

## U.S. Tech Industry Adds 140,000 Jobs in First Half of 2006

Tech Manufacturing Employment Up for Second Year in a Row;  
Communications Services Adds Jobs for First Time Since 2000

### Overview

- ❖ THE U.S. HIGH-TECH INDUSTRY EMPLOYED 5.8 MILLION PEOPLE AS OF JUNE 2006, THE HIGHEST LEVEL SINCE 2002.
- ❖ THE TECH INDUSTRY ADDED NEARLY 140,000 JOBS IN THE FIRST HALF OF 2006, NEARLY DOUBLE THE GROWTH OF THE SAME PERIOD IN 2005.
- ❖ NONETHELESS, JANUARY TO JUNE 2006 TECH JOB GROWTH LAGGED THAT OF THE U.S. PRIVATE SECTOR, 2.5 PERCENT COMPARED TO 3.5 PERCENT.
- ❖ HIGH-TECH MANUFACTURING ADDED JOBS FOR THE SECOND CONSECUTIVE YEAR, 33,100 IN THE LAST SIX MONTHS.
- ❖ THE HIGH-TECH SERVICES SECTORS ADDED 107,000 U.S. JOBS IN THE LAST SIX MONTHS, A RISE OF 2.5 PERCENT.
- ❖ WITHIN THE HIGH-TECH SERVICES SECTORS EMPLOYMENT GROWTH WAS LED BY ENGINEERING AND TECH SERVICES (+49,800), FOLLOWED BY SOFTWARE SERVICES (+44,500), FOLLOWED BY COMMUNICATIONS SERVICES (+12,700).

### Analysis

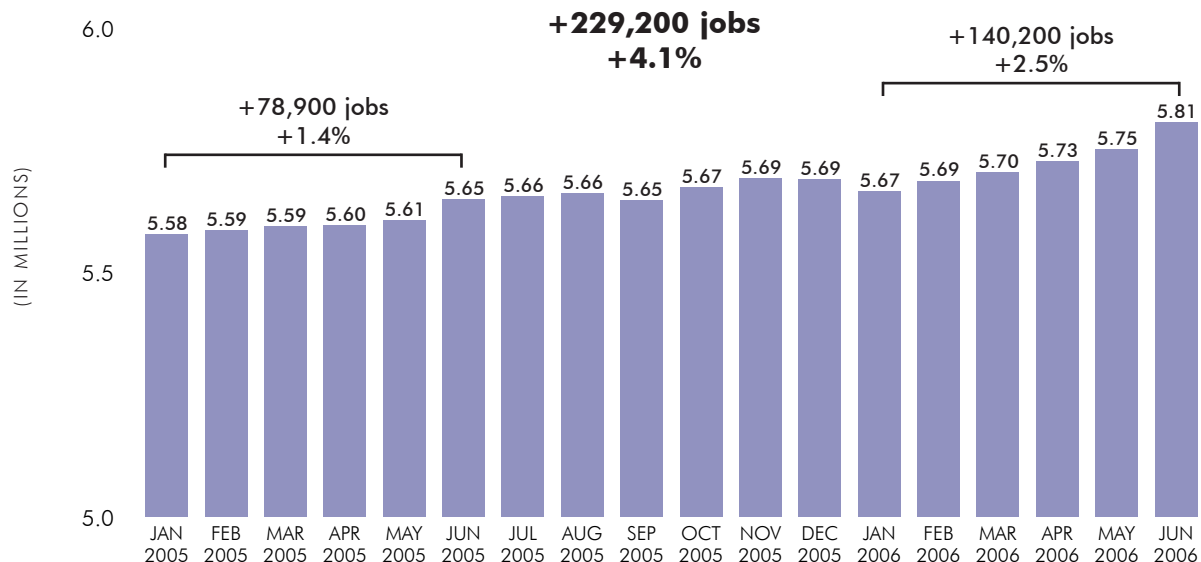
A midyear analysis of employment data through June 2006 shows the U.S. high-tech industry continues to add jobs steadily and across a variety of sectors. Data collected by the U.S. Bureau of Labor Statistics and compiled by AeA indicate that the tech industry has generated a net increase in jobs in the United States for five consecutive months and for nine of the previous 12 months.

The U.S. high-tech industry added 140,200 net jobs between January and June of 2006, a 2.5 percent increase, for an industry total of 5.81 million jobs. This is nearly double the 78,900 tech jobs added in the first half of 2005. Nonetheless, the January to June 2006 tech job growth lags that of the U.S. private sector, which rose by 3.5 percent over that period.

