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U.S. HIRING SLOWED AT CLOSE OF RECORD JOBS YEARS

U.S. hiring moderated in December to close out a record year for job gains ahead of disruptions from the Omicron variant, with declining unemployment and robust wage growth suggesting the economy will grow solidly this year. Employers added 199,000 jobs in December, below average monthly job growth of 537,000 in 2021, the Labor Department said. Slower job growth in recent months largely reflects companies' inability to find workers as labor supply remains tight, some economists said.

Last month's payroll gains left the U.S. economy with about 6.4 million more jobs than at the end of 2020—a greater increase than in any year on record—but the nation remains 3.6 million jobs short of pre-pandemic levels.

The broader economy regained its footing with the distribution of Covid-19 vaccines and strong demand from consumers armed with government stimulus who stoked spending. But the pandemic also delivered setbacks, including surges in virus cases and supply-chain disruptions that slowed growth.

The labor market, while still recovering from the pandemic, is entering the year on much better footing than it did at the start of 2021. In recent months, job openings surged to historically high levels and workers quit their jobs at record rates.

Retailers and manufacturers are close to fully recovering losses from early in the pandemic. Leisure and hospitality employers, which were hit particularly hard, have made strides since last January but are still 7% below pre-pandemic payrolls levels.

The unemployment rate fell to 3.9% last month from 4.2% in November. Many employers are ramping up pay as they compete for a limited pool of workers. Average hourly wages increased 4.7% in December from a year earlier, holding well above wage growth of roughly 3% preceding the pandemic and playing a part in historically high inflation.

The evidence of a tight labor market and high inflation is likely to keep Federal Reserve officials on track to lift interest rates from near zero as soon as their policy meeting in March.

The jobs report captures hiring activity that occurred before the Omicron variant spread rapidly in late December. Though the variant has taken a toll on some businesses' revenue, many employers are clinging to the workers they have as consumers continue to spend. Jobless claims, a proxy for layoffs, clocked in at 207,000 last week, near the lowest level in five decades.

Economists say businesses and workers are gradually learning to live with successive waves of the coronavirus pandemic, limiting economic damage. Still, Omicron threatens to temporarily dent the economy through a different mechanism than previous virus waves, which triggered government restrictions on business and a pullback in consumer demand. Omicron is, by comparison, sending millions of sick workers into quarantine, exacerbating labor shortages. Without enough staffers, restaurants are closing temporarily, airlines are canceling thousands of flights and public-transit systems are suspending services.

In December, about 1.7 million workers were employed but absent from work because of sickness, the Labor Department said. It's estimated that about 4.6 million workers could report absences due to illness in January if the nation logs an average of one million new coronavirus cases per day in the week of the January jobs report survey.

Employee absences will likely hurt production and slow services without leading to widespread layoffs. Many economists expect employers to remain in hiring mode because they still have roles to fill amid strong consumer demand.

A continued pickup in the number of people who are searching for work could help employers who say they are desperate to find workers. Labor-force participation was 61.9% in December, below its pre-pandemic level of 63.4%.

Continued pandemic-related disruptions are a significant impediment to workers rejoining the workforce—especially child-care shortages, unpredictable school schedules and, for older workers who might have retired early, fear of infection. Omicron-related closures of several large school districts could have ripple effects in the coming weeks, especially if virus caseloads continue to surge.

Many workers are reaping their biggest pay increases in years as a result of the labor shortages. For companies, higher labor costs are hitting at the same time many must contend with rising inflation for materials and inputs. About 13% of small-business owners in a National Federation of Independent Business survey said labor costs were their biggest business problem, a 48-year record.

U.S. EMPLOYERS ANNOUNCED FEWEST JOB CUTS ON RECORD IN 2021

Job cuts announced by U.S.-based employers rose 28.1% in December to 19,052 from the 14,875 announced in November. It is 75.3% lower than the 77,030 announced in December 2020, according to a report released from global outplacement and business and executive coaching firm Challenger, Gray & Christmas, Inc.

In the final quarter of 2021, U.S. companies announced 56,749 job cuts, up 7.4% from the 52,560 announced in the third quarter, and down 74.5% from the 222,249 cuts announced in the same quarter of 2020.

