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UNEMPLOYMENT CLAIMS CONTINUE DOWNWARD

Worker filings for unemployment insurance edged lower, continuing their long glide path toward pre-pandemic levels as the labor market improves. Initial claims for jobless benefits, a proxy for layoffs, declined to 267,000 the week of November 3rd from a revised 271,000 the prior week. The 4-week moving average of weekly claims was 278,000 for the week ending Nov. 6th. Claims have declined since the average reached a recent peak of 424,000 in mid-July.

Job openings continue to rise, according to private employer surveys. Retailers and hospitality, leisure and logistics firms say they can't find enough workers. They are sweetening their offers to current and prospective employees to avoid staff shortages during the critical holiday shopping and travel season.

The number of Americans continuing to claim unemployment benefits rose slightly for the week ended Oct. 30th, rising 59,000 to 2,160,000.

The U.S. economy still has more than four million fewer jobs than it had in February 2020, even after employers added 531,000 in October, the Labor Department reported. Prime-age workers, those between the ages of 25-54, may be slowly returning to the labor market after leaving it for a variety of pandemic-related reasons, including fear of illness, lack of child care or retirement. Their participation in the labor market ticked up slightly last month, but it remains well below pre-pandemic levels.

About 180,000 female workers aged 16 and older joined the labor force last month, as Covid-19 cases declined and schools reopened. The gains raised hopes that more workers could come off the sidelines if the pandemic continues to abate, especially now that younger children are eligible to be vaccinated.

Economists don't know how much of the pandemic-driven drop in the labor-force participation rate—the percentage of working-age adults working or actively seeking work—will prove temporary or lasting. That could make employers more eager to hold on to the employees they already have.

SMALL GAIN IN JOBS RECOUPED IN HOUSTON

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 loses 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.

CRUDE DEMAND HELPS BOOST JOBS IN U.S. OIL PATCH

Rising crude demand and falling supply continue to help spur a return of jobs to the U.S. oil patch as the coronavirus pandemic wanes.

U.S. oil field services and equipment companies added thousands of workers in October as producers continued to bring more drilling rigs online to meet growing demand for crude and natural gas.

Employment in the sector, dominated by companies such as Halliburton, Schlumberger and Baker Hughes, rose by an estimated 6,051 jobs, or 0.9 percent, in October. It was the eighth consecutive month of growth, according to data from the Bureau of Labor Statistics analyzed by Houston trade group Energy Workforce & Technology Council.

The sector has recovered 38,300 of the 115,000 jobs lost last year during the pandemic. Texas added 19,340 oil field service jobs over the past year, the most nationally.

Jobs in the sector, however, remain well below pre-pandemic levels. The sector employs 652,291 employees nationally, including 316,444 in Texas. In contrast, the sector employed 786,532 workers at the pre-pandemic peak of June 2019 and 732,430 workers in December 2019, when the coronavirus was first reported in China.

Analysts expect that hiring in the oil patch could pick up as crude demand and prices continue to rise. The rollout of coronavirus vaccines, in particular, has lifted local economies and travel, boosting demand for gasoline and jet fuel.

The increase in the price of oil has followed a drop in U.S. inventories. U.S. crude inventories tumbled as low as 413.9 million barrels in September, according to the Energy Department, about 26 million barrels less than pre-pandemic levels in January 2020. As a comparison, U.S. inventories climbed to 532.7 million barrels at the end of June 2020, as the pandemic decimated demand.

Now, with demand returning, refineries are using oil faster than U.S. producers pump it out. The amount of oil taken in by refineries at this time of year — to produce gasoline, diesel and jet fuel, among other products — has nearly returned to 2019 levels.

Yet U.S. drillers remain cautious about a full-fledged return to the oilfields. U.S. producers have added a relatively modest 256 rigs since the national count fell to a low of 244 in August. As a result, U.S. oil production for the year has gone no higher than 11.5 million barrels per day, a level reached last month and in August.

WAGES JUMP PAST RECORDS DATING BACK 20 YEARS

Wages and salaries jumped in the three months ending in September by the most on records that date back 20 years as companies are forced to offer higher pay to fill a near-record number of available jobs.

Pay increased 1.5 percent in the third quarter, the Labor Department said. That’s up sharply from 0.9 percent in the previous quarter. The value of benefits rose 0.9 percent in the July-September quarter, more than double the preceding three months.

The data further illustrates the rising leverage workers have gained in the job market this year and they are commanding higher pay, more benefits, and other perks like flexible work hours. With more jobs available than there are unemployed people, government data shows, businesses have been forced to work harder to attract staff.

Higher inflation is eating away at some of the wage increases, but overall pay is keeping up with rising prices. The 1.5 percent increase in wages and salaries in the third quarter is ahead of the 1.2 percent increase in inflation during that period, economists said.

However, compared with a year ago, it's a closer call. In the year ending in September, wages and salaries soared 4.2 percent, also a record gain. But the government also reported Friday that prices increased 4.4 percent in September from year earlier. Excluding the volatile food and energy categories, inflation was 3.6 percent in the past year.

