

Retailers Cut Jobs; Leisure, Hospitality Increased -- WSJ

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FULL TEXT

By Harriet Torry

Retailers cut staff in May as they struggled with bloated inventories and the squeeze from high inflation, while employers more broadly staffed up ahead of summer, including strong hiring at hotels, restaurants and entertainment venues.

The retail sector shed 61,000 jobs in May, an outlier in the labor market that added 390,000 workers to payrolls in May, the Labor Department said Friday. The job gains were broad-based last month, with the leisure and hospitality, professional and business services, construction, and transportation and warehousing sectors all adding jobs at a steady clip. Auto manufacturers cut jobs.

Last month, big-box, department stores and grocery stores all cut staff. Retail employment had surpassed its prepandemic level for the first time in January, but since February, the sector has shed more than 70,000 jobs as consumers pivoted their spending toward the types of services they missed out on during the pandemic, like travel and dining out.

A slate of weak earnings from retailers roiled financial markets in recent weeks. Warehouse clubs and department stores are struggling with high inventories: Many overstocked in the early months of this year after the pandemic scrambled supply chains at the end of last year and caused shortages.

Walmart Inc. reported lower-than-expected profits in the most recent quarter, in part because the retailer said it overhired earlier this year after hourly workers came back faster than expected from Covid-19-related leave.

"We ended up with weeks of overstaffing. That issue was resolved during the quarter, primarily through attrition," Walmart Chief Executive Doug McMillon told analysts last month.

Amazon.com Inc., which has been one of the fastest-growing U.S. employers, has also hit a patch of slower growth and is making moves to scale back. After two years of pandemic fueled gains, executives said in April that the company's e-commerce business was no longer constrained by labor or capacity issues. Amazon has been in discussions to sublease some of its warehouse space.

Shoppers are watching their spending on purchases such as food due to high inflation, including record-high gasoline prices, with retailers reporting that shoppers are trading down to cheaper options in meat, switching to store brands and looking for discounts. Gas stations were one of the few retail categories to add jobs last month.

"It's really difficult to get the right amount of product on the shelves today at the right price and also to get the right amount of workers to match demand from consumers," said Jack Kleinhenz, chief economist for trade association the National Retail Federation. He added that hiring remains challenging with high turnover. U.S. job openings remained close to record levels in April, the Labor Department said Wednesday.

Auto manufacturers cut 3,500 jobs in May. Payroll figures in the sector have been choppy over the past year as many factories have temporarily shut or slowed production due to supply constraints. Rising interest rates could put further pressure on the sector. Tesla Inc. plans to cut around 10% of salaried jobs, Elon Musk said in an email to staff Friday, according to people familiar with the matter. However, Ford Motor Co. said it plans to add 6,200 manufacturing jobs.

Hotels, restaurants and recreational businesses such as amusement parks and entertainment venues staffed up for the summer season in May. The sector is still catching up from Covid-19's impact and struggling to find enough workers amid strong demand. Employment at restaurants and bars remains more than 6% below its February 2020 level. Hotel employment is 18% below its prepandemic level.

Broadly, employment at technology firms rose in May, despite Netflix Inc. and other well-known companies recently announcing that they were freezing hiring or letting workers go.

The tech-heavy information sector added 16,000 jobs, or a 0.5% gain – slightly faster than overall employment growth. Within that sector, the data processing and hosting category added 5,200 jobs, and the category that includes internet publishers and broadcasters added 1,500 jobs. The professional and business services sector added 75,000 jobs last month, including 13,100 in computer systems design.

Still, the pace of hiring in tech jobs has cooled. Information sector employment grew 5.9% in May, from a year earlier, versus 7.6% growth in the prior 12 months. Netflix said in May it is cutting about 150 employees in a new round of layoffs as the streaming company grapples with slowing revenue growth and a shrinking subscriber base.

Twitter Inc. is freezing most of its hiring and said it might take back some job offers. Uber Technologies Inc. plans to scale back on hiring and cut marketing costs.

–Sarah Nassauer contributed to this article.

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