Greater Houston Partnership's Report on COVID-19's Effect

The recent surge in COVID-19 cases indicates that elected officials re-opened the economy too soon, that too many Americans are flaunting social distancing guidelines, and that the virus is likely to be around longer than we'd hoped. On July 14th, the U.S. recorded nearly 59,000 new cases, up from 22,000 cases on June 14. Texas logged 10,745 cases that day, Houston nearly 2,600 cases. That's a fivefold increase over the month for the state and the metro area. The outbreak has spurred Mayor Sylvester Turner to call for a two-week statewide shutdown. Harris County Judge Lina Hidalgo has advocated for a broad stay-at-home order as well. The decision, however, rests with Texas Governor Greg Abbott, not local officials. Regardless what action he may take, the outbreak has postponed the start of any economic recovery. The surge came as the economy showed hints of improvement. The U.S. logged substantial job gains in May and June. The number of workers filing claims for unemployment insurance has been trending down. Sales of new single-family houses rose in May. Retail sales have ticked up as has manufacturing output. Closer to home, the Texas Workforce Commission (TWC) reported solid job gains for the state. Recent surveys by the Federal Reserve Bank of Dallas found that Texas service sector showed signs of growth in June and that factory activity rebounded as well. Houston reported job gains in April and May and single-family home sales set a record in June. The data, however, reflect the state of the economy before the recent surge in COVID cases. The impact on jobs, home sales, retail and manufacturing won't be known until reports for July and August are released, and that won't be until mid-August or early September. In normal times, when economic trends unfold slowly, a four- to eight-week lag is not a problem. But these aren't normal times, witness the doubling of COVID cases in Houston between July 10th and July 14th.

The Greater Houston Partnership surveys its small- and medium-sized members, firms with fewer than 500 employees, weekly to produce the Houston Business Barometer. Ninety-eight companies responded to the July 6-8 survey. The most recent results: Nearly 30 percent of companies in the survey say their outlook has deteriorated versus 11 percent that cited an improving outlook. As recently as the first week of June, 38 percent of respondents noted an improving outlook. About 35 percent of respondents said their revenues have declined since their last billing cycle, versus 26 percent a month ago.
Nearly 34 percent say their operations have been severely impacted by the pandemic while another 29 percent report moderate damage. Those figures remain unchanged from early June. About 54 percent of companies surveyed say they have received Paycheck Protection Program aid while another 10 percent have received an Economic Injury Disaster Loan. Two percent have applied for federal aid but have yet to receive an answer. Asked when they expect to resume normal operations in Houston, nearly half of all respondents say they expect it will take three months or

longer, up from 28 percent a month ago. Roughly 28 percent of companies say they don't know when normality will return.

Employment services, which includes contract workers, is a bellwether for the general economy. In a recession, contract workers are the first to be let go. In a recovery, employers hire contract workers to handle the pickup in demand. As the recovery gains steam and labor become scarce, contract workers are offered permanent positions.
The American Staffing Association's (ASA) Staffing Index tracks weekly changes in temporary and contract employment across the nation. At the mid-May trough, contract employment was down 36.6 percent compared to a year ago. The situation has improved, recently, with staffing in late June down only 29.0 percent compared to last year. Locally, employment services lost 14,400 jobs in March and April, recouping only 400 in May.

The current recession can no longer be seen as a brief shutdown in which Congress passes enough safety nets and stimulus packages to bridge the gap. The number of active business owners in the U.S. plummeted by 3.3 million or 22 percent in March and April, according to the National Bureau for Economic Research. The drop in business owners was the largest on record, and losses were felt across nearly all industries and even for incorporated businesses. African-American businesses were hit especially hard experiencing a 41 percent drop. Latino business owners fell by 32 percent, and Asian business owners dropped by 26 percent. Houston likely suffered losses of a similar magnitude. Though the nation has recouped some of the jobs lost in March and April, there are still 16.6 million unemployed workers in the U.S. The Congressional Budget Office doesn't expect U.S. GDP to return to its pre-pandemic level until the middle of '22. Washington can provide temporary help, but the recovery will depend on consumers boosting their spending to get the economy back on track. They account for 67 percent of all economic activity, government expenditures only 18 percent. Consumers' decisions to open their wallets will depend on several factors: (1) Personal Finances: Have they depleted their savings, taken on additional debt, or managed though the pandemic with minimal damage to their net wealth? (2) Job security: Are they unemployed, found work after being laid off, or remained employed throughout the downturn? (3) Personal Safety: Are they in a high-risk group, live in a high-risk neighborhood, know someone who was hospitalized or someone who died from the virus? (4) Political Tribalism: Do they follow or ignore the guidance and mandates of elected officials? Ultimately, though, the virus will determine the timing of the recovery. The economy won't fully reopen until the COVID-19 virus is no longer a threat to public health.

Metro Houston added 73,800 jobs in May, a record for any month. The jump came as Governor Greg Abbott issued orders reopening the state's economy early in the month. Despite the surge, local employment remains 276,400 jobs below its February pre-COVID level. The largest job gains occurred in accommodation and food services, retail and health care. Mining and logging (energy), professional, scientific and technical services, other services, and government continued to lose jobs. Only finance and insurance has returned to its pre-COVID employment level.

