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

**Loss of 10,200 telecommunications jobs in January sinks IT hiring to
 Its first monthly loss since 2012**

IT service sector jobs increase by 5,300, though still well below 2013 monthly average

**Overall national workforce numbers are disappointing, indicating continued concern about
 the economy**

Vero Beach, FL – Friday, February 7, 2014. An analysis of Friday’s release of U.S. employment numbers for January 2014 by the Bureau of Labor Statistics (BLS) reveals a **net loss of 3,100 jobs** across four industry job segments commonly associated with IT professionals. This is a dramatic departure from the previous month’s 7,500 job gain and the first monthly net loss in IT jobs reported by the BLS since September 2012. (see Figures 1 and 2)

Two IT segments showed strong results. *Computer Systems Design/Related Services* produced 4,700 new jobs in January, a significant increase compared to 3,200, 2,700, and 1,400 monthly gains in October, November, and December respectively, and exceeded the monthly average during all of 2013 by nearly 700 jobs. *Data Processing, Hosting and Related Services* posted 1,800 new jobs following net monthly losses of 200 jobs in October and November and a gain of only 500 jobs in December. Moreover, last month’s performance in this job segment far exceed the average job growth of only 375 jobs in 2013.

The strongest of the IT job segments in BLS data and the one representing half of all IT jobs created in 2013, *Management and Technical Consulting Services*, produced a paltry 600 jobs in January, well off its average of 5,142 per month in 2013. But the real news in Friday's report is the loss in January of 10,200 *Telecommunications* sector jobs compared to average job growth of 1,075 jobs every month last year. Most of the loss occurred in wired telecommunications carriers.

ANALYSIS

“Last month did nothing to dispel the fact that IT job creation has been in a slump lately, it began six months ago, and it has continuing into 2014. Our country experienced solid IT job creation for nearly four years, displaying surprisingly robust momentum in the two years ending August 2013. 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* segment of the U.S. workforce has been a very strong performer throughout the economic turmoil of the last seven years adding nearly 173, 000 jobs just in the past three years,” reveals Foote (see 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 to 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 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)

- Both the number of unemployed persons, at 10.2 million, and the unemployment rate, at 6.6 percent, changed little in January. Since October, the jobless rate has decreased by 0.6 percentage point
- Among the major worker groups, the unemployment rates for adult men (6.2 percent), adult women (5.9 percent), teenagers (20.7 percent), whites (5.7 percent), blacks (12.1 percent), and Hispanics (8.4 percent) showed little change in January. The jobless rate for Asians was 4.8 percent (not seasonally adjusted), down by 1.7 percentage points over the year.
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- The number of persons employed part time for economic reasons (sometimes referred to as involuntary part-time workers) fell by 514,000 to 7.3 million in January. These individuals were working part time because their hours had been cut back or because they were unable to find full-time work.
- In January, 2.6 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 837,000 discouraged workers in January, about unchanged from a year earlier. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.8 million persons marginally attached to the labor force in January had not searched for work for reasons such as school attendance or family responsibilities. (See table A-16.)

Industry Highlights – January 2014

- **Construction** added 48,000 jobs over the month, more than offsetting a decline of 22,000 in December. In January, job gains occurred in both residential and nonresidential building (+13,000 and +8,000, respectively) and in nonresidential specialty trade contractors (+13,000). Heavy and civil engineering construction also added 10,000 jobs.
- Employment in **manufacturing** increased in January (+21,000). Over the month, job gains occurred in machinery (+7,000), wood products (+5,000), and motor vehicles and parts (+5,000). Manufacturing added an average of 7,000 jobs per month in 2013.
- In January, **wholesale trade** added 14,000 jobs, with most of the increase occurring in nondurable goods (+10,000).
- **Mining** added 7,000 jobs in January, compared with an average monthly gain of 2,000 jobs in 2013.
- Employment in **professional and business services** continued to trend up in January (+36,000). The industry added an average of 55,000 jobs per month in 2013. Within the industry, **professional and technical services** added 20,000 jobs in January.
- **Leisure and hospitality** employment continued to trend up over the month (+24,000). Job growth in the industry averaged 38,000 per month in 2013.

- Employment in **health care** was essentially unchanged in January for the second consecutive month. Health care added an average of 17,000 jobs per month in 2013.
- Employment in **retail trade** changed little in January (-13,000). Within the industry, sporting goods, hobby, book, and music stores lost 22,000 jobs, offsetting job gains in the prior 3 months. In January, motor vehicle and parts dealers added 7,000 jobs.
- In January, **federal government** employment decreased by 12,000; the U.S. Postal Service accounted for most of this decline (-9,000).
- Employment in other **major industries**, including transportation and warehousing, information, and financial activities, showed little or no change over the month.

