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NATION CREATED JOBS

The nation created 223,000 jobs in December, which brought overall growth for '22 to 4.5 million jobs. That ranks as the fifth-best December and the second-best year for job creation in the past two decades.

Nationally, initial claims for unemployment benefits, a proxy for layoffs, continue to trend lower. The four-week average slipped to 213,750 the last week of December, down from 249,500 in early August, the most recent peak. The four-week average for continued claims rose to 1,687,500, from a trough of 1,314,00 in early June.

However, continued claims are tracking well below the comparable period in '21. This suggests it takes marginally longer for laid-off workers to find employment now than in the summer, but less time than it did late in '21. The U.S. unemployment rate (seasonally adjusted) slipped to 3.5 percent in December and has remained between 3.5 percent to 3.7 percent since March '21. The number of unemployed fell to 5.7 million in December, down from 6.3 million in December the year prior.

The labor market remains tight. The Bureau of Labor Statistics (BLS) reports there were 10.5 million job openings on the last business day of November. That's an improvement from the peak of 11.9 in March '22 but still above the 6.9 million in November '19 prior to the pandemic. Nearly 4.2 million workers quit their jobs in November, somewhat above the 3.5 million in November '19. The high level of quits suggests workers are more easily finding better pay or working conditions with other employers, or they're confident they will have little difficulty doing so.

BLS has also revised earlier employment data to show wage growth is slowing rather than accelerating. From October through December, wages grew at a 4.1 percent annualized rate. Though still outside the 3.5 to 4.0 percent range the Fed prefers, wage pressures are headed in the right direction.

SLOWDOWN IN LOCAL ECONOMY MAY BE UNDERWAY

Houston added 14,500 jobs in November '22, according to TWC. That's weaker than expected. In twelve of the last 20 years ('02 – '21), the region created 15,000 or more jobs in the month. In the years in which Houston created fewer jobs, Houston was entering a recession or already in one. This November's performance hints that a slowdown in the local economy may be underway. Seasonally adjusted data shows employment growth was weaker still, just 2,200 jobs. That's the sixth weakest seasonally adjusted November job growth of the past twenty years ('02 – '21). With November's gains, Houston created 160,000 (unadjusted) or 158,400 (adjusted) jobs through the first 11 months of '22. Last year will be marked by near-record job growth. Employment topped 3.3 million in October, on an adjusted and unadjusted basis, a milestone for the region.

Like the U.S., Houston's local labor market remains tight. Initial claims for unemployment benefits have tracked between 3,500 and 3,900 per week since mid-August. Initial claims would need to breach 5,000 per week, a level last seen late in '21, to suggest layoffs have picked up. Still, layoffs are occurring.

The region lost 359,400 jobs during March and April of '20 as businesses shut down and consumers stayed home. From when the economy began to reopen in May of '20 through November of '22, the region created 504,200 jobs, recouping 140.3 percent of its losses. Fifteen of the 19 major sectors tracked by TWC have fully recouped their pandemic losses. Only hotels, manufacturing, other services, and energy have yet to recover.

TEXAS OIL PATCH GEARS UP FOR MORE GROWTH

What a difference a few years make in the Texas oil patch. Oil and gas production keeps growing, the sector has been adding jobs at a torrid pace, and most companies have been investing more.

Job growth is one proxy of the surging rebound in the Texas oil patch. The number of employees working in oil and gas extraction and support activities rose almost 22%, to nearly 210,000, in the 12 months ended in November. That growth rate was about four times faster than the 5.1% increase in all nonfarm jobs in Texas, according to estimates from the U.S. Bureau of Labor Statistics.

The unemployment rate in Midland, a key center for the Permian, was 2.8% in November, among the lowest in the state. Nationwide, the unemployment rate for workers in the sector that includes oil and gas was just 1.9% in December.

The survey pointed to strong growth in employment, hours and wages in the fourth quarter. But a history of boom-bust cycles, which included deep layoffs in 2009, 2015 and 2020, has made it difficult to recruit and retain.

JOBS GAINS, WAGES SHOW COOLING SIGNS

The U.S. labor market is losing momentum as hiring and wage growth cooled in December, showing the effects of slower economic growth and the Federal Reserve's interest-rate increases.

After two straight years of record-setting payroll growth following the pandemic-related disruptions, the labor market is starting to show signs of stress. That suggests 2023 could bring slower hiring or outright job declines as the overall economy slows or tips into recession.

Employers added 223,000 jobs in December, the smallest gain in two years, the Labor Department said. Average hourly earnings were up 4.6% in December from the previous year, the narrowest increase since mid-2021, and down from a March peak of 5.6%.

All told, employers added 4.5 million jobs in 2022, the second-best year of job creation after 2021, when the labor market rebounded from Covid-19 shutdowns and added 6.7 million jobs. Last year's gains were concentrated in the first seven months of the year. More recent data and a wave of tech and finance-industry layoffs suggest the labor market, while still vibrant, is cooling.

The unemployment rate fell to 3.5% in December from 3.6% in November, matching readings earlier in 2022 and just before the pandemic began as a half-century low. Fed officials said last month the jobless rate would rise in 2023. December job gains were led by leisure and hospitality, healthcare and construction.

The labor force participation rate, which measures the share of adults working or looking for work, rose slightly to 62.3% in December but is still well below prepandemic levels, one possible factor that could make it harder for employers to fill open positions.

