Hiring Source

eNEWSLETTER | OCTOBER 2021

U.S. JOB GAINS HIT LOWEST PACE OF YEAR

U.S. job growth fell to the slowest pace of the year in September, a sign the Delta variant of the coronavirus and a persistent shortage of workers weighed on the economic recovery.

The economy created 194,000 jobs in September, the smallest gain since December 2020 and down from 366,000 jobs added in August, the Labor Department. While the September payroll gains fell well short of economists' expectations, job growth in August was bigger than previously estimated.

Many workers gave up the job search and exited from the labor force last month, the data showed. The smaller pool of labor meant that despite the slowdown in hiring, the unemployment rate fell to 4.8% last month from 5.2% in August.

The economy is in an unusual position: Demand is strong. Households are flush with cash and have increased spending briskly this year on goods and services. But businesses are struggling to find workers to serve them, part of a broader supply squeeze that is being felt in the U.S. and globally.

Employers added jobs at a robust pace earlier this year as vaccination rates rose and consumers ventured back out into the public. But growth slowed sharply this summer as the Delta variant, a highly contagious strain of Covid-19, prompted a new round of restrictions on businesses and spooked many would-be job seekers.

The labor market last month wasn't entirely bleak. Private-sector employers hired at a decent clip—adding 317,000 jobs last month. But a mysterious decline in public-sector employment weighed on the overall job figure. Some economists believe the drop may have been statistical rather than real, resulting from flaws in the way the government adjusts data for seasonal factors.

Public-sector jobs, mainly at schools, fell by 123,000 last month. Most schools have reopened to host classes in person after teaching online earlier in the pandemic, but Covid outbreaks have led to temporary closures. Some previous employees may be resisting returning to work to avoid getting sick, economists said. Also, the way the government adjusts data for seasonal factors—a process complicated by hiring patterns during the pandemic—may have led to an imprecise figure for school employment.

In the private sector, employment rose modestly across several industries, including leisure and hospitality businesses, retailers, and factories.

Companies are eager to hire—job openings this summer soared to a record high, government data show—but a large number of workers who left the labor force during the pandemic haven't returned. The number of workers who cited the pandemic as the reason they didn't look for jobs rose last month for the first time since January, reaching 1.6 million. That is a sign that fears of the Delta variant scared off many job seekers.

Other factors may include the early retirement of workers during the pandemic, and a shortage of child-care workers, which may be forcing some parents to stay at home and watch their own children rather than return to work. Also, some companies have voiced fears that workers would quit rather than comply with employer requirements to get vaccinated, while others such as United Airlines Holdings Inc. have started the process of letting go of vaccine-hesitant workers.

The jobless rate remains higher than the pre-pandemic level of 3.5%. But other measures—chiefly, wage growth—suggest the labor market is tight. The average hourly pay of private-sector workers climbed 0.6% in September from August, as employers raised wages to compete over a shrunken pool of workers. Compared with a year earlier, wages rose 4.6%, a pickup from prior months. Existing employees are also increasing the hours they work during the week to make up for the labor shortage.

Higher wages could add to inflation pressures and influence the debate within the Federal Reserve about how quickly to tighten monetary policy, economists said. Fed officials have signaled in recent weeks the job gains are likely to satisfy the thresholds they have laid out to start reducing their bond buying at their policy meeting next month.

With the expiration of enhanced jobless benefits, rising vaccination rates and higher wages, many economists predicted that workers would resume the job search. But last month, the labor-force participation rate—or the share of workers with a job or actively looking for one—dipped slightly to 61.6%, down from 63.3% in February 2020 ahead of the pandemic.

Employers are increasingly holding on to the workers they do have, with layoffs across the U.S. declining. Applications for initial jobless claims fell by 38,000 last week to 326,000, close to a pandemic low, the Labor Department.

Schools have since reopened, but the government said hiring in that sector was lower than usual in September. "Recent employment changes are challenging to interpret, as pandemic-related staffing fluctuations in public and private education have distorted the normal seasonal hiring and layoff patterns," the Labor Department said in its release Friday.

In one hopeful sign, Covid-19 infections have declined in recent weeks, a development that economists believe could lead to more workers eventually re-entering the labor force.

JOBLESS CLAIMS FALL, REVERSING TREND

Filings for jobless benefits fell for the first time, as employers continue to eschew layoffs amid a tight labor market.

The Labor Department reported that initial unemployment claims, a proxy for layoffs, fell 38,000 in the week ended Oct. 2 to a seasonally adjusted 326,000, from a revised 364,000 the prior week. That put initial claims close to their pandemic low of 312,000 in the week ended Sept. 4.

Meanwhile, the number of Americans continuing to claim unemployment benefits again dropped sharply, a sign of the impact of states broadly ending several federal pandemic benefits programs.

