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EMPLOYERS SLOWED THEIR HIRING

Employers slowed their hiring this summer, adding to signs the economy is gradually cooling and easing pressure for the Federal Reserve to raise interest rates at its next meeting. The U.S. economy added 187,000 jobs in July, a still solid increase nearly matching June's downwardly revised 185,000 gain, the Labor Department said. Those figures are down significantly from a year earlier and below last year's average employment growth of about 400,000 a month.

The unemployment rate fell to 3.5% last month from 3.6% in June, remaining near a half-century low. Wages continued to rise briskly, with average hourly earnings growing 4.4% in July from a year earlier, the same rate as in June—down from last year but well above the pre-pandemic pace.

Adding to signs of cooling labor demand, Americans also worked less in July, with average weekly hours ticking down slightly to match the lowest level since April 2020. Job openings decreased in June and workers quit jobs at a slower rate, suggesting lower confidence they could land new positions.

Low unemployment allows workers to still command historically high pay increases. While pay gains are down from a pandemic peak, average hourly earnings have grown at least 4% from a year earlier for two straight years. Consumer inflation was 3% in June.

Workers in construction and manufacturing received larger raises on average. The United Auto Workers union sought a 40% pay hike in the next labor contract.

In July, retail and transportation employees saw only tepid gains. Yellow, one of the oldest and biggest U.S. trucking businesses, shut down operations, threatening nearly 30,000 workers' jobs. Those losses aren't reflected in the July report because they occurred late in the month.

Recent wage gains exceed a rate economists believe lines up with low, stable inflation. Fed officials would likely see 3.5% annual wage growth as consistent with inflation near their target, assuming that worker productivity grows modestly.

Employers adding jobs last month included those in healthcare, financial activities and construction. Those cutting staff included temporary help services, tech and information companies, and retailers. Restaurants, hotels, recreation and similar businesses helped drive job growth during much of the recovery. More recently, such hiring has slowed. Leisure and hospitality employers added 17,000 jobs in July, compared with a 67,000 monthly gain in the first quarter of the year.

COMPANIES CUT PAY FOR NEW HIRES AS SHORTAGE OF WORKERS EASES

Pay for new hires is starting to shrivel after years of hefty salary bumps, requiring workers to reset what financial gains to expect from switching to a new job.

Wages, especially for people who changed jobs, climbed in recent years as companies competed for workers to fill pandemic-induced labor shortages. Now, as the job market cools and businesses become more cautious in their hiring, many companies are paying new recruits less than they did just months ago—in some cases, much less.

Overall wage growth continues and it surpassed inflation in June for the first time in two years as consumer price increases slowed. Still, wage growth peaked last summer and has since declined to 5.7%, according to Labor Department figures.

HERE'S THE FUTURE OF PAY RAISES

Businesses are planning for 3.8% pay increases in 2024— just slightly less than the 4% businesses actually paid out in 2023. The new projection, from compensation data and software company Payscale, Inc., is actually the same 3.8% prediction employers made last year, but companies ultimately needed to pay out more because of the tight labor market.

Of course, that market is now tightening — albeit slowly — and that is reflected in pay plans for 2024. While 78% of employers believe their 2024 salary budgets will increase or stay the same compared to 2023, another 22% expect to lower their salary budgets. That's up from 9% a year ago. Even so, experts say many employers will find it hard pressed to dial back too much on raises when push comes to shove. Employers still largely blame the increased competition for labor as the driving force behind salary budget increases, with 65% of employees identifying it as the biggest issue. Among the businesses that reported they were planning on smaller increases in 2024, the majority pointed to higher-than-expected salary increases in the previous year, while some were concerned about future economic conditions.

The Payscale data tracks with an average increase of 4% in 2024, reported by the Salary Budget Planning Survey by advisory services firm WTW, formerly known as Willis Towers Watson. That is down from the actual 4.4% increase in 2023, but higher than the 3.1% salary increase companies budgeted in 2021 and in pre-pandemic years.

