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

Big change in monthly IT employment: Following job gains in July and August totaling 36,300, in September 1,700 IT jobs were lost---the first decline in 25 months of BLS monthly labor reports

IT services industry posts smallest monthly job growth since May 2010

Unemployment rate dips below 8 percent for first time since 2009: 456,000 fewer unemployed workers last month

Vero Beach, FL – Friday, October 5, 2012. An analysis of Friday’s release of September 2012 U.S. employment numbers by the Bureau of Labor Statistics reveals a net loss of 1,700 jobs across four industry job segments commonly associated with IT professionals---the first monthly decline since August 2010 (25 months) that was not associated with a labor strike or similar temporary market anomaly (see **Figures 1 and 2**)

In a tough month for IT professionals, 1,800 jobs were lost in *Management and Technical Consulting Services* following 17 consecutive months of job growth during which 95,400 jobs were added in this segment to the national economy (5,612 per month average). In another segment in the same industry category (Professional and Technical Services) identified as *Computer Systems Design/Related Services*, 2,900 jobs were gained, continuing a streak of 24 consecutive months of job growth dating back to October 2010 in which 139,300 jobs were created. (**Figures 1, 2 and 3**)

In the Information industry job category, *Telecommunications and Data Processing, Hosting and Related Services* segments lost a total of 2,800 jobs in September adding to the 15,000 additional jobs lost in these segments between January to August of this year and 41,800 more lost in 2011. Of particular note in last month's data: 2,400 jobs lost in *Data Processing, Hosting and Related Services*, the largest single monthly decline in 40 consecutive BLS reports going back to June 2009 . **(Figures 1 and 2)**

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

The U.S. unemployment decreased 0.3 percentage points to 7.8 percent in September as total **nonfarm payroll employment** rose by 114,000 according to the Bureau of Labor Statistics. The number of **unemployed persons**, at 12.1 million, decreased by 456,000 in September.

The number of persons **unemployed for less than 5 weeks** declined by 302,000 over the month to 2.5 million. The number of **long-term unemployed** (those jobless for 27 weeks or more) declined from 5.0 million in August to 4.8 million in September and accounted for 40.1 percent of the unemployed.

Total **employment** rose by 873,000 in September, following 3 months of little change. The **employment-population ratio** increased by 0.4 percentage point to 58.7 percent, after edging down in the prior 2 months. The overall trend in the employment-population ratio for this year has been flat. The **civilian labor force** rose by 418,000 to 155.1 million in September, while the **labor force participation rate** was little changed at 63.6 percent.

Those employed **part-time for economic reasons** (sometimes referred to as involuntary part-time workers) rose from 8.0 million in August to 8.6 million in September. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job.

In September, 2.5 million persons were **marginally attached to the labor force**, essentially unchanged from a year earlier, declining by 100,000 in September compared to August. 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 802,000 **discouraged workers** in September, down from 844,000 in the month prior and a decline of 235,000 from a year earlier. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.7 million persons marginally attached to the labor force in September had not searched for work in the 4 weeks preceding the survey for reasons such as school attendance or family responsibilities

Health care added 44,000 jobs in September. Job gains continued in ambulatory health care services (+30,000) and hospitals (+8,000). Over the past year, employment in health care has risen by 295,000.

In September, employment increased by 17,000 in **transportation and warehousing**. Within the industry, there were job gains in transit and ground passenger transportation (+9,000) and in warehousing and storage (+4,000).

Employment in **financial activities** edged up in September (+13,000), reflecting modest job growth in credit intermediation (+6,000) and real estate (+7,000).

Manufacturing employment edged down in September (-16,000). On net, manufacturing employment has been unchanged since April. In September, job losses occurred in computer and electronic products (-6,000) and in printing and related activities (-3,000).

Employment in other major industries, including **mining and logging, construction, wholesale trade, retail trade, information, professional and business services, leisure and hospitality, and government**, showed little change over the month.

