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SOCIETY FOR HUMAN RESOURCE MANAGEMENT

LINE Employment Report for MARCH 2011

Mixed Results for Hiring in March for Manufacturing and Service Sectors

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In March, hiring is up on an annual basis in manufacturing, but down in the service sector.	+12.0 ↑	-11.5 ↓
RECRUITING DIFFICULTY	**Manufacturing**	**Service**
In February, the index for recruiting difficulty rose sharply in manufacturing and services compared with a year ago.	+11.6 ↑	+21.7 ↑
NEW-HIRE COMPENSATION	**Manufacturing**	**Service**
The rate of increase for new-hire compensation in February rose on an annual basis in both manufacturing and services.	+5.0 ↑	+4.9 ↑

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

The U.S. private-sector labor force is forecasted to add jobs in manufacturing in March compared with last year, but hiring will ebb in the service sector for the same timeframe, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for March 2011.

- **Hiring expectations vary in March.** Job creation will improve for manufacturing in March, but it will be curtailed in services compared with a year ago.
- **Recruiting difficulty index continues to rise.** In both sectors, more HR professionals reported an increase in difficulty recruiting for key positions in February compared with a year ago.
- **Compensation packages for new hires increase again in February.** For the fifth 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 March, manufacturing hiring continues to improve, but service-sector activity takes a step back

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 improve in March on a year-over-year basis by a net of 12.0 points (a net of 45.7 percent of companies will hire in March, compared with a net of 33.7 percent that added jobs a year ago). Service-sector hiring will decrease in March by a net of 11.5 points (a net of 35.0 percent will add jobs, compared with a net of 46.5 percent that added jobs a year ago). The mixed results for March 2011 reflect a labor market that is still struggling to create a volume of new jobs that would reduce the high unemployment rate.

Nonetheless, the number of manufacturing companies with hiring plans in March (53.1 percent) is at a four-year high, and the layoff rate (7.4 percent) is at a four-year low. In services, the 39.2 percent of companies that plan to hire in March is far below the four-year high reached in 2010, but the layoff rate (4.2 percent) is at a four-year low.

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Mar 2008	45.9	14.1	31.8
	Mar 2009	15.3	34.9	-19.6
	Mar 2010	45.8	12.1	33.7
	Mar 2011	**53.1**	**7.4**	**45.7**
	Annual change	**7.3**	**4.7**	**12.0**
Service Sector	Mar 2008	37.7	11.3	26.4
	Mar 2009	25.7	17.2	8.5
	Mar 2010	51.7	5.2	46.5
	Mar 2011	**39.2**	**4.2**	**35.0**
	Annual change	**-12.5**	**1.0**	**-11.5**

RECRUITING DIFFICULTY

In February, difficulties continue for some HR professionals vying for top talent

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 only a small percentage of respondents reported having a tougher time finding top talent, the level of difficulty increased compared with a year ago. In the manufacturing sector, a net of 11.6 percent of respondents had more difficulty with recruiting in February. This is a moderate net increase of 11.6 points from February 2010, when an equal rate of HR professionals (8.6 percent) reported increasing and decreasing recruiting difficulty.

In the service sector, a net of 4.0 percent of HR professionals had more difficulty recruiting in February. This is a sizable increase of 21.7 points from February 2010, when a net total of 17.7 percent of HR professionals had less difficulty with finding top talent. Considering that millions of people are actively seeking work and still cannot obtain employment in their industries, the rise in recruiting difficulty in both sectors may be attributed to new or enhanced skill requirements for newly created high-level jobs in manufacturing and services.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2008	17.6	7.6	10.0
	Feb 2009	1.8	24.5	-22.7
	Feb 2010	8.6	8.6	0.0
	Feb 2011	**13.8**	**2.2**	**11.6**
	Annual change	**5.2**	**6.4**	**11.6**
Service Sector	Feb 2008	17.1	7.6	9.5
	Feb 2009	3.1	29.3	-26.2
	Feb 2010	3.0	20.7	-17.7
	Feb 2011	**7.8**	**3.8**	**4.0**
	Annual change	**4.8**	**16.9**	**21.7**

