

UNITED STATES

Workforce Managers Prepare for a New Year in a New Economy

As the clock struck midnight on December 31, it marked the end of the first year since 2007 in which the U.S. unemployment rate had shrunk. Corporate profits have reached record highs and the Dow Jones Industrial Average rose for its second year in a row, mounting nearly an 80 percent gain since its low in the spring of 2009. In fact, on an annual basis, almost every major economic indicator has either improved or outright rebounded.

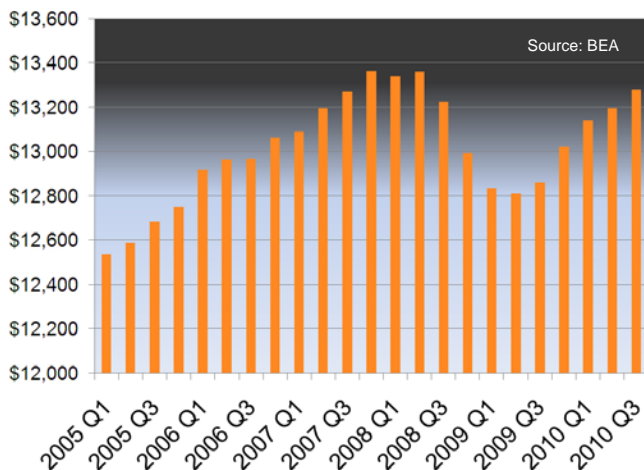
Amid all these measures though, commentators are talking about new ones. There is the unemployment rate, and then there is the "real unemployment rate." There is the performance of the economy, and there is the performance of the "real economy." Rather than meaning that the traditional unemployment rate, or the traditional economy is unreal, this trend more accurately shows for disconnect for many people between the positive economic data and what they see in the real world.

"We're in a recovery phase coming out of a deep hole. Conditions are improving, but we still haven't returned to where we were before the recession and if you entered the workforce after the early 1980's, this likely isn't a familiar feeling," says Rob Romaine, president of MRINetwork.

Companies have been forced to find ways to produce the same products or services with fewer staff. Now that cuts are made, though, demand will have to exceed pre-recession levels, before headcounts can surpass to their past peaks. If Federal Reserve estimates come to fruition, GDP will grow between 3 and 3.6 percent by 2011's fourth quarter but total U.S. unemployment may still remain over 9 percent. Full employment, as was last seen in 2007, could still be years away.

"A steady recovery over a period of years means that the growth, and the economy has a foundation to build upon," notes Romaine. "While the recovery might feel slow, especially for those who are unemployed, or whose friends

U.S. Annualized GDP in 2005 Adjusted Dollars
(in billions)



Recent MRINetwork® Analysis

"There is a lot of uncertainty in terms of what is coming around the corner," said Mark Howard, director of Management Recruiters of Berkeley, a jobs placement firm. "There are a lot of companies flush with cash, but they aren't hiring. They want to hire but in general, adding jobs when you might turn around and have to cut back at the start of next year is not ideal."

Mark Howard
Management Recruiters of Berkeley
As quoted in the *San Gabriel Valley Tribune*
December 17, 2010

Notable International Events

- A statement by the Association of Temporary Employment Agencies in Germany (BZA) projects that total temporary employment in the country will surpass one million positions in 2011. In a country with stiff penalties for laying off permanent staff, temporary staff were the hardest hit by the recession and total temporary employment fell to 580,000 positions by early 2009.
- Japanese business leaders predict that the country's economy will grow by 1.5 percent in the coming fiscal year, down from 3.1 percent in 2010. The slowdown is attributed in large part to the easing of government subsidies for purchasing energy-efficient appliances.

and colleagues are, but considering the depth, we have actually seen better employment recovery than in recent downturns."

Understanding that heightened unemployment isn't a short term situation, but that it will be here for a matter of years still offers businesses an opportunity. It means rather than staying in a holding pattern waiting for things to turn around, companies can build strategic plans with unemployment as an assumption.

Since the beginning of the recession, though, higher unemployment still hasn't translated into easier to find top talent. That dichotomy will continue to be one of the most difficult challenges for workforce managers to balance in the coming years.

"Job postings are receiving, at minimum dozens, if not hundreds of resumes for almost every position. Yet, managers aren't seeing the quality and caliber they need," continues Romaine. "These more critical roles are where search professionals have always provided the most value and as much as the economy has been turned on its head, this is one place where things seem to have stayed the same."

