



Strongest Start for Summer Hiring in Three Years Expected in June

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In June, for the eighth straight month, hiring will increase in manufacturing and services on an annual basis.	+46.3 ↑	+26.0 ↑
RECRUITING DIFFICULTY	Manufacturing	Service
In May, the index for recruiting difficulty rose sharply in both sectors compared with a year ago.	+29.3 ↑	+30.7 ↑
NEW-HIRE COMPENSATION	Manufacturing	Service
The rate of increase for new-hire compensation in May rose on an annual basis in both sectors.	+3.8 ↑	+11.5 ↑

Manufacturing and service-sector companies will add to their payrolls at a much higher rate in June compared with a year ago, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for June 2010.

- **Hiring rate is at or near 50 percent in both sectors in June.** In the manufacturing sector, a net of 44.9 percent of companies will hire in June, and a net of 50.8 percent of service companies will add jobs.
- **Top-level talent is not elusive, but harder to secure.** More HR professionals reported an increase in recruiting difficulty in May compared with a year ago.
- **New-hire compensation rises for the fourth consecutive month.** In May, the rate of increase for wages and benefits packages rose on an annual basis in 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 percent of the nation's private-sector workers.

EMPLOYMENT EXPECTATIONS

Hiring rate in June is comparable with 2007 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) Employment Situation Report findings. BLS numbers covering the same time period are released approximately one month after the LINE report.

The manufacturing hiring index improved in June by a net of 46.3 points (a net of 44.9 percent of companies will hire in June, compared with 1.4 percent that conducted layoffs a year ago). The service hiring index rose in June by a net of 26.0 points (a net of 50.8 percent will add jobs, compared with a net of 24.8 percent that added jobs a year ago). Even with the positive numbers, the unemployment rate is expected to remain elevated throughout 2010. The sharp year-over-year rise in the LINE hiring indexes is also a reflection of poor job market conditions a year ago.

Still, the 51.0 percent of manufacturers that will conduct hiring in June is not far behind the 56.1 percent from June 2007. The 57.7 percent of service-sector companies that will add jobs is the highest percentage for June since 2007, when 68.5 percent of service employers conducted hiring.

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Jun 2007	56.1	9.3	46.8
	Jun 2008	49.0	13.3	35.7
	Jun 2009	24.5	25.9	-1.4
	Jun 2010	51.0	6.1	44.9
	Annual change	26.5	19.8	46.3
Service Sector	Jun 2007	68.5	7.3	61.2
	Jun 2008	41.8	8.8	33.0
	Jun 2009	41.4	16.6	24.8
	Jun 2010	57.7	6.9	50.8
	Annual change	16.3	9.7	26.0

RECRUITING DIFFICULTY

As the hiring situation improves, HR professionals report more difficulty landing talent in May

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.

Even though small numbers of respondents are having a harder time finding top talent, the level of difficulty has risen compared with a year ago. In the manufacturing sector, a net of 5.5 percent of respondents had more difficulty with recruiting in May (10.2 percent reported more difficulty, 4.7 percent reported less difficulty). This is a substantial net increase of 29.3 points from May 2009, when a net of 23.8 percent reported less difficulty with recruiting.

In the service sector, a net of 5.1 percent of companies had less difficulty recruiting in May (9.5 percent had more difficulty, 14.6 percent had less difficulty). Still, this is a sizeable increase of 30.7 points from May 2009, when a net total of 35.8 percent of companies had less difficulty finding top talent.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2007	23.9	3.1	20.8
	May 2008	14.3	10.1	4.2
	May 2009	3.0	26.8	-23.8
	May 2010	10.2	4.7	5.5
	Annual change	7.2	22.1	29.3
Service Sector	May 2007	21.5	2.5	19.0
	May 2008	17.2	9.7	7.5
	May 2009	3.9	39.7	-35.8
	May 2010	9.5	14.6	-5.1
	Annual change	5.6	25.1	30.7

NEW-HIRE COMPENSATION

Wages and benefits packages for new hires make small gains in May compared with a year ago

The continuing high rate of unemployment and a large pool of job seekers in the market have given many companies the option of 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 3.7 percent of respondents said they would increase new-hire compensation in May (4.4 percent increased, 0.7 percent decreased). That is an increase of 3.8 points from May 2009. In the service sector, a net total of 1.9 percent of companies increased new-hire compensation in May (3.5 percent increased, 1.6 percent decreased). That represents a net increase of 11.5 points from May 2009, when a net of 9.6 percent of service companies decreased new-hire compensation.

