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Non-farm Payrolls: Recruiters: Another Jobs Massacre in January to Ring in the New Year

As the Private Sector Implodes, Wage Cuts Begin; No End in Sight to Jobs Avalanche
Factories that Shut Down for the Holidays Exceedingly Slow to Reopen
Oases of Hiring from Federal Gov't, Mortgage Lenders, Healthcare, Niche Technologies

By Gary Rosenberger

NEW YORK (EconoPlay) Jan. 27 – A new wave of misery engulfed the labor market in January as businesses rang in the New Year smaller, leaner and more scared than ever, recruiters say.

The private-sector implosion generated job losses that most think could easily top the previous months' horrors – and the outlook for February looks to be equally devastating for those who dare to predict.

Manufacturers are taking extra down time, including many that never shut down for the holidays before. They either plan to stay closed well into February, or have reopened with skeleton crews.

Businesses that normally would plan for the next quarter, or even next year, can barely see beyond next week, compounding the insecurity. Indeed, the horrendous predictions for February are just guesses, and nobody really knows when this economic avalanche will hit bottom.

The only real lifeline right now is in the hands of the Federal government, which is beefing up for another Census count and a few other projects. Private sector hiring appears limited to mortgage lending, some healthcare and some niche technology.

Companies that were healthy just three months ago are now being slowly tortured by the lack of available credit. Indeed, those who seem to be doing the most damage to the job market are the recipients of TARP money, a bungled stimulus plan if ever there was one.

As a consequence of all that, all bargaining power is now in the hands of employers who have begun to whittle down wages – sometimes out of desperation, but mostly because they can.

'Screw Your Neighbor'

"Basically, January is terrible," said Todd Palmer, president of Diversified Industrial Staffing in Detroit. "Manufacturers are not coming out of the two or three weeks of shutdowns."

The problem in Michigan is no longer limited to automotive. "Businesses that should be doing well, like defense and alternative energy, are on hold because they can't get money from the bank for parts. Any orders we had for January and February are on hold primarily because of the financial institutions," Palmer said.

"Businesses are taking advantage of the malaise. They're not doing well anyway, so they're shutting down like the Big Three are, even though they never shut down before," he added.

With labor availability growing, businesses are now "low-balling on wages because they know they have the leverage. They can get somebody for \$14 or \$15 an hour that they used to get for \$18," he said.

"It reminds me of a card game my parents used to play called 'screw your neighbor.' Just like in the card game, everyone is passing their own pain left and right," Palmer said. "We're getting screw your neighbor from our clients and screw your neighbor from our competitors. It's not a pleasant environment."

“The last time we spoke I told you the biggest difference between this recession and any other that I’ve lived through is in the breadth of the uncertainty. That has only become heightened since December,” said Tom Bickes, CEO of EmployBridge in Atlanta, specializing in logistics, transportation, specialty manufacturing, finance and accounting, and administration. “You can’t get an educated guess from anyone about what’s going to happen next because there are just too many surprises.”

For him, the January slowdown goes well beyond the usual seasonality. “We’ve always had a big drop in January from our November and December bill rates, which is typical for light industrial staffing. But we anticipated the drop this year might be lighter because December was so dismal,” Bickes said. “In fact, it dropped more in January than it usually does.”

Factories either did not reopen from their holiday hiatuses – or they reopened with far fewer assembly lines running. “My automotive clients tell me that they don’t intend to bring back temps until mid to late February,” Bickes said.

Cutting the Workweek

These extended shutdowns are now happening outside automotive. “General manufacturers are either running fewer lines within their plant, bringing back just six instead of eight, or else cutting the workweek down to 32 hours from 40,” Bickes said. “Others are simply downsizing – not just Caterpillar, Microsoft and Home Depot, but a lot of other companies that you don’t hear about.”

Consequently, he sees “sporadic” and “company specific” downward wage pressures. “I wouldn’t call them widespread yet. Right now they’re still limited to the more troubled companies or to those that use a lot of unskilled labor,” Bickes said.

“It’s a bloodbath,” said Al Brown, president of Doherty Staffing Solutions in Minneapolis, specializing in light industrial and manufacturing.

“We were down 10 percent from December,” he said. “Traditionally, things slow a bit anyway as we approach our slowest time of the year – usually the first two weeks in February. Now we’re just waiting to see how low it will go or whether February will even be our slowest month this year.”

Temp-to-perm is his weakest performer – and he now sees cutbacks even in the food industry, which in other recessions would have been considered recession-proof.

