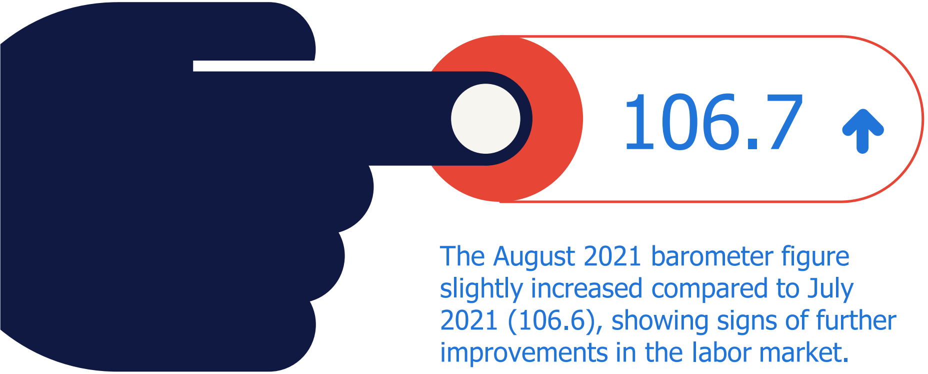
randstad risesmart labor market barometer.

a monthly overview of the US labor market.

august 2021

introduction.



The August 2021 barometer figure slightly increased compared to July 2021 (106.6), showing signs of further improvements in the labor market.

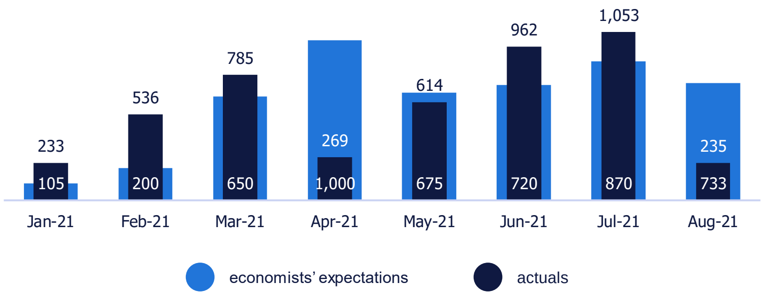
For perspective, the barometer has a baseline figure of 100, marked by the initial pandemic outbreak in March 2020.

Despite the spike in Covid-19 cases and the spread of the Delta variant in all corners of the United States, the US labor market showed signs of resilience. If the US workforce has not fully delivered from a job gain perspective, most indicators showed that the labor force continues its healing after the significant seizure from 2020. Hiring has cooled down, but, unlike last year when the pandemic started, employers do not feel the urge to shed jobs, fueling the spiral of unemployment.

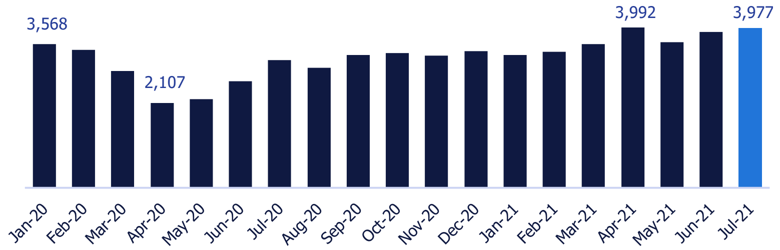
The disconnect between hiring demand and supply continues to show. At the same time, the course of the pandemic will further create uncertainty in terms of job creation, business outlook and overall economic growth. Moreover, it remains to be seen how the recent termination of jobless benefits will impact the workforce.

the US economy and labor market in August 2021 – key facts.

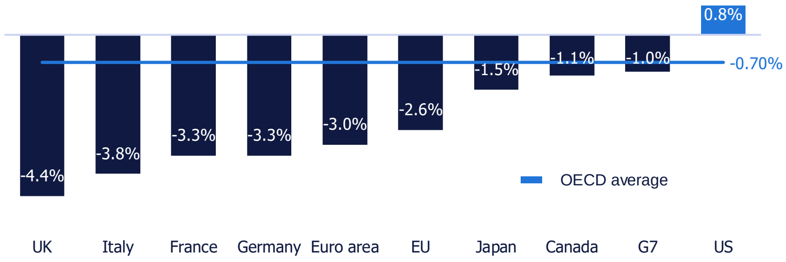
Job growth – expectations vs. reality: August 2021 is below economist expectations.



