Hiring Source

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JOBLESS CLAIMS CLOSE TO PANDEMIC LOWS

The number of people filing new claims for unemployment benefits remained near pandemic lows week ending November 27th as employers continued to hold on to their workers in a tight labor market. Initial jobless claims, a proxy for layoffs, totaled a seasonally adjusted 222,000 for that week. The data followed the prior week's report showing the lowest number of new claims in 52 years.

Seasonal adjustments contributed to last week's low number, with the sharp decline likely overstating the amount of progress in the labor market's return to pre-pandemic levels. This week's report lowered the four-week moving average, which smooths out statistical volatility, to 238,750. The four-week average has continued to drift downward since September, after a brief uptick related to the surge from the Delta variant of Covid-19.

The steady decline in claims this fall reflects employers eagerly trying to hire and retain workers who are quitting jobs at a record rate.

Hiring demand is strong, with job openings hovering near record highs but fewer people looking for jobs. The combination has pushed down layoffs and contributed to steady labor market improvement as the pandemic continues.

Continuing claims for state unemployment benefits—a proxy for those receiving payments—fell 107,000 to a seasonally-adjusted 1,956,000 in the week that ended Nov. 20.

The overall U.S. employment total remains nearly 3% lower than before the pandemic, with roughly four million fewer workers. That is due to a combination of older workers retiring and prime-age workers only slowly returning to the labor force because of pandemic-related issues such as inadequate availability of child-care services and fear of infection, economists say.

HIRING SLOWS, BUT MORE SEEK WORK

Hiring slowed last month amid Covid-19 uncertainties, but people returned to the labor force in droves in a sign the tight labor market could be loosening.

The U.S. economy added a seasonally adjusted 210,000 jobs in November—the smallest gain since last December and a marked slowdown from an upwardly revised increase of 546,000 in October. Almost 600,000 people joined the workforce, and the unemployment rate fell to 4.2% from 4.6%.

The Omicron variant presents a new threat to the recovery, depending on how easily it spreads and responds to vaccines, treatments and past infection. Another surge in Covid-19 cases could make people nervous about leaving the house to work or shop, resulting in slower economic growth.

Higher wages could be drawing people back into the workforce, economists say. Employers have complained of a shortage of workers and have been raising salaries and offering new benefits to entice new hires. Both job openings and the rate at which workers quit jobs have been at record highs in recent months.

Average hourly wages were up 4.8% in November from the previous year, roughly on par with October but well above annual growth rates before the pandemic that hovered around 3%.

Wages continued to rise briskly in industries with the most acute labor shortages, including leisure, hospitality, transportation and warehousing.

Economists had expected more than half a million new jobs in November. The number could end up being revised higher, said Gus Faucher, chief economist at PNC Financial Services Group. Job gains have averaged 555,000 a month so far in 2021.

The pandemic has reduced response rates by employers, according to Labor Department figures, which could result in volatile data with wide revisions. Revisions in the August, September and October job reports have raised employment numbers by a total of 450,000.

Another factor throwing off initial estimates—and the predictions—are pandemic disruptions that have shifted consumption and hiring patterns. That has skewed the Labor Department's adjustments to account for seasonal volatility in the numbers.

Without the seasonal adjustment, payrolls grew by 778,000 in November.

The labor-force participation rate of women aged 25 to 54 rose to 75.6%, the highest since the start of the pandemic in March 2020. That could indicate that child-care issues may no longer be holding so many women back from working.

The gap between the unemployment rate for white and Black workers shrank to 3 percentage points, close to where it was before the pandemic, suggesting disruptions for Black employees may be easing.

Some employers are finding it easier to find workers this fall. Healthcare officials, policy makers and financial markets are nervous about the Omicron variant. Fear of getting sick has been a persistent deterrent to the labor market's recovery. Faced with strong consumer demand, employers are clamoring for workers, raising pay and sweetening bonuses and benefits. Many potential employees, whose bank accounts have benefited from rounds of stimulus, have been slow to get back into the workforce. Some may also be resistant to vaccine mandates as a condition of employment.

WORKERS QUIT JOBS IN DROVES TO BECOME THEIR OWN BOSSES

The pandemic has unleashed a historic burst in entrepreneurship and self-employment. Hundreds of thousands of Americans are striking out on their own as consultants, retailers and small-business owners.

