

The Kensho Group

UNITED STATES

Despite an Improving Economy, the Search for Top Talent Will Become More Difficult

During the month of August, a variety of economic indicators showed better than expected improvement. First, the national unemployment rate for July fell a tenth of a percent to 9.4 percent. Also, the workforce lost 247,000 jobs in July, down from highs earlier this year of more than 700,000 a month.

A business outlook survey from the Philadelphia Federal Reserve moved from -7.5 to 4.2, the metric's highest reading since late 2007, indicating an expectation of business growth.

Annualized new home sales surged past expectations to 433,000 and the housing market in general is showing signs of rebounding.

All these good indicators, of course, have a resounding effect on consumer confidence, which, while still below the 90 point levels (representing a healthy economy), rose from 47.4 to 54.1, according to the Conference Board.

"The bad news is that we aren't going to have a snap rebound recovery," says Tony McKinnon, president of **MRINetwork**. "The good news is that a recovery is coming and we are unlikely to revisit the lows we saw earlier this year."

"One of the problems we're seeing right now isn't that companies don't want to hire, but that they are still really gun shy," says Todd Dawson, managing partner of **MRINetwork** affiliate WorldBridge Partners Omaha. "We'll have candidates who fit 95 percent of the specifications an employer is looking for, and where two years ago they would have made an offer, today they are saying, 'let's see if there's someone better.'"

By the time an employer decides to settle with the 95 percent match, says Dawson, the candidate likely will have already moved on to another offer.

"While the unemployment rate is still high, and likely to go higher, across the country we are seeing a tighter candidate market than we had with half the amount of unemployment," notes McKinnon.

With low unemployment, top candidates were often all too willing to change jobs for a bump in pay and title, knowing that if it didn't work out there was always another opportunity.

In today's market, the best and the brightest are still mostly employed and are unlikely to change positions, fearing that if things don't work out, there won't be any other jobs available. While some candidates are willing to change jobs today, they are firmly in the minority.

"Even if individual companies aren't moving fast, top candidates are not remaining on the market long," says Dawson.

Recent MRINetwork® Analysis

Most of the businesses Al McEwen works with are manufacturers.

In October, "the bottom dropped out" and many of McEwen's client companies had instituted hiring freezes, he said.

But since April, hiring has picked up, McEwen said, and his firm has been busy since the end of June. Manufacturers he works with in Arkansas and other states have seen increases in orders, smaller inventories and lifted their hiring freezes, McEwen said.

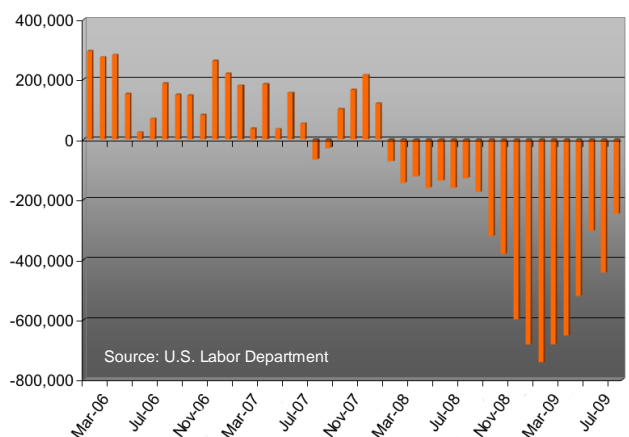
Al McEwen, Management Recruiters of Rogers
As quoted in the *Arkansas Democrat Gazette*
August 22, 2009

"In general, this ties into what we've been long predicting. Now that the economy is starting to heal its wounds, companies are moving to both top-grade and build their staffs," says McKinnon. "But already, the competition for top talent is very strong."

As we continue to pull out of the recession, there will likely be a slow but steady increase in the amount of employed talent available as disgruntled workers look to leave their recession foxholes. Workers who became unhappy during the recession, however, aren't necessarily going to be the cream of the crop.

"In the United States, we will continue to see elevated unemployment for at least another year," says McKinnon, "yet for employers trying to secure top non-entry level candidates, this will be one of the toughest recruiting periods in decades."

Monthly Change in Total U.S. Employment



CZECH REPUBLIC

From Soviet Bloc to European Leader

In the early 1990s, most of Eastern Europe was in turmoil after the fall of the Soviet empire. In contrast to many of its neighbors, on January 1, 1993, Czechoslovakia peacefully dissolved into its constituent states, the Czech Republic and the Slovak Republic.

