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LINE Employment Report for JANUARY 2012

Hiring Rate Will Fall Again in January in Manufacturing and Services

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In January, hiring will drop slightly in manufacturing and fall sharply in services compared with a year ago.	-4.4	-15.4
RECRUITING DIFFICULTY	**Manufacturing**	**Service**
In December, the index for recruiting difficulty rose slightly in both sectors compared with a year ago.	+2.9	+5.8
NEW-HIRE COMPENSATION	**Manufacturing**	**Service**
In December, the rate of increase for new-hire compensation rose in manufacturing and fell in services.	+0.6	-3.9

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

In January, for the third consecutive month, hiring activity will decrease and job cuts will rise in the manufacturing and service sectors compared with a year ago, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for January 2012.

- **Low rate of job creation expected for January.** Hiring activity will fall slightly in manufacturing and sharply in services in January compared with a year ago.
- **Recruiting difficulty edges up in both sectors.** More HR professionals in both sectors reported increased difficulty with recruiting key candidates in December compared with a year ago.
- **Some new hires see increases in compensation.** In December, the rate of increase for wages and benefits rose on an annual basis in manufacturing and fell in services.

The LINE Employment Report examines four key areas: **employers' hiring expectations, new-hire compensation, difficulty in recruiting top-level talent** and jo**b 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

Job opportunities expected to decrease in January 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 fall in January on a year-over-year basis by a net of 4.4 points (a net of 25.2 percent of companies will hire in January, compared with a net of 29.6 percent that added jobs a year ago). Service-sector hiring will drop significantly in January by a net of 15.4 points (a net of just 6.1 percent will add jobs, compared with a net of 21.5 percent that conducted hiring a year ago).

The LINE results for January 2012 reflect an ongoing trend of subpar growth in job creation, in accord with recent federal data. For the 12-month period ending November 2011, payroll employment increased by an average of 131,000 jobs per month, according to the BLS. Many economists say twice that number is needed each month to steadily bring down the unemployment rate.

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jan 2009	17.8	38.0	-20.2
	Jan 2010	33.7	16.1	17.6
	Jan 2011	40.4	10.8	29.6
	Jan 2012	**37.0**	**11.8**	**25.2**
	Annual change	**-3.4**	**-1.0**	**-4.4**
Service Sector	Jan 2009	14.9	24.7	-9.8
	Jan 2010	21.7	10.4	11.3
	Jan 2011	30.7	9.2	21.5
	Jan **2012**	**23.1**	**17.0**	**6.1**
	Annual change	**-7.6**	**-7.8**	**-15.4**

RECRUITING DIFFICULTY

In December, more HR professionals struggled to land 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 11.6 percent of manufacturing respondents had more difficulty with recruiting in December. This is a slight net increase of 2.9 points from December 2010 and the highest net of recruiting difficulty in four years in December. A net of 9.1 percent of service-sector HR professionals had more difficulty recruiting in December, an increase of 5.8 points from a year ago and also the highest net for December 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	Dec 2008	3.5	19.8	-16.3
	Dec 2009	5.6	10.2	-4.6
	Dec 2010	12.8	4.1	8.7
	Dec 2011	**15.0**	**3.4**	**11.6**
	Annual change	**2.2**	**0.7**	**2.9**
Service Sector	Dec 2008	4.7	33.2	-28.5
	Dec 2009	6.3	9.8	-3.5
	Dec 2010	13.3	10.0	3.3
	Dec 2011	**14.9**	**5.8**	**9.1**
	Annual change	**1.6**	**4.2**	**5.8**

NEW-HIRE COMPENSATION

In December, mixed results for new employees' wages and benefits packages

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. LINE provides the only published index of new-hire compensation.

In the manufacturing sector, a net total of 3.5 percent of respondents reported increasing new-hire compensation in December (4.7 percent increased, 1.2 percent decreased). That is an increase of 0.6 points from December 2010. In the service sector, a net total of 2.1 percent of companies decreased new-hire compensation in December (4.0 percent increased, 6.1 percent decreased). That represents a 3.9-point decrease from a year ago and the first time since September 2010 that fewer service-sector employers increased new-hire compensation compared with the previous year.

Overall, the index's data show that most organizations are still keeping compensation rates flat. This is consistent with recent BLS findings on real average hourly earnings, which fell 1.5 percent in November 2011 compared with a year ago.

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Dec 2008	1.9	2.0	-0.1
	Dec 2009	2.7	2.8	-0.1
	Dec 2010	4.1	1.2	2.9
	Dec 2011	**4.7**	**1.2**	**3.5**
	Annual change	**0.6**	**0.0**	**0.6**
Service Sector	Dec 2008	5.3	1.3	4.0
	Dec 2009	2.5	1.8	0.7
	Dec 2010	2.6	0.8	1.8
	Dec 2011	**4.0**	**6.1**	**-2.1**
	Annual change	**1.4**	**-5.3**	**-3.9**

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Salaried job openings are virtually unchanged in both sectors in December 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 10.9 percent of respondents reported increases in exempt vacancies in December (21.4 percent reported increases, 10.5 percent reported decreases). This represents a 1.0-point decline from December 2010. In the service sector, a net total of 2.2 percent of respondents reported increases in exempt vacancies in December (10.8 percent reported increases, 8.6 percent reported decreases). That is a 0.2-point decrease from December 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	Dec 2008	10.7	23.5	-12.8
	Dec 2009	21.8	9.6	12.2
	Dec 2010	21.7	9.8	11.9
	Dec 2011	**21.4**	**10.5**	**10.9**
	Annual change	**-0.3**	**-0.7**	**-1.0**
Service Sector	Dec 2008	6.9	20.7	-13.8
	Dec 2009	13.5	8.5	5.0
	Dec 2010	14.9	12.5	2.4
	Dec 2011	**10.8**	**8.6**	**2.2**
	Annual change	**-4.1**	**3.9**	**-0.2**

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs fall in both sectors in December 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 8.6 percent of manufacturing respondents reported that nonexempt vacancies increased in December (24.6 percent increased, 16.0 percent decreased). This represents a 5.4-point decrease from December 2010. For nonexempt service positions, a net total of 0.5 percent of respondents reported increased vacancies in December (14.1 percent increased, 13.6 percent decreased). This marked a 17.5-point decrease from December 2010.

The decline in nonexempt openings in both sectors could be due to decreased demand, but also a function of some companies getting more production out of existing employees rather than committing to new hires. According to SHRM's Jobs Outlook Survey for the fourth quarter of 2011, 16 percent of respondents expected their hourly employees to work longer hours during the October-December timeframe, compared with the third quarter.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Dec 2008	8.6	28.0	-19.4
	Dec 2009	17.6	9.9	7.7
	Dec 2010	23.7	9.7	14.0
	Dec 2011	**24.6**	**16.0**	**8.6**
	Annual change	**0.9**	**-6.3**	**-5.4**
Service Sector	Dec 2008	9.6	33.1	-23.5
	Dec 2009	14.9	10.5	4.4
	Dec 2010	27.1	9.1	18.0
	Dec 2011	**14.1**	**13.6**	**0.5**
	Annual change	**-13.0**	**-4.5**	**-17.5**

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 Jan. 5, 2012, describes the same January time period that the BLS will report on Feb. 3, 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 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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