Hiring Trend Charts – IT Employment Segments

January 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 January 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
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	75,000	113,000
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%
Professional/Technical Services													
Segment 5: Management/Technical Consulting 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
	11,500	4,400	6,200	5,700	3,200	8,400	6,900	1,700	1,500	7,700	600	3,900	600
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
Information													
Segment 4: Telecommunications	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
	4,900	400	1,800	1,200	1,000	700	3,600	2,700	-2,700	-300	-2,100	1,700	-10,200
Segment 5: Data Processing/Hosting/ Related Services	1,100	-800	-500	-500	-400	1,800	3,600	-100	200	-200	-200	500	1,800
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
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

Key: Job gains in green
 Job losses in red

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												2012											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	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	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	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%
Professional/Technical Services																								
Segment 5: Management/Technical Consulting 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
Segment 4: Computer Systems Design/Related 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
Information	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
Segment 4: Telecommunications	-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
Segment 5: Data Processing/Hosting/ Related Services	-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
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
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
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

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 January 2014)

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

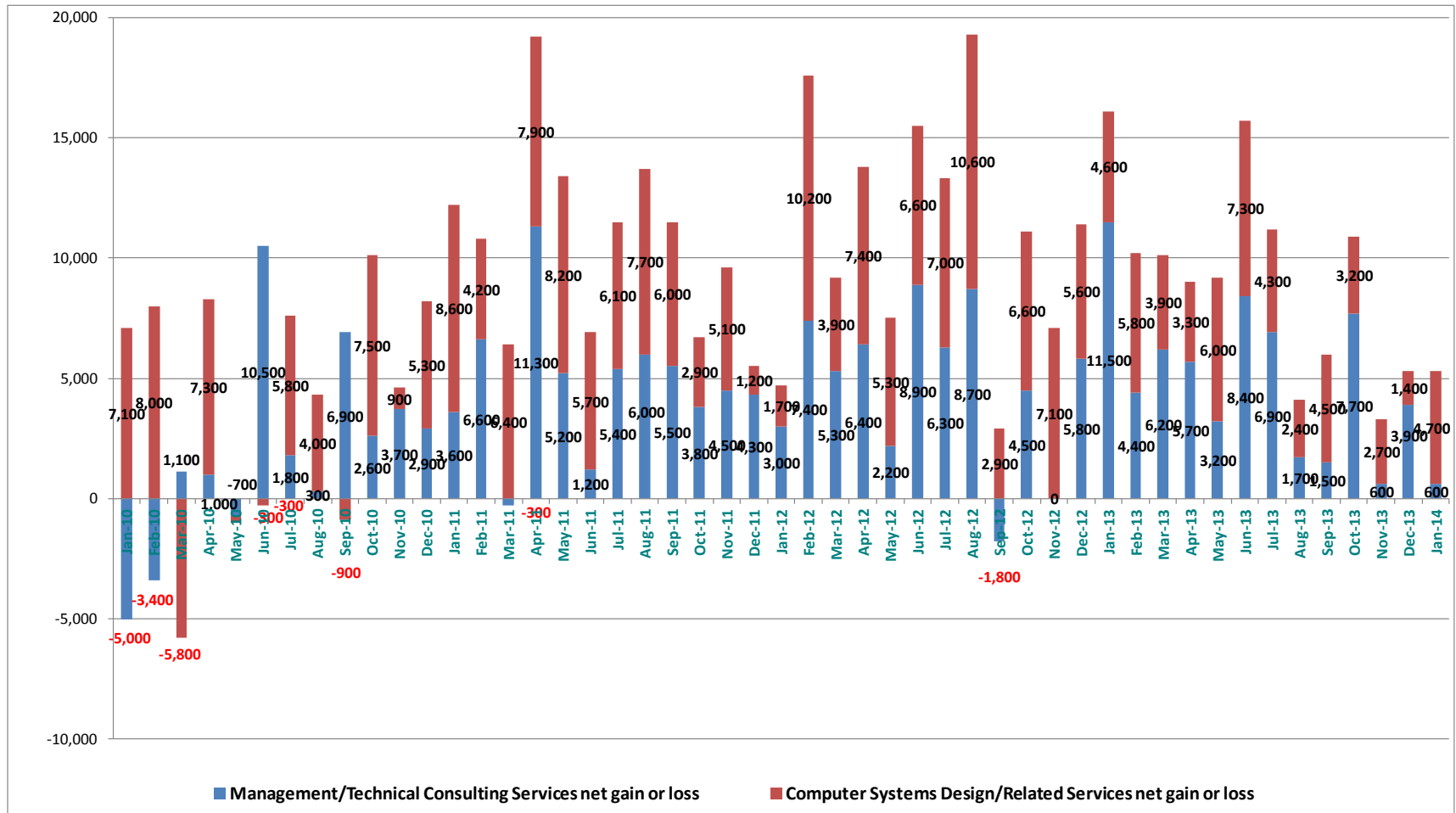
Highlights for four bellwether IT jobs segments)

