



## Hiring Gains Expected in February, but Rate of Job Growth Still Behind 2011

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In February, the hiring rate will drop slightly in manufacturing and fall moderately in services compared with a year ago.	-2.5 ↓	-12.3 ↓
RECRUITING DIFFICULTY	Manufacturing	Service
In January, the index for recruiting difficulty rose slightly in both sectors compared with a year ago.	+3.9 ↑	+5.6 ↑
NEW-HIRE COMPENSATION	Manufacturing	Service
In January, the rate of increase for new-hire compensation rose in both manufacturing and services.	+1.8 ↑	+5.6 ↑

The hiring outlook for February shows a net gain in employment in the manufacturing and service sectors, although the pace of job creation lags that of a year ago, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for February 2012.

- **Hiring will be steady in both sectors in February.** Four out of 10 manufacturers (40.2 percent) will add jobs in February, and a net of 20.9 percent of service-sector companies will conduct hiring.
- **Recruiting difficulty edges up in both sectors.** More HR professionals in both sectors reported increased difficulty with recruiting key candidates in January compared with a year ago.
- **Some new hires see increases in compensation.** In January, the rate of increase for wages and benefits rose slightly on an annual basis in manufacturing and services.

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

### Manufacturing will lead the way for hiring in February, some job creation expected in services

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.

A net of 40.2 percent of manufacturers will add jobs in February (49.1 percent will hire, 8.9 percent will cut jobs), but the hiring index will fall in February on a year-over-year basis by a net of 2.5 points (a net of 42.7 percent of manufacturers added jobs a year ago). A net of 20.9 percent of service-sector companies will grow payrolls in February (26.3 percent will add jobs, 5.4 percent will trim payrolls), but the service hiring index will fall by 12.3 points compared with a year ago (a net of 33.2 percent added jobs in February 2011).

The LINE results for February 2012 reflect an ongoing trend of steady but subpar growth in job creation, in accord with recent federal data. Preliminary data from the BLS show that nearly 1.6 million jobs were created in 2011, but as of December, there were still 14 million people out of work. Of that group, 5.6 million, or 42.5 percent, were classified as "long-term unemployed," or those jobless for 27 weeks or more.

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2009	14.2	44.3	-30.1
	Feb 2010	42.8	12.5	30.3
	Feb 2011	50.6	7.9	42.7
	<b>Feb 2012</b>	<b>49.1</b>	<b>8.9</b>	<b>40.2</b>
	<b>Annual change</b>	<b>-1.5</b>	<b>-1.0</b>	<b>-2.5</b>
Service Sector	Feb 2009	26.3	22.3	4.0
	Feb 2010	35.0	11.5	23.5
	Feb 2011	40.3	7.1	33.2
	<b>Feb 2012</b>	<b>26.3</b>	<b>5.4</b>	<b>20.9</b>
	<b>Annual change</b>	<b>-14.0</b>	<b>1.7</b>	<b>-12.3</b>

## RECRUITING DIFFICULTY

### In January, some HR professionals still struggled to land qualified workers 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 12.2 percent of manufacturing respondents had more difficulty with recruiting in January. This is a slight net increase of 3.9 points from January 2011 and the highest net of recruiting difficulty in four years in January. A net of 6.8 percent of service-sector HR professionals had more difficulty recruiting in January, an increase of 5.6 points from a year ago and also the highest net for January in four years. The recruiting difficulty data suggest that the labor market is suffering partially from structural issues, along with decreased demand.

A November 2011 SHRM survey found that 52 percent of HR professionals are having trouble finding properly skilled workers for job openings at their companies. With the exception of March 2011, LINE's recruiting difficulty index has risen on annual basis in both sectors for every month since December 2009.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jan 2009	1.9	21.3	-19.4
	Jan 2010	4.8	10.8	-6.0
	Jan 2011	11.0	2.7	8.3
	<b>Jan 2012</b>	<b>15.0</b>	<b>2.8</b>	<b>12.2</b>
	<b>Annual change</b>	<b>4.0</b>	<b>-0.1</b>	<b>3.9</b>
Service Sector	Jan 2009	6.6	24.9	-18.3
	Jan 2010	3.2	15.6	-12.4
	Jan 2011	6.9	5.7	1.2
	<b>Jan 2012</b>	<b>11.1</b>	<b>4.3</b>	<b>6.8</b>
	<b>Annual change</b>	<b>4.2</b>	<b>1.4</b>	<b>5.6</b>

## NEW-HIRE COMPENSATION

### In January, more companies in both sectors increased compensation for new hires

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. If hiring rates improve significantly, new-hire compensation can be expected to increase. LINE provides the only published index of changes in new-hire compensation.

