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SOCIETY FOR HUMAN RESOURCE MANAGEMENT

Labor Market Outlook

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- Labor Market Outlook Survey
  Q4 2010 (October–December)

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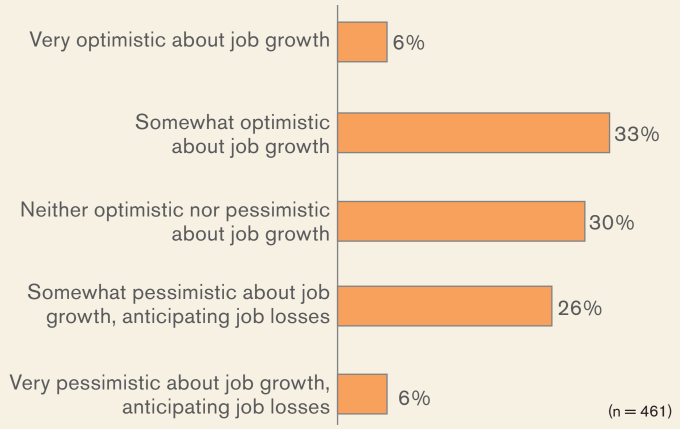
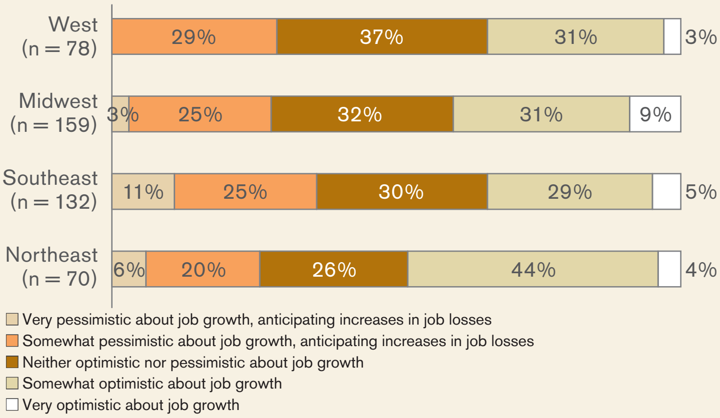
OPTIMISM ABOUT JOB GROWTH IN Q4 2010 (OCTOBER–DECEMBER)

Figure 1A | Optimism About Job Growth in the United States in Q4 2010



Note: Percentages may not total 100% due to rounding

Figure 1B | Optimism About Job Growth in the United States in Q4 2010 (by Region)



Source: SHRM Labor Market Outlook (October–December 2010)

Note: States that belong to each region surveyed in the LMO are as follows:

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

Southeast: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Montana, Oregon, Utah, Washington, Wyoming

With no indications that the U.S. economy will experience a significant expansion in the near term, human resource professionals' confidence in the job market has diminished for the fourth quarter of 2010, according to the Labor Market Outlook (LMO) survey by the Society for Human Resource Management (SHRM).

The LMO survey examines hiring trends across a six-month spectrum. The results for the fourth quarter of 2010 show that after steady gains in job market confidence and hiring through early and mid-2010, that trend has reversed. Among the survey's highlights:

- **A total of 39% of respondents have some level of confidence in the U.S. job market for the fourth quarter of 2010 and expect job growth**: 33% are *somewhat optimistic* about job growth in the United States, and another 6% are *very optimistic* and anticipate job growth during the quarter (see Figures 1A and 1B). **That represents a sharp drop from the third quarter of 2010**, when a combined 56% of respondents expressed some level of optimism about job growth in the labor market (49% were *somewhat optimistic*, 7% were *very optimistic*).

- **In the fourth quarter of 2010, 26% of respondents will conduct hiring, up slightly from 20% in the fourth quarter of 2009.** Among employer categories, large companies (those with more than 500 employees) will be the most likely to add jobs (31%) in the fourth quarter (see Figures 2A-2D).