He sees companies that normally use staffing firms now tapping directly into the candidate pool – and he sees his competitors undercutting fees to dangerously low levels. “Unlike past years, we’re not going to match their rates,” Brown said.

Disaster Averted for Some

“January was not as bad as I thought it was going to be. It’s way down from where I want it to be, but it’s not as bad as I thought it would be given what I was hearing on CNBC,” said Charles Sigrist, president of Stivers Staffing Services in Chicago, with 24 branches in 12 states.

“Everything I read about layoffs suggested to me that my own order activity would drop off more than it did. But we’re getting orders again from the mortgage industry,” Sigrist said. “They’re calling us again after being gone for much of 2008. I guess interest rates are so low that people are remortgaging their homes.”

The few clients he has in the healthcare arena are also hiring. “But I have not seem much direct hire or temp-to-perm. That’s flatter than heck,” he said.

Sigrist suspects there’ll be no turnaround until the stock market gets turned around. “When people worry about their 401(k) plans, they don’t spend – and if they don’t spend, and no product is getting sold, we have an issue.”

For Scott Leighton, controller at Helpmates Staffing Services in Irvine, California, January also exceeded his most dire expectations. “We thought we were going to see a huge drop – 30 percent or more. Instead it was more like 20 percent, which is closer to seasonal for us – and nowhere near the disaster that the media would have you think,” Leighton said.

“All segments are down. But office clerical seems to be down less than the others. As I told you last month, it’s been down for so long that we think it may have hit bottom,” he said.

That makes Leighton hopeful that the jobs avalanche will end sooner rather than later. “I think companies reacted quickly to this recession, and they’ve pretty much already done the cutting they are going to do,” he said.

But he still has concerns about logistics, retail and manufacturing – which he regards as particularly vulnerable. “Our clients in those areas are extremely uncertain. They could just as easily shut down a plant next week and there go a hundred jobs,” Leighton said.

“My sense is that job losses in January will be worse than December,” said Steven List, chief operating officer at Global Employment Solutions, a national provider of professional and commercial staffing services in Lone Tree outside Denver. “I won’t predict February. I’m week to week at this point.”

Perm continued to get worse in January. “I can’t say it’s falling off a cliff because there’s no cliff left to fall from. It’s more like falling off a mogul at this point,” List said.

The light industrial business is “feeling slightly more margin pressure” as competitors make bids at “phenomenally low” prices,” he added. “It looks to me like a last-ditch effort by some to stay alive.”

The only segment of his business to stay “flat to maybe slightly up” from December is professional consulting and temp. “It’s performing better than the others. It tells me that in the professional world, there are jobs that still need to get done, and companies would rather do it with contingent workers instead of hiring perm,” he said.

So far, he is getting no bump up from competitors exiting the staffing business. “But I feel that’s just around the corner,” List said.

“January was a time of mass layoffs and hiring freezes,” said Chris Clarke, president of Boyden Global Executive Search in Hawthorne, New York. “This was only slightly due to the sentimental desire not to spoil the holidays for those affected.”

The bigger reason is that public companies are using layoffs as proof that they are not “lumbering behemoths” and January is a month to impress shareholders. “This is a time for survival rather than for long-term planning. Consequently, many CEOs tell us that they will only be recruiting externally for key change agents and turnaround specialists,” he said.

Clarke expects executive recruitment to hit the bottom of the cycle in the next three months. After that “we hope for, but do not yet see, the green shoots of recovery.”

Technology Mostly Slowing

Marjie Peterson, president of Macrostaff in Bellevue, Washington, specializing in I/T staffing, said her business is holding up under trying circumstances. “Most of our business is in contract consulting, and while some consultants have been let go, we’ve placed others, so we’re not losing ground,” she said.

“But the number of new orders coming in for consulting services is seriously down, so this is likely to change soon. It’s hard to keep placing consultants if your clients don’t need them,” she said.

"There are no signs of abatement. It looks like the worst is yet to come," Peterson added. "But the Pacific Northwest, and technology placement in particular, have lagged this trend, so perhaps we're just about to get our fair share of the pain. Pretty unnerving, from this end..."

"I was going to take a break when, suddenly, I got very busy. So I'm taking advantage of it," said Mike Ziman, president of Global Commerce & Information, an I/T staffing firm in Columbia, Maryland. "Basically we cast a very large net last year and a lot of it is now coming back to us."