The move helps explain the ongoing shake-up in the world of work, with more people looking for flexibility, anxious about covid exposure, upset about vaccine mandates or simply disenchanted with pre-pandemic office life. It is also aggravating labor shortages in some industries and adding pressure on companies to revamp their employment policies.

The number of unincorporated self-employed workers has risen by 500,000 since the start of the pandemic, Labor Department data show, to 9.44 million. That is the highest total since the financial-crisis year 2008, except for this summer. The total amounts to an increase of 6% in the self-employed, while the overall U.S. employment total remains nearly 3% lower than before the pandemic.

Entrepreneurs applied for federal tax-identification numbers to register 4.54 million new businesses from January through October this year, up 56% from the same period of 2019, Census Bureau data show. That was the largest number on records that date back to 2004. Two-thirds were for businesses that aren't expected to hire employees.

This year, the share of U.S. workers who work for a company with at least 1,000 employees has fallen for the first time since 2004, Labor Department data show. Meanwhile, the percentage of U.S. workers who are self-employed has risen to the highest in 11 years. In October, they represented 5.9% of U.S. workers, versus 5.4% in February 2020.

The self-employment increase coincides with complaints by many U.S. companies of difficulties—in some cases extreme—in finding and retaining enough employees. In September, U.S. workers resigned from a record 4.4 million jobs, Labor Department data show.

Through the late 19th century, a large share of Americans worked for themselves, as farmers or artisans. With new technology such as electric lighting, manufacturing expanded, and many people left the field for the factory floor. They landed in an environment of strictly defined work hours and hierarchies—workers overseen by managers overseen by executives.

By the time Covid-19 arrived in the U.S., the advent of apps, websites and companies catering to entrepreneurs and freelancers was already giving employees options. Based on a summer 2021 survey, Upwork concluded that 20% of people working remotely during the pandemic were considering leaving their jobs for freelance work.

At LinkedIn, the number of members who indicate they are self-employed by listing services from a field called "Open to Business" has quadrupled since the pandemic began, to 2.2 million, the company said. Nearly half of the new entrepreneurs have a college degree and nearly 4 in 10 a postgraduate degree.

Enterprises founded by women have grown by 27% and male-founded ones by 17% since the pandemic started, according to a LinkedIn analysis of user profiles. Meanwhile, Labor Department data show that in the two years through July, the number of self-employed female workers actively at work has grown 4.3%, while the number of self-employed male workers is down 1%, according to a Pew Research analysis.

Limited child-care or commuting options have helped spur some of the moves. Part of the current shift to self-employment might prove temporary. The boom in self-employed day traders during the dot-com hoopla of the late 1990s deflated along with the stock bubble.

A sharp rise in savings—boosted by a federal supplement to unemployment benefits, most recently $300 a week, that was paid for as long as 18 months of the pandemic—provides some individuals a financial cushion to pursue self-employment. As they run down those savings, some might again want a regular paycheck, economists say.

In addition, if labor shortages ease, freelancers could face stiffer competition from companies in landing clients. Finally, if the pandemic recedes, so might one piece of the impetus to leave regular work in favor of self-employment.

Five percent of unvaccinated adults say they left a job because of a vaccine requirement they opposed, according to a Kaiser Family Foundation survey in October.

NOVEMBER JOB CUTS PLUMMET TO LOWEST TOTAL SINCE MAY 1993

Job cuts announced by U.S.-based employers plummeted 34.8% in November to 14,875 from the 22,822 announced in October. It is the lowest monthly total since 14,086 cuts were recorded in May 1993, according to a report released from global outplacement and business and executive coaching firm Challenger, Gray & Christmas, Inc.

November's total is 77% lower than the same month last year, when 64,797 cuts were announced. So far this year, employers have announced plans to cut 302,918 jobs from their payrolls, down 86% from the 2,227,725 jobs eliminated through the same period last year. It is the lowest January-November total on record. The previous lowest occurred in 1997, when companies announced 376,057 cuts through November.

Companies are in limbo over the legal challenges to the Federal Occupational Health and Safety Administration (OSHA) rule that will require companies with at least 100 employees to ensure workers are either vaccinated or tested regularly. Government contractors and health workers will not have an option to test. Currently, approximately 59.4% of the population is fully vaccinated and 20.9% have received booster shots, according to the Centers for Disease Control and Prevention (CDC).

