

# TalkingPoints

## The S&P 500® LinkUp Jobs Index



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To help investors better understand macroeconomic trends affecting U.S. and global markets, S&P Dow Jones Indices has partnered with LinkUp, a leading data-driven job search company, to create the S&P 500 LinkUp Jobs Index Series. The indices provides greater transparency into the hiring profiles of companies that are included in the S&P 500.

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## 1. Why do investors have an appetite for this type of index?

**Reid:** The S&P 500 LinkUp Jobs Index provides a unique view inside companies. The index helps investors understand whether companies are seeking to expand their labor forces and if so, at what rate. This type of data has always been of interest to investors: the U.S. Bureau of Labor Statistics' (BLS) monthly report on payrolls is among the most-watched economic indicators by investors. As a jobs-focused measure, the S&P 500 LinkUp Jobs Index fits in the same general category as the BLS report but is more forward looking, indicating what jobs will be filled as opposed to which jobs were filled. This new index is also timelier, updating weekly instead of monthly, and with just a single-week lag.

S&P DJI has long produced these types of measures, and they tend to be popular with investors. The best example is the [S&P CoreLogic Case-Shiller Home Price Indices](#). This index series is second only to the S&P 500 in terms of the amount of traffic we receive on our website. The S&P 500 LinkUp Jobs Index will sit beside this renowned home price index series as an important economic indicator.

**Toby:** No other index provider measures jobs; thus, the S&P 500 LinkUp Jobs Index is the first and only to provide insights into the health of the global labor market. These indices deliver predictive signals around specific events such as layoffs, closures, product launches and discontinuations, divestitures, and store/facility openings, as well as other talent management indicators such as turnover.

## 2. Who was your target audience in constructing these indices?

**Reid:** We expect that the S&P 500 LinkUp Jobs Indices will be of interest to a wide range of investors, including financial advisors, investment consultants, hedge funds, retail investors, and institutional investors. The indices will be useful in helping all of these investors identify shifts in macroeconomic trends in sectors and in the U.S. and global economy more generally.

Further, because we will also provide open job counts for each company, we expect that investors will use this index as a filter device to find companies with strong hiring trends, indicating a greater commitment to building their businesses.

**Toby:** We're targeting companies and investment firms that are seeking insights into the global labor market to make better business decisions and investments. Such firms include systematic/quant, quantamental, fundamental, and discretionary.

## 3. What is LinkUp's role in the index construction?

**Reid:** LinkUp collects data from companies' career websites and provides this aggregated information to S&P DJI to be used in the S&P 500 LinkUp Jobs Indices. For an additional fee, LinkUp can also provide highly granular data to investors who want to dig deeper into trends in jobs data.

**Toby:** LinkUp stands as the only jobs data provider in the alternative data space that also operates in the human capital management industry. With a leading job search engine delivering a unique and compelling value proposition for job seekers and employers, LinkUp deeply understands the industry, its evolution, and the monumental disruption that is continually and materially impacting it. This domain expertise allowed for successful collaboration on developing, executing, and delivering the high-quality data for these indices.

## 4. How do S&P DJI's and LinkUp's capabilities complement each other to make these indices effective economic indicators?

**Reid:** In simple terms, LinkUp brings to the table the ability to collect jobs data at a mass scale on a daily basis. S&P DJI brings the ability to consistently calculate leading benchmarks based on data such as that which comes from LinkUp. It's a perfect match.

Currently, LinkUp collects on a daily basis over 3.9 million jobs from over 50,000 companies, including those companies that make up the S&P 500. S&P DJI calculates over one million indices daily, spanning every major asset class, including equity, bonds, commodities, and various economic indicators. Both companies have built up considerable data collection and processing expertise, but in complementary areas.

**Toby:** LinkUp's job openings data accurately reflect the skills, talents, and human capital that employers are seeking at both a macro and micro level and therefore provide profound insight into the future of jobs, work, the labor market, and how companies are thinking strategically and tactically about their businesses. By combining the depth and breadth of S&P DJI as a leading index provider with LinkUp's global leadership in delivering powerful, real-time, and predictive job market information, the S&P 500 LinkUp Jobs Index is likely to become an important economic index in the capital markets—an influential and multi-faceted tool that will be leveraged across a wide array of use cases.

## 5. What would you consider the key benefits of these indices?

**Reid:** The three key benefits of these indices are their timeliness, simplicity, and forward-looking nature.

The S&P 500 LinkUp Jobs Indices will be published weekly with only a one-week lag from the time LinkUp collects the data from company websites. This is in comparison with the BLS report, which is published monthly three weeks after the reference period.

The indices are simple in their methodology and therefore easy to understand. Just as companies in equity indices are typically weighted by market capitalization, companies in these indices are weighted by current job count. This is the single input used in calculation of the indices. Like other indices, a divisor is used to ensure that changes in the constituents do not result in large or discrete changes in the index values.

Finally, the indices are forward looking. Most leading employment figures provide information on hiring that has already taken place. The S&P 500 LinkUp Jobs Index, however, provides information regarding hiring yet to be done. This provides the market a signal as to a company's investment in human capital.

**Toby:**

- **Key Economic Measure:** Jobs data continue to be one of the most widely covered economic indicators of the U.S. economy.
- **Timely:** Weekly jobs reporting that uses open job postings in connection to the S&P 500; other employment indicators have longer reporting period lags.
- **Direct Data:** Open job postings are derived directly from company websites; no surveys or self-reporting bias; includes the most up-to-date data.
- **Predictive Attributes:** Given the fact that the best indicator of a new hire being added to a company and a new job being added to the economy is when a company posts an opening on its website, the data is highly correlated to job growth in future periods.
- **First Mover:** No other index provider measures jobs or employment levels.

## 6. How can these indices be used as economic indicators?

**Reid:** The S&P 500 LinkUp Jobs Indices are meant to be used with a mix of other economic indicators—including GDP, inflation measures, and home price indices—to help individuals and institutions understand macroeconomic trends. The headline index is a powerful indicator, but we also see opportunity for analysis at the sector level and in the data regarding individual companies. We expect that investors will look for sectors and individual companies with pronounced trends indicating strength or weakness and, of course, sectors and companies experiencing inflection points in trends.

Investors can use the information these indices provide in an opportunistic way to inform active management decisions or more systematically for passive management. We have seen an increase in the number of systematic trends that eventually become indices. We believe that investors will eventually demand indices that increase or decrease allocation to certain companies or sectors based on their job posting trends.

Finally, we believe that investors will use these indices as a base for customizing new indices. If there are certain companies a particular investor is focused on that are narrower or broader than our standard sectors, we can create new indices that capture the relevant job posting performance.

**Toby:** These indices provide powerful insights into the performance of the companies and sectors represented by the S&P 500. Because job openings from the companies in the S&P 500 represent roughly 15% of the total job openings in the U.S., the index is highly correlated to and predictive of non-farm payrolls, unemployment, and the general health of the economy.

At a sector level, the S&P 500 LinkUp Jobs Indices deliver valuable insights into the underlying components of the economy and allow for a wide range of applications and use cases related to investment decisions, asset allocation, and sector rotation strategies.

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