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U.S. Added 850,000 Jobs in June Labor Rebound

The U.S. labor market recovery is accelerating after a spring lull. Employers added 850,000 jobs in June—the biggest gain in 10 months—and workers' wages rose briskly, both signs of robust demand for workers.

The unemployment rate, derived from a separate survey of households, rose to 5.9% in June from 5.8% in May. That was in part because of a positive development: A modest number of Americans came off the sidelines and entered the job search, expanding the labor pool. A broader measure of unemployment that takes into account workers stuck in part-time jobs and those too discouraged to look for work fell sharply last month.

Job growth lagged behind broader economic growth earlier this spring, with the economy adding 583,000 jobs in May and 269,000 in April. But big hurdles to hiring are starting to clear away. Rising vaccination rates, easing government restrictions on businesses and the expiration of unemployment benefits in many states are stoking the latest growth.

Workers are coming back to the labor market—albeit slowly—and employers, desperate to hire to serve a flood of customers, are dangling higher pay and other incentives such as signing bonuses. Hourly wages among private-sector workers rose 3.6% from a year earlier.

Meanwhile, fears of the pandemic are easing. The number of workers who said they were prevented from looking for work because of the pandemic fell by 900,000 in June to 1.6 million. "In terms of the pace of hiring, this is probably close to max speed just given how quickly workers are coming back," said Sarah House, senior economist at Wells Fargo. "Employers are making it work."

Despite the latest job growth, the labor market faces challenges. There are still 6.8 million fewer jobs than in February 2020. The jobless rate remains above its pre-pandemic level of 3.5%. And while the labor force grew last month, the gain was modest.

The share of adults working or looking for work was flat in June, remaining at 61.6%—1.7 percentage points below its pre-pandemic level—even though participation among prime-age workers, or those between 25 and 54 years old, rose from a month earlier.

Many workers have retired rather than attempt to get their old jobs back; others remain fearful of getting sick. Some economists and businesses say many former workers are reluctant to return lest they lose enhanced unemployment benefits that Congress and state governments provided to help laid-off workers cover living expenses during the pandemic.

But recent weeks appear to have brought a shift toward stronger job growth. Perhaps no sector is heating up more than leisure and hospitality, which includes restaurants, bars, sports venues, museums and amusement parks. Nearly 1 in 4 jobs created last month were at restaurants and bars. Hourly wages for restaurant and other hospitality workers were up 7.9% in June from their pre-pandemic level. The broader leisure and hospitality sector could help lead job growth later this year and next, given Americans' desire to resume vacations, concerts, restaurant outings and other activities.

Other employers raised wages as they continue to ramp back up and compete over a limited pool of workers. Compared with February 2020—the month before the pandemic plunged the U.S. into a recession—average hourly earnings among private-sector workers are up 6.6%. That is well above inflation, which rose 3.8% in May from the year before, according to the Labor Department's consumer-price index.

In addition to leisure and hospitality gains, employers added more workers in sectors that were hard hit by the pandemic including retailers and the government, particularly teachers. Employers ranging from national delivery companies to ride-sharing companies to fudge producers say they are primed to hire more and are trying to find ways to do so.

JOB CUTS FALL TO LOWEST MONTHLY TOTAL IN 21 YEARS

Job cuts announced by U.S.-based employers fell 16.7% in June to 20,476 from 24,586 cuts announced in May. Last month's total is the lowest monthly total since June 2000, when 17,241 job cuts were recorded, according to a report released Thursday from global outplacement and business and executive coaching firm Challenger, Gray & Christmas, Inc.

June's total is 88% lower than the 170,219 recorded in June of last year. In the second quarter, employers announced 67,975 job cuts, the lowest quarterly total since the second quarter of 1997, when 51,309 cuts were announced. It is down 53% from the first quarter total of 144,686, and 95% lower than the 1,238,364 announced in the same quarter last year.

So far this year, employers have announced plans to cut 212,661 jobs from their payrolls, down 87% from the 1,585,047 jobs eliminated through the same period last year. It is the lowest January-June total since 1995, when 212,299 job cuts were tracked in the first six months of the year. "We're seeing the rubber band snap back," said Andrew Challenger, Senior Vice President of Challenger, Gray & Christmas, Inc. "Companies are holding on tight to their workers during a time of record job openings and very high job seeker confidence. We haven't seen job cuts this low since the Dot-Com boom," he added.

Companies in Aerospace/Defense have announced the most cuts this year with 32,930, down 38% from the 53,284 cuts announced in the sector through this point last year. Telecommunications follows with 24,824 cuts, down 15% from the 29,100 announced during the same period last year.

The Energy sector, which led cuts in June with 7,408, has announced 16,291 for the year, down 34% from the 24,852 announced through June 2020. "The Energy sector is undergoing some disruption as demand for renewables gains momentum. The record heat in the Pacific Northwest, the failure of the power grids in Texas, and a New Administration that is pushing to pass infrastructure legislation that includes renewables is further cause," said Challenger.

