

LEGAL WORKPLACE ECONOMY

March 2011

Overall gains of nearly 200,000 with private sector increases as well, the outlook...

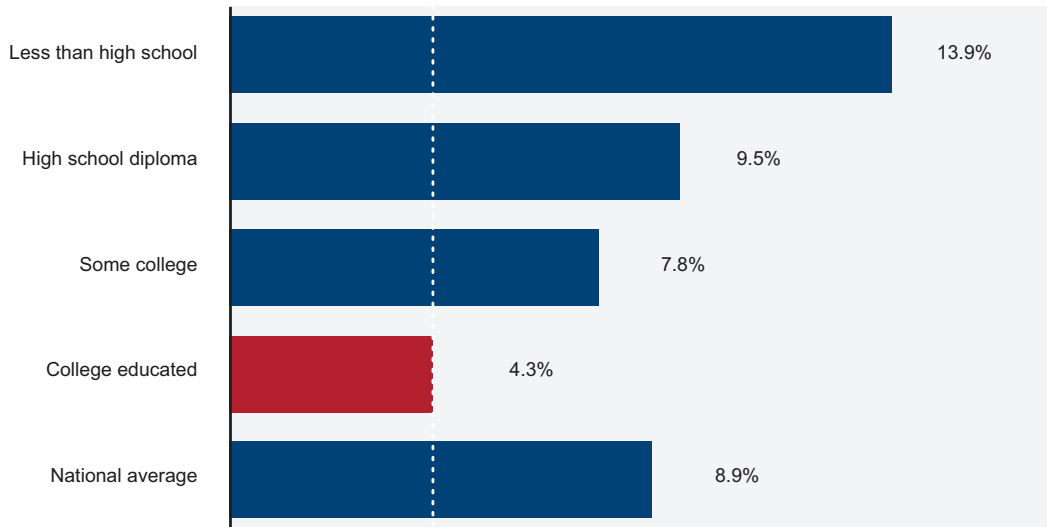
The expectations of economists were finally met following February's BLS report. While January's numbers are surmised to be the result of weather effects, the relatively calm month of February allowed job movements to right the path. The private sector gain of 222,000 jobs indicates the continued expansion of the sector outpacing the declining public sector which lost 30,000 jobs and the decreased unemployment rate of 8.9% marks the third straight month of declines. While this news is increasingly positive, economists continue to warn that the unemployment rate will most likely rise again before consistently declining due to formerly discouraged workers returning to the job market.

The report included good news in the revisions for December and January as well. December added 31,000 more jobs than originally reported and January added an additional 27,000 jobs. The overall sentiment is improving, yet Americans should be prepared for a long journey to recovery. It is predicted that it will be several years before we reach 8% unemployment, assuming there is a modest pace of growth.

A highlight of the major trends resulting from this month's report include:

Temporary employment: Temporary jobs increased by 15,500 which is a welcomed increase following January's slight dip. This return to job gains in February supports the January hypothesis that

Education continues to be the job search differentiator



Source: Labor Department

weather events inhibited work and hiring. Temporary job growth is beginning to shift from industrial and clerical categories, which were among the first to increase in the recovery, to narrower professional categories – where growth rates are lower, yet the potential for full time job conversion is greater. When employers are sufficiently confident, they'll begin to make a larger amount of temporary or contract employees permanent.

Healthcare: Healthcare added 34,300 new jobs in February. Over the past year, the healthcare sector has consistently added an average of 22,000 jobs each month with the addition of 260,000 jobs in the last 12 months. Forecasts predict the pace of healthcare growth to slow, yet the demand to remain the same. Interestingly, manufacturing and healthcare virtually had equivalent job growth – +33,000 jobs vs. +34,300 jobs – a rare combination, which illustrates initial growth across all sectors.

Professional and Business Services: The professional services sector added the most jobs in February with 47,000 new positions. This sector has continuously added jobs since August 2010. Additionally, many recent temporary jobs have been in professional services, indicating the sector should have more growth in the future. As this is the flagship category of the private sector overall, positive signs for future increases remain.

Manufacturing & Construction: Manufacturing and construction each added 33,000 jobs this month further indicating pent up business demand due to weather effects in January. For construction, it was the biggest gain in a single month in almost four years. Construction has been the hardest hit by the recession with an industry unemployment rate of nearly 22%. In February, specialty trade contractors (for example plumbers, concrete workers and electricians) accounted for the majority of the new jobs in construction. In the manufacturing sector, the unemployment rate is currently at 9.9% with the majority of the gains created in the durable goods sector. Both industries consist of bright and dark spots but manufacturers are cautiously optimistic, due to a number of factors, including oil and energy prices and government policy changes.

Special Counsel Insights:

The name of this game continues to be cautious optimism. This month's positive gains and decreasing unemployment rate are welcome, yet we should be prepared for the unemployment rate to increase again before steady decline is seen. It is important to remember that the years of the decline (2008 - 2009) lost averages of 600,000 – 800,000 jobs each month. Thus, with population growth, average gains of 200,000 are modest indicating a long road ahead.

The good news is that Special Counsel clients are indicating a decreased trepidation about adding workers, and companies have become more and more apt to add contract workers for flexibility reasons. As consumer and private sector sentiment continues to grow, they're gaining more and more confidence in bringing on those workers as permanent employees as well. As we watch private sector growth increase, we can expect these temporary positions to continue to convert to permanent. If the current pace continues, we can expect to add 200,000 – 300,000 jobs consistently each month by this summer. February marks one of the first months in which the labor report is more reflective of what we at Special Counsel have seen in the market.

Of Interest

Free Can Be Good: Add Open Source to Software Considerations

Source: www.abajournal.com

Who isn't looking to cut costs in today's market? Lawyers are turning to the unconventional option of free software programs called Open Source. Open Source is a remarkable alternative to those working on a focused project or simply in need of certain software capabilities not justifiable in purchasing the entire software suite. Keep in mind that Open Source is constructed and supported by a volunteer community of programmers and one will not find an 800 customer service number listed here. A few tips to efficiently taking advantage of this new software are to survey the landscape, start small and focused, continually add to the portfolio and be realistic about support requirements. Some things in this world are still free!

Impact on employers

It is good practice for employers to remind their management to keep their eyes and ears open to new cost-saving capabilities, especially for the smaller to mid-size companies. Open Source opportunities can help positively affect the bottom line and associated costs that had been passed on to clients.

Federal tax bill could impact states

A recent report indicated the tax cut package that President Obama signed into effect in December will impact state budgets over the next few years and noted that states already suffering from budget woes could lose up to \$5.3 billion in tax collections in the near future. The package included a business tax cut that many states mirror which allows businesses to deduct the full value of new equipment purchases from their taxes through 2011.

Impact on workforce

Workers should investigate if they work in a state affected by the tax cut extensions. If states are affected, loss of tax revenue will mean more budget cuts which could affect state workers. State workers can assure their opinion is heard by communicating with state legislators and voting for budget proposals.

Impact on employers

There are 19 states that could lose money unless they differentiate their laws from the federal laws. If they do not, businesses that reside in the states implicated would have lower taxable incomes thereby driving down state corporate and income tax collections. Among the states affected are Pennsylvania, North Carolina and Illinois. Businesses should monitor tax law changes in order properly file taxes for 2010 and 2011.