In 2021, employers announced plans to cut 321,970 jobs from their payrolls, down 86% from the 2,304,755 jobs eliminated in 2020. It is the lowest annual total on record, since Challenger began tracking in 1993.

This trend is likely to continue as we contend with the largest surge in COVID cases we've yet seen, spurred by Omicron, said Andrew Challenger, Senior Vice President of Challenger, Gray & Christmas, Inc.

Two industries announced more job cuts in 2021 than in 2020: Pharmaceutical and Chemicals. Companies in the Pharmaceutical industry announced 8,116 job cuts in 2021, a 280% increase over the 2,131 announced in 2020. Chemical companies shed 881 jobs in 2021, up 165% from the 332 cuts recorded in 2020.

Pharmaceutical and Chemical companies were tasked with creating COVID treatments and testing in 2020. Those that failed or saw demand fall as vaccines became available and cases fell at various points in the past year shed jobs.

Meanwhile, 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 is headed to the Supreme Court with oral arguments to begin January 7th.

Vaccine refusal has accounted for 7,634 job cuts so far this year, primarily in hospitals, 407 of which occurred last month. The deadline for compliance with the OSHA rule was January 4th.

Companies in the Health Care/Products sector announced the most job cuts in December with 4,550, for a total of 31,997 for the year, down 49.7% from the 63,576 cuts recorded in 2020.

Aerospace/Defense companies have announced the most cuts this year with 34,627, 59.8% lower than the 86,125 announced through 2020.

Newsrooms cut 1,511 jobs in 2021 out of the 3,961 Media cuts the firm tracked last year. That's compared to the 16,060 News cuts recorded in 2020.

Company closings caused the most cuts in 2021 with 69,648, followed by restructuring, which was cited for 58,712 cuts so far this year. Market conditions were cited for 54,160. COVID-19 has been cited as the reason for 8,904 cuts this year, compared to 1,109,656 cuts attributed to COVID-19 in 2020.

U.S. JOBLESS CLAIMS JUMP TO THREE MONTH HIGH

Applications for U.S. unemployment benefits surged by 55,000 last week to 286,000 and hit a three-month high in a sign the omicron outbreak spurred some layoffs and kept more people out of work in January.

Economists polled by The Wall Street Journal had forecast initial jobless claims to total a seasonally adjusted 225,000 in the seven days ended Jan. 15.

The number of people already collecting jobless benefits, meanwhile, rose by 84,000 to 1.64 million, the Labor Department. These so-called continuing claims have returned to pre-crisis levels, however.

Economist warn against reading too much into the big increase last week. The government's method of adjusting jobless claims for seasonal swings is often skewed from Thanksgiving through the Martin Luther King Jr. holiday. The problem has been made worse by the pandemic.

Raw or unadjusted claims actually sank last week to 337,417 from 420,835.

The record coronavirus omicron wave kept more people out of work the past month and may have spurred temporary layoffs. The end of holiday-season jobs was likely another contributor.

Yet the number of people losing jobs is still extremely low and likely to stay that way. Businesses are struggling to hire amid the worst labor shortage in decades and stiff competition for workers. That suggests still-strong demand for goods and services and bodes well for the U.S. economy.

New jobless claims rose the most in California. They fell sharply in New York, Missouri and Texas.

Economists do not expect the problems caused by omicron to last long and suspect jobless claims will subside again soon.

2021 HOUSTON'S BEST YEAR EVER FOR JOB GROWTH

In the record books, 2021 is set to go down as Houston's best year ever for job growth. But the statistics mask the ups and down, fits and starts, despair and hope that characterized the economy last year.

Will 2022 move us close to normal? We asked three local economists, Bill Gilmer of the University of Houston, Patrick Jankowski of the Greater Houston Partnership and Parker Harvey of Workforce Solutions, for their forecasts for the coming year. The outlook looks bright. The engines that drive the local economy are starting to hum again. But, of course, there's wild card: COVID-19. Since the outbreak first shut down the economy in the spring of 2020, economists have said the course of the economy would largely be set by the course of the pandemic.

That relationship will remain in place in 2022. Here's what the forecasters see ahead:

- Strong gains, but still recovering losses.
- Houston's job growth in 2021 ranks among its best years ever, and 2022 will match or exceed it.
- Through November, Houston added about 130,000 new seasonally adjusted payroll jobs, and since the early 2020 lockdowns it has added a total of 273,700.