Vaccine refusal has accounted for 7,227 job cuts so far this year, 384 of which occurred last month. Of those, the vast majority (6,322) occurred in the Health Care/Products sector. Another

595 occurred in Transportation companies, while 305 occurred in Government entities. Five cuts were reported at organizations in the Education sector. 22% of layoffs due to vaccine refusal in October.

Companies in the Technology sector announced the most job cuts in November with 1,980, for a total of 12,761 through November, down 84% from the 77,826. The Services sector announced the second-highest total in November with 1,835 for a total of 26,996 this year.

Aerospace/Defense companies have announced the most cuts this year with 34,543, 60% lower than the 85,814 announced through the same period last year.

Energy companies announced 1,282 in November for a total of 21,537 for the year. This is 56% lower than the 48,656 cuts announced through November 2020.

Company closings caused the most cuts in 2021 with 62,599, followed by restructuring, which was cited for 56,865 cuts so far this year. Market conditions were cited for 50,394. COVID-19 has been cited as the reason for 8,904 cuts this year, compared to 1,105,599 cuts attributed to COVID-19 through November last year.

HOUSTON ADDED JOBS & UNEMPLOYMENT RATE FELL

Metro Houston added 27,300 jobs in September, according to the Texas Workforce Commission (TWC). That's well above the 20-year average of 13,100 jobs for the month.

Job gains were concentrated in two sectors, public education (19,800) and employment services (11,200). The gains in education reflect teachers and administrators returning to campus for the new school year. The hiring in employment services suggests firms are turning to contract workers to fill in the gaps until permanent workers can be hired.

However, there's a strong possibility that TWC has overestimated growth in the sector. The 11,200 jobs added in the month exceeds the annual growth for the sector in 19 of the past 20 years.

A handful of sectors reported nominal gains: ambulatory health care, energy, manufacturing, and transportation. As the pandemic wanes (hopefully), patients are scheduling doctor visits again, hence the gains in ambulatory health care. Energy is finally benefitting from higher oil prices. The need to replenish inventories has helped manufacturing. The gains in transportation and warehousing suggest local firms are making progress in resolving supply chain issues. September saw substantial losses in restaurants and bars (7,000 jobs) and minor losses in retail (1,200). Both reflect consumers pulling back in late August and early September as the Delta variant swept through the region.

Construction of buildings shed jobs (1,900) in September, the result of office construction winding down. To date, metro Houston has recouped 245,600 of the 361,400 jobs lost in the early stages of the pandemic. Most of the sectors impacted by Stay Home, Work Safe practices have fully recovered or soon will recover. These include ambulatory healthcare, computer systems design, employment services, general merchandise stores, insurance, legal services, refining, services to buildings, transportation/warehousing.
Four sectors continue to struggle: construction, energy, manufacturing, and wholesale trade. They account for 70,600 jobs, or 61.0 percent of what Houston needs to return to pre-COVID

employment levels. Their struggles have undermined the progress Houston has made toward recovering the pandemic losses. If one excludes "the big four" from the calculations, Houston has recouped 86.4 percent of the jobs lost in the pandemic. These industries, which once drove Houston's growth, now impede its recovery. But there's hope. Recent groundbreakings on several mega projects—TMC3, Levit Green and East River—may provide some relief to the construction industry. West Texas Intermediate has traded above $70 per barrel since mid September, providing additional cash flow to the oil and gas industry. Any improvement in energy should help local manufacturing and wholesale trade.

Houston's unemployment rate fell to 5.5 percent in September, the lowest level since March '20. The rate remains above that for Texas (4.9 percent) and the U.S. (4.6 percent). The rates are not seasonally adjusted. Two decades ago, Houston could claim its unemployment rate consistently tracked below that of the nation. Since the mid-'10s, that claim is no longer valid. Now Houston's rate typically aligns with or exceeds that of the U.S.

Metro Houston averaged 5,000 initial weekly claims for unemployment benefits in the month of October. That's down from 9,800 the same month in '20 and from 65,000 per week in April '20. Prior to the pandemic, initial claims averaged just under 4,000 per week.

