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Spike in Temporary Staffing Points to Economic Recovery in 2010

by MEG BARONE

There's been enough gloomy economic news reported in the last year to depress the most ebullient optimist. Luckily, it seems the gloomiest news is behind us as some economic indicators are pointing in a very positive direction.

The timing could not be better. There's nothing like starting off the New Year with good news, especially about a rosier economic picture, which is leading to more employment opportunities.

Perhaps the best barometer that the economy is finally starting to rebound is the news about a surge in temporary staffing opportunities. Experts in the job market say that temporary staffing serves as the canary in the coalmine. Usually temp agencies are the first to feel an approaching economic downturn. Conversely, they are the first to experience a boost in employment opportunities.

"Staffing agencies are going to be feeling much better (in the New Year). They are starting to come back. They got hit hard because it's the first thing to go but also the first thing to come back. When the economy begins to rebound you see it first with the temp agencies," said Tracy Michaud, past president of Human Resources Association of Central Connecticut. Michaud is a certified senior professional human resources specialist for OME America, a professional employer organization in East Hartford.

Typically, coming out of a recession, temporary staffing leads it. "It builds back first," said Jason Witty, who oversees offices in Stamford, Danbury, and White Plains, NY as the metro manager for Robert Half International, a specialized staffing service with more than 360 staffing locations worldwide.

"What we always see, or always have seen in a recession is that when we start to come out of it temp and contract work starts to pick up, and that is true of this recession," said Maryann Donovan, president and owner of Impact Personnel, Inc. in Norwalk. Donovan has worked through



three major economically troubled periods. She opened her company in 1989 just before the country was hit with the recession of 1991; there was another downturn after the Sept. 11, 2001 terrorist attacks; and then there is this most recent one.

"There have been other blips but these are the ones that have been the most severe and have taken people down," said Donovan, who has worked in the job placement profession for 28 years.

Why are temp agencies the first to notice improving economic conditions? Witty said companies cut their employment ranks so quickly and so deeply during this recent recession that they left themselves short-handed as the workload starts to return. They just don't have enough people in place to get the job done. That has a dramatic impact on the existing staff who need help so additional workers must be brought in.

But, as Donovan explains, many companies and municipalities have job freezes in place. They don't have the budget to add to the full-time payroll. Publicly held companies are especially mindful of the employee head count, so even as more work becomes available in an economy that is showing signs of strengthening, company officials are hesitant to hire. Bringing in temp workers to fill the need involves less risk, she said.

"We see it as a way to test the waters, but my clients tell me that they also see it as a way to get their work done. As the economy improves they need help but they don't want to make that commitment to hire a permanent person because there are more costs associated when you add in all the benefits," she said.

"The work is there and they need help but they just don't have the confidence yet that the work is going to stay there. So, as opposed to hiring back full-time people and potentially going through another lay off, which is financially costly and also affects morale, they'll bring on temporary staff to get the work done. When the company's confidence is up and the work continues they can hire more full-time staff," Witty said.

There is no guarantee that the economy will stay on this hopeful path. It could falter again or it could succeed beyond measure. For that reason, companies will watch the job trends. If the economic improvement is short-lived, employers can sever ties with temporary workers much easier than with staffers. And if confidence in the economy is restored, employers can make new hires.

There is another advantage to temporary staffing for both companies and temp workers. "Temp work is a great tool for companies. It's a great way for them to gauge talent. It's really an on-going, on-the-job interview," Donovan said.

Jennifer Arenas, metro manager for Robert Half International's Shelton, Hartford, New Haven and Springfield, Mass. offices, agrees. "If the work continues to stay steady or increases and the candidate is doing a good job it could turn into a full time employment," Arenas said.

"We see that happen over and over," Donovan said. And, it's been happening more often in recent months, which

she sees as another positive economic forecast. "From September to year end we've had quite a few temps convert to permanent hires through our clients. That to me is a big indicator that we're heading in the right direction."

While Donovan said she is seeing across the board increases in temp work, there are some professions that are faring better than others. "Interestingly enough, our strongest market segments this year were consumer products and not-for-profits. Not-for-profits are so lean and thin that they don't have the money to hire extra staff, ever. They can't really lay off anyone else, and if someone were to leave through attrition they would have to go to a temp," Donovan said.

Other professions are also seeing job gains.

"One of the areas where we've seen some demand is on the collections and credit sides of business because businesses need their cash. Business analysts and financial analysts are strong because companies are redefining themselves right now, how can they run leaner and more efficiently and financial analysts will help them do that," Witty said. Accountants are also in need. "Regardless of how much or how little revenue is there, people still need to do their books. Whether it's in the black or the red, they still need to be done," he said.

In the Stamford area, Witty said the financial sector is seeing signs of life. "In the 2005 to 2008 time frame, the Stamford market was so tied to financial services with all the hedge funds and investment firms in the area that 2008 was a big hit for them, but we've actually seen an up-tick in financial services again, which is a great sign. Money is coming back into the hedge fund world and the firms that had been stable are starting to grow back," Witty said.

That means, the people working for those hedge funds, who live in the area and are making a substantial living, are spending money in the economy and that trickles down to other areas in the economy, such as service and construction, he said.

Arenas said her offices have experienced an up-tick in hiring by manufacturing companies in the Shelton and New Haven areas particularly. Others are hiring mid-level accountants. Additionally, she said, the government stimulus package money and TARP are breathing some life into financial services calling for mortgage processors, assistants and specialists.

During the worst of the recession, some companies cut their administrative support staff but that is starting to come back as well, Arenas said.

There is a wide range of temp jobs from entry level mail sorting to a contract recruiter in a human resources department. Pay is commensurate with job duties and ranges from \$10 per hour to \$75 per hour.

Witty said he would recommend temp work to anyone, and he thinks such work can be an important job search tool. "If you are interviewing for a permanent job but have not been working for six to nine months and you are competing against someone who has been temping; if your qualifications and salary requirements are the same, typically the company is going to lean toward the person who has been working and building their skill sets versus someone who has been unemployed. It'll give you an edge. A working candidate is going to be more attractive to a potential employer," Witty said.

"For candidates, what's great about temp work besides making money, you're meeting people, you're networking," Donovan said, adding that one of her temps, an out-of-work architect, accepted an unglamorous assignment that only paid \$10 per hour for one-night of work at a fund-raising event. That would have been beneath some people but she saw it as a networking opportunity and it paid off with a new job. One of the people attending the event worked at an architectural firm in Fairfield County. Not long afterward, that temp worker received a job offer from that firm, where she is still employed today.

"When you're temping, you never know who knows who from a networking standpoint," Witty said.

"It's still tough out there. I don't want to sound like everything is great because it's not. There are still many more applicants than there are jobs, even temp jobs," Donovan said.

"I see a glimmer of hope. Is it going to be like it was two years ago? Probably not but it's definitely better and I'm hopeful that we've seen the worse," she said.

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