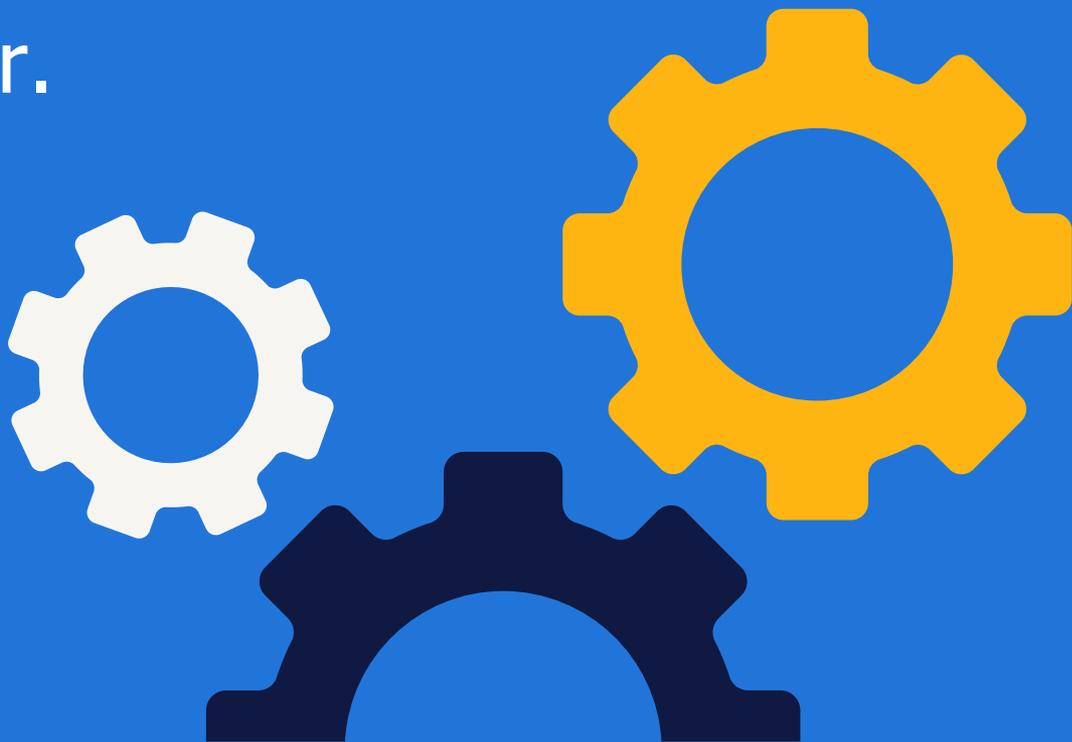


randstad risesmart labor market barometer.

methodology

may 2021

 randstad risesmart



index objective.

The [Randstad RiseSmart Labor Market Barometer \(RRLMB\)](#) is a monthly index that tracks the health of the US Labor Market.

There are myriad aspects to a labor market as vibrant and complex as that of the US: hiring, layoffs, wages, labor supply, skills mismatch, etc. For each aspect, there are countless proxies such as jobless claims, average hourly earnings, unemployment rate, weekly hours, job gains, and more.

The objective of the [RRLMB](#) is to consolidate these disparate signals into a single index. The barometer is built upon ten key indicators strategically chosen to reflect various aspects of the overall labor market, while also tying to the outplacement industry.

Using variables from BLS, DOL, ASA, or ISM, the barometer represents the pulse of the US labor market.