Hints of Recovery in the Houston Region

Four months ago, the effects of the coronavirus pandemic on the Houston region were just beginning to be felt, but signs of an unprecedented economic disaster were taking shape. In mid-March, when Houston Chronicle business reporters looked at the economic effect of the burgeoning pandemic, there were fewer than 100 new cases in Texas every week. Today there are more than 7,500 cases each week and more than 216,000 cases in the state. The signs of a growing economic disaster became reality. Businesses large and small closed permanently. Tens of thousands of people lost their jobs, some more than once as bars and restaurants reopened and closed again amid the recent surge in new virus cases. Now with signs pointing to a long, slow recovery, we look at how the region's economic sectors fared and what may lie ahead.

Manufacturing - After struggling through the extended downturn brought on by the coronavirus pandemic, U.S. manufacturers are beginning to recover. In Texas, manufacturing turned positive in June, according to a survey of business executives by the Federal Reserve Bank of Dallas. After a deep contraction in the state's manufacturing sector in April, when an indicator of manufacturing activity in the state hit a historic low, the sector slowed its losses in May. Last month, the production index recovered from -28 to 13.6, the positive number suggesting that manufacturing activity is growing. But there's still a long road ahead for manufacturers in Houston that rely on China for materials and sales. While China's factories are ramping up, the pandemic is still hurting demand. Energy companies, for example, that usually buy products from Houston-area manufacturers have scaled back and are ordering less. Manufacturing contributed $83.1 billion to the Houston-area's $490 billion economy in 2017, according to the Greater Houston Partnership. At 17 percent, it is the largest piece of the local economy. Up to one-third of the region's manufacturing jobs are tied to the oil and gas industry. Local manufacturers have conducted mass layoffs in recent months. In May, the sixth month in a row with year-over-year job losses in the industry, there were 18,400 fewer jobs compared with same month in 2019. Still, manufacturers were not hit as hard as other sectors by the local shutdown orders aimed at reducing spread of the virus. In a Dallas Fed survey, 70 percent of Texas manufacturers said no part of their business was shut down by government restrictions. The greater damage to the sector has been the steep drop off in demand — one primary metal manufacturer wrote in the June survey that orders are off more than 70 percent. A fabricated metal manufacturer wrote that while revenues have increased from last month, it's only from an extremely depressed level and orders have continued to slow.

Oil and gas - Marked by multibillion dollar losses and nearly 100,000 layoffs, the oil and natural gas industry is facing a "once in a generation clearing" caused by the coronavirus pandemic. West Texas Intermediate, the U.S. benchmark for crude, plunged to negative -$37.63 in April, a historic low, as global demand for oil and its refined products plummeted. The price has since rebounded to $40, but it remains too low for most producers in shale oil fields to turn a profit. A year after an average of 230 drilling permits per week were filed in Texas, weekly filings fell as low as 45 in May. That reduced activity cost drilling rig operators, hydraulic fracturing crews and equipment makers nearly 91,000 jobs since March, according to industry data. In Houston, home to many of the industry's headquarters, many workers are still telecommuting as further virus outbreaks slowed or halted their return to offices. In the Gulf of Mexico, BP, Shell and other offshore operators struggled with COVID-19 outbreaks. Companies begin reporting second quarter earnings on July 20 and the results are expected to be grim. ConocoPhillips, Apache Corp., Baker Hughes, Halliburton, Schlumberger reported losses greater than $1 billion in the first quarter.

Retail - A 16 percent retail sales drop in April, at the height of the pandemic's initial lockdown, was a history-making plunge. Then came the wave of bankruptcies. National retailers like J. Crew and Nieman Marcus kicked off the Chapter 11 filings, then Texas brands like Stage and J.C. Penney followed suit, with Tailored Brands expected to file soon. Luby's, the iconic Texas restaurant chain, has put itself up for sale amid lagging sales. National chains such as 24 Hour Fitness and Pier 1 Imports filed and started closing stores in Houston and beyond. The Commerce Department's latest data, from dollars spent in May, were heartening to retail analysts. But with coronavirus infections surging, the landscape has changed. Restaurants and retailers in Texas are still trying to recover from the first round of shutdowns while another looms. Some trends, like the rise of online and non-store shopping, which jumped 31 percent from May 2019, will probably continue. Meanwhile, apparel and furniture sales plummeted 63 percent and 22 percent respectively from 2019 levels. Food service will likely take the biggest hit in the coming months, projecting 12 percent of Texas restaurants will permanently close. Other hard-hit businesses will include salons, gyms and movie theatres. Bars, which opened May 22nd, were ordered closed again June 26th as the number of new coronavirus cases exploded. The most recent shutdown leaves bars with no income after almost four months with just negligible sales and forces owners to get creative. Many Houston bar owners are calling on government leaders to provide some assistance during the second closing.

Real Estate - A recent surge in COVID-19 cases suspended re-opening plans for many Houston companies, some of which had begun to return to their office buildings. Others are still determining whether to bring back all employees once the pandemic is over. Unless they have to, tenants typically aren't shopping for new space. Retail real estate has been harder hit as restaurants and stores had to shut down and many now are only operating at partial capacity. Many companies received government loans to pay rent and help stay afloat, but that money won't last forever.