The National Association for Business Economics' latest survey also showed wage gains slowing. About 53% of businesses reported that wages at their firms were unchanged in the second quarter of 2023, compared to 47% who reported rising wages — much lower than the 63% who reported rising wages in April.

While pay raise plans remain elevated relative to pre-pandemic years, experts say employers are treading more cautiously with pay as the job market softens.

Overall median wage growth averaged over a three-month period in June fell to 5.6%, according to the Atlanta Federal Reserve Bank, down from a peak of 6.7% in June 2022, and the third month of consecutive drops in monthly gains. To be clear, that is still much higher than the 3% to 4% median increase seen in the years leading up to the pandemic and higher than any single month going back through 1997, when the hourly data tracker began.

Meanwhile workers who switch jobs are still getting an outsized boost in pay, it's just smaller than it was a year ago.

Moderating pay increases is good news for business owners, as recession worries have begun to fade amid more signs of a so-called "soft landing" by the Federal Reserve. That strategy was repeated interest rate hikes over the last year to tamp down inflation and weaken the job market.

Job openings stayed around 9.6 million in June, about the same they were in May, according to recent data from the Bureau of Labor Statistics. Layoffs held steady while the number of employees quitting has once again fallen. Although there is still roughly 1.6 jobs for every unemployed person.

BOSSES ARE ASKING EMPLOYEES TO COME BACK TO THE OFFICE

A new report predicts high office use by the end of the year. But there's a catch. Companies across the U.S. have been nudging, pushing, or even forcing their workers back into the office, and it seems to be working.

Return-to-office policies have been put in place for more than 1.5 million U.S. workers so far in 2023, and many are complying, according to the latest quarterly office outlook report from real estate services firm JLL. Office occupancy on the busiest workdays is currently about 40% to 60% of pre-pandemic levels. JLL expects that figure to exceed 80% by the end of the year, when another 1 million workers will see RTO policies enacted. This represents a dramatic turnaround from the dark days of mid-2020, when the average office usage in 10 major U.S. metropolitan areas was just 14%, according to Kastle Systems.

While the recovery has been slow, mandates and RTO policies are now being solidified in a wide range of companies and industries. JLL's report highlights return-to-office requirements in the insurance industry, large law firms, banks, and telecom companies. New return mandates in governmental agencies like the Federal Emergency Management Agency and the Department of Education will drive further increases in office usage. And, above all, tech companies are increasingly bringing workers back into office buildings. The JLL report states that the 10 largest technology tenants in the U.S. "now all have some form of concrete hybrid attendance policy that impacts the majority of their workforce."

But there's one big caveat to JLL's prediction: Office occupancy is likely to hit or exceed 80% only one or two days of the week. Many companies are still operating on hybrid work schedules, asking or requiring workers to come into the office only a few days a week, if that. "The dominance of hybrid schedules and crowding of hybrid employees on Tuesdays and Wednesdays will continue to drive higher occupancy on peak attendance days than weekly averages imply," according to the report. So while RTO work policies certainly seem to be impacting office usage, it may be a while before we see crowded offices Monday through Friday like we did in 2019.

FOUR-DAY WORK WEEK WINS PRAISE

Findings from one of the largest experiments with a four-day work week offers new ballast for people hoping to adopt the same schedule. The longer people worked in new, more efficient ways, the shorter their workweeks became.

The results come from a series of four-day-work week trials conducted in the U.S., Canada, the U.K. and Ireland over the past 18 months. Dozens of companies ranging from design agencies to manufacturers and non-profits tested the four-day concept, an approach that is gaining traction as employers and employees rethink the traditional ways of work. Workers were given a paid day off a week but the same workload to see whether they could get as much done working more effectively.

After six months, workers said they had less burnout, improved health and more job satisfaction, and had cut their average work time by about four hours to 34 hours a week. Those who continued the schedule a full 12 months reduced working times even further, to about 33 hours a week, researchers say. Meanwhile, they continued to report better mental and physical health and work-life balance.

The idea of working less than the conventional 40 hours over five days a week has been kicked around for years but has found new momentum recently. Some employers and policy makers are exploring whether a four-day week can improve employee well-being and loyalty and help them compete for workers.

