



Hiring Activity for October Appears Weak

| EMPLOYMENT EXPECTATIONS | Manufacturing | Service |
|--|---------------|------------|
| In October, hiring activity will rise slightly in manufacturing and will drop moderately in services compared with a year ago. | +1.1 ↑ | -10.4 ↓ |
| RECRUITING DIFFICULTY | Manufacturing | Service |
| In September, the index for recruiting difficulty rose slightly in both sectors compared with a year ago. | +4.9 ↑ | +4.6 ↑ |
| NEW-HIRE COMPENSATION | Manufacturing | Service |
| The rate of increase for new-hire compensation in September rose in both sectors compared with a year ago. | +6.7 ↑ | +2.9 ↑ |

Continuing a recent pattern of weak job growth in the United States, hiring in October will be limited in the manufacturing sector and will fall in the service sector compared with a year ago, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for October 2011.

- **Hiring expectations will be muted in October.** The rate of job creation will be virtually unchanged in manufacturing and fall moderately in services in October compared with a year ago.
- **Recruiting difficulty rises in both sectors.** More HR professionals in manufacturing and services reported increased difficulty with recruiting key candidates in September.
- **Some new hires see increases in compensation.** In September, for the 12th consecutive month, the rate of increase for wages and benefits 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

Slow-growth labor market conditions will continue in October

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 will rise in October on a year-over-year basis by a net of just 1.1 points (a net of 30.4 percent of companies will hire in October, compared with a net of 29.3 percent that added jobs a year ago). Service-sector hiring will decrease in October by a net of 10.4 points (a net of 29.0 percent will add jobs, compared with a net of 39.4 percent that added jobs a year ago).

The LINE results for October 2011 reflect an ongoing trend of subpar growth in job creation, in accord with recent federal data. Nonfarm payrolls were unchanged in August, according to the BLS, and the manufacturing sector—which has been one of the economy's stronger performers in terms of job growth—actually lost a net of 3,000 jobs during the month.

Table 1 | Employment Expectations

| | Month/Year | % Increasing | % Decreasing | Net Increasing |
|----------------|----------------------|--------------|--------------|----------------|
| Manufacturing | Oct 2008 | 40.4 | 20.0 | 20.4 |
| | Oct 2009 | 33.0 | 15.4 | 17.9 |
| | Oct 2010 | 41.8 | 12.5 | 29.3 |
| | Oct 2011 | 39.1 | 8.7 | 30.4 |
| | Annual change | -2.7 | 3.8 | 1.1 |
| Service Sector | Oct 2008 | 36.2 | 16.4 | 19.8 |
| | Oct 2009 | 32.5 | 19.1 | 13.4 |
| | Oct 2010 | 45.7 | 6.3 | 39.4 |
| | Oct 2011 | 39.8 | 10.8 | 29.0 |
| | Annual change | -5.9 | -4.5 | -10.4 |

RECRUITING DIFFICULTY

In September, more HR professionals had trouble landing candidates for key positions

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.

A net of 9.7 percent of manufacturing respondents had more difficulty with recruiting in September. This is a slight net increase of 4.9 points from September 2010 and the highest net of recruiting difficulty in four years in September. A net of 11.6 percent of service-sector HR professionals had more difficulty recruiting in September, an increase of 4.6 points from September 2010 and also the highest net in four years. The recruiting difficulty data suggest that the labor market is suffering partially from structural issues, along with decreased demand.

Considering that millions of people are actively seeking work and still cannot obtain employment in their industries, the rise in recruiting difficulty may be attributed to new or enhanced skill requirements for newly created high-level jobs. With the exception of March 2011, recruiting difficulty has risen on an annual basis in both sectors every month since December 2009.

Table 2 | Recruiting Difficulty

| | Month/Year | % Increasing | % Decreasing | Net Increasing |
|----------------|----------------------|--------------|--------------|----------------|
| Manufacturing | Sep 2008 | 12.2 | 13.1 | -0.9 |
| | Sep 2009 | 3.2 | 14.0 | -10.8 |
| | Sep 2010 | 10.4 | 5.6 | 4.8 |
| | Sep 2011 | 13.5 | 3.8 | 9.7 |
| | Annual change | 3.1 | 1.8 | 4.9 |
| Service Sector | Sep 2008 | 14.9 | 12.1 | 2.8 |
| | Sep 2009 | 9.8 | 17.1 | -7.3 |
| | Sep 2010 | 17.7 | 10.7 | 7.0 |
| | Sep 2011 | 18.0 | 6.4 | 11.6 |
| | Annual change | 0.3 | 4.3 | 4.6 |

NEW-HIRE COMPENSATION

In September, for the 12th consecutive month, rate of increase for new employees' wages and benefits rises

During the recession, a high rate of unemployment and a large pool of job seekers in the market gave many companies the option of holding down the wages and benefits they offered new hires in an ongoing effort to control costs. New-hire compensation is now beginning to rise—though only slightly. LINE provides the only published index of new-hire compensation.