Banking - In some ways, banks have begun to return to business as usual. But the progress has been anything but even. BBVA USA has begun reopening bank lobbies that have been closed since mid March. Underlying the recovery is both the question of what is safe for employees and customers as new cases of COVID-19 seemed to level out, only to resurge in June, and the question of whether customers will be able to repay their debts among the pandemic's economic devastation.

Health care - Health care might be essential to weathering the pandemic, but even the clinicians, pharmacists and home health aides keeping the workforce safe aren't immune to economic losses. The Houston metropolitan area's health care sector lost an estimated 22,000 jobs from March to June, said Steven Scarborough, manager for strategic initiatives for the Center for Houston's Future, a local think tank. While employment rates initially plunged, the sector has steadily regained jobs after two moratoriums on elective procedures and with the help of government aid such as the Paycheck Protection Program and CARES Act. Smaller practices like independent pediatricians and pharmacies are at highest risk of shutting down or being bought out if the coronavirus pandemic continues, said James Langabeer, the director of UTHealth's Center for Health System Analytics.

Technology - Houston's tech and innovation community has weathered the extended pandemic lockdown and restrictions better than most, its leaders say, largely because working remotely is in the sector's DNA. Startups may be struggling if their own customers are having revenue issues, though many are "already operating in a low-overhead environment." Some of the area's tech accelerators, where startups previously gathered to collaborate and brainstorm, continue to offer distanced, physical office space.

Claims for Unemployment Benefits in Texas Fall, But Remain Elevated

New claims for unemployment benefits in Texas, fell 10 percent last week following a spike in claims the prior week. About 106,000 people in Texas applied for unemployment benefits last week, down from 117,000 the week prior, according to the Department of Labor. It's the second week in a row that Texas' weekly initial jobless claims have surpassed 100,000 since May. New jobless claims had largely slowed over the last three months from the record highs in late March and early April, when initial claims surpassed 300,000 per week. But in the last two weeks, claims jumped up past 100,000 per week and have tracked about eight times higher than pre-coronavirus rates. Typically, about 14,000 people apply for unemployment benefits in Texas each week. Nationally, new claims for jobless benefits held steady, with 1.3 million applying last week, little changed from the week before. Claims, while still much higher than before shutdowns to slow the coronavirus began, have slowed significantly since late March and early April, when they neared 7 million per week. Unemployment benefits have been extended twice in Texas since the state triggered emergency federal programs after reporting high unemployment rates in April and May. Claimants will be eligible for more than a year of state benefits while unemployment rates remain elevated. The additional $600 per week provided by the federal relief bill known as the CARES Act is slated to expire at the end of July unless extended by Congress, meaning hundreds of thousands of Texans will lose a boost to their income that was designed to make workers whole while the pandemic forced businesses to close and lay off employees. State benefits alone often replace just a fraction of normal wages. Texas' unemployment rate was 13.5 percent in April, the highest jobless rate on record, which goes back to 1976. The Texas Workforce Commission has paid out nearly $18 billion in unemployment benefits since the crisis began, according to agency data.

Jobless Rate in U.S. Dips to 11.1%

The economy added 4.8 million jobs in June sending the unemployment rate down to 11.1 percent — a sign of how many businesses were scrambling to emerge from the depths of the recession. But data also released by the Labor Department showed that 1.4 million people filed unemployment claims for the first time last week, as many businesses reversed themselves and closed again during the surge in coronavirus cases. This trend has not fallen off in recent weeks. This marked the 15th straight week of unemployment claims that exceeded 1 million, a sign that the economic recovery has not taken hold for many Americans. The data bring into sharper focus the turmoil facing the economy after many businesses sent workers home in March during the beginning of the spike in deaths caused by the virus. Many companies began rehiring in May and June, but there still are more than 14 million people who lost their jobs during the crisis and have not been rehired. Federal and state officials have stumbled during reopening plans, and now some of the states that reopened the fastest are seeing a large spike in coronavirus cases that are causing them to backtrack swiftly, leading to new job losses. In last month's report, there was a particular focus on a misclassification error the Bureau of Labor Statistics said it made that marred how it calculated the unemployment rate. The bureau said the true unemployment rate probably is closer to 12.1 percent, 1 percent percentage point higher than the official rate it gave. Last month, it said the unemployment rate was 13.3 percent, but the data collection error had artificially lowered it from 16.3 percent. The disconnect stems from the way surveyors interview people about their job status, as many Americans are unclear about whether they actually have been laid off or just sent home temporarily. The official unemployment rate remains one of the highest the nation has experienced since the Depression era.

