

UNITED STATES

Living Like Every Day Isn't the Last

Over the last two months, a steady flow of new reports has pointed to improved conditions in the U.S. economy. Consumer confidence is growing, home sales are showing life, and the Dow Jones Industrial Average is more than 20 percent off its bottom. Many of the banks that were banging on the door of the Federal Reserve for the last year asking for money now want to give it back. In the first quarter, Ford lost less than projected, and burned far less cash than expected too, giving a breath of hope to the auto industry. Around the world, countries are looking hopefully at the winds of change in the United States as a promising sign for their own futures.

Is it time to break out the champagne? Maybe, but not the vintage stuff.

“What employers should take from the last two months is that this is not the Great Depression,” says Tony McKinnon, president of MRINetwork. “A lot of people on Wall Street had started to think that the end was near and were acting accordingly. Sometime in early March though, traders realized that while we are in a deep recession, it wasn't going to be the new Great Depression. Now, employers are going to have to go through that same change in thinking.”

In the labor market, unemployment claims dropped sharply in the second week of April, yet the economy is still far from adding jobs and the unemployment rate likely won't begin to fall before the end of the year. Adding more pressure, as was pointed out by the Federal Reserve in April's Beige Book, “many 2008 college graduates are still looking for jobs, with 2009 graduates now just entering the market.”

The professional and managerial unemployment rate now stands at 4.2 percent; twice what it was a year ago, and higher than it has been in at least a decade. While the Bureau of Labor Statistics doesn't break the professional and managerial rate down by age group, the total age-based statistics suggest that much of that increase is likely coming from college graduates, not from a glut of older experienced workers.

The unemployment rate of college graduate-aged Americans—those between 20 and 25 years old—reached 14 percent in March, almost twice the 7.6 percent rate for 25 to 54 year-olds.

“There is little doubt that on the way down employers were over-cutting and letting good, experienced people go while trying to right their ships,” says McKinnon. “Now as they are starting to hire again a lot of companies are going to find that the quality people they let go didn't stay on the market as long as they would have thought.”

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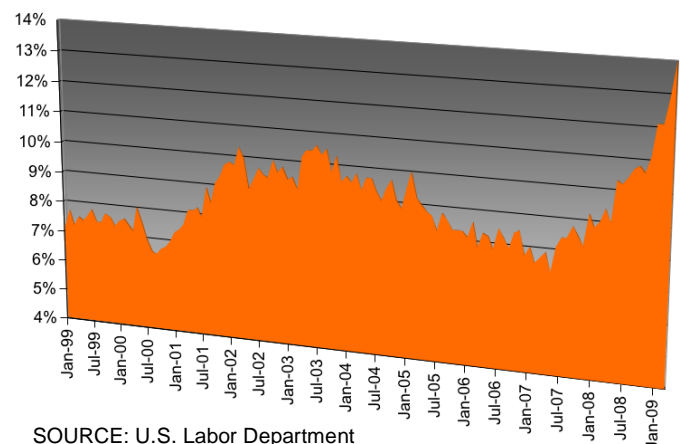
“Companies understand that even in a slow economy, hiring top performers will achieve greater long-term results. They also know that there is market share to be gained at the expense of firms paring back. Companies that might have problems attracting top performers in a booming economy may find that in a soft market, their willingness to stay aggressive gives them an edge.”

Barbara Hunt, PrincetonOne of Indianapolis
As published in Transport Topics, March 2009

“This is the fundamental challenge of workforce management in preparing for an upswing. Sure your business is still in flux, you don't know if you've hit the bottom or not,” continues McKinnon, “but if you flinch, if you decided to put off hiring too long, you'll see the advantage switching back from employers to the candidates.”

Showing how early experienced talent starts to leave the market, in 1992, unemployment for workers between 45 and 54 years old peaked a month before the general unemployment numbers. In 2003, the same age group's unemployment rate peaked three months before the general population.

Unemployment Rate of College Graduate Aged U.S. Workers (20 – 25 Year-Olds)



SOURCE: U.S. Labor Department

GERMANY

Skilled Workers Idled by Slowdown

For economists, Germany is a perfect case study for many economic principles. While modern Germany is a young nation—the first Germanic state was founded in 1871—the history of the Germanic tribes dates back to 100 B.C. Over that time a strong closely-knit culture of hardworking, educated and scientifically minded people was developed.

In the 1920s and early 1930s, Germany showed the world what effect radical unemployment and hyperinflation could have even on such a highly educated Western population. In 1920, one German Mark was worth about one U.S. quarter, by the end of 1923, the government was printing 100 trillion Mark notes, which were worth only \$24 (U.S.)

