

2007 HOUSTON

IT HIRING TRENDS

Combination of Market Conditions Lead to a Major IT Labor Shortage

With IT employment returning to pre-recession levels, college enrollment in IT programs at an all-time low, and 44% of CIO's in Houston planning to expand their staff in 2007¹, we are headed straight for an IT labor shortage like that of the late 90's. If finding and retaining the right staff is critical to your success as an IT manager, then combating this issue should become a top priority.

Right now only 50% of CIO's in Houston have an employee retention plan in place¹, and many companies are still using a "reactive" hiring model to find new people. While these are always important issues to consider, they are becoming increasingly significant as we embark further into this worker deficit where employee turnover continues to climb, wages and hiring costs are persistently rising, and the ability to

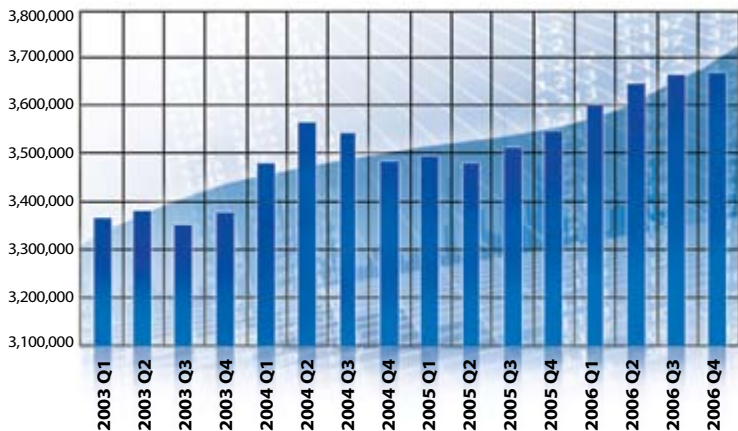
find qualified candidates is becoming progressively more difficult.

So why is this change in the market happening? What can be expected for the future of IT? And, most importantly, what can you, as an IT manager, do in the interim to remain successful during these and future challenging times?

THE STATE OF THE IT EMPLOYMENT MARKET

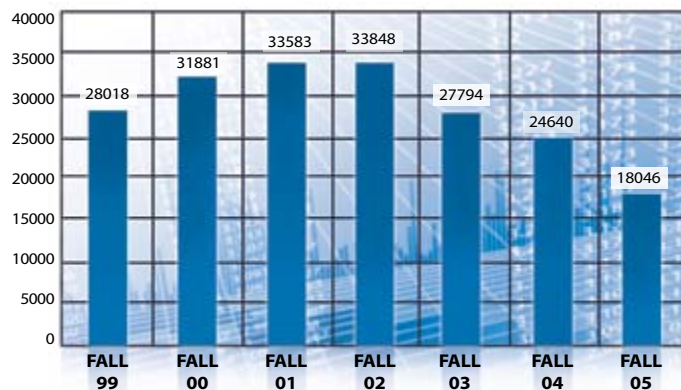
Significant Increases in Demand + Significant Decreases in Supply = Major IT Labor Shortage

EMPLOYMENT OF WORKERS IN IT OCCUPATIONS



Source: National Association of Computer Consultant Businesses (www.naccb.org)

NEW ENROLLMENT IN CS & CE BACHELOR, MASTER & DOCTORATE PROGRAMS³



In the Face of a Tough 2006

NATIONAL & LOCAL ECONOMIES ARE STRONG

Despite the longevity of the Iraqi war, the devastating economical effects of the previous year's hurricane season, and the sky-high fuel prices experienced since late 2005, the U.S. economy thrived last year. According to the U.S. Department of Labor's Bureau of Labor Statistics (BLS), the national average unemployment rate for 2006 was at a six-year low of 4.6%, average hourly wages experienced their greatest increase since 2000, and consumer spending in 2005 saw its highest increase since 1989⁴. As indicated by both the NASDAQ Composite (Nasdaq) and the Dow Jones Industrial Average (DJIA), stock market prices were at their highest point since early 2001⁵.