The industry has also added jobs over the last 12 months. Tech employment as of June 2005 stood at 5.65 million, compared to 5.81 million in June 2006. This represents an increase of some 150,000 jobs, or 2.7 percent.

### HIGH-TECH EMPLOYMENT TRENDS\*

(JANUARY 2005 - JUNE 2006)



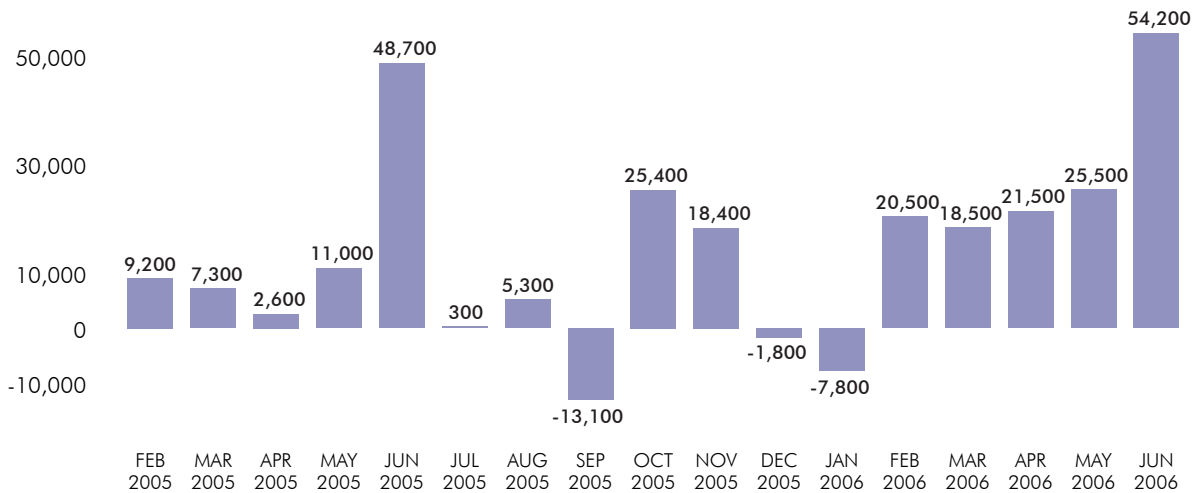
\*Not adjusted for seasonal variances

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The AeA research team produces regular reports on the most timely and relevant issues to the high-tech industry and to U.S. competitiveness in a global economy. We combine rigorous data with careful analysis to provide industry leaders and policymakers the information they need to assess the issue.

## CHANGES IN HIGH-TECH EMPLOYMENT FROM PREVIOUS MONTH\*

(JANUARY 2005 - JUNE 2006)



\*Not adjusted for seasonal variances



As of June 2006, U.S. high-tech employment was also at its highest level in the past 18 months. All but three of these months saw net job growth, with particularly impressive gains in June of 2005 and 2006.

The unprecedented rise in employment in the U.S. high-tech industry in the 1990s ended abruptly 2001. Since that time the industry has consolidated, weathered a recession, responded to the pressures of intensified global competition, and is now adding jobs to the U.S. economy for the second consecutive year.

The exponential job gains of the 1990s may never be realized again, but continued steady job growth in one of the country's most vital industries is both possible and highly beneficial for the country. Nationally, tech industry jobs pay 85 percent more than the average private sector wage.

While the employment data in this report are reliable and current, they are preliminary and subject to change. The data in this report cannot be compared with previous data published in AeA's annual *Cyberstates* report, as each represents data for different periods of time.

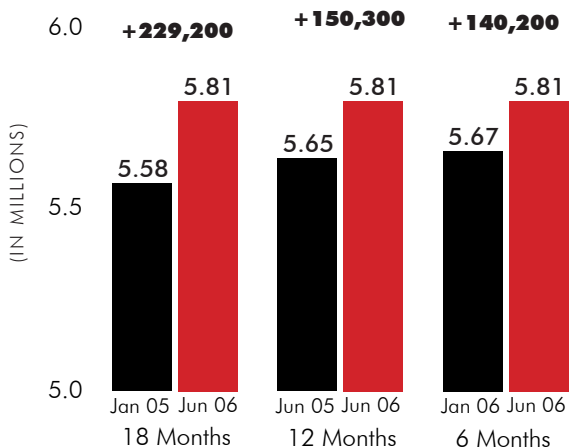
### High-Tech Manufacturing

High-tech manufacturing employment in the United States increased over the last six, 12, and 18 month periods, the second consecutive year that this sector has seen net job growth. Technology manufacturers added 33,100 net jobs in the United States from January to June of 2006 for a total of 1.37 million jobs. This represents a 2.5 percent increase.

