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UNITED STATES

Three Years After Recession a Long-Tail Emerges

As Tolstoy famously said, “The strongest of all warriors are these two – time and patience.” On the tail end of fighting through the longest recession in the memories of most alive today, time has brought about many changes. In the first quarter of 2009, more than 2 million jobs disappeared. On March 6, 2009, the Dow closed at 6626 and by the end of the year unemployment had risen to 10 percent. In the first quarter of 2012, more than 600,000 jobs were added, the Dow reached over 13000 points and unemployment nearly fell below 8 percent.

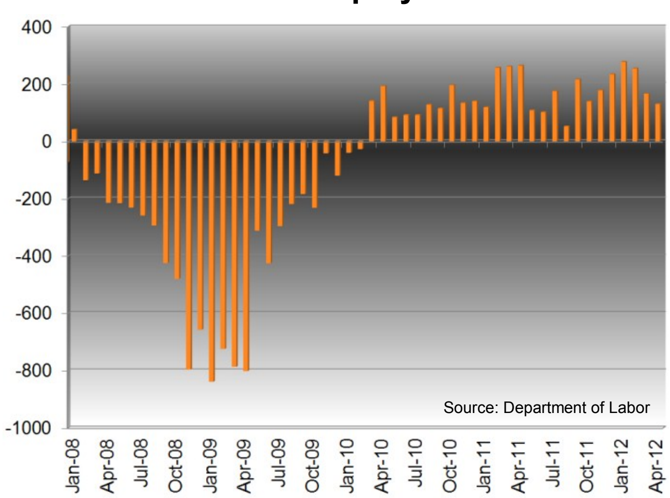
“People experience recessions in such slow motion that they don't realize how far things have come. The economy came out of recession three years ago, but it’s left a residue on our perceptions," says Rob Romaine, president of **MRI**Network. "When faced with vacancies, managers still fall back on the recessionary mindset of the candidate pool being plentiful, though even in the depths of the recession that wasn’t necessarily true for many types of roles."

The professional and managerial unemployment rate fell to 3.7 percent in April, its lowest point since 2008. While the rate fell to below 2 percent before the recession began, the current level is quickly approaching so-called “full employment.”

“A tightening labor market, though, isn’t the entire story. While 3.7 percent of professionals may be out of a job today, as you layer on specific qualifications, backgrounds, or years of experience, the number of candidates actively seeking a job can drop to virtually zero,” notes Romaine.

The poor hiring environment for college graduates over the last several years also creates a new challenge. A recent survey by CALinnovates showed 70 percent of companies were planning to hire college graduates in the coming year, up 26 points from 2011, indicating just how poor graduate hiring was during the recession.

Private U.S. Employment Growth



*Recent **MRI**Network® Analysis*

Jim Beach, owner of the banking industry staffing agency Management Recruiters of Novato, said the numbers do not tell the whole story. Beach, whose clients include Novato's Bank of Marin and Santa Rosa's Summit State Bank, said the nature of hiring has changed.

"Two and three years ago, banks were hiring me to find ... people who knew how to work out bad loans and now they are recruiting me to find people who can go out and find business," he said. “That's huge."

Jim Beach, Management Recruiters of Novato
Marin Independent Journal
May 18, 2012

Notable International Events

- Unemployment in Australia fell in April 0.2 points to 4.9 percent after nearly a year of detrition. While Australia’s growth is still limited to the resources sector, it appears to again be outpacing non-resource sector contraction.
- The youth unemployment rate in Greece reached 51.2 percent in January, the most recently available period. Total unemployment reached 21.7 percent, up from 14.7 percent a year earlier.

The recession disproportionately derailed or delayed the careers of people who graduated college as early as 2005. Now, as employers are trying to hire lower-middle managers—those with between five and ten years of experience—they will be hiring from this significantly diminished population. The long shadow of the recession will be seen in a deficiency of talent availability for at least another decade.

At the same time, Baby Boomers are no longer delaying retirement at the rate they were three years ago. This vacuum at the top is helping to pull talent who had established careers prior to the recession up the corporate ladder, but is exacerbating the donut hole that currently ranges from about one to six years of experience.

“Even if the economy was at a standstill, the world never stopped moving and generations continued to age. Babies who were born when the recession began will be entering first grade this fall,” notes Romaine. “There is never a bottomless pool of active talent in the first place, but the recession has made it so that whatever pool there currently exists is only likely to get smaller.”

