Hiring Source

eNEWSLETTER | JUNE 2021

U.S. WORKERS QUIT JOBS AT HIGHEST RATE SINCE 2000

More U.S. workers are quitting their jobs than at any time in at least two decades, signaling optimism among many professionals while also adding to the struggle companies face trying to keep up with the economic recovery.

The wave of resignations marks a sharp turn from the darkest days of the pandemic, when workers craved job security while weathering a national health and economic crisis. In April, the share of U.S. workers leaving jobs was 2.7%, according to the Labor Department, a jump from 1.6% a year earlier to the highest level since at least 2000.

The shift by workers into new jobs and careers is prompting employers to raise wages and offer promotions to keep hold of talent. The appetite for change by employees indicates many professionals are feeling confident about jumping ship for better prospects, despite elevated unemployment rates.

While a high quit rate stings employers with greater turnover costs, and in some cases, business disruptions, labor economists said churn typically signals a healthy labor market as people gravitate to jobs more suited to their skills, interests and personal lives.

Several factors are driving the job turnover. Many people are spurning a return to business as usual, preferring the flexibility of remote work or reluctant to be in an office before the virus is vanquished. Others are burned out from extra pandemic workloads and stress, while some are looking for higher pay to make up for a spouse's job loss or used the past year to reconsider their career path and shift gears.

For many workers who want a change, there appear to be plenty of options. Some sectors, such as manufacturing and leisure and hospitality, are getting a boost from government stimulus packages and enthusiastic consumer spending. Employers are on the lookout for workers, eager to snap up promising candidates.

One trend some employers are seeing: high turnover among the newest employees, many of whom started remotely and have never met co-workers in person.

U.S. JOB OPENINGS REACHED RECORD LEVEL THIS SPRING

Available jobs in the U.S. climbed further above pre-pandemic levels last month following a record surge earlier in the spring, a sign of strong demand for workers—with leisure and hospitality sectors showing the most growth in openings. Openings continued to grow in May. That followed an increase of nearly 1 million unfilled positions in April, to 9.3 million, the highest level on records back to 2000, according to a Labor Department report. Open positions nearly matched the 9.8 million Americans who were unemployed, but searching for work during the month. The rate at which workers quit their jobs, a sign of confidence in the labor market, also rose to a record high in April, and the rate at which workers were laid off fell to a record low, the Labor Department said. The most quits occurred at retail jobs.

Both private and government measures showed surging demand for restaurant, hotel and other service-sector workers. Job postings at food-services businesses were 25% above pre-pandemic levels at the end of May. As recently as March, the sector had less demand for labor than in early 2020. Job postings in hospitality and tourism nearly returned to pre-pandemic levels last month, ending May 3.6% below the February 2020 level.

While demand for labor is surging in the service sector, it is starting to cool in other industries. The number of openings in May declined in construction and plateaued in recent weeks in manufacturing. Those sectors were among the first to return to pre-pandemic levels of openings late last summer. The trends in those sectors suggest that the broad resurgence in demand for labor is reaching a limit in some of the first sectors where demand returned after the pandemic downturn.

Last year, consumers purchased goods in larger quantities—ranging from toilet paper to televisions—in a trend that benefited manufacturers and retailers, including grocery stores, general merchandise stores such as Walmart and Target, and home-improvement stores. Many people also sought to improve their homes or buy new ones, which helped spark strong hiring in construction.

Rising costs for lumber and other materials, as well as rising prices for new homes, are constraining demand for residential construction. Meanwhile, auto manufacturers have faced shortages of microchips, which have caused some layoffs in that sector.

Construction employment fell by 20,000 in May, the Labor Department said. Retail jobs fell by 6,000 last month. Manufacturing employment rose in May but not enough to offset losses in April.

The report from the Labor Department showed 1.3 million open jobs in the accommodation and food-service sector at the end of April, and that same amount in healthcare and social assistance. There were nearly 1 million open retail jobs.

Available jobs, as a share of the workforce, rose in all regions of the country. The South had the highest rate, followed closely by the Northeast and Midwest. Openings rose in the West, but trailed the rest of the country.

JOBLESS CLAIMS ROSE LAST WEEK, PAUSING DOWNWARD TREND

Worker filings for initial unemployment benefits rose last week for the first time since late April but remained near a pandemic low as the labor market continues to heal from the impact of Covid-19.

Initial jobless claims rose by 37,000 to 412,000 in the week ended June 12. Despite the increase, the four-week moving average, which smooths out week-to-week volatility, reached a new pandemic low of 395,000. This was the lowest average level since March 2020, when the pandemic first took hold in the U.S.

The latest claims figures came as Covid-19 restrictions continue to wane, the U.S. posted a lower unemployment rate in May and demand increased for workers.