In the manufacturing sector, a net total of 7.1 percent of respondents reported increasing new-hire compensation in January (7.7 percent increased, 0.6 percent decreased). That is an increase of 1.8 points from January 2011. In the service sector, a net total of 8.5 percent of companies increased new-hire compensation in January (9.5 percent increased, 1.0 percent decreased). That represents a 5.6-point increase from a year ago.

Overall, the index's data show that most organizations are still keeping new-hire compensation rates flat. This is consistent with recent BLS findings on real average hourly earnings, which fell 0.9 percent in December 2011 compared with a year ago. Several private surveys also are calling for minimal increases to salary budgets in 2012, most commonly around 3 percent.

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jan 2009	2.3	3.1	-0.8
	Jan 2010	2.5	1.0	1.5
	Jan 2011	7.0	1.7	5.3
	<b>Jan 2012</b>	<b>7.7</b>	<b>0.6</b>	<b>7.1</b>
	<b>Annual change</b>	<b>0.7</b>	<b>1.1</b>	<b>1.8</b>
Service Sector	Jan 2009	11.3	1.2	10.1
	Jan 2010	3.6	2.8	0.8
	Jan 2011	4.1	1.2	2.9
	<b>Jan 2012</b>	<b>9.5</b>	<b>1.0</b>	<b>8.5</b>
	<b>Annual change</b>	<b>5.4</b>	<b>0.2</b>	<b>5.6</b>

## VACANT POSITIONS IN EXEMPT EMPLOYMENT

### Salaried job openings fall in manufacturing and rise 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.

In the manufacturing sector, a net total of 10.4 percent of respondents reported increases in exempt vacancies in January (20.4 percent reported increases, 10.0 percent reported decreases). This represents a 6.8-point decline from January 2011. In the service sector, a net total of 9.0 percent of respondents reported increases in exempt vacancies in January (13.7 percent reported increases, 4.7 percent reported decreases). That is a 5.7-point increase from January 2011.

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	Jan 2009	7.9	27.8	-19.9
	Jan 2010	17.4	8.8	8.6
	Jan 2011	24.8	7.6	17.2
	<b>Jan 2012</b>	<b>20.4</b>	<b>10.0</b>	<b>10.4</b>
	<b>Annual change</b>	<b>-4.4</b>	<b>-2.4</b>	<b>-6.8</b>
Service Sector	Jan 2009	7.1	18.9	-11.8
	Jan 2010	16.5	8.8	7.7
	Jan 2011	16.9	13.6	3.3
	<b>Jan 2012</b>	<b>13.7</b>	<b>4.7</b>	<b>9.0</b>
	<b>Annual change</b>	<b>-3.2</b>	<b>8.9</b>	<b>5.7</b>

## VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

### More companies have vacancies for hourly jobs in January, but at lower rates than 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 13.3 percent of manufacturing respondents reported that nonexempt vacancies increased in January (25.5 percent increased, 12.2 percent decreased). This represents a 13.5-point decrease from January 2011. For nonexempt service positions, a net total of 7.5 percent of respondents reported increased vacancies in January (21.6 percent increased, 14.1 percent decreased). This marks a 5.3-point decrease from January 2011.

Although both sectors showed a net positive for job openings during the month of January, the decline in nonexempt openings when compared with a year ago could be due to lower demand. BLS data from November 2011 show that manufacturing-sector job openings changed little from 2010 (up 14,000), and professional and business services openings were down by 130,000.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jan 2009	9.8	32.8	-23.0
	Jan 2010	26.2	10.6	15.6
	Jan 2011	35.7	8.9	26.8
	<b>Jan 2012</b>	<b>25.5</b>	<b>12.2</b>	<b>13.3</b>
	<b>Annual change</b>	<b>-10.2</b>	<b>-3.3</b>	<b>-13.5</b>
Service Sector	Jan 2009	13.5	24.0	-10.5
	Jan 2010	20.5	13.2	7.5
	Jan 2011	29.1	16.3	12.8
	<b>Jan 2012</b>	<b>21.6</b>	<b>14.1</b>	<b>7.5</b>
	<b>Annual change</b>	<b>-7.5</b>	<b>2.2</b>	<b>-5.3</b>

## 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 one month later in the *Employment Situation Report* issued by the Bureau of Labor Statistics. For example, the LINE employment expectations index released on Feb. 2, 2012 describes the same February time period that the BLS will report on March 9, 2012. 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 compar-

ing 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](http://www.shrm.org/line).

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