Challenger, Gray & Christmas Report: Employers Announce 1.2M Job Cuts in Q2

Job cuts announced by U.S.-based employers hit 1,238,364 in the second quarter, the highest quarterly total on record, according to a monthly report released Thursday by global outplacement and business and executive coaching firm Challenger, Gray & Christmas, Inc. June job cuts totaled 170,219, down 57% from May's total of 397,016, and up 306% from the 41,977 cuts recorded in the same month last year. Prior to when cuts began to increase this year in March, it is the highest monthly total since February 2009, when 186,350 job cuts were announced. Second quarter cuts are up 257% from the 346,683 tracked in the first quarter of this year and 781% from the 140,577 recorded in the same quarter last year. It is 108% higher than the previous record quarterly total of 594,326 cuts Challenger tracked in the third quarter of 2001. So far this year, employers have announced 1,585,047 cuts, 379% higher than the 330,987 cuts tracked in January-June of 2019. It is up 77% from the previous January-June record of 896,675 tracked in 2009. "Job cuts are trending down, as expected, as businesses begin the difficult task of reopening. However, with a resurgence in cases, millions of Americans out of work, and enhanced unemployment benefits coming to an end soon, we may expect more companies to make cuts as consumer and business spending slows," said Andrew Challenger, SVP of Challenger, Gray & Christmas, Inc. While COVID-19 was cited as the

reason for 1,011,387 of the 1,585,047 cuts this year, market conditions were to blame for 228,592. Another 71,814 cuts were due to closings and 62,564 were due to a demand downturn. So far this year, Challenger has tracked 16,805 cuts due to the downturn in oil prices. "We are beginning to see the impact of the recession spreading to companies that were not directly impacted by the virus. At the same time, companies that attempted to reopen but were only able to attract a fraction of their pre-COVID customers are closing down again. Meanwhile, a number of high-profile companies are filing for bankruptcy," said Challenger. Bankruptcy has caused 9,581 job cuts so far this year. "Many people who thought they were temporarily out of work or simply furloughed are learning their positions are gone for good," said Challenger. Of the 30 industries Challenger tracks, only three have seen fewer cuts this year than during the same period last year. Pharmaceutical companies have announced 1,116 cuts, down 73% from the 4,112 announced through June last year. Chemical companies have announced 284 cuts, 63% lower than the 769 announced in the same period last year, and Financial companies have announced 40% fewer cuts this year: 7,721 announced in 2020 compared to 12,945 in the same period last year. "It's no surprise companies engaged in Pharmaceuticals manufacturing and sales and Chemicals are recession proof right now. These industries are actively developing treatments so desperately needed to get the economy back on track," said Challenger. The majority of cuts came from Entertainment/Leisure companies, including bars, restaurants, hotels, and amusement parks, which announced 92,954 cuts in June. Although this was 43% lower than the 163,680 cuts announced in May, it is 12,846% higher than the 718 cuts announced in June 2019. So far this year, this sector has cut 671,840 jobs, a 7,535% increase over the 8,799 cuts announced January through June 2019.
Retailers posted the second-highest number of job cuts so far this year with 156,595, 194% higher than the 53,248 cuts announced January through June 2019. The Services sector, which includes companies that provide catering, linen, marketing, and administrative services, announced 114,442 cuts so far in 2020, 842% higher than the 12,148 cuts announced through the same period in 2019. The Automotive sector, including makers, suppliers, and dealers, has cut 74,816 jobs so far in 2020, up 131% from the 32,350 cuts announced January through June 2019. So far this year, 1,836,115 hiring plans have been announced; 75,454 were announced in June, the majority in Health Care/Products, followed by Government, Aerospace/Defense, and Technology.

Jobless Support Comes to End Next Month

As Americans were losing their jobs in record-breaking numbers, lawmakers in late March boosted unemployment checks by $600 a week to help tens of millions of newly unemployed workers get by. But with jobless claims still at historic highs, a question looms: What happens when the $600 weekly benefit expires after July? Congress is struggling over whether to end the $600 benefit — and potentially leave millions of households with too little income — or to extend it into 2021, which some conservatives say could encourage workers to remain unemployed and hamper the recovery. New unemployment claims have remained persistently high nearly three months after the onset of the pandemic. About 89,000 people in Texas applied for unemployment benefits last week and 1.5 million nationally. That's down from a peak of more than 300,000 per week in Texas and nearly 7 million nationally, but still many times higher than usual. Before pandemic began disrupting the economy, first time unemployment claims were running about 14,000 a week in Texas and 218,000 nationally. Still, economists widely expect that the both the U.S. and Texas unemployment rate at the end 2020 will hover between 8 eight and 9 percent — more than double its level at the beginning of this year. "By the end of the year, we might get back half of the jobs that we've lost," said Nathaniel Karp, the Houston-based chief U.S. economist at BBVA. "We were at a very low unemployment rate, the lowest in 50 years, then we went to the highest point in 80 years within two months. It doesn't get crazier than this." But it's unclear what lawmakers will do when the expanded unemployment insurance expires after July 31. The recent spike in COVID-19 cases and hospitalizations as Texas and other states have gradually reopened adds to the uncertainty. Unemployed workers now receive a weekly benefit from state employment agencies, plus $600 in additional federal benefits. The average weekly unemployment benefit in Texas is $432. That means with the additional $600, the average worker in Texas on unemployment has received $1,032 per week. That's just below the statewide average weekly wage of $1,187. With many workers earning more on unemployment than they would if they returned to the workplace or found a new job, lawmakers have argued that the benefit should expire so workers will be inclined to find House Democrats call for the benefits to be paid until January, though Republicans have suggested it's highly unlikely the bill would become law. Republicans, meanwhile, are pushing people return to the workplace with lumpsum payments. Rep. Kevin Brady, a Houston-area Republican, is proposing paying workers $1,200 if they accept a job before July 31. Middleground proposals call for continuing to pay an additional $400 a week in unemployment benefits to workers in states with an unemployment rate above 15 percent. The benefit would be reduced as states' unemployment rates fall. What actions Congress takes on any number of programs to help people and businesses avoid foreclosure, pay their rent and stay on the job could determine whether the worst of the economic crash is over, said Luis Torres, a research economist with the Real Estate Center at Texas A&M University.

