Analysis: Recession II? Probably not, staffing execs say

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By Nick Zieminski

NEW YORK (Reuters) - A sequel to the Great Recession in the United States just two years after the downturn is not likely because demand for temporary workers, a leading indicator of both upturns and downturns, remains steady, staffing industry executives say.

In the prior economic slowdown, demand for temps turned lower months before the recession officially began. That is not happening now. A second recession cannot be ruled out, but current evidence, including stronger-than-expected July jobs growth, suggests a slow, cautious recovery remains in place.

"If we were headed for a recession, we would see clients letting go of large numbers of temporary employees," said Tig Gilliam, who heads North American operations for Swiss-based Adecco SA, the world's largest staffing company.

"It's not happening," he said. "You don't see those signs that say we're headed for a double dip."

The U.S. economy added 117,000 jobs outside the farm sector last month and the unemployment rate dipped to 9.1 percent. More jobs were added in May and June than initially reported, the government said on Friday. [ID:nOAT004847]

Private sector jobs creation also exceeded estimates. New jobs in factories, construction and retail helped offset an expected decline in government-sector positions.

Friday's report helped ease some anxiety about the direction of the U.S. economy, which has dragged down stock prices in recent weeks. It follows disappointing economic data on demand for capital goods, the manufacturing and service sectors, and anemic GDP growth.

More than $1 trillion in stock market losses may further hurt consumer confidence, Gilliam said, as Americans are tempted to save more, slowing the recovery. Government job losses caused by budget cuts will remain a headwind.

Economic uncertainty supports demand for temps, but employers lack the confidence that could spur broader hiring.

"We still see clients hiring but the decision process is slower than it was in the first quarter," he said. "It looks like we'll just keep bouncing along here. We are still going to see selective hiring but not at a volume that is going to significantly turn around the consumer spending situation."

CAUTIOUS OPTIMISM

While layoff reports have continued to dominate the job-related news in the United States over the past few weeks -- with companies including drugmaker Merck & Co and liquidating bookstore chain Borders Group Inc announcing plans to cut thousands of jobs -- some companies have begun to talk about adding workers.

In the tech sector, for instance, Google Inc boosted its headcount by about 9 percent -- some 2,450 workers -- in the second quarter, though not all those jobs were added in the United States. Railroads have also been boosting their ranks, with both Union Pacific Corp and CSX Corp saying they plan to add workers this year in reaction to growing volume on their lines.

Manufacturers that cut staff during the downturn have also started to add back, with both General Electric Co and Caterpillar Inc adding U.S. hourly workers.

Johnson Controls' building efficiency unit has added 4,000 U.S. jobs this year, said Dave Myers, president of the business that retrofits buildings to cut their energy use. including New York's iconic Empire State Building.

"In our markets, we have a lot of confidence in continuing to grow. You're going to see a lot of industries with strong replacement (demand) and many will continue to invest, (like) healthcare." Myers said. "I'm an optimist."

'SOFT PATCH' OR RECESSION?

Staffing shares initially rallied on Friday's jobs data but, like the overall market, turned mixed. Shares of Manpower, the largest U.S.-listed staffing company and the world's No. 3, were down 2 percent at $42.41. TrueBlue Inc lost 0.9 percent. Kelly Services gained 1.2 percent, but Robert Half International lost 3.8 percent.

All the staffing shares are down 20 percent or more from their highs earlier this year.

"While the market seems to be pricing in a double dip, 'soft patches' such as these are fairly common during economic recoveries," BMO Capital Markets analyst Jeff Silber said in a note to clients.

In European trading, Randstad was flat, while Adecco was up 0.2 percent.

Shares of SFN Group Inc were flat. The company last month agreed to a takeover by Randstad of the Netherlands, the world's No. 2 staffing company, which will double its U.S. revenue with the deal.

The private sector has been steadily building jobs," said SFN CEO Roy Krause. "Clearly not enough to knock down unemployment, (but) growth is still growth, it's not a double-dip recession."

Krause said demand for temps in the manufacturing sector was "decent," and clients are looking for skilled technology professionals, accountants and engineers, in areas like food production and energy. The white-collar unemployment rate is about half of the national average, he added.

"Our business is still expanding -- admittedly slowly," Krause said. "You can't rule out (another recession), but there's no indication. You're not seeing temp jobs fall."

(Additional reporting by Scott Malone in Boston; Editing by Phil Berlowitz)