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LINE Employment Report for AUGUST 2011

Layoffs Increase and Hiring Declines in August

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In August, the hiring rate will decline on an annual basis in the manufacturing and service sectors.	-1.6	-19.1
RECRUITING DIFFICULTY	**Manufacturing**	**Service**
In July, the index for recruiting difficulty rose moderately in manufacturing and slightly in services compared with a year ago.	+11.2	+2.7
NEW-HIRE COMPENSATION	**Manufacturing**	**Service**
The rate of increase for new-hire compensation in July rose slightly in both sectors compared with a year ago.	+2.0	+5.8

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

Job growth will scale back in August compared with a year ago in the manufacturing and service sectors, and payroll cuts are slowly starting to rise, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for August 2011.

- **Hiring expectations go down in August.** The rate of job creation will decline slightly in manufacturing and fall sharply in services in August 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 July.
- **Compensation packages for new hires increase in July.** For the 10th 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

In August, job growth will slow in manufacturing and services compared with a year ago

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 drop in August on a year-over-year basis by a net of 1.6 points (a net of 35.6 percent of companies will hire in August, compared with a net of 37.2 percent that added jobs a year ago). Service-sector hiring will decrease in August by a net of 19.1 points (a net of only 19.2 percent will add jobs, compared with a net of 38.3 percent that added jobs a year ago).

The LINE results for August 2011 reveal what may be a temporary setback for the labor market's recovery, and they are in accord with recent federal data. Nonfarm payrolls only grew by 18,000 jobs in June, according to the BLS. Even more troubling for LINE's August report is the rise in layoffs—13.4 percent of manufacturers plan job cuts for the month, up from 7.7 percent a year ago, and the 15.3 percent of planned service-sector layoffs is more than double the rate from August 2010 (6.0 percent).

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Aug 2008	38.4	15.9	22.5
	Aug 2009	32.6	21.6	11.0
	Aug 2010	44.9	7.7	37.2
	Aug 2011	**49.0**	**13.4**	**35.6**
	Annual change	**4.1**	**-5.7**	**-1.6**
Service Sector	Aug 2008	29.3	9.6	19.7
	Aug 2009	28.9	12.0	16.9
	Aug 2010	44.3	6.0	38.3
	Aug 2011	**34.5**	**15.3**	**19.2**
	Annual change	**-9.8**	**-9.3**	**-19.1**

RECRUITING DIFFICULTY

In July, more HR professionals continue to have 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.

In the manufacturing sector, a net of 14.7 percent of respondents had more difficulty with recruiting in July. This is a modest net increase of 11.2 points from July 2010. In the service sector, a net of 0.8 percent of HR professionals had more difficulty recruiting in July. This is a small increase of 2.7 points from July 2010, and taken with the manufacturing data, it suggests that the labor market is weak from a lack of demand and possibly from structural issues as well.

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 for every month since December 2009.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2008	10.1	17.7	-7.6
	Jul 2009	2.8	15.9	-13.1
	Jul 2010	8.3	4.8	3.5
	Jul 2011	**18.2**	**3.5**	**14.7**
	Annual change	**9.9**	**1.3**	**11.2**
Service Sector	Jul 2008	18.3	8.5	9.8
	Jul 2009	3.0	22.9	-19.9
	Jul 2010	10.6	12.5	-1.9
	Jul 2011	**14.6**	**13.8**	**0.8**
	Annual change	**4.0**	**-1.3**	**2.7**

NEW-HIRE COMPENSATION

In July, for the 10th 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 4.6 percent of respondents reported increasing new-hire compensation in July (7.6 percent increased, 3.0 percent decreased). That is an increase of 2.0 points from July 2010. In the service sector, a net total of 12.3 percent of companies increased new-hire compensation in July (13.4 percent increased, 1.1 percent decreased). That represents a 5.8-point increase from July 2010. With the exception of September 2010, new-hire compensation has risen on an annual basis—albeit in small increments—in both sectors for every month since February 2010.

Overall, most organizations are still keeping new-hire compensation rates flat. This is consistent with the BLS findings showing that real average hourly earnings changed little between May and June (increased by 0.2 percent).

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2008	6.1	5.7	0.4
	Jul 2009	3.1	3.4	-0.3
	Jul 2010	3.5	0.9	2.6
	Jul 2011	**7.6**	**3.0**	**4.6**
	Annual change	**4.1**	**-2.1**	**2.0**
Service Sector	Jul 2008	8.5	1.9	6.6
	Jul 2009	2.4	4.0	-1.6
	Jul 2010	7.6	1.1	6.5
	Jul 2011	**13.4**	**1.1**	**12.3**
	Annual change	**5.8**	**0.0**	**5.8**

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Salaried job openings drop slightly in manufacturing, sharply in services 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. Typically, exempt employment declines by a smaller percentage than nonexempt employment during economic downturns and increases by a smaller percentage during economic expansions.

In the manufacturing sector, a net total of 12.5 percent of respondents reported increases in exempt vacancies in July (23.2 percent reported increases, 10.7 percent reported decreases). This represents a 4.1-point decrease from July 2010. In the service sector, a net total of 0.9 percent of respondents reported increases in exempt vacancies in July (14.5 percent reported increases, 13.6 percent reported decreases). That is a 15.7-point decrease from July 2010.

Table 4 | Exempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2008	19.8	12.1	7.7
	Jul 2009	15.3	12.3	3.0
	Jul 2010	24.3	7.7	16.6
	Jul 2011	**23.2**	**10.7**	**12.5**
	Annual change	**-1.1**	**-3.0**	**-4.1**
Service Sector	Jul 2008	13.0	9.9	3.1
	Jul 2009	12.0	22.3	-10.3
	Jul 2010	24.3	7.7	16.6
	Jul 2011	**14.5**	**13.6**	**0.9**
	Annual change	**-9.8**	**-5.9**	**-15.7**

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs decline in both sectors in July 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 17.6 percent of manufacturing respondents reported that nonexempt vacancies increased in July (29.9 percent increased, 12.3 percent decreased). This represents a 2.1-point decrease from July 2010. There were 223,000 job openings in manufacturing in May, down slightly from 226,000 in April, according to the BLS.

For nonexempt service positions, a net total of 4.0 percent of respondents reported increased vacancies in July (26.3 percent increased, 22.3 percent decreased). This marked a decrease of 16.6 points from July 2010. The sharp drop in service-sector vacancies may partially be a function of decreased hiring in temporary help services, which shed 12,000 jobs in June, according to the BLS.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jul 2008	27.1	20.2	6.9
	Jul 2009	17.2	10.3	6.9
	Jul 2010	30.0	10.3	19.7
	Jul 2011	**29.9**	**12.3**	**17.6**
	Annual change	**-0.1**	**-2.0**	**-2.1**
Service Sector	Jul 2008	22.7	13.0	9.7
	Jul 2009	18.2	12.1	6.1
	Jul 2010	29.6	9.0	20.6
	Jul 2011	**26.3**	**22.3**	**4.0**
	Annual change	**-3.3**	**-13.3**	**-16.6**

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 Aug. 4, 2011, describes the same August time period that the BLS will report on Sept. 2, 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. 17, 2010. For more information, visit www.shrm.org/line.

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