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IT'S A WORKER'S MARKET, AND HOUSTON WORKERS KNOW THAT

Just a little more than two years after the economy crashed amid pandemic lockdowns and millions of workers lost jobs, the labor market is as strong as it has been in 50 years. Job openings far exceed the number of unemployed, and workers are regaining bargaining power lost to employers over three decades of globalization, declining union membership and economic dislocation.

On Labor Day, national unemployment stood at 3.7 percent, after U.S. employers added 315,000 jobs in August. Wages are rising at the fastest pace since the 1980s. Union activity and support are rebounding, even in right-to-work states. And employers are improving benefits and working conditions to meet employee's demands for flexibility and more life in the work-life balance.

In Texas and Houston, unemployment is running higher than the national average — the result of a growing labor force — but overall employment is hitting record highs month after month. Jobs in both the state and the region are growing at a torrid 6 percent rate, far faster than the national rate of 4 percent.

All the same, the future is growing increasingly uncertain. Inflation — 8.5 percent in July — is rising faster than wages, undermining workers' purchasing power and squeezing household budgets as families pay more for food, utilities and transportation.

The risks of recession also are rising as the Federal Reserve aggressively raises interest rates to fight inflation by increasing borrowing costs, curbing spending and slowing the economy. Fed Chairman Jerome Powell recently conceded that the central bank's policies will bring economic pain and job losses for Americans even if a recession is avoided.

The pandemic, which began with U.S. unemployment at 50-year lows, showed how quickly the fortunes of workers can change. Millions of Americans lost jobs practically overnight as businesses shuttered and fearful customers stayed away. The unemployment rate spiked to 14.7 percent in April 2002

Even with the strong recovery, the economy remains tenuous today for many workers, particularly those in low-wage occupations.

The post-pandemic recovery hasn't been typical. Employers across industries stampeded to hire en masse when the economy reopened, putting workers in the driver's seat at a moment when federal stimulus packages had padded their budgets, enabling them to be choosier. Some were already, as a result of the pandemic, re-evaluating their priorities.

Many employers were left exasperated, grousing about a "Great Resignation" among American workers after the economy reopened; the nation's job quit rate, rose to 3 percent by the end of 2021, a record.

With overall employment now exceeding its pre-pandemic peak, it's hard to make the case for a large-scale rejection of work among American workers. Employers may, instead, be encountering workers no longer resigned to the wages, hours, and working conditions they might have accepted previously, analysts said.

The shift can be seen in a resurgence of interest in unions. Even in right-to-work states such as Texas—which has one of the lowest rates of unionized employees in the country—workers are showing an increased interest in organizing. A Starbucks in Houston's Upper Kirby neighborhood could become the area's first unionized outpost of the global chain.

Even with the threat of recession, economists don't see the job market deteriorating over the next several months. After struggling to hire workers, employers are unlikely to let them go easily — even in a downturn, economists said.

Nor do economists expect workers to lose all their clout or give up gains in working conditions, such as flexible schedules that allow them to work at home at least part of the time—a top priority for working parents, in particular, experts note.

HOW TEXAS CONTINUES CREATING MORE JOBS

Higher interest rates are slowing the real estate business, but the job market is proving to be more resilient, especially in Texas.

The state added nearly 73,000 workers in July, the second biggest monthly gain of the year. Through the first seven months of 2022, Texas has grown jobs at an annualized rate of 6.1 percent, far ahead of the U.S. rate of 3.8 percent, according to the Federal Reserve Bank of Dallas.

What's keeping the momentum going? "People are flowing back into the labor force in our region," said Pia Orrenius, senior economist at the Dallas Fed. "We've had so much labor force growth and we have a pretty high labor force participation rate — it's actually recovered from the pandemic. “Obviously, employers are eager to hire, as you can tell with these tremendous job gains,” she added.

A growing labor force provides the fuel for a fast-growing economy when employers are expanding. The civilian labor force includes workers 16 and over who have a job or are looking for one. The participation rate is the share of the population in the labor force.

Texas is outperforming on both measures, and that’s notable because the pandemic pushed out so many workers. Many were avoiding health risks or dealing with extra caretaking duties, and some took early retirement. A year after COVID-19 hit, the U.S. labor force was down by over 4.1 million. By July 2022, the numbers still had not recovered: The U.S. labor force was 623,000 shy of its February 2020 level.