Discussion

“I couldn’t help but expect the reaction to this month’s BLS employment report would be mainly political, with the presidential election just 31 days away. And sure enough that is what is dominating the news cycle. But for me it was the stunning sudden reversal in IT job expansion. Overall national employment numbers were disappointing July and August but for IT they were spectacular, the greatest monthly job gains in five years,” says David Foote, CEO at IT analyst firm 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.

“Although this latest development was unanticipated, the tech industry has in fact been exceptionally volatile at the skills supply and demand level for some time which we track closely in our quarterly [IT Skills and Certifications Pay Index™](#) benchmark research. At the jobs level I wouldn’t be surprised if this turned back around soon because the truth is that the many of the IT job segments in the government jobs reports, in particular those in IT services, have been on strong and sustained growth runs for nearly two years. There is absolutely no structural shift taking place to account for these September job losses; if it were structural you would see it playing out slowly over many months, not in one sudden market burp. The fact is that companies are actively searching for talent and hiring for the future, though with considerable selectivity. They are making investments in new people not simply filling gaps at the project level: They’re building for the future, putting a premium on versatility and multi-dimensionally skilled individuals who can grow and develop within the company culture.

“As for this latest blip, I see a few factors at play,” says Foote. “First, the election year news cycles have been injecting a lot of nervousness into the markets with almost daily hyping of the so-called ‘fiscal cliff’ in January which refers to the ending of the Bush era tax cuts and resumption of higher payroll tax rates at the beginning of 2013. This drumbeat has been pretty aggressive and discussed almost daily in the news. S

“Second, nearly three quarters of U.S. businesses are on a calendar fiscal year and they just entered into their 4th quarter starting October 1st. It’s perfectly normal for them to step back in September and recheck their budgets and hiring plans for the final quarter and the beginning of the next fiscal year.

This year we are noting two important differences from our interviews with CIOs and others responsible for IT hiring: employers were feeling the nervousness just described and consequently acting more deliberately, including placing temporarily freezes on IT job requisitions in September while they reviewed their plans. We are now hearing that most have just lifted those freezes and they're back to active searches on all requisitions.

“So it appears this September decline in IT job expansion may have been a result of a brief suspension of hiring during the customary ‘step back and recheck our thinking’ phase. Foote Partners expects that in the next few months there will be a resumption of the overall robust hiring trend for IT professionals that we have been tracking in the BLS reports for two years running.”

Notes Foote, “The popularity of cloud computing, managed services, mobile platforms, business analytics and big data, applications development and information security concerns is driving a lot of hiring and investments in skills. So too are aggressive efforts to innovate new products and services. The fact is that preceding this jobs report there were other continuing signs of growing economic strength, including a jump in consumer confidence, the strongest auto sales in four years, rallying stock prices and a stabilization of housing prices. IT is helping to deliver and support everything in business; smart investments in technology and especially in the people who can deliver tech-infused business solutions continues to be key success factors. This has made a wide variety of IT professionals very hot commodities.

“Companies continue to aggressively pursue workers with multiple talents-- a mix of technology, business, and people skills that many who are not working simply do not have. Or a unique combination of pure tech skills: for example, cloud administrators who are adept at automating the configuration and operations in a cloud environment by combining a variety of different skill sets around systems administration, virtualization, storage and network administration. It's not about just running a server. Or cloud developers who have mastered new sets of APIs, new frameworks, and non-relational databases like NoSQL to develop elastic and scalable apps in the cloud.

“What many people don't understand is that things like cloud computing have the byproduct of forging better relationships between technology workers and their customers and ultimately frees up IT

human resources for other purposes. By offloading services to the cloud, you increase the amount of budget available for new projects and initiatives, which are the things that truly lead to new business revenues," insists Foote.

“If I may comment on the politicizing of the latest jobs report for a second. The Bureau of Labor Statistics is a highly respected government agency that is in fact not run by political appointments or operatives but instead respected economists who are lifetime bureaucrats and also statistics geeks. The agency has always been populated by extremely talented and dedicated nonpartisan functionaries who see it as their mission to use rigorous research methodologies to produce the most accurate data possible. To suggest otherwise is simply ignorance. You can accuse the BLS of a lot of things but being susceptible to political bias by a particular party or faction is not one of them.”