But "it's all government work – commercial work is dead," Ziman added. "Government has been our savior all the years that you've known us. It's a little bit FBI, a little bit Homeland Security, but most of it is really in healthcare."

"Placements were slightly down, but job orders were up," said **Bridgette Duhl-Rohder, Bethesda branch manager for Sapphire Technologies U.S., a Randstad company**. "We're seeing the demand for I/T workers within the government sector. The positions are slightly harder to fill, with many requiring Top Secret full-scope lifestyle polygraphs. But they are fully budgeted and all can start immediately."

Rachelle Davis, Sapphire branch manager in Houston, saw orders and placements "slightly below" a year ago. "Many of our energy clients are predicting a very slow first quarter until they see what is happening with things like rig rate and the price of a barrel of oil," she said. Some upside is coming from companies working on geographic information systems (GIS) software, while others "are moving ahead with planned upgrades."

Kelly Schneemann, team leader in San Antonio, saw "a pretty solid month of deals – and job orders were solid as well." The bump mostly came from mortgage processing and lending companies getting fresh life from record low interest rates. She also sees potential avenues for growth in healthcare, where she's doing a lot of prospecting.

Carla Hands, branch manager in Fort Lauderdale, saw a pickup in January related to integration projects from mergers and from loan servicing companies. "There is a lot of bad paper floating around and they need the extra I/T help to keep up with the growing demand from foreclosures and bankruptcies."

Healthcare is "the big target" for **Rose Jackson, branch manager in Philadelphia**. "The Obama administration is really focused in this area with an end goal of making all medical records electronic," she said. Jackson is also pursuing integration business from companies forced into shotgun marriages.

"Most of the people I talked to saw a bit of a pickup in early January," said Greg Palmer, CEO of the staffing consultancy G. Palmer & Associates. "But I don't think it's a sign of anything, except for maybe the fact that inventories got so low in the fourth quarter that some job orders came in for the blue collar guys."

He regards that small blip as temporary and largely meaningless. More telling to him is that most staffing firms he deals with have hiring freezes on their own internal staff.

"In the construction world – it's worse and getting *worse*," said Daniel Conroy of Michael Latas & Associates in St. Louis, specializing in commercial construction executive search.

"What's driving the avalanche? Two words: available credit," he said. "There is none and projects are being delayed or cancelled. Ongoing projects seem to be continuing, but new projects are being stalled. Contractors with little or no backlog are in deep doo-doo!"

Bill Stynetski of HardHatJobs in Dallas, another recruiter in commercial construction, sees companies using the credit crunch as an excuse to weed out the weakest links. "Excuse makers, whiners and non-producers are usually the first to go. Marginal employees are next. Producers and problem solvers are then spread thinner to complete projects," he noted.

"I don't see anything positive emerging in January from where I sit. The numbers that I see from other companies and from trade groups I participate in suggest that no one is seeing a pickup," said Steve Drexel, a staffing industry insider, and former CEO of Corestaff.

"December was pretty abysmal. Companies shut down for a long time. But January won't be any better than December, and it could easily be worse," he said. "The best we can hope for is that it doesn't get worse."

"Anecdotally, I can tell you that permanent placement is facing significant challenges – and I would suspect the run rates on flexible staffing will be less than they were in Q4," said an executive for a staffing firm specializing in finance and technology. "However, when people are afraid to hire on a permanent basis, they sometimes fill the gap with a temp."

'A Wasteland of Empty Desks'

Among those undergoing the most excruciating and public of flameouts are the nation's newspapers. "Every time I meet someone who says they still read my newspaper, I thank them profusely for supporting my dead-tree aspect of the industry," said Sherri Hildebrandt, a reporter for the Minneapolis Star Tribune, the 15th largest newspaper in the country by circulation.

"Last week, 24 of my friends and colleagues left our newsroom, all having taken buyouts. It was really hard for some, like the 70-year-old sports editor who's been there for 41 years and still loved his job (and was good at it)," she said. "After three days of farewell cakes, we had a union meeting Friday and talked about what we'll do when the paper declares bankruptcy, which seems likely before the end of the month."

Chapter 11 will probably be the response "to come to terms with the astronomical debt the new owners racked up since they bought the paper in 2006. We're still making money, just not enough, I guess," she said.

When Hildebrandt began working there in 2000, it was "a hopping busy newsroom and there were barely enough desks, let alone computers, to go around." Today she sees "a vast wasteland of empty desks."

The U.S. Department of Labor is scheduled to release employment data for January on Friday, Feb. 6 at 8:30 a.m. ET.

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