Hiring Source

eNEWSLETTER | JUNE 2022

GROWTH IN JOB MARKET EXTENDS STREAK

U.S. job growth cooled slightly in May, adding to signs the economy is starting to lose some steam after its rapid recovery last year.

Employers added 390,000 jobs last month, a robust increase but down from a gain of 436,000 in April and below the monthly average pace of growth last year, the Labor Department reported.

The unemployment rate held at 3.6% in May, close to the half-century low level it reached in 2020 before the Covid-19 pandemic sent the economy into a deep but short recession. About 330,000 people joined the labor force, but the participation rate remained below pre-pandemic levels.

May's job gains represented the slowest pace of growth since April of last year, a 12-month period in which demand vastly exceeded the available supply of workers. Employers filled more than half a million jobs a month on average during that stretch while complaining about a labor shortage.

Wages grew 5.2% in May from a year ago, the department said, down from 5.5% in April. That was a sign that the labor shortage might be starting to ease as more people return to the workforce.

The labor market is still "boiling," said Ian Shepherdson, chief economist at Pantheon Macroeconomics. "It's just not boiling as vigorously as it was."

June 3rd's jobs report presents a labor market undergoing a period of transition as pandemic-related disruptions fade. That has sent different sectors in the economy moving in different directions.

Retailers shed almost 61,000 jobs in May, the Labor Department said, while leisure and hospitality employers added 84,000. Consumers, who loaded up on goods such as televisions and furniture early in the pandemic, have started to shift their spending to in-person services such as travel or restaurant meals.

Fed Chairman Jerome Powell said in a May 17 interview with The Wall Street Journal that he was confident the Fed could pull it off. “There are pathways for us to be able to moderate demand, get demand and supply back in alignment, and get inflation back down while also having a strong labor market,” he said. “You’d still have quite a strong labor market if unemployment were to move up a few ticks.”

HOUSTON, STATE STILL ADD JOBS AT STRONG TEMPO

Houston employers added jobs for the 15th consecutive month in May as the local economy continued to expand, despite rising prices and interest rates.

The region gained nearly 16,000 jobs last month after adding more than 20,000 jobs in April, when it finally recovered all the jobs lost in the short but deep recession in spring 2020, Houston employment has increased by more than 180,000 jobs over past year, growing at a torrid 6 percent pace, the Texas Workforce Commission reported.

The unemployment rate in Houston fell to 4.3 percent in May from 6.4 percent a year earlier.

Hiring was strong across the state. Texas gained more than 74,000 jobs in May, pushing overall employment to a new record of nearly 13.4 million jobs. Over the past year, Texas has added more than 760,000 jobs, also growing at employment by about 6 percent.

The state unemployment rate slipped to 4.2 percent from 4.3 percent in April. The national unemployment rate was 3.6 percent in May.

The labor market has proved resilient in recent months, even as inflation, soaring energy prices and rising interest rates squeezed consumer spending. While the economy has shown signs of slowing — retail and home sales are falling nationally — the labor market has charged ahead. The U.S. economy generated another 390,000 jobs last month.

Employment, however, is lagging indicator, and economists expect job growth to slow and unemployment to rise as sharply higher interest rates work their way through the economy. The Federal Reserve boosted its key short-term interest by three-quarters of a point — the biggest single increase since 1994 — and signaled it will raise rates aggressively to bring inflation under control.

That prospect, however, has raised concerns that the Fed could tip the economy into recession, spurring a selloff in financial markets and driving stocks down by more than 20 percent from their peak in January.

The Houston economy has gotten a lift from soaring oil and natural gas prices because of the concentration of energy companies here, offsetting some of the impact on consumers and consumer spending. With oil and gas companies reporting billions of dollars in profits, the sector locally added about 8,000 jobs over the past year, an increase of about 14 percent, according to the Texas Workforce Commission.

Leisure and hospitality, which includes bars, restaurants and hotels, led local job gains over the past year, adding more than 36,000 jobs. Construction added nearly 24,000 jobs over the year, education and health care about 23,000 jobs, and professional and business services about 21,000.

Manufacturing, which is closely tied to energy here, added about 10,000 jobs in May from May 2021.

TEXAS SEES 3,160 MORE OIL FIELD SERVICES JOBS

The country's oil field services sector continued to add jobs last month as oil and gas companies move forward with planned increases in drilling.

