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FOOTE IT NEWS ANALYSIS – Bureau of Labor Statistics US Employment Report – August 2011

No gain in U.S. jobs in August coupled with an increase of 200K ‘marginally attached’ workers in the past year—people who wanted to work but couldn’t find full time employment—and a rise in ‘discouraged workers’ spells continuing trouble in the current labor market.

But things were better for IT workers, with 13,700 more jobs added in Technical Services segment, the largest monthly increase since April 2011.

Vero Beach, FL – Sunday, September 4, 2011. U.S. employment numbers released Friday by the Department of Labor’s Bureau of Labor Statistics (BLS) revealed a net gain of 13,700 IT services sector jobs in August, representing the fifteenth consecutive month of positive job growth in these job segments in federal employment data (see FIGURE 1). Overall, nonfarm payroll employment was unchanged last month and the national unemployment rate held at 9.1 percent.

In a continuing trend of the shifting of the more traditional infrastructure-type IT hiring to the services industries by employers who are choosing to source more of these jobs externally, 6,000 new jobs were added in the *Management and Technical Consulting Services* and another 7,700 jobs in the *Computer Systems Design and Related Services* employment segments in August—2,200 more than in July---for a total of 122,700 added in these segments over the past twelve months (70,800 in last six months). (see FIGURE 2).

Meanwhile 47,300 jobs were lost in the two other IT-related jobs segments, *Telecommunications* and *Data Processing, Hosting and Related Services*, an aberration caused by a labor strike in the telecommunications industry that removed 45,000 worker from company payrolls during the August survey reference period. This

is in contrast to an average monthly loss of 2,483 jobs in these segments in the prior six months (2,708 monthly loss on average over prior twelve months).

“The trend of employers no longer wishing to employ large numbers of their own full-timers in what are mostly pure technology IT jobs has been building steam over a very long period of time. It’s not something that just began with the popularity of cloud computing, managed services, and this new wave of domestic outsourcing, although certainly the widespread acceptance alternative skill sourcing has been a big factor in the acceleration of what has clearly been a trend visible in the federal employment reports over the past several months,” notes David Foote, CEO at IT analyst firm Foote Partners that publishes proprietary national labor trend research.

“At this point I don’t think anyone should be surprised that skills acquisition, not recruiting full time people, has been the bigger focus in the past few years for employers managing pure-play IT resources. Much of this acquisition has been accomplished by farming work out to consultants and contractors, to part time employees, offshore vendors, and to managed services and cloud computing suppliers. As a result the revenue growth numbers in the services industries have been strong and the forecasts for continued expansion equally robust. But that said, IT skill sets have now become a necessary part of many jobs throughout the enterprise, not just those in the traditional IT organization. For many of these ‘new breed’ jobs employers would rather hire full time workers than use consultants.

“The defining trend driving all of this is that companies have changed the way they think about information technology and how it’s managed and delivered. The role of technology in the enterprise is now so pervasive that managing it is no longer entrusted to one group but instead split among every department, function, line of business, and product group. The job of each one of these entities is to determine how to make the best use of information technology for producing revenues and profitability, building market share, ensuring satisfied customers, controlling costs, innovating solutions, and generally to stay competitive in their industries. So with so much IT labor spending happening outside of the walls of the traditional IT organizational model there has been an emergence of a new **hybrid IT-business professional** with countless combinations of both business and technology knowledge, experience, and skill sets very unlike traditional IT duties and responsibilities.

“We estimate that there are 20 to 24 million of these hybrids now working in lines of business, corporate departments, product development groups, and in a wide variety of implementation and support functions throughout the enterprise,” reveals Foote. “This is in addition to the approximately 4 million IT professionals tracked and reported in the Department of Labor’s monthly employments survey that by their definition are a variety of tech engineers, software programmers and developers, administrators and support specialists, systems analysts, information scientists, architects, and managers.”¹

“All of this is feeding a corporate preoccupation with both skills acquisition and stimulating hiring of non-traditional IT professionals in a very big way, and the gap between supply and demand for skills has been extremely volatile. We’ve been surveying and reporting on premium pay rates for certified and noncertified IT skills since 1999 in our [*IT Skills and Certifications Pay Index™*](#) (ITSPCP), including 502 of them at this moment. 265 noncertified IT skills are earning an average of **8.5 percent** (of base pay) right now in the U.S and Canada, with pay for 237 IT certifications at a much lower **7.1 percent** premium on average. In our most recent quarterly data update (data collected through July 1, 2011), 50 of 252 noncertified skills (19.8%) were awarded a boost in pay premiums by employers over that past three months but only 17 of 231 certifications (7.4%) got similar treatment.

