

UNITED STATES

Breaking an Unbreakable Cycle

During the third quarter, U.S. GDP grew at an annualized rate of 2.5 percent, reducing fears of a double dip recession for now. In August, there were more than 4 million hiring events. That equates to 3.1 percent of the total U.S. workforce getting a new job. In September, the unemployment rate for those with a four-year degree fell to 4.2 percent and the unemployment rate for those who most recently worked in a management, professional or related occupation was just 4.4 percent.

That is good news for a lot of people—namely those with jobs in fields that require specialized experience and education. But there are also nearly 14 million jobless Americans who want and are searching for a job. The average duration of unemployment now exceeds 40 weeks, excluding those who have taken part-time work or given up searching.

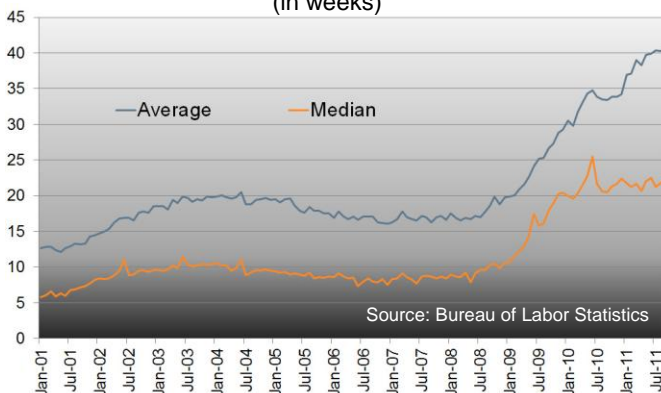
“The country emerged from recession more than two years ago,” says Rob Romaine, president of MRINetwork. “The stock market has in large part returned and corporate earnings are at record highs, but everyone—both consumers and companies—are behaving as if we are still in a recession. Consumers continue to delay purchases and companies are choosing to sit on record amounts of cash rather than invest in resources and human capital.”

To be saving cash in uncertain times makes perfect sense on the individual level. However when looking at the country as a whole, it means hundreds of billions of dollars less in spending and the spending which does occur is at significantly lower profit margins.

“High unemployment doesn’t benefit anyone. As long as spending remains anemic, employment levels will fail to rise significantly, and those who have been out of work for more than a few months are likely to remain out of work for even longer,” says Romaine. “But in a classic catch-22, spending is going to remain weak as long as unemployment is high.”

Like any vicious cycle, this one needs to be broken. Yet, nothing will happen overnight and it might not be possible for there to be one bold action from the government or one strong economic signal from the economy to fix everything.

Duration of U.S. Unemployment
(in weeks)



Recent MRINetwork® Analysis

They're finding new opportunities in the job market. As the economy picks up, the need for experienced professionals is greater, says John Fulcher, director of [healthcare at] MRINetwork's Bauer Consulting Group Inc., an El Paso health-care recruiter. "We are seeing the need for more seasoned professionals who require less ramp-up time and are able to make a larger impact in a shorter amount of time," Fulcher said in April.

John Fulcher, Bauer Consulting Group
As quoted on SecondAct.com
September 30, 2011

Notable International Events

- The Chinese Government has passed legislation requiring foreign workers and their employers to contribute to a social security fund beginning in the New Year. However, details on the benefits those employees could collect, like unemployment and pensions, are unclear.
- Growth in some Latin American countries seems to have slowed, allaying concerns of rising inflation. The Chilean Central Bank recently considered cutting its 5.25 percent key interest rate, though, it has chosen to delay that decision for another quarter.

“This cycle will be broken on the individual level. Individual companies will look at their business and say, ‘despite the macroeconomic outlook, our business is sound and we need to invest to make it better,’” says Romaine. “Unemployed individuals will also have to dig deep and reevaluate what kind of career and lifestyle they are willing to accept.”

For someone who hasn’t found a job after 40 weeks of searching, their prospects aren’t going to change because of a simple resume tweak. Most long-term unemployed are going to have gain additional skills while lowering their salary or title expectations more than they ever thought possible to rejoin the workforce. Yet, these are the individual sacrifices which will break the cycle.