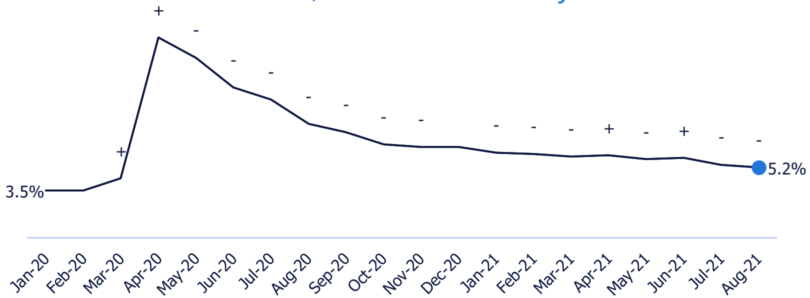
The 'quits level' ('000) continues to be high and above pre-pandemic levels, showing an eagerness to change jobs.



The US is the first G7 member who reached pre-pandemic economic levels.



The unemployment rate continued its descent for the second month in a row, down 0.2 from July.



Sources: BLS, FRED, Bloomberg, OECD.

the US economy and labor market in August 2021 – report highlights.

- The US job market underperformed in August 2021, mostly because of fears of the spread of the Delta variant of the Covid-19 virus – a clear sign that progress achieved so far can be easily reversed, as the same sectors that achieved growth in the last months are the ones most susceptible to shift gears.
- The US economy continued to grow in August 2021, but there is a looming risk of a cooling down; some growth expectations have already been revised.
- Back-to-work plans for major corporations were upended in August 2021 due to the unpredictable nature of the pandemic, while more companies suggest that vaccine mandates will be the only way out.
- Gradually, hybrid will become the new norm in terms of working arrangements, a move that is positively seen by both companies and employees alike.

us labor market in august 2021.

spread of the Delta variant slowed workforce recovery

As a direct consequence of growing concerns related to the spread of the Delta variant, **the US economy barely added 235K jobs in August 2021, three times lower than expectations and well below the revised figures for July and June 2021** (1.05M and 962K). The industries that gained the most were professional services (79.8K), transportation and warehousing (53.2K), educational services (40.2K) and manufacturing (37K). On the downside, retail trade lost 28.5K employees while state and local education services lost 26.4K. However, the **biggest shock was in leisure and hospitality**. The sector, which usually accounted for the most significant job gains in the last several months, **remained flat**; moreover, **restaurants shed some 41.5K jobs**, a shift that was offset by increases in other subsectors (BLS).

Despite the bad news about job creation, the **US workforce showed strong signs of resilience**. The unemployment rate ticked lower to 5.2%, and initial claims continued their downward path, which shows that employers are not thinking of reducing their workforces. Moreover, employers seem ready to continue increasing wages to attract talent – **average hourly earnings increased** by 0.6%, compared to July 2021 – and they are 4.3% higher year-over-year. Even so, **the disconnect between labor demand and supply persists**: job openings continued their upward march (10.9M) in July 2021 (BLS), which shows that companies cannot meet their hiring demand. **Small businesses have borne the brunt: 50% of NFIB** (National Federation of Independent Business) **members state they have at least one open position they cannot fill** (NFIB). This indicator has been reaching new historical highs every month since March 2021.

Still, the US labor force has a lot to recover. According to the Economic Research Institute analysis, **about 18.7M working Americans continue to be affected by the downturn** (ERI). Furthermore, what is still unknown is how the September 6 cutoff in jobless benefits will affect the labor market: 7.5M Americans are at risk of loosing their unemployment benefits (Century Foundation). While it is clear that these incentives have stopped some people from looking for work, it is not clear what the majority will do. Even if individuals lose their only source of income, they may take their time in looking for jobs. Recent analysis shows that this happened **in states that opted for an earlier cutoff.** When these states are compared to those who chose to keep the benefits, **the difference in job gains was minimal**, with only a slight advantage for the states that ended these benefits. At the same time**, the effect on spending was huge, as people started to economize more**, thus pumping less money into the economy (NYT, WSJ). **Still, some analyses suggest that the cutoff in benefits will account for 1.5M new jobs by the end of the year** (Quartz).