“Only one category of certifications — **Database**---grew in overall market value (+2.6%) in the latest quarterly ITSPCI report, bolstered by gains in three Oracle certifications. Four of eight noncertified skills categories showed improvement, led by **Management, Methodology and Process** skills (+2.4% in pay premiums); **Messaging and Communications** skills (+1.7%); **Database** skills (+0.6%); and **SAP & Enterprise Business Applications** skills (+0.3%).

“Declines were more widespread in the past three months, with IT certifications taking the biggest hit: **Entry level and Training** certs (-5.9% in pay premiums); **Web Development** (-4.0%); **IT Security** (-2.9%); **Systems Administration and Engineering** (-2.5%); **Applications Development and Programming Languages** (-2.3%); and **Networking certifications** (-0.2%). Only four of eight categories of noncertified skills recorded losses in market value, though these losses were not as steep as those recorded in the

¹ The Standard Occupational Classification (SOC) system is used by Federal statistical agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. For IT related jobs there are thirteen general job title categories.

certifications groups: **Web/e-Commerce** skills (-1.6%); **Applications Development Tools & Platforms** (-0.5%); **Systems and Networking** skills (-0.2%); and **Operating Systems** skills (-0.1%).

“Regarding this expanding group of IT-Business hybrid professionals, it’s notable that two skills categories ---*Architecture/Project Management/Process* certifications and *Management/Methodology/Process* non certified skills--- are paying the highest average skills premiums of all classifications of IT skills and certifications we are surveying. There are probably more of these hybrid professionals earning additional skills pay in these areas than in most of the other categories we track such as Networking and Communications, Systems Administration and Engineering, Messaging, Database, and IT Security, among others. I would argue that this is in part being driven by the unique combinations of skills and experience and subject matter expertise they bring to their jobs and that ultimately make them more valuable to their employers. You don’t want to lose these people over compensation issues because, let’s face it, getting them paid appropriately to true market levels is one of the only factors that all employers can control that figures significantly into decisions by workers about whether they remain with their current employer or leave for opportunities elsewhere,” insists Foote.

Analysis of other highlights from the August 2011 federal employment statistics

An August increase of 200K ‘marginally attached’ workers in the past year—people who wanted to work but couldn’t find full time employment—spells continuing softness in the current labor market which saw no change in employment in August. (see FIGURE 4). The lack of progress over the past twelve months of other key employment statistics indicate to us that grave concerns are justified for future prospects for putting people back to work.

The number of **long-term unemployed** (those jobless for 27 weeks and over) was mostly unchanged at 6.0 million in August and accounted for 42.9 percent of the unemployed. This is only slightly improved from one year ago (6.3 million long-term unemployed workers) but as a percent of total unemployed it is nearly one-point worse (42 percent).

The labor force rose to 153.6 million in August. Both the **civilian labor force participation rate**, at 64.0 percent, and the **employment-population ratio**, at 58.2 percent, were little changed from July. But the participation rate is worse than one year ago (64.7 percent) as is the employment-populations ratio (58.5 percent). (see FIGURE 6)

The number of persons employed **part time for economic reasons** (sometimes referred to as involuntary part-time workers) rose from 8.4 million to 8.8 million in August. In other words 400,000 more individuals were working part time in August compared to July because their hours had been cut back or because they were unable to find a full-time job. This is only slightly better than one year ago (8.9 million) 500,000 more than just six months ago. (see FIGURE 5)

About 2.6 million persons were **marginally attached to the labor force** in August, up from 2.4 million a year earlier. 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. This is 400,000 higher than three months ago. (see FIGURE 5)

Perhaps the most alarming statistic in the current employment report that among the marginally attached, there were 977,000 **discouraged workers** in August, which was 155,000 (or 19 percent) more than just three months ago (see FIGURE 5). The number of discouraged workers had been on a significant decline from November 2010 to May 2011 (-478,000) before this most recent reversal. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them.