Foote Partners LLC – News Analysis – October 5, 2012

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

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
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	142,000	114,000
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%
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
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
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
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
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
Segment 5: Data Processing/Hosting/ Related Services	-1900	-700	-500	-400	700	-300	-200	100	-600	400	-900	-200	-1300	1900	-600	-500	-300	0	2,100	1,100	-2,400
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
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

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

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

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

FIGURE 2 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2009 to December 2011)

(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 September 2012)

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

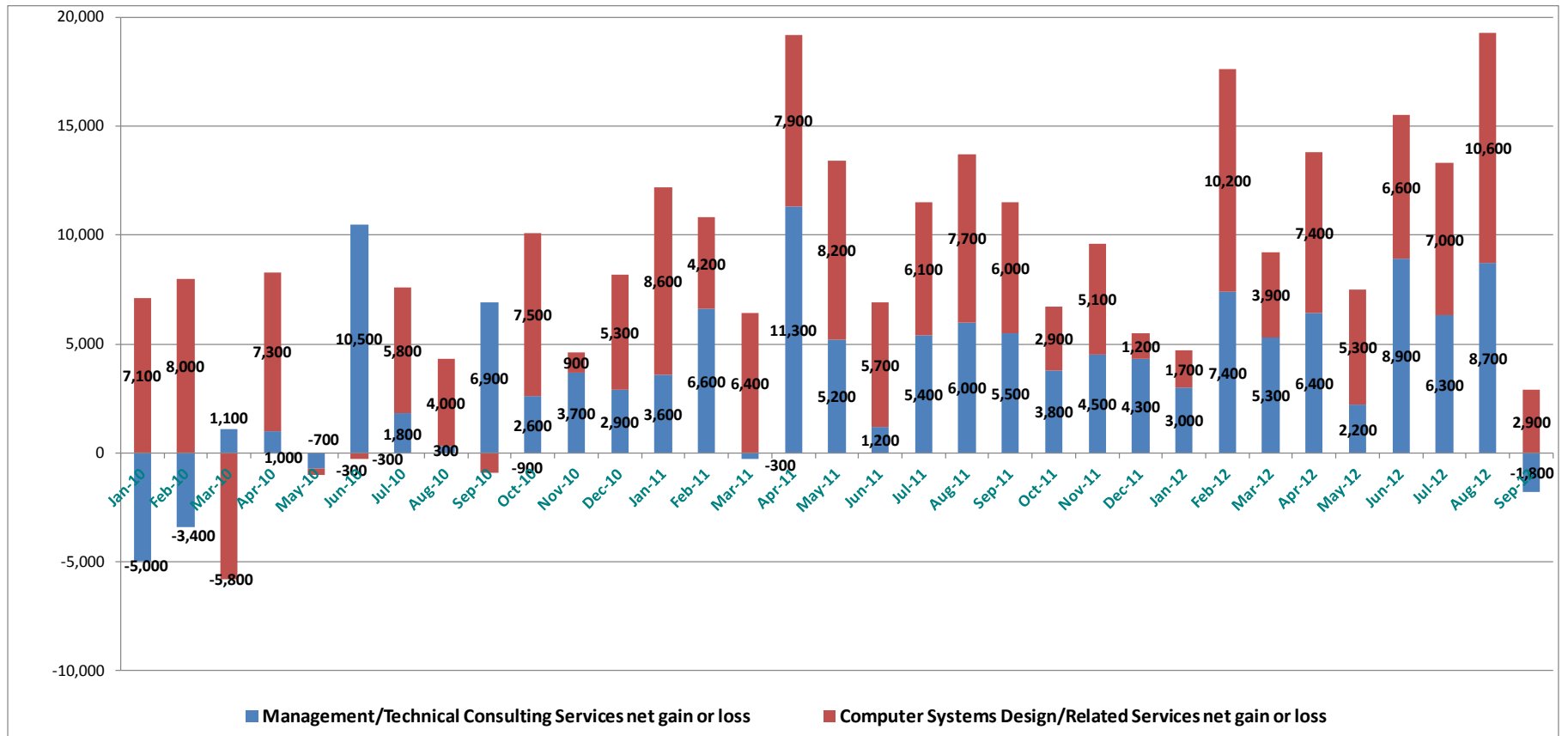
Highlights for four bellwether IT jobs segments)

