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Non-Farm Payrolls: Staffing Execs: A Mild Let Up in December, a January Massacre to Follow

A 'Compassion' Factor and Year-End Mopping Up Eases Jobs Hemorrhage

With Bad News Feeding on Itself, the Avalanche Has Only Just Begun

Little Seen from Bailouts and Rate Cuts; Low Gas Prices Help Jobless Look Further Out

By Gary Rosenberger

MIAMI BEACH (EconoPlay) Jan. 2 – The jobs bloodbath eased slightly in December in a reprieve born of compassion and some year-end housekeeping – but all expectations are for a January massacre and more bad news beyond, recruiters say.

As the job numbers get uglier, they provide more evidence of a sinking economy and fresh justification for employers to shed even more workers – thus the avalanche feeds on itself and grows.

Yet any letup in December would reflect little more than a desire by employers to avoid laying off workers too close to Christmas – skewing both November and January job losses toward the negative.

With nothing to suggest the economy will improve in the next three months, most think the slaughter will proceed with unparalleled vigor in January – making November's job losses look anemic by comparison.

December will be ugly enough, though – brought low by extended factory closures and severe production cutbacks in industries that were healthy as recently as late summer.

Anything tied to autos and housing, where production was already cut to the bone, has now entered the amputation stage.

Stimulus money and rate cuts have done nothing to restore business or consumer confidence. But there were pockets of activity in mortgage lending. And the condensed shopping season lifted activity in retail and distribution, buffering job losses in that vulnerable sector.

Low gas prices are having a mildly stimulating effect by encouraging the jobless to look further afield for work – and removing one excuse to ask the boss for more pay.

January the Ugliest Month

"December was about the same as November. The only difference was that we have more manufacturers closing for two weeks instead of the usual one week," said Tom Bickes, CEO of EmployBridge in Atlanta, specializing in logistics, transportation, specialty manufacturing, finance and accounting, and administration.

"There's a completely different feel to this cycle. There's so much more uncertainty. Nobody knows where they're going," he said. "Clients that told me they had orders through 2010 came back to me three weeks later and said, oops!"

In fact, he's heard nothing from any of the gamut of industries he serves to suggest "a pullout" into recovery. "December will be as rough as November, maybe a little less. But January could easily be the ugliest of all the recent months," Bickes said.

“We planned for a decline, but nothing like this,” Bickes continued. “For the longest time the staffing industry was a buffer for all the job losses. Temps accounted for 40 percent of the jobs lost until just a few months ago. Now we’re down to 15 or 20 percent of jobs lost. But there’s a whole lot more temp jobs being lost now because 20 percent of 500,000 is a whole lot worse than 40 percent of 100,000.”

“We are still seeing demand for skilled workers in the manufacturing sector,” he added. “I hope that the deep discounting at the retail stores will deplete inventories to a level that requires some restocking of shelves in the first quarter. But this is probably wishful thinking. It’s more than likely they will try to manage with *very* low inventories.”

Despite the weakness in the labor market, wages “so far have remained steady,” he noted. “But I do anticipate some downward pressure for the lower skill positions in the first quarter.”

Two buffers that prevented December from being worse than November were “project work” from the U.S. Postal Service and pockets of retail hiring. “They’re running so many sales to get as much cash as they can for the holidays. They’re putting profitability to the side. It’s a surreal plan to me,” Bickes said. He predicts the retail piper will come calling in January and be, perhaps, the biggest jobs depressant in the first quarter.

He is, however, getting glimpses of more administrative workers to process the recent slew of mortgage applications and for forensic accountants to figure out where all the subprime mortgage and bailout money went.

Avoiding Christmas Layoffs

“In a word, all the things that could happen in December at a time like this are happening,” said Steven List, chief operating officer at Global Employment Solutions, a national provider of professional and commercial staffing services in the Denver suburb of Lone Tree.

“Factories close for an extended period for retooling and inventory when the economy is like this. You kind of expect it, and it seems to be what happened,” he said. “If I were a forecaster, which I’m not, I would say December is a little improved and January will be much worse.”

He sees employers trying to avoid layoffs too close to Christmas and putting off the bad news until January – and those pent-up layoffs could make November’s 533,000 job losses pale against what’s to come. “My present opinion is that December will be a bit of a respite and January will be far worse than anything that came before,” List said.

