

# The Kensho Group

## UNITED STATES

### Recession Might Be Waning; Employers Consider How to Raise Headcounts

In March, the Dow Jones Industrial Average closed up for the month for the first time since its 11,543 close on August 29, 2008. It has been six tumultuous months. Few employers set their hiring targets based on the daily movements of the stock market, yet, nothing seems to drive confidence faster than green numbers on Wall Street.

"All recessions, to some degree, are mental recessions. They come from persistent, repetitive bad news. After all the fiscal, monetary, and spending policies, the only way to really reverse that cycle is by having enough sustained good news to make people think it's over," says Vince Holt, president of Management Recruiters of Mercer Island.

In March, there was still some bad news – unemployment rose to over eight percent; mass layoff events continued to rise; and the number of people on unemployment insurance in the U.S. topped 5 million. But that bad news was countered by some of the strongest positive news since late 2007.

Early in March, the CEOs of both Citigroup and Bank of America projected profits for the whole of 2009, including the first quarter. Additionally, the Department of Housing and Urban Development reported that seasonally adjusted housing starts increased by 22 percent in February. Durable goods demand—or orders for products with life spans of more than three years—rose 3.4 percent in February, the figure's largest increase since December 2007.

Then of course, there is the stock market. So is this enough to shake us out of the "vicious negative feedback cycle" that Warren Buffett refers to?

"In just the last few weeks we've started to hear back from hiring managers who four months ago said they had hiring freezes and now want to start interviewing again," says Holt. "It's not everybody, but glaciers don't melt overnight either."

Managers who had to lay off large percentages of their workforce over the last year are going to be careful not to hire people they might have to again lay off if business doesn't ramp up as quickly as they expect.

"I think one of the biggest trends we will see coming out of this recession is a broader acceptance of contract staffing as a way to fine tune headcounts," says Tony McKinnon, president of MRINetwork.

"Over the last decade a lot of people forgot that they can't have continuous growth forever. As employers rebuild their teams, you can expect an increasing reliance on using a cushion of contract staffers, which helps avoid both the cost and impact on morale that come with layoffs, should they be necessary again," McKinnon continues.

From the 1950s through to the 1980s, recessions slowed growth of the professional workforce, but only really caused a

### Recent MRINetwork® Analysis

...Even if the public's attitude towards Wall Streeters has dimmed, many recruiters aren't so sure about assertions that they're being stigmatized on the hiring front.

"If you're talking about the very top of an organization, those folks have to explain themselves," says Tom Wieder a managing partner in the Baldwin office of WorldBridge Partners, a national executive search firm. But "I think it's more public perception than reality. That's not the reality of the market."

If a person who is at Lehman is having a hard time getting a job, the stigma of a Lehman tenure probably isn't to blame... instead, they're not getting work because there's little work to be had.

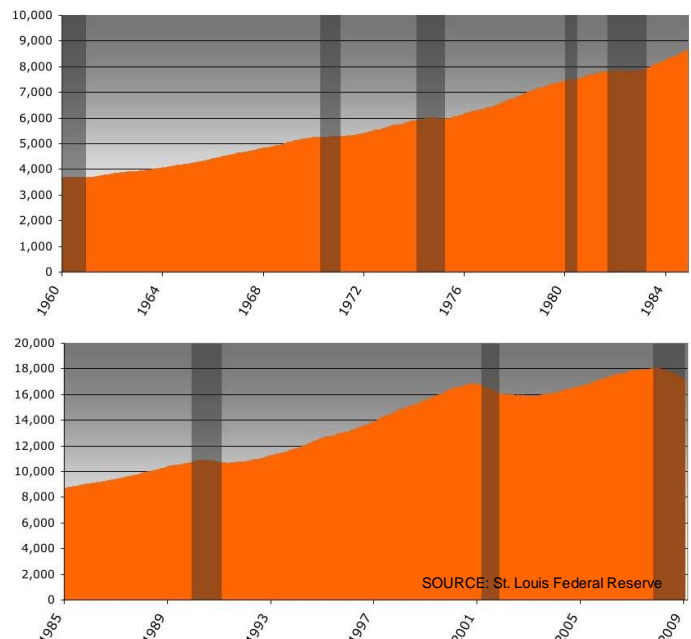
Tom Wieder, Managing Partner, WorldBridge Partners as quoted in the *New York Post*, March 23, 2009

decrease in jobs in manufacturing and other blue-collar positions. Since the 1990s, however, recessions have continued to impact the professional workforce in stronger and stronger ways, as professional services have become a more common product unto themselves.

McKinnon says, "The increasingly meaningful impact recessions have on professional positions means employers need to build more elasticity into their workforce levels that will allow adjustments, without having to resort to mass layoffs in future downturns."

