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February 2010

Spotlight on the Economy

In January, unemployment took an unexpected dip from 10 percent to 9.7 percent, falling further from late last year's highs, according to the U.S. Labor Department. Total U.S. employment fell by 20,000 to 153,170,000 positions, or virtually unchanged. Revisions that came out for 2009 showed the depths of the job market to have been even deeper, with nearly 1.4 million more job losses than previously reported. These numbers come from more complete and accurate data such as final unemployment numbers and tax information. With the revisions, the first three months of 2009 averaged job losses in excess of 750,000.

The unemployment rate for management, professional and related occupations rose from 4.6 to 5 percent. However, this seasonally unadjusted number has risen in nine of the last ten Januarys. Temporary help services had its third consecutive significant gain -- 52,000 positions -- though this is still a slightly slower rate than in the last two months, which may have been disproportionately bolstered by the holiday season.

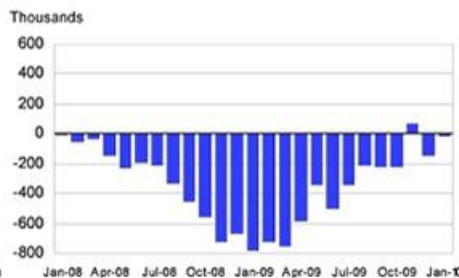
Retail trade, a massive segment with 14.4 million positions in total, added 42,000 positions with the most notable gains in food and beverage (14,300), clothing and clothing accessories (13,300) and department stores (10,300). Auto parts manufacturers saw a strong boost of 22,700 to 651,500 positions in December, possibly a result of "Cash for Clunkers" related restocking rippling through to suppliers.

The number of long-term unemployed, those unemployed for over 27 weeks, reached 6.3 million in January, having increased by 5 million since December 2007. Such a large population of unemployed workers is worrisome because long-term unemployment can result in a dramatic decrease in future earning potential. In addition, as savings and unemployment benefits begin to run out for this group, a significant slice of the population is being forced to dramatically cut spending. As a percentage of total unemployment, the long-term unemployed now account for 39.8 percent, up from 21.1 percent a year ago. The average length of unemployment has been on the rise since the late 1960s when it averaged between seven and ten weeks. January's 30.2 weeks of average unemployment is the longest on record since records started being kept in 1948.

Chart 1. Unemployment rate, seasonally adjusted, January 2008 – January 2010



Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, January 2008 – January 2010



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- Program Director
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Today's Proposals May Be Tomorrow's Staffing Headaches

At the end of January, economists and world leaders converged on Davos, Switzerland for what is commonly labeled as spring break for economists, but more formally called the World Economic Forum's annual meeting. Last year's meeting took place in the depths of the worst economic crisis since the 1930s. This year, where we are in the crisis is the job of many of those at Davos to both determine and decide.

One thing that has become apparent is just how globally connected our economies truly are. Everyone from U.S. Representative Barney Frank to French President Nicolas Sarkozy has used Davos to call for initiatives that are global, not just in their thinking, but in their scope.

Frank proposed creating global bank regulations that would help prevent the international game of regulatory arbitrage multi-national banks have been able to play until now. His sentiments were quickly echoed by global central bankers who pronounced that more regulation is coming.

Sarkozy pledged to work towards a much more ambitious goal when France takes the presidency of the G-20 next year. He literally called for "a new Bretton Woods" conference, a reference to the 1944 convention of world economic leaders that set the framework for a new international monetary system after World War II. The boldest element of Sarkozy's goal is a proposed global currency, removing a need for exchange rates and preventing countries—like China—from artificially altering their currency's value.

"While Sarkozy's proposals may be to the extreme of global changes that will actually come to pass in the next few years, there is little doubt that the landscape is in for some fundamental changes that will ripple beyond just banking," says Tony McKinnon, president of MRINetwork.

"Companies trying to adapt to changes in either an industry or an economy need to be agile in their hiring, especially with so much uncertainty in the global economy today," says Evan Davis, chief operating officer of MRINetwork. "While internal recruiting efforts may have created a deep catalog of candidates for existing needs, a change of direction or conditions requires a whole new lineup of candidates, something that can take months if not years to develop from scratch."