Sources: BLS, DOL, FRED, Bloomberg, Financial Times (FT), Wall Street Journal (WSJ), New York Times (NYT), National Federation of Independent Business (NFIB).

5.2%

april 2021 unemployment rate is still higher than February 2020 (3.5%), just before the pandemic hit.

5.6M

persons reported they were unable to work because their employer closed or lost business, an increase of 400,000 since July 2021).

12.2M

US individuals continue to seek jobless benefits (as of August 14, 2021).

~7.5M

Americans are in danger of losing financial protections due to the expiration of UI support in early September.

us labor market in august 2021. (continued)

US economy lost some of its momentum in the last weeks of summer – a cool down is happening

In August 2021, the specter of the fourth wave of the Covid-19 pandemic dominated the US economy. The number of cases continued to grow and peaked on August 28. Afterward, the virus appeared to have been contained, and September data shows a decrease in new cases, hospitalizations and deaths (CDC). At the same time, vaccination rates increased, driven primarily by states that were lagging in the vaccination campaign (CDC). In total, 63.5% of the adult population have been fully vaccinated as of August 31, 2021. (CDC)

Real-time indicators show that the spread of the Delta variant and the alarming increase in Covid-19 cases negatively impacted US economic growth. Consumers slashed spending on leisure and travel activities, leading to decreasing numbers in airline bookings, seated dining, hotel occupancy rates and job listings (Bloomberg). On the same note, most large companies postponed their return-to-office plans until the start of 2022. All these developments have been reflected in the newest edition of the Fed's Beige Book (the Fed).

Soaring inflation due to increased costs for raw materials, supply-chain bottlenecks and rising labor costs have also led consumers to tighten their spending. In July 2021 consumer spending slowed down (0.3%) and when the data is assessed, expectations are that it will have continued to slow down or have even decreased in August 2021. These expectations are based on what consumer sentiment gauges already indicate: both the UoM Consumer Sentiment Index and the Conference Board Consumer Confidence Index dropped in August (UoM, Conference Board) with the first reaching its lowest level since December 2011. Spending intentions have dimmed for all major products and categories.

Considering all of the above, **economists suggest that the US economy's growth rate will cool down in Q3 2021**. Already, Goldman Sachs slashed 350 bps from its previous 9% GDP growth rate for Q3 2021, revising it to 5.5% (The Balance). The Philadelphia Fed's Survey of Professional Forecasters revised their Q3 2021 expectations for GDP growth downwards from 7.5% to 6.8%, while also lowering the 2021 figure to 6.1% (from 6.3%) (Philadelphia Fed). Yet, **the lower growth rate doesn't change the reality that the US economy has rebounded much faster than major economies**: OECD data shows that the US is the only country within the G7 that reached and surpassed its pre-pandemic output levels (Bloomberg).

5.5%

Goldman Sachs cut its forecast for US GDP growth for Q3 2021 from 9%.

70.3

UCM Consumer sentiment is at its lowest level in 10 years.

5.4%

The level of consumer price indices for July 2021 – highest in 13 years.

390%

cost for shipping a container from Shanghai to Los Angeles quadrupled.

Sources: CDC, the Conference Board, University of Michigan, Bloomberg, The Balance, Financial Times (FT), Federal Reserve.

us labor market in august 2021. (continued)