Within the tech manufacturing industry, all but one sector added jobs in the first half of 2006. The largest gains occurred in the semiconductor sector, which added 13,600 jobs, a 5.6 percent rise. Other manufacturing sectors that experienced job growth included measuring and control instruments (+5,900), electronic components (+3,900), communications equipment (+3,800), and computer and peripheral equipment (+3,000). Only the consumer electronics sector shed jobs over this time period (-400).

### HIGH-TECH EMPLOYMENT GROWTH\*

(AT 6, 12, AND 18 MONTHS)



\*Not adjusted for seasonal variances



### High-Tech Services

High-tech services employment in the United States has also increased over the last six, 12, and 18 month periods. Technology service providers added 107,000 net jobs in the United States from January to June of 2006 for a total of 4.44 million jobs. This represents a 2.5 percent rise.

The high-tech services industry is separated into three distinct sectors: communication services, software services, and engineering and tech services.

In the tech services industry, the most significant growth over the last six months occurred in the engineering and tech services sector, which added 49,800 jobs, a 3.3 percent rise. Software services added 44,500 jobs over that time span, a 3.0 percent rise. Even the communications services sector saw its first job growth since the bursting of the tech bubble, a net increase of 12,700 jobs, or 0.9 percent, from January to June of 2006.

### U.S. High Tech in a Globally Competitive Economy

The high-tech industry is once again adding jobs to the U.S. economy, albeit at a much slower rate than at its peak in the 1990s. Predicting future employment trends in the industry remains difficult.

AeA continues to believe the key to maintaining a vibrant technology industry on U.S. shores is to address America's competitiveness challenges in a rapidly expanding and intensely competitive global economy.

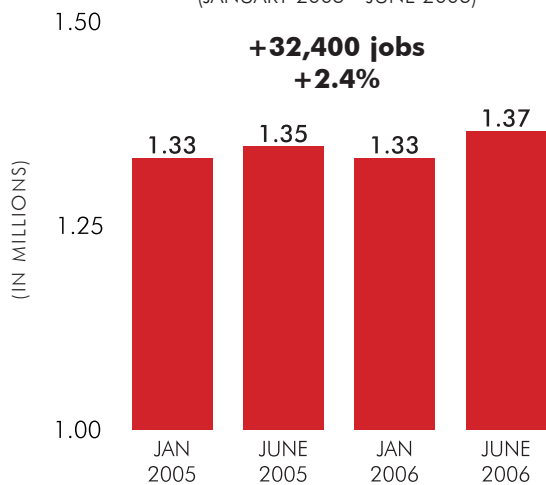
The tech boom of the 1990s was built from a blueprint developed in the 1950s and 1960s that invested in future innovation. The United States made strong commitments to math and science education, invested heavily in public and private technology research and development, and welcomed the brightest minds in the world to our shores.

Those commitments are at risk and have been for some time, especially as countries around the world are investing in this very same blueprint to challenge our preeminence in science, technology, and innovation.

China recently released a 15 Year Science and Technology Plan to help it become a global leader in innovation. Other countries throughout the world are developing similar plans to advance their economies. The question is: where is the United States' plan?

### HIGH-TECH MANUFACTURING EMPLOYMENT\*

(JANUARY 2005 - JUNE 2006)

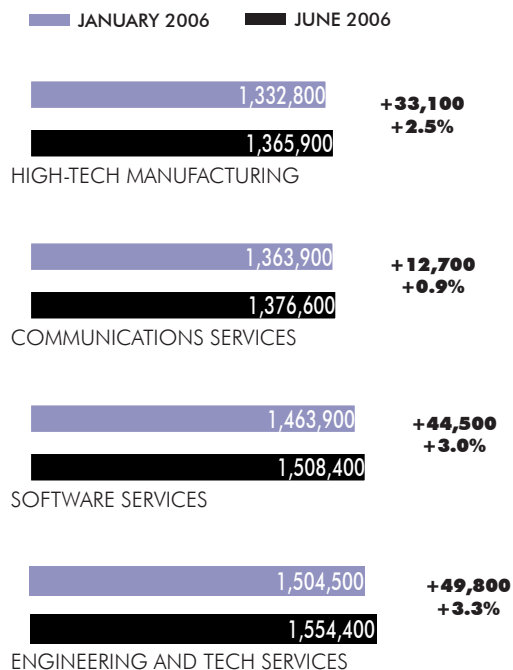


\*Not adjusted for seasonal variances



### EMPLOYMENT BY HIGH-TECH SECTOR\*

(JANUARY 2006 - JUNE 2006)



