

Sign of Economic Recovery: Businesses That Are Restless to Hire

– Meredith Levinson, CIO

Business demand for new talent will rebound before consumer and business demand for goods and services, says executive recruiter Chuck Pappalardo. He expects companies to get restless for new talent (and new business) by the end of the year.

Everyone wants the recession to be over, but we all know our economic troubles aren't going to pass anytime soon. Federal Reserve Chairman Ben Bernanke, addressing the Senate banking committee yesterday, projected that a full economic recovery wouldn't take place for at least another 12 months. And President Obama again made the case for his \$1.5 trillion economic recovery plan in his speech to Congress last night.

Despite the President's and Bernanke's warnings that an economic recovery from a crisis so deep will take time, I can't help but hope it will begin sooner than a year from now.

Last Friday, I had a conversation with Chuck Pappalardo, managing director of Trilogy Search Non+Profit, that made me a little more optimistic about an economic rebound. Pappalardo gave me something to look forward to—an early indication of recovery.

Pappalardo has experienced several economic boom-and-bust cycles during his 25-year career in the search business. As such, he gets wind of indicators that signal imminent economic recovery before the rest of us.

Pappalardo thinks we could start seeing signs of an economic recovery by the end of 2009. The indication will be companies that are once again ready to fill strategic positions. Demand for people will bounce back before consumer and business demand for goods and services, he says.

"Businesses really can't go long periods of time without new people," says Pappalardo. "A year is really stretching it. Businesses get old and stale if there aren't people turning, if there aren't new ideas."

In other words, businesses are going to get cabin fever from having hunkered down so long. They're going to get restless to start making money again. Pappalardo says these companies will realize that they need to hire people—particularly in sales, marketing and possibly also R&D—to move forward and win new customers. (The new hires in IT won't happen until the new people in sales, marketing and R&D starting making demands for technology, he says, and supply chain is likely to be the first area in IT that gets a boost.)

I'm aware that Pappalardo's theory on economic recovery sounds like a pitch for executive search services, but his ideas about hiring as a leading economic indicator are based on businesses' behavior during previous downturns:

"2003 was a very difficult year in executive search," says Pappalardo. "At the end of the first quarter and beginning of the second quarter in 2004, we saw a significant amount of search activity—a lot in sales. Businesses began to feel in 2004 like there might be some progression if they could hire, so they did, and we took on a bunch of [search] projects around sales and marketing. Then it seemed like nothing else [went on] for the rest of the year. Companies were forming a [hiring] base to move forward... 2005 was a much better year."

So when companies begin making and implementing hiring plans, it demonstrates their confidence that things are getting better and their desire to make money. And by making money, businesses help improve the economy. (See: In spite of my largely pro-labor, anti-corporate stances on many issues, I am a capitalist at heart.) Hence the reason Pappalardo's economic theory made me feel better.

But there's one nagging question left in my mind: Can we compare this recession to previous downturns? I'm not sure we can. We've been in a bona fide recession for over a year. During the last two downturns—in 2001 and 2003—we never experienced two consecutive quarters of negative GDP growth.

Regardless of the differences between this recession and previous downturns, I'm still hoping for signs of recovery later this year.


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