

The Kensho Group

UNITED STATES

Liquidity Returns to the Candidate Market, Somewhat

When monthly total employment job losses began to jump 18 months ago, the total number of “job separations,” as economists refer to people quitting, being fired and being laid off, didn’t increase. In fact, unlike the last recession, the monthly job separations rate reached its lowest rate on record, 3.1 percent since January.

So why did total employment drop so rapidly? Hiring was falling at an even faster rate. In April of 2009, when the separations rate was at 3.5 percent, the hires rate had already fallen to 3.0 percent. In an economy with a civilian workforce of more than 150 million workers, half a percentage point is a massive difference. After factoring in both new entrants and those who had actually left the job market, that .5 percent turned into a net loss of 528,000 jobs for the month, which was still an improvement over the previous six months of losses.

All of this leads us to the uptick in the hires rate from 3.1 to 3.3 percent in March of this year, which was then sustained in April. The hires rate for the first time since late 2007 now exceeds the separations rate by .2 percent. And this all happened before the main thrust of Census hiring, which didn’t occur until May. Even the quit rate, the percentage of people leaving their jobs voluntarily, and an indication of their expectation of being able to get another job, has risen to 1.5 percent after being as low as 1.3 percent in September of last year.

“While we have been seeing a great number of economic indicators turn upward over the last six months, job market liquidity hasn’t been one of them, until now,” says Tony McKinnon, president of MRINetwork. “This is one of the most trailing of the trailing indicators, but it’s also one of the most important to HR professionals. Job market liquidity makes it easier for companies to lure candidates away from other firms, but it also means that their employees may be tempted away as well.”

Neither the separations nor the hires rates are anywhere near their high 3 percent levels of early 2007. In addition, the job openings rate—2.3 percent—hasn’t returned to its highs in the mid 3 percent range either. These are slow moving, yet

Recent MRINetwork® Analysis

Employers may be missing an important pool of talent ripe for recruiting: stay-at-home parents who are ready to return to their career field. Al Clark, a managing partner with Management Recruiters of Chattanooga, calls them “an untapped source of talent.”

Clark is pleased with his company’s program for working moms. It allows them to work six hours per day so they can pick up their school-age children. “It’s amazing how productive it’s been for us,” Clark says. “They’re actually producing above average. The loyalty is amazing. Their energy is so much more focused during that time [at work.]”

Al Clark, Management Recruiters of Chattanooga
As quoted in Workforce Management, June 2010

Notable International Events

- Despite continued worries over Greece’s sovereign debt and similar worries in Spain heating up, the European Union, eager to continue business as usual in June accepted Estonia into the EU, and said the former Soviet republic was on track to switch to the euro on January 1, 2011.
- Australia is in the midst of a mining boom with employment in the sector jumping more than 17 percent in the last year. The Government though worries that Australians are not benefiting from the rise in mineral demand as much as they should, and is in the process of imposing a resources rent tax.

decisive indicators, and every tenth of a point represents the jobs and welfare of hundreds of thousands of Americans.

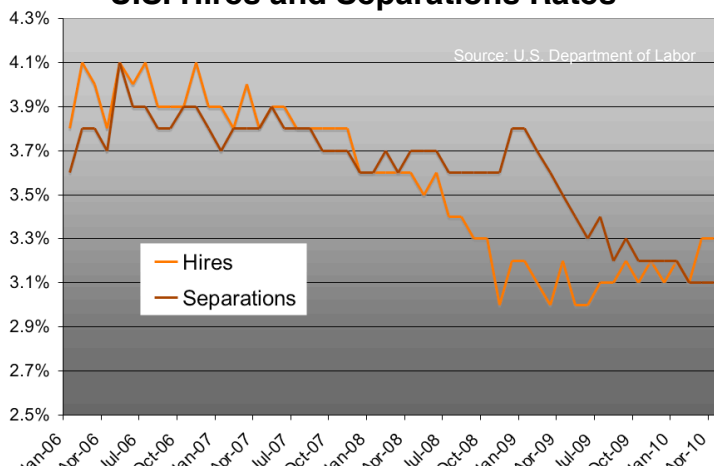
“After such a prolonged recession, with so many companies having to go through morale eroding actions like layoffs, furloughs and benefit cuts, employees with the chance to change jobs, especially for a promotion, won’t need to think too hard,” notes McKinnon. “That will lead to not only a brain drain for employers, but possibly a reduction in capacity for some firms, especially those running lean in the first place.”

Temporary contract workers make for an especially important part of workforce planning in this situation. They allow employers to get impact players onboard almost immediately, but minimize the commitment if the extra workforce becomes unnecessary.

“Average turnover in the U.S. is still well over 30 percent a year, and even professional firms with low levels of turnover, still approach 10 percent,” says McKinnon. “That means any employer with more than five or ten employees should know, almost for a fact, that they will lose at least one person in the next year, if not many more. That requires more than contract staff planning, but permanent hire planning as well.

“Things are moving again. And before we know it, they’ll be moving fast.”