We remain well short of replacing those lockdown losses suffered in early 2020, bringing back only 73.7 percent of them. Contrast this to 82.5 percent of 2020 losses returned by the U.S., while

the state of Texas restored all these losses this fall. The Austin and Dallas-Fort Worth metros areas led the state in this return to pre-pandemic employment levels, while San Antonio stands only 4.9 percent short. What is Houston's problem? Certainly oil stands in the middle of it. We only need to know that a combined Midland/Odessa so far have regained just 700 jobs or 2.6 percent of their early 2020 job losses. Houston's large upstream oil sector has behaved only a little better than west Texas, losing 37,600 jobs in 2020 and to date returned only 10,400. And expect oil's recovery to be different this time. The fracking industry has now taken $300 billion in assets through three rounds of bankruptcy since 2014. Producers have finally recognized that fracking is a high-cost source of oil, and that the go-go days of 2003-2014 are finished. A fracking recovery will help Houston out this year, but don't set expectations very high. It is a smaller, chastened, and slower-growing industry for the foreseeable future.

The partial lifting of public health restrictions that followed on the heels of the 2020 lockdowns provided limited relief for local job losses, but by this past spring a significant surge in Houston's economic activity was finally underway led by bars, restaurants, retail, health care, barbers, and nail salons. These are jobs sensitive to close personal contact and social distancing, and vaccine distribution and lifting of many public health restrictions provided consumers with the confidence to engage in the economy.

A short list of nine large contact-sensitive sectors accounted for 42 percent of Houston's total employment in 2019, but also accounted for 67 percent our peak job losses. But more that 80 percent of these jobs were back by summer, making the vaccines the most important cure so far for COVID-related economic problems.

The vaccines were the easy part of fixing the economy, with the return of jobs now and in 2022 more dependent on a healthy national and global economy. This is not about Houston businesses engaged in close local contact, but those that sell their goods and services to the rest of the nation or world.

These jobs - called the economic base - drive the local business cycle and return revenue and profits to the metro area. We see a struggle underway to restore local base jobs while the global economy faces COVID-driven plant closings and supplier disruptions, transportation breakdowns, and workers still falling ill or reluctant to return to work.

One rule of thumb suggests that Houston lost 85,000 of its base jobs in 2020 and only 26,500 have returned so far. So, there is still plenty of room for base jobs and the business cycle - including oil - to spur solid growth next year and beyond. Progress, however, must overcome the current economic chaos seen across many industries and countries.

The current and projected job growth in Houston is exciting, with a likely increase of 150,000 in 2021and another 137,000 in 2022. Along with broad progress in the business cycle, meaningful help from oil should also arrive in 2022 and then continue to spill into 2023, allowing even 2023 to see above-trend growth near 80,000 jobs.

Only then does normality settle in with around 60,000 new jobs each year. But be careful interpreting these large gains in 2021 and 2022, as they follow on the heels of a deep and unprecedented downturn. The greatest economic cost of the pandemic for Houston and the rest of the world was the loss of nearly 2 1/2 years of healthy economic expansion.

Through the first 11 months of this year, the region created more than 130,000 jobs. 2021 will be the best year for job creating. The previous record was 1981 when the metro area created 126,900 jobs.

2022 will be another good year for Houston, though job growth will slow to a more normal pace. The Partnership's forecast calls for the region to create 75,500 jobs. In a year in which growth is not overstimulated by high oil prices or spiked by low oil prices, the region creates 60,000 to 70,000 jobs. Bottom line: 2022 will be a better than average year for job growth in Houston.

The region will see growth across all sectors of the economy. The greatest job gains will occur in administrative services (primarily outsourcing and contract workers), professional services (legal, accounting, management consulting, public relations, IT), and health care.

Construction, energy, manufacturing, and wholesale trade struggled prior to the pandemic and they continued to shed jobs as the economy reopened. We're starting to see improvement in those sectors, however. Rather than being a drag on Houston's recovery, as they have been the last 12 to 18 months, they will provide some lift to job growth next year. Several factors will drive growth in 2022: the ongoing U.S. expansion, growth in the global economy, the need to restock inventories drawn down during the pandemic, the return of global oil demand to pre-pandemic levels, and an influx of newcomers to Houston. I'm seeing more out-of-state license plates on Houston's streets than I've seen in several years.