FIGURE 1 – U.S. Department of Labor/Bureau of Labor Statistics – Job Situation Report (January 2010 to August 2011)

MONTHLY JOB SITUATION TRENDS – IT Professional Job Segments

(Highlights for four bellwether IT jobs segments)

	2010												2011							
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug
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	36,000	192,000	216,000	244,000	54,000	18,000	117,000	0
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%	9.0%	8.9%	8.8%	9.0%	9.1%	9.2%	9.1%	9.1%
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	7,900	10,000	34,700	33,000	40,300	24,200	17,700	16,100
Segment 3: 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	3,600	6,600	-300	11,300	5,200	1,200	5,400	6,000
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	8,600	4,200	6,400	7,900	8,200	5,700	6,100	7,700
Information	0	-18,000	-12,000	-3,000	0	-8,000	1,000	-1,000	-5,000	-1,000	1,000	-4,000	-1,000	0	-4,000	2,000	-1,000	0	-1,000	-48,000
Segment 5: Telecommunications	-3,100	-3,800	-3,100	-6,700	-4,600	-2,300	-5,800	-3,600	-5,200	900	1,100	-4,500	-3,600	-2,200	-3,800	-1,000	-3,400	-400	-2,700	-47,300
Segment 5: Data Processing/Hosting/Related Services	400	600	-2,300	300	-1,300	-1,500	300	-1,300	-200	500	0	200	-1,900	-700	-500	-400	700	-300	-200	100
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	6,700	7,900	1,800	17,800	10,700	6,200	8,600	-33,500
