

## UNITED STATES

### Waiting for Growth but Finding Top Talent

How long will it take for the labor markets to return to normal? It will depend on any number of factors, foremost among them: what is normal?

In a recent poll of MRINetwork recruiters asking what was holding managers back from hiring, only 11 percent cited sales not yet rebounding. The leading cause of employers not hiring was that efficiencies found during the recession have allowed companies to do the same with less staff (28 percent).

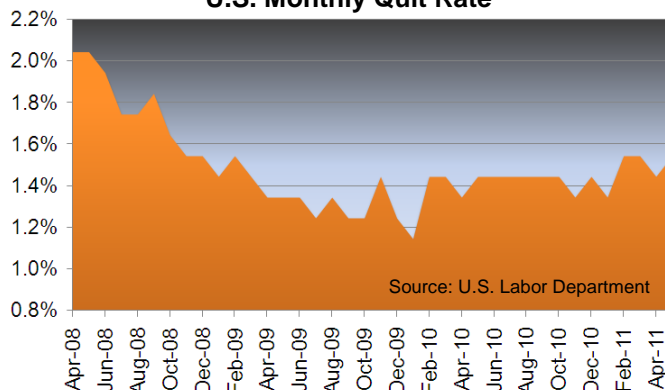
“The depth and length of the downturn forced organizations to make structural changes which have sent productivity to record heights,” says Rob Romaine, president of MRINetwork. “Today, in a period where market growth often remains minimal, the most direct way to create the earnings improvements investors are looking for is to push for further efficiencies.”

While expanding headcounts and vacancies from resignations were the two top reasons for job openings, according to the MRINetwork Recruiter Sentiment Study, top grading of the workforce came in third, with 14 percent of recruiters claiming that it is the primary cause for openings that they see. Top grading means identifying the “C players” on a team, going out, and replacing them with a top performer.

The number two reason employers are holding back from hiring, according to the survey, is that while sales have rebounded, managers are meeting resistance in getting authorization to fill their open positions (27 percent). “Managers are having a hard enough time today just getting approval to fill vacancies, let alone creating new positions,” notes Romaine. “This makes top grading one of the only ways to increase output in highly talent-reliant businesses without changing the headcount.”

Top grading is possible today in a way it hasn’t been over the last many years. The mantra in the depths of the recession was that employees were hunkered down, not wanting to risk falling victim to the “last in, first out” mentality at a new job. Yet, while layoffs do continue today at many firms, they are more frequently motivated by shifting business strategies rather than financial necessity.

**U.S. Monthly Quit Rate**



### Recent MRINetwork® Analysis

*“CEOs are always saying, ‘Why can’t you get better people for less money?’” said longtime recruiter Mark Rednick, owner of MRI/Sales Consultants of Dallas. One example: a client wanted his company to recruit bankers who’d generated more than \$10 million annually in loans, but there weren’t enough to go around. “Not everybody can be a superstar,” Rednick said.*

Mark Rednick, Sales Consultants of Dallas  
As quoted in The Fort Worth Star Telegram  
July 19, 2011

### Notable International Events

- Ireland received a €85 billion bailout last year, with a nearly 6 percent interest rate. It would have saddled Ireland with nearly €1 billion a year in interest payments. A recent move by the EU has cut those interest payments by €800 million a year by lowering the interest rate and spreading payments out over 15 years.
- A report in July showed foreign direct investment in South Africa fell steeply from \$5.4 billion to \$1.6 billion from 2009 into 2010. The decline was far more than the 8.5 percent cut seen throughout the African continent.

After hitting its low in January 2010, the U.S quit rate—the percentage of the workforce who voluntarily leave their job in a given month—has risen from 1.1 percent to 1.5 percent. While still short of the 2.2 percent average between 2004 and 2007, this recent growth lends further support to the idea that for the right opportunities, candidates today are ready and willing to change jobs. In fact, the number of people leaving their positions voluntarily has exceeded the number laid off or discharged since January of this year.

“While productivity has surged, consumer and business spending has only risen modestly. Until the demand of the marketplace reaches parity with the capacity of the current U.S. workforce, we aren’t going to see a surge in headcounts,” notes Romaine. “But many of the smartest employers are taking this opportunity to find and recruit a select few top performers who will enable their companies to seize the opportunity and grow when that parity is reached.”