\*Not adjusted for seasonal variances



AeA's membership includes technology companies of all sizes and across a diverse array of sectors. Yet all of these companies articulate similar challenges when discussing how they will compete in the future. Above all, they need access to a highly skilled and educated workforce. Without it they cannot grow their companies, develop new products, and spawn innovations that will benefit the entire economy.

Though most tech companies compete globally, they want and need to grow their businesses within the United States. But that can only happen if U.S. public policy stops preventing them from hiring the most talented people they can find, wherever they can find them, and only if the United States begins the long-term project of revamping its education system to prepare our children for the jobs of today and tomorrow.

### Conclusion

The U.S. high-tech industry is once again adding jobs to the U.S. economy across a variety of manufacturing and services sectors. The growth is steady and fairly consistent over the last six, 12, and 18 month time spans, according to preliminary data. Finalized employment data will be available in AeA's *Cyberstates 2007* published early next year.

AeA believes job growth in the U.S. technology industry can continue to grow, but this growth will only be strong and sustainable if companies can hire the best and brightest talent from the United States and from around the world.

## U.S. EMPLOYMENT IN THE HIGH-TECH INDUSTRY, JANUARY 2005 - JUNE 2006

(IN THOUSANDS)

	Jan 2005	Feb 2005	Mar 2005	Apr 2005	May 2005	Jun 2005	Jul 2005	Aug 2005	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Percent Change Jan 2005-Jun 2006	Numeric Change Jan 2005-Jun 2006
<b>HIGH-TECH MANUFACTURING</b>	1,333	1,333	1,331	1,332	1,335	1,347	1,349	1,346	1,340	1,342	1,342	1,343	1,333	1,340	1,340	1,348	1,350	1,366	2.4%	32.4
<b>COMMUNICATIONS SERVICES</b>	1,384	1,384	1,382	1,381	1,381	1,378	1,372	1,369	1,364	1,366	1,372	1,372	1,364	1,372	1,375	1,376	1,377	1,377	-0.5%	-7.4
<b>SOFTWARE SERVICES</b>	1,406	1,408	1,413	1,412	1,411	1,428	1,426	1,434	1,432	1,449	1,456	1,461	1,464	1,473	1,476	1,484	1,494	1,508	7.3%	102.7
<b>ENGINEERING AND TECH SERVICES</b>	1,453	1,461	1,466	1,470	1,479	1,502	1,508	1,511	1,511	1,516	1,522	1,515	1,505	1,502	1,512	1,518	1,529	1,554	7.0%	101.4
<b>TOTAL HIGH-TECH INDUSTRY</b>	<b>5,576</b>	<b>5,585</b>	<b>5,593</b>	<b>5,595</b>	<b>5,606</b>	<b>5,655</b>	<b>5,655</b>	<b>5,661</b>	<b>5,647</b>	<b>5,673</b>	<b>5,691</b>	<b>5,689</b>	<b>5,665</b>	<b>5,686</b>	<b>5,704</b>	<b>5,726</b>	<b>5,751</b>	<b>5,805</b>	<b>4.1%</b>	<b>229.2</b>
Monthly Employment Change from Previous Month		0.2%	0.1%	0.0%	0.2%	0.9%	0.0%	0.1%	-0.2%	0.5%	0.3%	0.0%	-0.1%	0.4%	0.3%	0.4%	0.4%	0.9%		
		9.2	7.3	2.6	11.0	48.7	0.3	5.3	-13.1	25.4	18.4	-1.8	-7.8	20.5	18.5	21.5	25.5	54.2		

### Definition

High-tech employment statistics in this report correspond to AeA's high-tech NAICS code definition. NAICS is the North American Industrial Classification System. Please visit our website for a detailed list of NAICS codes used in AeA's definition: [www.aeanet.org/naics](http://www.aeanet.org/naics)

### Methodology

Employment data in this report are generated from the U.S. Bureau of Labor Statistics's Current Employment Survey, which surveys 160,000 businesses and government agencies. The data lag by three months and are preliminary and subject to revision. Employment figures are not adjusted for seasonal variances. The data in this report are not comparable to AeA's *Cyberstates* report. All data are rounded.

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