New Hope for White-Collar Job Seekers? It Depends on the Job

Shawn Banerji, a top headhunter that places executives in tech-oriented roles at major companies, typically has several searches underway at once. In April and May, when the coronavirus pandemic shut the economy, he had just one executive spot to fill. Now he has five new assignments, as corporate hiring has rebounded in June. The turnaround at Mr. Banerji's firm, Caldwell, echoes a broader reawakening in hiring for professional positions, according to interviews with headhunters, recruiters and executives at staffing firms. Human resource departments are beginning to consider filling open jobs, and recruitment is picking up for high-level corporate posts. But the recovery is uneven. More than a million new jobless claims continue to be filed each week, and certain industries are far outpacing others in the rebound from the trough a month or two ago. Jobs in technology, health care, financial services and consumer packaged goods lead the way. On the other hand, hiring by retailers, apparel makers, airlines, hotels and academic institutions remains moribund. "There's been a lot more activity in the last few weeks," said Tom Gimbel, chief executive of LaSalle Network, a Chicago staffing company. After the depths of April and May, he said, "companies are adjusting to the new normal."

Information technology, marketing and human resources positions lead the way at LaSalle, according to Mr. Gimbel. Increasingly, employers are asking to meet potential candidates, albeit in a socially distanced fashion. "It's been all though Zoom or Microsoft Teams, but clients are starting to say, 'I want to meet face to face,'" he said. "They say, 'Come to my backyard or the park or a table outside Starbucks.'" One exception to the positive trend has been hiring for sales positions, Mr. Gimbel said. "This concerns me," he explained. "At moments of confidence, you'd see companies hire 100 or 200 salespeople. We're not seeing that, and I think that mirrors where the economy is right now." Another quiet area has been academia, with fewer searches for new administrators, said Shelly Weiss Storbeck, managing partner at Storbeck Search & Associates, a division of the Diversified Search Group. "They're a bit in no man's land," she said. "Colleges and universities don't know what their financial position will be in the fall." People are holding on to deposits, she said, since students at most schools have yet to find out if classes will be held in person, online or a hybrid of both in the fall term. As a result, college trustees are asking presidents to stay on longer, rather than face vacancies. Also unclear is whether white-collar workers will want to return to crowded downtowns or dense office environments. Many have become used to working from home using digital networking platforms, just as they are shopping online rather than going to the store. These shifts in professional and consumer habits are powering the demand for executives at the companies Mr. Banerji serves. He has searches underway for roles like chief digital officer, chief technology officer and head of engineering.

"Companies want to transform and adapt to the digital landscape," he said. The financial services industry has long been an early adopter of technology, and Mr. Banerji is seeing a similar willingness to adapt to changed consumer and employee behaviors in areas as varied as health care, groceries and consumer packaged goods. Despite the increase in virus cases, states that reopened earlier have had more of a pickup in employment activity than states that remain under more restrictions. The rate of hiring in Georgia and Texas, for example, is running slightly ahead of the pace in California.

The wave of national protests after the killing of George Floyd in police custody in Minneapolis has also intensified corporate attention on the need for diversity, said Krishnan Rajagopalan, the chief executive of Heidrick & Struggles, a global executive search and leadership advisory firm. "We've been seeing a push for diversity for a while," he said. "But there's no question you're hearing about it a lot more in the past month. It's more than just placement. It's about creating a culture of inclusivity."

Oil Field Services Labor Market Still in Woeful State

Oil field services employment in the United States is approaching its lowest point since the 2014-16 oil bust as low crude prices continue to put a damper on drilling and completion activities, according to a report by the Petroleum Equipment and Services Association.

The sector's workforce, which includes drilling rig crews, hydraulic fracturing fleets and equipment manufacturers, shed more than 105,000 jobs during a 12 month period that ended in May, the trade group said in an analysis of Bureau of Labor Statistics data.

Service companies employed 679,281 people in May, down by 13 percent from 785,106 workers one year earlier, the figures show. Mounting layoffs are pushing service-sector employment near the low of 637,488 jobs recorded in January 2017, the association said.