Net gain/loss - 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	12,200	10,800	6,100	19,200	13,400	6,900	11,500	13,700

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 (Through August 2011)

CUMULATIVE JOB SITUATION TRENDS – IT PROFESSIONALS

Highlights for five bellwether IT jobs segments)

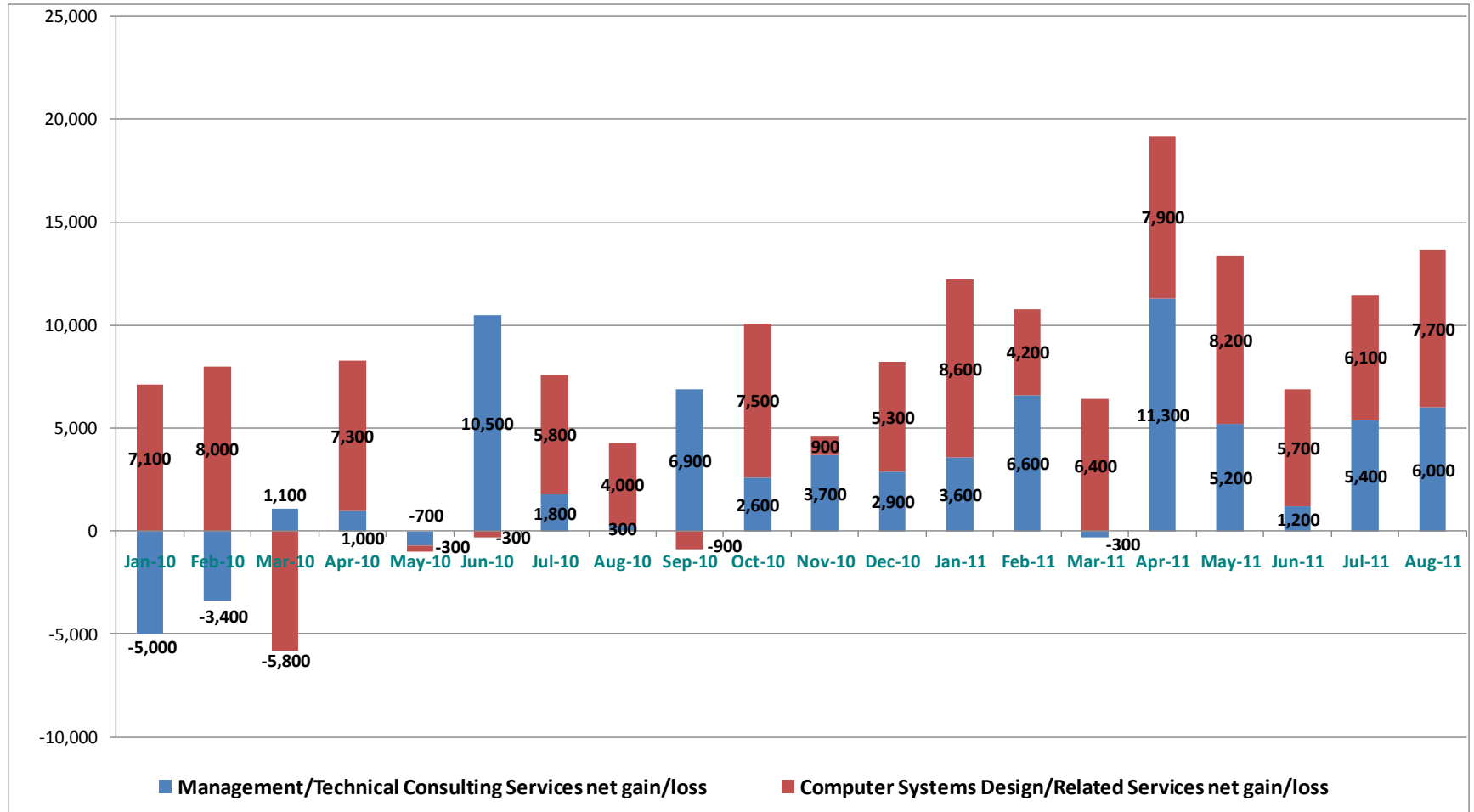
U.S. LABOR DEPT CUMULATIVE NET JOB GAINS/DECLINES							
JOBS SEGMENT	12 mos.	10 mos.	7 mos.	6 mos.	4 mos.	3 mos.	2 mos.
	Sept'10 - Aug'11	Nov'10 - Aug'11	Feb'11 - Aug'11	Mar'11 - Aug'11	May'11 - Aug'11	Jun'11 -Aug'11	July'11 - Aug'11
Professional and Technical Services	192,500	192,700	176,000	166,000	98,300	58,000	33,800
<i>Segment 1:</i> Management/Technical Consulting Services	55,100	45,600	35,400	28,800	17,800	12,600	11,400
<i>Segment 2:</i> Computer Systems Design/Related Services	67,600	61,000	46,200	42,000	27,700	19,500	13,800
Information	-62,000	-56,000	-52,000	-52,000	-50,000	-49,000	-49,000
<i>Segment 3:</i> Telecommunications	-72,100	-67,800	-60,800	-58,600	-53,800	-50,400	-50,000
<i>Segment 4:</i> Data Processing/Hosting/Related Services	-2,700	-3,000	-1,300	-600	300	-400	-100
TOTAL - ALL 4 IT SEGMENTS	47,900	35,800	19,500	11,600	-8,000	-18,700	-24,900
Tech Services segments	122,700	106,600	81,600	70,800	45,500	32,100	25,200
Information segments	-74,800	-70,800	-62,100	-59,200	-53,500	-50,800	-50,100