“Perm hiring remains the same, namely bad. Professional temp is doing okay, not great. Light industrial temp is kind of bad. Our PEO in Florida is a strong performer relative to the industry and relative to the tough economic environment in that state,” List said. (A PEO, or professional employer organization, assumes human resource and other functions on an outsourced basis.)

The talk of the staffing world this week is a press release from the staffing giant Adecco that extolled how it had filled 650 positions for mortgage professionals in Minneapolis, Phoenix and Richmond thanks to the refinancing boom.

Some see in that a glimmer of hope for progress. Others see it as a desperate grasp for any bit of good news. “That was a swell little press release from Adecco. Aren’t they some sort of global company, for god sake? Is 650 jobs the best they can do?” List exclaimed.

Wages are continuing to hold, if for no other reason than employers are reducing labor costs with the heavier bludgeon of layoffs. “It’s not about wage compression. It’s about employed or not employed. It’s not about skill for the money or about hiring for 50 cents an hour less, but whether we can live with you or without you,” List said. “It’s all or nothing.”

“I see a difficult fourth quarter and an even more difficult first quarter,” said Charles Sigrist, president of Stivers Staffing Services in Chicago, with 24 branches in 12 states. “I wish I had good news to give you, but I just don’t have any to give. There’s just been a major reduction in order activity.”

In his business, the strength of the first quarter is often a function of how much momentum one builds up in the fourth quarter. “This year we have no momentum. In fact, we have just the opposite of momentum,” he said.

“People who are compassionate didn’t lay off in December,” Sigrist added. “In January, if business is still bad, there’ll be quite a few more layoffs. I think folks might be waiting until after Christmas is over to shed more workers.”

In this climate, smaller staffing firms will go out of business. “You need a lot of cash to stay alive in this business because you have to pay your employees on a weekly basis and you only collect from your clients every month,” he noted.

Weak orders forced him to consolidate 30 offices into 24 – and low gas prices made that decision easier. “The only good news from low gas prices is that the candidate will go anywhere to get a job. So if we had two offices 10 miles apart, we could close one office and the candidate will gladly drive the extra 10 miles to take our test. That made it easier for us to merge operations,” Sigrist said.

“Our December was off 10 percent from November. It’s ugly and, yeah, it could get worse,” said Al Brown, president of Doherty Staffing Solutions in Minneapolis, specializing in light industrial and manufacturing.

Half a dozen jobs got pulled at the interview stage in December on fears that the economy will get worse in 2009. “We’re still not done with the mortgage crisis with stage two of those mortgage resets coming this year,” Brown said.

“I’m seeing manufacturers that traditionally take off the day after Christmas extending the off period. Things might get busy again when those companies come back in January. But then we hit our seasonal low point in February. I anticipate February will be tough,” he said.

We asked all our sources whether they could point to any bright spots. Brown points to a school testing service client that has expanded into a couple of new states. “That should help with seasonal workers from January through June,” he said.

But other clients that proved reliable in the past are down. “The semiconductor market is not doing well. Everyone knows that automotive is not doing well. General manufacturing is cautious. And distribution was strong, but it was shorter by weeks,” he said.

‘Bad News Scares People’

“I don’t expect it to be much better in December than it was in November, and I expect January will be worse,” said Steve Drexel, CEO of Corestaff Services in Houston, with more than 100 branches in most metropolitan markets.

“Even my good customers are shutting down in December and coming back in January at depressed levels. I’m referring to people who were not caught up in housing, mortgage lending or automotive. These are people in fields that you’d think are more resilient, like technology and software,” Drexel said.

The big November job loss number was a signal for healthier businesses to jump on the layoffs bandwagon. “Companies were already running lean. Some didn’t begin to hire until long after the end of the last recession, and even then the hiring was very muted coming up,” he said. “Bad news scares people, and so they resolve to do even more.”

His financial services clients in New York are conveying a take-it-or-leave-it message and pressing him to reduce his bill rates. “Their thinking is that if folks don’t like what they’re offering, they don’t need them anyway," Drexel said. "Now in December, I'm hearing about people cutting bonuses or benefits or discontinuing contributions to 401K plans. Everything is on the table. I'm not hearing a lot of cutting on wages, although they do see it as an option."

Even in Texas, where there was job growth, the climate has soured. "If you are the sort of company that has all your business in Texas, maybe you're still doing okay. But if you have any exposure to customers elsewhere, it's starting to hit home now."