The average workweek has declined over the past two years and in December stood at 34.3 hours, the lowest since early 2020.

Hiring in temporary help services has fallen by 111,000 over the past five months, with job losses accelerating. That could be a sign that employers, faced with slowing demand, are reducing their employees' hours and pulling back from temporary labor to avoid laying off workers.

The technology sector lost 5,000 jobs in December. Tech companies cut more jobs in 2022 than they did at the height of the Covid-19 pandemic. Salesforce said it would cut 10% of its workforce, unwinding a hiring spree during the pandemic. Amazon will lay off 18,000 people. Other companies, such as Facebook parent Meta Platforms, DoorDash, and Snap, have also recently cut positions. Companies in the interest-rate-sensitive housing and finance sectors, including Redfin Corp., Morgan Stanley and Goldman Sachs Group Inc., have also moved to reduce staff.

Despite some signs of cooling, the labor market remains exceptionally strong. The Labor Department reported that there were 10.5 million job openings at the end of November, unchanged from October, well more than the number of unemployed Americans seeking work.

WAGES SURGE FOR WORKERS WHO STAY PUT

Workers who stay put in their jobs are getting their heftiest pay raises in decades, a factor putting pressure on inflation. Wages for workers who stayed at their jobs were up 5.5% in November from a year earlier, averaged over 12 months, according to the Federal Reserve Bank of Atlanta. That was up from 3.7% annual growth in January 2022 and the highest increase in 25 years of recordkeeping.

Employees who changed companies, job duties or occupations saw even greater wage gains of 7.7% in November from a year earlier. The prospect that employees might leave for bigger paychecks is a main reason companies are raising wages for existing employees.

There are signs wage gains are beginning to ease as the tight labor market loosens a bit. Average hourly earnings were up 5.1% in November from a year earlier, slowing from a recent peak of 5.6% in March. Many analysts expect wage growth could cool further in coming months.

Wage and price increases can feed off each other. In fact, higher inflation is pushing some workers to seek cost-of-living increases, helping contribute to wage growth among job stayers, economists say.

More broadly, pay is rising for both job stayers and switchers because companies can't find enough workers. Across the economy, job openings—at 10.3 million in October—far exceeded the 6.1 million unemployed Americans looking for work that month.

Companies are using merit-pay increases to hold on to employees and minimize the potential productivity drain of recruiting and training new hires. Firms are budgeting more for merit-pay increases in 2023 than they have in 15 years, according to a Mercer survey of more than 1,000 companies.

PACE OF LAYOFFS PICKS UP SPEED IN TECH SECTOR

Technology-driven companies across industries have been laying off workers at the fastest pace since the Covid-19 pandemic shocked the global economy in 2020, according to one data tracker. Collectively, employers in the slumping tech sector cut more than 150,000 jobs in 2022. That figure compares with about 80,000 layoffs in March-December 2020 and 15,000 in all of 2021.

The estimates include large employers such as Facebook parent Meta Platforms (more than 11,000 layoffs announced in November) and Amazon (about 10,000 possible job cuts).

The pullback in tech hiring has happened in a time when the broader labor market has showed signs of resilience. There are several reasons for the apparent disconnect between news of tech firms cutting workers and the monthly government reports showing overall U.S. payrolls maintaining steady growth—one of which is that many laid-off tech workers are finding new jobs quickly.

MORE BOSSES ORDER STAFF BACK TO OFFICE

Employers are losing their patience with empty desks in the office. Companies including investment giant Vanguard Group, workplace technology company Paycom Software Inc. and others have sent directives to employees in recent weeks, urging workers to follow existing hybrid schedules or to come into the office on additional days in 2023. In some cases, bosses have told those who fail to comply that they could face termination within weeks.

Employees at some companies have challenged new directives in corporate all-hands sessions. Those pushing to remain at home say they find in-office work unproductive and commuting inefficient. Employers, meanwhile, say bringing workers back together is important because it helps with issues such as problem solving, training new hires and reinforcing corporate culture.

For much of the pandemic, companies took a fairly soft approach to policy enforcement, fearful that too rigid a stance on in-office work could harm morale or lead to turnover, executives and advisers said. Although companies set office policies, some managers largely allowed workers to ignore them. The average office occupancy in 10 major U.S. cities remained below 50% for much of 2022, according to data from security firm Kastle Systems.

As the job market shifts under threat of a recession, employees' leverage over companies may be slipping, human-resources advisers say, empowering bosses to push for changes in work styles.

Surveys have shown that most employees are willing to work in an office at least a few days a week, and many workers say they see benefits of being in an office. Some employers say enforcing the rules is a matter of fairness to the workers who have been complying.

At Vanguard Group leaders sent a memo to employees in December saying many staffers hadn't been following the company's requirement to work in offices on Tuesdays, Wednesdays and Thursdays. Others are asking employees to work full time in an office. At Paycom Software, some members of the technology team were told recently that they would need to work in an office five days a week beginning as early as January. Several large New York banks, including Goldman Sachs Group Inc. took a hard-line approach earlier in the pandemic and pushed to get employees back together. The result is that offices now look largely like they did before Covid-19, executives say.

SOURCES

Wall Street Journal; Houston Chronicle; Greater Houston Partnership