U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES									
JOBS SEGMENT	36 mos.	24 mos.	12 mos.	10 mos.	7 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Oct'09 - Sep'12	Oct'10 - Sep'12	Oct'11 - Sep'12	Dec'11 - Sep'12	Mar'12 - Sep'12	Apr'12 - Sep'12	Jun'12 - Sep'12	Jul'12 - Sep'12	Aug'12 - Sep'12
Professional and Technical Services	478,520	410,720	187,220	178,100	105,100	91,300	67,800	49,600	31,700
<i>Segment 5:</i> Management/Technical Consulting Services	141,600	112,700	59,000	50,700	36,000	30,700	22,100	13,200	6,900
<i>Segment 4:</i> Computer Systems Design/Related Services	173,100	139,300	64,800	56,800	43,700	39,800	27,100	20,500	13,500
Information	-79,900	-9,900	13,100	22,100	4,100	5,000	9,000	17,000	6,000
<i>Segment 4:</i> Telecommunications	-107,600	-57,600	-28,300	-20,800	-11,100	-7,500	-2,000	100	-2,700
<i>Segment 5:</i> Data Processing/Hosting/Related Services	-9,900	-3,800	-700	-200	-600	0	800	800	-1,300
TOTAL - ALL 4 IT SEGMENTS	197,200	190,600	94,800	86,500	68,000	63,000	48,000	56,800	16,400
Tech Services segments	314,700	252,000	123,800	107,500	79,700	70,500	49,200	33,700	20,400
Information segments	-117,500	-61,400	-29,000	-21,000	-11,700	-7,500	-1,200	900	-4,000

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

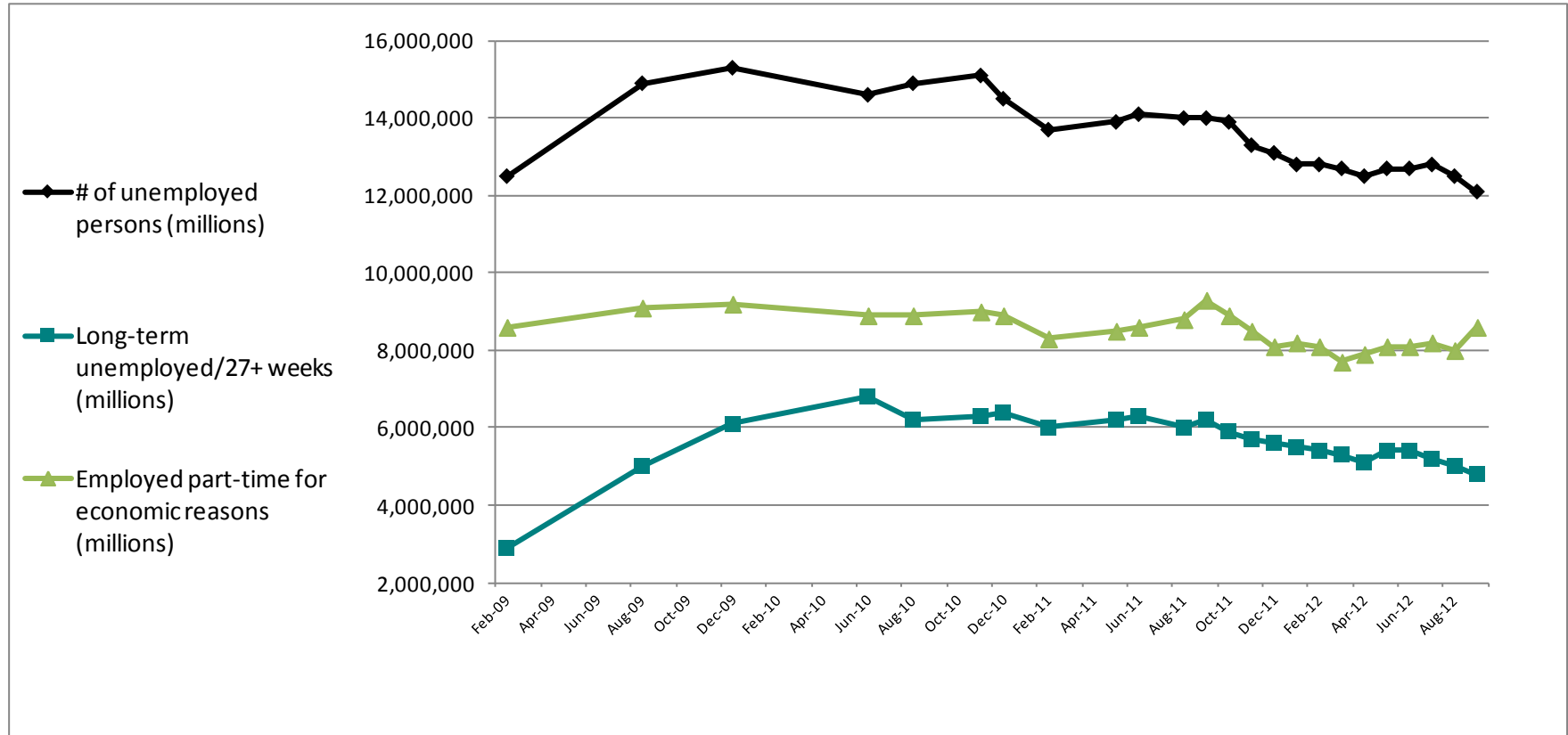
Source: US Department of Labor/Bureau of Labor Statistics.
Data chart and analysis by Foote Partners LLC