Texas added about 3,160 oil field services jobs in May for a total of 306,411, according to an analysis of preliminary federal data from the industry trade group Energy Workforce and Technology Council. Overall the country added close to 4,775 jobs in the sector last month for a total of 628,793, according to the preliminary data.

Demand for oil and gas was already on the rise as the global economy recovers from the pandemic. Now, as countries sanction Russian oil in retaliation for Moscow's war on Ukraine, officials are pushing for U.S. oil and gas producers to ramp up production to help ease soaring gasoline and utility prices.

Still, experts expect oil and gas jobs to continue making gains even as companies opt for more moderate production increases. Norwegian research firm Rystad Energy shows U.S. oil and gas employment could increase by 108,000 jobs to 971,000 by the end of the year.

WHERE SALARIES ARE SOARING

Labor cost aren't the only factor increasing expenses for small business, but they are one of the biggest contributors. Rising turnover and demographic shifts have made it a candidate's market, which is leading to higher wages.

Here's a look at the 12-month percentage change in average hourly wages for Houston, TX $27.42 (20.60%) and the U.S. average $31.10 (5.70%) between February 2021 and February 2022.

TIGHT JOB CONDITIONS BOOST WAGES

Wages for the median workers at the majority of big American companies are higher than they were before the pandemic, with the tight job market helping to lift paydays for many bank tellers, factory workers and software programmers.

Compensation in 2021 for the median worker at 275 companies in the S&P 500 index was higher than in 2019, including 150 companies where it increased 10% or more from 2019, according to a Wall Street Journal analysis. Half as many firms reported their median worker's 2021 compensation decreased by 10% or more.

More than 140 companies, including Netflix Inc. and steelmaker Nucor Corp., said their median worker was paid at least $100,000 last year. Over three dozen companies, including Walmart Inc. and Home Depot Inc., said their median worker made less than $30,000 in 2021.

Competition for hourly workers intensified last year across industries. Some companies paid bonuses to attract new workers or keep them in jobs, as stores, offices and airports reopened or increased capacity. White-collar workers, especially in technology and finance roles, have been in demand during much of the past two years.

The U.S. unemployment rate was 3.6% in April, nearly matching the half-century low of 3.5% reached just before the pandemic took hold in the U.S., in early 2020. There were 11.5 million job openings in March, or nearly two openings for every unemployed person seeking work, while the number of times workers quit their jobs reached 4.5 million for the month—both record highs.

Bigger paydays are on the way for many workers this year—for top earners and those lower down the scales. Amazon.com Inc is raising its cap on base pay to $350,000 from $160,000, while Apple Inc. said it would raise salaries and its minimum hourly wage for U.S. workers to $22. Starbucks Corp. has promised raises of at least 5% for baristas who have worked for two or more years, and Bank of America Corp. is lifting its minimum U.S. wage to $22 an hour starting in July.

JOB JUMPERS RECONSIDER AND QUIT AGAIN

More Americans are quitting their jobs than ever in the U.S., and fewer are sticking around in their new positions.

Among workers who took a new job in 2021, the share who had been in their previous position for less than 12 months rose by 6.5 percent compared with a year earlier.

This job-jumping metric is at the highest it's been since 2016. That helps explain why job openings remain at record highs in the country two years into the pandemic. A rising number of people who left their employers in search for better working conditions elsewhere reconsidered and quit again.

The millions of job openings created by the recovery, combined with the widespread adoption of remote work, has given many Americans the possibility of switching employers.

Getting higher pay has been one of the driving factors, but many also sought better benefits, more flexible hours or the option to work from home. Young Americans entering the workforce now are much more attuned to their mental health and would rather be happy than grind it out – a major cultural shift from generations' past.

Figures show that the share of people jumping to another place in less than a year rose the fastest in industries that have been upended by the COVID crisis: accommodation, entertainment, as well as hospitals and health care. But it's on the rise elsewhere – from education to retail and administrative jobs. One major sector has seen a drop in that metric: financial services.

Quit rates are at a record high while layoffs hover around all-time lows, according to government data.

Job switchers have had better luck getting a raise. Hourly wages climbed 5.6 percent in April for those who moved to a new job, on a 12-month moving average, compared with a 4.2 percent gain for those who stayed put. That creates a strong incentive to jump at a time when decades-high inflation has been eating into recent wage gains.

SOURCES

Wall Street Journal; Houston Chronicle; Houston Business Journal