U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES: through January 2014								
JOBS SEGMENT	36 mos.	24 mos.	12 mos.	8 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Feb'11 - Jan'13	Feb'12 - Jan'13	Feb'13 - Jan'13	April'13 - Jan'13	Aug'13 -Jan'13	Oct'13 -Jan'13	Nov'13 -Jan'13	Dec'13 - Jan'13
Professional and Technical Services	637,920	420,200	202,900	113,900	85,900	47,600	26,200	8,700
<i>Segment 5: Management/Technical Consulting Services</i>	172,500	119,000	62,300	34,500	22,900	12,800	5,100	4,500
<i>Segment 4: Computer Systems Design/Related Services</i>	190,400	129,000	54,100	36,500	23,200	12,000	8,800	6,100
Information	9,100	30,100	10,000	-15,000	-13,000	-8,000	-13,000	-12,000
<i>Segment 4: Telecommunications</i>	-48,900	-15,200	2,700	-5,600	-7,300	-10,900	-10,600	-8,500
<i>Segment 5: Data Processing/Hosting/Related Services</i>	3,300	5,900	6,300	7,000	5,600	1,900	2,100	2,300
TOTAL - ALL 4 IT SEGMENTS	317,300	238,700	125,400	72,400	44,400	15,800	56,800	4,400
IT Services segments	362,900	248,000	116,400	71,000	46,100	24,800	13,900	10,600
Tech Information segments	-45,600	-9,300	9,000	1,400	-1,700	-9,000	-8,500	-6,200

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

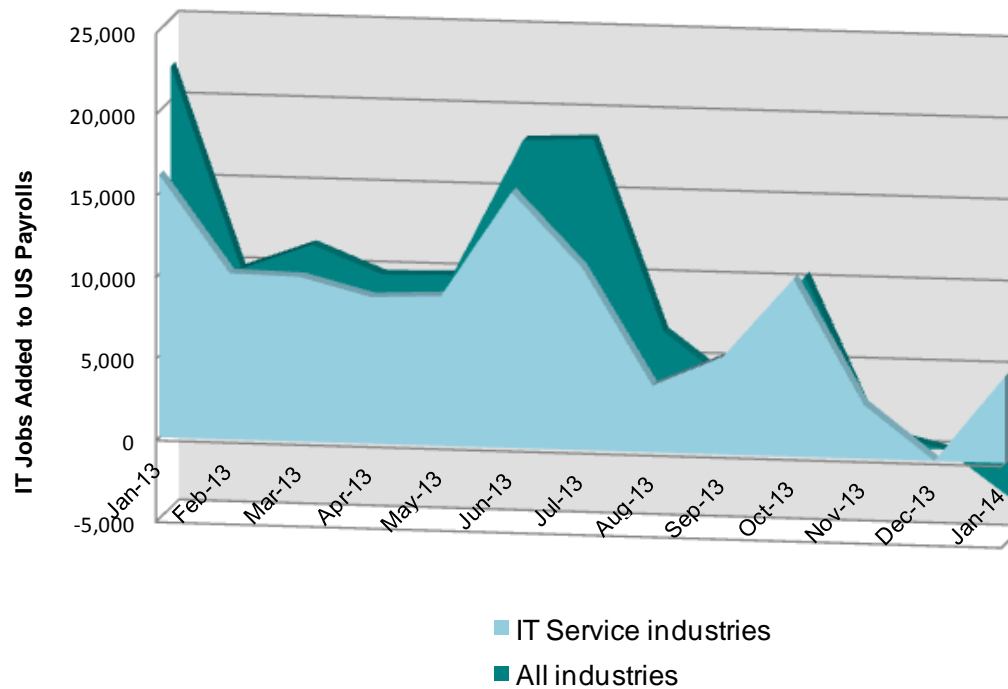
FIGURE 4 – JOB GROWTH/DECLINE - Management/Technical Consulting jobs vs. Computer Systems Design/Related services jobs
 - Net job gains/losses from January 2010 through January 2014