The low rates of change in both sectors indicate that most organizations are keeping new-hire compensation rates flat and that many people landing new jobs are continuing to accept lower wages and benefits as the labor market remains relatively weak.

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2007	10.4	0.6	9.8
	May 2008	12.4	1.0	11.4
	May 2009	2.3	2.4	-0.1
	May 2010	4.4	0.7	3.7
	Annual change	2.1	1.7	3.8
Service Sector	May 2007	18.3	0.6	17.7
	May 2008	7.2	1.3	5.9
	May 2009	3.8	13.4	-9.6
	May 2010	3.5	1.6	1.9
	Annual change	-0.3	11.8	11.5

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Job openings for salaried positions rise in both sectors in May

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 14.9 percent of respondents reported increases in exempt vacancies in May (22.0 percent reported increases, 7.1 percent reported decreases). This represents a 13.1 point increase from May 2009 and the 10th consecutive month that exempt vacancies are higher than those of the same month the previous year.

In the service sector, a net total of 19.3 percent of respondents reported increases in exempt vacancies in May (25.9 percent reported increases, 6.6 percent reported decreases). That is a 26.5 point increase from May 2009 and also the

Table 4 | Exempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2007	33.1	9.6	23.5
	May 2008	26.2	11.5	14.7
	May 2009	16.7	14.9	1.8
	May 2010	22.0	7.1	14.9
	Annual change	5.3	7.8	13.1
Service Sector	May 2007	16.4	16.6	-0.2
	May 2008	18.0	11.6	6.4
	May 2009	7.6	14.8	-7.2
	May 2010	25.9	6.6	19.3
	Annual change	18.3	8.2	26.5

10th consecutive month that exempt vacancies are higher than they were in the previous year.

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs also on the rise in May

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 23.9 percent of manufacturing respondents reported that nonexempt vacancies increased in May (32.3 percent increased, 8.4 percent decreased). This represents a 21.6 point increase from May 2009. In accordance with federal data, this suggests that manufacturers are adding jobs and production is increasing. Industrial production rose by 0.8 percent in April, the highest rate in three months, according to the Federal Reserve. The BLS also reported that manufacturing employment has grown by 101,000 since December 2009.

For nonexempt service positions, a net total of 20.6 percent reported increased vacancies in May (31.0 percent increased, 10.4 percent decreased). This marked a 29.1 point increase from May 2009. The rise in vacancies may be partially driven by the professional and business services sector, which added 80,000 jobs in April, according to the BLS.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2007	32.6	18.6	14.0
	May 2008	32.4	16.1	16.3
	May 2009	16.2	13.9	2.3
	May 2010	32.3	8.4	23.9
	Annual change	16.1	5.5	21.6
Service Sector	May 2007	27.6	20.8	6.8
	May 2008	36.4	14.1	22.3
	May 2009	15.5	24.0	-8.5
	May 2010	31.0	10.4	20.6
	Annual change	15.5	13.6	29.1

ABOUT THIS REPORT

Schedule of Release

The SHRM LINE Report is released at 8:30 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 June 4, 2010, describes the same June time period that the BLS will report on July 2, 2010. 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 17, 2010. For more information, visit www.shrm.org/line.

Media Contacts

Julie Malveaux, manager,
media affairs, SHRM:
Julie.Malveaux@shrm.org

For Other Inquiries

Jennifer Schramm, M. Phil.,
manager, Workplace Trends
and Forecasting, SHRM:
Jennifer.Schramm@shrm.org

Steven Director, Ph.D.,
economic advisor for the SHRM
LINE, Rutgers University:
Steven.Director@Rutgers.edu

Disclaimer

© 2010 Society for Human Resource Management. Permission is granted to copy this work with appropriate attribution to copyright owners. All content is for informational purposes only and is not to be construed as a guaranteed outcome. SHRM cannot accept responsibility for any errors or omissions, or any liability resulting from the use or misuse of any such information.