Texas is a much different story: Its labor force rebounded to pre-pandemic heights in just eight months. And in July, Texas’ labor force had 634,000 more people than before the pandemic. When companies relocate or expand in Texas, they often cite the workforce. That can refer to many things, from the share of college grads to unions’ penetration to the region’s work ethic. But to simply be part of the conversation, it all starts with having enough workers — today and in the future.

For all the focus on remote work since the pandemic, the vast majority of companies want employees to be on site at least a few days a week. So when positions come open in Texas, which happens a lot, they’re usually filled by locals or people willing to move here.

Texas easily led all states in population growth last year, adding over 310,000 residents, well ahead of runners-up Florida (up 211,000) and Arizona (up 98,000). Domestic migration was a big part of Texas’ growth, contributing a net gain of 170,000.

Texas also has a large share of young people, and that contributes to higher participation rates and faster population growth. In July, Texas’ labor participation rate was 63.8 percent, which was 0.4 percentage points higher than in February 2020. That may seem a small increase, but Texas has a population of nearly 30 million — and a fast-growing population at that. In contrast, the U.S. labor participation rate was 62.1 percent, which was 1.3 percentage points lower than before the pandemic hit.

International immigration has been recovering, and that’s always been an important part of Texas’ outsized economic growth. In the first seven months of 2022, Texas’ labor force grew by just over 300,000. That’s more than double the increase for the same period in 2019.

Through July, Texas’ job growth outpaced the U.S. rate in all private sector industries, according to the Dallas Fed. In professional and business services, Texas led the U.S. in annualized growth rate 6.1 percent to 3.8 percent. In financial activities, Texas led 8.1 percent to 2 percent. In leisure and hospitality, Texas led 10.8 percent to 7.7 percent. The big gap was in oil and gas: Through July, the energy segment grew at an annualized rate of 27.3 percent in Texas compared with 19.7 percent for the U.S.

Unemployment remains low, but the number of Texans quitting their jobs rose to 407,000 in June, the first gain in that metric in three months. That’s an indicator of strong confidence among job seekers. Combine that with higher wages and more flexibility in work hours and remote work, and it’s understandable why more Texans are joining or rejoining the labor force.

U.S. JOB MARKET SHOWS SIGN OF EASING

The deceleration marked a pullback from robust gains that characterized much of the past two years. Still, job growth remained well above the pre-pandemic trend.

The jobless rate rose to 3.7% in August from a half-century low of 3.5% the prior month. The increase in the unemployment rate reflected more workers entering the labor force. The share of adults working or seeking a job rose to 62.4% in August from 62.1% in July, as participation among women ages 25 to 54 jumped to the highest level since 2000.

The rise in labor-force participation—along with other signs such as lower average weekly hours worked—suggested employers are finding it easier to hire. That could help ease wage pressures in the coming months. The Federal Reserve is closely watching the health of the labor market and wages trends, an important factor in the outlook for inflation.

Average hourly earnings rose 5.2% in August from a year earlier, in line with the previous month and down from a recent peak of 5.6% in March. Wages rose 0.3% in August from a month earlier, down from July's increase.

The figures keep the Fed on track to raise interest rates by either 0.5 or 0.75 percentage point at its meeting later this month to combat high inflation.

Some signs point to an economy that is rapidly cooling under the weight of high inflation. The Fed is raising interest rates to slow the economy and curb price increases. Some major employers, including Ford Motor Co. , Snap Inc., T-Mobile US Inc. and Wayfair Inc., have announced job cuts in the past few weeks. Gross domestic product shrank in both the first and second quarters of the year, according to the Commerce Department.

This year's tight labor market followed steep pandemic-driven job cuts in early 2020 that left the U.S. economy with about 22 million fewer jobs. As employers clawed those jobs back, payrolls grew by a monthly average of about 800,000. Now that payrolls are slightly above their pre-pandemic peak, rehiring is set to fade as a source of job growth in many sectors, according to economists.

Unemployment rates rose last month across racial groups and ethnicities, with particularly large increases among Black and Hispanic workers. Fewer Black adults were working or seeking a job in August.

Job growth remains historically strong as the labor market holds up better than many other parts of the economy. Hiring remained solid last month in interest-rate sensitive sectors such as construction and manufacturing. Job gains were strong in professional and business services, healthcare and retail.

FED'S SOFT LANDING HINGES ON UNUSUAL JOB MARKET SHIFT

The Federal Reserve's hopes for a "soft landing" rest on a rarely occurring phenomenon: Unemployment will rise not because workers lose their jobs, but because more people without jobs start looking for work.

