

UNITED STATES

Economic Growth Stays Fractured

GDP is an easy way to look at the economy; it's one number, it's positive or it's negative, it's a series that goes back 70 years. In the second quarter of 2011, for example, U.S. GDP grew by 1.3 percent. However, no one has been hired or fired—outside of politics—because of GDP. One industry could double in revenue, while another could halve its revenues resulting in massive hiring and layoffs, yet, GDP would remain flat.

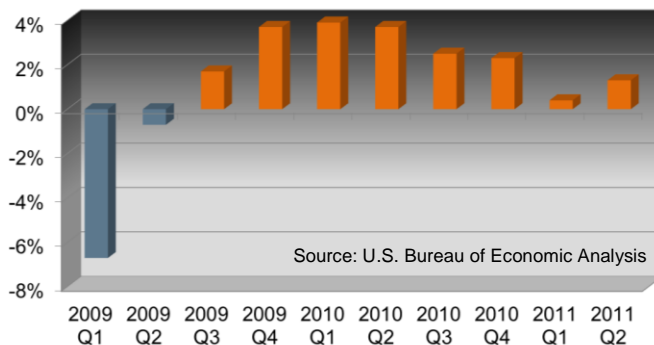
"It's our nature to want to generalize—'The economy is great! The economy is horrible!'—but the actual picture is always much more granular," says Rob Romaine, president of MRINetwork. "You can't define the winners and losers in today's economy with a broad brush. There are companies in almost every industry and in almost every market that are seeing the best year in their history while across the street, another company is flailing."

The current recovery has been highly fractured, with many positive trends being countered by many negative ones. For example, according to the Federal Reserve's Beige Book, Chicago saw strong back-to-school retail spending in August, while Atlanta saw retail sales slow over the same period. Kansas City and Cleveland saw strong auto sales, especially for fuel-efficient cars, while auto demand softened in New York and Philadelphia. Manufacturers in St. Louis reported an increase in business, with several firms planning to open new plants and expand operations, while New York, Philadelphia and Richmond manufacturers reported declining overall activity.

"Organizations which operate nationally or internationally must create strategies which work across a majority of the markets they serve. Yet, they also need to have the flexibility to move staff and infrastructure quickly to take advantage of localized opportunities," notes Romaine.

That is one of the reasons post-recession job growth is often led by small and medium-sized companies. A small credit union in St. Louis can notice an increase in qualified commercial credit inquires, ramp up their capacity to sell and service those loans and get the business before the national banks even see the trend.

U.S. Real GDP Growth Rate



Recent MRINetwork® Analysis

Kitte Carter, president of MRINetwork Management Recruiters of Tallahassee, said firms are getting by with as few employees as possible until an improvement in consumer confidence shows a growth in consumer spending.

"What we are seeing is that companies are so thin, they are not going to scale back up until they absolutely have to," Carter said. "Without a sustained uptick in spending, we don't see any change."

Kitte Carter, Management Recruiters of Tallahassee
As quoted in *Tallahassee Democrat*
August 20, 2011

Notable International Events

- The German Parliament has approved a \$287 billion loan guarantee which will help to shore up the financial situation of a number of euro zone members, including Greece. Though still not a final solution, the guarantee gives Europe more breathing room.
- Government officials in the UAE are beginning to discuss introducing some form of unemployment insurance which would cover guest workers. Current UAE law mandates companies pay severance at the end of service, though employees are unprotected from employers unable to make good on that payment.

"Many larger companies are getting back that agility through the use of contract labor—side by side with permanent staff—not just to fill one or two critical roles or test candidates, but rather to fill out entire departments and capabilities," says Romaine. "One of the biggest advantages a smaller company can have is the ability to affect rapid change in its workforce. The use of contract labor helps medium and large-sized companies regain the advantage by adding back that flexibility."

Not only is there less risk should positions become unnecessary, contract positions can often be filled with significantly less HR process. Should the role become permanent, the employees are already in place, making the onboarding process little more than a technicality.

When the advance estimate for 2011 Q3 GDP is released at the end of October, it will give us a better idea of the direction of our economy as a whole, and whether another recession is possible. However, business leaders who are looking for clues about where their company or industry is heading should look a little closer to home.

