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2011 Hiring Outlook

By Ilya Leybovich

Although 2010 was a year of economic recovery, employment conditions continue to lag and millions of Americans still struggle to find work. Will hiring prospects in the new year provide a light at the end of the tunnel?

Following a difficult two-year period of mounting job losses, unemployment conditions in the United States bottomed out in [2010](#). But while the general economy has been recovering from the economic downturn, the job market has remained volatile and the national unemployment rate has hovered just below the 10-percent mark for most of the year. With millions of Americans still struggling to find work, the hiring outlook for 2011 will determine whether this will be a jobless recovery or not.

After peaking at 10.1 percent in October 2009, the U.S. unemployment rate evened out and began to drop, falling to 9.7 percent in the first half of 2010 and then 9.5 percent in June and July, according to [historical data](#) from the U.S. Department of Labor. However, the slow but steady improvements then reversed, with unemployment rising to 9.6 percent in August and then to 9.8 percent in November.

The latest monthly [Employment Situation](#) report from the Labor Dept. indicates that the U.S. economy added 39,000 non-farm jobs in November, a relatively meaningless gain considering the pace of new adults entering the workforce and the 15.1 million people currently unemployed.

"At that rate, job growth can't do much to bring down the unemployment rate," the [Wall Street Journal](#) explains. "To compensate for population growth alone, the economy needs to add about 100,000 jobs a month. And even if the job market improves, more discouraged job seekers will likely try to re-enter the labor force, adding to the ranks of people who are counted as unemployed."

Despite taking a turn for the worse in the closing months of 2010, employment conditions are poised to start improving in 2011 and possibly compensate for many of the losses incurred in the last quarter of the year.

A quarterly survey of 18,000 employers conducted by employment services and research firm [Manpower](#), released in December, found that hiring expectations for the first quarter of 2011 were at their highest level in two years. The seasonally adjusted hiring outlook among employers rose to +9 percent, up from +5 percent in Q4 2010 and +5 percent in Q1 2010, reflecting the most positive expectations since the fourth quarter of 2008.

Fourteen percent of employers surveyed said they anticipate an increase in their staff levels during the first quarter of the new year, while 10 percent expect a decrease in payrolls over the same period. Seventy-three percent of employers plan to make no changes to their staff levels

and the remaining 3 percent are undecided about their hiring plans.

Broken down geographically, the Manpower data indicate positive net hiring expectations in every major U.S. region. Fourteen percent of employers in the Northeast, Midwest and West expect increases in year-over-year hiring in Q1 2011, while 15 percent in the South expect an increase.

In terms of specific business sectors, Manpower reports the most positive hiring expectations for the leisure and hospitality industry, in which 22 percent of employers plan to increase staffing levels in the next quarter. The next most promising hiring plans for Q1 2011 are in professional and business services, followed by the information industry and wholesale and retail trade.

"The fact that hiring expectations are trending upward is an encouraging sign," [Jonas Prising](#), Manpower president of the Americas, said in [an announcement of the findings](#). "This quarter's survey responses paint a picture of a job market that is easing up, although not as quickly as anyone would like. We are still stuck in first gear, but the ongoing sector-wide improvement we have seen over the last year suggests that the labor market is ready to shift to a higher gear in 2011."

According to a November survey from tax advisory firm [Grant Thornton](#), employment conditions in U.S. manufacturing may be better than those in the general economy in the first half of 2011. Forty-nine percent of manufacturers who responded to the survey plan to increase their staff in the first six months of the year, compared with 43 percent of overall respondents.

Tech hiring is also expected to see a major boost. A survey last month from tech job search firm [Dice.com](#) found that roughly 60 percent of hiring managers for tech companies plan to increase hiring in the next six months. Forty-five percent expect to boost hiring by at least 10 percent, while 15 percent plan to increase hiring by up to 30 percent.

The improvement in the hiring outlook for 2011 partly stems from better expectations for capital spending and earnings growth. According to a global survey of 848 chief financial officers (CFOs) conducted by [CFO Magazine and Duke University](#), U.S. firms plan to increase the full-time workforce by 2 percent in 2011, the largest planned hiring increase since early 2006. Hiring is forecast to be particularly strong in the tech and service/consulting industries.

"The U.S. employment picture is improving," [John Graham](#), professor of finance at Duke University and the director of the survey, said in [an announcement of the findings](#). "At a normal rate of labor force growth, employment expansion of 2 percent should reduce unemployment below 9 percent by the end of 2011. At the same time, the U.S. is still sending jobs overseas, with an expected 5 percent increase in outsourced jobs in 2011."

Access to credit among [small businesses](#) — which are traditionally the driving force behind new job creation — will be a major factor in future hiring prospects. Tough lending conditions for smaller firms is likely to make the job market recovery slower than it would be otherwise.

"In a typical recovery, most job growth comes from small firms," [Campbell Harvey](#), a professor of finance at Duke and founding director of the survey, said. "Therefore, the difficulty in borrowing by small companies will continue to shackle economic growth and job creation going forward." The 2011 employment forecast from [Kiplinger](#) projects that 2.5 million jobs will be created this year, up from 1 million new jobs in 2010. Although productivity is still rising, it is climbing at a slower pace, meaning that employers will find it harder to delay hiring workers as the economy expands and new orders increase.

"Still, the unemployment rate will remain high," Kiplinger warns. "Now 9.8 percent, it's likely to

decline to a bit below 9 percent over the course of [2011]. GDP growth will need to continue at 3.5 percent or more in 2012 to bring the rate significantly lower."

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U.S. Department of Labor, December 2010

[The Employment Situation — November 2010](#)

U.S. Department of Labor, Dec. 3, 2010

[Gyrating Numbers are Misleading](#)

by Mark Whitehouse

The Wall Street Journal, Dec. 4, 2010

[Employment Outlook Survey: United States](#)

Manpower, Inc., December 2010

[...Most Promising U.S. Hiring Outlook Since 2008](#)

Manpower, Inc., Dec. 7, 2010

[Growing Optimism in Manufacturing as 49% Plan to Increase Hiring in Next Six Months](#)

Grant Thornton, Dec. 13, 2010

[Special Edition, December 2010](#)

Dice.com, December 2010

[Duke/CFO Magazine Global Business Outlook Survey](#)

Duke University and CFO Magazine, December 2010

[CFO Survey: Outlook Improves, Spending and Employment Trend Upward](#)

Duke University News, Dec. 14, 2010

[Economic Outlook: Employment](#)

Kiplinger, Dec. 10, 2010

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