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The Job Market for IT Professionals, 2006

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In 1996, venture capitalists started to invest heavily in Internet companies. “Dot com” stock prices rose to levels of irrational exuberance. IT employment exploded, and IT enrollments in universities soared.

Unfortunately, many of these dot com companies were hemorrhaging money. They only survived through frequent helpings of capital. Then, in March 2000, rising interest rates and increased investor wariness caused stock prices to collapse. By the end of May, NASDAQ’s value had fallen by two-thirds, and it would eventually fall by 80%. Poorly run dot com companies, unable to find additional financing, began to fail. Late in 2000, hundreds of dot com companies failed. Losses continued at a lower rate through 2001.

These “dot bomb” failures led to massive IT layoffs. In late 2000, twenty thousand IT jobs were lost. With the economy in recession, there was no place for laid-off IT people to turn. The unemployment rate among IT professionals continued to rise and peaked at 5.5% in 2004. (Many are surprised that the unemployment rate was not higher, but there are well over three million IT jobs in the United States.)

In the face of this bleak job outlook, college students avoided the IT majors in business schools and computer science departments. Most academic IT departments saw their enrollment plummet.

Fortunately, the bad times appear to be over. Although many dot com companies failed, others survived and prospered. Even during the worst of the dot bomb period, e-commerce revenues grew much faster than the total economy. Once the economy picked up, companies increased IT spending. Finally, alarming projections for the offshoring of jobs proved to be unrealistic. (In addition, offshoring is not limited to IT professionals; it includes accounting and finance professionals—degrees that many students pursued instead of IT.)

IT employment reached 4.72 million in March 2006—higher than it was at the peak of the dot com bubble. And unemployment among IT professionals fell to 2.5% (compared to 4.7% for the population as a whole). Growing corporate hiring and the exodus of fed-up dot comers have actually created an IT hiring problem for corporations. Monster Worldwide (the owner of Monster.com) noted strong demand for entry-level IT jobs in April 2006. Perhaps most tellingly, Spherion Corporation’s recent survey found that half of all IT professionals were looking to switch IT jobs—a degree of mobility only possible in a hot job market. For the future, things look even brighter. In the Bureau of Labor Statistics’ projection of occupational growth from 2004 to 2014, five of the twelve occupations expected to see the fastest growth are IT professions.

Unfortunately, the number of students in IT programs in business schools and computer science departments has not rebounded enough to meet today’s demand. In the 1970s, when the demand for engineers tanked and then rebounded, it took students more than three years to realize that the turn around had occurred. Hopefully, IT students will catch on much faster to the reality of today’s hot IT job market and prepare for IT careers.