

# Hiring Rate Slows As Grip of Variant Hinders Recovery

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## FULL TEXT

Employers added 235,000 jobs, one of the weakest showings of the past year. Work involving in-person contact with customers was particularly affected.

The American economy stumbled in August as the latest coronavirus wave forced employers to curtail hiring in the sectors that had spearheaded the job market's recent resurgence.

The gain of 235,000 jobs reported Friday by the Labor Department was well below what economists had expected and made August one of the weakest months for hiring since the recovery began more than a year ago.

The softness was most apparent in lower-paid industries in which employees deal with customers face to face, like restaurants, bars, stores and hotels.

What's more, the pace slowed just before federally funded unemployment benefits expired for 7.5 million Americans and as the dividends from a government stimulus package enacted early in the year were fading, hampering growth.

The August showing would have been respectable before the pandemic. But after seasonally adjusted gains of 962,000 in June and 1.05 million in July, it was a stark indication of the impact from the Delta variant of the coronavirus.

Diane Swonk, chief economist at Grant Thornton, an accounting firm in Chicago, said the report was worrisome. "The worst effects of the Delta variant have yet to hit," she said. "This is the beginning, not the end."

There are still 5.3 million fewer jobs nationwide than there were in February 2020. And the letup in hiring is a political setback for President Biden, who has sought to establish a solid economic foundation for the ambitious social programs he is trying to push through Congress.

"I know people were looking, and I was hoping, for a higher number," he said Friday. But he expressed optimism about the country's economic direction, calling the recovery "durable and strong."

The latest data complicates plans for policymakers at the Federal Reserve, which has been buying \$120 billion in government-backed bonds each month to keep borrowing cheap, bolstering lending and spending. Officials are debating when and how to ratchet down the bond purchases, and while many experts still expect an announcement in November, they said Delta could end up pushing that back.

Moreover, the Labor Department data was collected in the second week of August, so it may not reflect the full extent of the Delta spread or the impact of Hurricanes Henri and Ida in the second half of the month.

The figures also showed the first increase since December in the number of people working from home – a trend that could hinder the revival of service businesses that depend on office work and business travel.

But even though the report was disappointing, the stock market barely reacted, and there were bits of good news.

The unemployment rate dipped to 5.2 percent from 5.4 percent in July. Average hourly earnings increased 4.3 percent from the previous August, exceeding the expected 3.9 percent. And there were decent gains in employment in business and professional services as well as in manufacturing.

Some employers, in fact, say their demand for workers exceeds the supply of candidates. "There are a lot of

companies vying for employees," said Joe Nelligan, chief executive of Molex, an electrical components manufacturer in the Chicago area that is part of Koch Industries.

His company has created more flexible shifts to help lure workers, including running the lines on weekends for people who need to stay home during the week to take care of their children.

"We're being more creative and also trying to have more opportunities for advancement," Mr. Nelligan said. Wages have also gone up, with hourly pay ranging from \$15 to \$20 in many locations.

"We have a lot of tailwinds," he said, citing demand for equipment for automobiles, data communications, health care and other uses.

Estimates for economic growth in the current quarter are far short of the annual rate of 6.5 percent achieved in the second quarter. But the housing market remains robust, while Wall Street has been notching records on strong corporate results.

Fidelity Investments said this week that it would bring on 9,000 additional workers by the end of the year, a sign of how Wall Street's bullish run is creating jobs despite the pandemic.

"We've been hiring consistently, and it's driven by engagement with customers," said Kirsten Kuykendoll, head of talent acquisition at Fidelity. The financial giant is looking for customer service representatives, financial advisers, and technology specialists like software engineers and data scientists.

But consumers are changing their habits again, a pattern with the potential to reshape growth if it continues.

Hiring in the leisure and hospitality industry – which was devastated by the pandemic and then added 2.1 million jobs from January to July – was flat in August.

Restaurant reservations on OpenTable were close to normal levels earlier in the summer, but are now 10 percent below where they were before the pandemic. There has also been a sharp decline in hours worked at restaurants and entertainment venues, according to data from Homebase, which provides time-management software to small businesses.

"We got another reminder of how significant the pandemic is in determining progress in our economy," said Carl Tannenbaum, chief economist at Northern Trust. "It's a clear indication of what the outbreak has done."

Retailers shed 28,500 positions in August, a sign that consumers have pulled back on shopping. Economists at Morgan Stanley said on Friday that they expected the August figures for core retail sales – including food services but excluding auto dealers, gasoline stations and home improvement stores – to show a decline of 2.1 percent after a drop of 0.6 percent in July. They said global supply chain disruptions from the pandemic, which have been compounded by the spread of Delta, were presenting "further headwinds."

As has been the case since the start of the pandemic, the economic fortunes of Americans are deeply divided. For college graduates, the unemployment rate in August was 2.8 percent. By contrast, joblessness among those with just a high school diploma was 6 percent.

Those with less education are much more dependent on the sectors that were weakest in the August report, like restaurants, bars, hotels and stores, where wages are lower and job security is an afterthought.

Lower-paid workers in general find themselves making tough choices as benefits expire and options narrow.

Wayne Pick, 52, took a job as a United States Postal Service carrier in late August after more than a year out of work. He will make more than \$10,000 a year less than he did in his previous job as an assistant property manager in Chicago. But with unemployment benefits expiring this month, he wouldn't have been able to pay his mortgage if he didn't take the carrier job, he said.

"I took it in desperation," he said. "I held out for the longest time. The unemployment benefits were very generous." Things were looking up in May, when infection rates were down and more people were vaccinated, Mr. Pick said. He was getting more interviews, many of them in person.

But once the Delta variant began to spread, he said, he started getting fewer calls. He is continuing to apply for jobs in the hope of finding something that pays better.

"I don't really hold out a lot of hope," Mr. Pick said. "Things in the city really aren't doing that well."

Reporting was contributed by Ben Casselman, Madeleine Ngo, Jeanna Smialek and Jim Tankersley.

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## Photograph

Hailey's Harp & Pub in Metuchen, N.J., last month, left. Erin Kelly shopped at Zara last month in the SoHo area of Manhattan, right. (PHOTOGRAPHS BY GABBY JONES FOR THE NEW YORK TIMES; BRITTAINY NEWMAN FOR THE NEW YORK TIMES) (A14)

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