In the manufacturing sector, a net total of 8.7 percent of respondents reported increasing new-hire compensation in September (10.7 percent increased, 2.0 percent decreased). That is an increase of 6.7 points from September 2010. In the service sector, a net total of 7.9 percent of companies increased new-hire compensation in September (8.4 percent increased, 0.5 percent decreased). That represents a 2.9-point increase from a year ago. With the exception of September 2010, the rate of new-hire compensation has risen on an annual basis—albeit in small increments—in both sectors in every month since February 2010.

Overall, most organizations are still keeping compensation rates flat. This is consistent with BLS findings on real average hourly earnings, which fell 1.9 percent in August 2011 compared with a year ago.

Table 3 | New-Hire Compensation

| | Month/Year | % Increasing | % Decreasing | Net Increasing |
|----------------|----------------------|--------------|--------------|----------------|
| Manufacturing | Sep 2008 | 7.7 | 1.1 | 6.6 |
| | Sep 2009 | 3.2 | 3.5 | -0.3 |
| | Sep 2010 | 5.2 | 3.2 | 2.0 |
| | Sep 2011 | 10.7 | 2.0 | 8.7 |
| | Annual change | 5.5 | 1.2 | 6.7 |
| Service Sector | Sep 2008 | 12.3 | 1.8 | 10.5 |
| | Sep 2009 | 6.9 | 1.3 | 5.6 |
| | Sep 2010 | 7.0 | 2.0 | 5.0 |
| | Sep 2011 | 8.4 | 0.5 | 7.9 |
| | Annual change | 1.4 | 1.5 | 2.9 |

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Salaried job openings fall in manufacturing, rise in services in September compared with a year ago

Vacancies are defined as open positions that employers are actively trying to fill. 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 10.4 percent of respondents reported increases in exempt vacancies in September (24.6 percent reported increases, 14.2 percent reported decreases). This represents a 3.0-point decrease from September 2010. In the service sector, a net total of 7.4 percent of respondents reported increases in exempt vacancies in September (20.3 percent reported increases, 12.9 percent reported decreases). That is a 2.5-point increase from September 2010.

Typically, exempt employment declines by a smaller percentage than nonexempt employment during economic downturns and increases by a smaller percentage during economic expansions.

Table 4 | Exempt Job Vacancies

| | Month/Year | % Increasing | % Decreasing | Net Increasing |
|----------------|----------------------|--------------|--------------|----------------|
| Manufacturing | Sep 2008 | 18.6 | 10.7 | 7.9 |
| | Sep 2009 | 19.3 | 8.6 | 10.7 |
| | Sep 2010 | 25.1 | 11.7 | 13.4 |
| | Sep 2011 | 24.6 | 14.2 | 10.4 |
| | Annual change | -0.5 | -2.5 | -3.0 |
| Service Sector | Sep 2008 | 11.9 | 16.0 | -4.1 |
| | Sep 2009 | 10.9 | 10.5 | 0.4 |
| | Sep 2010 | 26.1 | 21.2 | 4.9 |
| | Sep 2011 | 20.3 | 12.9 | 7.4 |
| | Annual change | -5.8 | 8.3 | 2.5 |

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Little change in vacancies for hourly jobs in September compared with a year ago

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 11.2 percent of manufacturing respondents reported that nonexempt vacancies increased in September (27.0 percent increased, 15.8 percent decreased). This represents a net 0.1-point decrease from September 2010. There were 257,000 job openings in manufacturing in July, up slightly from June, according to the BLS.

For nonexempt service positions, a net total of 18.0 percent of respondents reported increased vacancies in September (29.1 percent increased, 11.1 percent decreased). This marked a 3.5-point increase from September 2010. Job openings were unchanged in professional and business services and dropped slightly in education and health services in July compared with June, according to the BLS.

Table 5 | Nonexempt Job Vacancies

| | Month/Year | % Increasing | % Decreasing | Net Increasing |
|----------------|----------------------|--------------|--------------|----------------|
| Manufacturing | Sep 2008 | 34.4 | 17.3 | 17.1 |
| | Sep 2009 | 20.5 | 11.8 | 8.7 |
| | Sep 2010 | 26.9 | 15.6 | 11.3 |
| | Sep 2011 | 27.0 | 15.8 | 11.2 |
| | Annual change | 0.1 | -0.2 | -0.1 |
| Service Sector | Sep 2008 | 19.2 | 18.4 | 0.8 |
| | Sep 2009 | 24.3 | 17.4 | 6.9 |
| | Sep 2010 | 35.9 | 21.4 | 14.5 |
| | Sep 2011 | 29.1 | 11.1 | 18.0 |
| | Annual change | -6.8 | 10.3 | 3.5 |

About This Report

Schedule of Release

The SHRM LINE Report is released at 8:30 a.m. Eastern time on the first Thursday of each 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 Oct. 6, 2011, describes the same October time period that the BLS will report on Nov. 4, 2011. 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 Feb. 11, 2011. For more information, visit www.shrm.org/line.

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