

The Kensho Group

GLOBAL

Today's Proposals May Be Tomorrow's Staffing Headaches

At the end of January, economists and world leaders converged on Davos, Switzerland for what is commonly labeled as spring break for economists, but more formally called the World Economic Forum's annual meeting. Last year's meeting took place in the depths of the worst economic crisis since the 1930s. This year, where we are in the crisis is the job of many of those at Davos to both determine and decide.

One thing that has become apparent is just how globally connected our economies truly are. Everyone from U.S. Representative Barney Frank to French President Nicolas Sarkozy has used Davos to call for initiatives that are global, not just in their thinking, but in their scope.

Frank proposed creating global bank regulations that would help prevent the international game of regulatory arbitrage multi-national banks have been able to play until now. His sentiments were quickly echoed by global central bankers who pronounced that more regulation is coming.

Sarkozy pledged to work towards a much more ambitious goal when France takes the presidency of the G-20 next year. He literally called for "a new Bretton Woods" conference, a reference to the 1944 convention of world economic leaders that set the framework for a new international monetary system after World War II. The boldest element of Sarkozy's goal is a proposed global currency, removing a need for exchange rates and preventing countries—like China—from artificially altering their currency's value.

"While Sarkozy's proposals may be to the extreme of global changes that will actually come to pass in the next few years, there is little doubt that the landscape is in for some fundamental changes that will ripple beyond just banking," says Tony McKinnon, president of MRINetwork.

"Companies trying to adapt to changes in either an industry or an economy need to be agile in their hiring, especially with so much uncertainty in the global economy today," says Evan Davis, chief operating officer of MRINetwork. "While internal recruiting efforts may have created a deep catalog of candidates for existing needs, a change of direction or conditions requires a whole new lineup of candidates, something that can take months if not years to develop from scratch."

In the United States, initial estimates for real GDP growth for the 4th quarter of 2009 released in January showed a 5.7 percent annualized growth rate. The second consecutive positive GDP reading indicates that the Great Recession did in fact end in mid-2009. Yet, with trillions of dollars injected into the U.S. economy, growth rates seem to lack some luster. In inflation adjusted 2005 dollars, U.S. GDP grew to \$13.16 trillion, \$254 billion more than in the second quarter of 2009, but still \$260 billion shy of the GDP's peak in the second quarter of 2008.

"While it's impossible to say there is anything wrong with the strongest GDP growth in years, unfortunately it will take another one or two quarters to know if this is a spike or the beginning of something sustained," notes McKinnon.

Recent MRINetwork® Analysis

Employers that want to retain their talented and skilled workers should be aware of what tends to make their employees happy at work. For some, that may be flexibility with their work schedules. Others cite a friendly, collegial environment. Rarely is compensation listed as what makes people happiest at work.

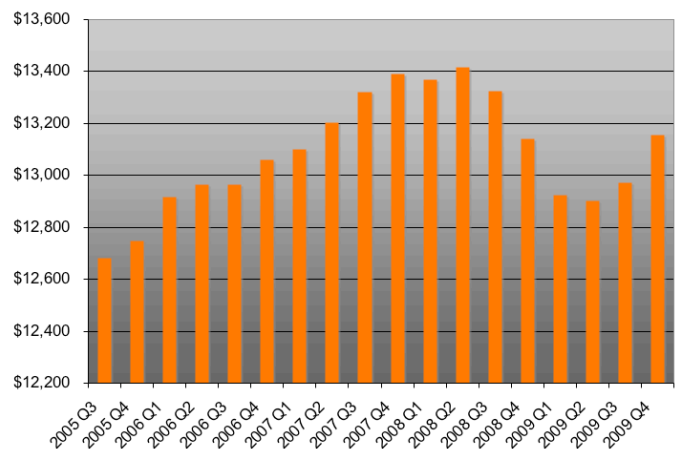
But with some employers handling layoffs poorly, the attitude is "when this market turns and I'm no longer fearful of losing my job, I'm going to be finding a new job," says Stacy Ethun, president of Park Avenue Group, the Orlando affiliate of MRINetwork.

Stacy Ethun, president, Park Avenue Group
South Florida Sun-Sentinel, January 13, 2010

A significant portion of the 5.7 percent GDP growth came from retailers and manufacturers replacing depleted stocks, not true growth in production or commerce. Whatever remaining growth after that is consumed by the \$270 billion of the 2009 recovery package that has already been released into the economy. Once these effects wear off, economists predict real growth could fall to 1.5 percent by the end of the year.

With the amount of liquidity that has been put into the economy, inflation continues to be a concern. Over the last 12 months, the Consumer Price Index has risen by 2.7 percent. While inflation is factored into real GDP growth, a slight increase could wipe out most—if not all—of a small GDP growth.