delta variant upended return-to-office plans for corporate America

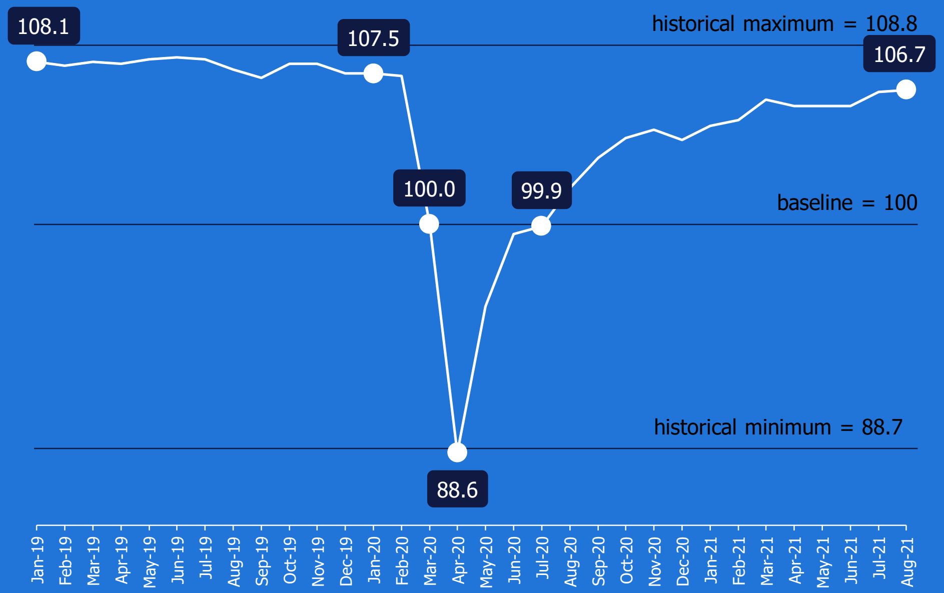
The approval of the Pfizer coronavirus vaccine by the US FDA and **the increase in the number of cases unleashed a wave of corporate vaccine mandates**. Tech companies (Google, Facebook, Uber) and large banks (JPMorgan Chase, Morgan Stanley, Goldman Sachs) took the lead (FT, Quartz), and others in the retail sector and airline industry quickly followed. Large companies have been encouraged to take action following public sector mandates: The Biden Administration called all federal employees to get vaccinated or submit to regular testing; California asked all its teachers to get the jab; and the Pentagon made vaccinations compulsory (WSJ Bloomberg). In corporate America, however, the way these mandates are imposed differs. For example, Walmart is offering a $150 bonus for all employees who get vaccinated (WSJ), whereas Delta Airlines announced it would impose a $200 monthly surcharge on unvaccinated employees (Bloomberg). In other cases, such as Tyson Foods, the company asked all employees to get vaccinated by November 1, a decision sanctioned by the labor unions (Quartz). But not all companies or labor unions see mandatory vaccination as the most appropriate strategy, fearing that this might force some employees (or union members) to leave their employment or to be forced out: about 1/3 of Americans are still unvaccinated, and about 27% are uncertain or unwilling to get the shot (Morning Consult). Another poll by Litller suggests that 27% of businesses are unsure about requiring vaccinations, while 22% oppose the idea of mandatory vaccination entirely.

The drive to push for more vaccine mandates is also a consequence of the **constant reshuffle of back-to-office plans**. Most large corporations anticipated a return to office around Labor Day, but the spread of the Delta variant has continually upended these plans (WSJ). For example, Google announced a new date for resuming office work in January 2022 from September 2021. Lyft, Dell, Bank of America and JPMorgan Chase also announced revised deadlines to the beginning of next year. The same Littler poll suggested that 40% of companies have already adjusted their back-to-office schedules. For some of these companies, the financial pressure to continue to invest in underutilized office space is starting to show and certain employers have implemented **pay cuts for employees who work fully remote**. For example, tech companies such as Google, Facebook, Twitter and Slack announced they would start implementing a location-based pay system, leading to 15% pay cuts for some employees who choose to work fully remote (FT, Reuters).

Finally, the return to the office might be completely different from what employees were accustomed to before the 2020 pandemic. A total return is highly unlikely, and **more companies are contemplating a permanent hybrid work arrangement where employees can work 2-3 days remotely** (Bloomberg). These intentions seem to resonate with employee demands: Gensler found out that 52% of people would ideally prefer a hybrid work arrangement (1-2 days or 3-4 days at home), compared with 29% preferring to work fully in the office and 19% desiring fully remote work. The two most important reasons cited for choosing hybrid work are productivity and health safety. Of course, this will apply more to the educated, high-income, white-collar services sectors. According to McKinsey, less than half of the US workforce has this option available. In turn, this could create additional fault lines within the US labor market, along with racial, gender or income divides.