Closer to home, Houston's economy finally rebounded from the depths of the "dot-com" bust, and with our high dependency on the oil & gas industry this was likely connected, in part, to the recent spike in fuel prices. The BLS reports that Houston's unemployment rate in 2006 was at its lowest since 2001. At the close of Q2, workers in Houston made more than \$4 an hour over the national average, and Houston's average consumer spending per household jumped 10.3% in 2005, an increase which was unmatched in at least the past 20 years⁴.

STATISTICAL COMPARISON OF NATIONAL & LOCAL ECONOMIES⁴

STATISTICS	NATIONAL	COMPARED TO PRIOR YEARS	HOUSTON	COMPARED TO PRIOR YEARS	HOUSTON VS. NATIONAL
UNEMPLOYMENT RATE (Average for 2006)	4.6%	6-year low	5.0%	Lowest since 2001	+4%
AVERAGE HOURLY WAGE (June 2006)	\$19.60	Greatest increase since 2000	\$23.98	\$4+ above the national average	+22.3%
AVERAGE CONSUMER SPENDING PER HOUSEHOLD (2005)	\$46,409	Highest increase since 1989	\$52,998	Up 10.3%, highest increase in at least 20 years	+14.2%

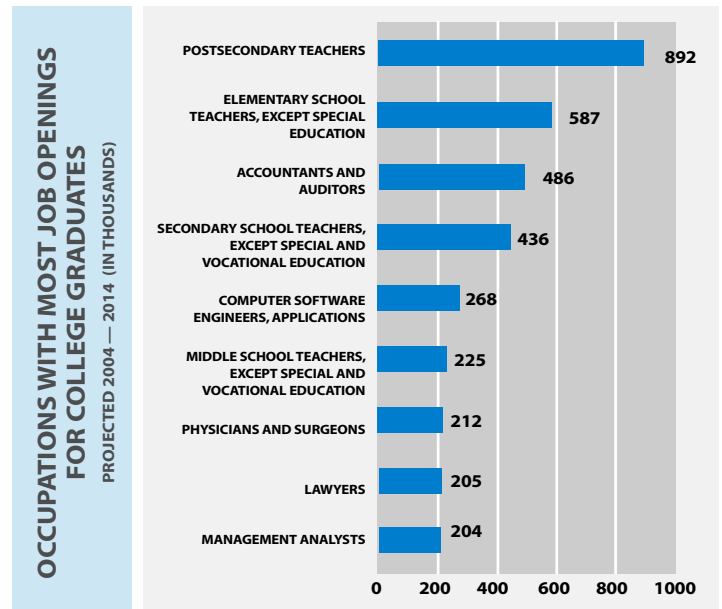
IT EMPLOYMENT IS BOOMING

While the economy as a whole did well, workers in the IT sector fared even better. As demonstrated by consistently low unemployment rates, demand for IT skills was extremely high, and forecasts indicated a continual climb well into the future. According to the BLS, the unemployment rate for all but one IT occupation during Q3 of 2006 was less than 3% or nearly 2% below the average national rate at the same time, and in July 2006, pay for workers in most computer-related fields increased at a higher rate than the 4.2% average for all private industry workers.

Additionally, a report published in September 2006 by the BLS ranked computer software engineers 5th among jobs with the most openings for new college graduates from 2004-2014, preceded only by educators and accountants⁴. Best of all, these recent increases in IT employment were supported by the strength and stability of a “real” market rather than a volatile “bubble” market like that of the “dot-com” era. Based on that fact, most experts agreed that while the numbers of 2006 did not quite equal those of the late 90’s, IT workers found themselves in a much better place.