Millions of Americans are responding to rising wages by quitting their jobs for better-paying positions. In August, nearly 3 percent of American workers quit their jobs, a record high. A higher number of quits also means companies have to raise pay to keep their employees.

Workers who switch jobs are seeing some of the sharpest income gains in decades. According to the Federal Reserve Bank of Atlanta, in September job-switchers saw their pay jump 5.4 percent compared with a year earlier. That's up from just 3.4 percent in May and the biggest increase in nearly 20 years. For those who stayed in their jobs, pay rose 3.5 percent.

HOW THE PANDEMIC CREATED A BETTER WORKPLACE

U.S. companies were forced to overhaul their working protocol just 20 months ago to contend with the public health threats posed by the coronavirus pandemic. Now, many of the changes that benefited employees — such as working from home — have gone from temporary adaptations to permanent fixtures.

Outside of industries such as retail and hospitality that require personal contact, companies are investing in improving communications technology and bolstering on-site safety to prevent the spread of COVID-19 while vowing to provide enough flexibility to workers to dictate the place and often the time of their weekly employment.

Much of this investment is out of necessity as companies compete for workers in a tightening labor market. Unemployment in the Houston metropolitan fell to 5.5 percent in September 2021 from 9.1 percent a year earlier, according to the Labor Department. Nationally, the unemployment rate slid to 4.8 percent in September from 7.8 percent a year earlier.

Job openings nationally are near record levels, exceeding 10 million in August. As the economy continues to shake off the effects of the pandemic, workers have leverage they have not had in decades. Here's how the pandemic and its aftermath have changed the workplace for the better.

Scheduling flexibility

The pandemic accelerated a trend toward hybrid or fully remote work schedules, in which employees could choose to work all or part of the workweek from home. At Smith, a distributor of electronics components, about 200 of its 300 Houston headquarters employees worked remotely earlier in the pandemic; today, about 100 continue to work primarily remotely. Many of BoyarMiller's 32 attorneys work one to two days a week from home. Many other companies are sticking with remote working arrangements. Office occupancy in Houston was 51 percent of pre-pandemic levels. Additionally, companies are being more flexible with daily in-office work hours to allow for employees to avoid rush hours.

Better technology

Remote working arrangements succeeded during the pandemic because companies provided workers with the technology needed to be mobile. Laptops replaced desktops and better communications software enabled video conferencing, group chats and long-distance collaboration. Those investments paid off as employers' fears that remote work would lower productivity never materialized. In addition to keeping employees connected, companies also found communication tools such as Zoom and Webex, both efficient and effective in keeping clients happy — so effective that few analysts expect business travel to return to its pre-pandemic levels.

Better offices

For companies whose businesses required in-office workers, onsite protocols shifted dramatically at the beginning of the pandemic to adhere to recommendations from the Centers for Disease Control and Prevention (CDC). For office workers, that meant mask-wearing, extensive hand sanitizing and social-distancing. For companies such as Smith and BoyarMiller, it also meant limiting visitors to the office or warehouse. Smith took the added precaution of building plexiglass dividers around many of its office cubicles. Additionally, with a third of its local workers dedicated to purchasing and shipping, Smith had to stagger its six- and seven-hour shifts so that only half of the purchasing and shipping staff was on site at a time.

Permanent changes in office design and layouts are coming along with new working arrangements. Companies will need large conference rooms to accommodate all-hands meetings and team-building activities for workers coming in from home offices. With much of the staff coming into the office only a day or two a week, companies can afford to have fewer workstations, which would be shared by several employees, and spread them out to meet social-distancing standards. Many companies are also setting aside collaboration space for remote workers to use when they come into the office.

Focus on mental health

While greater scheduling flexibility and less commuting have been a boon for workers, the combination of less interaction, greater isolation and the anxiety of a global pandemic has pushed companies to invest in mental health services for their workers. As a result, many companies are offering or expanding employee access to mental-health services, such as online for therapy and support groups. Companies are looking at ways to simulate the in-office environment to preserve company cultures and maintain a sense of inclusion for remote workers. One example is lengthening team meetings that include remote workers to set aside time for socializing.

RECORD 4.4 MILLION AMERICANS QUIT THEIR JOBS

An unprecedented number of Americans quit their jobs in September, highlighting how persistent churn is undercutting employers' efforts to fill a near-record level of vacancies. A record 4.4 million Americans quit their jobs in September. Meanwhile, the number of available positions eased to 10.4 million.

Incentivized by record wage gains and other attractive terms offered by employers desperate for talent, Americans are leaving their jobs in droves. That's made it even more challenging for employers to fill positions while also driving up compensation and inflation.

The quits rate, or the number of quits in the month as a percent of total employment, increased to 3% in September, also a record in data back to 2000. Quits increased across several industries, notably in arts, entertainment and recreation as well as other services and state and local government education. The number of people who quit their jobs in the leisure and hospitality, manufacturing and health care sectors rose to record highs.

Total hires were little changed in September at 6.5 million, driven by strength in health care and social assistance. The hires rate was unchanged at 4.4%. Layoffs and discharges were little changed at 1.4 million.

SOURCES

Greater Houston Partnership, Houston Chronicle, Wall St. Journal, Bloomberg