

# August Job Growth Disappoints

Publication info: HRNews ; Alexandria (Sep 3, 2021).

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## ABSTRACT (ENGLISH)

[...]today's jobs report showed slower employment growth in in-person services." [...]permanent unemployment fell, the number of discouraged workers fell, working hours held steady, the number of labor market reentrants and new entrants rose, the prime-age employment-to-population ratio rose, and the median duration of unemployment fell to 14.7 weeks." "A resurgence in remote work is likely to delay the economic recovery even more for central business districts reliant on corporate office workers," he said.

## FULL TEXT

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U.S. employers added a meager 235,000 new jobs in August, a steep decline from the large gains earlier this summer, according to the latest employment report from the Bureau of Labor Statistics (BLS).

Economists had forecast that employers added about 720,000 new jobs last month, and August's total stands starkly next to revised numbers for June (962,000 new jobs added), and July (over 1 million new jobs added).

August's job gains—the worst since January—is being attributed to the troubling delta variant of the COVID-19 virus, which has been slowing consumer activity, job seeker enthusiasm and ultimately, hiring. U.S. employment has risen by 17 million since April 2020 but is down by 5.3 million from its pre-pandemic level in February 2020.

The report would have been solid before the pandemic, but considering the number of open jobs, unemployed job seekers and previous monthly gains, it can only be considered a sharp deceleration.

"The negative effects of the delta variant on hiring and the economy were apparent in the August report," said Gad Levanon, head of the Labor Market Institute at The Conference Board in New York City. "In August, real-time statistics showed a significant drop in spending and mobility metrics on leisure-related categories. And consumer confidence declined in August as well. As a result, today's jobs report showed slower employment growth in in-person services."

The coronavirus remains a threat to a strong and sustained labor market recovery, agreed Nick Bunker, an economist at the Indeed Hiring Lab. "It's clear that the recent surge in COVID-19 cases is a strong headwind to the labor market," he said. "The good news is that the wind is not so strong that it stopped all progress. A fair amount of progress has been made, but the economy will not get a sure footing until the pandemic is successfully dealt with. We will not get back [to pre-pandemic levels] anytime soon until we have more certainty about the public health situation."

Andrew Hunter, co-founder of London-based job search engine Adzuna, pointed out that although job gains came in below expectations, job openings have been reported at record highs since May. "At a sector level, sales, logistics and warehousing, and IT have all seen double digit growth over the last month."

ZipRecruiter's Chief Economist Julia Pollak said that the number of active online job postings on the Santa Monica, Calif.-based employment marketplace rose 13 percent between July and August. The largest one-month increases in postings on ZipRecruiter were in travel (+31 percent), arts and entertainment (+30 percent), and education (+26 percent).

"Increases in job postings one month tend to predict changes in payrolls the following month," Pollak said. "So the large surge in postings suggests that the labor market recovery still has considerable momentum."

### Leisure and Hospitality Loses Gas

In August, jobs were added in business and professional services (+74,000); transportation and warehousing (+53,000); manufacturing (+37,000); and arts, entertainment, and recreation (+36,000). Bunker said that transportation and warehousing employment is now above pre-pandemic levels and the sector has been resistant to the economic fallout of the health crisis.

On the other hand, hiring in leisure and hospitality came to a standstill in August with precisely zero jobs added, said Daniel Zhao, Glassdoor senior economist. That's after employment in the sector had been the primary driver of overall gains during the recovery, increasing by an average of 350,000 new jobs per month over the prior six months. Jobs in leisure and hospitality are down 10 percent from pre-pandemic levels and the unemployment rate for the industry ticked up to 9.1 percent.

Retail jobs declined by 29,000 in August, mostly due to losses in food and beverage stores (23,000 jobs lost), as reopening has slowed, and consumer demand declined.

"The drop of over 42,000 jobs in restaurant and food services is particularly concerning," Bunker said.

### **Unemployment Ticks Down**

The number of people classified as unemployed fell to 8.4 million and the unemployment rate dropped to a new pandemic-era low of 5.2 percent from 5.4 percent in July. That's considerably down from a recent high in April 2020 but still above levels prior to the COVID-19 pandemic.