Typically, the unemployment rate goes up because a slowdown in the economy prompts a wave of layoffs. That hurts household spending, kicking off a dynamic that can feed on itself and plunge the economy into recession.

This time around, many forecasters expect the labor force participation rate to rise as people who quit working during the pandemic return to the job market, just as employers slow hiring in the face of higher interest rates. If that were to happen, it might put downward pressure on incomes and spending without causing a severe downturn -- the very definition of a soft landing.

Such a scenario would represent a break from past labor market patterns and mark yet another unusual legacy of a once-in-a-century pandemic for the economy. And it could give the US central bank, which is rapidly hiking rates to curb decades-high inflation, license to keep them higher for longer if it plays out.

The US unemployment rate -- which includes those who have lost their jobs and are seeking new ones, as well as those who may have left the labor force for various reasons and are now looking for work again -- ticked down to 3.5% in July, matching the pre-pandemic low. But the participation rate -- which includes both the employed and job-seekers -- at 62.1%, is still more than a percentage point below its February 2020 level.

Part of the gap can be accounted for by population aging. Many also retired earlier than planned at the beginning of the pandemic and are probably unlikely to return to work. But participation among younger workers hasn't recovered either. The rate for people between the ages of 25 and 54 -- those of "prime working age" -- is 82.4%, down from 83.1% before Covid.

Economists at around half of the 25 dealer banks that trade with the Fed currently expect the US to avoid a recession over the next year or two. Many see unemployment rising nonetheless, and the assumption that a substantial amount of that increase will be accounted for by rising participation is critical to the no-recession call.

Fed officials have been waiting for participation to normalize and have often cited its failure to do so as a contributing factor behind the highest inflation in almost 40 years. That's part of the reason why the Fed has raised rates quickly this year to curb demand. Officials see unemployment rising by about half a percentage point in the coming years without triggering a full-blown recession, according to their projections in June.

In the later years of what became the longest expansion on record, participation began rising again as a strong economy drew people who hadn't been searching for work into employment. Strong demand eventually induced more supply. But today, the soft-landing forecast hinges on supply increasing despite weaker demand.

COMPANIES TRY TO PUSH WORKERS BACK TO OFFICES

This time last year, companies big and small were gearing up for a push to bring workers back to offices after Labor Day. The same thing is happening now. But this time, the bosses really mean it — probably — which could set companies up for clashes with their workers, experts say.

Employees are more committed to working from home than they were last fall, according to a June survey of more than 8,000 workers by Gallup, with the desire to work exclusively from home more than doubling since October 2021. Among fully remote workers, 60 percent said they would be "extremely likely" to look for other opportunities if their employer decided not to offer remote work at least some of the time.

After Apple told employees it would increase in-person work requirements from two days a week to three, more than a thousand employees signed a petition demanding "location flexible work," arguing that the company's mandate "does not consider the unique demands of each job role nor the diversity of individuals." The company declined to discuss its return-to-office plans with The Washington Post.

The return to offices has been inching forward since the start of the year. In the first four months of 2022, office occupancy rose 20 percent according to Kastle Systems, which has been tracking the return to work through key fob and swipe data. But since April, it's hovered around 44 percent compared to pre-pandemic levels, despite efforts to coax workers back with free food, bonding activities and other perks.

As of Aug. 22, occupancy in 10 of the country's top business centers, including D.C., New York City and Los Angeles, was 43.5 percent of what it was before the pandemic.

Google, which has required employees to be in offices three days a week since April, is dealing with an outbreak impacting hundreds of employees in its California offices, according to CNBC. The outbreaks have frustrated workers on Google's campuses. A meme shared on the company's internal image-sharing site showed a photo of an email inbox with the subject line of one email from a manager reading "We're so excited to see you back in the office!" and a subsequent subject line of "Notification of Confirmed COVID-19 Case," CNBC reported.

In the initial quest to entice workers back to offices, many companies invested heavily in changes to office spaces, wellness programs, special bonding activities and other perks.

JOB ENTHUSIASM FALLS

A word of warning to bosses: American workers are returning to offices after the summer break less happy than they've been in a long time.

U.S. employee engagement, a measure of involvement in the workplace and enthusiasm about work, has dropped since 2021, coinciding with the rise in job resignations. The number of workers who say they are actively disengaged from their jobs—defined as workers who are unhappy about their work and resentful their needs aren't being met—is rising, according to new research by Gallup, which has tracked workers' investment in their jobs since 2000.