"The oil field services sector has never lost so many jobs so quickly," said Leslie Beyer, president of the trade group. "The drop shows how much the energy industry has been hit by the pandemic." It has been a roller coast ride for service companies. They employed a peak of 941,796 people in the U.S. in October 2014 just as an oil price crash ignited a two-year downturn that eliminated one in three oil field services jobs. A recovery began in January 2017, but any gains were cut short by oil prices that hovered around $50 a barrel for most of 2019. Then the coronavirus struck. Shutdowns aimed at halting the spread of the pandemic hammered global demand, sending oil prices tumbling. Service-sector job losses were heaviest in April, when 59,666 layoffs were reported at the same time the price of oil collapsed to below zero. Now, with crude oil prices languishing below $40 a barrel, the service sector may not be out of the woods, figures from Norwegian research firm Rystad Energy show. Spending on drilling, completion and related services is expected to reach $481 billion this year, a 25 percent decrease from the $639 billion spent in 2019. The firm projects a modest 2 percent increase in spending in 2021 followed by two years of growth that won't reach pre-pandemic levels of spending. "At best there will only be certain regions and service segments that will see their revenues grow consistently," said Audun Martinsen, Rystad Energy's head of energy research. "For the whole supply chain to recover, we will likely need to wait until after 2023, when we expect service purchases to return to their 2019 levels."

American Airlines Plans to Furlough Up to 25,000 Workers This Fall

American Airlines told 25,000 workers that their jobs are at risk after federal aid expires Oct. 1, as air-travel demand falls again amid climbing coronavirus case numbers. Executives expect it could take years for travel demand to return to its 2019 highs. Meanwhile, airlines are grappling with how deeply to make cuts to hold on to enough cash to survive. United Airlines said it would send such notices to 36,000 employees—close to half its U.S. staff.

American said in a letter to employees that it expects to have 20,000 more employees than it needs this fall. The Fort Worth, Texas-based carrier sent notices for potential furlough to 25,000 of its employees as stipulated by federal labor laws. The figure includes airport and technical operations workers who could be shifted to other locations, the airline said. The potential cuts affect about 29% of the airline's front-line workers. American has previously made cuts to its administrative and management employees that resulted in about 5,000 people leaving the company. U.S. carriers received $25 billion in government aid to cover most of their payroll costs under the broad $2.2 trillion stimulus package approved in March. They agreed not to furlough any workers until the funding runs out Oct. 1. American's passenger revenue in June was down 80% from the same month in 2019. "We had a stated goal of avoiding furloughs because we believed demand for air travel would steadily rebound by Oct. 1 as the impact of Covid-19 dissipated," Messrs. Parker and Isom wrote. "That unfortunately has not been the case."

American said employees who received notices of potential furlough include 9,950 flight attendants, 37% of the airline's total. The notices will also go out to 2,500 pilots and thousands of other workers, American said. The company is also offering new voluntary leave packages, potentially limiting forced cuts. The packages include extended leaves that provide medical coverage and partial pay for eligible employees for up to two years, as well as early retirements. The final number of furloughs will depend in part on how many employees accept these offers, American said. Delta Air Lines said that 17,000 employees had agreed to depart the company and that thousands more had signed up for unpaid leaves of absence. Chief Executive Ed Bastian told analysts and investors he was hopeful Delta would be able to avoid furloughs altogether through similar voluntary programs. Unions representing flight attendants, pilots and others are seeking to get federal payroll support extended another six months. American executives voiced support for the effort, saying it would delay forced cuts until next spring when demand is expected to have improved. Rep. Peter DeFazio (D, Ore.), chairman of the House Committee on Transportation and Infrastructure, and six other lawmakers this week backed a move to extend the aid due to expire Oct. 1, writing in a letter that more funding is needed to prevent hundreds of thousands of job losses.

Construction Jobs Added in 329 Metro Areas In May

Construction employment increased in 329 out of 358 metro areas between April and May as a new survey finds that two-thirds of highway construction firms had at least one crash in the past year at highway work zones they operate. Officials with the Associated General Contractors of America and HCSS, which conducted the survey, urged drivers to slow down and be aware while driving through highway work zones during their summer travels. "As industry employment increases, it is safe to assume that more people are working in highway work zones that are typically close to moving traffic," said Ken Simonson, the association's chief economist. "And it is important to remember that any time your job site is just a few feet away from fast moving traffic, danger is never far away." Simonson noted that construction employment expanded in most parts of the country between April and May as coronavirus lockdowns began to ease, according to an analysis of federal employment data the association conducted. He noted that Seattle-Bellevue-Everett, Wash. added the most construction jobs (28,600, 44 percent) in May, followed by New York City (25,000, 31 percent) and Pittsburgh, Pa. (22,000, 60 percent).

Top Five Employment Law Liabilities Facing Employers Post-Pandemic

Wage and Hour Claims - The shift to telework during the coronavirus pandemic has forced many employers to set aside traditional tracking mechanisms that are used to determine when employees take breaks and clock off. As a result, employers may be vulnerable to employee claims that employers failed to provide and/or pay for all required meal periods, rest breaks, and overtime for remote and on-site employees. To proactively minimize potential wage and hour related claims, employers should ensure to the extent possible that employees are properly compensated for all hours worked. In addition, employers can minimize minimum wage violations by complying with applicable federal, state and local laws that may require employers to reimburse employees for certain expenses incurred in order to telework, such as cell phone, high-speed internet, or other equipment costs. Moreover, employers should consider encouraging managers to execute best supervisory practices in the telework environment, including setting clear expectations with employees, conducting regular check-ins, promptly addressing issues, and making other efforts to maintain clear communication.

