

Labor Market Insight

Deep Job Cuts Continue as Recession Gains Strength

Recession has now claimed 3.6 million jobs

Key Facts

- ❑ **598,000 jobs lost in January pushes three month total to 1.8 million.**
- ❑ **Unemployment climbs to 7.6%, the highest since 1992.**
- ❑ **Average hourly wages remain 3.9% ahead of last year.**

The economy managed to outperform analysts' grim expectations during the final quarter of 2008, but the results were skewed by unwanted growth in business inventories – suggesting additional production cutbacks are looming.

Recent upticks in the manufacturing and service sector indices tracked by the Institute for Supply Management along with modest growth in pending home sales have created some optimism the economy may be nearing a bottom.

At the same time, the new Obama administration is finalizing the latest round of stimulus measures in an effort to help pull the economy out of its 15-month long recession.

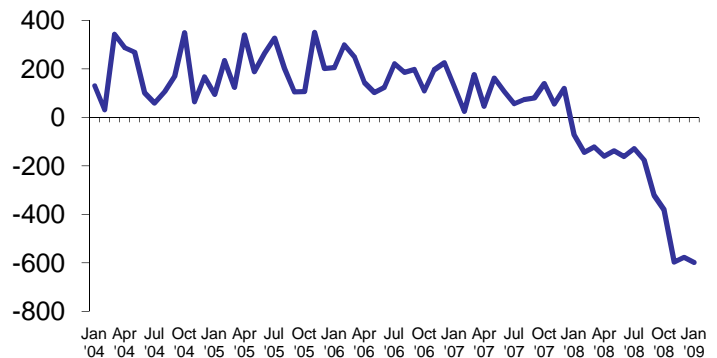
January's employment figures underscore an economy mired in recession, as falling confidence feeds the downward cycle of lower spending and fewer jobs. The loss of nearly 600,000 jobs was even more severe than analysts predicted and, when added to the revised figures for November and December, pushes the total number of jobs lost during this recession to 3.6 million.

Newly unemployed workers moved the national jobless rate up to 7.6%, a full 2.7 percentage points above last January. Unemployment, a lagging economic indicator, is now not expected to peak until late 2009 or early 2010 with estimates approaching levels not seen since the early 1980's. Under-employment (those working part-time due to economic reasons) continues to mask the full impact of what has now become a global recession.

Job losses remain widespread in January, with sectors such as construction, durable goods manufacturing, and business services taking a heavy toll. Education and health care remain standouts, with payrolls each growing more than 2% during the past year.

More time is needed to determine whether the economy is nearing a turning point, but the severity of the current recession clearly suggests a labor market recovery that will be measured in years, not months.

Monthly Change in Non-Farm Employment (000's)



Data Source: Bureau of Labor Statistics

Employment Overview

| | Jan | Dec | Nov | Oct | Sept |
|-----------------------|-------|-------|-------|-------|-------|
| Non-Farm Empl. Growth | -598K | -577K | -597K | -380K | -321K |
| Unemployment | 7.6% | 7.2% | 6.8% | 6.6% | 6.2% |

Data Source: Bureau of Labor Statistics

HR Spotlight: Reverse Offshoring

Offshore outsourcing companies are increasingly looking toward the U.S. as they work to move up the value chain from their traditional role as low-cost labor providers.

The trend of hiring American workers and expanding operations into the U.S., referred to as "reverse offshoring" offers several advantages:

- Proximity to U.S.-based clients to support sales and service delivery efforts
- A talent base that is culturally aligned with U.S. clients and can educate staff members on cultural differences
- Access to highly educated and specialized talent

India's National Association of Software and Service Companies estimates 15,000 Americans are working in U.S.-based offices of Indian companies that have invested \$500 million in expanding their operations.

This trend highlights the transformation that labor markets are going through as they respond to an increasingly global marketplace.

Data Source: Staffing Industry Analysts (2/09), Fast Company (9/08)