

# The Kensho Group

## GLOBAL

### No One Likes a Double Dip

In more than a few corner offices and living rooms around the world this New Year's Day, the phrase, "And good riddance to 2009," was used rather liberally. On January 1, Spain took over the presidency of the European Union and pulling the continent out of recession is the stated primary objective of Spanish Prime Minister José Luis Rodríguez Zapatero over the next six months. Ironically, nowhere is reviving the economy more important than in Spain, where the unemployment rate has reached 19.3 percent, double that of the EU16 (the first 16 nations of the European Union).

While Spain has yet to emerge from recession, most of the E.U. is now experiencing modest growth. But economists continue to float the potential of a double dip or "w-shaped recession," since the threat was first raised by European Central Bank President Jean-Claude Trichet in September of last year.

In the first presidential transition since the Lisbon Treaty took effect one month ago, the E.U.'s first permanent president, elected to serve a 2 1/2-year term, took office on January 1 as well. The new permanent president, former Belgian Prime Minister Herman Von Rompuy, himself an economist, will have his own take on a double dip recession and how to prevent it. On his first day in office he called for an E.U. economic summit to take place on February 11.

Since September, the governors of the European Central Bank have gone on record to say that they do not see any sign of a double dip recession in the EU16. Recently, however, a few vocal economists have begun to predict a double dip recession in the United States.

In November, U.S. unemployment fell from 10.3 percent to 10 percent while the U.S. labor market lost virtually no jobs, the best numbers in almost two years. Between July and November more than 115,000 temporary jobs were created in the U.S., with 52,400 added in the last month alone.

The unemployment rate of people in management, professional and other related occupations fell to 4.6 percent in November, but this wasn't its first decline. That number peaked at 5.5 percent in July and has fallen every month since.

"January and February are traditionally the busiest hiring months of the year for non-entry level positions and when competition is at its fiercest," says Evan Davis, chief operating officer of MRINetwork. "Those expecting a less competitive market may be in for a surprise as many employers started their recruiting programs earlier than normal."

Yet, if negative GDP growth does resume like some economists predict, it would quickly trump the positive momentum in the labor market.

"It's an irony of the modern economy that employers are worried about hiring fast enough and yet at the same time, concerned about hiring too many workers," says Tony McKinnon, president of MRINetwork.

### Recent MRINetwork® Analysis

*Locally and across Texas, "It looks very encouraging, with sequential growth," said Dan Hill, owner of River Walk Search Group, a recruitment firm. "I'm not surprised Texas continues to register a lower unemployment rate (than the nation), and San Antonio relative to the state as well. Services are clearly the backbone of our success in San Antonio."*

Dan Hill, owner of River Walk Search Group, an MRINetwork office in San Antonio, TX  
As quoted in the *San Antonio Express News*  
December 21, 2009

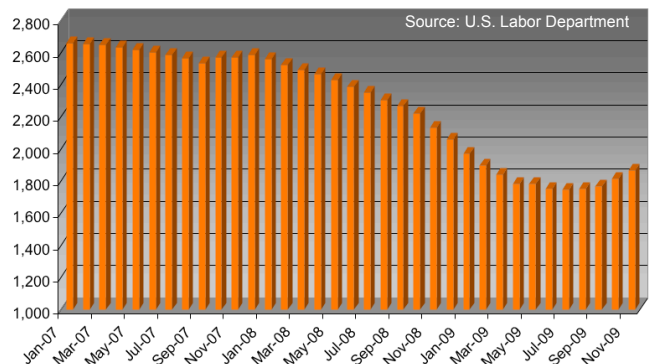
A recent CareerBuilder survey showed hiring managers expecting an increased reliance by their U.S. employers on part time staff, contract staff and temporary workers in 2010.

"The move towards contract staff, especially for professional and managerial positions, is a logical strategy right now for many employers both in the U.S. and across Europe, but it's also more frequently the way younger generations are looking to work," says McKinnon. "Including contract staffers in your workforce means tapping creative, often heavy hitting managers and executives who if they were working in permanent positions would be virtually unrecruitable."

"When employers aren't sure if they are reacting to a wave or the tide, contract staffers are also a way to put a toe in the water. If the market pulls away, there are few if any separation costs. If the market swells, you aren't struggling to staff up to handle the workload," notes Davis.

If such a double dip does occur in either the United States or the European Union, signs should appear before the end of the second quarter.

### Temporary Help Services (in thousands)



## SOUTH KOREA

### Asian Tiger Gets Up and Takes a New Path

Sixty years ago, when a small peninsula nestled between mainland China and the Japanese archipelago first became a proxy battle between the East and the West, Korea was one of the poorest nations outside of sub-Saharan Africa. Per capita GDP was a paltry US\$67 per year. Despite being halfway into the 20th century, Korea was stuck in the 19th—if not the 18<sup>th</sup> century.