"All these factors contribute to the vital need for a flexible workforce," says Davis. "After a prolonged downturn like we've just seen, operating reserves for many companies have been drained, allowing little room for error. The firms that will perform best in this environment are those that are able to quickly adjust their workforce to both positive and negative events."



TURKEY

The Eurasian Bridge Sees a Soft Recession

The land that now connects Europe to Asia and the Middle East has had its fair share of history. Around 1100 B.C. the Trojan War, if it in fact took place, was believed to have been fought on what is now Turkish soil. In 334 B.C. the Achaemenid Empire fell to Alexander the Great. The first crusade was launched after the Byzantine emperor appealed for help from Pope Urban II in the 1060s. The modern day Republic of Turkey came into existence with the fall of the 600-year-old Ottoman Empire after World War I.

While Turkey's predecessors were often placed on the world stage through conflict, in recent decades Turkey has risen to prominence because of its economy. A founding member of the G-20 major economies, Turkey has maintained a strong and resilient global economy over the years.

Despite being hit hard in 2009, the Istanbul Stock Exchange proved to be the second best performing exchange in the world, behind Argentina's.

Since the start of the Great Recession, unemployment rose just under four points from 9.5 percent to 13.4 percent in the 2nd quarter of 2009. By the 3rd quarter of 2009, the most recent available period, unemployment had already declined to 13 percent.

"The first half of 2009 was when we really felt the recession hit," says Metin Uludag, owner of Global Danismanlik, an MRINetwork office in Istanbul, Turkey. "But by the end of the year we started to see some real change and now high-level job orders are starting to come in again."

One stabilizing influence in Turkey's economy is the Turkish banking system that had minimal subprime exposure and survived the downturn without having to tap government capital. In fact, Turkey is one of the only G-20 nations to have not yet had to prop up any banks, leaving the government better able to provide stimulus funds in other areas.

Recently, declaration of the recovery in Turkey's economy has come from none other than its most famous native economist, Nouriel Roubini. He notes though, that since much of Turkey's foreign trade is with European countries, the pace of an E.U. recovery will largely determine the speed of Turkey's.

On the horizon for close to five years now has been Turkey's entrance into the European Union itself. Turkey entered into a customs union agreement with the E.U. in 1995. It then began negotiations to join as a full member in 2005. The process has been delayed for many reasons, including immigration concerns, the country's Islamic heritage and whether Turkey can even be considered a part of Europe.

"For an ever growing number of products, Turkey has become a hub, a logical distribution point between Asia and Europe," notes Uludag. "Be it FMCG, chemicals, or oil, as soon as the flow of goods increases, we'll see that impact Turkey. In fact, the process may have already begun."

FLORIDA

Seeking Growth After the Bubble

For a few years now, Florida hasn't been quite as sunny as people remember it. Home prices that seemed in an eternal upward rise have plummeted and the jobs that were created to support a growing population and tourist market have dried up.

"Florida's population actually decreased for the first time in memory, as people who had moved here from the North were unable to find work and had to return to the cold," says Jeff Dentz, president of The Dentz Group, an MRINetwork office in Bradenton, who himself escaped Wisconsin.

The financial crisis has impacted employers of all kinds in the state. Aside from sliding sales, the latest blow is a massive increase in the cost of unemployment insurance. In an effort to stabilize an exhausted unemployment insurance fund, the minimum per employee price of unemployment insurance has risen from \$8.40 in 2009 to \$100.30 this year.

Nonetheless, Florida's Governor Charlie Crist is expressing optimism, claiming that Florida's lull, not just the recession, is nearing its end. In his 2010 budget, he has proposed a 4 percent increase in spending, the first increase since 2006, though he is relying on federal stimulus dollars to bridge a budget gap.

"What is most worrisome for employment on the whole is that companies that have already tightened their belts may be slow

to loosen them again," notes Dentz. "For example, many companies today are finding they can return to profitability with a greatly reduced workforce even with sales significantly below prior years. Now that the cuts have been made though, they see little incentive to return to their previous staffing levels, even if conditions start to improve, and that will leave a lot of people without a job."

Pundits say, and rightly so, that Florida's economic model—namely relying on growth from people moving into the state and bringing their retirement monies with them—is a flawed system. Today, state leaders are looking for different approaches to grow the state's economy, but what those ways are, is still up in the air.

Major infrastructure projects, like a high speed train connecting Tampa and Orlando and later Miami, is one project that has been launched using federal stimulus dollars and will create thousands of jobs for a number of years. Yet the long-term impact of the rail link is hard to predict, and the jobs it creates during construction obviously won't remain after it's complete.

"It has been a tough few years in Florida and I think there is a continued sense that we're not going to be out of the woods for awhile. But at the same time, we don't appear to be going any deeper in," says Dentz.

Florida's unemployment rate reached 11.6 percent in December, 1.6 percent over the national average. Through most of the last decade, Florida's unemployment rate was below the national average and first began to exceed it early last year.