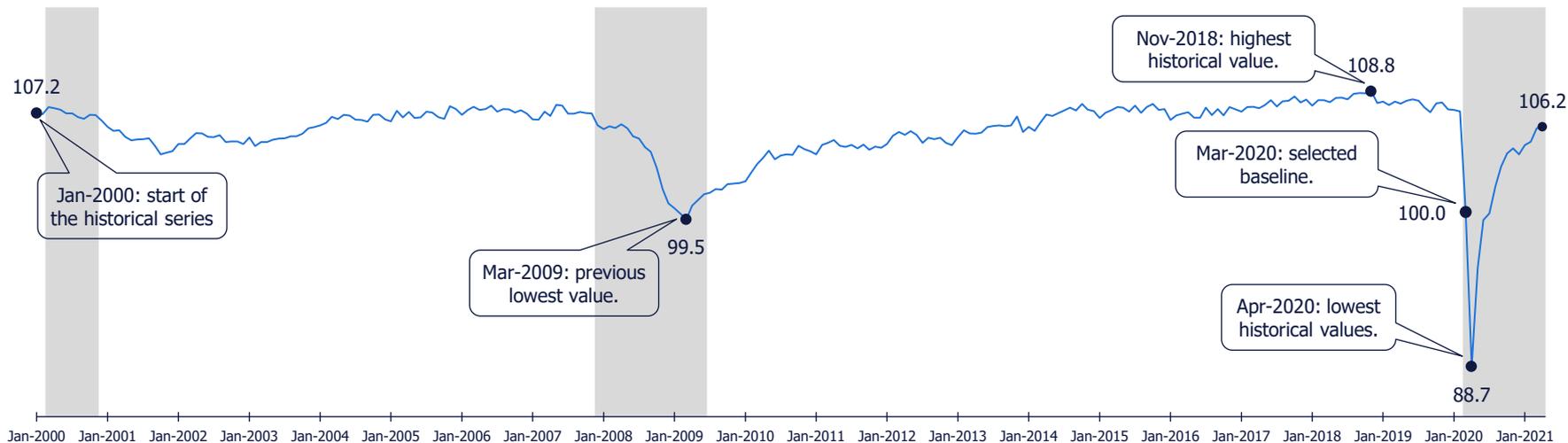


historical series.

on the road to recovery.

The **RRLMB** was developed with a baseline value of 100 in March 2020 (representing the initial COVID-19 pandemic outbreak). This value also closely aligns to the decline related to the financial crisis (99.5 in March 2009). Values above 100 indicate a healthier labor market than the March 2020 baseline and values below 100 signal a weaker labor market.

The gray shaded bars in the graph below indicate recession. This graph shows that the **RRLMB** is a reliable coincident indicator, falling at the onset of recessions and rising during the ensuing recoveries.



index components. (1/2).

key measures of the US labor market.

The [RRLMB](#) comprises of ten key measures of the US labor market. Each measure was chosen with a sharp focus on the theme of outplacement, and picked for its reliability, length of history and timeliness. The components of the barometers include:

1. The [unemployment rate](#) represents the number of unemployed people as a percentage of the labor force. It is one of the most common indicators measuring the health of the US labor market and the US economy.
2. The [unemployment level](#) represents the number of people who are not employed, who are available for work, and who made specific efforts to find a job during the last month (or have been temporarily laid off). It shows the number of people who are willing to work but cannot find a job for different reasons.
3. The employment level for [temporary help services](#) measures the number of people employed through staffing agencies to complement the client's workforce. The temporary help services industry accounts for roughly 70% of the workers in employment services. Variations within the number of staffed people hint at possible turning points in the labor market by offering clues about future employment. In periods of economic downturn, temps are usually the first to be affected by layoffs.
4. The [ASA Staffing Index](#) shows the overall condition of the US staffing industry by tracking weekly changes in temporary and contract employees. It provides an indication of current economic conditions – the staffing industry tends to be very sensitive to any economic developments.
5. [Initial jobless claims 4-week average](#) shows the number of individuals filing to receive unemployment insurance benefits for the first time over the past four weeks. It shows how many people lost their jobs in the last month. A monthly moving average offers a better image of the actual state of the US labor market and the overall economy implicitly, compared to the high volatility of weekly readings.

index components. (2/2).

key measures of the US labor market.

6. [Layoffs and discharges](#) show the number of involuntary separations initiated by employers (layoffs with no intent to rehire, discharges because of eliminated positions). Layoffs are the typical variable taken into consideration by outplacement providers.
7. The [employment diffusion index](#) shows the percent of industries that have increased their payrolls in the last month. A figure above 50 shows industries grew their workforce, while anything below 50 shows industries have reduced their workforce. It is a powerful indicator that assesses business confidence and future employment trends. It also shows how broad the extent of job loss or job gains is within the economy.
8. [Google searches on unemployment](#) is an alternative metric that measures search trends on Google related to the unemployment topic. The metric is already indexed taking with a baseline (=100) for the peak popularity for the term (April 2020). For example, a value of 50 means that the search term is half as popular. A score of 0 means there was not enough data for this specific term. According to some studies, there seems to be a correlation between Google search trends and initial unemployment claims (please see references at the end).
9. & 10. [Companies reporting lower employment values](#) (Manufacturing and Services) are part of the ISM's Employment Index, a subcomponent of the ISM Report on Business (PMI – Purchasing managers' indexes survey). Both measures show the percentage of companies that report decreasing their workforce in a specific month. As for the general figure, the value indicates the direction of employment trends and the overall employment sentiment of the purchasing managers.

method of calculation.

a robust and scalable barometer.

No single statistic is sufficient to capture the complexity of the US labor market. Instead, the [RRLMB](#) uses a dimension reduction technique called Principal Components Analysis (PCA) to summarize as succinctly as possible the information content of our set of carefully chosen index components. Each principal component captures a unique aspect of the data. The [RRLMB](#) is built upon the first principal component, which accounts for 52.2% of the total variation of the index components. Upon extracting that principal component, the series is rescaled and indexed for ease of interpretation. The baseline for the index (=100) has been set to March 2020.

