

Yoh Index of Technology Wages

Q4 2010



Rebound in Wages for Skilled Temporary Employees Suggests Strengthening Job Market on the Horizon

Wages for skilled temporary employees have finally bottomed out and are inching up, according to The Yoh Index of Technology Wages, which since 2001 has been benchmarking technical wages in information technology, life sciences, engineering, health care, aerospace and defense.

The Q4 Yoh Index, which provides a broad assessment of employer demand for highly skilled workers, turned positive after retreating for all three months in the third quarter of 2010 (Figure 1), with hourly wages jumping 4.31 percent from November 2010 to December 2010 (Figure 2). While year-over-year numbers still showed decline, the uptick, which was strongest in December, was particularly encouraging due to its timing. December is typically a time of slackened demand for highly skilled workers due to seasonal lulls in the hiring of highly trained and paid technicians. This momentum bodes well for the New Year, and the job prospects of millions of skilled workers, who have suffered from unemployment or settled for reduced wages during the recent recession.

“Real wage increases for skilled temporary employees serve as harbingers for the direction of the economy, especially early in the recovery cycle when businesses are still unwilling to hire full-time employees for highly paid, skilled positions,” begins Lori Schultz, President of Yoh. *“Temporary workers blunt the risk of a still uncertain economy by providing just-in-time employees that can be more easily managed to balance indefinite customer demand.”*

The wage increase capped a tumultuous 2010 that saw wages for highly skilled temporary employees fall and match a four-year low of \$29.81 an hour, registered in September of 2010. This low compares to \$31.55 an hour in December 2010.

“While the trajectory is in the right direction, wages of professional-level temporary employees continue to be low. This anomaly presents a window of opportunity for employers, many of whom conserved considerable cash during the recession and are only now, as the economy normalizes, feeling secure in fueling new growth initiatives,” notes Schultz.

In fact, an analysis by The Wall Street Journal found that cash held by 419 nonfinancial companies in the Standard & Poor’s 500 list was up 49 percent from three years ago—before the start of the recession—while total debt was up a more modest 14 percent.

At the same time, wage capitulation, a phenomenon whereby employees accept lower paying jobs today because of poorer future earnings prospects, continues to linger in the psyche of highly skilled workers. *“Many technically skilled workers had never faced a labor market like that of the Great Recession, and will long remember its psychological impact,”* says Schultz. *“These are workers who came of age when technical skills and education served as moats protecting jobs, income and lifestyle aspirations. The stress of unemployment or concern over future employment caused many of these workers to adjust their lifestyles accordingly. Consequently, they will lag in wage expectations. This new mentality will linger for the short term, which for growth oriented companies, is an opportunity to lock in wages of skilled employees at very competitive rates, even as demand increases, as evidenced by the Q4 Yoh Index.”*

Schultz says that even hard hit employment markets, such as California, are showing increased wage pressure. Wages for technically trained workers in New York, the Pacific Northwest and Texas were also higher during the fourth quarter. Certain sectors demonstrated similar new life. Corporate infrastructure projects, app development and telecom led the way in demand for skilled programmers, network engineers, and IT professionals.

“It’s not a revolution, rather an evolution of technology that is lifting demand and wages for technical workers,” remarks Schultz. *“New bandwidth demands from cloud computing, mobile computing, and the advent of resource rich software, content and web sites are forcing companies to invest in order for their employees to maintain competitiveness.”*

At the same time, the mainstreaming of e-commerce at a time of returning consumer confidence is generating an array of IT infrastructure projects, the kind that can be delineated and ascribed to highly skilled temporary workers.