- **In the third quarter of 2010, 45% of companies kept staffing levels flat and 17% conducted layoffs** (see Figures 3A-3D). That represents a sizable improvement for hiring activity from the third quarter of 2009, when 47% of companies maintained staffing levels and 30% cut jobs.

SHRM's LMO report examines hiring and recruiting trends based on a quarterly survey of public- and private-sector human resource professionals who have a direct role in the staffing decisions at their companies. Respondents come from small, medium and large companies from around the United States and belong to a variety of for-profit, nonprofit and government entities.

For the fourth quarter of 2010, a combined 32% of respondents have concerns about the job market and anticipate job cuts in the U.S. labor force (6% were *very pessimistic* and expected further job losses, and 26% were *somewhat pessimistic*). That number is up from a combined level of 19% in the third quarter of 2010, and nearly identical to a combined 33% in the fourth quarter of 2009.

The degree of HR professionals' optimism or pessimism for the job market in the fourth quarter of 2010 varied slightly across U.S. geographic regions. Respondents from the Northeast region expressed the highest combined level of optimism, at 48%, and the Southeast region had the highest combined level of pessimism (36%).

Although the U.S. economy has made quarterly productivity gains since mid-2009, the activity has been tempered as of late. A revised estimate for the U.S. Gross Domestic Product in the second quarter showed a gain of just 1.7%, down from the original estimate of 2.4%. That is far short of the 3% to 3.5% that economists and other observers deem necessary to reduce the unemployment rate and provide sustained growth to the economy.

Unemployment is expected to remain near 10% for the remainder of 2010 and into 2011, with employers continuing to be hesitant to commit to new hires. Some companies are instead increasing the workloads of their current staff—23% of LMO respondents said their hourly employees worked longer hours in the third quarter of 2010 compared with the second quarter of the year.

The LMO fourth quarter results also show that large publicly traded companies will conduct the most business and hiring activity at the end of 2010. Among employer size categories, large employers (500 or more employees) were most likely to increase their workers' hours in the fourth quarter (24%). Among employer classification categories, publicly owned for-profit companies (23%) were most likely to add time to their hourly workers' schedules in the fourth quarter.

Among those surveyed, 26% of companies will conduct hiring in the fourth quarter of 2010. In employer size categories, large companies will hire at the highest rate in the fourth quarter (31%), followed by small companies (1 to 99 employees) at 28% and

LOOKING AHEAD: Q4 2010 (OCTOBER–DECEMBER)