“Coming out of this there hasn’t been and there won’t be a ribbon-cutting moment, just a long series of small decisions that will slowly turn the tide,” says Romaine. “Companies who don’t invest in talent and resources will lag the recovery cycle and eventually fall behind their competition.”

THE NETHERLANDS

Country Weathered the Worst of Downturn

The Netherlands is a relatively small country—about twice the size of New Jersey—yet it is an economic powerhouse by many measures. Its 4.4 percent unemployment rate is one of the lowest in the euro area, second only to Austria's 3.7 percent rate.

Leading into the recent decline, the Netherlands had 26 years of uninterrupted growth. Nearly 75 percent of its half-trillion euro economy is tied to trade with Europe and other partners throughout the world. As a result, when the global economy slowed, total exports shrank by as much as 25 percent, yet total GDP shrank by only 3.9 percent.

"The Netherlands is a particularly well-suited crossroads for Europe. While that means the economy is deeply affected by the global economy, we also have a flexible resilience," says Jean (JJJ) Theuns, president of MR Human Capital Group, an MRINetwork affiliate in the Netherlands. "The greatest infrastructure of our economy is a highly educated, skilled workforce, and that has remained flexible through the last several decades."

Perhaps most important for the economy's long-term outlook, though, is not low unemployment among Dutch professionals, but among the country's youth. Youth unemployment, which has been blamed for many of the social disruptions that have occurred across North Africa, Europe and now the United

States, has remained particularly low in the Netherlands. While the average youth unemployment rate in the EU is 20.9 percent, and 46.2 percent in Spain, the Dutch unemployment rate for those under 25 is just 7.5 percent.

Social policies led by Dutch employment minister Paul de Krom have been focused on keeping young people employed, or if not employed, in some form of education or training. Funding through the Youth Employment Action Plan, though, is running out, and the government has also begun looking to cut emergency expenditures.

In 2012, the Netherlands is expecting to see a GDP budget deficit of 3 percent, though the country's current total debt burden has already surpassed 60 percent.

The Netherlands may soon be running out of options. It may be necessary in the near future to cut the very services and programs that have minimized the effects of the financial crises and may have been just enough to get the country through the very worst.

The Netherlands and the rest of the world seem to be through the worst of the recession. Should positive trends in the U.S. and Europe continue, government stimulus in the Netherlands will peter out just as organic economic activity begins to take its place.

CALIFORNIA

High-Tech and Energy Industries Strong in a State Still Steeped in Recession

If you want to find a state devastated by the economic downturn, there is nowhere better to look than California. House prices plummeted as much as 70 percent in some markets, construction stopped still, and foreclosures cascaded up and down the state. Peaking at 12.5 percent a year ago, its unemployment rate has been second only to Nevada for much of the last year and unlike many high unemployment states that saw substantial pull-backs early this year; California has fallen only to 11.9 percent.

However, at least in Northern California, some changes seem to be on the horizon, according to Eric Wheel, managing partner of PrincetonOne - Northern California, an MRINetwork affiliate.

"Going into this year there was high demand in only the narrowest of specialties, especially at high-tech firms," says Wheel. "Over the last several months we've seen those narrow bands begin to open and a wider range of positions at a broader range of companies become available. Even marketing and administrative positions are seeing increased demand."

While demand is increasing, employers are finding that qualified talent is difficult to come by.

"The talent supply for the types of positions we deal in—requiring professional, college-educated candidates—is much more shallow than employers expect, no matter how much they may have been warned," says Wheel. "Yet, firms that find the right candidates still remain cautious and are implementing extended interview processes."

Also in Northern California, Karl Dinse, managing partner of Management Recruiters of Sacramento, says he has seen marked improvement among industries related to power generation—both conventional and alternative.

"The demand for talent across all types of energy production in California remains strong, from design and construction to operations. Even solar, despite the very public collapse of Solyndra, remains not just viable but growing strong and searching for experienced talent," says Dinse.

A recent report by Ernst & Young suggests that large-scale solar projects could become competitive with conventional energy sources within the decade. The majority of the country's 24,000-megawatts of production currently in planning or construction is in California.

Despite its position at the epicenter of two of the most thriving industries in the country today, California is far from being out of the woods due to its deep-rooted public finance and foreclosure issues, not to mention the stifling unemployment rate.