

UNITED STATES

High Unemployment Isn't Providing a Large Candidate Pool

Not all unemployed are created equal. There are those who recently graduated from school and haven't held a job yet. There are those who have made horrible mistakes and have been terminated. There are those who have been working hard every day but had to be let go when their company fell on hard times. There are those who have done nothing wrong at all, but find that their positions just aren't as essential today as they were five years ago.

While unemployment rates remain high, that last category seems to be one whose importance is increasing, especially with hiring beginning to pick up as nearly 300,000 jobs were added in April. As we saw in both the 2000 recession and the most recent one, employers took advantage of the slowdown in business to eliminate obsolete positions, which were unnecessary even before the downturn. The increasing pace of technological advancement is enabling many positions to be replaced by automation that saves companies money.

"When a 9.9 percent unemployment rate is being reported, that just doesn't reflect what we are seeing both in the volume of professional candidates and in the talent demand from companies," says Tony McKinnon, president of MRINetwork. "Over the last six months, companies have increased both their hiring and their speed of hiring, with top candidates remaining on the market for an even shorter period of time."

In today's job market, there is a striking dichotomy between the short-term unemployed—those with potentially a better chance of landing a job sooner than later—and what are now considered to be the chronically unemployed, those without a job for more than 27 weeks. In fact, the percentage of workers unemployed for that period of time grew to 46 percent in April, a level never before seen since records started being kept.

"Good employees who have been out of work for more than six months have already sent their resumes to every prospective employer," says McKinnon. "Now, they are likely going to need retraining rather than simply improving on their job search techniques."

Even the unemployment rate for managerial and professional workers remains high at 4.5 percent, up from 4.0 percent in

Recent MRINetwork® Analysis

The job trail grows cold the longer you wait, and having recent job experience can make a prospective employee more attractive.

"The worst thing people say is, 'I'm going to take some time and breathe.' The longer you wait, the harder it is to get right back into it," said Bobbi Moss, vice president and division manager of Govig & Associates in Scottsdale.

Bobbi Moss, Govig & Associates
As quoted in the *Arizona Republic*, May 22, 2010

Notable International Events

- As sovereign debt issues continued to impact a number of European countries in May, global markets quickly priced in a reduced rate of growth for much of the EU. Finance officials in the United States expressed confidence, however, that underlying economic issues would be contained to Europe, while growth will continue to build steam in both the Americas and Asia.
- Japanese exports, which were slumping for most of 2009, are now experiencing double-digit annual gains. Rather than the usual trading partners though—the United States and Europe—the largest gains have been with other Asian countries. Year-over-year, Japanese trade with Asia was up 45 percent in April.

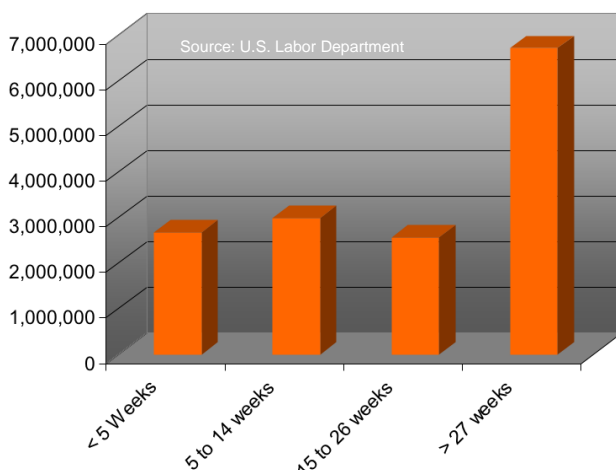
April of 2009. A large percentage of this increase, however, can be attributed to a backlog of recent college graduates who have not yet found their first job rather than experienced, impact players still looking for employment.

"For employers, the high unemployment rate can be deceptive making hiring managers think they will be receiving hundreds of qualified resumes for each and every opening," notes McKinnon. "Then they quickly become aware that most of the resumes they receive are coming from unqualified candidates, making finding the talent they really need even more difficult."

For those who are unemployed, things may remain tough for a long time. For the overall economy, however, this isn't such a bad thing as leaner, meaner companies are causing productivity to increase substantially. In fact, productivity is up 3.6 percent in the first quarter of this year. As companies improve their efficiency they are able to offer wage hikes—aiding consumer spending—and spend more money on investment, which will also help other firms grow.

"These changes might make for a more painful economic recovery," concludes McKinnon, "but they put the country on a more stable path for growth."

Total Unemployment by Length



MEXICO

After Taking a Light Hit from the Recession, Ready to Take Some Ground

To most Americans, Mexico's economy is characterized by those who leave it every day. Despite the headlines, the undocumented U.S. population has dropped from 11.8 million to 10.8 million in just the last two years, with 60 percent estimated to be from Mexico. While a damaged U.S. economy and increased immigration enforcement can take some of the credit, an improvement in Mexico's economy could also be a factor in this decline.

