



Hiring Expectations Lagging and Layoffs Continuing in May, but Gap Narrows

EMPLOYMENT EXPECTATIONS	Manufacturing	Service
Employment expectations for May 2009 are at a four-year low in both manufacturing and service sectors.	-34.8 ↓	-18.1 ↓
RECRUITING DIFFICULTY	Manufacturing	Service
Recruiting difficulty in both sectors in April 2009 was down sharply compared with a year ago.	-26.1 ↓	-10.2 ↓
NEW-HIRE COMPENSATION	Manufacturing	Service
Wages and benefits packages for new hires continued to shrink in April 2009 compared with a year ago.	-10.1 ↓	-24.8 ↓

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

Many employers in the manufacturing and service sectors will keep a lid on hiring and recruiting in May, but staffing activity has improved compared with recent months, according to the Society for Human Resource Management's (SHRM) Leading Indicators of National Employment (LINE) survey.

- **May hiring expectations will trail activity from a year ago.** Hiring is down in May compared with 2008 in both the manufacturing and service sectors, but the drop is not as severe as in previous months.
- **November 2007 was the last month in which the LINE hiring index was positive.** Year-over-year change in the LINE employment expectations index has been negative since December 2007 when federal officials say the recession began.
- **Wages and benefits packages for new hires take a precipitous drop.** New-hire compensation rose at the slowest rate in April in four years in both 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% of the nation's private-sector workers.

EMPLOYMENT EXPECTATIONS

Hiring is down for the 18th consecutive month in manufacturing and service sectors

The LINE employment expectations index provides an early indication of the U.S. Bureau of Labor Statistics (BLS) numbers. BLS numbers covering the same time period are released approximately one month after the LINE report.

LINE's employment expectations index has tracked in lockstep with national economic patterns since December 2007, when federal officials say the recession began. The last time the year-over-year change in this index was positive was November 2007. But while employment expectations for May 2009 continue to drag behind the previous year's performance, more members of the manufacturing and service sectors will add to their payrolls in May than in the past several months.

In the manufacturing sector, a net total of 4.8 percent of respondents will cut jobs in May (21.6 percent will conduct hiring, 26.4 percent will conduct layoffs). The 21.6 percent represents the highest percentage of manufacturing companies that will add jobs since October 2008. In the service sector, a net total of 17.4 percent of companies will add jobs in May (32.9 percent will hire, 15.5 percent will eliminate jobs). The 32.9 percent of companies hiring represents the highest such mark since November 2008 in the service sector.

Table 1 | Employment Expectations

		% Increasing	% Decreasing	Net Increasing
Manufacturing	May 2006	56.7	7.3	49.4
	May 2007	54.5	11.3	43.2
	May 2008	47.7	17.7	30.0
	May 2009	21.6	26.4	-4.8
	Annual change	-26.1	8.7	-34.8
Service Sector	May 2006	56.8	8.1	48.7
	May 2007	61.0	9.0	52.0
	May 2008	50.6	15.1	35.5
	May 2009	32.9	15.5	17.4
	Annual change	-17.7	0.4	-18.1

RECRUITING DIFFICULTY

Little difficulty with recruiting reported by members of both sectors

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 first April in four years and for the second consecutive month this year, LINE recorded single-digit response levels for those reporting increased difficulty with recruiting. The low response totals can likely be attributed to two factors: fewer HR professionals are engaged in recruiting right now during the economic downturn, and with an increased number of people looking for work, HR representatives and recruiters can afford to be selective and are having few issues with finding top-level talent.

In the manufacturing sector, a net of 19.8 percent of companies reported less difficulty with recruiting (3.3 percent had more difficulty, 23.1 percent had less). This is the first April in four years that more manufacturers reported an easier time recruiting, as opposed to those who had more difficulty.

The gap was even wider in the service sector. In April, a net of 20.7 percent of companies had less difficulty recruiting (4.9 percent had more difficulty, 25.6 percent had less). With millions of people seeking work and fewer existing opportunities, the LINE recruiting difficulty index is not likely to reverse this trend in the near future.

Table 2 | Recruiting Difficulty

		% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2006	22.8	4.1	18.7
	Apr 2007	23.5	5.2	18.3
	Apr 2008	16.3	10.0	6.3
	Apr 2009	3.3	23.1	-19.8
	Annual change	-13.0	13.1	-26.1
Service Sector	Apr 2006	22.9	4.3	18.6
	Apr 2007	20.0	3.6	16.4
	Apr 2008	10.4	20.9	-10.5
	Apr 2009	4.9	25.6	-20.7
	Annual change	-5.5	4.7	-10.2

NEW-HIRE COMPENSATION

Wages and benefits packages for new employees take a steep drop in April

Although many companies have scuttled hiring plans during the recession and are cutting jobs, many are also turning to wage and benefits cuts 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 2.3 percent of respondents said they would decrease new-hire compensation in April (2.3 percent increased, 4.6 percent decreased). That is the lowest April response total in four years for manufacturers and the first April in LINE's five-year history that the net total has ventured into negative territory.