## KUWAIT

### Stability in an Unstable World

While the “Arab Spring” swept across most of North Africa and the Middle East, Kuwait has wildly avoided the unrest, likely in large part because of its low unemployment rate — at just 1.64 percent, one of the lowest unemployment rates in the world — and an economy that continues to boom.

In a region of the world synonymous with instability, Kuwait has amassed an uncommonly strong foundation. While 92 percent of the government’s income comes from oil, which is a notoriously volatile source of income, the annual budget has run a surplus of over 10 percent since 1999, reaching as high as 21 percent in the past year.

“The economy is booming and as unrest continues in countries throughout the region, more companies and workers seek out Kuwait for its stability,” says Manal Zoqout, managing director of Action Recruitment and Management, an MRINetwork affiliate in Kuwait City.

Kuwaiti Central Bank Governor Sheikh Salem Abdul-Aziz Al-Sabah, while characterizing the financial situation as “good and excellent,” has also said that it is not enough and that more long-term goals are necessary to create an equally powerful,

but less oil-reliant economy. How to do that is a question that has continued to face all oil-rich nations in the region.

A recent IMF report highlighted the need for tax reforms in the country, including introducing a value-added tax and a comprehensive income tax system. Such reforms would increase the government’s non-oil revenues and help ease such taxes into the public consciousness before more substantial taxes are actually necessary.

The IMF report also called for increased investment in infrastructure projects to create economic engines beyond just banking and oil extraction — a sentiment echoed by many government officials.

“Increased infrastructure spending will obviously contribute to more immediate construction projects for Kuwaiti workers, but they will also lead to a more substantive range of economic opportunities for our many college graduates,” notes Zoqout. With more than 13 percent of all public expenditure going towards education, Kuwait has the highest-rated education system of the Arab world, according to UNESCO. The literacy rate in Kuwait, amongst men and women combined, is 93 percent, also one of the highest in the region.

“Of course the future is always unknown, but it’s hard to consider our current outlook to be anything but bright,” says Zoqout. “Unemployment is low, our financial position is strong, the government is open and stable, and there is a flow of bright, educated young professionals ready and eager to grow our economy further.”

## TENNESSEE

### Manufacturing Drives Slowly Recovering Economy

Like many parts of the country, the southern state of Tennessee has struggled with the recent economic downturn but things look like they might be turning around for the “Volunteer State.”

“Manufacturing is probably the strongest sector in Tennessee,” Al Clark, general manager of Management Recruiters of Chattanooga-Brainerd says. “We’re finding that the manufacturing base that we work with in the state tends to be growing across the board. Though it’s not fast growth, there is improved demand in that market.”

In Tennessee, one of the most important manufacturing sectors is the automotive industry. Indeed, the Volkswagen Group of America, Chattanooga Operations, recently celebrated the third anniversary of building a \$1 billion factory in Tennessee, which will soon employ more than 2,000 workers.

Clark notes that these factories do more than merely employ people, as they have a positive ripple effect on the rest of the state’s economy.

“When you’re talking about a company like Volkswagen building a billion dollar plant, you’re not just talking about the company,” Clark continues. “All of their suppliers also come in. That impacts manufacturing and it impacts construction.”

In addition, Nissan recently announced that it would begin making the motor for its electric vehicle, the LEAF, at its Decherd power train assembly plant.

This development is important as green technology becomes more and more a part of the economy. Tennessee has about 43,000 green jobs, which make up 1.5 percent of employed people in the state. The sector continues to grow in the state, with a number of additional green businesses and initiatives poised to get underway.

While things have begun to look up in the Volunteer State, the fact remains that Tennessee’s unemployment rate for June was 9.8 percent, higher than the nation’s rate of 9.2 percent.

Clark says that a great deal of the lost jobs are coming from government payrolls, as many agencies are contracting amid the downturn. He also noted that the job creation efforts of private employers have not been able to keep up with the loss of public jobs.

“Like with most areas of the country, we’re seeing the local and state government contracting and the private sector is not replacing those particular jobs as fast,” notes Clark. “We are absolutely not able to keep pace with the way that the governments and school systems are cutting [jobs].”

According to Clark, the future of the economy in Tennessee is still up in the air as the nation continues to struggle with its debt and businesses are unsure of what course Washington will take. Regardless, he said that he believes energy, technology and service will be among the biggest industries in the state in the coming decade.