

Job Growth Tempers in September; Industrial Sector Continues to Outperform

Hiring slows again in September. The complete expiration of federal unemployment insurance did not translate into accelerated job growth last month as the health crisis continued to present challenges. Employers added 194,000 personnel to payrolls in September, barely above the monthly average from more typical years such as 2018. Logistical logjams, infection worries and vaccine mandates contributed to last month's slowdown; however, the greatest weight came from the public sector. Government payrolls fell by 123,000 positions in September, partially offsetting private sector job creation of 317,000.

Demand for industrial spaces and employees to fill them rises. In contrast to other segments of the economy, the trade, transportation and utilities sector has already surpassed its pre-pandemic headcount and continues to grow. The nation's logistics infrastructure has only become more important during the health crisis, as made evident by a near-record level of industrial space being absorbed in the second quarter. In order to fully staff their new distribution centers, companies such as Amazon and Walmart have raised their starting salaries. This may begin to attract employees from other sectors, especially those that are continuing to see a loss of business due to the ongoing spread of COVID-19.

Vaccine requirements constrain onboarding. After previous strong growth, hiring at bars and restaurants shifted minimally in September. Despite reopenings, some people continue to be wary of dining out, while New York and Los Angeles now require proof of vaccination from patrons, limiting visits. Retailers and hospitality providers may also face greater hiring constraints moving forward due to a national vaccine mandate set to take effect in the coming weeks for large employers. Many roles offered by these businesses require fewer specialized skills, but labor participation and vaccination rates are lower among this demographic. While still subject to change, this new worker health requirement will lengthen hiring times and increase turnover, limiting near-term net job creation.

Developing Trends:

Decisions to not work shrink labor force. While the unemployment rate fell to a new pandemic period low of 4.8 percent, part of the decline can be attributed to a contraction in the size of the civilian labor pool. Compared with February 2020, about 3 million fewer people are in the labor force, meaning that they are unavailable or are not looking for work. Part of this decrease comes from older individuals opting for early retirement. People relocating to more affordable areas has also allowed some dual-income households to fall back on a single paycheck.

Higher wages and other costs impacting company operations. Although hiring slowed last month, shortages in many key positions remain, adding upward pressure to wages. Average hourly earnings increased 4.6 percent year over year in September, well above rates recorded before the health crisis. The added labor costs, paired with materials shortages and inflating fuel prices, are raising the bottom line for many companies. This change may impact future decisions regarding space requirements as leases come up for renewal.

3.1M Fewer People in Labor Force Compared With February 2020

4.8% Unemployment Rate in September 2021