Retailers have announced 14,049 cuts so far in 2021, down 91% from the 156,595 cuts announced through June 2020. A semiconductor shortage has caused numerous work stoppages for Automakers and suppliers in recent months. Last month, employers in this sector announced 1,062 cuts, for a total of 6,111 cuts this year. That is down 92% from the 74,816 cuts announced during the same period last year. Challenger continues to follow losses in the News industry, which is tracked as a subset of Media cuts. Through June, Newsrooms have announced 1,009 job cuts, with 46 occurring in June. That is down 91% from the 11,027 cuts through the first half of last year. These cuts include digital, print, and broadcast news.

The majority of cuts (10,876) last month were attributed to Restructuring, while 2,950 were from plant and store closings. Cuts attributable to COVID-19 fell to 186 in June from 686 in May. So far this year, employers used this reason for 7,797 cuts, compared to 1,011,387 announced in the first half of 2020.

JOBLESS CLAIMS RISE, TOTAL RECIPIENTS FALL

The number of Americans receiving jobless payments fell this month to the lowest level since early in the coronavirus pandemic, but first-time applications rose as supply constraints persist in the auto industry.

Continuing payments made through all unemployment benefit programs fell by 1.3 million in the week ended July 3, to 12.6 million, the Labor Department said. That was the lowest level since late March 2020, when new programs responding to the pandemic first came online.

In recent weeks about half of states have acted to end enhanced and extended unemployment benefits. The end of pandemic programs in Texas drove the latest decrease. "The expectation is that this will spur more job-seeking among unemployed Texans as demand for labor improves," said Gus Faucher, chief economist at PNC Financial Services.

Meanwhile, initial jobless claims, a proxy for new layoffs, rose by 51,000 to a seasonally adjusted 419,000 for the week ended July 17, the Labor Department said. The increase returned the new claims near to levels recorded in early June. The four-week moving average, which smooths out volatility in the weekly figures, increased by 750 to 385,250.

Economists said the increase could reflect seasonal adjustment variations in the data, which is typical in July, when the timing of the Independence Day holiday and scheduled factory shutdowns vary year to year.

The largest state-level increase came in Michigan, a state where auto production has been disrupted due to chip shortages. Kentucky, another state with auto plants, also reported a large rise in new jobless claims. “Typically you’d see some plant shutdowns in autos, as well as other industries in the early part of July. Then those people would come back in the second half of the month,” said Stephen Stanley, chief economist at Amherst Pierpont Securities.

Economists also say layoffs and unemployment can remain elevated even when hiring is strong. That is because people who recently lost jobs might not be located near firms that are hiring, or might not have the skills to take the job.

Despite last week’s increase, initial jobless claims and continuing payments have both trended down this year, largely reflecting an improving economy and steady hiring.

U.S. employers added 850,000 jobs in June, the largest gain in 10 months, and workers’ wages rose briskly, signs of a strengthening labor market.

Overall benefit payments had surged in the spring of 2020, as millions of laid-off workers sought aid through state programs and others tapped programs established in response to the rise in unemployment during the pandemic. One new program made benefits available to self-employed and gig workers, who aren’t typically eligible, and another allowed unemployed workers to remain on benefits beyond the six months or less most states allow. Washington lawmakers also made benefits more generous, adding $300 a week on top of state payments since late December. Since rising above 33 million in June 2020, the number of unemployment-benefit payments has slowly fallen, though the pace of decline increased in recent weeks as many states moved to end pandemic programs.

JUNE HIRING ACCELERATED IN TEXAS

Job growth accelerated in Texas last month, reducing the unemployment rate as the economic recovery continued to gain strength. Texas employers added nearly 56,000 jobs in June, up from a revised 42,000 in May and 15,000 in April, the Texas Workforce Commission said. The state unemployment rate fell to 6.5 percent from 6.6 percent in May and 10.2 percent in June 2020, but remains well above the national average of 5.9 percent.

In the Houston area, employers boosted payrolls by 2,200 jobs last month, a slowdown from the 6,800 added in May and 10,600 in April. The regional unemployment rate fell to 7.4 percent from 11.6 percent in June 2020.

Parker Harvey, an economist for Gulf Coast Workforce Solutions, a workforce development organization, said it’s unclear why Houston lagged the job growth statewide and nationally. Local employment data can swing widely from month, and the recent slowdown in Houston could reflect employers adjusting after a hiring surge in March, when they added more than 25,000 jobs.