Fewer workers are filing continued claims for benefits as well, just over 28,000 in September '21, plummeting from 195,000 in September '20. The ranks of Houston's unemployed are approaching pre-pandemic levels. The region's workforce continues to recover. Approximately 280,000 Houstonians dropped out of the labor force in the early stages of the pandemic. All but 55,000 have returned. Houstonians who stood on the sidelines are rejoining the workforce. Young adults coming of age are entering the labor market. And workers from other metros and other countries are moving here for job opportunities.

The Greater Houston Partnership is putting the finishing touches on its '22 employment outlook. In developing the forecast, three themes rose to the top: (1) of all the jobs lost in the pandemic, the easiest ones to recover have already been recouped; (2) construction, energy, manufacturing, and wholesale trade are holding back the recovery; (3) how well local businesses manage supply chain disruptions and worker shortages will determine the path of Houston's recovery in '22.

COMPANIES PLAN HEFTY RAISES FOR WORKERS

Companies are planning for steeper wage increases next year than at any point since the 2007-2009 recession, amid a tight labor market and the highest inflation in three decades.

A survey by the Conference Board finds that companies are setting aside an average 3.9% of total payroll for wage increases next year, the most since 2008. The survey also shows that companies are planning on raising salary ranges, which would result in higher minimum, median and maximum salaries. That suggests pay raises could be broad-based and affect workers across a company's pay scale.

The results are a sign the recent acceleration in private-sector wages is likely to carry over into 2022. Such a sustained rise in wages could push consumer prices higher, as companies raise prices to compensate for pay increases. The dynamic of higher wages and prices could further stoke inflation and increase the chance of a spiral of rising wages and prices feeding on each other that could be difficult to stop.

Roughly 39% of respondents to the survey said inflation factored into their decision to set aside funds for wage increases next year. In earnings calls, some companies have said that they plan to raise wages next year.

The Conference Board, a think tank, surveyed 229 U.S. companies from a variety of sectors in November. More than half the firms had more than 10,000 employees. The Conference Board began conducting the survey annually in 1998.

The Labor Department reported December 3rd that private-sector hourly wages rose 4.8% in November from the year before, on par with October. Wages have risen by more than 4% year-over-year for five consecutive months. By contrast, wage increases averaged 3.3% in the year before the pandemic arrived in the U.S. in February 2020.

A separate measure of compensation that includes both wages and benefits rose a seasonally adjusted 1.3% in the third quarter from the previous quarter, the Labor Department said in October, the fastest pace on record.

Many economists had expected that the expiration of unemployment benefits in September and the reopening of schools in the fall would have eased the labor shortage by now. Instead, government data suggests employers continue to struggle to find workers.

In September, there were roughly 2.8 million more job openings than unemployed workers, according to Labor Department data. In response, companies have been offering higher salaries to new hires. Those who switched jobs between August and October saw a median wage increase of 5.1% versus 3.7% for those who stayed in their current jobs, an unusually large gap, according to the Atlanta Fed.

That could lead to higher wages for existing employees in the coming year. If the pay gap between new and more experienced workers shrinks too much, it could prompt experienced workers to look for higher-paying jobs.

GOLDMAN EXPANDS BENEFITS TO COMBAT WORKER BURNOUT

Goldman Sachs is introducing several new employee benefits, part of a bid to attract and keep employees in a pandemic that has made many people re-evaluate their careers.

The Wall Street powerhouse is now offering paid leave for pregnancy loss and expanding the amount of time employees can take for bereavement leave. It is also introducing an unpaid sabbatical for longtime employees.

Goldman is also increasing its retirement fund matching contributions for U.S. employees to 6% of total compensation, or 8% for employees making $125,000 a year or less. Additionally, the firm is eliminating the one-year waiting period before matching employee contributions.

Last year, Goldman introduced paid family leave for employees facing issues related to Covid-19. Under the new policies, Goldman employees are eligible for five days of paid bereavement leave for the loss of a non-immediate family member and 20 days' leave for the loss of an immediate family member. Employees are also eligible for 20 days of paid leave if they, a spouse or a surrogate has a miscarriage or stillbirth.

The bank also is offering a six-week unpaid sabbatical for employees with at least 15 years at Goldman, while longer-tenured employees are eligible for a longer break. Goldman expects about 4,000 employees, or about 10% of the workforce, will be eligible.

SOURCES

Wall Street Journal; Challenger, Gray & Christmas; Greater Houston Partnership