Leave Complaints - As the pandemic unfolded in March, Congress passed the Families First Coronavirus Response Act (FFCRA), which imposed the first-ever federal paid sick time mandate. The law requires employers with fewer than 500 workers to provide employees with a certain amount of compensated time off for various reasons linked to COVID-19, including if they become ill or are unable to work because they have to care for a child whose school has closed. In the months following the height of the pandemic, covered employers may encounter allegations that they failed to comply with obligations under the FMLA, FFCRA, and state– or local-equivalent laws by denying the requested leave, miscalculating employees' pay, requesting improper documentation or retaliating against an employee for taking such leave, etc. To minimize exposure to these pitfalls, employers should consider taking proactive steps to determine their potential obligations under relevant federal and state laws and provide employees protected paid leave as appropriate. In addition, employers should carefully weigh the risk of taking personnel actions that could potentially lead to discrimination or retaliation lawsuits by workers who requested or took applicable leave.

Workplace Safety - The Centers for Disease Control and OSHA have released general employer guidance and safety recommendations for certain industries. OSHA has released updated enforcement guidance regarding how to make work-relatedness determinations with respect to COVID-19 record-keeping. All states and most localities have orders regarding mandatory safety precautions. Many employers, particularly essential employers, have seen an increased number of complaints to OSHA or state plan OSHA about COVID-19 related workplace safety. In most of these cases, OSHA has utilized its "rapid response investigation" or "RRI" informal investigation approach, which typically does not include an on-site investigation. Until a few weeks ago, OSHA was taking a hands-off approach to record-keeping issues, but the most recent guidance included an announcement of enforcement activity in this area. Under OSHA's recordkeeping requirements, COVID-19 is a recordable illness and employers face potential risks for failure to comply with recording/reporting requirements. Employers already are facing a number of workers' compensation claims that allege workers contracted COVID-19 on the job. Many states have passed or are considering expanding the scope of workers' compensation law to increase the likelihood of compensability. If claims are not covered by workers' compensation, employers could face negligence claims, as workers' compensation exclusivity may not act as a bar.

Discrimination Charges - As employers across the nation contemplate return-to-work protocols, many may find some workers reluctant to return, particularly employees with preexisting conditions who may be in danger if they return to work and are exposed to COVID-19. Employers may invite Americans with Disabilities Act (ADA) suits by requiring employees to report or unfairly denying a request for a reasonable accommodation that allows them to do their job safely. Further, the widespread telework arrangements that many companies have successfully transitioned their operations to during the pandemic may make it more difficult for employers to refuse to let disabled workers continue working from home as a reasonable accommodation. EEOC guidance confirms that employers are authorized to administer COVID-19 tests and implement other safety measures before allowing employees to enter the workplace. However, employers must keep in mind that discrimination laws permit employees to challenge actions that have a disparate impact on workers of a certain national origin, age or other protected class, even if the employer did not discriminate intentionally.

WARN Act Violations - In the months following the COVID-19 outbreak, many employers were put in the difficult position of implementing sudden layoffs and other workplace reductions due to COVID-19-related business losses. Unfortunately, the efforts to quickly downsize likely made it hard for employers to provide mandatory notice to affected employees, which could spark suits alleging employers failed to adhere to obligations under the federal Worker Adjustment Retraining Notification Act of 1988, 29 U.S.C. § 2100 et seq. ("WARN") and its state counterparts (so-called "mini-WARN" laws). WARN requires that employers with 100 or more employees give at least 60 days' notice before closing or laying off a certain number of workers. State "mini-WARN" laws are often more expansive in their coverage. Generally, employers that fail to provide timely notice may have to provide workers back pay, plus penalties. The "unforeseen business circumstances" exception in federal WARN and most analogous state laws may excuse strict compliance with notification requirements but the federal government has not yet provided any guidance on the application of this exception to COVID-19. Further, while some states have expressly stated in an executive order that the current pandemic is an unforeseeable business circumstance under federal law, it remains unknown how courts will weigh state executive orders.

History of Working From Home

Corporate America has concluded that working from home is working out. A few years ago, Mr. Laermer let the employees of RLM Public Relations work from home on Fridays. This small step toward telecommuting proved a disaster since he often couldn't find people when he needed them; projects languished; and every weekend became a three-day holiday. IBM came to a similar decision after forty percent of its 386,000 employees worked remotely from 2009 until 2017 since revenue slumped. Companies large and small have been trying for decades to make working from home work. Apart from IBM, companies that publicly pulled back on telecommuting over the past decade include Aetna, Best Buy, Bank of America, Yahoo, AT&T and Reddit. Remote employees often felt marginalized, which made them less loyal. Creativity, innovation and serendipity seemed to suffer. Marissa Mayer, the chief executive of Yahoo, created a furor when she forced employees back into offices in 2013. "Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new people and impromptu team meetings," a company memo explained. Tech companies proceeded to spend billions on ever more lavish campuses that employees need never leave. Facebook announced plans in 2018 for what were essentially dormitories. Amazon redeveloped an entire Seattle neighborhood. That has abruptly changed. Facebook expects up to half its workers to be remote as soon as 2025. The chief executive of Shopify, a Canadian e-commerce company that employs 5,000 people, tweeted in May that most of them "will permanently work remotely. Office centricity is over." Walmart's tech chief told his workers that "working virtually will be the new normal."