Other indicators suggest the local economy is doing just fine. First-time claims for jobless benefits in the region are near pre-pandemic levels, according to the Texas Workforce Commission. The Purchasing Managers Index, a well-regarded measure of business activity, showed the economic expansion in Houston accelerating in June. “Since the beginning of the year, we’ve

experienced five months of positive job growth in the Houston area, although June's number came in about half of what we expected," Harvey said. "Regardless, the region has gained back approximately 55 percent of the jobs lost during the shutdown last year."

State and national economies have come roaring back after a spring slowdown, as increasing vaccinations and lower levels of COVID-19 infections unleashed pent-up consumer demand. Indicators measuring activity across the economy are all moving higher. Job growth nationally surged in June with employers adding 850,000 jobs, according to the Labor Department.

U.S. demand for gasoline has reached pre-pandemic levels as Americans hit the road for vacation spots and resume commuting. Oil prices have climbed as high as $75 a barrel in recent weeks, and were trading above $72 a barrel, compared with about $40 a year ago. The rebound in energy demand and prices has helped lift the Texas economy. The mining and logging sector, dominated by the oil and gas industry in Texas, added nearly 3,000 jobs in June and more than 12,000 over the year, an annual increase of nearly 7 percent, the Texas Workforce Commission reported.

Overall employment in Texas also increased at a torrid pace over the past year. State employers added more than 650,000 jobs since June 2020, a growth rate of 5.5 percent.

Job growth in Texas was led by leisure and hospitality, another sign of the return of the consumer. The sector, which includes restaurants, bars and hotels, gained 19,000 jobs in June. Professional and business services, which include consulting, accounting and law firms, added more than 13,000 jobs last month, followed by education and health care, which added 9,500 jobs, according to the workforce commission. Manufacturing, which is closely connected to the energy sector in Texas, gained 3,000 jobs across the state in June and more that 15,000 over the year.

OILFIELD SERVICES CONTINUE TO BRING BACK JOBS

U.S. oilfield services and equipment companies added thousands of jobs in June as oil producers continued to bring more rigs online to meet recovering demand for petroleum products.

Employment in the sector, dominated by companies like Halliburton, Schlumberger and Baker Hughes, rose by an estimated 8,000 jobs, or 1.3 percent, in June, the fourth consecutive month of growth. Texas accounted for more than half of the growth, estimated to be more than 4,400 jobs, according to data from the Bureau of Labor Statistics.

The sector has recovered 18,600 jobs so far this year, less than a fifth of the 102,000 jobs that were lost last year during the pandemic. Employment reached a low in February at 591,413 jobs, down nearly 12 percent since the pandemic began in March 2020.

The oilfield services sector has been among the industry's hardest hit during the pandemic, which slashed demand for oil and products such as gasoline and jet fuel. Many exploration and production companies, which hire oilfield services firms, stopped drilling new wells and halted production from existing wells for several months last year.

During the worst period of pandemic-related cuts, oilfield services companies slashed almost 57,300 jobs in April 2020, when crude prices fell into negative territory for the first time. It was the largest job loss recorded in the sector in a single month since at least 2013.

The rollout of coronavirus vaccines has lifted local economies and travel, boosting demand for gasoline and jet fuel. U.S. drillers have added 235 rigs since the rig count fell to a low of 244 in August, according to Baker Hughes.

There are more than 600,000 employees in the oilfield services and equipment sector nationally, including more than 303,000 in Texas. The sector employed more than 700,000 jobs in December 2019, when the coronavirus was first reported in China.

U.S. EMPLOYERS PLANNING LARGER PAY RAISES FOR 2022

Pay raises are making a comeback. U.S. companies plan to give employees larger raises next year as they recover from the economic fallout from the pandemic and face mounting challenges attracting and retaining employees, according to a new survey by Willis Towers Watson, a leading global advisory, broking and solutions company. The survey also found employers are continuing to recognize their high performers with significantly larger raises.

The 2021 General Industry Salary Budget Survey found only 3% of companies are not planning to boost salaries next year, a drop from 8% that didn't give raises this year. Notably, raises are returning to pre-pandemic levels. According to the survey, companies project average salary increases of 3.0% for executives, management and professional employees, and support staff in 2022. This is up from the average 2.7% increases companies granted this year. Production and manual labor employees are in line to receive average increases of 2.8% next year, higher than the average 2.5% increases this year. Salary increases hovered around 3.0% for the past decade until the pandemic forced companies to trim budgets. The larger raises coincide with a surge in demand for labor and a shortage of supply of hourly workers and specific professional roles with premium skills.

Among the major industry groups, high-tech and pharmaceutical companies project the largest increases (3.1%) followed by health care, media and financial services companies (3.0%). Oil and gas industry companies, as well as leisure and hospitality industry companies, are budgeting significantly lower salary increases for employees (2.4%). Retail industry companies are projecting average raises of 2.9% next year.