Sources: Bloomberg, Financial Times (FT), Wall Street Journal (WSJ), Quartz, Reuters, McKinsey.

evolution of the barometer: 2019 – august 2021.



the index continues its upward trend, even if at a slower pace than in the previous month.

The Randstad RiseSmart Labor Market Barometer figure for August 2021 is 106.7 (up), continuing the upward trend that started the previous month, edging closer to the pre-pandemic level of 107.4 reached in February 2021.

On an annualized basis, the index grew by 4.9 points, compared to August 2020; but it is one point lower than the value it had in August 2019 (107.7) and 2.1 points lower than the maximum historical level from November 2018 – considered to be a time when the labor market was booming in terms of job gains and the low unemployment rate.

The slower pace of growth has been a direct consequence of a less-than-expected evolution of the labor force in August 2021. The economy created only 235K new jobs (well below analyst expectations of 733K), while the jobless rate inched down by only 20 bps (compared to 50bps in July 2021).

The August 2021 data shows that the labor market gains from the last quarter can be easily undone by the unpredictable nature of the pandemic and the overall response of the US economy. The same sectors that registered high growth in output and workforce are especially vulnerable to the spread of the Delta variant, showing that the recovery is still fragile unless the US contains the pandemic.

evolution of components: snapshot.

	august 2021 (july 2021)	trend
unemployment level ('000 persons)	8,384 (8,702)	improved
unemployment rate (%)	5.2% (5.4%)	improved
temporary help services ('000 persons)**	2,683 (2,688)	stable
initial claims 4-WMA ('000 persons)**	355 (394.5)	improved
ASA staffing index	97.8 (96.6)	improved
employment diffusion index*	94.1 (89.2)	improved
layoffs & discharges*,** ('000 persons)	1,459 (1,354)	deteriorated
ISM Index % reporting lower volumes in Services	13.9 (15.1)	improved
ISM Index % reporting lower volumes in Manufacturing	21.5 (16)	deteriorated
google searches (unemployment topic)	21 (23)	improved

* one-month lag in data; figures for July 2021.
**revised data for July 2021.

barometer components improved in seven areas, declined in two and stayed steady in one.

Even though job creation was disappointing, the main components of the barometer improved except for the ISM index for Manufacturing and the layoffs and discharges. The latter increased for the first time since November 2020.

Both unemployment indicators improved, while the 4-WMA initial claims gauge (a proxy for future unemployment) improved and reached a new pandemic low, despite concerns related to how employers will react to the spread of the Delta variant of the coronavirus. The employment diffusion index continued to improve, showing that in July 2021, employment was broad-based, reaching all sectors of the US economy.

The ASA Staffing Index continued its upward trend, surpassing its pre-pandemic level, contrary to the fact that the number of persons hired through staffing agencies slightly decreased from July 2021 (-5.8K in August 2021).

The ISM indicators showed different trends for Services and Manufacturing. If Services continues to hire more people, purchasing managers from Manufacturing believe they might need to shed some of the workforce: 21.5% expect lower volumes in the coming months – the highest reading since September 2021.

improved

deteriorated

stable

drivers of the barometer.

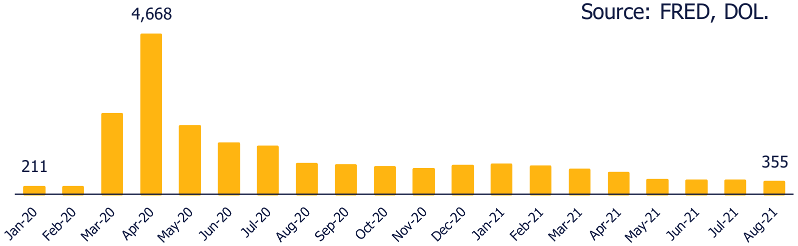
	contribution
unemployment level ('000 persons)	↗
unemployment rate (%)	↗
temporary help services ('000 persons)	▬
initial claims 4-WMA ('000 persons)	↗
ASA staffing index	↗
employment diffusion index*	↗
layoffs & discharges* ('000 persons)	↘
ISM Index % reporting lower volumes in Services	↗
ISM Index % reporting lower volumes in Manufacturing	↘
google searches (unemployment topic)	↗