BRAZIL

Economy Sees Much Success and Shares It

As has been the case in much of Latin America, Brazil has emerged from the global recession as an economic powerhouse. This month, the finance minister projected 2011 GDP growth would be in the range of 7.5 to 8 percent, similar to the 7.6 percent growth experienced in 2010. While tempered by inflation likely in excess of 5 percent, the growth is an impressive contrast to the northern hemisphere.

Succeeding her wildly popular predecessor, Luiz Inácio Lula da Silva who had an 86 percent approval rating, President Dilma Rousseff is taking the helm of the country with its strongest economy in decades.

“Economic growth may be slightly less than 2010, but we are expecting to see growth continue at this rate until at least 2015,” says Marcelo Machado, managing director of Brasil Group, an MRINetwork office in São Paulo. “We are likely to see a range of companies hiring executive and managerial talent across industries, from finance to IT to oil and gas.”

The state-run oil company, Petrobras, recently declared its Lula Oil Area commercially viable with a recoverable volume equivalent to at least 8.3 billion barrels of oil. The company traditionally names oil fields after marine animals, so the area officially bears the Portuguese name for squid, ‘Lula,’ but with a heavy wink going to the outgoing president.

Machado says construction employment in Brazil is continuing to grow with specific strength in public-private partnerships, such as those surrounding oil projects.

Brazil’s energy reserves are also attracting attention from China as that country’s energy demands grow. In October, China Petrochemical Corp. invested more than \$7.1 billion in a joint venture exploring oil off the coasts of São Paulo and Rio de Janeiro.

Unlike recent economic upturns around the globe, however, the fruits are far from being felt only by the wealthiest Brazilians. In 2002, Brazil was said to have the fourth worst income inequality in the world, beating only Sierra Leone, Central African Republic and Swaziland.

By consolidating and expanding existing social programs in 2003, President Lula da Silva launched Bolsa Família (Family Grant). The program gives small grants to families living in poverty, rewarding them for taking steps that can eventually pull them out of poverty like attending school and getting regular health checkups. While the payments for a family are, at most, a few hundred dollars a month, they have dramatically increased the income of Brazil’s poorest. The program is credited for the 21 million Brazilians said to have been raised out of poverty during the Lula administration and has become a model for so-called conditional cash transfer programs around the world.

VIRGINIA

State Courts Employers and Expands Industry

With careers ranging from tobacco farming to espionage to aerospace engineering, Virginia’s economy is as diverse as any state in the country. However, these industries have experienced concerns over aging workforces and a dearth of new talent to fill their spots. And while any staffing issues at the Central Intelligence Agency are strictly classified, its recruitment efforts have been noticeably ramped up in recent years.

In 2010, Virginia added nearly 55,000 jobs to its payrolls while bringing the unemployment rate from a peak of 7.8 percent in February to 6.5 percent in October. Despite the understandably large presence of federal government employees in Virginia, fully 53,400 of the new jobs actually came from the private sector.

An aggressive program led by the lieutenant governor has used more than \$50 million in incentives to court firms to the state. Microsoft was coaxed to open a new data center in the state and the defense contractor Northrop Grumman is moving its corporate offices from California.

As much as the government is working to create jobs, the improving economy is opening up positions as well, according to Mark Kennedy, managing director of ETS Dental, an MRINetwork affiliate in Roanoke.

“While not creating a net gain in jobs, the improving stock market is letting many older professionals, who had to delay their retirement after the stock market crash, start to retire,” says Kennedy. “We are seeing this especially in dental and eye care practices, where retirement often means not just finding a replacement but selling an entire business.”

While Virginia frequently rates as one of the most hospitable environments to run a business in the country, that is unlikely the primary draw for firms like Northrop Grumman and Microsoft. Rather, the federal government’s omnipresence in the eastern portion of the state has proven to be the engine of the economy. However, that engine doesn’t reach particularly far from Washington, DC or other large government facilities. Many parts of the state don’t see much federal influence, such as far western Lee County, where more than a fifth of the population lives under the poverty line.

In an effort to grow high earning but less federally reliant industries, the state has moved to support bio-medical research employers in recent years. In 2007, The Virginia Bio-Technology Research Park launched in Richmond and now employs over 2,000 scientists, engineers and researchers at more than 60 bio-medical firms.

“Virginia has done better than many other states in weathering the recession,” says Kennedy, “and now, nearly a year from the worst of our unemployment, we are in a phase of slow but steady employment growth.”