Up to now, most studies of four-day weeks examined the short-term effects. The new findings are the first that look across multiple companies over a longer, 12-month period. They suggest that businesses and employees both benefit in the long run as workers get accustomed to shorter weeks, companies and researchers say.

Most companies didn't ask workers to "speed up and cram five days of tasks into four," said Juliet Schor, an economist and sociologist at Boston College whose team helped conduct the study with the nonprofit advocacy group 4 Day Week Global. Instead, they reduced meetings and dedicated more time to uninterrupted focus work, she said.

Companies in the U.S. and Canada recently concluded a smaller pilot of a four-day week led by the same researchers, and similar trials are in the works in Australia, Brazil and elsewhere. In a U.K. trial involving 61 British companies last year, the majority of the participants said they would stick with the four-day week after logging sharp drops in worker turnover and absenteeism while largely maintaining productivity.

The vast majority of jobs are likely to stick to the conventional five-day schedule for the foreseeable future. Most companies trying shorter weeks are small employers, not large ones. And some workers in four-day experiments report struggling to get everything done in that time.

COMPANIES WITH FLEXIBLE OFFICE OPTIONS HIRING FASTER THAN OTHERS

Companies with flexible in-office policies are hiring faster than those that have fully returned to pre-pandemic attendance rules. But landing a flexible job still comes with challenges.

New research from Scoop Technologies Inc., which advises organizations on how to coordinate hybrid staffing, compared headcount growth at roughly 3,600 fully-flexible, hybrid and entirely in-office companies. It found that flexible outfits — those with hybrid, fully-remote or electively-remote staffs — added headcount at more than two times the rate of fully in-office counterparts during the March-through-May period.

"Companies grow faster when they offer flexibility because people are more excited to join," said Rob Sadow, co-founder and chief executive officer of Scoop. Prospective employees rank flexibility second only to compensation when it comes to workplace satisfaction, meaning that consistent headcount growth might be explained in part by talent flocking to flexible firms, he added. "Companies should tread really carefully around expanding requirements to be in the office above three days." — Scoop CEO Rob Sadow

The research also found a strong correlation between the number of in-office days required per week and workforce growth. Companies with one-day-a-week rules expanded staff by almost 5% over the past year, compared with 2.6% at five-days-a-week businesses.

"Companies should tread really carefully around expanding requirements to be in the office above three days because that's where we start to see a pretty meaningful impact on ability to grow headcount," said Sadow.

Despite the rise in hiring by flexible companies, job growth across the board is slowing. US nonfarm payrolls expanded by 209,000 in June — the smallest monthly increase since the end of 2020 — indicating that the overall number of open roles is dipping while demand remains high. Jobs advertising full-time remote work attracted almost half of all applications on LinkedIn in May, compared with just 19% for hybrid positions.

BURNING FROM BOTH ENDS

They're called the "sandwich generation." They're the individuals not only financially supporting their own kids but also serving as caregivers of their adult parents. They juggle report cards, parent-teacher conferences, graduation parties, specialized doctor visits, Medicaid red tape and watching as those who raised them slowly forget.

Not to mention their obligations at the office, which could suffer as these business professionals navigate the many roadblocks ahead of them. But the resources are out there and there are steps employers can take to help ensure workers stay at the top of their game.

Currently, 53 million Americans serve as unpaid family caregivers, compared to 43.5 million in 2015, according to AARP. One in six employees serves as a caregiver, on average spending 20 hours a week caring for a relative or friend. That number is expected to continue to grow as people live longer, diseases such as Alzheimer's increase and long-term care facilities continue to face staffing shortages. It's the "sandwich generation," which largely consists of women between the ages of 40 and 59, that's taking on the caregiving role.

In Texas, the demand for long-term care is projected to increase by 43.6% between 2020 and 2030, according to a report by Seniorly. While the need for care rises, caregiver burnout increases, with Texas ranking as the No. 6 state most impacted by caregiver burnout.

SOURCES

Wall Street Journal; Houston Business Journal; Houston Chronicle; Fast Company