



## Absolute Executive Employment Update

[absolute] is a leader in executive recruitment. Our profile and network has been established for over 15 years and our relationships are with the key decision makers in major Australian and Multinational companies. We work closely with these individuals and organisations to develop and deliver strategies to secure the best talent.

### Market Review

Talk about a financial year of two halves! The Australian economy remained resilient throughout most of 2008. Even as late as October/November, the RBA Governor Glenn Stevens had been providing conservative, yet positive commentary on the prospects for the Australian economy. With the exception of a couple of sectors, mainly Financial Services and Property, this positive view was reflected in the employment market. Generally, companies were cautiously optimistic in determining strategic initiatives and growth plans, whilst candidates were still exploring compelling career opportunities.

Come January 2009, however, with the hangover still clearing, reality bit. The media was awash with downturn stories and economic predictions were dour and foreboding. We were on our way to recession! It wasn't until April that the Federal Government used the word "recession" to describe Australia's economic predicament. Not surprisingly, companies experienced a notable softening in business activity and began to tighten spending further. Attitudes changed and candidates bunkered down – "better the devil I know..."

Companies generally acted responsibly and with foresight, particularly relating to their people. This is very different to previous downturns, (notably 1991 and 2001), where redundancy was the initial reaction. Companies have worked hard to retain key people, implementing initiatives such as reduced hours, enforced annual leave and pay cuts. This desire to retain employees is very much a legacy of the skills shortage experienced in Western economies from the mid 2000's, particularly in Australia.

The global financial crisis has forced most companies to review their business models. In doing so there has been organisational change. There have of course been casualties, but this has also created opportunities internally and externally for high performing, career minded professionals, particularly at middle and senior management levels.

### The Employment/Unemployment Picture

The reality remains that Australia is not immune from global economic trends. This has been most conspicuous in Multinational companies who have tightened their spending more than Australian companies. A quick review of key international employment markets provides further compelling realities;

- **China** has an unemployment target of 4.6% the worst since 1980
- **UK** unemployment rate at the highest in 14 years with 2.43 million people unemployed or 7.8% of workforce
- **US**; new unemployment claims reach 26 year high with 14.5 million people unemployed or 9.4% of workforce

By comparison Australia is doing pretty well with 5.9% of the workforce unemployed, particularly when 4% is regarded as near full employment. The total labour force in Australia is 11.45 million. There are 10.78 million people in work and just fewer than 670,500 now unemployed. This is at the low end of general consensus earlier in the year and still below the 6% experienced before the last real economic downturn.

## Is the Australian employment picture sustainable?

The Federal Government's 'Budget 2009 Economic Outlook Statement' has unemployment at 8.25% in the June quarter 2010. August 2009 saw advertised jobs on the internet and print increase 4.1% and 5.5% respectively. These are the first increases since May 2008. It is important, however, to highlight that total jobs advertised is still only 50% of that experienced at the same time last year. It is also worth noting that an ongoing trend for employees to transition from full-time to part-time employment appears to be continuing into the second half of 2009.

The economy is growing. March quarter GDP unexpectedly rose 0.4%, avoiding a second quarter of negative growth that defines a recession. It has again beat expectations as the June quarter grew 0.6% which is a great result. However, unemployment does lag GDP growth, and so the expectation is for an increase on the current rate of 5.9%.

Wage driven inflation seems to be in check. Interestingly, it was only 15 months ago that the shortage of labour was seen to be a key driver in regards to inflation. Wages have been growing by 4% a year but should fall below 3% for the near future.

While Australia has avoided a technical recession the same can't be said for the rest of the world. The OECD is forecasting a hefty 4.1 per cent contraction in real GDP in 2009 for the whole 30-member countries. If these countries remain in recession, what is the impact for Australia?

Finally, there are some great signs for the domestic economy, although a few questions globally. On balance, the Federal Government's 8.25% unemployment rate in June 2010 is potentially overstated with many experts now predicting unemployment to peak at 7.5%.

## The employment market in 2009/2010

In recent times it has been the Big 4 Banks driving the share market. Internationally, (with a few notable exceptions), the Financial Services sector has rebounded profitably and beyond most people's expectations. We believe that the sector has bottomed out with most job losses realised, and that it will slowly enter a period of rebuilding. There has been some opportunistic realignment at the very senior end of the market by the Big 4 Australian Banks, as well as some of the International and Investment Banks. The challenge for white collar professionals in Banking & Finance is that their skill set is specialised and not overly transferable to other sectors. Low demand in the financial services employment market has provided some real career challenges. However, we believe the market for these individuals will gradually start to improve in the early part of 2010 and this should flow through at all levels.

Energy, Utility, Healthcare, Food/Beverage and Agribusiness performed well in 2008/2009. They are characteristically, "recession proof" and less likely to have their earnings impacted by a downturn. As such, they remain well positioned to undertake and implement growth initiatives. This will continue to create employment opportunities.

Retail and Logistics will continue to see substantial activity with rationalisation, new entrants and organic growth. Coles and Woolworths continue their battle, with Woolworths recently announcing its entry into hardware. US retailer Costco has also just entered the market. Within the logistics sector there are major opportunities for rationalisation and strategic alliances. This ongoing market activity will create opportunity.

The Property Sector has experienced the reporting season that most pundits expected. It will continue to experience rationalisation, with the dominant operators gaining market share. While the volume of career opportunity in this sector will be lower, there will still be some great opportunities with the Majors.

Consulting and Engineering Services will continue to experience more difficult market conditions than in recent years, primarily as a result of a historical reliance on the resources sector. The resources boom created much of the demand over the last 8 years and the slowing of this sector will have unavoidable impacts. Capital expenditure has been the main issue in the sector, and whilst there is “noise” about the pipeline spend, it is yet to occur.

### **Talent and Career Opportunities**

Changing market dynamics always provide a great opportunity for both active companies and career minded professionals. The prospect for companies, (especially high performing companies), is that they will have access to better quality candidates. For candidates, although there will be fewer job openings, there will still be opportunity. Making an informed decision about any particular new role will become priority imperative in making the right career move. A professional that manages their career proactively will have the most success in the emerging market.

### **Demand Areas**

As mentioned, the past 6 months have been characterised by demand for senior to middle management positions. In our experience the demand has been driven by Australian-based companies rather than multinationals. At the senior executive level, companies have actively set about up-skilling their senior financial management teams, at both Group and Divisional levels. We believe this will soften for Australian companies over the next 12 months, yet activity will begin to increase in Multinational organisations as international markets improve.

In middle management, the pendulum has swung. It is no surprise that the focus has been on securing talent with skill strengths in control, reporting and compliance. The demand has been in Group Financial Control, Internal Audit/Risk Management, Treasury, and Management Reporting areas. Treasury is of particular note – with it playing a significant role in companies over the last 12 months. This is in stark contrast to just 12 months ago when demand was skewed to Commercial Managers, Financial Analysts, and Strategy Support positions. We see this trend continuing for the remainder of this financial year.

To meet with a member of our Principal Consulting team to discuss your team at talent requirements please call Greg Madden or Greg O’Shea on 02 8243 1313.