

UNITED STATES

Liquidity Returns to the Candidate Market, Somewhat

When monthly total employment job losses began to jump 18 months ago, the total number of “job separations,” as economists refer to people quitting, being fired and being laid off, didn’t increase. In fact, unlike the last recession, the monthly job separations rate reached its lowest rate on record, 3.1 percent since January.

So why did total employment drop so rapidly? Hiring was falling at an even faster rate. In April of 2009, when the separations rate was at 3.5 percent, the hires rate had already fallen to 3.0 percent. In an economy with a civilian workforce of more than 150 million workers, half a percentage point is a massive difference. After factoring in both new entrants and those who had actually left the job market, that .5 percent turned into a net loss of 528,000 jobs for the month, which was still an improvement over the previous six months of losses.

All of this leads us to the uptick in the hires rate from 3.1 to 3.3 percent in March of this year, which was then sustained in April. The hires rate for the first time since late 2007 now exceeds the separations rate by .2 percent. And this all happened before the main thrust of Census hiring, which didn’t occur until May. Even the quit rate, the percentage of people leaving their jobs voluntarily, and an indication of their expectation of being able to get another job, has risen to 1.5 percent after being as low as 1.3 percent in September of last year.

“While we have been seeing a great number of economic indicators turn upward over the last six months, job market liquidity hasn’t been one of them, until now,” says Tony McKinnon, president of MRINetwork. “This is one of the most trailing of the trailing indicators, but it’s also one of the most important to HR professionals. Job market liquidity makes it easier for companies to lure candidates away from other firms, but it also means that their employees may be tempted away as well.”

Neither the separations nor the hires rates are anywhere near their high 3 percent levels of early 2007. In addition, the job openings rate—2.3 percent—hasn’t returned to its highs in the mid 3 percent range either.

U.S. Hires and Separations Rates



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These are slow moving, yet decisive indicators, and every tenth of a point represents the jobs and welfare of hundreds of thousands of Americans.

“After such a prolonged recession, with so many companies having to go through morale eroding actions like layoffs, furloughs and benefit cuts, employees with the chance to change jobs, especially for a promotion, won’t need to think too hard,” notes McKinnon. “That will lead to not only a brain drain for employers, but possibly a reduction in capacity for some firms, especially those running lean in the first place.”

Temporary contract workers make for an especially important part of workforce planning in this situation. They allow employers to get impact players onboard almost immediately, but minimize the commitment if the extra workforce becomes unnecessary.

“Average turnover in the U.S. is still well over 30 percent a year, and even professional firms with low levels of turnover, still approach 10 percent,” says McKinnon. “That means any employer with more than five or ten employees should know, almost for a fact, that they will lose at least one person in the next year, if not many more. That requires more than contract staff planning, but permanent hire planning as well.

“Things are moving again. And before we know it, they’ll be moving fast.”