FIGURE 4 – JOB GROWTH/DECLINE - Management/Technical Consulting jobs vs. Computer Systems Design/Related services jobs
- Net job gains/losses from January 2010 through August 2012



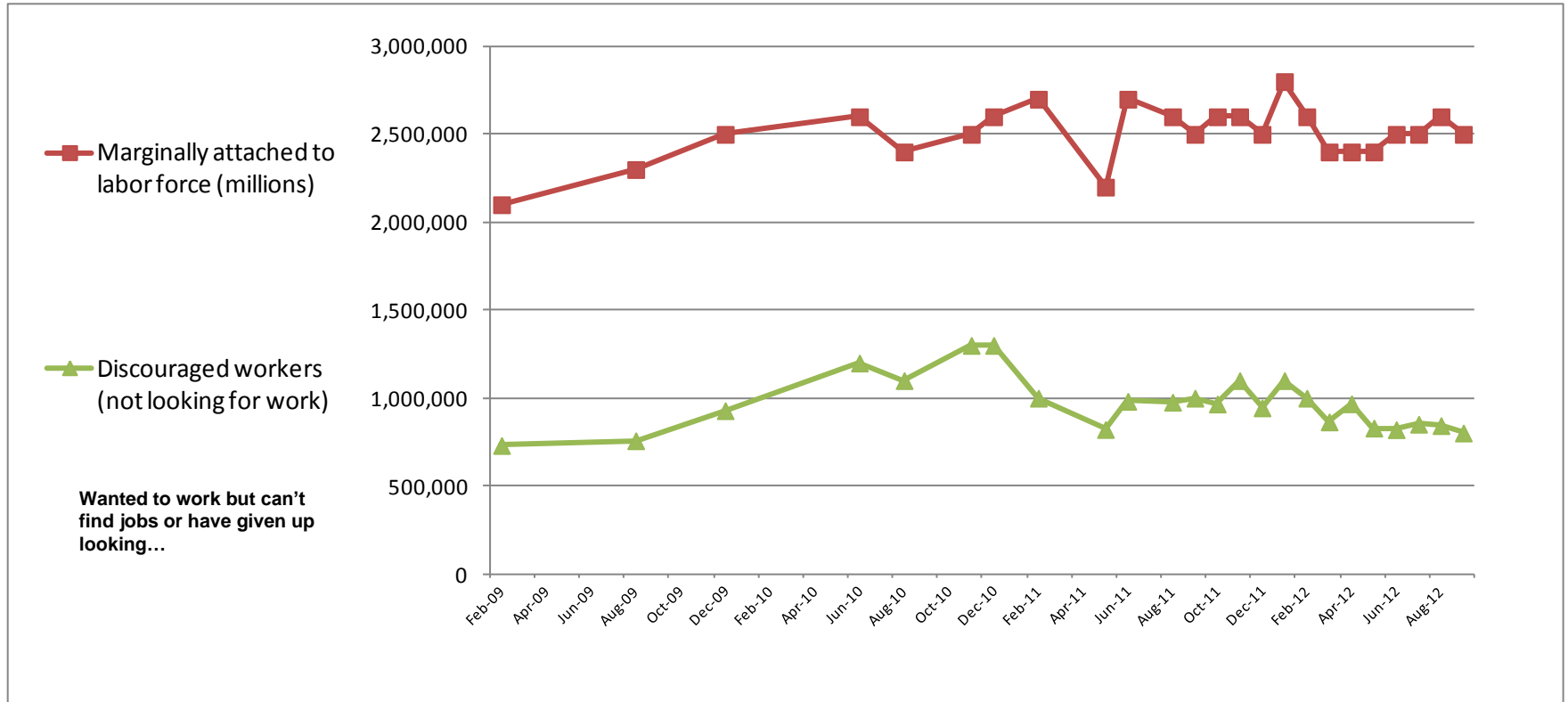
Source: US Department of Labor/Bureau of Labor Statistics. Data chart and analysis by Foote Partners LLC

