



Hiring Conditions Get Stronger in March for Manufacturing and Services

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In March, for the fifth straight month, hiring will increase in manufacturing and services on an annual basis.	+53.3 ↑	+38.0 ↑
RECRUITING DIFFICULTY	Manufacturing	Service
In February, the index for recruiting difficulty rose in both sectors compared with a year ago.	+22.7 ↑	+8.5 ↑
NEW-HIRE COMPENSATION	Manufacturing	Service
The rate of increase for new-hire compensation in February rose on an annual basis in both the manufacturing and service sectors.	+1.0 ↑	+4.2 ↑

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

As the long recovery continues for the labor market, more manufacturers and service-sector companies are expected to add to their payrolls in March, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for March 2010.

- **Hiring is up on an annual basis for the fifth month in a row.** In March, the percentage of companies that are hiring in manufacturing will reach a level not seen since June 2008; in the service sector, the percentage of companies that are hiring is the highest since July 2007.
- **Recruiting difficulty still not widespread, but it is on the rise.** Though not many employers in both sectors reported increased recruiting difficulty in February, it rose from a year ago.
- **New-hire compensation edges into positive territory in February.** For the first time since July 2007, the rate of new-hire compensation 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 March, for the fifth month in a row, hiring will increase compared with the previous year

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.

Despite ongoing problems in the labor market, hiring in March will reach levels not seen in quite some time. The percentage of manufacturers adding jobs in March (45.8 percent) is the highest since June 2008, and the overall index improved by a net of 53.3 points (a net of 33.7 percent of companies will hire in March, compared with 19.6 percent that conducted layoffs a year ago). In the service sector, 51.7 percent will hire in March, the highest percentage since July 2007. The service hiring index rose in March by a net of 38.0 points (a net of 46.5 percent will add jobs, compared with a net of 8.5 percent that conducted hiring a year ago).

March marks the ninth straight month that more companies will hire rather than cut jobs in manufacturing (45.8 percent will hire, 12.1 percent will eliminate jobs), and it is the 11th straight month this has occurred in the service sector (51.7 percent will add jobs, 5.2 percent will cut jobs).

Table 1 Employment Expectations

	Month/ Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Mar 2007	58.4	8.3	50.1
	Mar 2008	45.9	14.1	31.8
	Mar 2009	15.3	34.9	-19.6
	Mar 2010	45.8	12.1	33.7
	Annual change	30.5	22.8	53.3
Service Sector	Mar 2007	61.4	5.5	55.9
	Mar 2008	37.7	11.3	26.4
	Mar 2009	25.7	17.2	8.5
	Mar 2010	51.7	5.2	46.5
	Annual change	26.0	12.0	38.0

RECRUITING DIFFICULTY

Difficulty in landing top-level talent is not widespread, but it is increasing

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 12th consecutive month in February, this index recorded single-digit response levels for those reporting increased difficulty with recruiting. In the manufacturing sector, the same percentage of companies reported less difficulty with recruiting and more difficulty (8.6 percent each, for a net of 0.0). This is still a sharp net increase from February 2009, when a net of 22.7 percent reported less difficulty with recruiting.

In the service sector, a net of 17.7 percent of companies had less difficulty recruiting (3.0 percent had more difficulty, 20.7 percent had less difficulty). This was also an increase from February 2009, when a net total of 26.2 percent of companies had less difficulty finding top talent.

Table 2 | Recruiting Difficulty

	Month/ Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2007	20.6	2.1	18.5
	Feb 2008	17.6	7.6	10.0
	Feb 2009	1.8	24.5	-22.7
	Feb 2010	8.6	8.6	0.0
	Annual change	6.8	15.9	22.7
Service Sector	Feb 2007	14.6	4.2	10.4
	Feb 2008	17.1	7.6	9.5
	Feb 2009	3.1	29.3	-26.2
	Feb 2010	3.0	20.7	-17.7
	Annual change	-0.1	8.6	8.5

NEW-HIRE COMPENSATION

Wages and benefits packages for new hires are up 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 1.2 percent of respondents said they would increase new-hire compensation in February (2.8 percent increased, 1.6 percent decreased). That is an increase of 1 point from February 2009. In the service sector, a net total of 0.2 percent of companies raised new-hire compensation in February (3.1 percent increased, 2.9 percent decreased)—a net increase of 4.2 points from February 2009, when a net of 4.0 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 people landing new jobs are continuing to accept lower wages and benefits as the labor market remains weak.

Table 3 | New-Hire Compensation

	Month/ Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2007	9.1	0.5	8.6
	Feb 2008	7.7	2.0	5.7
	Feb 2009	2.4	2.2	0.2
	Feb 2010	2.8	1.6	1.2
	Annual change	0.4	0.6	1.0
Service Sector	Feb 2007	8.9	0.5	8.4
	Feb 2008	6.2	0.5	5.7
	Feb 2009	1.4	5.4	-4.0
	Feb 2010	3.1	2.9	0.2
	Annual change	1.7	2.5	4.2

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Vacancies for salaried jobs rose significantly in both sectors in February

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 19.5 percent of respondents reported increases in exempt vacancies in February (27.5 percent reported increases, 8.0 percent reported decreases). This represents a 25.6 point increase from February 2009 and the seventh consecutive month that exempt vacancies are higher than those of the same month the previous year.

In the service sector, a net total of 8.6 percent of respondents reported increases in exempt vacancies in February (17.2 percent reported increases, 8.6 percent reported decreases)—a 16.6 point increase from February 2009 and the seventh consecutive month that exempt vacancies are higher than the previous year.

Table 4 | Exempt Job Vacancies

	Month/ Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2007	28.8	13.2	15.6
	Feb 2008	27.5	10.8	16.7
	Feb 2009	10.5	16.6	-6.1
	Feb 2010	27.5	8.0	19.5
	Annual change	17.0	8.6	25.6
Service Sector	Feb 2007	27.5	9.1	18.4
	Feb 2008	14.0	15.2	-1.2
	Feb 2009	7.8	15.8	-8.0
	Feb 2010	17.2	8.6	8.6
	Annual change	9.4	7.2	16.6

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs also increase in February

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 18.7 percent of manufacturing respondents reported that nonexempt vacancies increased in February (27.6 percent increased, 8.9 percent decreased). This represents a 26.8 point increase from February 2009. In accordance with federal data, this suggests that manufacturers are slowly adding jobs and demand for production is gradually improving. Manufacturing productivity rose 7.8 percent in the fourth quarter of 2009, according to the BLS.

For nonexempt service positions, a net total of 7.3 percent reported increased vacancies in February (21.3 percent increased, 14.0 percent decreased). This marked an 8.7 point increase from February 2009. Increased demand for positions in the service sector may be partially driven by the retail industry, which saw its sales rise by 0.5 percent in January, according to the U.S. Department of Commerce.

Table 5 | Nonexempt Job Vacancies

	Month/ Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2007	34.6	17.2	17.4
	Feb 2008	27.1	17.7	9.4
	Feb 2009	12.6	20.7	-8.1
	Feb 2010	27.6	8.9	18.7
	Annual change	15.0	11.8	26.8
Service Sector	Feb 2007	35.5	14.5	21.0
	Feb 2008	22.6	16.4	6.2
	Feb 2009	20.3	21.7	-1.4
	Feb 2010	21.3	14.0	7.3
	Annual change	1.0	7.7	8.7

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 March 5, 2010, describes the same March time period that the BLS will report on April 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.

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