



Hiring in August Will Follow Recent Pattern of Gradual Monthly Improvement

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
Employment expectations are at five-year lows for August in both manufacturing and service sectors.	-11.5 ↓	-2.8 ↓
RECRUITING DIFFICULTY	Manufacturing	Service
Recruiting difficulty in both sectors in July 2009 is down sharply compared with a year ago.	-5.5 ↓	-29.7 ↓
NEW-HIRE COMPENSATION	Manufacturing	Service
The rate of increase for wages and benefits packages in July 2009 has dipped compared with a year ago in both sectors.	-0.7 ↓	-8.2 ↓

Layoffs continue to permeate the labor market, but more companies in the manufacturing and service sectors are hiring compared with the first few months of 2009, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for August 2009.

- **Hiring expectations in August lag those from a year ago.** Though hiring is down in August compared with the same time in 2008, more companies in both the manufacturing and service sectors will add jobs rather than conduct layoffs for the second month in a row.
- **There is some evidence that the job market is gradually improving.** August marks the highest level of hiring in the manufacturing sector since October 2008. In the service sector in August, the hiring rate will surpass the layoff rate for the fourth consecutive month.
- **Wages and benefits packages for new workers continue to decline.** New-hire compensation rose at the slowest rate in July in five years in both 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% of the nation's private-sector workers.

EMPLOYMENT EXPECTATIONS

Hiring in August will continue to improve in both the manufacturing and service sectors

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

LINE's employment expectations index has tracked in lock-step with national economic patterns since December 2007, when the nonprofit National Bureau of Economic Research says the recession began. The last time the year-over-year change in this index was positive was November 2007. That will not change in August, but for the second month in a row, more employers in both the manufacturing and service sectors will add jobs rather than conduct layoffs.

In the manufacturing sector, a net total of 11.0 percent of respondents will add jobs in August. The 32.6 percent conducting hiring for the month represents the highest percentage of manufacturing companies that will add jobs since October 2008. In the service sector, a net total of 16.9 percent of companies will add jobs in August, the fourth straight month that the hiring rate will surpass the layoff rate in that sector.

Table 1 | Employment Expectations

		% Increasing	% Decreasing	Net Increasing
Manufacturing	Aug 2006	53.5	7.0	46.5
	Aug 2007	56.8	9.5	47.3
	Aug 2008	38.4	15.9	22.5
	Aug 2009	32.6	21.6	11.0
	Annual change	-5.8	5.7	-11.5
Service Sector	Aug 2006	57.9	3.9	54.0
	Aug 2007	51.1	4.0	47.1
	Aug 2008	29.3	9.6	19.7
	Aug 2009	28.9	12.0	16.9
	Annual change	-0.4	2.4	-2.8

RECRUITING DIFFICULTY

Members of both sectors have little difficulty finding top talent in July

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.

For the first time in five years in July and for the fifth consecutive month this year, LINE recorded single-digit response levels for those reporting increased difficulty with recruiting. The low response totals can likely be attributed to two factors: fewer HR professionals are engaged in recruiting right now during the economic downturn, and with an increased number of people looking for work, HR professionals can afford to be selective.

In the manufacturing sector, a net of 13.1 percent of companies reported less difficulty with recruiting (2.8 percent had more difficulty, 15.9 percent had less). July 2008 and 2009 are the only Julys in LINE's five-year history that a higher percentage of manufacturers reported an easier time recruiting as opposed to those who had more difficulty.

In the service sector, a net of 19.9 percent of companies had less difficulty recruiting (3.0 percent had more difficulty, 22.9 percent had less). With millions of people seeking work and fewer opportunities that exist, this trend in the LINE recruiting difficulty index is not likely to reverse in the near future.

