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eNEWSLETTER | MARCH 2023

HIRING SURGE NATIONWIDE CONFOUNDED MANY EXPERTS

Robust hiring in February added to recent evidence the economy got off to a strong start this year, despite rising interest rates aimed at slowing growth and high inflation.

Employers added a seasonally adjusted 311,000 jobs last month, a cooler but still strong increase following a revised 504,000 gain in January, the Labor Department reported. The unemployment rate rose to 3.6% last month from January's 3.4% as more people sought work.

More Americans ages 25 to 54 jumped into the labor force—giving companies more workers to choose from and taking some pressure off wage growth, which was little changed in February from January.

The report fit into a broader picture of surprising economic resilience nearly a year after the Federal Reserve started rapidly raising interest rates to fight high inflation by slowing economic activity. The rate increases have made notable dents in some areas of the economy, including housing and manufacturing.

But other recent reports showed hiring and spending surged in January, while inflation firmed, leaving Fed officials on course to raise their key rate later this month. Fed Chair Jerome Powell indicated this week that central bank officials were keeping their options open on whether to raise rates this month by a quarter-percentage point or a half point. He also said the economy's recent pickup is likely to lead them to raise rates to higher levels than they previously anticipated.

Job growth at some companies is more than offsetting cuts announced by large employers such as Facebook parent Meta Platforms Inc., Google parent Alphabet Inc., Amazon.com Inc. and Walt Disney Co.

U.S. stocks closed down sharply and bond yields dropped as investors weighed implications of the collapse of Silicon Valley Bank, the lender taken over by regulators after a run on its deposits, and the solid jobs numbers.

Large parts of the labor market—including restaurants, hospitals and nursing homes—are driving the growth. Those service providers were hit hardest by social-distancing measures at the onset of the pandemic. Now, nearly three years later, they are hiring at a rapid clip as they find it easier to recruit and fill openings, helping fuel an extended stretch of outsize hiring gains.

Employers that hired aggressively earlier in the pandemic in industries—such as transportation and warehousing, finance and the tech-heavy information sector—cut employees last month. Workers' average weekly hours have been trending downward for about two years and ticked down in February, a sign of some cooling in the labor market.

There are indications that strong hiring could continue. Employers had 10.8 million open jobs in January, down slightly from 11.2 million in December. The totals are nearly double the number of unemployed people seeking work and still far above prepandemic levels.

Average hourly earnings for private-sector workers rose 4.6% over the 12 months through February, below a recent peak last March of 5.9%.

Wage growth is still running above prepandemic levels but is cooling as more Americans seek work. Women have been helping propel the recent labor-force recovery, reflecting the fading of pandemic disruptions, including virtual schooling and daycare closures. Stronger labor-force participation is helping companies fill open jobs and counter fast-rising wages.

COMPANIES TRIM WORKFORCES WITHOUT HAVING TO USE LAYOFFS

Companies are shedding some workers without imposing layoffs. Amid a wave of job cuts hitting U.S. white-collar workers, a number of employers are taking other approaches to manage their workforces. Some are adding new restrictions on remote work, stepping up scrutiny in performance reviews or requiring staffers to relocate across the country to keep their jobs.

The moves, though not labeled as layoffs, can at times have a similar effect in thinning a company's ranks. It is also a sign that bosses at white-collar firms are back in charge after struggling to retain workers in recent years amid a tight labor market.

At Facebook parent Meta, thousands of employees received subpar ratings in a recently concluded round of performance reviews. Meta's leadership expects the ratings to lead more employees to leave in the coming weeks.

Other employers have shifted return-to-office policies. Walt Disney said it is requiring employees to work in an office four days a week starting in March, while Amazon is mandating at least three days in offices for much of its staff as of May.

Employers can have multiple motivations for restructuring operations or changing workplace policies. In recent weeks, Walmart told employees that it plans to close three of its U.S. technology hubs and require hundreds of workers to relocate to places such as Arkansas or California to keep their jobs. At the same time, Walmart told technology workers they are soon expected back at physical offices at least two days a week. The move affects a small percentage of Walmart's around 1.7 million U.S. employees.

Though the labor market remains historically tight, with a 3.4% unemployment rate as of January, many companies are looking to signal to investors that they are taking steps to cut costs and increase efficiency, executives and advisers say.

Companies have long had ways to push employees out without firing them. Reorganizing teams, requiring employees to report to new bosses or making them take on new projects can all prompt staffers to look elsewhere for work. Some employers prefer a corporate restructuring to a layoff because it means they don't have to single out individuals.

Any change in how people do their jobs can cause people to resign, executives and advisers say. After Tyson Foods Inc. said last year that it planned to close corporate offices—consolidating those functions at Tyson's headquarters—hundreds of employees indicated that they planned to quit. Tyson Foods plans to lay off nearly 1,700 workers as it tries to improve its chicken operations that produce about one-fifth of the U.S. supply.

Twitter conducted another round of job cuts, the latest among thousands of staff reductions under new owner Elon Musk.