After the shooting part of the Korean War came to an end, the North aligned with the Soviet bloc and maintained modest growth from its relations with communist states. South Korea took a different direction. Building on its now strong ties with the West, it developed its manufacturing capabilities, particularly of electronics and other lightweight products that could be exported around the world cheaply.

"Korea used very much the same model to grow that was in place in Japan," says Jeong Soo Choe, managing director of MRINetwork Worldwide Korea. "More than just producing similar products, Korea also adopted the Japanese workforce model with lifetime employment for salarymen."

And the strategy worked. In the three decades between 1960 and 1990, South Korea averaged GDP growth in excess of 8 percent pulling South Korea firmly out of the Third World. When the Asian financial crisis hit after a generation of solid growth, South Korea and the rest of the Asian Tigers were brought to their knees. Rather than trying to do what they were doing better, Korea tried a reinvention.

"Companies that had been using an Asian approach to workforce management turned to the West," says Choe. "Western consultants, like McKinsey & Co., brought in a variety

of changed sensibilities, like the end of lifetime employment and the introduction of Western HR practices."

Today, manufacturing remains an economic driver with companies like LG, Hyundai, and Samsung showing the way. While General Motors was slipping into bankruptcy last year, its only profitable division was South Korea-based Daewoo. Yet, white-collar positions are now taking more of a lead over manufacturing jobs.

"South Korean banks have taken advantage of the crisis in the U.S. by recruiting Wall Street investment bankers to come and manage their investment divisions," says Choe. "Since the Asian financial crisis in the early 1990s, U.S. managers and executives have become increasingly in demand across many industries."

Choe predicts that the flow of financial talent from the United States is slowing but that renewable energy engineers may be the next wave as South Korean companies look for ways to play a major role in the new energy economy.

While the South Korean economy has relied on mimicry—first of Japan and later of the West—the results have been unparalleled. South Korea's per capita GDP in 2008 was US\$25,490. When adjusted for inflation, per capita GDP has grown by more than 1,300 percent in the last fifty years in South Korea, versus just 280 percent in the U.S. and more than any other G20 member.

"South Korea is an amazing success story of economic turnaround, but that success is tempered by the tragedy of North Korea," notes Choe. After the collapse of the Soviet Union, the North lost nearly all of its support. In a matter of years, GDP was halved and growth over the last decade has averaged less than 1 percent. Adjusted for inflation, per capita GDP in North Korea today is less than pre-partition Korea.

## MINNESOTA

### Frozen? Yes, But Not Out of the Game

If the medical device industry were the human body, the heart would be in Minnesota, where the first implantable pacemaker was created more than 50 years ago. Having grown into a multi-billion dollar industry, Minnesota's medical device research and manufacturing business ranks second only to California in size. Minnesota's 7.4 percent unemployment rate, well below the national average, is helped in large part by the continued strength of the healthcare sector.

"Minnesota prides itself on its healthcare and medical device industries and is host to organizations like Boston Scientific, Medtronic, St. Jude Medical, The Mayo Clinic, and the University of Minnesota, one of the nation's leading research universities," says Richard Fox, managing partner of PrincetonOne, an MRINetwork office in Minneapolis, Minnesota. "We are seeing more investment dollars pour into these industries which bodes well for job growth in 2010."

A state in part known for its vast windswept—albeit frozen—landscape, it's no wonder that wind energy too is creating jobs. The state ranks third nationwide in wind energy production and is home to Xcel Energy, the nation's largest purchaser of wind energy.

State law requires that renewable energy sources like wind energy must generate at least 25 percent of Minnesota's electricity by 2025. The state also ranks fourth nationwide in ethanol production capacity, producing more than 1.1 billion gallons annually.

"Our clients are saying that they think we've turned the corner towards economic recovery but they want to make sure there is some staying power before staffing up again," adds Fox. "When the books are tallied, if the fourth quarter of 2009 was good and the first quarter of 2010 remains strong, people will become believers again and hiring should pick up."

However, until the employment market improves, some Minnesotans are encouraging the return of a 26-year-old jobs creation program touted as the most innovative and successful jobs program in the U.S. over the last 50 years. To help stimulate jobs during the farm crisis of the 1980s when unemployment topped 9 percent, the Minnesota Emergency Employment Development (MEED) Program was developed.

The MEED Program provided wage subsidies via discretionary grants distributed by local workforce agencies to both public and private employers to hire new workers, many of whom were low-skilled or among the long-term unemployed. The wage subsidies lasted up to six months and were equivalent in today's dollars to \$10 per hour for wages and benefits.

More than 45,600 people enrolled in the program, with 64 percent filling private sector jobs. Approximately 21,000 of those workers succeeded in staying on with their employer or finding other permanent, unsubsidized employment. Surveys indicated that more than 55 percent of the participating employers would not have expanded without the MEED Program.

Yet, facing a \$4.57 billion budget deficit, Minnesota might not be fiscally able to finance such a program again without federal support.

"True, it has been a colder winter than normal for us, especially on the jobs front," says Fox. "But we've seen cold winters before and Minnesotans never give up."