Thursday's claims report also showed unemployment rolls shrank late last month. The number of ongoing benefit claims—a proxy for those receiving payments—fell by more than 500,000 to 14.8 million the week ended May 29. That includes those tapping benefits through pandemic-specific programs introduced last year, including those for self-employed workers.

The figure remains well above pre-pandemic levels, but is half the number tapping benefits a year earlier, according to the Labor Department. Half of states have announced that they will pull back on part or all of those federally backed benefits in the coming weeks—before they were slated to expire in early September.

The underlying cause of last week's increase might be due to a number of factors such as workers deciding they aren't ready to return to an office setting, seasonal volatility and changes in state-run programs, economists said. Pennsylvania, for instance, reported a large increase in new claims, which Augustine "Gus" Faucher, chief economist at the Pennsylvania-based PNC Financial Services Group, said likely was due to the state overhauling its dated unemployment computer system. Pennsylvania's labor department didn't immediately respond to requests for comment.

Despite last week's increase, total new claims over each of the past several weeks have moved closer to what economists consider a normal range. The long-term average of initial jobless claims dating back to 1967—including periods of expansion and recession—is 371,763, according to Labor Department data.

The current level of claims is well down from the record weekly level of more than six million in early April 2020, early in the pandemic, but still above the weekly average of 218,000 in 2019, before Covid-19 took hold in the U.S.

Economists are predicting the number of people receiving benefits will drop off this summer. Several pandemic-related programs expire in early September, and 25 states are ending some or all of the enhanced benefits early as Republican policy makers worry that the benefits are discouraging people from seeking work. Eight states are ending extra benefits this weekend. The pandemic has also created imbalances, with record job openings, a shortage of available workers and signs employees are more willing to quit than at any other time in the past two decades.

TEXAS ADDS MORE JOBS AFTER A SLOW APRIL

Hiring in Texas accelerated last month, rebounding from a sluggish April. Texas employers added 34,400 jobs in May up from 15,000 in the previous month, the Texas Workforce Commission reported.

The state unemployment rate fell to 6.5 percent from 6.7 percent in May, but still above the unemployment rate of 5.8 percent in May.

The state has added more than 800,000 since May 2020 — a blistering job growth rate of nearly 7 percent — rebounding from steep job losses that followed pandemic-related shutdowns last spring. Employment, however, is still about 400,000 jobs below pre-pandemic levels.

The biggest job gains in May occurred in service industries hard hit by the pandemic last year. As vaccinated people returned to bars, restaurants and movie theaters, and resumed travel, the leisure and hospitality sector added more than 14,000 jobs in May. Employment in the sector is up 26 percent from a year ago. Other services, a sector that includes hairdressers, nail salons and dry cleaners, added 3,700 jobs in May, pushing employment up 14 percent from a year ago. The energy industry, battered last year by the collapse in oil demand and prices, also is recovering as oil prices rise. The sector dominated by the oil gas industry added 1,600 jobs in May. Oil settled at $71.64 a barrel Friday, compared to less than $40 a barrel a year ago.

Houston-area employers added 8,800 jobs in May, down from gains of about 11,000 in April and 25,000 in March, according to the Texas Workforce Commission. The local unemployment rate was 6.6 percent in May. The region lost nearly 400,000 jobs during the pandemic, and has regained more than half of them. If Houston continued to add about 9,000 jobs a month, regional employment would return to pre-pandemic levels by the end by 2022.

The biggest gains in Houston came in the arts, entertainment and recreation industry, which added 9,600 jobs from May 2020. The energy sector added 2,100 jobs over the year.

Some sectors continue to struggle. Manufacturing employment in Houston is down about 6 percent from May 2020, shedding about 13,000 jobs over the years. The sector, closely tied to the energy industry, was also hit hard by the oil bust. Supply chain disruptions and difficulties as the economy ramps up may have also contributed to manufacturing job losses.

Construction lost about 8,600 jobs, or about 4 percent of employment, from May 2020. The losses are likely concentrated in commercial and industrial segments of the market, which have not recovered as strongly as residential construction, which is in the midst of a housing boom.

Nationally the job growth has slowed after burst of hiring early in the year. Analysts say supplemental federal benefits aimed at supporting workers during the pandemic may be keeping some people on the sidelines longer, but several factors are likely contributing to the slowdown in hiring and reported labor shortages.

Texas is cutting off supplemental federal benefits two months before the programs expire in September. The additional benefits of $300 a week-end in Texas next week.

TEXAS ENACTS NEW COVID-19 LIABILITY PROTECTION LAW

On June 14, 2021, Texas Governor Greg Abbott signed the Pandemic Liability Protection Act into law. The law became effective upon his signing. This new law provides COVID-19 liability protections for health care providers, businesses, non-profits, religious institutions and schools that follow certain safety protocols. Texas, with the adoption of this law, joined dozens of other states across the country that have enacted statutory liability protections for businesses and other organizations for claims arising during a pandemic or disaster related to a pandemic. Some three pages of the 17-page law are dedicated to legislative findings articulating ten detailed reasons why the law is necessary, and explaining the public benefits that flow from it.