Economists expect the agency's employment report for September will show U.S. employers added 500,000 jobs last month, which would be a pickup from August, when the economy added 235,000 jobs. The unemployment rate is also expected to have fallen to 5.1% last month from 5.2% in August.

Initial unemployment claims had ticked up during September, in part because of accounting issues in California and supply shortages in Michigan that led to short-term layoffs in the auto industry. Economists said Hurricane Ida, which caused damage and disruptions in Louisiana and parts of the northeast in late August and September, also played a role in the uptick.

Still, claims remain near their lowest levels since the coronavirus pandemic's onset, as the number of job openings in the U.S. has continued to outpace the number of unemployed workers. Many employers have reported strong demand for workers, but difficulties filling open positions.

Claims have remained low relative to earlier in the pandemic despite a late-summer surge in coronavirus cases that caused new uncertainties for employers, particularly those that offer in-person services. Hiring in the leisure and hospitality industry was flat during August, and employment gains overall slowed compared with earlier in the summer.

Meanwhile, the number of Americans receiving unemployment benefits overall is shrinking after programs created to respond to the pandemic's effect on the labor market ended in all states last month. One of those programs provided payments to gig workers and others typically not eligible to tap unemployment insurance. Another extended payments to individuals who had exhausted state benefits. In addition, the federal government funded a $300 a week enhancement for all unemployment programs.

HOUSTON RECOUPED JOBS LOST IN PANDEMIC

Metro Houston added 4,800 jobs in July, according to the Texas Workforce Commission (TWC). That was somewhat weaker than expected. In a healthy economy, Houston would add 6,000 to 10,000 jobs in August. The shortfall this year is due to the surge in the Delta variant and its impact on the leisure and hospitality sector (arts, entertainment, hotels restaurants and bars) which shed 4,900 jobs in August.

The losses in public education were also larger than expected. The sector typically sheds 3,000 to 4,000 jobs in August. This year, it shed 6,600, presumably the result of educators deciding not to return to campus during the pandemic.

On the bright side, three sectors that have struggled since prior to the pandemic added jobs in August— energy (1,400 jobs), construction (2,100) and manufacturing (1,500). As a group, they remain 64,800 jobs below February '20 employment levels.

Two other bright spots, professional and business services added 5,500 jobs, another sign Houston's services sector continues to recover. Educational services added 3,000 jobs as students and teachers at private schools returned to campus.

TWC revised employment data for July, indicating the region created 200 jobs that month. While a small gain, it's notable since the region typically losses 15,000 to 20,000 jobs in the month, the losses typically occurring in public education. TWC revised several sectors upward, the greatest changes occurring in education and health services (+3,900 jobs), government (+2,500), and other services (+2,000), while revising downward manufacturing (-1,400) and leisure and hospitality (-700).

Since last May, when the economy began to reopen, metro Houston has recouped 221,500 of the 361,400 jobs lost in the early stages of the pandemic. This puts the region well beyond the halfway point in the recovery. Houston had recouped 61.3 percent of the jobs lost in March and April of '20. However, Houston remains well behind the nation, which has recouped 76.2 percent.

Through the first eight months of this year, the region has created 56,600 jobs. In a robust economy, Houston might create 50,000 to 60,000 jobs September through October. In a weak economy, 20,000 to 40,000. Given the impact the Delta variant is having, Houston is likely to finish the year in the lower range, with a net gain of 75,000 to 100,000 jobs in '21. That's above the long-term range of 60,000 to 70,000, but it would still leave the region at least 100,000 jobs below pre-pandemic employment levels.

OIL FIELD SERVICES' JOBS LAG IN DELTA SURGE

The U.S. oilfield services and equipment sector added the fewest jobs in five months as the ongoing surge in COVID-19 infections continues to slow job growth nationally.

Employment in the sector, dominated by companies like Halliburton, Schlumberger and Baker Hughes, rose by an estimated 1,914 jobs in September. The 0.3 percent job growth is the slowest rate since April when sector employment rose by 1,352 jobs. More broadly, the U.S. economy in September created 194,000 jobs, the fewest in nine months as the delta variant slowed hiring in many sectors, including restaurants and schools.

Still, September was the oilfield service sector's seventh straight month of growth, bringing the sector's employment to 644,486. Texas added 18,480 oil-field service jobs over the past year -- the most nationally -- bringing the state's employment to 315,600, according to data from the Bureau of Labor Statistics.

Analysts expect hiring in the oil patch could pick up as COVID-19 cases decline and unemployment benefits end. The sector has recovered 43,900, or about 40 percent, of the 109,000 jobs that were lost last year during the pandemic. Employment reached a pandemic low of 597,067 jobs in February.

The oilfield services sector has been among the industry's hardest hit during the pandemic, which slashed demand for oil and petroleum 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 289 rigs since the rig count fell to a low of 244 in August 2020, according to oilfield services firm Baker Hughes.

