

UNITED STATES

Today's Proposals May Be Tomorrow's Staffing Headaches

At the end of January, economists and world leaders converged on Davos, Switzerland for what is commonly labeled as spring break for economists, but more formally called the World Economic Forum's annual meeting. Last year's meeting took place in the depths of the worst economic crisis since the 1930s. This year, where we are in the crisis, is the job of many of those at Davos to both determine and decide.

One thing that has become apparent is just how globally connected our economies truly are. Everyone, from U.S. Representative Barney Frank to French President Nicolas Sarkozy, has used Davos to call for initiatives that are global, not just in their thinking, but in their scope.

Frank proposed creating global bank regulations that would help prevent the international game of regulatory arbitrage multi-national banks have been able to play until now. His sentiments were quickly echoed by global central bankers who pronounced that more regulation is coming.

Sarkozy pledged to work towards a much more ambitious goal when France takes the presidency of the G-20 next year. He literally called for "a new Bretton Woods" conference, a reference to the 1944 convention of world economic leaders that set the framework for a new international monetary system after World War II. The boldest element of Sarkozy's goal is a proposed global currency, removing a need for exchange rates and preventing countries—like China—from artificially altering their currency's value.

"While Sarkozy's proposals may be to the extreme of global changes that will actually come to pass in the next few years, there is little doubt that the landscape is in for some fundamental changes that will ripple beyond just banking," says Tony McKinnon, president of **MRINetwork**.

"Companies trying to adapt to changes in either an industry or an economy need to be agile in their hiring, especially with so much uncertainty in the global economy today," says Evan Davis, chief operating officer of **MRINetwork**. "While internal recruiting efforts may have created a deep catalog of candidates for existing needs, a change of direction or conditions requires a whole new lineup of candidates, something that can take months if not years to develop from scratch."

In the United States, initial estimates for real GDP growth for the 4th quarter of 2009 released in January showed a 5.7 percent annualized growth rate. The second consecutive positive GDP reading indicates that the Great Recession did in fact end in mid-2009. Yet, with trillions of dollars injected into the U.S. economy, growth rates seem to lack some luster. In inflation adjusted 2005 dollars, U.S. GDP grew to \$13.16 trillion, \$254 billion more than in the second quarter of 2009, but still \$260 billion shy of the GDP's peak in the second quarter of 2008.

"While it's impossible to say there is anything wrong with the strongest GDP growth in years, unfortunately it will take

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another one or two quarters to know if this is a spike or the beginning of something sustained," notes McKinnon.

A significant portion of the 5.7 percent GDP growth came from retailers and manufacturers replacing depleted stocks, not true growth in production or commerce. Whatever remaining growth after that is consumed by the \$270 billion of the 2009 recovery package that has already been released into the economy. Once these effects wear off, economists predict real growth could fall to 1.5 percent by the end of the year.

With the amount of liquidity that has been put into the economy, inflation continues to be a concern. Over the last 12 months, the Consumer Price Index has risen by 2.7 percent. While inflation is factored into real GDP growth, a slight increase could wipe out most—if not all—of a small GDP growth.

"All these factors contribute to the vital need for a flexible workforce," says Davis. "After a prolonged downturn like we've just seen, operating reserves for many companies have been drained, allowing little room for error. The firms that will perform best in this environment are those that are able to quickly adjust their workforce to both positive and negative events."

U.S. Annualized GDP (in billions of 2005 dollars)