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

FIGURE 5

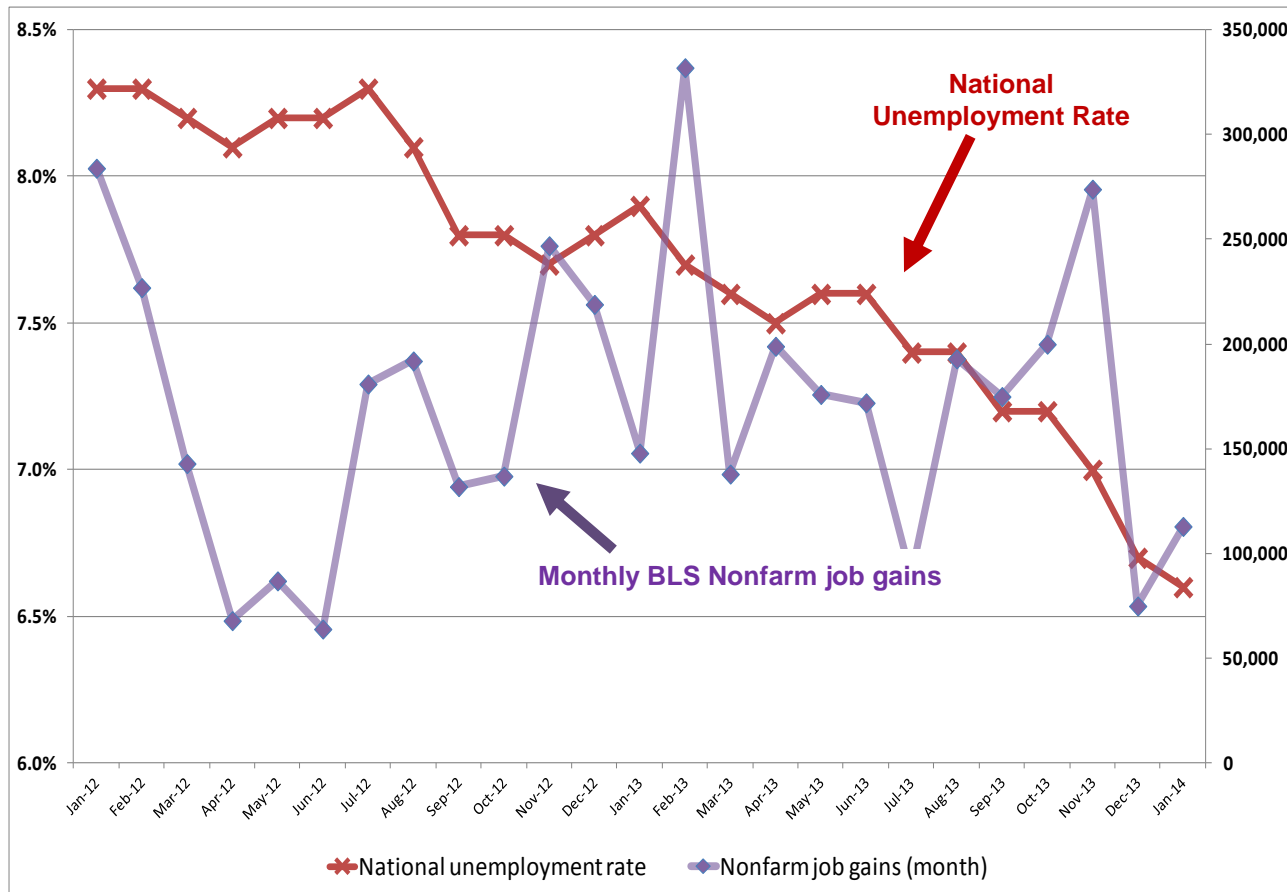
86% of U.S. IT Job Creation in 2013 was in the IT Services Industries