The greatest threat to Houston's economy next year remains the COVID-19 virus. We're currently dealing with the delta and omicron variants, but we could see a new strain pop up in 2022. It's unlikely that local officials would call for another shutdown, but a surge might delay hiring and investment decisions or make consumers reluctant to open their wallets. This would slow Houston's growth, but it wouldn't derail it.

A more likely headwind to growth is the lack of available workers. It seems every other shop, restaurants, and warehouse has a "Help Wanted" signs posted outside. Job growth would be even stronger if more residents entered the workforce.

WORK FROM HOME IS BECOMING A PART OF HOW JOBS ARE DONE

As organizations navigate a world of work that continues to be in flux, a new Korn Ferry survey sheds light on professionals' thoughts and intentions concerning returning to the office.

Nearly half (48%) of respondents say their companies are re-thinking return-to-office plans in light of the recent surge in COVID cases and the emergence of a new variant.

One-fifth (20%) say they had returned to the office, only to be sent back to working remotely.

More than half (51%) of respondents say they don't think they'll ever go back to the office full-time.

The same percentage (51%) say returning to the office will have a negative impact on their mental health.

While 64% say being able to socialize with co-workers in the office would make them happy, 22% said it would make them feel exhausted and 14% said the socializing would make them feel anxious.

Nearly three-quarters (73%) of respondents said they would return to the office now if mandated to do so, but 15% said they would refuse to go back in, even part-time, and 12% said they would quit.

The survey also showed another long-term economic impact of employees working remotely, as 59% of respondents believe their employers will permanently reduce the amount of office space they have.

About the survey: 791 professionals responded to the survey in December 2021

In the second-to-last week of December, 42.4% of U.S. workdays were worked from home. Before the pandemic, WFH accounted for about 5% of U.S. paid full workdays. That share catapulted past 60% in spring 2020 and has held remarkably steady at a bit above 40% since May 2021, not long after vaccines became available to all working-age Americans.

The percentage has likely jumped in January, because of the omicron wave. Last spring the responses indicated they expected to work from home on 21% of workdays. By December that was 29%, which is expected to keep rising in coming months.

The new normal we appear to be settling into, then, is one in which 30% to 40% of workdays are remote. That's for the entire workforce, including those with jobs that can't be done remotely, meaning the percentage is even higher for white-collar positions. It's the biggest change in generations in how Americans do their jobs.

SABBATICALS ARE A POWER MOVE IN BURNOUT ERA

Workers are putting in more hours than ever nearly two years into the pandemic. They are in many cases burned out and believe a prolonged break is the best respite. Surprisingly, some companies agree. Employees who take sabbaticals say they return to work energized and more productive.

Managers who are worried about retaining top talent and how the Covid-19 era is wearing on employees' well-being find sabbaticals engender loyalty and greater creativity.

Sabbaticals still aren't mainstream: 5% of companies offered them in 2019, according to the Society for Human Resource Management.

Late last year, Goldman Sachs Group Inc. started offering six-week unpaid sabbaticals to people who have been with the bank for at least 15 years, following an early 2021 move by Citigroup Inc. to give employees in North America with at least five years' service up to 12 weeks off at 25% of their base pay. A Citigroup spokeswoman said more than 200 employees have been approved to take sabbaticals as part of this program.

One study of 50 people who took extended time off from work found that most of the interview subjects suffered from "functional workaholism,". Many reported that a negative event, such as the end of a long relationship or death of a family member, prompted them to take a break. Of the 50 interviewed, 20 took company-sponsored sabbaticals, and 16 of those employees returned to work and stayed at their jobs for at least a year.

PROFESSIONALS LEAVE JOBS WITHOUT ANOTHER LINED UP

As employers continue to grapple with retention, a new Korn Ferry survey shows that employees are not waiting for a safety net before they say "I quit."

More than a third (38%) of professionals say they either recently have or are planning on leaving their job without another one lined up. The biggest reason to leave a job is company culture (32%), a bad boss (28%), and salary/benefits (22%).