Table 2 | Recruiting Difficulty

		% Increasing	% Decreasing	Net Increasing
Manufacturing	July 2006	25.7	3.0	22.7
	July 2007	20.6	5.9	14.7
	July 2008	10.1	17.7	-7.6
	July 2009	2.8	15.9	-13.1
	Annual change	-7.3	-1.8	-5.5
Service Sector	July 2006	19.7	5.2	14.5
	July 2007	19.6	4.4	15.2
	July 2008	18.3	8.5	9.8
	July 2009	3.0	22.9	-19.9
	Annual change	-15.3	14.4	-29.7

NEW-HIRE COMPENSATION

Very few companies increase wages and benefits packages for new hires in July

With hiring down during the recession and a large pool of job seekers in the market, some companies are 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 0.3 percent of respondents said they would decrease new-hire compensation in July (3.1 percent increased, 3.4 percent decreased). That is the lowest July response total in five years for manufacturers reporting increases to new-hire compensation.

In the service sector, the trend of reducing new-hire salaries and benefits was slightly more pronounced in July. A net total of 1.6 percent of companies reduced wages and benefits packages for new hires in July (2.4 percent increased, 4.0 percent decreased). The low response totals in both sectors indicate that the majority of companies are keeping salaries and benefits packages flat for new hires.

Table 3 | New-Hire Compensation

		% Increasing	% Decreasing	Net Increasing
Manufacturing	July 2006	11.8	0.2	11.6
	July 2007	13.2	1.1	12.1
	July 2008	6.1	5.7	0.4
	July 2009	3.1	3.4	-0.3
	Annual change	-3.0	-2.3	-0.7
Service Sector	July 2006	10.2	0.7	9.5
	July 2007	15.3	1.2	14.1
	July 2008	8.5	1.9	6.6
	July 2009	2.4	4.0	-1.6
	Annual change	-6.1	2.1	-8.2

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Vacancies for salaried jobs inch up in manufacturing and fall in the service sector 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 3.0 percent of respondents reported increases in exempt vacancies in July (15.3 percent reported increases, 12.3 percent reported decreases). Among the major job sectors, manufacturing had the second-lowest number of job openings in May 2009, trailing only the construction industry, according to the BLS.

In the service sector, a net total of 10.3 percent of respondents reported declines in exempt vacancies in July (12.0 percent reported increases, 22.3 percent reported decreases). The tight hiring conditions detailed in LINE match other data: In May 2009, there were 2.6 million

Table 4 | Exempt Job Vacancies

		% Increasing	% Decreasing	Net Increasing
Manufacturing	July 2006	21.5	8.0	13.5
	July 2007	32.8	13.1	19.7
	July 2008	19.8	12.1	7.7
	July 2009	15.3	12.3	3.0
	Annual change	-4.5	0.2	-4.7
Service Sector	July 2006	19.1	7.1	12.0
	July 2007	22.6	11.5	11.1
	July 2008	13.0	9.9	3.1
	July 2009	12.0	22.3	-10.3
	Annual change	-1.0	12.4	-13.4

job openings in the United States, a decline of 1.5 million from May 2008, according to the BLS.

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs in July increase slightly in both the service and manufacturing sectors

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 6.9 percent of manufacturing respondents reported that nonexempt vacancies increased in July (17.2 percent increased, 10.3 percent decreased). July's data match that of a year ago, when manufacturing respondents also reported a slight increase in nonexempt vacancies.

For nonexempt service positions, a net total of 6.1 percent reported increased vacancies in July (18.2 percent increased, 12.1 percent decreased). Nonexempt vacancy levels did not change much in July from the same time in 2008 in both sectors (no net change in manufacturing, a decline of 3.6 percent in the service sector).

Table 5 | Nonexempt Job Vacancies

		% Increasing	% Decreasing	Net Increasing
Manufacturing	July 2006	28.2	10.6	17.6
	July 2007	28.7	15.2	13.5
	July 2008	27.1	20.2	6.9
	July 2009	17.2	10.3	6.9
	Annual change	-9.9	-9.9	0.0
Service Sector	July 2006	31.3	13.5	17.8
	July 2007	38.7	22.0	16.7
	July 2008	22.7	13.0	9.7
	July 2009	18.2	12.1	6.1
	Annual change	-4.5	-0.9	-3.6

ABOUT THIS REPORT

Schedule of Release

The SHRM LINE Report is released at 9:00 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 7, 2009, describes the same August time period that the BLS will report on September 4, 2009. 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 2, 2009. For more information, visit www.shrm.org/line.

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