↗ index increase = labor market improvement
↘ index decrease = labor market deterioration
▬ index stable = no labor market impact

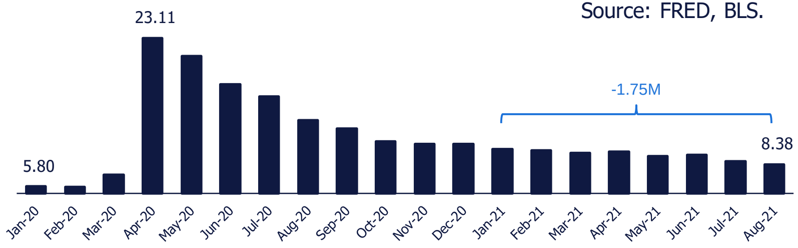
the specter of unemployment dims despite a growing fourth wave of the pandemic.

In August 2021, the 4-WMA reached its lowest value since the start of the pandemic. This shows that US companies are resilient and do not seek to reduce their workforces, even if the spread of the Delta variant has put them under pressure and there is a high level of uncertainty regarding their business outlook. This indicator, along with the unemployment indicators were the main positive drivers of the index.

initial claims (4-WMA*, '000), evolution 2020-21



jobless people (million), evolution 2020-21



*value for the last week of the month.

about randstad risesmart labor market barometer.

The Randstad RiseSmart Labor Market Barometer is a monthly index that tracks and provides an assessment of the overall real-time direction of the US labor market.

Using a PCA-based statistical model, Randstad RiseSmart looks at ten important labor macro indicators and consolidates them into one single figure that can provide insights on trends within the labor market.

For more information on the scope of the research and how the barometer was calculated, please visit the barometer methodology.

randstad risesmart labor market barometer – definitions.

indicator name	definition
unemployment level ('000 persons)	number of people who are not employed, who are available for work, and those who made specific efforts to find a job during a 4-week period or have been temporarily laid off.
unemployment rate (%)	number of unemployed people as a percentage of the labor force.
temporary help services ('000 persons)	number of employees in the temporary help services industry (~70% of employees working in employment services – staffing industry).
initial claims 4-WMA ('000 persons)	number of new jobless claims filed by individuals seeking to receive unemployment benefits.
ASA staffing index	tracks weekly changes in temporary and contract employment and serves as an indicator of current economic conditions, by providing an assessment of the US staffing industry.
employment diffusion index*	shows the % of industries that have increased their payrolls in the last month (>50% shows industries enlarged their workforce; <50% shows industries reduced their workforce).
layoffs & discharges* ('000 persons)	the number of involuntary separations initiated by employers (layoffs with no intents to rehire, discharges because of eliminated positions).
ISM Index % reporting lower volumes in Services	a subcomponent of the ISM Services PMI, shows if companies in the services sector plan to decrease their workforce.
ISM Index % reporting lower volumes in Manufacturing	a subcomponent of the ISM Manufacturing PMI, shows if companies in the services sector plan to decrease their workforce.
google searches (unemployment topic)	an alternative indicator that shows search trends on Google (in this case for unemployment related searches) – already provided as an index, with its peak of 100 in April 2020.

get in touch.

To learn more about how to build a future-fit workforce, contact us today.

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about randstad risesmart.

Randstad RiseSmart is the fastest-growing outplacement and career mobility provider, and an operating company of Randstad N.V., a €20.7 billion global provider of flexible work and human resources services that helps nearly two million candidates find meaningful work every year. Our outplacement, career development, redeployment and contemporary tech-and-touch solutions strengthen employer brands, improve retention and re-engage talent. Employers hire us because we deliver superior outcomes through expert coaching, professional branding, contemporary resources and on-demand analytics. Today, we are a trusted human partner of successful companies in more than 40 industries.

Our passion and dedication to innovation, responsiveness and results have earned us extensive recognition and awards from organizations such as Bersin by Deloitte, Gartner Inc., the Brandon Hall Group and Fortune magazine. For more information, visit www.randstadrisesmart.com.

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