The top reason to stay with a current employer is challenging and rewarding work (28%), great co-workers and management (26%), and salary/benefits (16%).

Nearly half (47%) of respondents say they have received counter-offers when they announced their resignation, but 70% say it did not incentivize them to stay.

More than a third (39%) say they would stay if the counter-offer was at least 30% of their salary, 24% say they would stay if they were offered 50% more, and 35% say no counter-offer would convince them to stay.

U.S. EMPLOYERS AGAIN BOOSTING 2022 PAY RAISES

One in three employers bumped up original salary increase projections. Fueled by tight labor markets, U.S. employers are boosting their original salary increase projections for 2022 as the Great Resignation shows no signs of abating. That's according to a new survey by Willis Towers Watson, a leading global advisory, broking and solutions company.

The survey of 1,004 U.S. companies, conducted during October and November 2021, found nearly one in three respondents (32%) increased their salary increase projections from earlier in the year. Companies are now budgeting an overall average increase of 3.4% in 2022, compared with the average 3.0% increase they had budgeted in June 2021.

Companies gave employees an average pay increase of 2.8% in 2021. According to the survey, employer concerns over their ability to hire and retain talent far outweighed other factors for boosting salary increases. Nearly three in four respondents (74%) cited the tight labor market for increasing their budgets from prior projections, while only one-third cited anticipated stronger financial results (34%) and inflation or the rising cost of supplies (31%).

IN BATTLE FOR WORKERS, THE HUMBLE 401(K) GETS RICHER IN 2022

Facebook's parent and consulting firm KPMG U.S. are among a growing number of companies putting more money into employees' 401(k) retirement accounts, employing another lever to attract and retain staff amid high turnover and competition for talent.

About 16% of large and midsize employers plan to raise their 401(k) contributions or reinstate a previously suspended match in 2022, while another 8% said they are considering such a move. The combined total is up from about 12% that took similar action in 2021.

Employers are confronting a labor market in which workers are more mobile than ever. Employers reported having 10.6 million job openings in November, a month when only 6.9 million people were unemployed. That same month, a record 4.5 million U.S. workers quit their jobs, in most cases taking positions with new employers, Labor Department data show.

Those taking action are typically boosting their match by one or two percentage points or are making one-time contributions on top of the match. Others are allowing new hires to participate in the 401(k) plan immediately, rather than after a waiting period, or are reducing the time an employee must work before taking ownership of the employer's contributions on their behalf.

Some employers are boosting their 401(k) matches after shedding or freezing traditional pension plans, which guarantee employees a certain percentage of their salary in retirement.

On Jan. 1, consulting firm KPMG U.S. LLP replaced its 401(k) match with a contribution of 6% to 8% of employee pay, including bonuses. The exact contribution varies according to a worker's age and tenure. The firm's more than 34,000 workers receive the money whether they contribute to the 401(k) or not. Previously, the company matched 25% of up to 5% of eligible base pay an employee contributed.

The enhanced 401(k) contributions, which are part of a broader initiative to boost employee benefits, started after the firm froze its pension plan on Dec. 31.
"In a tight labor market we want to be in tune with the kinds of benefits we need in order to compete," said Chief Human Resources Officer Darren Burton.

The company declined to disclose the cost of the new benefits. Starting January 1, Facebook parent Meta Platforms Inc. raised its 401(k) match to a dollar for every dollar its employees contribute, up to $10,250 this year, or $13,500 for those 50 and older. That was up from a prior match of 50% of participant contributions up to 7% of pay, the company said.

Companies aren't required to make 401(k) contributions, but most do, according to Vanguard. The most common approach among Vanguard clients is to match half of the amount workers put into their accounts, up to 6% of pay.

In 2020, a wave of companies suspended or reduced their 401(k) matching contributions early in the pandemic. By the end of 2020, the economy had rebounded, and many had reinstated those matches.

Some employers said boosting or instituting a 401(k) match was also a way to spread the fruits of higher profits because of an economy that was stronger than many business owners predicted in the early days of the pandemic.

SOURCES

Wall Street Journal; Challenger, Gray & Christmas; Houston Chronicle; Willis, Towers, Watson; MarketWatch; Korn Ferry; Bloomberg