Scott Leighton, controller at Helpmates Staffing Services in Irvine, California, counts himself in the group whose December was better than November, exceeding grim expectations.

"We expected disaster. But when we did better than November, we were encouraged. Now we're looking ahead to the first quarter, which is a huge mystery," he said.

The office segment held up better than he thought it would – which he hopes would suggest a bottom after 18 months of decline. "Maybe they've just cut down to where there's nothing left to cut," Leighton said. He got a further lift from a big project involving property tax collection.

Also, his logistics business saw less of a drop than he was expecting, although that might be a function of a weak ramp up in the first place. "But in January all that business will be gone. They'll have shipped everything and they'll be done," he said.

In fact, all segments of his business were up sequentially from November (up 4% but down significantly from last year). "Maybe it was a year-end push to get everything done that worked in our favor with our particular mix of clients," he said. "But when you think you're going to be down, even 1 percent up would have put a smile on my face."

"January and February – and this is based on anecdotal information from my clients – will be worse than November," predicts Greg Palmer, CEO of the staffing consultancy G. Palmer & Associates. "The support for the first quarter that you would typically get from the fourth quarter just isn't there. Labor demand always drops off pretty dramatically in the first quarter and this year should be even more dramatic."

He argues that retail will be especially bad in the first quarter after coming off a weak holiday, while automotive will be "idling" when it should be gearing up for spring. "Those things are a signal to me that things are going to be a lot worse," Palmer said.

"The other thing I'm hearing is that there is a lot of pressure on pricing. So far it is only affecting margins of staffing firms, not so much wages. But if things don't improve there'll be some pressure on wages as well," he said.

The only sectors still thriving are those dedicated to saving people money or trying to account for a lot of missing money. That's why he was encouraged by the Adecco press release about those job orders in the mortgage refinance industry, and why he sees the Troubled Assets Relief Program as a potentially big jobs generator. "Last time we had anything like this was the Resolution Trust Corp., which required a lot of extra labor to clean up that savings and loan stuff. There are a lot of projects all over the country to process all that paperwork," he said.

Tech Work Mostly Worsening
"We held pretty steady in December in terms of placements, but new orders are down severely, which does not bode well for Q1/2009," said Marjie Peterson, president of Macrostaff in Bellevue, Washington, specializing in I/T staffing.

"Healthcare seems to still be hiring. But other than that, it's isolated companies rather than industries that are hiring," she said.

"Wage expectations are definitely down," Peterson added. "It's pretty grim out there."

Mike Ziman, president of Global Commerce & Information, an I/T staffing firm in Columbia, Maryland, characterized December as “mildly” better. He anticipates slow growth in the first quarter, pushed primarily by government and government prime contractors unrelated to the bailout programs.

“December and November have been exactly the same in terms of job orders but less than previous months,” said **Brian Kagan, branch manager for Sapphire Technologies U.S. (a Randstad company) in St. Paul, Minnesota**.

His overall job orders for the fourth quarter were 30% below the third quarter. Yet the first quarter, “looks hopeful,” he said. “We are hearing that many I/T budgets are staying flat or slightly increasing, so we expect a duplicate of Q1/2008, when we had a flood of open work.”

However, one client, a large supplier of industrial cleaning products, is initiating a hiring freeze in the first quarter out of an excess of caution – although “not canceling projects or reducing budgets.” And clients that service loans are building their technology infrastructure, he said.

“Wages seem to be steady. I am guessing that, for the most part, companies are freezing wages and salaries at the points they were at in 2008. We have not seen wage decreases yet in this market,” **Kagan** added.

Luke Walker, Sapphire branch manager in Wilmington, Delaware, said his December “was actually much better” than November. “We found managers who needed to get people identified to start in January. We also uncovered a small company that recently won a government contract and needs to hire perms. We made our first placement with them this month and hope to have several more in Q1.”

His business is influenced by government, which he expects to be a force in technology hiring in the first quarter. “The credit card industry was recently hit with new government regulations that they must comply with by July 2010. That impacts us heavily with financial clients here in Delaware,” he said.

Candidates “are open” to lower wages, especially if they’ve been unemployed – and they’re also less prone to leave their old jobs for new ones, even when offered somewhat higher wages, **Walker** said.

Shannon Weaver, Sapphire branch manager in Chicago, thought December was “much slower” than November. “I am anticipating a slow January and February,” she said, adding that March might mark a change for the better even though companies will remain “conservative” through the first half.

