



Hiring Makes Small Gains While Layoffs Decline in August

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In August, for the 10th straight month, hiring will increase in manufacturing and services on an annual basis.	+26.2 ↑	+21.4 ↑
RECRUITING DIFFICULTY	Manufacturing	Service
In July, the index for recruiting difficulty rose moderately in both sectors compared with a year ago.	+16.6 ↑	+18.0 ↑
NEW-HIRE COMPENSATION	Manufacturing	Service
The rate of increase for new-hire compensation in July rose on an annual basis in both sectors.	+2.9 ↑	+8.1 ↑

Job growth will make small strides in August and layoff rates will approach three-year lows, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for August 2010.

- **Hiring expectations increase for August.** The lay-off rate in the manufacturing sector dropped by nearly two-thirds and was cut in half in the service sector in August, compared with a year ago.
- **Recruiting top candidates is growing slightly more challenging.** More employers reported a rise in recruiting difficulty in July compared with a year ago.
- **New-hire compensation rises for the sixth consecutive month.** In July, the rate of increase for wages and benefits packages rose on an annual basis in the manufacturing and service sectors.

The LINE Employment Report examines four key areas: **employers' hiring expectations, new-hire compensation, difficulty in recruiting top-level talent and job vacancies.** It is based on a monthly survey of private-sector human resource professionals at more than 500 manufacturing and 500 service-sector companies. Together, these two sectors employ more than 90 percent of the nation's private-sector workers.

EMPLOYMENT EXPECTATIONS

Gap widens between hiring and layoff rates in August in manufacturing and services

The LINE employment expectations index provides an early indication of the U.S. Bureau of Labor Statistics (BLS) Employment Situation Report findings. BLS numbers covering the same time period are released approximately one month after the LINE report.

The manufacturing hiring index improved in August on a year-over-year basis by a net of 26.2 points (a net of 37.2 percent of companies will hire in August, compared with 11.0 percent that added jobs a year ago). The service hiring index rose in August by a net of 21.4 points (a net of 38.3 percent will add jobs, compared with a net of 16.9 percent that added jobs a year ago). Even with the positive numbers, the unemployment rate is expected to remain elevated throughout 2010. The rise in the LINE hiring indices is also a reflection of poor job market conditions a year ago.

Conversely, the 7.7 percent of manufacturers that will conduct layoffs in August is the lowest level for the month in three years. The 6.0 percent of service-sector companies that will cut jobs in August is very close to the 4.0 percent rate from August 2007.

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Aug 2007	56.8	9.5	47.3
	Aug 2008	38.4	15.9	22.5
	Aug 2009	32.6	21.6	11.0
	Aug 2010	44.9	7.7	37.2
	Annual change	12.3	13.9	26.2
Service Sector	Aug 2007	51.1	4.0	47.1
	Aug 2008	29.3	9.6	19.7
	Aug 2009	28.9	12.0	16.9
	Aug 2010	44.3	6.0	38.3
	Annual change	15.4	6.0	21.4

RECRUITING DIFFICULTY

In July, top-level talent is not elusive, but harder to come by for HR professionals

LINE's recruiting difficulty index measures how difficult it is for firms to recruit candidates to fill the positions of greatest strategic importance to their companies.

Even though only a small percentage of respondents reported having a tougher time finding top talent, the level of difficulty increased compared with a year ago. In the manufacturing sector, a net of 3.5 percent of respondents had more difficulty with recruiting in July (8.3 percent reported more difficulty, 4.8 percent reported less difficulty). This is a modest net increase of 16.6 points from July 2009, when a net of 13.1 percent reported less difficulty with recruiting.

In the service sector, a net of 1.9 percent of HR professionals had less difficulty recruiting in July (10.6 percent had more difficulty, 12.5 percent had less difficulty). Still, this is a moderate increase of 18.0 points from July 2009, when a net total of 19.9 percent of companies had less difficulty with finding top talent.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2007	20.6	5.9	14.7
	Jul 2008	10.1	17.7	-7.6
	Jul 2009	2.8	15.9	-13.1
	Jul 2010	8.3	4.8	3.5
	Annual change	5.5	11.1	16.6
Service Sector	Jul 2007	19.6	4.4	15.2
	Jul 2008	18.3	8.5	9.8
	Jul 2009	3.0	22.9	-19.9
	Jul 2010	10.6	12.5	-1.9
	Annual change	7.6	10.4	18.0

NEW-HIRE COMPENSATION

Wages and benefits packages for new hires continue to rise in July

The continuing high rate of unemployment and a large pool of job seekers in the market have given many companies the option of reducing the wages and benefits they are offering new hires in an ongoing effort to control costs. LINE provides the only published index of new-hire compensation.

In the manufacturing sector, a net total of 2.6 percent of respondents said they would increase new-hire compensation in July (3.5 percent increased, 0.9 percent decreased). That is an increase of 2.9 points from July 2009. In the service sector, a net total of 6.5 percent of companies increased new-hire compensation in July (7.6 percent increased, 1.1 percent decreased). That represents a net increase of 8.1 points from July 2009, when a net of 1.6 percent of service companies decreased new-hire compensation.