In the service sector, the trend of slashing salaries and benefits was even more pronounced in April. A net total of 12.2 percent of companies reduced wages and benefits packages for new hires in April (2.3 percent increased, 14.5 percent decreased). This response total is also the lowest April number in four years and is the first April in which the net total for this index was negative.

Table 3 | New-Hire Compensation

		% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2006	13.5	0.7	12.8
	Apr 2007	13.1	3.1	10.0
	Apr 2008	8.6	0.8	7.8
	Apr 2009	2.3	4.6	-2.3
	Annual change	-6.3	3.8	-10.1
Service Sector	Apr 2006	11.6	0.4	11.2
	Apr 2007	13.6	0.6	13.0
	Apr 2008	15.2	2.6	12.6
	Apr 2009	2.3	14.5	-12.2
	Annual change	-12.9	11.9	-24.8

VACANT POSITIONS IN EXEMPT EMPLOYMENT

Vacancies for salaried jobs continue to fall as labor market remains weak

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.

HR professionals in both the manufacturing and service sectors reported declines in exempt vacancies in April compared with this time last year. In the manufacturing sector, a net total of 3.5 percent of respondents reported decreases in exempt vacancies (12.4 percent reported increases, 15.9 percent reported decreases). Among the major job sectors, manufacturing had the second lowest number of job openings in February 2009, trailing only the construction industry, according to the BLS.

In the service sector, a net total of 12.0 percent of respondents reported declines in exempt vacancies in April (6.7 percent reported increases, 18.7 percent reported decreases). Other data match LINE's results: In February 2009, there were 3 million job openings in the United States, representing a 38-percent drop from the most recent high set in June 2007, according to the BLS.

Table 4 | Exempt Job Vacancies

		% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2006	35.0	7.1	27.9
	Apr 2007	30.4	14.1	16.3
	Apr 2008	22.1	12.7	9.4
	Apr 2009	12.4	15.9	-3.5
	Annual change	-9.7	3.2	-12.9
Service Sector	Apr 2006	26.7	12.4	14.3
	Apr 2007	18.5	11.5	7.0
	Apr 2008	18.0	14.7	3.3
	Apr 2009	6.7	18.7	-12.0
	Annual change	-11.3	4.0	-15.3

VACANT POSITIONS IN NONEXEMPT EMPLOYMENT

Vacancies for hourly jobs also dropping steadily

In contrast to exempt employment, nonexempt employment typically decreases by a greater percentage than exempt employment during economic downturns and increases by a larger percentage during economic expansions.

A net total of 4.9 percent of manufacturing respondents reported that nonexempt vacancies declined in April (13.4 percent increased, 18.3 percent decreased). A year ago, manufacturing respondents were still reporting increases in vacancies (a net total of 12.5 percent). This indicates that manufacturers were still hiring only 12 months ago and had yet to face the worst of the economic downturn.

For nonexempt service positions, a net total of 1.9 percent reported decreased vacancies in April (17.4 percent increased, 19.3 percent decreased). With vacancy levels falling in both sectors, LINE data show that more employers are either cutting jobs or imposing hiring freezes during the economic downturn. Other national data reinforce LINE's findings: In February 2009, the national job openings rate was 2.2 percent, the lowest level in five years and unchanged from January 2009, according to the BLS.

Table 5 | Nonexempt Job Vacancies

		% Increasing	% Decreasing	Net Increasing
Manufacturing	Apr 2006	32.9	10.5	22.4
	Apr 2007	34.8	17.6	17.2
	Apr 2008	26.5	14.0	12.5
	Apr 2009	13.4	18.3	-4.9
	Annual change	-13.1	4.3	-17.4
Service Sector	Apr 2006	28.9	14.7	14.2
	Apr 2007	35.9	8.9	27.0
	Apr 2008	23.7	12.3	11.4
	Apr 2009	17.4	19.3	-1.9
	Annual change	-6.3	7.0	-13.3

ABOUT THIS REPORT

Schedule of Release

The SHRM LINE Report is released at 9:00 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 May 8, 2009, describes the same May time period that the BLS will report on June 5, 2009. 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 2, 2009. For more information, visit www.shrm.org/line.

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