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 3 – Management/Technical Consulting vs. Computer Systems Design/Related services job growth

Net job gains/losses from January 2010 through August 2011)



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

FIGURE 4

UNEMPLOYED PERSONS:

Total vs. Long-Term

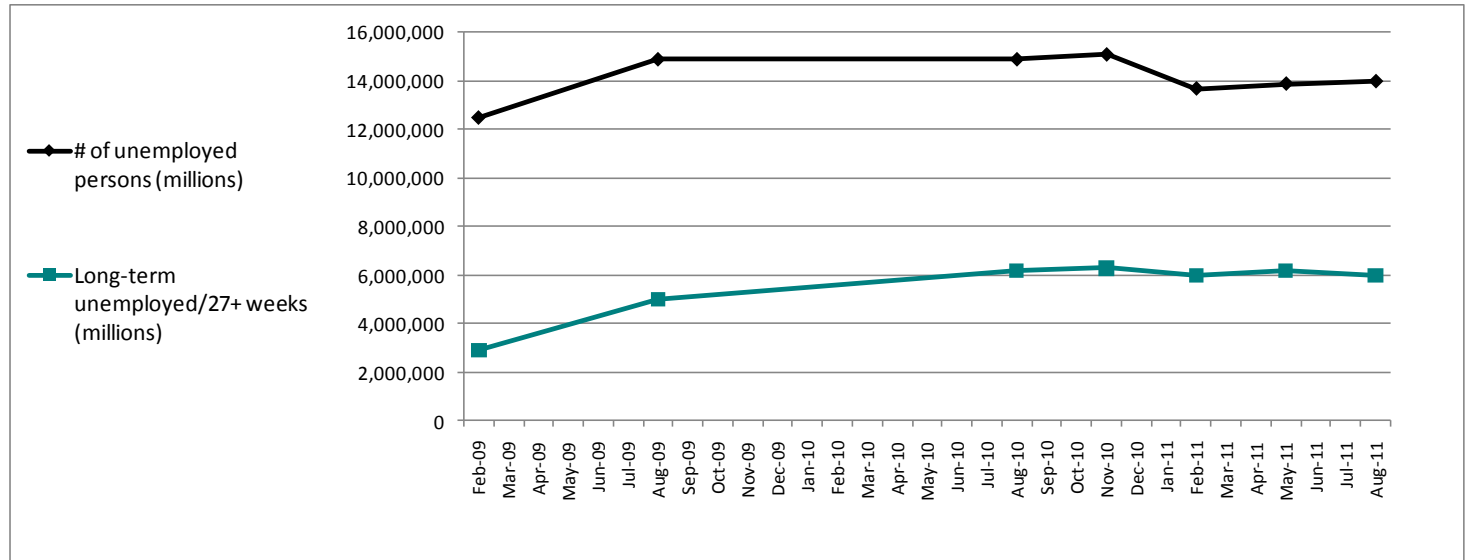
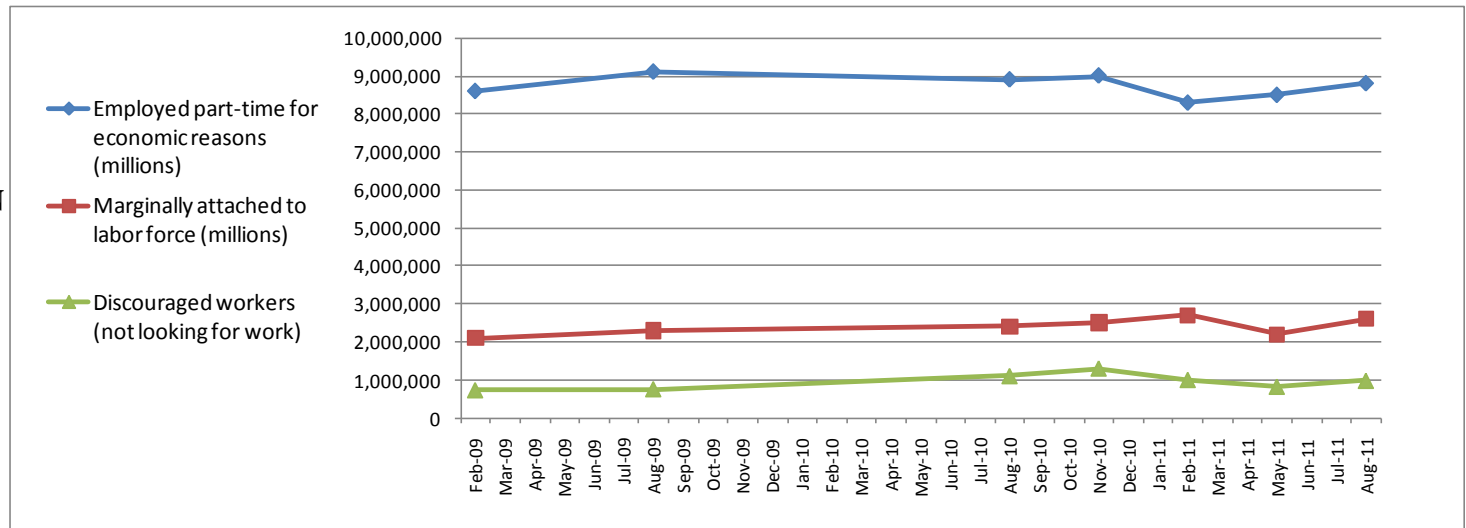