McKinsey plans to eliminate thousands of positions. The company could shed as many as 2,000 jobs in what would be one of its biggest head-count reductions ever. The restructuring plan is expected to be made final in the coming months. The company quickly built up its team over the past decade, growing from a head count of 17,000 in 2012 to 45,000.

Meta, the owner of Facebook and Instagram, said it planned to lay off about 10,000 employees, or roughly 13 percent of its workforce.

Marc Benioff, the co-founder and chief executive of Salesforce told employees they were bound together like family. In today's leaner times, he is laying off thousands of them. Since its founding in 1999, the business software company has grown fast and spent big. Mr. Benioff added around 30,000 employees from the start of 2020 until the end of last year, roughly a 60% increase. In January, the company said 8,000 workers had to go.

SUBTLE SHIFT IN ECONOMY

There's been a subtle shift in the narrative on the U.S. economy in recent weeks. In February, The Wall Street Journal ran a front-page article under the headline "Hard or Soft Landing? Some Economists See Neither if Growth Accelerates." The article noted: Surprising strength in hiring and consumer spending along with signs that demand for autos and housing are stabilizing have some economists pointing to a third scenario that seemed improbable at the start of the year—an economic growth upturn.

The New York Times published a similar story under the headline "What Recession? Some Economists See Chance of a Growth Rebound."

Per the Times article: After months of asking whether the Fed could pull off a soft landing in which the economy slows but does not plummet into a bruising recession, analysts are raising the possibility that it will not land at all — that growth will simply hold up.

And under the headline "Forget Hard or Soft Landing: Meet the Rolling Recession," Bloomberg took a different slant: . . .one industry suffers a contraction, then another, but the economy as a whole never swoons, and the job market largely holds up.

Bloomberg cites the downturn in housing and the current spate of tech layoffs as proof points for a rolling recession.

Much of the economic news supports the possibility that a recession can be avoided.

- Job growth remains robust. The U.S. added 517,000 jobs in January, more than double what economists forecast.
- Unemployment remains low. The rate fell to 3.4 per-cent in January, the lowest since May 1969.
- The labor market is tight. U.S. employers had 11.0 million open positions in December, well above the 6.5 million average in the years prior to the pandemic.
- Despite a rash of tech layoffs, there's been no surge in initial claims for unemployment benefits. The four-week average fell to 189,500 in mid-February, down from 209,000 for the comparable period in '22.
- Consumers continue to spend. U.S. retail and food service sales for January topped $697.0 billion, up 3.0 percent from the previous month.
- Factory activity has picked up. New orders for manufactured goods rose $10.0 billion or 1.8 percent to $552.5 billion in December. Orders have risen four of the last five months.
- And the housing market is recovering. Sales of new single-family homes hit a seasonally adjusted annual rate of 616,000 in December, 2.3 percent above the November estimate of 602,000.

Not all the news is positive, however.

- New home construction remains weak. In January, housing starts fell 4.5 percent compared to December.
- Overall construction is down. Total activity for December slipped 0.4 percent below November levels.
- Inflation remains stubbornly high. The Consumer Price Index for All Urban Consumers (CPI-U) rose 6.4 percent in the 12 months ending January '22.
- Businesses are struggling with increased costs. The Producer Price Index (PPI) rose 6.0 percent in the 12 months ending January '23.
- And many business leaders have embraced a gloomy outlook. Ninety-three percent of respondents to The Conference Board's Measure of CEO Confidence survey are preparing for a U.S. recession over the next 12-18 months.

With so many conflicting indicators, it's no wonder economists can't agree on the direction of the economy. The Conference Board forecasts U.S. gross domestic product (GDP) to contract three consecutive quarters this year. The National Association for Business Economics (NABE) has GDP flat in Q1, an almost imperceptible dip in Q2, and growth again in Q3. The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters has U.S. GDP declining in only one quarter this year, and even then by only 0.1 percent.

The Wall Street Journal's survey of U.S. economists has the probability of recession this year at 61 percent. The Journal forecasts a mild contraction in Q3 with growth resuming in Q4. What's hidden in the detail of the Journal's survey is that one-fourth of the respondents don't expect any decline in '23. This includes economists at well-respected firms like Credit Suisse, Goldman, Sachs, Morgan Stanley, the National Association of Manufacturers, National Association of Realtors, Northern Trust, and Societe Generale. This lack of consensus may be why The

Washington Post published an opinion piece in late February with the headline "Don't Believe What Anyone Says About the Economy. Even Me."

The article notes:

- Current economic data is confusing because it points in all directions.
- The confusion is fertile ground for partisans who use the data to serve their own agendas.
- How one feels about the economy depends on one's personal situation, i.e., good data is cold comfort to someone who lost their job or whose business is being strangled by inflation.

So, what does the Greater Houston Partnership make of the data?

- Given the tight labor market, a recession is still possible but less likely.
- Inflation remains stubbornly high, so the Fed will keep raising interest rates.
- The Fed's actions will have the greatest impact on rate-sensitive sectors of the economy. Construction will wane. Property owners will struggle to service their debts. Loan defaults will escalate.
- The drop in labor force participation and lack of a coherent immigration policy will prolong worker shortages.
- Barring a "black swan" event, the U.S. and Houston economies will continue to grow this year.