Figure 2A | Planned Changes in Total Staff Level

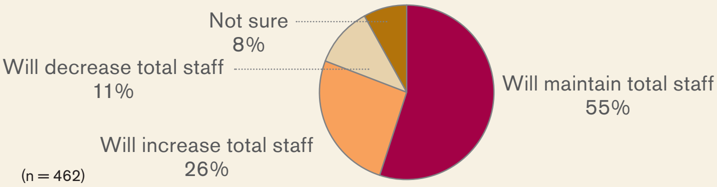


Figure 2B | Planned Changes in Total Staff Level by Organization Staff Size

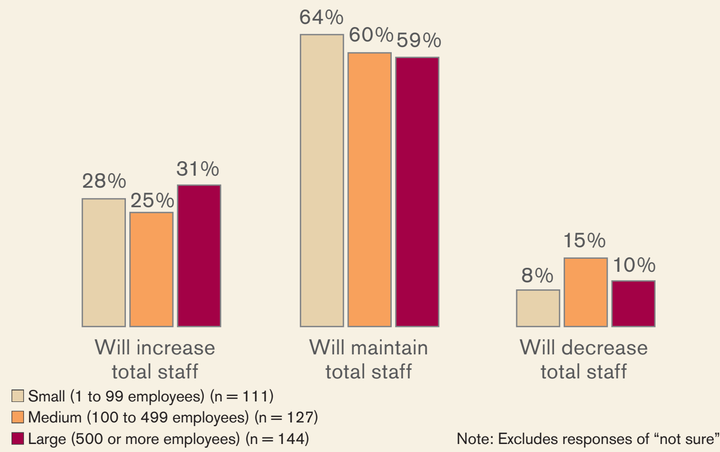
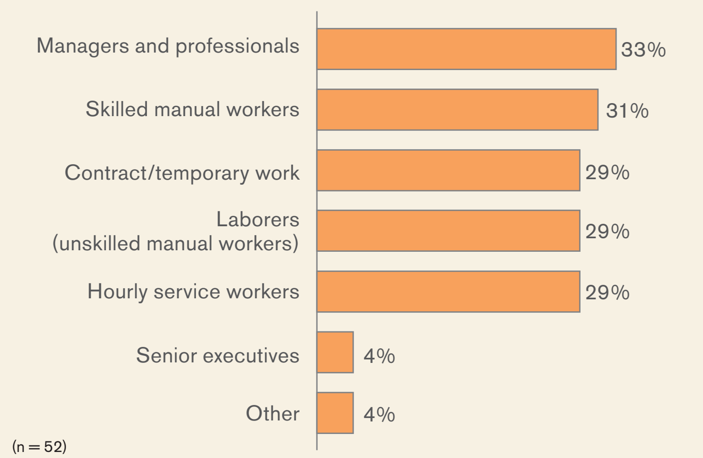


Figure 2C | Planned Changes in Total Staff Level by Organization Sector

	Overall (n = 426)	Publicly Owned For-Profit (n = 66)	Privately Owned For-Profit (n = 229)	Nonprofit (n = 69)	Government (n = 38)
Will increase total staff	28%	47%	27%	25%	13%
Will maintain total staff	60%	44%	62%	67%	66%
Will decrease total staff	12%	9%	10%	9%	21%

Note: Excludes responses of "not sure"

Figure 2D | Categories of Workers Affected by Planned Q4 2010 Layoffs



Source: SHRM Labor Market Outlook (October–December 2010)

LOOKING BACK: Q3 2010 (JULY–SEPTEMBER)

Figure 3A | Changes in Total Staff Level

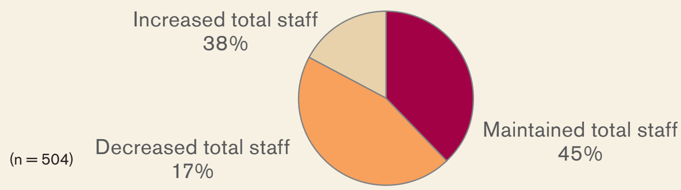


Figure 3B | Changes in Total Staff Level by Organization Staff Size

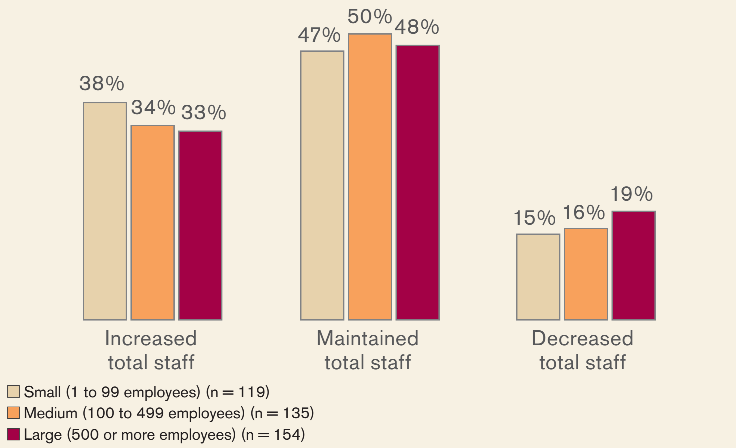
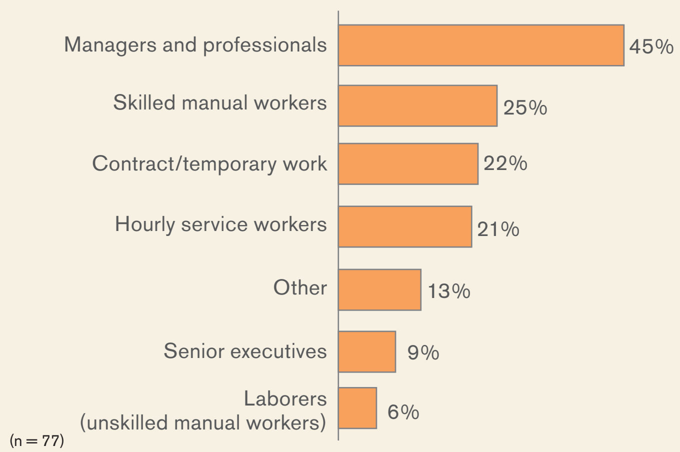