FIGURE 5

LABOR FORCE COMPOSITION

Part time vs. Marginally attached vs. Discouraged

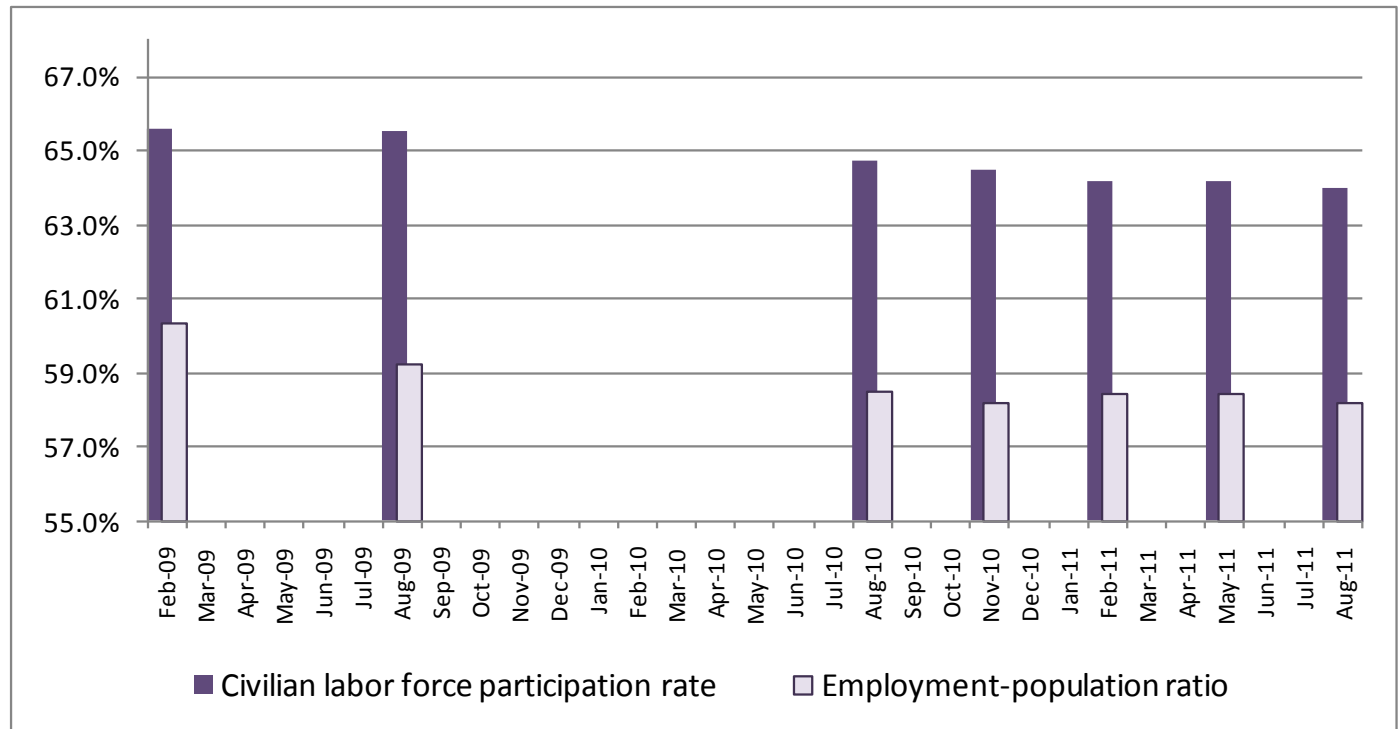


Source: US Department of Labor/Bureau of Labor Statistics.
Data chart and analysis by Foote Partners LLC

FIGURE 6

**CIVILIAN LABOR FORCE
DETAIL**

**Participation rate vs.
Employment-population ratio**



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 August 2011)

KEY EMPLOYMENT STATISTICS – Last 30 Months

	Feb-09 (30 mos. ago)	Aug-09 (24 mos. ago)	Aug-10 (12 mos. ago)	Nov-10 (9 mos. ago)	Feb-11 (6 mos. ago)	May-11 (3 mos. ago)	Aug-11 (Now)
Unemployment rate	8.1%	9.7%	9.6%	9.8%	8.9%	9.1%	9.1%
# of unemployed persons	12.5 million	14.9 million	14.9 million	15.1 million	13.7 million	13.9 million	14.0 million
Long-term unemployed--27+ weeks	2.9 million	5.0 million	6.2 million	6.3 million	6.0 million	6.2 million	6.0 million
(% of total unemployed persons)	n/a	n/a	42.0%	41.9%	43.9%	45.1%	42.9%
Civilian labor force participation rate	65.6%	65.5%	64.7%	64.5%	64.2%	64.2%	64.0%
Employment-population ratio	60.3%	59.2%	58.5%	58.2%	58.4%	58.4%	58.2%
Employed part-time for economic reasons	8.6 million	9.1 million	8.9 million	9.0 million	8.3 million	8.5 million	8.8 million
Marginally attached to labor force	2.1 million	2.3 million	2.4 million	2.5 million	2.7 million	2.2 million	2.6 million
Discouraged workers (not looking for work)	731,000	758,000	1,100,000	1,300,000	1,000,000	822,000	977,000

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 independent IT benchmarking research and advisory firm targeting the ‘execution’ side of managing IT capabilities and the human side of technology value creation. The firm provides deep benchmark research and pragmatic and forward-thinking advice about building and managing the modern business/IT hybrid professional workforce. Founded in 1997 and comprised of former Gartner and META Group industry analysts, McKinsey & Company and Towers Watson consultants, and former corporate HR, IT, and business executives, Foote Partners has been a thought leader and trusted advisor to more than 2,000 employers on six continents that are seeking new ways to improve IT’s impact on their businesses and customers.

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