Coronavirus is Taking a Huge Toll on Workers' Mental Health

The coronavirus pandemic has upended nearly every aspect of today's work environment, with millions of employees finding themselves suddenly working remotely, often in hastily set-up home offices, and others concerned that continuing to report to work could put their own health at risk. More and more employees are dealing with stress, anxiety and isolation, and in the weeks or months ahead this may take a toll. To help, many companies are relying on their employee assistance plans to offer guidelines on how to set daily routines and check-ins and juggle work and childcare — all while maintaining good overall health and exercise habits. Yet for some workers this support is not enough. Supporting workers with mental health services is not only an ethical obligation for employers, it's also a bottom-line issue. More than 60% of workers say their mental health affects their productivity. In 2019 the World Health Organization estimated that depression and anxiety cost the global economy $1 trillion per year in lost productivity. Given the emotional toll of the pandemic, that price will likely be much higher this year. "Employers who want to retain their employees and want them to focus and to be well need to take care of them in their time of need," says Cathleen Swody, an organizational psychologist and founding partner of management consultancy Thrive Leadership. "These things spiral. The stressors build up, especially if someone has preexisting tendencies to lean in that direction. This can be the straw that breaks the camel's back. Then it's an additional health issue that impacts the immune system. They're less likely to exercise or take care of themselves and more susceptible to the virus." Arianna Huffington, founder and CEO of Thrive Global, agrees, noting, "We need a new playbook to manage work at this time." Speaking at CNBC's virtual conference "Leadership & Management Amid Crisis" on Thursday, she said that "it is now critical that remote workers take action to boost their physical immunity and mental resilience." Even before the coronavirus, financial concerns were among the chief causes of stress for Americans, with more than half saying that thinking about their finances can make them feel anxious. For the many Americans living paycheck to paycheck, money concerns can feel even more overwhelming amid projections that millions will lose their jobs in the coronavirus crisis. Giving workers assurances that they'll be able to keep their job — and their paycheck — through the crisis is one way that companies can immediately reduce their stress. A handful of high-profile companies, including Bank of America, Citigroup and Morgan Stanley, have already made such pronouncements publicly. John Chambers, former founder, executive chairman and CEO of Cisco, who has managed through several crises, including 9/11, the financial crisis and SARS epidemic in Asia, advises leaders to treat their employees "like you would like to be treated yourself." Although the solitude of remote work may be beneficial to some, others thrive with live, human interaction and face a higher risk of depression, anxiety and other mental health issues when forced to work from home. One way for employers to combat that is to make sure that managers make time for regular, one-on-one check-ins with every employee via video. The "essential" workers who are still working onsite through the crisis often have never experienced this level of stress or health risk while on the job. As a result, many employers are trying to come up with solutions to mitigate their anxiety and stress through this difficult time. Starbucks, for example, announced in March that it would provide 20 mental health sessions per year with a therapist or coach for eligible employees and their family members. For several years managers at Chipotle have done a "wellness check" with every employee reporting for a shift, asking them whether they have any illness symptoms or are caring for someone at home who has one. Since the emergence of the coronavirus, field managers have also started doing mental health check-ins as well, says Marissa Andrada, the chain's chief people officer. The company began offering free mental health counseling to all its 83,000 workers in January, before the crisis, and in March it announced a short-term 10% wage increase for hourly workers to show their appreciation for them working under difficult circumstances. The company also recently announced that it is also issuing bonuses to some of their workers. "We hear from them all the time now that they're just thankful that they can go to work and earn a paycheck," Andrada says.

Navigating Limitations for Employer's Diversity and Inclusion Initiatives

Despite best intentions, employers may be unknowingly setting themselves up for future lawsuits by improperly broadening diversity and inclusion initiatives. Many employers are dedicating more resources than ever to improving their corporate culture by focusing on diversity and inclusion, particularly in light of recent events. The intent for many is to increase the representation of underrepresented groups in their organization. While that is admirable, specific strategies may actually lead to allegations of state and federal anti-discrimination law violations. Employers should take appropriate measures so that their well-intended efforts to increase inclusivity and social responsibility do not cause damage in the long run. In general, diversity and inclusion initiatives should be flexible and case-specific.[1] Although the applicable law can vary based on jurisdiction and depending on whether the employer is a public institution or private institution, there are limitations as to how an organization can lawfully achieve diversity and inclusion aspirations.
Rather than quotas or rigid requirements, employers should focus on opportunity while keeping ultimate decisions based on skillset. There are both short- and long-term initiatives that could further inclusivity.

Sources: Littler; Houston Business Journal; Houston Chronicle; Greater Houston Partnership; Wall Street Journal; New York Times; Reuters; NAPS; ASA Staffing; CNBC