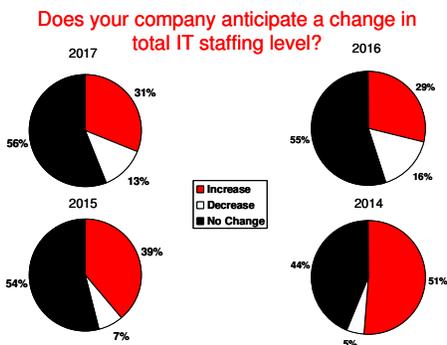


Optimism Returns to the Energy Industry

What we have learned over the last three years is that just about everyone in Houston is directly or indirectly impacted by the energy industry. This includes retail, healthcare, real estate, software, etc. The down-cycle following the 2008-2014 boom was among the worst we've seen in our nearly forty years in recruiting, rivaled only by the recession of the mid 80's. Some of our clients experienced revenue drops of as much as 70 percent, with widespread layoffs at all levels of staff. The unemployment rate within IT rose from 1-2 percent to over 4 percent, with some roles—director, manager, project manager, business analyst, ERP specialist, and infrastructure support—hit even harder.

The good news is that it appears we have hit the bottom. Through our annual Hiring Trends survey of Houston IT Leaders, we've seen evidence of having reached the critical point where companies are now replacing turnover with plans to increase staffing levels later in the year. We don't expect a hiring binge, but growth to accommodate critical needs.



Current trends point to increased demand for automation and business process improvement projects, designed not only for current business activities, but to ramp up for future requirements. Due to the current minimal levels of IT staff, this will lead to a project backlog, in turn requiring CIOs to find creative ways to fund and

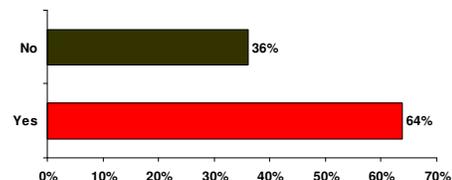
address these in the next year. We think that the project load will ultimately lead to an increase in both full-time and contract employees over the next eighteen months.

Additionally, we foresee consolidations in all industries, from energy to healthcare. To better leverage internal resources and minimize head count, companies are reaching out to third parties for datacenters, cloud computing, SAAS, software development, and on-going support. This, primarily, impacts local talent. As a result, we anticipate a decreased demand for project managers, business analysts, infrastructure professionals at all levels, ERP specialists, and support staff. The growth areas are in security and compliance, custom build software, mobile apps, cloud computing, and business intelligence. As the talent pool in these areas is already tight, premium compensation packages will be required to attract and retain the top performers.

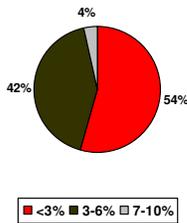
Changes in Compensation

Base compensation for full-time employees remained flat through 2016, with most receiving, at best, the standard 1-3 percent increase. However, when considering total compensation—including bonuses and health insurance cost sharing—some have taken cuts in pay. Projections from our annual salary survey suggest that this will continue through 2017, with 36 percent of respondents not anticipating compensation increases at all. The majority of increases (56 percent), again, fall within the 1-3 percent range. Contract rates for lower demand positions, on the other hand, have been cut by as much as 50 percent as supply outpaces demand, leading some of the best contractors to leave Houston altogether.

Does your company plan to increase base salaries for IT staff in 2017?



By what percentage?



Two years of a flat market left many of the most employable with a pent-up demand for change. Our recent survey of employed candidates showed that over 75 percent of full-time staff and over 90 percent of contractors are interested in new opportunities. This could well lead to the talent pool engaging in strategic repositioning—picking up new skills, seeking shorter commutes and increases in compensation. We advise our clients to consider the cost of retention versus the cost of turnover. In addition to compensation, a good retention strategy could include lower cost options such as working from home, increased free time and flexibility, new projects, and expressing appreciation for employee efforts and loyalty; an accommodating work environment can make a huge difference in employee retention.

How JDA Can Help

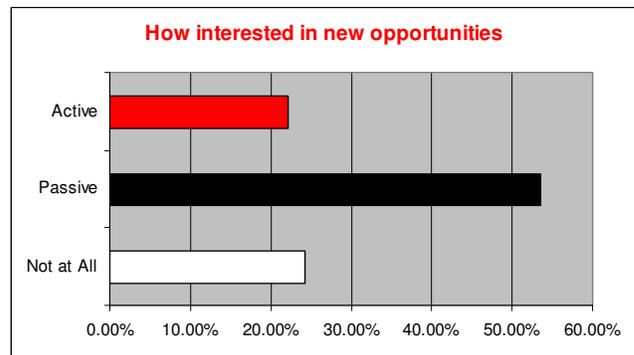
With over 35 years of experience actively recruiting IT professionals in Houston, JDA is a great resource to identify and recruit the passive job seeker either on a full-time or contract basis.

For more information on how we can help you build a great IT department, contact James Del Monte, President, at 713.548.5444 or jdel@jdapsi.com

We're optimistic for the future. We look forward to working with you on your full-time and contract IT staffing needs.

About the Survey

The information gathered here was compiled from the responses of roughly 100 Houston-area IT managers, 60 percent of whom are the top IT person at their company. The turn-over statistics are from our candidate survey of close to 1000 employed workers.



One of the big challenges for CIOs will be budgetary pressure, despite a 33 percent increase in respondents reporting budget increases in 2017. The transition from building to sustaining has also caused unrest at the executive level with a high percentage interested in other options; however, a strong CIO business strategy can have a tremendous impact in repositioning companies for growth or sale.

We are living in interesting times, and what we have learned from the past is that Houston is a vibrant city with an entrepreneurial attitude. We have the largest port, medical center, and energy industry in the country. There is buzz about new builds for chemical and refineries, pipelines, manufacturing facilities, and being able to ramp up quickly for domestic oil & gas production. With the glut of premium office space, favorable tax rates, low cost of living, and a business-friendly city, we are in prime position to attract new business growth to our area.