Hiring Source

eNEWSLETTER | OCTOBER 2023

DON'T GET TOO COMFORTABLE WITH A GOOD JOB MARKET

The U.S. job market has been remarkably strong. That doesn't mean Federal Reserve policy makers can be complacent about its ability to stay that way.

The Labor Department on October 6, 2023 reported that the U.S. added a seasonally adjusted 336,000 jobs in September from the previous month—better than August's upwardly revised gain of 227,000 and the biggest increase since January. The unemployment rate stayed at a low 3.8%. Average hourly earnings were up 4.2% from a year earlier. That was the slimmest gain since June 2021 but, with economists forecasting consumer prices were up 3.6% on the year in September, wages also look to have easily outpaced inflation.

The job gains seem primed to keep coming. Layoff activity has been muted, with weekly jobless claims—historically an early-warning signal for trouble in the labor market—remaining quite low. Job openings and the frequency at which people have been quitting their jobs have both declined over the past year, but still point to an environment where many employers are struggling to fill jobs, and competing for workers as a result.

"HOT" LABOR MARKET ISN'T HELPING CERTAIN JOB SEEKERS

It's a red-hot job market, the numbers say. Recent jobs data reflects a more sobering picture of the hiring market, especially for many white-collar workers who are still having a tough time finding jobs with better pay or perks.

Even though there are now 4.5 million more jobs in the U.S. than before the pandemic hit, some businesses still appear short-staffed. The healthcare sector, notably, added 40,900 jobs last month, but relative to the trend that was in place from 2015 to 2019, it still has about 660,000 fewer jobs than one would expect.

70% of the September job gains were in three sectors: government, healthcare, and hospitality and leisure—fields that have been playing catch-up in hiring since the early days of the pandemic.

Job gains in professional services, such as architects, marketers, engineers and managers, rose by 21,000 jobs, less than half the number from September 2022.

Information technology has been particularly hard hit. While the overall unemployment rate was flat at 3.8%, the information-technology sector's unemployment rate rose to 4.3%. IT first started to shrink in February and there are now nearly 120,000 unemployed IT pros. Unemployment rates have also been on the rise for people with bachelor's degrees. A year ago, college grad unemployment was 1.8%; today it's 2.1%.

AMERICANS' GROWING RELUCTANCE TO QUIT THEIR JOBS

Americans quit their jobs at a significantly slower pace this summer after a record flood of resignations earlier in the pandemic subsided, a trend that historically has been worrisome for the economy.

The quits rate fell in each of the past three recessions. Quitting is a sign of unhappiness with a job, but also indicates confidence that the employee can find another position. When quits fall, workers may be worried about their prospects.

But Americans today are also sticking with their jobs for other reasons, including greater flexibility, better pay—or even that they are happy. That suggests that less quitting isn't necessarily an indication of an economic downturn, and the expansion could have staying power when job openings still well exceed unemployment.

The so-called quits rate—the number of resignations as a share of total employment—was 2.3% in August for the second month in a row, and down from a 3% peak in April 2022, the Labor Department said. Readings this summer were back to levels from before the pandemic began.

When the economy emerged from a short-but-sharp slump in early 2020, after Covid-19 lockdowns, demand for workers quickly heated up as short-staffed businesses reopened. Employers raised wages and improved benefits to attract new hires. More Americans quit jobs to jump to better-paid positions, a phenomenon some called the 'Great Resignation'.
pandemic drove many to the sidelines.

The rate at which Americans quit has more recently cooled as the premium they received to switch jobs has narrowed.

Switching jobs comes with risks: new colleagues, a learning curve and many unknowns about working conditions at a new employer.

For some, it is an easier choice to stay put if the conditions are right.

But loyalty to an employer doesn't necessarily insulate workers from layoffs.
Hiring slowed this summer and the unemployment rate edged up from ultralow levels.
Manufacturing, financial services and tech firms have had bouts of layoffs in the past year.

The pace of job growth cooled markedly over the past couple of years. The number of available jobs at the end of August rose to 9.6 million from 8.9 million the prior month, the Labor Department said. That is well more than the 6.4 million Americans unemployed and looking for work in August. From a year earlier, openings were down by more than a half million.