"Companies are between a rock and a hard place when it comes to compensation planning," said Catherine Hartmann, North America Rewards practice leader at Willis Towers Watson. "On the one hand, employers need to continue effectively managing fixed costs as they rebound from the pandemic. On the other hand, companies recognize they need to boost compensation with sign-on, referral and retention bonuses; skill premiums; midyear adjustments; or pay raises. Or they can utilize all of these options, especially with millions of Americans quitting their jobs, changing careers or postponing looking for employment."

The survey found companies continue to reward top performers with significantly larger pay raises than average-performing employees. Management and professional employees receiving the highest possible performance rating were granted an average increase of 4.5% this year, 73% higher than the 2.6% increases granted to those receiving average ratings. This trend continued for support staff and hourly workers who received the highest ratings.

The survey also revealed over nine in 10 companies (91%) awarded annual performance bonuses this year based on 2020 performance, significantly higher than 76% of companies that awarded them last year. Bonuses, which are generally tied to company and employee performance goals, averaged 16.0% of salary for management and professional employees. Bonuses for support staff and production and manual labor employees averaged 8.0% and 5.5%, respectively.

"Attracting and retaining employees remains a major challenge for employers. In fact, the current environment makes these challenges even more difficult. Employers need to deliver a sound employee value proposition supported by comprehensive Total Rewards programs. Beyond competitive salaries, which are table stakes at the moment, companies also need to focus their spend on a diverse set of health, wealth and career programs to drive employee engagement," said Hartmann.

The 2021 General Industry Salary Budget Survey was conducted by Willis Towers Watson Data Services between April and June 2021. A total of 1,220 companies representing a cross section of industries participated. The report provides data on actual salary budget increase percentages for the past and current years, along with projected increases for next year.

COMPANIES RETHINKING THEIR RETURN-TO-OFFICE DATES

The surge in Covid-19 cases is giving some companies and workers pause over looming return-to-office plans, even as a number of employers push ahead and reopen workplaces.

Many corporate bosses have been moving toward a significant return to corporate campuses after Labor Day, but a few prominent employers, including Apple Inc. are already pushing back dates. Others say they are feeling pressure to delay from employees who are voicing fresh concern about the spread of the highly transmissible Delta variant and swaths of unvaccinated people.

Apple this week told its workers that its back-to-the-office timeline would be delayed at least a month until October, according to a person familiar with the notice. The company also promised to give employees at least one month's notice before recalling them to an office.

So far, Apple's technology rivals haven't followed suit, though a range of companies say they are watching the situation closely. Facebook Inc. hasn't delayed its reopening plans for this fall, and a spokesman said that data, not a date, would guide the social-media giant's decisions. Facebook has previously said it would likely open most of its U.S. offices at half capacity in September, and then fully in October.

The Delta variant is the most contagious version of the virus to be identified. In weeks, it has become the most common strain in the U.S., accounting for 83% of analyzed infections. Dr. Rochelle Walensky, director of U.S. Centers for Disease Control and Prevention, said at a July 16 White House briefing that more than 97% of patients entering the hospital nationwide for Covid-19 were unvaccinated.

Many companies remain cautious. In late June, food-services and facilities-management company Sodexo updated its mask guidance, recommending that all staffers continue to wear a mask, even if vaccinated. Sodexo has kept many of its pandemic safeguards in place, such as physical barriers between tables in restaurants and the cafeterias it runs in corporate offices and on college campuses. Salad bars and self-serve buffets mostly remain closed.

Executives at Citigroup Inc. have said the company is letting data determine the bank's return-to-work plans. The company hasn't set an office return date, but said it expects to come back in September, although it will consider conditions at that time.

Netflix Inc. Chairman and co-CEO Reed Hastings has made no secret about wanting to get the streaming giant's 9,000 employees back in the office. "Not being able to get together in person, particularly internationally, is a pure negative," Mr. Hastings said in an interview with The Wall Street Journal last fall. The streaming giant has stopped short of mandating a return, even though Mr. Hastings's views haven't softened and he wishes people would come back, people close to him said. People who work with Mr. Hastings note that he doesn't have an office and enjoys engaging face-to-face with his employees while roaming the company's campuses in Los Gatos, Calif. and Los Angeles. But, like many other companies, Netflix is trying to strike a balance that respects the desires of managers and staffers who want to gather in person, while still being sensitive to people who are concerned about catching the virus or have come to expect more control over how, when and where their work gets done.
Netflix is encouraging its workers to return to the office at least part time after Labor Day, but keeping it voluntary, people familiar with the company's plans said. Ideally, Netflix's top executives want people to work from the office Tuesday through Thursday, though the company's culture—which prizes freedom and autonomy—makes it tough to issue a mandate. So that message is being conveyed by team managers, and no companywide memo has been sent, they said.

SOURCES

Wall Street Journal; Houston Chronicle; Challenger, Gray, & Christmas; Willis Towers Watson