While often overshadowed by its northern neighbor, Mexico's economy is one of the strongest in the world. As the 14th largest economy, Mexico has a \$1.47 trillion GDP. Since 2007, Carlos Sims, a Mexican businessman with interests in a variety of sectors including telecom, has been dancing with Bill Gates and Warren Buffett for the top spot on the list of the world's wealthiest people. He currently holds the top spot, becoming the first non-American to head the list since Bill Gates, who has been ranked number one for the past 15 years.

"More than anything right now, we are seeing growth and the potential for even more growth in Mexico," says Sergio Albores Jr., managing partner of The Dumas Group, an MRINetwork office based in Mexico City. "Domestic companies are seeking financing from abroad to expand, and more international firms are moving into the country."

In 2009, Mexico was hit with a 6.5 percent contraction in GDP. However, the country now seems poised to make a strong rebound. Compared to the rest of the world, Mexico's debts—both public and private—remain relatively low. In 2009, public debt rose only from 36 to 38 percent. While the United States and European countries absorbed enormous debt to stop their recessions, and continue to do so, Mexico is now taking on debt to help grow its economy.

Recent rule changes have also made it easier for foreign corporations to move into Mexico and make investments. For instance, a rule was lifted requiring pharmaceutical companies to set up a manufacturing facility if they wanted to have any presence in Mexico. That change has led to a rapid growth in pharmaceutical sales offices throughout the country, mostly in and around Mexico City.

"This year we've seen a lot of mid-sized American and European companies interested in establishing a presence in Mexico hire country managers and sales people in a variety of industries," says Albores. "I think people look at Europe or the United States and know that things are going to be flat for awhile. In Mexico, though, companies are looking forward to benefiting from a growth in both consumer and business spending."

Despite decades of growth, Mexico's economy remains deeply divided geographically. Most professional positions remain in the three major metropolitan areas of Mexico City, Guadalajara, and Monterrey. In the southern states, economic development remains weak with high levels of income disparity. Yet in the northern and central states, manufacturing of both heavy industrial and consumer goods has been getting a steady boost.

With a greatly expanded national railway system that has been developed over the last two decades, importing from Mexico to the United States costs just a fraction of shipping from China. As the total cost of production in China increases, because of both the cost of oil and the value of the yuan, Mexico will evolve into an even more attractive location for manufacturing.

"Of all the upper-middle income countries in the world, Mexico holds the honor of being one of the few whose near-term future success is rather certain," says Albores. "In many ways, we've already returned to at least a 2008 level of activity."

WASHINGTON STATE

A Year Behind, But Now Emerging

While most people would say that the State of Washington is about three hours behind the east coast, most economists place it closer to about a year behind the rest of the country. As unemployment rates were spiking nationally and the stock market was reaching its bottom, Washington hadn't yet really felt the effect. By early this year, however, the economy was taking a beating.

It wasn't until March of this year that the unemployment rate topped out at 9.5 percent and had its first decline to 9.2 percent in April.

"We're at last feeling the upswing," says Toni Gilliam, managing partner of Management Recruiters of Spokane. "There are still a lot of frustrated candidates, but at the same time, some of that frustration is because they would rather have a job here than move away, so we aren't losing talent from the region as is happening in other parts of the country."

Ironically, for the only place in the world that could rival Silicon Valley for its technology, Gilliam says, "for the last few years many Washington companies have been reducing IT spending and letting their equipment age." Yet, in recent months she's seen a shift. "Firms that had been saving on their IT spending are now taking the time to reevaluate expenditures in their IT

departments and are ramping up both spending and hiring to support them," she says.

IT departments aren't the only ones hiring. Total employment in Washington has rebounded by about 30,000 to a total of 3.2 million employed workers in April, matching the level seen in June of last year.

"One thing we've started to offer employers this year, which they have been a lot more receptive to than in the past, is contract staffers," says Gilliam. "Employers have very specific hiring needs, yet, still don't know if they will require these positions long-term. To be able to bring in senior staff for just a few months or for a year-long commitment is the type of solution they are looking for right now."

Washington happens to be heavy in industries where contract staffing can be a perfect fit. Technology firms often have project work which might require a ramp up of engineers for six months to a few years, but after the design phase is over, they are no longer needed. Such a situation can arise in any industry from aerospace, to engineering, to computer software; all industries whose top players have a presence in Washington.

Gilliam says, "We were a year behind in getting into the recession, so we are likely going to be a year behind in getting out of it. Hopefully what we've seen in the last month is the beginning of this."