JAPAN

Country Rebuilds and Carries On

Great economic growth hasn't been a staple of the Japanese economy for more than a decade and a half. To call Japan's economic situation a recession, though, is a misnomer. In the 20 years prior to the March 11 earthquake, tsunami, and nuclear disaster on the archipelago, GDP grew an average of 0.8 percent annually. Yet, during that time the unemployment rate never exceeded 6 percent and has often been under 5 percent.

An economy in Japan's position is often said to be on the edge, waiting for just one disaster to push it over into an economic free fall. Instead, Japan experienced three disasters at once, and six months later, the country was for the most part back to business as usual.

"Technically we are in recession, but people have jobs, they drive nice cars, they live in nice homes and, while people do suffer, it's not disproportionate—it doesn't feel like a recession. If anything, Japan is stable," says North Compton, an MRI Network business development director in Japan.

The idea that an economy can be stable and have only marginal growth runs contrary to much of modern economic thought. Yet, it is working and the resilience of Japan after multiple disasters that were devastating to both life and infrastructure seems to further highlight this.

In February, Japan's unemployment rate reached 4.6 percent, its lowest rate in more than two years. Then, after March 11, it jumped to 4.9 percent, only to return to 4.6 percent by the summer.

"It's not accurate to say that the disasters haven't affected the

labor market, but the biggest effects have been somewhat unexpected," says Compton. "For example, one issue we've experienced is that some professionals, in mid-career, are reevaluating their priorities after March 11 and deciding it's time to try something new with their lives."

Such a reaction isn't uncommon in the United States or Europe, but in Japan's culture of lifetime employment, professionals in senior positions rarely leave their jobs. When there are vacancies in senior positions, there is not a large Japanese candidate pool to recruit from at the mid-career level.

Another effect has been on companies that heavily use expats. Since the earthquake, many of those expats have relocated to other countries throughout Asia, working remotely and waiting for a return to normal.

"No one blames expats for leaving, and only half a year later companies aren't yet putting significant pressure on them to return," says Compton. "That's likely not going to change substantially until we reach the one year anniversary, but it's also not going to last forever."

Working remotely, Compton notes, is perhaps one of the most substantial changes to come to the Japanese workforce since March 11. Power concerns throughout the northern half of the country have mostly abated, but this is in part because of aggressive power savings by the entire population. Many companies, long resistant to a remote workforce, have actively encouraged employees to work from home to save power. Fears of rolling blackouts during the hot summer in Tokyo never came to fruition.

"Few countries on earth have been so repeatedly struck with such severe knockout blows and yet have been able to both recover and even reinvent so quickly," says Compton. "It's a testament to both Japan's people and its culture."

OHIO

Employers Demand Experienced, Degreed Professionals

Like much of the rest of the country, Ohio has two very different situations for those with and those without college degrees. Since Ohio residents have a below-average rate of bachelor degrees, its unemployment rate has floated higher than the U.S. average for most of the last decade.

"There are two levels of employment here," says Jeff Noble, CEO of Management Recruiters of Dayton. "You don't need a degree for the hourly jobs that exist, but we've seen a vast reduction in those types of opportunities."

During the depths of the recession, unemployment reached 10.6 percent, half a percent higher than the U.S. overall.

"On the other end of the spectrum where we work, without a degree I can't help you. If you don't have a degree, the client company isn't even going to be interested. And they often require even a master's on top of a bachelor's degree," Noble says.

For those with degrees, the situation has improved. In fact, over the last year, Ohio's unemployment rate continued to fall while

the national employment rate's decline had stalled.

"If you take a look six months ago at the average company in northeastern Ohio, you might see one or two openings," says Robert Boal, president and general manager of Management Recruiters of Cleveland-Southwest. "If you look today, you're going to find 10, 15, 20 openings."

Openings, however, don't always turn into new jobs. In fact, as both Boal and Noble note, those openings often have requirements attached to them that screen out many, if not all, of the available candidates, causing these positions to remain open.

The industries with the largest job gains have been education, health services, and professional and business services—all sectors that frequently require not only college degrees, but often advanced degrees.

That job growth, and presumably candidate demand, are focused on such employees. This may be why improvement in Ohio's unemployment has reversed over the last few months. It still has a way to go, however, its unemployment rate is still on par with the U.S.