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SOCIETY FOR HUMAN RESOURCE MANAGEMENT

LINE Employment Report for MAY 2011

Recruiting Difficulty Continues Rise in May

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
In May, hiring is essentially unchanged on an annual basis in manufacturing and down slightly in the service sector.	+0.4 ↑	-6.9 ↓
RECRUITING DIFFICULTY	**Manufacturing**	**Service**
In April, the index for recruiting difficulty rose in both sectors compared with a year ago.	+15.4 ↑	+7.6 ↑
NEW-HIRE COMPENSATION	**Manufacturing**	**Service**
The rate of increase for new-hire compensation in April rose slightly in manufacturing and sharply in services compared with a year ago.	+3.3 ↑	+14.7 ↑

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

Jobs will be added to manufacturing and service-sector payrolls in May, but the rate of change compared with a year ago is not significant, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey for May 2011.

- **Mixed results for hiring expectations in May.** The rate of job growth will remain virtually the same in manufacturing and will fall slightly in services in May compared with a year ago.
- **Recruiting difficulty rises in both sectors.** More HR professionals in manufacturing and services reported increased difficulty with recruiting key candidates in April.
- **Compensation packages for new hires increase again in April.** For the seventh 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

Hiring is steady in both sectors in May, but pace has not accelerated from 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 improve in May on a year-over-year basis by a net of only 0.4 points (a net of 44.3 percent of companies will hire in May, compared with a net of 43.9 percent that added jobs a year ago). Service-sector hiring will decrease in May by a net of 6.9 points (a net of 47.5 percent will add jobs, compared with a net of 54.4 percent that added jobs a year ago).

The results for May 2011 reflect a labor market that has improved overall since 2010, but is still struggling to create a volume of new jobs that would reduce the high unemployment rate. Nonetheless, the number of manufacturing companies that plan to cut jobs in May (6.5 percent) is at a four-year low for the month, as is the number of service-sector companies (3.0 percent).

Table 1 | Employment Expectations

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2008	47.7	17.7	30.0
	May 2009	21.6	26.4	-4.8
	May 2010	54.5	10.6	43.9
	May 2011	**50.8**	**6.5**	**44.3**
	Annual change	**-3.7**	**4.1**	**0.4**
Service Sector	May 2008	50.6	15.1	35.5
	May 2009	32.9	15.5	17.4
	May 2010	61.8	7.4	54.4
	May 2011	**50.5**	**3.0**	**47.5**
	Annual change	**-11.3**	**4.4**	**-6.9**

RECRUITING DIFFICULTY

In April, more HR professionals report having difficulty landing candidates for high-level jobs

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.

In the manufacturing sector, a net of 14.5 percent of respondents had more difficulty with recruiting in April. This is a moderate net increase of 15.4 points from April 2010, when a net of 0.9 percent of respondents reported less difficulty with recruiting. Considering that millions of people are actively seeking work and still cannot obtain employment in their industries, the rise in recruiting difficulty in manufacturing may be attributed to new or enhanced skill requirements for newly created high-level jobs.

In the service sector, a net of 1.1 percent of HR professionals had more difficulty recruiting in April. This is a modest increase of 7.6 points from April 2010, when a net total of 6.5 percent of HR professionals had less difficulty with finding top talent.

Table 2 | Recruiting Difficulty

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2008	16.3	10.0	6.3
	Apr 2009	3.3	23.1	-19.8
	Apr 2010	8.8	9.7	-0.9
	Apr 2011	**17.4**	**2.9**	**14.5**
	Annual change	**8.6**	**6.8**	**15.4**
Service Sector	Apr 2008	10.4	20.9	-10.5
	Apr 2009	4.9	25.6	-20.7
	Apr 2010	10.4	16.9	-6.5
	Apr 2011	**13.2**	**12.1**	**1.1**
	Annual change	**2.8**	**4.8**	**7.6**

NEW-HIRE COMPENSATION

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

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. New-hire compensation is now beginning to rise, though only slightly. LINE provides the only published index of new-hire compensation.

