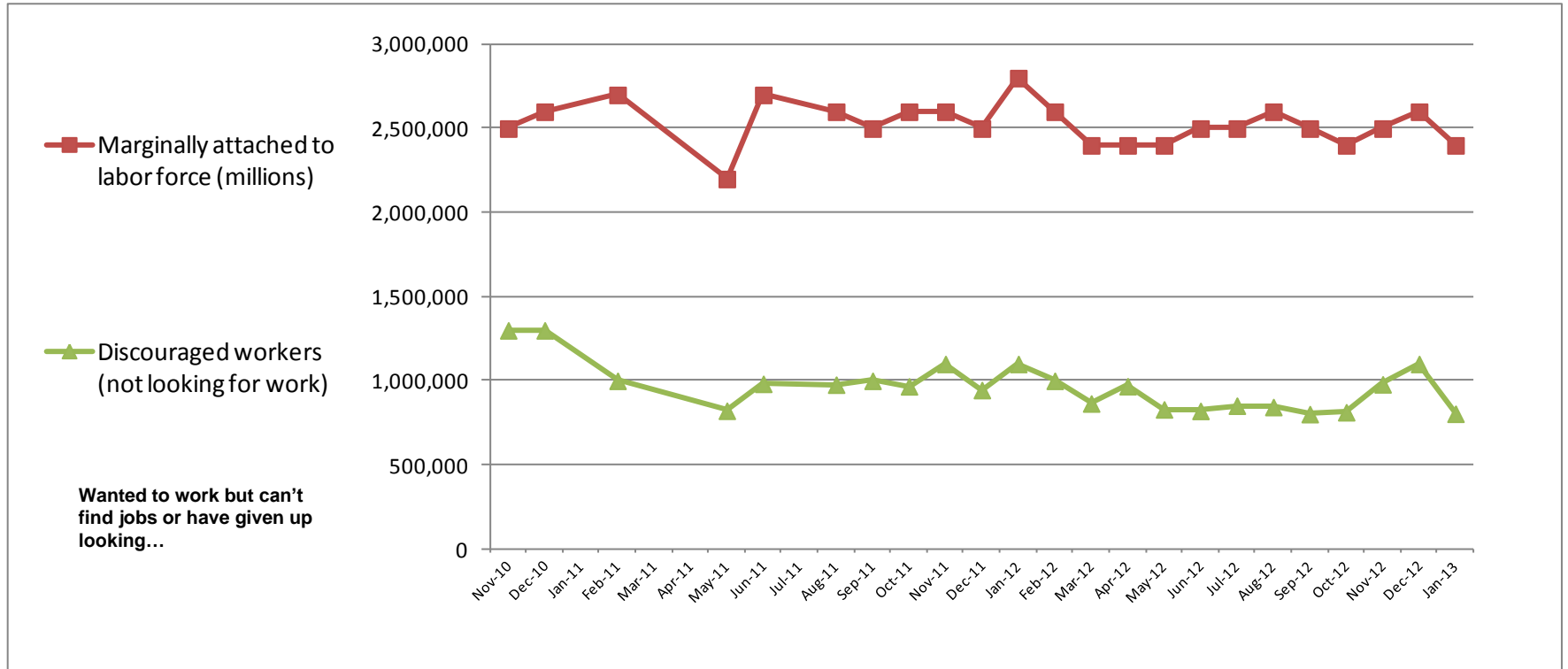
Source: US Department of Labor/Bureau of Labor Statistics. Data chart and analysis by Foote Partners LLC

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 January 2013)

KEY EMPLOYMENT STATISTICS – Last 31 Months

	Jun-10 (31 mos. ago)	Feb-11 (23 mos. ago)	May-11 (20 mos. ago)	Aug-11 (17 mos. ago)	Nov-11 (14 mos. ago)	Dec-11 (13 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)	Jan-13 (Now)
Unemployment rate	9.5%	8.9%	9.1%	9.1%	8.6%	8.5%	8.3%	8.3%	8.2%	8.1%	8.2%	8.2%	8.3%	8.1%	7.8%	7.9%	7.7%	7.8%	7.9%
# of unemployed persons	14.6 million	13.7 million	13.9 million	14.0 million	13.3 million	13.1 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	12.3 million
Long-term unemployed—27+ weeks (% of total unemployed persons)	6.8 million 45.5%	6.0 million 43.9%	6.2 million 45.1%	6.0 million 42.9%	5.7 million 43.0%	5.6 million 42.5%	5.5 million 42.9%	5.4 million 42.6%	5.3 million 42.5%	5.1 million 41.3%	5.4 million 42.8%	5.4 million 41.9%	5.2 million 40.7%	5.0 million 40.0%	4.8 million 40.1%	5.0 million 40.6%	4.8 million 40.1%	4.8 million 39.1%	4.7 million 38.1%
Civilian labor force participation rate	64.7%	64.2%	64.2%	64.0%	64.0%	64.0%	63.7%	63.9%	63.8%	63.6%	63.8%	63.8%	63.7%	63.5%	63.6%	63.8%	63.6%	63.6%	63.6%
Employment-population ratio	58.5%	58.4%	58.4%	58.2%	58.5%	58.5%	58.5%	58.6%	58.5%	58.4%	58.6%	58.6%	58.4%	58.3%	58.7%	58.8%	58.7%	58.6%	58.6%
Employed part-time for economic reasons	8.6 million	8.3 million	8.5 million	8.8 million	8.5 million	8.1 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	8.0 million
Marginally attached to labor force	2.6 million	2.7 million	2.2million	2.6 million	2.6 million	2.5 million	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	2.4 million
Discouraged workers (not looking for work)	1,200,000	1,000,000	822,000	977,000	1,100,000	945,000	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	804,000

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 has 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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