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LINE Employment Report for MAY 2010

More Manufacturers and Service Companies Adding to Payrolls in May

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In May, for the seventh straight month, hiring will increase in manufacturing and services on an annual basis.	+48.7 ↑	+37.0 ↑

RECRUITING DIFFICULTY	Manufacturing	Service
In April, the index for recruiting difficulty rose in both sectors compared with a year ago.	+18.9 ↑	+14.2 ↑

NEW-HIRE COMPENSATION	Manufacturing	Service
The rate of increase for new-hire compensation in April rose on an annual basis in both the manufacturing and service sectors.	+7.2 ↑	+10.9 ↑

Source: SHRM Leading Indicators of National Employment (LINE), shrm.org/line

Hiring activity in the manufacturing and service sectors will increase significantly in May compared with a year ago, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for May 2010.

- **Hiring rates in May will reach levels not seen in almost three years.** In May, the percentage of manufacturing companies that are hiring is the highest since October 2007; in the service sector, the hiring rate is the highest it has been since June 2007.
- **Good workers are getting slightly harder to find.** More employers reported difficulty with landing top-level talent in April compared with a year ago.
- **New-hire compensation continues to increase.** In April, for the third consecutive month, the rate of new-hire compensation rose on an annual basis in both 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

In May, for the seventh month in a row, hiring will increase compared with the previous year

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.

Despite ongoing problems in the labor market, hiring in May looks much better than in recent months. The manufacturing index improved by a net of 48.7 points (a net of 43.9 percent of companies will hire in May, compared with 4.8 percent that conducted layoffs a year ago). The service hiring index rose in May by a net of 37.0 points (a net of 54.4 percent will add jobs, compared with a net of 17.4 percent that added jobs a year ago). Even with the positive numbers, the unemployment rate is expected to remain elevated throughout 2010. The sharp rise in the LINE hiring indexes is also a reflection of poor job market conditions a year ago.

Still, the 54.5 percent of manufacturers that will add jobs in May is the highest percentage since October 2007. The 61.8 percent of service companies that have hiring plans in May is the highest rate since June 2007 in that sector.

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2007	54.5	11.3	43.2
	May 2008	47.7	17.7	30.0
	May 2009	21.6	26.4	-4.8
	May 2010	**54.5**	**10.6**	**43.9**
	Annual change	**32.9**	**15.8**	**48.7**
Service Sector	May 2007	61.0	9.0	52.0
	May 2008	50.6	15.1	35.5
	May 2009	32.9	15.5	17.4
	May 2010	**61.8**	**7.4**	**54.4**
	Annual change	**28.9**	**8.1**	**37.0**

RECRUITING DIFFICULTY

While plenty of top-level talent is available, some companies report increased recruiting difficulty

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 relatively few respondents are having a harder time finding top talent, the level of difficulty has risen compared with a year ago. In the manufacturing sector, a net of 0.9 percent of respondents had less difficulty with recruiting in April (8.8 percent reported more difficulty, 9.7 percent reported less difficulty). This is still a sharp net increase of 18.9 points from April 2009, when a net of 19.8 percent reported less difficulty with recruiting.

In the service sector, a net of 6.5 percent of companies reported less difficulty with recruiting (10.4 percent had more difficulty, 16.9 percent had less difficulty). This was also a modest increase of 14.2 points from April 2009, when a net total of 20.7 percent of companies had less difficulty with finding top talent.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2007	23.5	5.2	18.3
	Apr 2008	16.3	10.0	6.3
	Apr 2009	3.3	23.1	-19.8
	Apr 2010	**8.8**	**9.7**	**-0.9**
	Annual change	**5.5**	**13.4**	**18.9**
Service Sector	Apr 2007	20.0	3.6	16.4
	Apr 2008	10.4	20.9	-10.5
	Apr 2009	4.9	25.6	-20.7
	Apr 2010	**10.4**	**16.9**	**-6.5**
	Annual change	**5.5**	**8.7**	**14.2**

NEW-HIRE COMPENSATION

In April, for the third month in a row, wages and benefits packages rose compared with a year ago

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 4.9 percent of respondents said they would increase new-hire compensation in April (6.1 percent increased, 1.2 percent decreased). That is an increase of 7.2 points from April 2009. In the service sector, a net total of 1.3 percent of companies decreased new-hire compensation in April (3.4 percent increased, 4.7 percent decreased). That still represents a net increase of 10.9 points from April 2009, when a net of 12.2 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 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	Apr 2007	13.1	3.1	10.0
	Apr 2008	8.6	0.8	7.8
	Apr 2009	2.3	4.6	-2.3
	Apr 2010	**6.1**	**1.2**	**4.9**
	Annual change	**3.8**	**3.4**	**7.2**
Service Sector	Apr 2007	13.6	0.6	13.0
	Apr 2008	15.2	2.6	12.6
	Apr 2009	2.3	14.5	-12.2
	Apr 2010	**3.4**	**4.7**	**-1.3**
	Annual change	**1.1**	**9.8**	**10.9**

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Slow and steady improvement in hiring creates increase in salaried job vacancies in April

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 18.7 percent of respondents reported increases in exempt vacancies in April (24.5 percent reported increases, 5.8 percent reported decreases). This represents a 22.2 point increase from April 2009 and the ninth 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 April (25.9 percent reported increases, 9.3 percent reported decreases). That is a 28.6 point increase from April 2009 and also the ninth 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	Apr 2007	30.4	14.1	16.3
	Apr 2008	22.1	12.7	9.4
	Apr 2009	12.4	15.9	-3.5
	Apr 2010	**24.5**	**5.8**	**18.7**
	Annual change	**12.1**	**10.1**	**22.2**
Service Sector	Apr 2007	18.5	11.5	7.0
	Apr 2008	18.0	14.7	3.3
	Apr 2009	6.7	18.7	-12.0
	Apr 2010	**25.9**	**9.3**	**16.6**
	Annual change	**19.2**	**9.4**	**28.6**

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs also trend upward in April

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 23.7 percent of manufacturing respondents reported that nonexempt vacancies increased in April (31.9 percent increased, 8.2 percent decreased). This represents a 28.6 point increase from April 2009. In accordance with federal data, this suggests that manufacturers are slowly adding jobs and demand for production is improving. Industrial production rose for the ninth consecutive month in March, according to the Federal Reserve, and the BLS reported that the manufacturing industry added 45,000 jobs between January and March.

For nonexempt service positions, a net total of 29.1 percent reported increased vacancies in April (36.9 percent increased, 7.8 percent decreased). This marked a 31.0 point increase from April 2009. Increased demand for positions in the service sector may be partially driven by the health care industry, which added 27,000 jobs in March, according to the BLS.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2007	34.8	17.6	17.2
	Apr 2008	26.5	14.0	12.5
	Apr 2009	13.4	18.3	-4.9
	Apr 2010	**31.9**	**8.2**	**23.7**
	Annual change	**18.5**	**10.1**	**28.6**
Service Sector	Apr 2007	35.9	8.9	27.0
	Apr 2008	23.7	12.3	11.4
	Apr 2009	17.4	19.3	-1.9
	Apr 2010	**36.9**	**7.8**	**29.1**
	Annual change	**19.5**	**11.5**	**31.0**

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 May 7, 2010, describes the same May time period that the BLS will report on June 4, 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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