In the manufacturing sector, a net total of 8.2 percent of respondents reported increasing new-hire compensation in April (9.1 percent increased, 0.9 percent decreased). That is an increase of 3.3 points from April 2010, when a net total of 4.9 percent of companies increased wages and benefits packages for new employees. In the service sector, a net total of 13.4 percent of companies increased new-hire compensation in April (13.9 percent increased, 0.5 percent decreased). That represents a 14.7-point increase from April 2010, when a net of 1.3 percent of service companies decreased new-hire compensation.

Despite the sizable increase in the service sector, many organizations are still keeping new-hire compensation rates flat, and these data are consistent with recent federal research. Real average hourly earnings decreased 0.6 percent from February to March and fell by 1.0 percent on an annual basis in March, according to the BLS.

Table 3 | New-Hire Compensation

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2008	8.6	0.8	7.8
	Apr 2009	2.3	4.6	-2.3
	Apr 2010	6.1	1.2	4.9
	Apr 2011	**9.1**	**0.9**	**8.2**
	Annual change	**3.0**	**0.3**	**3.3**
Service Sector	Apr 2008	15.2	2.6	12.6
	Apr 2009	2.3	14.5	-12.2
	Apr 2010	3.4	4.7	-1.3
	Apr 2011	**13.9**	**0.5**	**13.4**
	Annual change	**10.5**	**4.2**	**14.7**

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Job openings for salaried positions rise slightly in April in manufacturing, fall 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 21.2 percent of respondents reported increases in exempt vacancies in April (28.6 percent reported increases, 7.4 percent reported decreases). This represents a 2.5-point increase from April 2010. In the service sector, a net total of 8.5 percent of respondents reported increases in exempt vacancies in April (20.3 percent reported increases, 11.8 percent reported decreases). That is an 8.1-point decrease from April 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.

Table 4 | Exempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2008	22.1	12.7	9.4
	Apr 2009	12.4	15.9	-3.5
	Apr 2010	24.5	5.8	18.7
	Apr 2011	**28.6**	**7.4**	**21.2**
	Annual change	**4.1**	**-1.6**	**2.5**
Service Sector	Apr 2008	18.0	14.7	3.3
	Apr 2009	6.7	18.7	-12.0
	Apr 2010	25.9	9.3	16.6
	Apr 2011	**20.3**	**11.8**	**8.5**
	Annual change	**-5.6**	**-2.5**	**-8.1**

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs rise slightly in manufacturing, fall sharply in services in April

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 26.8 percent of manufacturing respondents reported that nonexempt vacancies increased in April (35.8 percent increased, 9.0 percent decreased). This represents a 3.1-point increase from April 2010. Hiring leveled off in manufacturing in the second half of 2010, according to BLS and LINE data, but has begun to increase once again in 2011. Manufacturing employment grew by 17,000 jobs on a monthly basis in March, according to the BLS.

For nonexempt service positions, a net total of 10.8 percent of respondents reported increased vacancies in April (25.8 percent increased, 15.0 percent decreased). This marked a decline of 18.3 points from April 2010, when a net of 29.1 percent reported increases in nonexempt vacancies.

Table 5 | Nonexempt Job Vacancies

	Month/Year	% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2008	26.5	14.0	12.5
	Apr 2009	13.4	18.3	-4.9
	Apr 2010	31.9	8.2	23.7
	Apr 2011	**35.8**	**9.0**	**26.8**
	Annual change	**3.9**	**-0.8**	**3.1**
Service Sector	Apr 2008	23.7	12.3	11.4
	Apr 2009	17.4	19.3	-1.9
	Apr 2010	36.9	7.8	29.1
	Apr 2011	**25.8**	**15.0**	**10.8**
	Annual change	**-11.1**	**-7.2**	**-18.3**

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 May 5, 2011, describes the same May time period that the BLS will report on June 3, 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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