IT PROFESSIONALS IN HIGH DEMAND	OCCUPATION	3Q 2006 UNEMPLOYMENT RATE
	All private-industry workers	4.6%
	Computer and information systems managers	2.1%
	Computer programmers	1.8%
	Computer scientists and systems analysts	3.0%
	Computer software engineers	1.8%
	Computer support specialists	2.6%
	Network and computer systems administrators	3.8%
	Network systems and data communications analysts	2.0%

Source⁴: US Department of Labor's Bureau of Labor Statistics



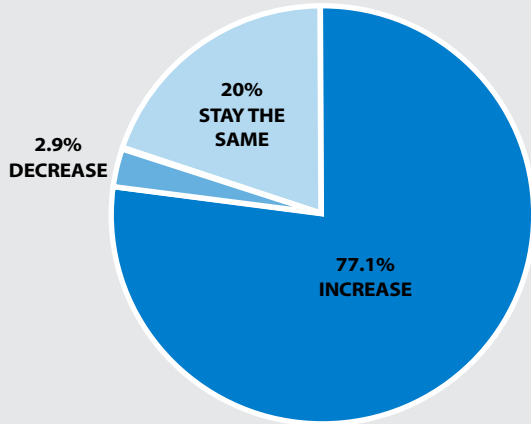
Source⁴: US Department of Labor's Bureau of Labor Statistics

WHAT LOCAL CIO'S SAY

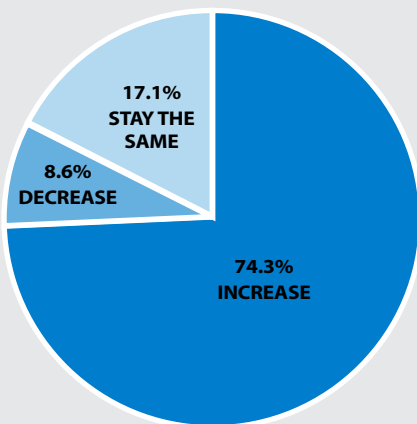
After completing our analysis of last year's statistics, we realized the numbers meant very little unless we took a real look at what had happened on the front lines. In late 2006, JDA conducted the Houston IT and Education Research Survey in which we polled CIO's in our area and asked questions about their views for the future of the IT industry as a whole, the IT labor market, and expected salary changes for 2007. We learned that while statistics illustrated a great outlook for the future, IT executives were making even greater predictions. Over 77% of all CIO's surveyed were forecasting growth for their company, over 74% were expecting an increase in their departmental budget, and more than 89% were planning to increase base salaries anywhere from 3% to 15% in 2007¹.

One of the more interesting findings in this survey is that while 44.4% of CIO's anticipate an increase in their current staffing levels for 2007, none expect a decrease, and the rest plan to remain the same¹. If this is true, we are looking at a major increase in the current IT labor gap as the demand for workers in 2007 will be higher than the number available on the open market. This means that the majority of IT workers hired this year will still be employed upon accepting a new position. In fact, 87.5% of our CIO survey respondents say they are actively or passively looking themselves¹. If this is any indication of the market as a whole, it means that nearly 90% of all currently employed IT workers have their feelers out. This creates major competition between companies for the most qualified professionals and a major challenge for hiring managers in the IT sector.