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



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

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



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

Foote Partners LLC – News Analysis – October 5, 2012

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

KEY EMPLOYMENT STATISTICS – Last 25 Months

	June-10 (26 mos. ago)	February-11 (19 mos. ago)	May-11 (16 mos. ago)	January-12 (8 mos. ago)	February-12 (7 mos. ago)	March-12 (6 mo. ago)	April-12 (5 mo. ago)	May-12 (4 mo. ago)	June-12 (3 mo. ago)	July-12 (2 mo. ago)	Aug-12 (1 mo. ago)	Sep-12 (Now)
Unemployment rate	9.5%	8.9%	9.1%	8.3%	8.3%	8.2%	8.1%	8.2%	8.2%	8.3%	8.1%	7.8%
# of unemployed persons	14.6 million	13.7 million	13.9 million	12.8 million	12.8 million	12.7 million	12.5 million	12.7 million	12.7 million	12.8 million	12.5 million	12.1 million
Long-term unemployed--27+ weeks (% of total unemployed persons)	6.8 million 45.5%	6.0 million 43.9%	6.2 million 45.1%	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%
Civilian labor force participation rate	64.7%	64.2%	64.2%	63.7%	63.9%	63.8%	63.6%	63.8%	63.8%	63.7%	63.5%	63.6%
Employment-population ratio	58.5%	58.4%	58.4%	58.5%	58.6%	58.5%	58.4%	58.6%	58.6%	58.4%	58.3%	58.7%
Employed part-time for economic reasons	8.6 million	8.3 million	8.5 million	8.2 million	8.1 million	7.7 million	7.9 million	8.1 million	8.2 million	8.2 million	8.0 million	8.6 million
Marginally attached to labor force	2.6 million	2.7 million	2.2million	2.8 million	2.6 million	2.4 million	2.4 million	2.4 million	2.5 million	2.5 million	2.6 million	2.5 million
Discouraged workers (not looking for work)	1,200,000	1,000,000	822,000	1,100,000	1,000,000	865,000	968,000	830,000	821,000	852,000	844,000	802,000

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

ABOUT FOOTE PARTNERS

Foote Partners LLC Foote Partners, LLC is a Vero Beach, FL based independent IT benchmarking research and advisory firm that targets the human factors of IT value creation and ‘execution’ (or user) side of managing IT organizations and capabilities. A thought leader and trusted advisor to more than 2,000 employers on six continents, the firm provides pragmatic and forward-thinking analysis and advice 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 138,555 IT professionals with whom the firm as forged long term research partnerships.

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

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