In the United States, initial estimates for real GDP growth for the 4th quarter of 2009 released in January showed a 5.7 percent annualized growth rate. The second consecutive positive GDP reading indicates that the Great Recession did in fact end in mid-2009. Yet, with trillions of dollars injected into the U.S. economy, growth rates seem to lack some luster. In inflation adjusted 2005 dollars, U.S. GDP grew to \$13.16 trillion, \$254 billion more than in the second quarter of 2009, but still \$260 billion shy of the GDP's peak in the second quarter of 2008.

"While it's impossible to say there is anything wrong with the strongest GDP growth in years, unfortunately it will take another one or two quarters to know if this is a spike or the beginning of something sustained," notes McKinnon.

A significant portion of the 5.7 percent GDP growth came from retailers and manufacturers replacing depleted stocks, not true growth in production or commerce. Whatever remaining growth after that is consumed by the \$270 billion of the 2009 recovery package that has already been released into the economy. Once these effects wear off, economists predict real growth could fall to 1.5 percent by the end of the year.

With the amount of liquidity that has been put into the economy, inflation continues to be a concern. Over the last 12 months, the Consumer Price Index has risen by 2.7 percent. While inflation is factored into real GDP growth, a slight increase could wipe out most—if not all—of a small GDP growth.

"All these factors contribute to the vital need for a flexible workforce," says Davis. "After a prolonged downturn like we've just seen, operating reserves for many companies have been drained, allowing little room for error. The firms that will perform best in this environment are those that are able to quickly adjust their workforce to both positive and negative events."

Tips for Building Motivation Levels at Work

You've had the team-building day and implemented a comprehensive systems overhaul. The salary reviews went smoothly. Yet performance is still down. Staff motivation is sometimes overlooked – and it can have a huge impact on your business. Unmotivated staff inevitably lead to relaxed discipline, low morale and eventual HR problems. Here are some tactics to help you become the motivator:

Assessing motivation levels

- Are these levels currently acceptable, or are you actually pushing too hard by striving for excellence? Are things generally at low ebb? Or worse still, are there factors that are clearly destroying staff motivation levels?
- Don't just focus on the high fliers. It can be even more important (and difficult) to motivate the journeymen who fuel the engine room of your business. Identify the people who are the lifeblood of the company. The peer leaders of various social groupings are not always the managers, but they frequently set the standards, attitude and behavior of other staff in the area. Sometimes the source problem will be common knowledge at management level or even on the shop floor - perhaps a company setback or loss of employee trust, an unpopular manager or a troublesome team member. Don't ignore it. Left unchecked, the problem may affect motivation levels.

Increasing motivation levels

- Consider a full and frank discussion across all levels of the organization to determine individual outlooks, identify issues holding the company back and ways to increase motivation. Sometimes employees will feel more comfortable talking to an independent third party on a confidential basis. Bringing issues out into the open is sometimes all that is required.
- Personality assessments are a recognized motivational tool. Who is the best person to lead and motivate a team? What are the hidden talents of your staff? Where is conflict coming from?
- Don't let negatives get everyone down. Bad things can become the office gossip of the day. Circulate positive (true) stories. Turn potentially negative stories into positive ones.
- Motivate your team with rewards. Get the staff to brainstorm ways to recognize each other's achievements. Surprise your team with a treat. Compliment staff often in public and privately.
- Goals help staff motivate and challenge themselves. But be aware that repeated failure can damage morale. Ensure goals are realistic, and that you have a road map to achieve them.
- Be aware that individual merit incentives may undermine teamwork. Each employee's attitude has an impact on the overall attitude of the office. Consider the global approach, rewarding all based on company-wide results.
- Build a culture of respect. Involve staff in decisions. Seek their advice. Establish relationships with individual members of your staff, and pay attention to what uniquely motivates different people.
- Give your staff opportunities to represent the company. Allow them to attend conferences, take on leadership roles with professional associations and establish a network of contacts. Although apparently risky, your support actually contributes to satisfaction in your employee's current job.