Hiring Source

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BURST OF HIRING SHOWS JOB MARKET'S RESILIENCE

America's employers delivered another healthy month of hiring in February, adding a surprising 275,000 jobs and again showcasing the U.S. economy's resilience in the face of high interest rates. Last month's job growth marked an increase from a revised gain of 229,000 jobs in January. At the same time, the unemployment rate ticked up two-tenths of a point in February to 3.9%. Though that was the highest rate in two years, it is still low by historic standards. And it marked the 25th straight month in which joblessness has remained below 4% — the longest such streak since the 1960s.

Average hourly wages rose just 0.1% from January, the smallest monthly gain in more than two years, and 4.3% from a year earlier, less than expected. Average pay growth has been exceeding inflation for more than year, but when it rises too fast it can feed inflation.

The unemployment rate rose last month in part because more people began looking for a job and didn't immediately find one. The Fed could be reassured by the influx of job seekers, which typically makes it easier for businesses to fill jobs without having to significantly raise pay.

Gus Faucher, chief economist at PNC Financial Services, said he was impressed by the breadth of hiring last month: Among industries, health care companies added 67,000 jobs, government at all levels 52,000, restaurants and bars 42,000, construction companies 23,000 and retailers 19,000. He expects average monthly job growth to decelerate to around 150,000 and for the unemployment rate to rise to slightly above 4% by year's end.

Even though the Labor Department's revisions shaved 167,000 jobs from its previous estimate of December and January hiring, acting Labor Secretary Julie Su noted that even counting those downward revisions, job growth has averaged an impressive 265,000 over the past three months.

The tight job market means more workers have managed to find jobs that they like and that are well-suited to their skills. Some economists say that trend, along with business investment in automation, is helping fuel a surge in productivity that allows companies to raise pay and reap bigger profits without necessarily raising prices.

TEXAS LIKELY TO SEE SLOWER GROWTH

Texas will likely add jobs at a slower pace in 2024 after years of robust employment growth, the Federal Reserve Bank of Dallas said. The state will add nearly 284,000 jobs this year, a 2% increase from 2023 — a pace that's in line with the state's job growth rate before COVID-19 hit and the state's economy kicked into overdrive. By year's end, Texas employment will hit 14.4 million jobs.

By contrast, Texas added about 427,000 jobs in 2022 at a pace of 3.1% — the result of a rapidly growing labor force fueled by strong domestic and international migration. Still, Texas outpaced the nation as a whole in job growth last year and ranked fifth among U.S. states in the number of jobs added, behind Wyoming, Idaho, South Dakota and Nevada. Each of the state's 25 metropolitan areas saw economic growth. Tech, hit with widespread layoffs last year, was the only sector that saw job losses in the state. "Texas' 2023 job growth exceeded expectations, pointing to the resiliency of the labor market," said Luis Torres, Dallas Fed senior business economist.

HOUSTON EXPECTED TO SEE SLOWER JOB GAINS IN 2024

After the Houston area lost hundreds of thousands of jobs due to the pandemic in 2020, it rebounded dramatically in 2021 and 2022 before returning to a more normalized rate in 2023, Bill Gilmer, director of the Institute for Regional Forecasting at the University of Houston said. He expects the region to continue adding jobs in 2024 but at a slower pace.

Job growth this year will be heavily impacted by the energy industry, specifically by the price of oil, Gilmer said. While the industry contributes less to the local economy than it did 10 years ago — Gilmer said energy made up about 30% of Houston's growth in 2014 but now contributes only about 20% — the sector still plays a major role because it touches multiple other industries in the area.

"The good news that comes with that is (the local economy) is much more stable," Gilmer told HBJ in an interview. "Energy is a smaller, slower-growing, more stable industry now, and it's not contributing as much (as it was before)."

Based on oil prices at $65 per barrel, Gilmer predicted Houston would add about 23,500 jobs in 2024, representing a 0.7% year-over-year increase. At $80 per barrel, that projection jumps to about 43,800 new jobs, or 1.3% growth. These numbers represent a significant slowdown from the 5.3% job growth in 2021 and 4.8% growth in 2022 following the pandemic, but Gilmer described 2024 as a much-needed cooling off period before the region returns to more normalized trend growth.

Perhaps more importantly, Gilmer's projections don't include a scenario where Houston loses jobs in 2024. Even if oil prices fall to $40 per barrel, he expects Houston to gain 1,200 jobs. Furthermore, Gilmer expects Houston to begin returning to normalized growth trends starting in 2025.

HIRING IN TECH SECTOR IS OUTPACING JOB CUTS

Never mind the layoffs: Some of the biggest U.S. tech companies have swelled their ranks much more than they have trimmed them. Continued hiring, acquisitions and past recruiting binges have more than offset the recent wave of reductions.