Even while it was part of the Communist bloc, the country had long been Western-leaning, with close ties to both Germany and Austria, and moved quickly to join the European Union and the World Trade Organization. Unlike most of Western Europe, the Czech Republic has continued to delay adoption of the Euro. Yet, to its benefit, the value of the crown has kept costs relatively low compared to its Western counterparts.

“After joining the EU, Czechs began emigrating to Western Europe where the economies were stronger and the jobs more plentiful. Recently, though, the Czech Republic has been catching up to the point where Czechs are returning to find great jobs and a continually improving standard of living,” says Michael Mayher, managing partner of **MRINetwork** Worldwide Prague. Mayher is a second-generation Czech-American who moved from South Carolina to Prague in 2002.

“Countries to the East like Kazakhstan, Ukraine, Lithuania and Latvia have all started looking to the Czech Republic for professional talent that comes at a lower cost than those of its Western rivals. Czechs have become the ex-pats of choice.

They are highly educated, cosmopolitan, and frankly, don't have any enemies. There is nowhere a Czech won't fit in and that's really valuable in a global economy,” says Mayher.

Škoda Auto, a subsidiary of Volkswagen, has one of the largest automotive plants in Europe, which is based in the Czech Republic. Until the recent change in meaning, the country was at times called the “Detroit of Europe.”

With the Czech Republic's manufacturing experience already firmly established, companies that produce clean energy components have begun moving into the country as well.

Nationally, the Czech unemployment rate in June was 8.4 percent, which is up from recent lows in the 4 percent range last year. Still, it remains below the 9.9 percent average of 2003.

Growing professional services, IT, legal and account positions continue to help in driving down unemployment, especially in metropolitan areas. In the Praha-vychod district, which contains Prague, the unemployment rate stands at 2.8 percent, virtually full employment.

Rural unemployment has risen recently because of the slowdown in consumption throughout Europe and the Americas, but as those regions rebound, Czechs are likely to flock back to work in the near future.

WISCONSIN

Trouble Brewing in the Midwest

Unemployment for the last two months has stood at 9 percent in Wisconsin, and to the surprise of more than a few, slightly below the national average. While Wisconsin has given birth to some of America's most well-known companies—SC Johnson, OshKosh B'Gosh, Pabst Brewing Company, Trek Bicycle, and Kohler—an increasingly hostile business climate is giving many businesses pause when basing operations in the state.

In addition to a high rate of unionization, Wisconsin recently instituted a combined reporting corporate tax code as part of a plan aimed at stabilizing the state's budget in light of the recession. New rules require companies headquartered in the state to pay taxes to Wisconsin, even if profits are realized in another state.

“Companies will likely stick it out for a year or two, but the price of remaining Wisconsin-based may be too high for many of the state's biggest employers,” says Greg Lee, managing partner of WorldBridge Partners Milwaukee, an **MRINetwork** affiliate. “Companies like Harley-Davidson are estimating that it will cost them more than \$20 million annually in additional taxes because of the rules change.” Mercury Marine, also a Wisconsin-based manufacturer, has made the decision to move to more business friendly Oklahoma.

Other large employers may contemplate relocation as well, and such swift negative reactions have already had an impact on the state's political scene.

Governor Jim Doyle, who championed combined reporting, has announced he will not seek reelection, citing an American tradition of governors rarely serving more than two terms. Observers, however, point out that recently his fundraising efforts have fallen short and his approval rating has dropped into the 30's.

“If we can turn around the business climate in Wisconsin, a favorable infrastructure gives companies reason to tough it out,” notes Lee. “For example, the Wisconsin Manufacturing Extension Partnership is a terrific program that was launched to help companies develop lean, efficient manufacturing methods. Programs like this are why we still have so many successful manufacturers in the state.”

After the Civil War, Wisconsin began creating a world-class state university system that continues to benefit the state today. The University of Wisconsin produces both highly qualified technical and professional talent and is quickly reacting to changes in the marketplace.

“While some companies don't seem so keen on staying in Wisconsin at the moment, we've never had that problem with people,” says Lee. “When candidates visit the state for the first time they are pleasantly surprised by the outstanding educational system, a safe, family oriented environment and the multitude of recreational and entertainment choices.”