U.S. Hires and Separations Rates



SWEDEN

In the Long Shadow of Neutrality

During the Napoleonic Wars, Sweden lost nearly a third of its territory; most devastatingly the four estates of Finland changed their allegiance to Tsar Alexander I of Russia. In the ensuing fallout, a coup d'état overthrew the sitting king. When a new government was formed, one of its first acts was the Policy of 1812, which created a foreign policy of neutrality.

Today, the policy has been in effect, with only minor deviations, for nearly 200 years. During World War II, while there were disputes as to how neutral the country actually remained, it was the only European country that was not attacked leaving its infrastructure unaffected.

The strong economic growth in the post-war period let Sweden support some of the broadest reaching social policies in Europe, and grow large blue-collar and professional labor unions. Nearly 80 percent of both blue-collar and professional positions are unionized.

In the 1990s, a burst housing bubble caused mass defaults, a 5 percent drop in GDP and nearly a 10 percent contraction in the labor force. In a move echoed in the current U.S. housing crisis, the government took over nearly 25 percent of the nation's banking assets. In the wake of the crisis, reforms were put in place, which put the Swedish economy back on stable ground, yet, still allowing it to maintain an unusually high level of universal social welfare programs.

Even today, after having taken perhaps an even stronger hit than in 1990, the Swedish budget remains impressively solid. While public debt grew quickly in 2009, its current deficit is less

than .5 percent of GDP, the lowest of any European country. During all but the first quarter of 2009, Sweden's GDP grew at a modest rate.

"We've seen a strong hiring rebound start in information technology and other high tech sectors this year," says Martin Mueller, managing director of ProSearch, an MRINetwork office in Vaxjo, Sweden. "Timber products, which is a large industry for us, has been seeing a comeback this year as well, though perhaps not as strong as in other sectors."

Sweden's timber practices are widely considered to be some of the most sustainable in the world with strong government regulation in the industry going back to the 1880s. Since detailed records of forest stock began being kept in the 1920s, it's estimated the amount of available timber has increased by as much as 50 percent. Currently, the industry harvests only about 70 percent of total growth a year, and it is allowing the forest stock to continue to grow.

"The labor union policies of 'last in, first out' have caused unemployment among younger workers to be particularly high in the last year—nearly 30 percent," notes Mueller. "Though as growth continues to rebound, we expect that to improve relatively quickly."

During Europe's current debt crisis, Sweden has benefited, to a degree, from its continual avoidance of adopting the euro, as was initially planned for January of 1999. In recent months, the krona has gained strength against both the euro and the U.S. dollar.

Mueller says that while a prolonged downturn in continental Europe would reverse the country's current progress, people remain cautiously optimistic that Sweden is on track to avoid a second downturn.

TEXAS

A More Subtle Recession From a State Not Known For Being So Subtle

Texas does things big. From big barbeques, to big football, to big hats. And its residents haven't always been known for their modesty either. When it comes to the recession though, it seems that Texas may have—at last—taken a modest approach.

In inflation-adjusted dollars, the state's economy contracted by a little over .5 percent in 2008 and grew by less than a tenth of a percent in 2009. By contrast, the United States as a whole contracted by 1.8 percent in 2008 and grew by .18 percent in 2009.

"We started to see the turnaround locally in November of last year," says Hal Daugherty, president of Parkwood International, an MRINetwork office in Frisco, TX. "A number of the industry metrics we look at, like the number of oil wells being drilled, the number of chemical engineering project managers being hired, and general demand for sales people, all started to improve towards the end of 2009."

"By March and April of this year," Daugherty says, "what was projected by those indicators started coming to fruition and business activity began to increase across industries."

Until late 2007, the state's unemployment rate had remained slightly above the national average. Since then, Texas has been able to remain on par or even below the national average as it increased. While the numbers were good, they may even have

been muted, especially since Texas had the largest population increase in the country during the recession. Between the summer of 2008 and the summer of 2009 nearly half a million people moved to the Lone Star State, yet the job market absorbed most of them.

The Federal Reserve's most recent Beige Book reported in its Dallas District, "Activity in manufacturing, staffing services, transportation, housing and energy grew modestly." Modestly, being the operative word.

"So far this year, we haven't seen any indicators telling us that this turnaround isn't for real," says Daugherty. "Employers are being careful—we've seen a big uptick in the use of contract staffers—but that caution isn't preventing them from hiring permanent staff either."

Long at the undercurrent of the Texas economy, oil in the past has caused at least two major bubbles in the state. This time around, however, as the economy was contracting the rise in oil prices helped to level the impact in the state.

No one in Texas is rejoicing over the oil spill in the Gulf of Mexico—many of the country's largest oil companies are based in Texas, including BP America. Yet, President Obama's ban on deep-sea drilling may benefit the state, whose oil reserves are mostly on land and which does not currently allow any deep-sea exploration.

"While it seems that most of our industries are on the rebound, there is still concern," notes Daugherty. "Commercial real estate, for example, seems to be getting back its footing yet still has sky high vacancy rates causing people to be cautious. At the same time, we don't want another bubble, so cautious doesn't sound too bad."