The low rates of change in both sectors indicate that most organizations are keeping new-hire compensation rates flat and that many people landing new jobs are continuing to accept lower wages and benefits as the labor market remains weak.

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2007	13.3	1.1	12.1
	Jul 2008	6.1	5.7	0.4
	Jul 2009	3.1	3.4	-0.3
	Jul 2010	3.5	0.9	2.6
	Annual change	0.4	2.5	2.9
Service Sector	Jul 2007	15.3	1.2	14.1
	Jul 2008	8.5	1.9	6.6
	Jul 2009	2.4	4.0	-1.6
	Jul 2010	7.6	1.1	6.5
	Annual change	5.2	2.9	8.1

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Job openings for salaried positions rise in both sectors in July

Vacancies are defined as open positions that employers are actively trying to fill. Typically, exempt employment declines by a smaller percentage than nonexempt employment during economic downturns and increases by a smaller percentage during economic expansions. LINE data cover exempt vacancies, or primarily salaried positions, and nonexempt vacancies, which are mostly hourly employees. Changes in the number of job vacancies can be one of the earliest indicators of a shift in the balance between labor supply and demand.

In the manufacturing sector, a net total of 16.6 percent of respondents reported increases in exempt vacancies in July (24.3 percent reported increases, 7.7 percent reported decreases). This represents a 13.6 point increase from July 2009 and the 12th consecutive month that exempt vacancies are higher than those of the same month the previous year.

In the service sector, a net total of 16.6 percent of respondents reported increases in exempt vacancies in July (24.3 percent reported increases, 7.7 percent reported decreases). That is a 26.9 point increase from July 2009 and also the 12th consecutive month that exempt vacancies are higher than they were the previous year.

Table 4 | Exempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2007	32.8	13.1	19.7
	Jul 2008	19.8	12.1	7.7
	Jul 2009	15.3	12.3	3.0
	Jul 2010	24.3	7.7	16.6
	Annual change	9.0	4.6	13.6
Service Sector	Jul 2007	22.6	11.5	11.1
	Jul 2008	13.0	9.9	3.1
	Jul 2009	12.0	22.3	-10.3
	Jul 2010	24.3	7.7	16.6
	Annual change	12.3	14.6	26.9

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs also increase in July

In contrast to exempt employment, nonexempt employment typically decreases by a greater percentage during economic downturns and increases by a larger percentage during economic expansions.

A net total of 19.7 percent of manufacturing respondents reported that nonexempt vacancies increased in July (30.0 percent increased, 10.3 percent decreased). This represents a 12.8 point increase from July 2009. In accordance with federal data, this suggests that manufacturers are adding jobs and production is increasing. Industrial production rose 0.1 percent in June and was 8.2 percent higher than in June 2009, according to the Federal Reserve. The BLS also reported that manufacturers have added 136,000 jobs since December 2009.

For nonexempt service positions, a net total of 20.6 percent reported increased vacancies in July (29.6 percent increased, 9.0 percent decreased). This marked a 14.5 point jump from July 2009. The rise in vacancies may be partially driven by growth in temporary help services, which added 21,000 jobs in June, according to the BLS.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2007	28.7	15.2	13.5
	Jul 2008	27.1	20.2	6.9
	Jul 2009	17.2	10.3	6.9
	Jul 2010	30.0	10.3	19.7
	Annual change	12.8	0.0	12.8
Service Sector	Jul 2007	38.7	22.0	16.7
	Jul 2008	22.7	13.0	9.7
	Jul 2009	18.2	12.1	6.1
	Jul 2010	29.6	9.0	20.6
	Annual change	11.4	3.1	14.5

ABOUT THIS REPORT

Schedule of Release

The SHRM LINE Report is released at 8:30 a.m. Eastern time on the third Friday after the conclusion of the week including the 12th of the month. The SHRM employment expectations index describes the same time period referenced approximately one month later in the Employment Situation Report issued by the Bureau of Labor Statistics. For example, the LINE employment expectations index released on August 6, 2010, describes the same August time period that the BLS will report on September 3, 2010. LINE has tracked manufacturing-sector hiring trends since 2004 and service-sector trends since 2005.

Methodology

The SHRM LINE data are collected through a monthly survey of human resource executives at more than 500 manufacturing and 500 service-sector firms. The net increasing index is calculated as the percentage increasing minus the percentage decreasing. For the employment expectations index, annual change is calculated by subtracting from the % increasing, decreasing and net increasing values for the coming month the value of each from the same month one year ago. For all other indices, the annual change is calculated by subtracting from the % increasing, decreasing and net increasing values for the current month the value of each from the same month one year ago.

The SHRM LINE indices are not seasonally adjusted. LINE users are encouraged to take seasonality into consideration by comparing the LINE indices for the current month with the comparable LINE indices for the same month one year earlier. The responses in the LINE survey are weighted using the proportion of total employment represented by the respondent's industry. These weights are calculated using the annual benchmark revisions that the BLS released on February 17, 2010. For more information, visit www.shrm.org/line.

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