And it might be hard to negotiate a big raise. Employers say they are planning to offer smaller wage increases next year compared with this year, a fresh sign that wage pressures are easing as job growth cools. Budgets for salary increases are set to rise by 3.9% in 2024, compared with a 4.1% increase in 2023 for workers who aren't in unions, according to an employer survey by benefits-advisory firm Mercer.

Since the pandemic, workers have gained more flexibility to work remotely or on hybrid schedules, and gained benefits like more paid time off. For many, that means they are happy in their current jobs.

Americans' satisfaction with their jobs is the highest it has ever been, according to an annual survey published in May by the Conference Board. Hybrid workers reported the greatest job satisfaction compared with fully remote or fully on-site workers, according to the survey.

TEXAS IS ADDING OIL PATCH JOBS

Texas is adding oil patch jobs, but how many and for how long is unclear. Jobs in the Texas oil patch jumped in August after dipping earlier in the summer as the state's oil and gas industry maintains its steady climb back to pre-pandemic employment levels.

Oil and gas extraction and services jobs in Texas jumped by 1,293 positions in August to more than 208,000. The increase, which came as oil prices began rising back above $80 a barrel after months price declines, reversed a July dip that saw employment in the sector fall to 205,753 from 206,722 the month before. The July decline ended a monthly growth streak that began in early 2021, according to figures compiled by the Texas Alliance of Energy Producers.

The oil market has been tightening again in recent months as global demand reached record highs at the same time members of the Organization of the Petroleum Exporting Countries extended production cuts. The price of West Texas Intermediate hovered at nearly $94 a barrel in Wednesday afternoon trading, and analysts have been eyeing $100-a-barrel prices in the not-too-distant future.

Following their latest quarterly survey of the energy industry, economists with the Federal Reserve Bank of Dallas said that steady job growth could be slowing now that oil companies have caught up on hiring as labor shortages appear to be easing.

The majority of executives surveyed this month by the Dallas Fed said they expect U.S. rig counts six months from now to stay roughly where they are, suggesting job growth would be minimal in the months ahead.

The fact that oil field jobs have continued to grow in Texas despite weakening indicators shows oil companies plan to stay busy in the oil patch, said Jesse Thompson, senior business economist at the Dallas Fed's Houston branch. "They wouldn't be hiring them if they didn't think they could deploy them." Still, he said, "there's limited scope for breakout growth."

Other notable takeaways from the Dallas Fed's latest survey include:

- The majority of executives surveyed said they expect the energy transition away from fossil fuels to drive up the price of oil over the next five years. And they believe oil demand will be higher in 2050 than it is today, despite recent projections from the International Energy Agency, Wood Mackenzie and other firms, which expect oil demand to peak within the next decade.
- The majority (60%) of executives expect drilling and production costs per well will be higher in 2024 than this year, while 18% expect costs to be lower. 21% expect no change.

TOUGHER RETURN-TO-OFFICE POLICIES

First, the good news for office landlords: A post-Labor Day bump nudged return-to-office rates in mid-September to their highest level since the onset of the pandemic.

Now the bad: Office attendance in big cities is still barely half of what it was in 2019, and company get-tough measures are proving largely ineffective at boosting that rate much higher.

A number of forces—from the prospect of more Covid-19 cases in the fall to a weakening economy—could push the return rate into reverse, property owners and city officials say.

More than before, chief executives at blue-chip companies are stepping up efforts to fill their workspace. Facebook (parent Meta Platforms), Amazon, and JPMorgan Chase are among the companies that have recently vowed to get tougher on employees who don't show up.

In August, Meta told employees they could face disciplinary action if they regularly violate new workplace rules. But these actions haven't yet moved the national return rate needle much, and a majority of companies remain content to allow employees to work at least part-time remotely despite the tough talk.

Most employees go into offices during the middle of the week, but floors are sparsely populated on Mondays and Fridays. In Chicago, some September days had a return rate of over 66%. But it was below 30% on Fridays. In New York, it ranges from about 25% to 65%, according to Kastle Systems, which tracks security-card swipes.

Overall, the average return rate in the 10 U.S. cities tracked by Kastle Systems matched the recent high of 50.4% of 2019 levels for the week ended Sept. 20, though it slid a little below half the following week.