Figure 1: Yoh Index of Technology Wages by Quarter - Complete Performance

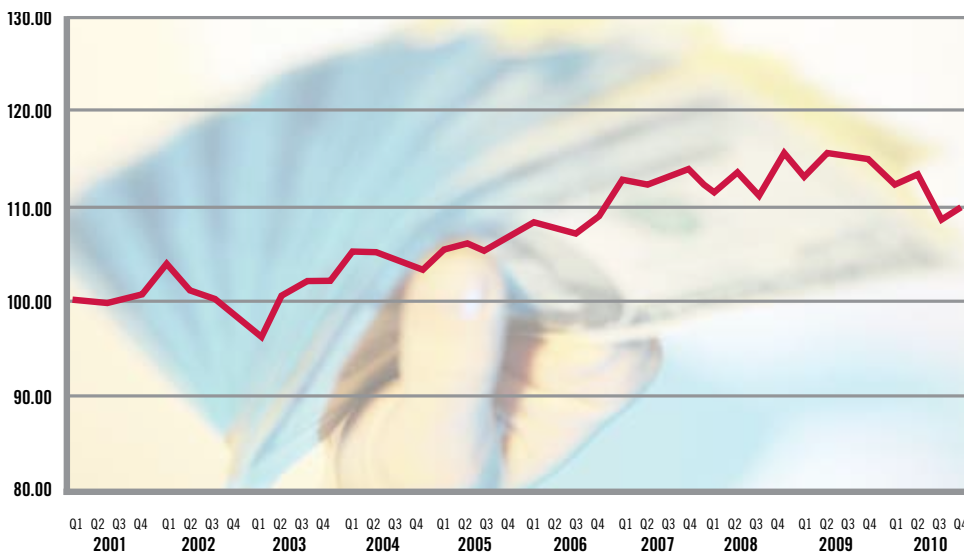


Figure 2: Yoh Index of Technology Wages Q4 2010

Month	2001	2009	2010	YoY Rate Change	Q4 Index	Period Index Change
Oct.	27.98	32.74	30.19	-7.77%	108.11	1.30%
Nov.	28.52	32.16	30.25	-5.95%	108.29	0.17%
Dec.	28.78	32.20	31.55	-2.02%	112.96	4.31%

On the medical and life science side of the equation, new health care regulation continues to dampen activity due to uncertainty in the marketplace. *“The focus is still unclear and long-term decision making is up in the air,”* says Schultz. *“Here temporary workers are playing an important role, as health care organizations opt to manage for the short term by turning to highly skilled temporary workers who can fill critical roles in areas such as case management, occupational therapy and other disciplines that are most likely to be emphasized in the new health care environment.”*

What the latest Yoh Index means to employers is critical to their successful positioning in a recovery economy. Base lessons include:

1. Create a real roadmap to recovery and monitor progress closely. In the early stages of recovery, revenue is never instantaneous. However, immediacy is required in order to establish metrics that demonstrate progress in the pursuit of just over the horizon sales and profitability. Highly skilled temporary employees in IT, health care, and engineering bring with them a range of industry insight that can identify these key metrics and establish the game plan for unlocking growth after a nuclear economic winter.
2. Capitalize on employment capitulation and lock in highly skilled workers now, before wage inflation. No doubt, employee psychology has been shaken and expectations lessened. However, this advantage will not last forever. The next few months are critical in muting employment costs while still mounting a campaign for growth.

3. Remain flexible as plenty of land mines remain. While the administration has shown progress on tax policy, health care regulation is still uncertain, with the new Congress set to reevaluate health care reform. At the same time, looming federal, state and municipal debt, and the coming expiration of stimulus spending could again disrupt corporate planning. Highly skilled technical temporary workers provide the risk management levers to counterbalance any uncertainty.

4. Find growth opportunities. Investors, shareholders, employees and customers will begin to demand broader opportunities, and pressure corporations to get back in the game by bringing cash off the sidelines and into the frontlines of real economic activity. At the same time, new fiscal conservatism, mandated by three years of recession will create tension within the corporation as to whether to invest or not invest. Skilled temporary employees provide the best path forward for C-level and operational decision makers to balance these conflicting stresses, while managing impending risk and still charting a direction for growth in still uncertain seas.



Yoh Index

Established in January 2001, the index tracks the movement in the hourly wage of temporary technical professionals across the following categories:

Aerospace and Defense, Engineering, Health Care, Life Sciences, Information Technology and Telecommunications.

The index represents the overall percentage change in wages against the initial benchmark of January 2001 providing historical context and perspective to normal wage ebb and flow.

About Yoh

For over 70 years, Yoh has provided the talent needed for the jobs and projects critical to our client's success, by providing comprehensive workforce solutions that focus on Aerospace and Defense, Engineering, Federal Services, Health Care, Life Sciences, Information Technology and Telecommunications. Yoh fulfills immediate resource needs and delivers enterprise workforce solutions, including Managed Services, Recruitment Process Outsourcing, Vendor Management Systems, Independent Contractor Compliance, and Payroll Services. For more information, visit www.yoh.com. Yoh is a part of Yoh Services LLC, a Day & Zimmermann Company.

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