As for the provisions addressing liability protections for businesses and other "persons" generally in alleged exposure claims, the law itself creates new exceptionally high thresholds for plaintiffs asserting claims for COVID-19 related injuries. First, in order to have a viable claim for a COVID-19 related injury, a plaintiff first must be able to show that the defendant knew of *and* failed to warn the plaintiff of a condition that was "likely to result in the exposure" to COVID-19. Additionally, the plaintiff must show that the defendant *knowingly* failed to implement or comply with government-promulgated standards, guidance, or protocols in place at the time of the exposure to COVID-19.

To show that a defendant knew of *and* failed to warn the plaintiff of a condition that was "likely to result in the exposure" to COVID-19, the plaintiff must demonstrate that the defendant had control over the condition "likely to result in the exposure" to COVID-19; that the defendant knew that the plaintiff was "more likely than not" to come into contact with that condition; and that the defendant had a reasonable opportunity and ability to remediate the condition or warn the plaintiff of the condition before the plaintiff came into contact with the condition.

To show that a defendant *knowingly* failed to implement or comply with government-promulgated standards, guidance, or protocols, the plaintiff must show that the defendant had both the opportunity and ability to comply with those standards; refused to implement or acted with "flagrant disregard" of those standards; and that the standards the defendant did not implement or comply with did not conflict with some other government standard that the defendant satisfied.

Merely asserting that a defendant knew of and failed to warn of a condition that was "likely to result in the exposure" to COVID-19 *and* knowingly failed to implement or comply with government-promulgated standards, guidance, or protocols, however, is not sufficient to advance a claim. Rather, a plaintiff must also provide "reliable scientific evidence" that shows that the defendant's failure to warn of the condition "likely to result in the exposure" to COVID-19 or failure to comply with government standards, guidance, or protocols was "the cause in fact of the individual contracting the disease."

The "reliable scientific evidence" must come in the form of an expert report that provides both a factual and scientific basis for the assertion that the defendant caused the plaintiff to contract COVID-19. The plaintiff must provide that expert report no later than 120 days after the defendant files an answer (although the parties can extend that deadline by agreement). The defendant in turn then has 21 days after the report is served or the defendant files its answer, whichever is later, to challenge the sufficiency of the expert report. If the court finds the expert report is not sufficient, it may allow 30 days for the plaintiff to cure the deficiency; however, if a sufficient report is not timely produced, the court, on defendant's motion, *must dismiss the case with prejudice and award the defendant reasonable costs and attorney's fees.* The law allows no discretion on this requirement.

The law also specifies that the expert report is exclusively for threshold purposes because it is not admissible evidence and cannot be used in depositions or at trial. The only exception to this rule is if the parties have depositions to determine the sufficiency of the expert report. Plaintiffs are limited to two such depositions.
The new law does not create a private cause of action and applies only to claims filed on or after March 13, 2020 for which a final judgment has not yet been issued. The law further states that there is currently no certainty regarding how long the pandemic will last and, thus, does not contain a sunset provision. Instead, it provides that the law will remain in effect until a state of disaster no longer exists. On June 7, 2021, the governor extended the state's COVID-19 Disaster Declaration through the end of June 2021 so we know that, at a minimum, June 30, 2021 is the earliest date this law could currently expire.

HOW WORKING FROM HOME HAS CHANGED EMPLOYEES

The employees who return to the office after a year of remote work aren't the employees their bosses remember. They have spent over a year adjusting to a radically different rhythm—both in terms of work and their personal lives. They have shifted their working hours, and learned to manage their own tasks without oversight. They may place more value on their family time or personal priorities, and perhaps been forever changed by a loss or health concerns. After a year of working in solitude, many have come to expect more control over how, when and where their work gets done, and to have greater autonomy relative to their managers and organizations.

All these changes add up to a challenge for managers, who will need to think differently about how to mentor and coach their team members effectively as they return to the office. Their employees might *look* like the same people. But rest assured, many aren't.

For starters, bosses should consider renewing their relationship with every single employee—even those they've managed for years—as if they are starting from scratch. To that end, they shouldn't assume what their employees can or can't do based on what they could or couldn't do before the pandemic, since they may have acquired new capacities while working from home. Perhaps a junior employee has learned to identify her own tasks and deadlines without the boss laying them out for her; perhaps an arrogant and standoffish sales representative has developed a newly charming phone persona after months of relating long distance or being humbled by pandemic fears.