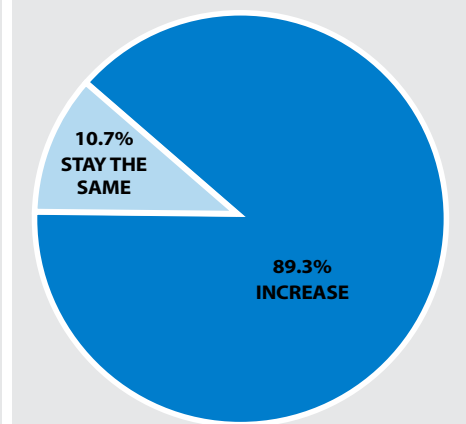
EXPECTED COMPANY GROWTH IN 2007¹



EXPECTED CHANGE FOR DEPARTMENT BUDGET IN 2007¹

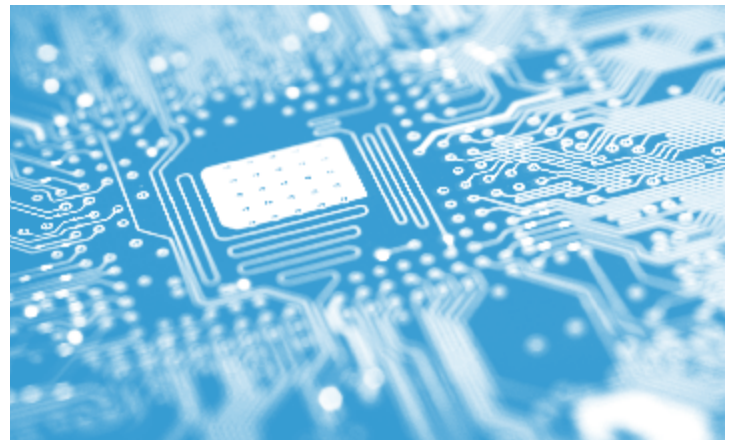


EXPECTED CHANGES FOR BASE SALARIES IN 2007¹



OUR EXPERIENCES AT JDA

At JDA, we are seeing this situation go even further. We are noticing that IT workers are not only leaving their current jobs for better opportunities, but those who are well qualified have their choice among 3-4 new positions. Also, in addition to the majority of managers planning to increase base salaries, we are seeing a major rise in up-front cash and sign-on bonuses. In order to make a move to a new company, candidates are requesting anywhere from 5-20% increases in their current salaries, and most are getting between 10-15%. In order to retain current employees, some companies are making one-time salary adjustments above and beyond their typical wage increases. Those adjustments are ranging from 3-15%, and most are falling between 4-6%. We are not quite seeing the extremes that were experienced in 1999 or 2000, but it looks as though circumstances are certainly headed in that direction.

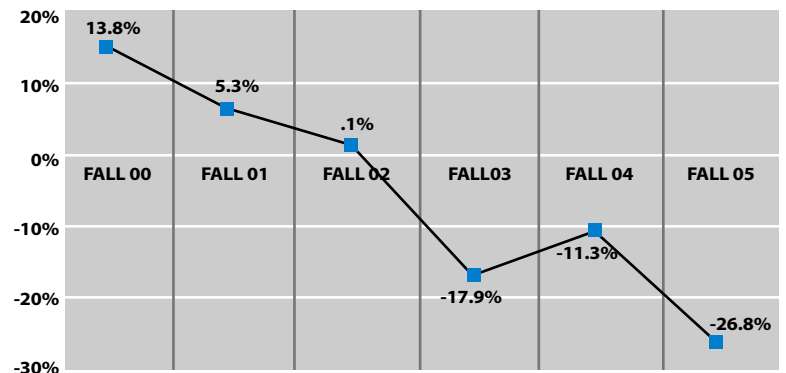


EDUCATIONAL ENROLLMENT CRISIS

Adding to the mayhem of rising demand and mounting competition for IT workers in 2006 was the issue of rapidly decreasing enrollment numbers in computer-related educational programs. The number of students enrolling in 4-year or higher computer-related degree programs declined considerably over the past five years down to an almost frightening ten-year low as of the last date recorded. According to the Computing Research Association's annual Taulbee Survey, from Fall 1999 to Fall 2000, enrollment in CS & CE bachelor, master, and doctorate programs jumped an enormous 13.8% from 28,018 to 31,881 and remained high through Fall 2002. Once the shock of 9/11 and the busting of the economy wore off and people began to realize that the IT industry was not going to bounce back immediately, enrollment numbers tumbled 17.9% from a high of 33,848 in Fall 2002 to 27,794 in Fall 2003. Since then enrollment numbers in these programs have continued to dwindle, and in Fall 2005 they sank another 26.8% to 18,046, the lowest number on record³.

Between the current IT labor shortage and the dismal outlook of our future worker pipeline, we could be looking at some serious long-term effects for all in our industry. Companies could be forced to hire high-level professionals or contractors at much greater pay rates to fill entry-level positions, managers could be forced to spend more time trying to find and hire new employees, IT workers could be forced to assume larger work loads, other departments could be forced to limit their resources, and so on. The fear of many companies and educational institutions that depend on new computer graduates is that if this trend continues we will be looking not only at a labor shortage but at a real labor crisis for the IT industry.

YEAR-TO-YEAR % CHANGE IN NEW ENROLLMENT FOR CS & CE BACHELOR, MASTER, & DOCTORATE PROGRAMS³



THERE MAY BE HOPE YET FOR IT MANAGERS IN THE FUTURE

Upon reading these alarming statistics, you are probably asking yourself if there is any relief in the future; if so when can it be expected, and what strategies can you adopt to maintain or even expand your department's success in the meantime.

