

UNITED STATES

The Divide Between Those With and Without a Four-Year Degree Deepens

Sir Alan Michael Sugar is one of the wealthiest men in England and fills Donald Trump's seat for the UK version of *The Apprentice*. He dropped out of school at 16. John Mackey, founder of Whole Foods Market, went to college, but dropped out six times. The relationships of Microsoft's Bill Gates and Facebook's Mark Zuckerberg with Harvard are nearly legendary, and neither story includes a four-year degree.

At the beginning of this century, there was a widely held belief that four-year degrees were becoming unnecessary for success. Of the five wealthiest people in the world in 2000, only one, Warren Buffett, held a college degree. "Academic" was a dirty word. "B-School thinking" wasn't a compliment.

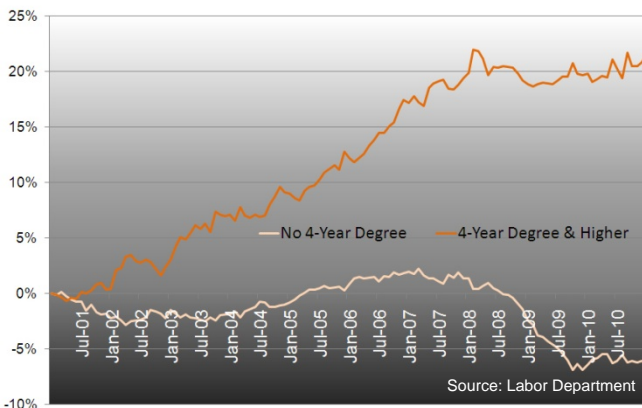
Of the nearly 14 million people unemployed in January of this year, about 12 million didn't have four-year degrees either.

"There are two dramatically different pictures among the unemployed and it can be difficult to reconcile them," says Rob Romaine, president of MRINetwork. "The unemployment rate for those with a four-year degree is down to 4.2 percent, nearly half the national average. Employers who are trying to hire college-educated workers are seeing the difficulty."

January's unemployment figures were widely seen as a disappointment. The unemployment rate fell from 9.4 to 9 percent, yet, with only 34,000 jobs created, the rate drop was driven by the more than half a million people who stopped looking for a job during the month. For those with a four-year degree, the unemployment rate also dropped—from 4.8 to 4.2 percent—but its decline was the result of 227,000 new jobs that were created.

"Job losses during the recession didn't spare anyone. MBA holders were taking to the streets looking for work like everyone else," notes Romaine. "Yet, as companies have begun to rehire, they are almost entirely hiring for positions that require four-year degrees or better. If employers are looking at a 9 percent unemployment rate and expecting they'll be able to find high-quality candidates, they are going to be surprised when trying to find a CPA, a network administrator or any type of engineer."

Total Employment Growth Since January 2001 by Educational Achievement



Recent MRINetwork® Analysis

"The biggest fixed cost an employer has is payroll," says Tim Ozier, director of contract staffing at MRINetwork in Philadelphia. "It's to their advantage to hire contract workers in many cases."

"But people shouldn't be afraid of being a contingent or contract worker," he says. "Companies are opening up all kinds of work in these areas. We've placed CIOs (chief information officers) and COOs (chief operating officers) for eight months or longer with one company."

Tim Ozier, MRINetwork, Director of Contract Staffing
As quoted in *USA Today*, February 16, 2011

Notable International Events

- Bundesbank's president projected Germany's economy would expand by 2.5 percent in 2011, an upward revision above the government's projection of 2.3 percent. German GDP grew by 3.6 percent in 2010, its largest expansion since reunification in 1992.
- Total global trade topped pre-recession levels for the first time in December, spurred mostly by the expanding level of trade between Latin America and Asia. Growth of trade with the United States was in line with global averages, but growth in Europe lagged the rest of the world.

Over the last decade, total U.S. employment has grown by a meager 1.5 percent—cumulatively. Over the same time, U.S. employment for those with a four-year degree has grown by more than 20 percent.

"This isn't a short-term situation. We are an advanced economy that requires an increasing number of workers with advanced skills in order to grow," says Romaine.

Of the approximately 700,000 jobs created in the last 12 months, virtually all of them required college degrees. Most interestingly, the rate of growth of this workforce is slipping. In 2010, the total number of four-year degree holders in the U.S. workforce increased by only 364,000, nearly a quarter million fewer than were added in 2004, the previous low-water mark of the last twenty years.

"In a situation like this, the employment market becomes much more closed off. Employers avoid publicly advertising many positions, not wanting to deal with the flood of unqualified resumes. At the same time, top candidates avoid publicly posted positions, not wanting to take part in the cattle call," says Romaine. "This means that networking, creating candidate pipelines, and developing relationships with recruiters become the only surefire methods for companies to fully access the market's available talent."