Consider Microsoft. In January, the software giant said it would cut 1,900 jobs in its videogame unit, after promising to shed some 11,370 in three layoff announcements last year. Job cuts announced in January targeted employees of Activision Blizzard, which employed about 13,000 people before it was acquired by Microsoft in October. Activision employees weren't reflected in Microsoft's most recently disclosed employment figures. Most of Microsoft's head-count growth appears to have come outside the U.S., where 101,000 people worked for the company at its fiscal year-end, up more than 70% from 2019.

A similar hiring boom occurred at Alphabet. Google's parent company employed 182,502 people at the end of last year, up more than 63,000 from 2019. That increase includes Alphabet's employment levels falling about 8,000 last year. Since early 2023, Alphabet has said it would cut more than 12,000 jobs at Google and other business lines. An Alphabet spokeswoman said the company is seeking to simplify its structure to become more efficient and focus resources on its biggest product categories.

Apple's workforce fell slightly during its fiscal year ended in September to about 161,000 people. That figure was up about 24,000 from four years earlier. Apple has largely avoided the high-profile layoffs that other big tech companies have announced. It scrapped plans to build an electric car, a move that would shift some jobs but could result in layoffs.

Meta, Facebook's parent company, slashed its workforce last year by about 22%, or 19,000. Chief Executive Mark Zuckerberg trumpeted plans for a "year of efficiency" in March last year, when the company said it would cut 10,000 jobs, following the announcement of 11,000 job cuts in November 2022. The company still had about 50% more employees at the end of 2023 than at the end of 2019.

The biggest job gains have occurred at Amazon, which has added 727,000 employees since 2019. It has roughly doubled its workforce over that span, despite announcing it would cut some 27,000 jobs in 2023. Much of Amazon's workforce, and much of its hiring boom, consists of warehouse workers, while layoffs have been concentrated among white-collar workers across

businesses as varied as cloud computing, the Twitch streaming service, MGM Studios and online shoe-seller Zappos.
All six companies also had their businesses expand sharply by other measures since 2019, increasing revenue in every case faster than they added workers. Amazon more than doubled sales since 2019, while Meta and Alphabet came close. Apple trailed the pack, with 47% sales growth over the four-year period. Revenue per employee—a measure of productivity—was higher in 2023 for all the companies than it was before the pandemic.

WORKING FROM HOME IS BAD FOR YOUR CAREER

In an ideal world, what's good for getting one's work done, keeping one's sanity intact, and advancing professionally would all be the same thing. But we all know that's not always the case.

Employees have long had to trade schmoozing with the higher-ups against putting in more hours on an important project. And most workers have faced the proverbial choice between making their kid's soccer game and demonstrating their loyalty to the company. Sadly, what's good for us and our productivity is sometimes bad for our careers. Mounting evidence points to the fact that this is becoming the case for remote work too.

First, the evidence. Stanford economist Nick Bloom, one of the foremost experts on remote work in the country, recently insisted that the return-to-office wars are over and "hybrid won." He cites a bunch of types of data showing that, on average, companies and employees are coalescing around three days in the office and two at home for many types of knowledge work.

But bosses allowing employees to work from home regularly is not the same thing as liking it. A recent spate of surveys and expert commentary suggests that while hybrid setups might be the new norm at many companies, employees are being penalized if they take advantage of these policies more than very rarely.

Over the past year, remote workers were promoted 31% less frequently than people who worked in an office, either full-time or on a hybrid basis, according to an analysis of two million white-collar workers by employment-data provider Live Data Technologies. Remote workers also get less mentorship, a gap that's especially pronounced for women.

In short, working from home means workers are less likely to be promoted. It also seems to make them more likely to get laid off. As was previously reported, remote workers are 35 percent more likely than their in-person or hybrid peers to be targeted in layoffs.

A ResumeBuilder survey of 1,190 full-time employees "showed employees do pay a professional price for being able to work from home, with remote employees the least likely to get promotions and raises in 2023," *Business Insider* echoes. The article is peppered with quotes from executives arguing that if workers want to climb the ladder, they need to come into the office. "If you're asking me my opinion on how you succeed in your career, I'd be in the office four to five days a week," insists Kevin Ellis, chair of PwC UK, for example.

It doesn't take a PhD to figure out what this means for workers. If they want to climb the ladder and give themselves the best chance of not being laid off, coming into the office at least four days a week--if not more--looks increasingly like the safest bet. Unfortunately, that seems true even if workers enjoy working from home and get more done that way.

Which is a nice segue into thinking what the lesson here is for leaders. There are, of course, plenty of positions that genuinely benefit from more face-to-face time. Creative brainstorming, studies show, works better in person, as does early career development and the very early days of startups. And that's not even talking about all the service and manufacturing gigs that can't be done at a distance. There are genuine reasons some bosses might prefer and promote those willing to be in the office more.

But as clear as the evidence is that working from home harms your career, research is equally clear that, for a lot of roles, it also increases performance and employee satisfaction. Which means that there are plenty of bosses out there favoring the faces they see in the office not for solid business reasons, but just because old habits of presenteeism and productivity theater die hard.

SOURCES

Wall Street Journal; Houston Chronicle; Houston Business Journal; Inc.