First and foremost, there is hope. From years of experience in the IT employment market, we know that the tides of supply and demand change every five or so years. It is a very cyclical market. From our recent survey, 56% of IT executives in Houston say they anticipate the next economic slowdown to occur within the next 2 - 3 years¹. With that being said, we are still looking at a few rough years ahead. In order to help you build and maintain a talented IT department even in the toughest of times, we have included our time-tested *8 1/2 Tips to Offset the Effects of an IT Labor Shortage*.

8 1/2 TIPS TO OFFSET THE EFFECTS OF AN IT LABOR SHORTAGE

1 REVIEW RETENTION PLANS

Considering that it is easier and more economical to retain good employees than it is to replace them, we strongly suggest that you have an updated retention plan in place. To learn more about developing an effective retention plan check out the Employer Resources section on our website at WWW.JDAPSI.COM.

2 REVIEW SALARIES

You should review your salaries at least once a year and make market adjustments where necessary to avoid losing employees to more competitively compensated opportunities. To find the latest information on IT salaries in Houston check out the 2007 Houston IT Salary Survey on our website at WWW.JDAPSI.COM.

3 SPEND TIME AND MONEY TO TRAIN AND DEVELOP STAFF

Training and development empowers your employees to become more productive and efficient, and it makes them have a greater sense of commitment and belonging to your company.

4 CROSS-TRAIN EMPLOYEES

As a manager cross-training gives you insurance during high turnover times when you start losing critical employees. Additionally, it gives your employees the opportunity to expand their skill set and the value they bring to the company.

5 HIRE INTERNS AND/OR PART-TIME STUDENTS

Hiring students gives you extra helping hands when you need them, it typically allows you to have first dibs on the students once they graduate, and it gives the students hands-on experience so they are better trained when they enter the workforce. To learn more about finding qualified interns and students in the Houston area check out the Employer Resources section on our website at WWW.JDAPSI.COM.

6 GET INVOLVED WITH HIGH SCHOOLS

As an IT manager, you can really do your part to wave off the increasing labor shortage by getting involved with area high schools now and encouraging entrance into the field. THIS IS AN URGENT MATTER: It takes at least 4 years to develop an IT professional from the ground up, and if enrollment rates do not change soon we could be facing a real crisis.

7 ADD FEES AND CONTRACT DOLLARS

In times like these when you know you will have to spend additional dollars for hiring and related expenses, offset those costs by adding fees and contract dollars in your own budget planning.

8 ADOPT A PROACTIVE RECRUITING MODEL

With the instability of today's IT employment market, you can go ahead and anticipate turnover. Keeping that in mind, now is the perfect time to begin recruiting the employees you will need in the near future.

BONUS TIP #8 1/2: FOR ALL YOUR STAFFING NEEDS – CALL JDA!

Good Luck in 2007!

As we conclude our recap of 2006, it appears that both the national and local economies as well as the IT employment market as a whole are in great standing. While this is good news for the majority of IT workers, we recognize that the resulting labor shortage generates big challenges for you as a hiring manager in that sector. Fortunately, there are proven strategies to combat these obstacles. If you choose to implement the suggestions provided to deter your current employees from leaving and to attract new employees to your company, chances are you will be successful regardless of the market conditions. We wish you all the best in 2007 and look forward to hearing from you for all your hiring needs.

DATA SOURCES

1. "Houston IT & Education Research Survey," JDA Professional Services, Inc. – September 2006
2. National Association of Computer Consultant Businesses – www.naccb.org
3. Computing Research Association – www.cra.org
4. U.S. Department of Labor's Bureau of Labor Statistics – www.bls.gov
5. Yahoo! Finance – www.finance.yahoo.com



JDA Professional Services, Inc. is a Houston-based IT staffing firm specializing in the placement of strategic-technical to executive-level professionals. We provide full-time, contract, and project-based recruitment services. In business for over 25 years, we have helped bridge the labor gap between thousands of IT managers and professionals. Our goal is to help managers build great IT departments while helping professionals find the right IT careers.