Germany also became a case study for capitalist versus communist-run economies when the Potsdam Agreement split off East Germany, putting it under Soviet control. When the Berlin Wall fell in 1989, the world saw what happens when a population is artificially cut in half and put under different systems. After decades, the East had hardly progressed at all.

In the West, however, Germany thrived. Germany's skill for design, manufacturing and engineering were the ideal skill set for the 20th century. Combined with a capitalist fuelled drive, a now unified Germany has grown to have the highest GDP per capita of any European country, and the fifth highest in the world.

Today, Germany's large export business—€925 billion in 2008—is slumping though as the globe remains gripped in a

recession. In April, Germany's hopes for a shallow recession were dashed when a group of leading economic institutes revised their 2009 projections for Germany's GDP growth from negative 2.25 percent to negative 6 percent.

"It feels like there's no light at the end of the tunnel," says Klaus Hackmann, managing director of Hackmann Search + Partner, an MRINetwork office in Hamburg, Germany. "The general wisdom is that Germany will recover from a recession six to nine months after the United States. Observing what is happening now, we had started to hope that would mean we would see a recovery by the end of the year."

The revised projections have put Germany's GDP continuing to fall by another .5 percent in 2010, with a recovery not beginning until early 2010.

There is still hiring in the healthcare and green energy sectors. Germany has long been on the forefront of solar cell manufacturing. Yet, Hackmann notes, the jobs don't make up for the layoffs and furloughs happening across the country and across industries.

For German firms, the abundance of talent is starting to create opportunity. Hackmann is currently working with local employers to evaluate their workforces and to see where talent could be upgraded with lower cost, or more experienced replacements.

"We have a very open, global economy which leaves us vulnerable to a global recession, but our brand remains strong, the desire for German goods and workers is unaffected," says Hackmann. "And for employers seeking skilled technical workers, there likely isn't a better place than Germany to find them."

MICHIGAN

Auto's Power Train Warranty Expires

Karl Benz built the first automobile with an internal combustion engine in Germany in 1885. Fifteen years later Benz had ramped up production to more than 500 vehicles a year and was the largest car company in the world. In 1903, in a suburb of Detroit, Henry Ford finished his first Model A, and within seven years Ford Motor Company was making more than 18,000 Model Ts a year.

Though late to the game, Michigan made up for it fast. Ford and General Motors became the dominant drivers of the Michigan economy for much of the 20th century. Starting in the 1970s, international competition among other pressures began pushing on the industry as it began a decades long decline to where it is today.

"It's a little slow right now, but there are signs of a turnaround," says Jim Guerrero, president of SC Novi, an MRINetwork office in suburban Detroit. "There is some good news about alternative energy and automotive research and development—there are battery plants to support electric vehicle manufacturing and wind turbine manufacturing continues to grow. The people of Michigan have been hit hard, but consistently show the ability to get through even the most difficult situations. There is great human capital in the state and this will be our key to future success."

"Michigan isn't just Detroit," says Hunter Judson, president of The Judson Group, an MRINetwork Office in Grand Rapids. "The furniture manufacturing business in Grand Rapids—in western Michigan—took a big hit during the 2000 recession, yet emerged with a more resilient, diversified economy. As a whole, Michigan still has a lot going for it, first and foremost are its people."

The University of Michigan in Ann Arbor is rated as one of the top 20 universities in the world and is, along with Michigan State University, considered among the 30 "Public Ivies."

Getting talent to stay in Michigan has increasingly become an objective of both the state and local governments and even private citizens. Beginning in 2006, a small group of anonymous donors created the Kalamazoo Promise, which aims to guarantee to pay up to 100 percent of tuition at a Michigan state university or college for all Kalamazoo public school graduates. The program is intended both as a way to get kids to stay in Michigan for school and parents to stay in Kalamazoo to live.

For as long as there is an auto industry, Michigan will be connected to it, though it may soon become as well known for its medical research. In a part of Grand Rapids often referred to as either Medical Mile, nearly \$1 billion has been committed to construction of a medical school, children's hospital, cancer treatment center, a biomedical research center and more. Throughout the city, there are nearly a half-dozen other research and patient care facilities that are in construction or recently built.

Aggressive actions by the state and local governments to turn around Michigan's economy have often been innovative and radical. In Flint, a town that has been in a precipitous decline for decades, the county is beginning a program to move residents of neighborhoods that have been wrecked with foreclosures and turn them back into green space. The goal is to create a smaller city, with stable home prices and a viable economic future.

"Our state may not come out of recession as soon as the country as a whole, but we've got a lot to look forward to. We've got hardworking people here who have been through some tough times. Once we get our heels dug in, we've got a chance at a real strong decade," says Judson.