The disappointing return rates are another blow to office owners who are struggling with vacancy rates near record highs. The national office average vacancy rose to 19.2% last quarter, just below the historical peak of 19.3% in 1991, according to Moody's Analytics preliminary third-quarter data.

Business leaders in New York, Detroit, Seattle, Atlanta and Houston interviewed by The Wall Street Journal said they have seen only slight improvements in sidewalk activity and attendance in office buildings since Labor Day.

Lax enforcement of return-to-office rules is one reason employees feel they can still work from home. At a roundtable business discussion in Houston last week, only one of the 12 companies that attended said it would enforce a return-to-office policy in performance reviews.

Making matters worse, business leaders and city officials say they see more forces at work that could slow the return to office than those that could accelerate it. Covid-19 cases are up and will likely increase further in the fall and winter months. Many cities are contending with an increase in homelessness and crime. San Francisco, Philadelphia and Washington, D.C., which are struggling with these problems, are among the lowest return-to-office cities in the Kastle System index.

About 90% of members surveyed by the Seattle Metropolitan Chamber of Commerce said that the city couldn't recover until homelessness and public safety problems were addressed. That is taken into account as companies make decisions about returning to the office and how much space they need.

Cuts in government services and transportation are also taking a toll. Wait times for buses run by Houston's Park & Ride system, one of the most widely used commuter services, have increased partly because of labor shortages, according to Larson of Central Houston.

The commute "is the remaining most significant barrier" to improving return to office, Larson said. Some landlords say that businesses will have more leverage in enforcing return-to-office mandates if the economy weakens. There are already signs of such a shift in cities that depend heavily on the technology sector, which has been seeing slowing growth and layoffs.

But a full-fledged recession could hurt office returns if it results in widespread layoffs. The sluggish return-to-office rate is leading many city and business leaders to ask the federal government for help. A group from the Great Lakes Metro Chambers Coalition recently met with elected officials in Washington, D.C., lobbying for incentives for businesses that make commitments to U.S. downtowns.

TIME TO ASK YOUR EMPLOYER TO HELP WITH TUITION

Looking to get a college or graduate degree for little to no cost? Your employer may be able to help. Tuition benefits have been around for many years, but some companies are promoting them more—and more employees are partaking—amid a tight labor market, rising concerns about student-debt burdens and skyrocketing college costs. The nature of the programs is also shifting, with several companies adding prepaid options so employees don't have to shell out their own money for degrees.

Program offerings, which may be for online or in-person classes, vary widely. For example, benefits may be different for full-time and part-time employees, or offerings may vary based on an employee's role within the organization. There may be restrictions on the type or number of degrees employees can seek, and how long a worker needs to be at the company to qualify. There can also be minimum-grade requirements, or clawback provisions if employees leave while they are pursuing a degree or for a certain time after completion.

Both sides say they stand to gain from the programs. For businesses, it helps with retention and employee morale, and offers workers skill-building opportunities they need to advance—ideally

within the company. Employees like the programs because they have their education significantly subsidized or completely covered.

Companies that offer tuition benefits say they benefit through greater retention.

- At Chipotle Mexican Grill, employees who complete the program, on average, stay with the company for twice as long as those who haven't gone through the program.
- Walmart, which pays 100% of tuition and books for an undergraduate degree at more than 25 universities, has also seen greater retention.
- Disney says that more than 3,800 current employees have graduated since its tuition benefits program launched in 2018, and 3,100 students and graduates have been internally promoted.
- Boeing provides assistance of $25,000 a year for graduate degree programs and $15,000 a year for undergraduate degree programs, as well as funding toward nondegree programs.
- Fidelity Investments last year introduced a new fully-funded undergraduate degree program for entry-level customer-service phone representatives in its regional centers across the country.
- Disney offers 100% tuition paid up front for a range of program types, including high-school completion, English language learning, college prep and undergraduate and master's degrees.
- Amazon, which offers education benefits in 14 countries, expanded its tuition benefit offerings for U.S. employees last year, and now offers English-language courses and high-school completion through bachelor's degrees on a prepaid basis.

Many employers offer up to $5,250 a year in tuition reimbursement for college courses, which is the amount the Internal Revenue Service says can be excluded from taxable income. Some companies offer an even higher benefit, though employees are responsible for any associated taxes.

SOURCES

Wall Street Journal; Houston Chronicle