### Professional and Business Services Workforce Size 1960 - 2009

(Workforce numbers in 1000s; recessions denoted in grey)



SOURCE: St. Louis Federal Reserve

## ISRAEL

### Where Need Breeds Innovation

On May 14, 1948, the State of Israel was formed when the British Mandate over Palestine came to an end. According to the front page of the *Palestine Post* the next day, within hours the territory was “invaded by Moslem (*sp*) armies from the south, east and north, and Tel Aviv was raided from the air.”

During the interceding years, much blood has been spilled by all sides as lasting peace has been elusive for the swath of land the size of New Jersey on the eastern bank of the Mediterranean Sea. With few natural resources, nearly half a dozen full-scale wars, and nearly constant political and military skirmishes, by the 1990s Israel began to emerge as one of the world’s most resilient economies.

In January, a joint venture between U.S. and Israeli companies discovered 5 trillion cubic feet of natural gas, enough to supplement as much as two-thirds of the country’s domestic needs over the next 20 years. Yet, domestic sources for other natural resources, from clean water, to coal and oil, to fertile land, have long been issues for the nation.

The scarcity of resources has been a driving force for Israel’s leading role in many types of research and development according to David Gantshar, CEO of Worldwide Jobs, an MRINetwork office in Jerusalem. Per capita, Israel has the highest number of start-up companies in the world as Israelis develop new technology for solar energy, water purification, medicine, microprocessors and agriculture.

In one example of the innovation coming out of Israel, Aora Solar last year received series A venture funding to bring to market an innovative micro-generation solar-hybrid technology developed by Weizmann Institute of Science. Using only half an acre of land, mirrors reflect the sun into a solar receiver that create up to 100kW, enough energy to power 50 homes.

“Israel’s technological and energy advancements have recently attracted investment and business interest from countries around the world,” says Gantshar. “As the rest of the globe was slipping into a recession last year, Israel pulled off 4.1 percent GDP growth in 2008, as foreign money and immigrants continued to flow in.”

Since 1948, immigration has been a driving factor for the Israeli population and economy. As of 2004, a third of Israel’s Jewish population was foreign-born. When the economy was recovering from a massive bank stock scheme causing inflation to reach 450 percent in the mid-1980s, Israel benefited from a flood of highly educated Jewish immigrants fleeing the former USSR, helping to spark the country’s most recent growth.

“Israel still isn’t recession-proof, and some companies are hesitant about starting or expanding operations in Israel as the global economy remains in flux,” says Gantshar. “Doing so, however, puts any global firm at a real disadvantage. Not being in Israel cuts off a firm’s access to some of the most cutting-edge technology and innovation in the world today.”

## NEBRASKA

### Calm Seas Weather the Storm

“We see him around town or over at Gorat’s Steakhouse all the time. No one ever bothers him, and he probably likes it that way,” says Todd Dawson, managing partner of WorldBridge Partners in Omaha, when speaking about Omaha’s favorite son.

The entire state of Nebraska seems to have taken the strategies of Warren Buffett to heart. Through the firm he leads, Berkshire Hathaway, Buffett has focused on diverse and long-term investments rather than the quick buck. Over the last few years, Nebraska’s lawmakers chose to promote diverse industry and refund windfall tax receipts rather than commit to long-term spending programs, or build up booming industries.

Today, Nebraska is one of the only states not facing a budget crisis and unemployment has been kept down to just 4.3 percent, which is higher than normal, but not by much.

“We’re going to go a little higher,” said Gov. Dave Heineman in an interview in early March, “but our economy is diversified because we’ve prepared for this. I think we’re in a position to weather the storm better than most.”

Over the years, Nebraska—and Omaha specifically—has had its booms and busts with railroads bringing meatpacking during

the mid-1800s, racial tensions causing civil unrest during much of the turn of the last century, and the end of the 1930s Depression brought with it booming interstate commerce.

During the 1950s and 1960s, though, Omaha became home to more than 40 insurance companies including Mutual of Omaha and Woodmen of the World, whose monolithic Woodmen Tower would dominate Omaha’s skyline for the next 30 years. Since then, Nebraska has grown a diverse portfolio of business and has had neither a boom nor a bust since.

“Today insurance is big, but it doesn’t dominate. Banking is big – TD Ameritrade is based here – but it isn’t overpowering. Food manufacturing is very strong with firms like ConAgra, yet again it’s not our only industry,” says Dawson. He also notes the range of professional services, from marketing to legal firms, needed to support the many Omaha-based national brands.

Gov. Heineman and the state legislature’s forward thinking have put the state in a position where it will be able to turn down much of the federal aid being offered to the states. The Governor has said that while they are planning to use Federal Stimulus monies to fund infrastructure projects, they will be able to refuse some of the funds, like those related to unemployment insurance support.

“The job market has tightened here to be sure, and everybody is being more cautious, but we haven’t seen the level of panic that has been seen elsewhere. We’re staying calm, and just letting the fires go out at their own pace,” says Dawson.