NEW-HIRE COMPENSATION

In February, for the fifth consecutive month, the rate of increase for new employees' wages and benefits rises

The continuing high rate of unemployment and a large pool of job seekers in the market have given many companies the option of holding down the wages and benefits they are offering to 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 6.2 percent of respondents reported increasing new-hire compensation in February (7.7 percent increased, 1.5 percent decreased). That is an increase of 5.0 points from February 2010, when a net total of 1.2 percent of companies increased wages and benefits packages for new employees. In the service sector, a net total of 5.1 percent of companies increased new-hire compensation in February (5.5 percent increased, 0.4 percent decreased). That represents a 4.9-point increase from February 2010, when a net of 0.2 percent of service companies increased 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 weak.

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2008	7.7	2.0	5.7
	Feb 2009	2.4	2.2	0.2
	Feb 2010	2.8	1.6	1.2
	Feb 2011	**7.7**	**1.5**	**6.2**
	Annual change	**4.9**	**0.1**	**5.0**
Service Sector	Feb 2008	6.2	0.5	5.7
	Feb 2009	1.4	5.4	-4.0
	Feb 2010	3.1	2.9	0.2
	Feb 2011	**5.5**	**0.4**	**5.1**
	Annual change	**2.4**	**2.5**	**4.9**

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Job openings for salaried positions drop in February in manufacturing, rise slightly in services

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 15.5 percent of respondents reported increases in exempt vacancies in February (21.0 percent reported increases, 5.5 percent reported decreases). This represents a 4.0-point decrease from February 2010. In the service sector, a net total of 8.7 percent of respondents reported increases in exempt vacancies in February (16.0 percent reported increases, 7.3 percent reported decreases). That is a 0.1-point increase from February 2010.

The relatively small annual change in both sectors may be an indicator of payroll stabilization for higher-level, salaried jobs as the economy slowly improves. However, the number of companies reporting actual increases in exempt vacancies in both sectors was still close to four-year highs reached in 2010 for the month of February.

Table 4 | Exempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2008	27.5	10.8	16.7
	Feb 2009	10.5	16.6	-6.1
	Feb 2010	27.5	8.0	19.5
	Feb 2011	**21.0**	**5.5**	**15.5**
	Annual change	**-6.5**	**2.5**	**-4.0**
Service Sector	Feb 2008	14.0	15.2	-1.2
	Feb 2009	7.8	15.8	-8.0
	Feb 2010	17.2	8.6	8.6
	Feb 2011	**16.0**	**7.3**	**8.7**
	Annual change	**-1.2**	**1.3**	**0.1**

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs fall in manufacturing in February, increase in services

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 18.3 percent of manufacturing respondents reported that nonexempt vacancies increased in February (26.9 percent increased, 8.6 percent decreased). This represents a small, 0.4-point decrease from February 2010. Hiring leveled off in manufacturing in the second half of 2010, according to BLS and LINE data, but it has begun to increase once again in early 2011. Manufacturing employment grew by 49,000 jobs on a monthly basis in January, according to the BLS.

For nonexempt service positions, a net total of 13.8 percent of respondents reported increased vacancies in February (27.8 percent increased, 14.0 percent decreased). This marked a gain of 6.5 points from February 2010. The rise in vacancies may be partially driven by hiring in professional and business services, which ended 2010 with nearly 200,000 more job openings than at the end of 2009, according to the BLS.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Feb 2008	27.1	17.7	9.4
	Feb 2009	12.6	20.7	-8.1
	Feb 2010	27.6	8.9	18.7
	Feb 2011	**26.9**	**8.6**	**18.3**
	Annual change	**-0.7**	**0.3**	**-0.4**
Service Sector	Feb 2008	22.6	16.4	6.2
	Feb 2009	20.3	21.7	-1.4
	Feb 2010	21.3	14.0	7.3
	Feb 2011	**27.8**	**14.0**	**13.8**
	Annual change	**6.5**	**0.0**	**6.5**

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 March 3, 2011, describes the same March time period that the BLS will report on April 1, 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 February 17, 2010. For more information, visit www.shrm.org/line.

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