The PCA method provides relative importance weights for each index component, which facilitates interpretation and informs attribution analyses. This technique is easily scalable, permitting index revisions and application to other markets and settings.

The [RRLMB](#) is not built to be predictive, but rather a summary measure of the information content provided by the latest index components.

The scope of the barometer, the methodology and all calculations have been performed by [Randstad RiseSmart](#) in partnership with [Evalueserve](#) and academically validated by Professor [Mike Aguilar](#)*.

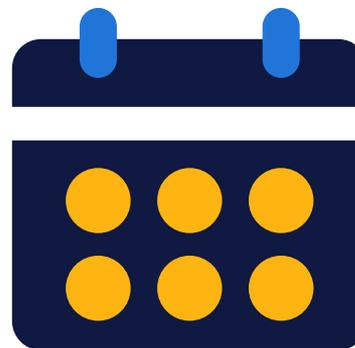


frequency and future releases.

reference month	release date
april-21	may 20, 2021 (1 st edition)
may-21	june 17, 2021
june-21	july 15, 2021
july-21	august 19, 2021
august-21	september 16, 2021
september-21	october 21, 2021
october-21	november 18, 2021
november-21	december 16, 2021
december-21	january 20, 2022

The **RRLMB** is published on the third week of each month, while the data collection process starts after the BLS and JOLTS releases in that respective months.

The index figure represents the developments within the US labor market from the previous month (e.g., the May 2021 release will cover data for April 2021).



references.

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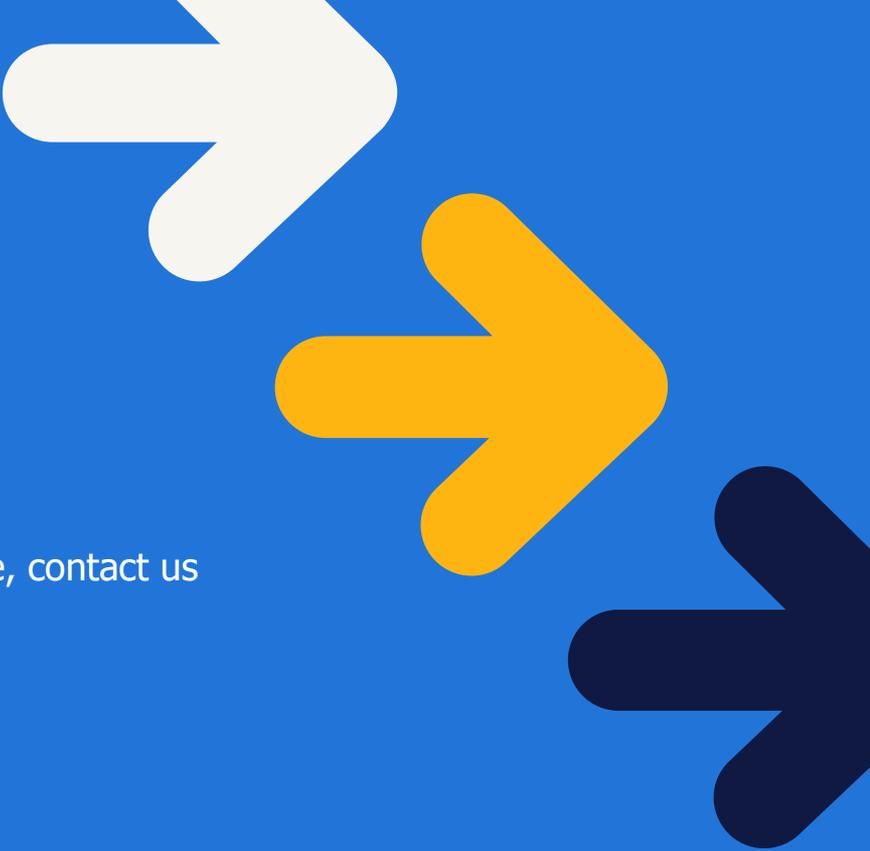
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Brave, Scott A., Butters, R. Andrew, & Fogarty, Michael (2020). A Closer Look at the Correlation Between Google Trends and Initial Unemployment Insurance Claims. Chicago Fed Insights. ([link](#))

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Our passion and dedication to innovation, responsiveness and results have earned us extensive recognition and awards from organizations such as Bersin by Deloitte, Gartner Inc., the Brandon Hall Group and Fortune magazine. For more information, visit www.randstadrisemart.com.



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