She sees education, healthcare and some technology companies continuing to hire, but no new business from the stimulus packages – and some hope for transportation companies because of lower fuel prices, even if there is less to transport. “In the financial sector, the stimulus packages are not impacting hiring in any way at this point.”

Erick Zohn, branch manager in the DC metro area, noticed a “fairly significant” slowdown in job orders in December. “The first quarter has got to be better than last quarter!” he said. “We anticipate a slight upward trend.”

He sees mortgage companies hiring again but in small numbers. Overall, however, managers “are extremely tight right now, and it's all they can do to keep their own jobs,” **Zohn** said. “The only silver lining is that our competition is not doing well either, and some smaller competitors are already closing up shop.”

Kelly Schneemann, team leader in San Antonio, saw a better December with deals up from November. The strong order pace she saw at the end of December also seems to spell “quite a bit of hiring into the first quarter.”

Much of that recent hiring is coming from financial clients responding to the surge in mortgage applications.

Wages are “definitely” coming down with people more likely to take lower paying positions just to stay employed, she said.

The deterioration also continues in commercial construction, according to Bill Stynetski, president of HardHatJobs in Dallas. “The fourth quarter is usually our busiest. But this year it was a bust,” he said.

“As non-residential projects were completed, and with few new projects having funding in place, job orders were at an all-time low,” he said. “Contractors were moving people around, having them cover more projects, or just releasing people. Subcontractors in the residential market began to enter the non-residential market, with bare-bones bids.”

But with funding now promised for so-called shovel-ready infrastructure and other projects, 2009 is looking a bit less bleak to him. “Still, budgets will be tight, and employers are holding the line on salary increases and bonuses,” Stynetski said.

Mortgage Lenders Hiring Again

Mike Weiner, Express Employment Professionals franchisee in Hopkins, Minnesota, noticed a dramatic rise in job orders for the month. “We did three times the business in December than we did in November,” he said, attributing that spike to mortgage refinancing. “Once rates went down, mortgage companies brought people back to work,” Weiner said.

He expects other companies that downsized to add workers in the first quarter. Also, with gas prices dropping, workers have stopped clamoring for more pay. “I think people are just excited to be working, so wages have remained steady,” he said.

“December was worse. Nothing was going on with the manufacturing sector,” said Todd Palmer, president of Diversified Industrial Staffing in Detroit. “Everyone appears to be hesitant to hire new people due to the automotive and bank crises.”

He expects no growth until June. “If anyone is hiring, it is unknown to us,” he said. “We are expanding nationwide to get away from the Michigan automotive blues. But it’s still too early to tell where the pockets of industrial hiring will be.”

The only positive is that employees aren’t pricing themselves out of the job market anymore. “It seems to me that employees are steeped in realism. They know what’s going on, and they seem content just to have a job instead of wondering why the company isn’t doing more for them,” he said.

Chris Clarke, president of Boyden Global Executive Search in Hawthorne, New York, said it’s time for a great big holiday celebration now because it’s only going to get rougher next year.

“Sadly there was no respite in December. It was a weak month for executive search especially in the United States. It was down even more than November,” Clarke said.

January might just be even worse. “We believe recruitment will hit rock bottom in the first quarter. Only essential replacements and change agents will be brought in from outside,” he said.

Basically, that means the bean counters are in control now. “People are hiring, especially firms that are in dire straits and need a change of leadership. This is not industry specific. There is a trend from expansionist CEOs to turnaround and cost-cutting CEOs,” he said. “CFOs are often stepping up to take the CEO role. This often means no external hiring.”

Any impact from the stimulus package is still months away, with money that should flow to consumers and businesses going into paring down exposure to debt for the politically connected. “Until consumers feel comfortable that they will keep a job or that their savings will no longer go up in smoke, they will seek safety in keeping their cash. Until consumers and businesses feel confident again, there will be no recovery in employment," he said.

He and others noted that in the last recession, there was an almost two year lag between the start of the upturn and renewed hiring – which effectively means no positive job numbers through late 2009 or well into 2010.

Clarke further noted that with top executive pay under a magnifying glass, it is depressed. "No compensation committee members want to be seen supporting unwarranted pay increases, stock options or bonuses. The supply of newly available executives exceeds the demand and this depresses middle level pay and conditions. The possibility or reality of deflation is also killing pay awards," he said. "But in deflationary times, the same pay means higher real income."

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