In another sign of the sector's rebound, nearly all of the oil-field services firms that lowered executive base salaries at the start of the pandemic have announced returns to pre-pandemic base salary levels, according to a recent report from professional services firm Alvarez and Marsal.

There are 644,486 employees in the oil-field services and equipment sector nationally, nearly half, or 315,600, are in Texas. The sector employed more than 732,430 jobs in December 2019, when the novel coronavirus was first reported in China.

5 FACTORS FOR HIRING IN THE COVID ERA

Salaries are rising. Candidates are weighing multiple offers. Companies are losing candidates even after they've accepted an offer. All of those things are happening against the backdrop of a pandemic that is limiting workforce participation.

Candidates are in the driver's seat in this hiring environment, and experts don't expect that to change in the near future.

It's a tough time to fill a job opening, but recruiters say there are some common factors that separate winners and losers in the intense battle for talent.

One of the overarching themes of advice from recruiters is that many companies are finding themselves busy and stressed, which is taking their eyes off the hiring process and causing them to miss out on candidates and continue in a spiral of being too busy to hire.

Companies need to act fast in this climate, but many don't have their existing staffs on the same page about the positions they are hiring for, which causes delays in the process.

Here are five factors that can make or break the hiring process in the Covid-19 era:

1. What's your talent pool?

One mistake companies are making is going back to the same old wells in search of talent. That might include using the same job boards they used before the pandemic or asking for potential candidates in the same circles. Recruiters say employers can't afford to be so reactive in this climate. Instead, they should be aggressive in sourcing candidates, including from places they haven't considered before.

2. Your sense of urgency

Recruiters say one of the biggest mistakes companies are making is dragging out the hiring process the way they would have two years ago. In this labor market, that strategy is destined to fail. Companies that want to put candidates through several interviews should create a streamlined and time-constrained process. Recruiters say companies should also be prepared to get offers out quickly once they decide on a candidate. Time spent without an offer on the table is time a candidate could be receiving another offer or a counteroffer.

3. What you're offering

Speaking of counteroffers, experts say they are on the rise — and are significantly larger than they were before the pandemic. Companies are aware of the tight job market and are willing to pay a premium to retain top talent. Experts say employers who try to nickel and dime their candidates — or existing employees — are making a costly miscalculation.

Many individuals reassessed their circumstances during the pandemic and decided they wanted to pursue a new career arc. For that reason, experts say companies that are thriving in this labor market are tailoring job descriptions by including specific details about career progression and mentoring opportunities.

4. Your approach to flexibility

Regardless of industry, it's a tough time to be hiring. But if you're a company still clinging to a pre-pandemic workplace model without work-from-home flexibility in an industry where hybrid models are feasible or common, it's even more difficult. Recruiters say flexibility has quickly shifted from a perk to an expectation.

Research has shown many employees are willing to trade perks for increased flexibility. But surveys have also shown there's a disconnect between employers and workers on the amount of flexibility they expect.

5. Your salesmanship

Experts say the tables have turned in the employer-candidate dynamic.

With supply and demand still misaligned — and likely to be for the foreseeable future — experts say companies need to do more to sell themselves to candidates than they have in the past. That includes selling company culture and the unique experience the employer can provide both in the job listing and throughout the interview process.

Selling the job opportunity also includes regular contact and check-ins with candidates up to and even after an offer has been accepted. Employers should start onboarding the moment an offer is accepted.

KORN FERRY SURVEY SHOWS PROFESSIONALS' STRESS LEVELS SKYROCKETING

If you are feeling anxious, stressed and burned out at work, you are not alone. In a new Korn Ferry survey, 89% of professionals say they are suffering from burnout, with more than a third (38%) saying they are burned out to a great extent.

The vast majority (81%) say they are more burned out now then they were at the start of the pandemic. The top reason they are feeling that way is an increased workload/not enough resources (64%) followed by responding to continual change (20%).

When asked to describe how they currently feel when they think about work, 70% say they are anxious and stressed. Only 11% say they are content or energized. That compares to just 27% saying they were anxious and stressed when thinking about work prior to the pandemic, and 63% saying they were content or energized pre-pandemic.

The survey shows that 66% of respondents say there is now more emphasis on employee wellbeing than pre-pandemic, with just 45% saying there is now a greater emphasis on leader wellbeing.

"As Covid cases continue to surge, many of us are being asked to do more with fewer resources and less help, and that's taking a toll," said Korn Ferry Senior Director and engagement specialist Mark Royal. "Leaders must not only work with their teams to help prioritize responsibilities, they also need to take care of themselves."

SOURCES

Greater Houston Partnership, Houston Chronicle, Wall St. Journal, Houston Business Journal, Korn Ferry