Nearly one-third of workers described themselves as engaged, or enthused about work, while just under 20% described themselves as actively disengaged, according to Gallup's June survey of 15,091 U.S. workers. The rest are "not engaged"—people who do the minimum required and are psychologically detached from their jobs. The results are an about-face from the summer of 2020 when U.S. worker engagement levels calculated by Gallup hit their highest level ever, at 40%. People under 35 reported the sharpest drop in engagement.

The data may help explain "quiet quitting," where employees coast at work and draw a paycheck. Gallup said quiet quitters now make up half the U.S. workforce. "What we're seeing right now is kind of a deterioration of the employee-employer relationship," said Jim Harter, chief scientist for Gallup's workplace management practice. Some of the estrangement may have been exacerbated by two years many workers spent out of the office in remote and hybrid work arrangements.

Managers are calling employees back to the office in part to resolve this disconnect, yet those in-office requirements are among the biggest sources of tension between bosses and employees. In a survey of more than 32,000 workers around the world published in late April, ADP found two-thirds (64%) of respondents said they would consider looking for a new job if required to return to the office full time.

Both Gallup and ADP identify stress at work as a reason many workers feel disengaged. Nearly seven in 10 workers surveyed—67%— said they experience stress at work at least weekly, up from 62% pre-pandemic. One in seven said they feel stressed at work every day. Key stressors include the length of the workday and concerns over job security.

Gallup said workers who reported declines in engagement cited a lack of clarity about expectations from managers, not feeling connected to a company's mission or purpose, little to no recognition for hard work, and receiving little career development as key reasons for their disengagement.

WOMEN GET TO TOP JOBS FASTER THAN MEN

Women who get promoted to high-ranking executive roles at Fortune 100 companies tend to get there faster than men, according to new research from the Wharton School of the University of Pennsylvania.

The research examined 40 years of data on who holds the Fortune 100's top 10 executive positions at each company, digging into their demographics and the path they took to their corner offices. Women started breaking into executive roles at the biggest U.S. companies faster than their male peers in 2001, a trend that was still true in 2021, the study published in the MIT Sloan Management Review shows.

Yet these women, who hold roughly a quarter of leadership positions, still don't often break into the highest echelon of management to hold the title of chief executive, president or chief operating officer. Companies have felt the urgency, internally and through outside pressures, to add women to their top ranks, according to researchers.

Women who were promoted into the top 10 corporate roles tended to get there two to four years faster than men, as measured by years in their careers, the report said. These women were also more likely than men to be hired into top positions from outside the company instead of promoted from within.

Overall in 2021, women held about 27% of leadership positions—as chief executive, chief of human resources or general manager—in the Fortune 100, up from none in 1980. In 2001, a gap emerged between how fast men and women advanced, with women taking about 3.6 fewer years, on average, to move into the top 10 roles. The gap narrowed in 2011 to 2.9 fewer years, and it was about 1.5 years last year.

Women are advancing faster than men into leadership roles, in part, because investors and clients are pushing them, too, Prof. Cappelli said. BlackRock Inc. said in 2018 that it wanted companies where it invested to have diverse boards, spelling out an expectation of "at least two women directors on every board." Nasdaq Inc. adopted similar targets, and has been sued.

There is also a movement among many companies to ask their prospective vendors—for instance, the outside law firms they hire, or other contractors like engineers—to share internal workforce diversity data as part of the bidding process, Prof. Cappelli said. That has made some companies focus more on diversity and change how they hire, he added.

Women still make up a small portion of the highest ranking roles inside the Fortune 100, including chief executive officer, president and chief operating officer. Roughly 6% of women in leadership hold these titles—a share that has been flat for two decades.

In In the past two years, there have been several women appointed to the top job at major companies: Walgreens Boots Alliance Inc. tapped Rosalind Brewer, a Starbucks Corp. executive, as its CEO; Citigroup Inc. made Jane Fraser its chief executive, the first woman to lead any major Wall Street bank.

There have been high-profile departures as well. Gap Inc.'s Sonia Syngal stepped down as CEO earlier this summer after two years at the helm. And Sheryl Sandberg recently left her position as chief operating officer of Facebook parent Meta Platforms, Inc.

Certain jobs are feeder roles to the corner office, and women aren't often tapped for those jobs. General managers and positions in operations that have profit-and-loss, or P&L responsibility tend to provide a path to the CEO position. The Wharton research found that more than half of executive positions women held in 2021 are leading support functions inside companies, such as human resources, the legal department or finance—which don't usually provide a clear path to the very top.

SOURCES

Bloomberg; Wall Street Journal; Houston Chronicle