"Encouragingly, there was no increase in temporary layoffs overall or in the number of people working part-time for economic reasons, despite job losses in retail and restaurants likely caused by the delta surge," Pollak said.

"Instead, permanent unemployment fell, the number of discouraged workers fell, working hours held steady, the number of labor market reentrants and new entrants rose, the prime-age employment-to-population ratio rose, and the median duration of unemployment fell to 14.7 weeks."

An alternative measure of unemployment that includes discouraged workers and those holding part-time jobs for economic reasons fell to 8.9 percent in August from 9.6 percent in July.

The labor force participation rate was unchanged at 61.7 percent, still below the 63.3 percent recorded in February 2020, at the outset of the COVID-19 pandemic.

The number of long-term unemployed (those jobless for 27 weeks or more) decreased by 246,000 in August to 3.2 million but is 2.1 million higher than in February 2020.

Another telling data point: In August, 5.6 million people reported that they had been unable to work because their employer closed or lost business due to the pandemic, up from 5.2 million in July.

### **Strong Wage Growth**

Average hourly earnings for all private-sector employees rose by 17 cents to \$30.73 in August, following increases in the prior four months. That's up 4.3 percent on a year-over-year basis, suggesting that the rising demand for labor amid flat labor force participation may have put upward pressure on wages.

"The wage data revealed that U.S. labor markets remain tight," Levanon said. "Average hourly earnings were up 6.2 percent over the past five months, signaling that employers are offering stronger incentives to attract qualified workers. Much of the acceleration in wages comes from the earnings of blue-collar and manual services industries such as leisure and hospitality and transportation."

### **Remote Work Increases**

The share of workers working remotely at some point over the last four weeks rose slightly to 13.4 percent in August, up from 13.2 percent in July as the delta variant forced companies to pull back on reopening plans, Zhao explained. "A resurgence in remote work is likely to delay the economic recovery even more for central business districts reliant on corporate office workers," he said.

### **Recovery on Track?**

Pollak noted that even though COVID-19 cases surged more than four-fold between July and August, the labor market recovery continued, albeit at a slower pace.

She and others are guardedly optimistic that labor market activity will continue to improve this year. "It is too soon to see the effect of schools reopening in person in the August report," she said. "But associated job gains and

improvements in labor force participation will show up in the September report and are likely to be large." Hunter added that the employment situation could balance out in Q4. "The winding up of [supplemental federal unemployment benefits] checks on Labor Day will affect an estimated 7.5 million Americans, which should help to rebalance the scales," he said. "So many unemployed workers and self-employed gig workers losing government support will likely trigger a rebalancing of the market as job seekers start to flood back."

Kevin Harrington, the CEO of job search site Joblist, pointed out that "late summer is not traditionally the highest season for job growth, as vacations and warmer weather sometimes encourage job seekers and employers alike to push off their plans until after Labor Day. We can only hope that this pent-up activity, combined with a subsiding delta wave, contributes to an even bigger hiring surge this fall to make up for lagging results in August."

## DETAILS

<b>Subject:</b>	Unemployment; Coronaviruses; Employment; Labor market; COVID-19
<b>Business indexing term:</b>	Subject: Unemployment Employment Labor market
<b>Location:</b>	United States--US
<b>Publication title:</b>	HRNews; Alexandria
<b>Publication year:</b>	2021
<b>Publication date:</b>	Sep 3, 2021
<b>Section:</b>	Talent Acquisition
<b>Publisher:</b>	Society for Human Resource Management
<b>Place of publication:</b>	Alexandria
<b>Country of publication:</b>	United States, Alexandria
<b>Publication subject:</b>	Business And Economics--Personnel Management
<b>ISSN:</b>	10473157
<b>Source type:</b>	Trade Journal
<b>Language of publication:</b>	English
<b>Document type:</b>	News
<b>ProQuest document ID:</b>	2569055121
<b>Document URL:</b>	<a href="https://www.proquest.com/trade-journals/august-job-growth-disappoints/docview/2569055121/se-2?accountid=44910">https://www.proquest.com/trade-journals/august-job-growth-disappoints/docview/2569055121/se-2?accountid=44910</a>
<b>Copyright:</b>	Copyright Society for Human Resource Management Sep 3, 2021

**Last updated:** 2021-09-04

**Database:** ABI/INFORM Collection

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