As a result, it's best to think about them as fresh hires, asking them how it feels to be back, what they look forward to accomplishing in the months or years ahead, and how they hope to combine home and office time. Managers might think about treating the initial three to six months after the office reopens as something like a probationary period—not with an eye to firing people, but as a way to assess how employees have grown or changed, and how their own management tactics need to evolve in return.

Probably the biggest change for managers is that many of their direct reports will have acquired a taste for independence, and a lot less managerial oversight. It isn't easy to go from a year of freedom to being under the boss's thumb. Bosses who are nervous about allowing in-office employees the same kind of autonomy they enjoyed at home should pause and remember what they observed during the pandemic. That is, more productive workers.

Along with acquiring more autonomy over *how* their work gets done, the past year saw many employees get more control over *when* their work gets done.
Many employees aren't going to give up that flexibility easily. Bosses should establish core hours during which every worker on a team or project must be online or in the office—and then give employees the flexibility to manage the rest of their schedule. For managers who are used to tracking their team's efforts based on a 9-to-5 schedule, this will require a profound shift: managing team members based on progress toward agreed-upon objectives, rather than the number of hours they spend sitting at their desk.

Then there's the dreaded meeting. Employees have long complained about meeting overload, of course, but the past year took that exhaustion to a whole new level—thanks to the frustrations of virtual meetings. Employees aren't going to take kindly to going back to the same old same old. The idea that employees should be available to meet anytime between 9 and 5, five days a week, is an outdated way of thinking. In the hybrid workplace, employees should be able to keep meetings to the days that they are in the office.

Recognizing that different employees have different needs has always been the most important—and the hardest—part about being a manager. That will never be more true than in the coming months. Employees are emerging from the pandemic year as changed, but in different ways. The best managers won't just recognize that. They'll also benefit from it.

ENHANCING THE EMPLOYEE EXPERIENCE A TOP PRIORITY

As companies transition to new ways of work, the number of U.S. organizations making improvement of the employee experience a top priority has surged, according to a new survey by Willis Towers Watson, a leading global advisory, brokering and solutions company. However, while employers recognize adapting to the new reality will take time and require a hybrid work model, many are not ready to meet the challenges.
The 2021 Employee Experience Survey found more than nine in 10 employers (94%) said enhancing the employee experience will be an important priority at their organization over the next three years compared with just 54% that indicated it was important to their organization prior to the pandemic. And with good reason. Most respondents believe a positive employee experience is a key driver of engagement (82%), employee wellbeing (79%), productivity (79%), and ability to attract and retain talent (80%).

Many respondents believe it will take time to adapt fully to a post-pandemic world. Less than one in seven (13%) say the pandemic has receded enough to end temporary pandemic-related policies and programs. The rest indicate they will be ready to do so during the second half of this year (59%) or in 2022 or beyond (28%). Additionally, while employers expect the proportion of their employees working primarily remotely will drop from 53% now to 20% in three years, they expect one in four workers (25%) will be working in a mix between onsite and remotely in three years, triple the current number (8%).

"Whether due to employer actions such as pay reductions and layoffs or because of virtual work and personal hardships for some workers, the pandemic exposed shortfalls in the employee experience at many organizations," said Andy Walker, managing director, Willis Towers Watson. "Enhancing the employee experience has therefore become an imperative for employers, and it's one that will take time and present challenges many are not currently prepared to meet."

Indeed, nearly eight in 10 employers (78%) recognize that the new realities of the labor markets will require a hybrid model for many roles; however, many employers are not ready to realize that ambition. Only 52% of respondents are flexible about where or when work gets done; half (49%) are in the process of reimagining careers in response to changes in the way work is accomplished, and only 31% are segmenting Total Rewards to account for a different workforce profile. Overall, only 16% are doing all three of these.

Nearly three-quarters (73%) of organizations intend to focus on digitalization to transform the employee experience fundamentally over the next three years. When asked to identify the areas needed to improve the employee experience, respondents said they are looking to improve their offering or change aspects of their programs to address the needs in inclusion and diversity (82%), manager training (61%), learning and development (59%), and leadership competencies (54%). Further, over three-fifths of employers (63%) identified flexible work arrangement as a priority to boost the employee experience.

"As organizations look ahead to a post-pandemic era, their ability to move the needle on the employee experience will be critical. To succeed, they must start with a bold employee experience strategy that supports their business strategy and is based on a consistent model. Then, they can turn to execution — adapting programs and policies reflective of flexible work, paying employees fairly, enhancing benefit delivery and wellbeing programs, supporting workers in a more agile and flexible workspace, and aligning Total Rewards programs to meet the needs of a diverse workforce," said Suzanne McAndrew, global head of Talent Advisory, Data and Software, Willis Towers Watson.

SOURCES

Wall Street Journal; Houston Chronicle; Willis Towers Watson; Littler