RUSSIA

Unemployment is Low but Clouds Forming

In April, the unemployment rate in Russia plummeted to a four-year low, falling to 5.8 from 6.5 percent in March, indicating a tightening labor market. That tightening labor market is leading to an increased interest in Russia by European executives and mid-level professionals.

Wages have largely equalized between Russia and Western Europe since the fall of communism more than two decades ago, while income taxes have remained far lower. That Russia continues to grow while Europe's economy appears stagnant is making the country—especially the area around Moscow—a popular refuge for professionals.

That growth, however, is slowing. After a strong start to the year, Russia's economy lost steam in April. Annualized growth fell from 3.9 to 3.7 percent, according to the Economic Development Ministry in its monthly report. The slowing growth is in contrast to an unexpectedly robust first quarter in which GDP growth averaged over 4.6 percent from a year earlier.

While not unexpected, the deceleration—projected by many economists—poses a challenge for returning President Vladimir Putin.

After reaching the constitutionally mandated term limits in 2008, Putin returned to the role of prime minister for four years before running for and winning a non-consecutive third term in 2012. He was sworn in in March and pledged to improve the climate for businesses in Russia.

Many of the factors that impair Russian's economy today, though, are far from Moscow's control, such as falling crude oil prices (down 15 percent in May) and the worsening outlook in Europe. With fewer possibilities for international growth, Russia must look to domestic markets, but those are proving unreliable.

Russia's domestic retail climate is being weighed down by inflation driven by explosive salary growth. Year-over-year retail growth stood at 6.4 percent in April, down from 7.3 percent in March, despite nominal wages rising as much as 14.3 percent. In the second half of the year, the government is expected to enact a delayed increase in utility costs, which will diminish consumers' disposable incomes. The low unemployment rate is also likely to boost inflation as companies look to hike prices rather than grow production capacity.

Economists are understandably keeping a close eye on Russia's data as the economy is displaying mixed signals. Putin will need to stabilize inflation and boost international demand for products and commodities while its largest export partner—the European Union—remains unable to grow and their second-largest trading partner—China—begins to decelerate.

MICHIGAN

Rebounding Economy Generates Optimism

Michigan's economy is recovering from the recession at the second-fastest pace in the U.S., lifted by a revival among carmakers and local manufacturers, according to a new Bloomberg index that tracks the pace of state growth. Home to the U.S. automobile industry, Michigan was topped only by North Dakota, where an oil boom is raising incomes and boosting government coffers.

Over the past year, the Michigan economy has added 59,300 new jobs, and about half of those—26,000—have been in manufacturing, reflecting a strong rebound in the automotive sector. Economists believe this dramatic improvement provides additional evidence that the manufacturing sector, especially in the Midwest's heartland, is at the forefront of the nation's economic expansion.

"There's an increasingly optimistic attitude among business people that we haven't seen for a long time in Michigan," says Mark Angott, president of Angott Search Group, an **MRI**Network affiliate in Rochester. "This is due in great part to the kind of leadership that's coming out of the governor's office. Rick Snyder came from the business world and is promoting a take-charge mindset in Lansing."

Home sales have also risen and the number of first-time filings for unemployment benefits has dropped off considerably. "These gains can be attributed largely to the rebound of the automobile industry," observes Angott. "Although we've seen improvement across all service industries, automobile suppliers still drive the state's economy."

With auto sales recently topping an annualized rate of 15 million vehicles, consumers seem to be unleashing some of the pent-up demand they've been holding in since 2007. And the auto rebound is spreading to other parts of the Michigan economy, boosting economic conditions to their best levels in six years.

According to a new Comerica Bank estimate of the state's economy, the recovery is moving beyond Detroit's Big Three. A trend reflected in jobs reports indicates that during the past 12 months, the state added as many jobs in business and professional services as it did in manufacturing.

Business investment projects have risen 70 percent from last year's level, partly fueled by innovative programs encouraging business growth. One such program, recently announced by the Michigan Economic Development Corporation (MEDC), is aimed at helping smaller companies break into the Chinese market.

"China, the world's fastest-growing economy, has a rapidly developing consumer market," says Angott. "Big American companies like GM have made big profits selling to Chinese consumers, but it can be confusing and expensive for smaller companies to tap into this market."

Now in its third year of recovery after a debilitating recession, Michigan has good reason for optimism. With the strongest job growth in the high-wage segment, the state can expect to see a sustained, moderately paced recovery through 2014, led by manufacturing and diffusing into other sectors.