WOMEN REJOIN THE WORKFORCE

U.S. American women are staging a return to the workforce that is helping propel the economy in the face of high inflation and rising interest rates.

Women have gained more jobs than men for four straight months, including in January's hiring surge, pushing them to hold more than 49.8% of all nonfarm jobs. Female workers last edged higher than men on U.S. payrolls in late 2019, before the pandemic sent nearly 12 million women out of jobs, compared with 10 million men.

The onset of Covid-19 and social-distancing measures in early 2020 struck female-dominated jobs in services that require close personal contact, such as housekeepers, nurses and daycare instructors. Many mothers in white-collar jobs also left the workforce to care for their children after schools moved to remote instruction.

Even as job opportunities grew a year later, nearly 1.5 million fewer mothers were actively in the labor force in March 2021 than in February 2020 amid child-care disruptions and health concerns. Some economists feared women would face challenges re-entering the longer they were out of work.

Those worries are abating. Women are rejoining the labor force and filling service-sector jobs, as they shake off the effects of pandemic disruptions and the sector goes on a hiring spree. Virtual schooling, daycare closures and fear of Covid-19 are subsiding. Other factors, such as the lure of higher pay, adoption of remote work and financial pressures, are spurring more women to seek jobs.

The return of women to the workforce is powering the economy's underlying source of strength, the services sector, as fast-rising interest rates and elevated inflation have triggered recession risks. Many women are reaping wage gains as employers compete for a limited pool of workers, which is helping support renewed growth in consumer spending.

More women in the labor market could help ease worker shortages. The unemployment rate in January touched a 53-year low of 3.4%. A greater supply of labor could work to counter rising wages and align with the Federal Reserve's goal of cooling inflation.

The barriers haven't all come down. Child care remains out of reach for many families due to the high cost and a dearth of open spots in some places. In early February, nearly five million people weren't working because they were caring for children who weren't in daycare or school, according to the Census Bureau. And signs of a cooling labor market—including a decline in job postings—could foretell a drop in demand for workers.

For now, demand remains strong. Women hold 66% of all jobs in leisure and hospitality, private education, health, and other services—large sectors of the labor market that are staffing up. Women's employment in these sectors grew by 719,000 in the six months ending in January, accounting for 38% of all private-sector job gains during that period.

Men account for a dominant share of jobs in many smaller sectors such as transportation and warehousing, manufacturing and construction. Those sectors surged earlier in the pandemic, as Americans snapped up homes, undertook renovations and shopped for goods online, but have more recently slowed. The tech-heavy information sector, where men hold roughly 60% of positions, cut jobs for two straight months.

WORKPLACE STRESS & BALANCE

Workplace stress and burnout aren't hitting all employees evenly. Exclusive new data shows a critical group is being affected the most. Here are the solutions they'd like to see. About 20% of women reported feeling constantly stressed or overwhelmed at work, compared to just 10% of men. That's according to an exclusive new survey conducted by The Business Journals.

The survey explored the state of women in the workplace, including challenges, opportunities and trends that have taken hold since the start of the pandemic. When it comes to workplace stress, the survey highlighted some disconnects between the feelings of men and women not only in the frequency of feeling workplace stress but also the potential solutions.

Experts point to a kaleidoscope of issues that contribute to women's overall stress levels in the workplace, including often being the primary caregivers for children and other family members, and they urge companies to tackle workplace inequities if they want to keep talented workers and boost retention in this tight talent market.

That means giving employees the benefits and tools to better manage their lives and workloads. When asked which benefits would be most likely to combat workplace stress, 59% of women said flexible hours would help, alongside 57% of men. But the gaps between men and women widen when it comes to which specific benefits would help. About 45% of women said an employee assistance program would help combat stress, compared to just 35% of men. About 58% of women said they would like more company-wide mental health days, compared to just 34% of men. About 55% of women said a four-day workweek would help, compared to 39% of men.

Across the board, women were more supportive than men of a range of benefits, from gym and fitness memberships to childcare stipends, additional paid time off and onsite day care services.

The best a company can do is not create a one-size-fits all approach but instead a set of programs that offer flexibility for employees. Companies should start by asking their employees how they feel and what would make them feel better.

Businesses can tackle workplace stress the same way they would tackle any other workplace risk or issue — and the Occupational Safety and Health Administration even has a section on its website dedicated to identifying and defusing workplace stress. But the topic is often tougher to talk about in the workplace.

Companies need to give their workers the tools to manage their private lives in a way that allows them to focus on work when they are at the office.

Sometimes women do not properly prioritize the tasks they are given — and treat everything as just as important as the other. But not every task is important, and recognizing what needs to be done now and what can be done later, even if it means asking your manager, is vital.

Other surveys show women are suffering from burnout and lack of flexible work support, including a Deloitte survey of 5,000 women across 10 countries as part of its Women @ Work 2022: A global outlook survey released last year. More than half reported higher stress levels than in 2021 and about half said they felt burned out. Only 43% felt comfortable talking about their mental health concerns in the workplace.

SOURCES

Wall Street Journal; Greater Houston Partnership; Houston Business Journal