PHILIPPINES

Economy Thrives as New Center of Outsourcing

In 1899, the Philippines was made a colony of the United States as part of the resolution to the Spanish-American War. But by the 1930s, as the U.S. grappled with the Great Depression, the U.S. sugar industry pushed for Philippine independence to restrict the colony's access to the U.S. market with its low cost sugar cane.

The Commonwealth of the Philippines was formed in 1935, but just ten hours after the 1941 attack on Pearl Harbor, the Philippines too was attacked and occupied by the Japanese until the end of World War II when the United States regained control. In 1946, the United States ceded sovereignty to the independent Republic of the Philippines, launching the archipelago on an independent, yet politically contentious path.

Political turmoil took its toll on the economy. At the end of World War II, the Philippines was considered to be the second wealthiest country in Asia behind Japan. By the 1990s, it had fallen to the middle of the pack. Traditional industries had failed to keep up with the growth of other economies in the region and salaries were deflated. When international phone rates started to plummet and the Internet allowed companies to open business process outsourcing (BPO) centers overseas, the Philippines became a popular option.

"Unlike most of Asia, Filipinos are fluent in spoken and written English and are quick to assume Western accents, making

them excellent call center agents," says Heriberto Santos, president and CEO of MRI Worldwide Philippines in Makati City.

The Philippines currently accounts for about 15 percent of the global BPO market, the fastest-growing portion of the Philippine economy. With more than 350,000 employees, BPO centers now employ more people and generate more revenue in the Philippines than in India, the industry's traditional hub.

"These call center jobs are especially attractive to graduates fresh out of college. BPO entry level wages are higher than many other Philippine industries," notes Santos. "It has helped to create a new economy in the Philippines, as these BPO center workers enter the middle class, buy consumer goods, and purchase services."

Services as a whole grew by 6.7 percent during the first half of 2010 and both business and consumer confidence has been steadily on the rise since bottoming out in early 2009, around the same time the country's GDP was hit hardest. Yet, GDP growth never went negative. In 2010, it rebounded to 6.2 percent and is projected to grow another 4.6 percent in 2011, according to the Asian Development Bank projections.

"Because of cultural and linguistic issues, BPO centers operating in the Philippines will continue to make fiscal sense, even if wages continue to rise as expected. In the near term, the growth of the BPO market alone will be enough to spur continued economic growth," says Santos. "That's going to aid domestic markets in the country, creating more opportunities for both employees and companies in the coming years."

WISCONSIN

Tough Economic Choices Cause Tension

In a state normally best known for its cheese, football, and beer, protests by and in support of public labor unions are drawing national attention to a long, contentious battle to fix the state's finances. Last year, Governor Jim Doyle was essentially driven from office after having made hotly contested changes to the corporate tax code. Governor Scott Walker, who took office in January, moved quickly to address budget concerns too, yet the opposition has been even more vocal.

Wisconsin was one of the first states in the Midwest to attempt to increase tax revenue during the recession, leading some to fear the state would become less competitive. Major brands and employers, such as Harley Davidson, publicly voiced plans to relocate. Yet, other states around the country have already started to raise taxes as well. Neighboring Illinois just increased personal income tax by 66 percent and its corporate tax by 45 percent, making Wisconsin now look like the low-tax option.

"Wisconsin's early reaction to the recession may have hurt the state's competitiveness in the short term, but it will likely fall back in line with other states that will soon be taking a similar approach," says Ron Sloane, president of Sloane & Associates, an MRINetwork affiliate in Brookfield, a Milwaukee suburb. "If all taxes are equal, or at least mostly equal, Wisconsin has plenty of other benefits to offer companies to help them thrive."

The most controversial of the state's tax changes were new combined reporting rules, which tax multistate corporations based on the percentage of their total revenue earned in Wisconsin, closing a common loophole. As of 2010, more than half of the states with corporate tax rates had adopted combined reporting rules, including most of Wisconsin's neighbors.

"Wisconsin is a beautiful state, which helps to attract and retain top talent," notes Sloane. "The public university system in Wisconsin is one of the best in the country and graduates of those schools often want to stay right where they are, offering an excellent talent pipeline for employers."

The unemployment rate in Wisconsin has already fallen from a high of 9.8 percent early last year to 7 percent in January of this year. Other indicators, like an increase in home sales across Wisconsin, up more than 16 percent versus a year earlier, point to the state being further out of the recession than many others.

"Construction remains depressed, but pockets of activity are showing signs of life, especially among contractors and architects with specialty experience, like those who build medical facilities," says Sloane.

As protests against the governor's efforts to restructure the public unions show, the state isn't out of the woods yet. Sloane continues, "Businesses and consumers need to see more stability in both the economy and government policies before they make investments needed to bring unemployment back to pre-recession levels."