

June Job Gains Show Momentum

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ABSTRACT (ENGLISH)

"Recovery can't come soon enough for workers, but at this pace of job growth, the labor market would be back to pre-COVID health by the end of 2022," said Heidi Shierholz, senior economist and director of policy at the Economic Policy Institute in Washington, D.C. Some believe that labor shortages may be holding down job growth. In both public and private education, staffing fluctuations due to the pandemic, in part reflecting the return to in-person learning and other school-related activities, have distorted the normal seasonal buildup and layoff patterns, likely contributing to the job gains last month. Employment gains were also reported in professional and business services (72,000 jobs added), retail (67,000), personal and laundry services (29,000), child day care services (25,000) and manufacturing (15,000).

FULL TEXT

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U.S. employers added 850,000 new jobs in June, up from 559,000 in May, with hiring picking up in pandemic-hit sectors like education and hospitality, according to the latest employment report from the Bureau of Labor Statistics. It is the strongest gain in 10 months and indicates that the volatile labor market recovery is gaining some momentum. The unemployment rate ticked back up, however, to 5.9 percent from 5.8 percent in May.

"It's no fireworks show, but the June jobs report shows the recovery tapping the gas pedal, accelerating from April and May and closer to the 1 million mark that many thought we would hit in the spring," said Daniel Zhao, Glassdoor senior economist.

"The economic recovery is both accelerating and broadening across industries," said Julia Pollak, a labor economist at employment marketplace ZipRecruiter. "We should expect labor force participation to rise in the coming months, easing hiring difficulties and further fueling the jobs recovery."

But payrolls are still 6.8 million short of pre-crisis levels. "Recovery can't come soon enough for workers, but at this pace of job growth, the labor market would be back to pre-COVID health by the end of 2022," said Heidi Shierholz, senior economist and director of policy at the Economic Policy Institute in Washington, D.C.

Some believe that labor shortages may be holding down job growth. Evidence shows that many employers are increasingly desperate to hire, offering higher pay, signing bonuses and more flexible working hours to attract applicants, a shift in power that has given job seekers the upper hand.

"As the economy recovers, we are starting to see a more pronounced labor shortage across key industries," said Michael Smith, CEO of recruitment process outsourcing firm Randstad Sourceright. "Salary expectations have changed as a result of the pandemic and employers will need to look closely at market intelligence and data around compensation in their industries to ensure they are offering salaries that are competitive in today's labor market."

Amid the rise in total employment, wage gains have also accelerated. Average hourly earnings rose by 10 cents to \$30.40 in June, and 3.6 percent year over year. The data for recent months seems to suggest that the rising demand for labor associated with the recovery from the pandemic may have put upward pressure on wages. Becky Frankiewicz, president of staffing and recruiting firm ManpowerGroup North America, pointed out that there are still more open jobs than workers and employers need to do more to entice people to return to the labor force. "We have all been changed by the crisis and workers want more from work than a paycheck," she said. "New

expectations of flexibility and work-life blend, health and well-being are contributing to a shift in how people participate in work and engage with their jobs and we need to prepare to go back to the future of work, not the past."

Economists have pointed to a widespread reallocation of labor in which workers are re-evaluating their options and changed industries in large numbers.

A large share of June's jobs gains—343,000—were in restaurants, bars, hotels, motels and recreation, as pandemic-related restrictions continued to ease across the country.

"The progress for the leisure and hospitality sector is excellent news," said Nick Bunker, an economist at the Indeed Hiring Lab. "Continued payroll gains for these industries hit so hard by the pandemic is a sign that more workers can quickly return to work. About 23 percent of the total gains in June were for restaurants and bars."

While leisure and hospitality employers have recovered significantly from the depths of the COVID-19 crisis, it still has the largest jobs shortfall by far, down by 2.2 million from February 2020.

Education employment also rose in June, although seasonal variations make it more challenging to pinpoint trends for this sector. Payrolls increased by 155,000 in local government education, by 75,000 in state government education, and by 39,000 in private education.

In both public and private education, staffing fluctuations due to the pandemic, in part reflecting the return to in-person learning and other school-related activities, have distorted the normal seasonal buildup and layoff patterns, likely contributing to the job gains last month.

Zhao explained that the smaller-than-expected end-of-school-year layoffs were instead pulled forward earlier into the pandemic, resulting in job gains after seasonal adjustment.

Employment in education is still down from February 2020 by over 800,000 jobs.

Employment gains were also reported in professional and business services (72,000 jobs added), retail (67,000), personal and laundry services (29,000), child day care services (25,000) and manufacturing (15,000). Courier and messenger jobs fell by 24,000 and construction employment declined by 7,000.

Unemployment Stubbornly Holds

The number of people classified as unemployed increased to 9.5 million. That's considerably down from a recent high in April 2020 but well above levels prior to the COVID-19 pandemic.

An alternative measure of unemployment that includes discouraged workers and those holding parttime jobs for economic reasons fell to 9.8 percent, falling below 10 percent for the first time since March 2020.

Shierholz explained that a big factor in the unemployment rate ticking up was for the "good reason," that the labor force participation rate rose slightly, but that it also went up for "a bad reason," as the employment to population ratio crept down.

Bunker noted that labor force participation for women ages 25 to 54 rose 0.4 percentage points in June. "Women in their prime working years were especially impacted during the crisis, but saw solid progress last month," he said. "Prime-age men did see an increase as well, but the gain was proportionately larger for women. There is still progress to be made however, as prime-age labor force participation for women is down 1.8 percent from its pre-pandemic level."

Black unemployment (9.2 percent) has improved less than for other demographic groups. White (5.2 percent), Hispanic (7.4 percent) and Asian (5.8 percent) rates are close to half of what they were year-over-year, while the Black unemployment rate is down just 40 percent.

Among the unemployed, the number of people who quit their job to look for new employment increased by 164,000 to 942,000 in June. The number of workers on temporary layoff remained at 1.8 million, down from the high of 18 million in April 2020 but still 1 million above its pre-pandemic level.

"Another concern in this report is that very long-term unemployment is rising," Shierholz said. "Currently, 30 percent of unemployed workers have been unemployed for at least a year. Many people who lost jobs at the start of the pandemic have been unemployed ever since. As jobs come back, they will get work but there is still a big jobs deficit—labor demand is still the problem."

Shierholz added that the report doesn't shed any light on the impact of some states cancelling pandemic unemployment insurance (UI) benefits, since the reference period for the data covered some time when no states had yet cancelled benefits.

"However, other data do not suggest that canceling UI benefits is leading to greater job search, consistent with earlier evidence that pandemic UI benefits were not keeping people out of the labor market en masse," she said.

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