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 January 2014

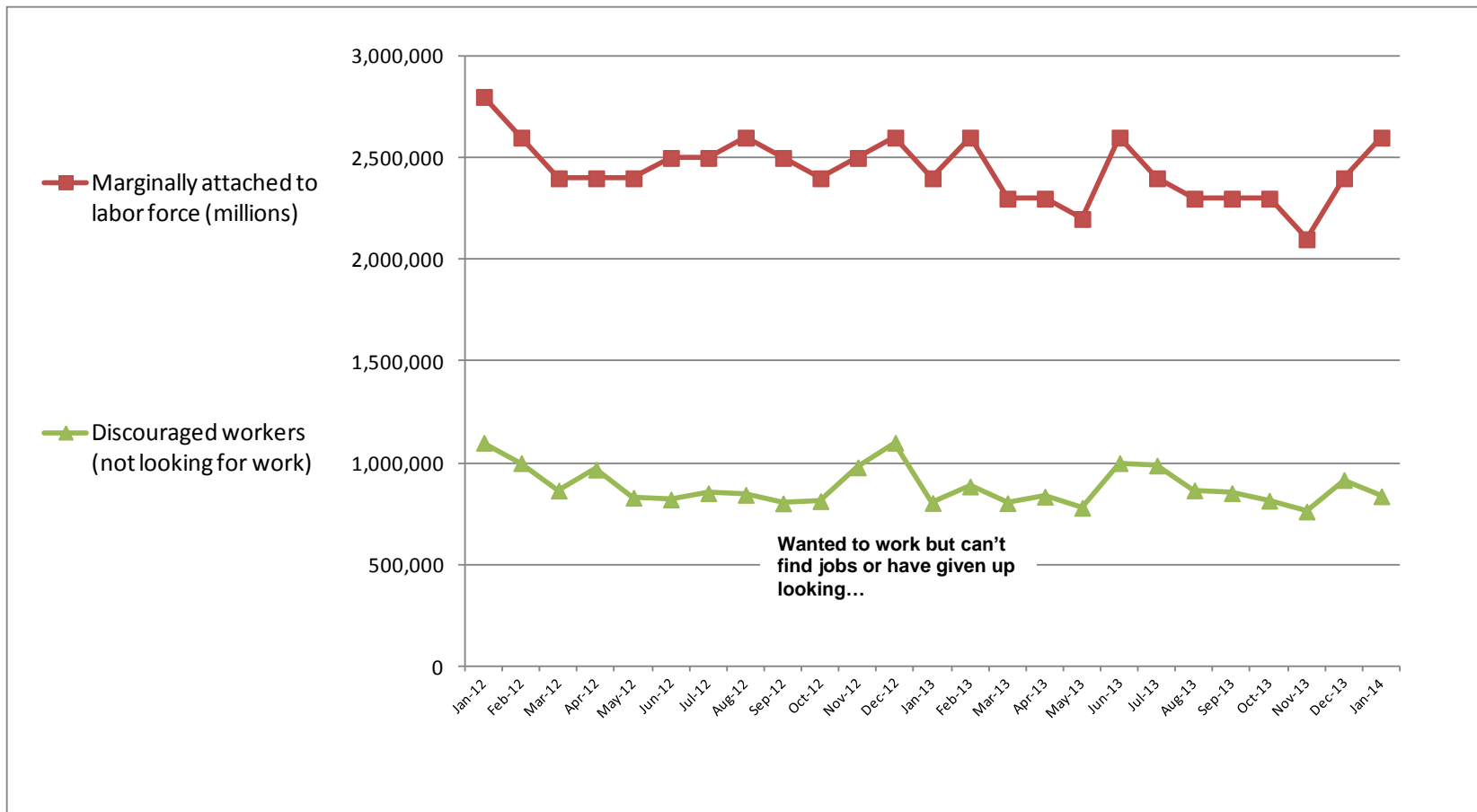


An increase of 38,000 new jobs in January —a 51% improvement over December—but still 161,000 fewer than November—only a 0.1 point decrease in the unemployment rate is hardly good news. 120,000 fewer unemployed workers looked for work last month according to the BLS report just released because they did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

Among these workers no longer technically defined as unemployed are:

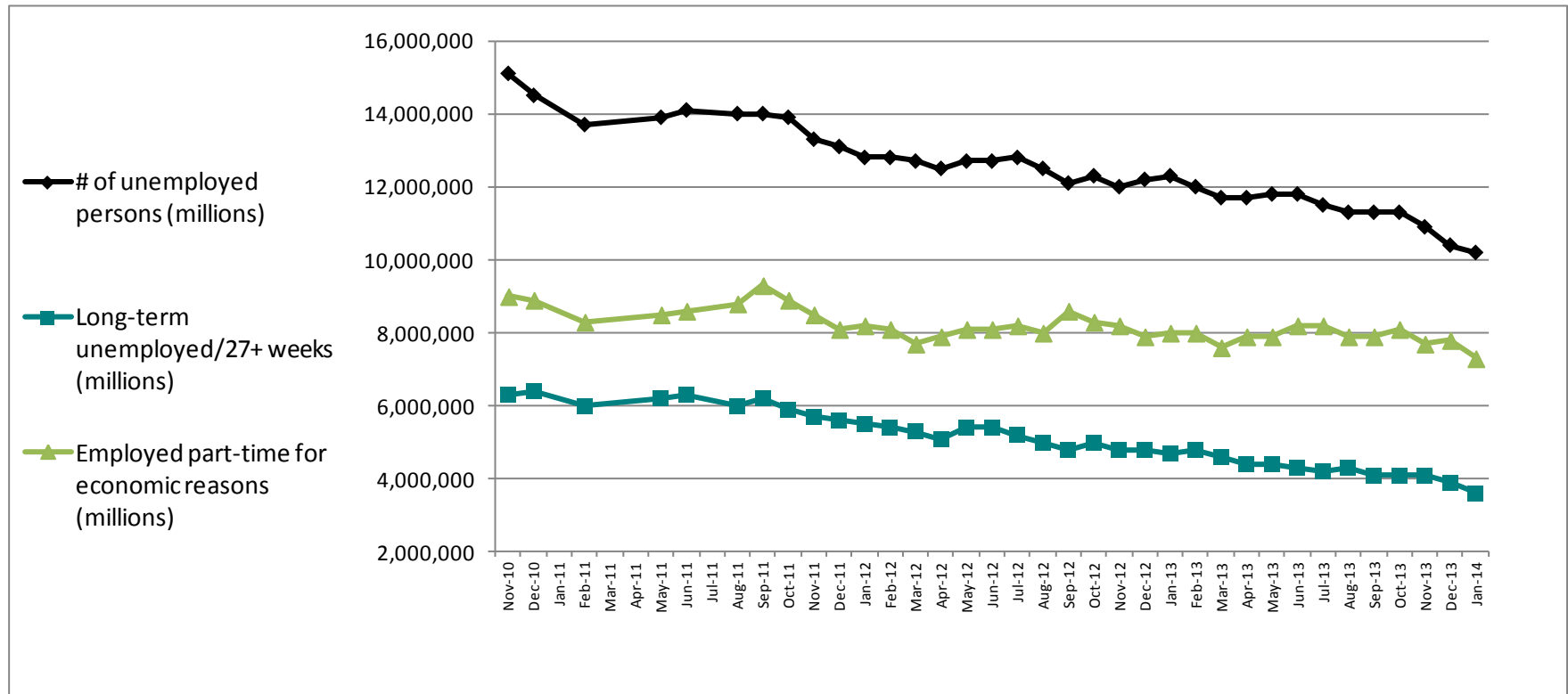
- *Marginally attached workers* (have looked for work in the prior 12 months but not in the 4 weeks preceding the monthly jobs report)
- *Discouraged workers* (have stopped looking for work altogether because they believe no jobs are available for them)

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 January 2014)

KEY EMPLOYMENT STATISTICS – Last 29 Months

	Aug-11 (29 mos. ago)	Aug-12 (17 mo. ago)	Dec-12 (13 mo. ago)	Jan-13 (12 mo. ago)	Feb-13 (11 mo. ago)	Mar-13 (10 mo. ago)	Apr-13 (9 mo. ago)	May-13 (8 mo. ago)	Jun-13 (7 mo. ago)	Jul-13 (6 mo. ago)	Aug-13 (5 mo. ago)	Sep-13 (4 mo. ago)	Oct-13 (3 mo. ago)	Nov-13 (2 mo. ago)	Dec-13 (1 mo. ago)	Jan-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%
# 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
Long-term unemployed--27+ weeks (% of total unemployed persons)	6.0 million 42.9%	5.0 million 40.0%	4.8 million 39.1%	4.7 million 38.1%	4.8 million 40.2%	4.6 million 39.6%	4.4 million 37.4%	4.4 million 37.3%	4.3 million 36.7%	4.2 million 37.0%	4.3 million 37.9%	4.1 million 36.9%	4.1 million 36.1%	4.1 million 37.3%	3.9 million 37.7%	3.6 million 35.8%
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%
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%
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
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
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

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 North American employers representing 158,000 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 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.

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