Figure 3C | Changes in Total Staff Level by Organization Sector

	Overall (n = 504)	Publicly Owned For-Profit (n = 73)	Privately Owned For-Profit (n = 244)	Nonprofit (n = 75)	Government (n = 39)
Increased total staff	38%	40%	38%	27%	21%
Maintained total staff	45%	38%	47%	56%	54%
Decreased total staff	17%	22%	15%	17%	26%

Figure 3D | Categories of Workers Affected by Q3 2010 Layoffs



Source: SHRM Labor Market Outlook (October–December 2010)

medium-sized companies (100 to 499 employees) at 25%.

Among employment classification categories, nearly half (47%) of publicly owned for-profit companies surveyed will add jobs in the fourth quarter. That category is followed by privately owned for-profit companies (27%), nonprofits (25%) and the government sector (13%).

Even though substantial hiring has yet to take hold, the rate of job losses in the United States has declined since the start of the 2010, and the LMO results from the third quarter of 2010 are in line with that trend. During the third quarter, 17% of respondents said they eliminated jobs, virtually unchanged from 15% in the second quarter of 2010 and down from 20% during the first quarter of the year.

In the third quarter of 2010, 26% of government sector respondents cut jobs, the highest rate among employer classifications. They were followed by publicly owned for-profit companies (22%), the nonprofit sector (17%) and privately owned for-profit companies, which cut jobs at a rate of 15%.

For the 38% of respondents that did hire staff in the third quarter of 2010, small employers added workers at the highest rate (38%). They were followed by medium-sized companies (34% of which conducted hiring) and large employers (33%). Across all categories of businesses that added staff in the third quarter, small employers added an average of 10 workers, medium-sized employers hired an average of 13 workers and large companies added an average of 80 workers.

Other SHRM data support the LMO findings regarding hiring trends in 2010. Jobs were added at a higher pace every month in the manufacturing and service sectors in January through October 2010 compared with those months in 2009, according to SHRM's monthly Leading Indicators of National Employment (LINE) report. However, the rate of increase in hiring levels slowed during the July-October timeframe. While this shows that hiring conditions have improved from a year ago, it is also a reminder of how depressed the job market was in 2009.

Project Team

Project leader:	Joseph Coombs, workplace trends and forecasting specialist
Project contributors:	Amanda Benedict, M.A., survey research analyst Evren Esen, manager, Survey Program Jennifer Schramm, M. Phil, manager, Workplace Trends and Forecasting Mark Schmit, Ph.D., director, Research
Copy editing:	Katya Scanlan, copy editor
Design:	Jihee Lombardi, graphic designer

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SHRM Labor Market Outlook Survey Methodology

A sample of HR professionals was randomly selected from SHRM's membership database, which included approximately 250,000 individual members at the time the survey was conducted. Only members who had not participated in a SHRM survey or poll in the last six months were included in the sampling frame. Members who were students, located internationally or had no e-mail address on file were excluded from the sampling frame. In August 2010, an e-mail that included a hyperlink to the SHRM Labor Market Outlook Survey was sent to 3,000 randomly selected SHRM members. Of these, 2,976 e-mails were successfully delivered to respondents, and 519 HR professionals responded, yielding a response rate of 17%. The survey was accessible for a period of two weeks, and three e-mail reminders were sent to nonrespondents in an effort to increase response rates.

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