

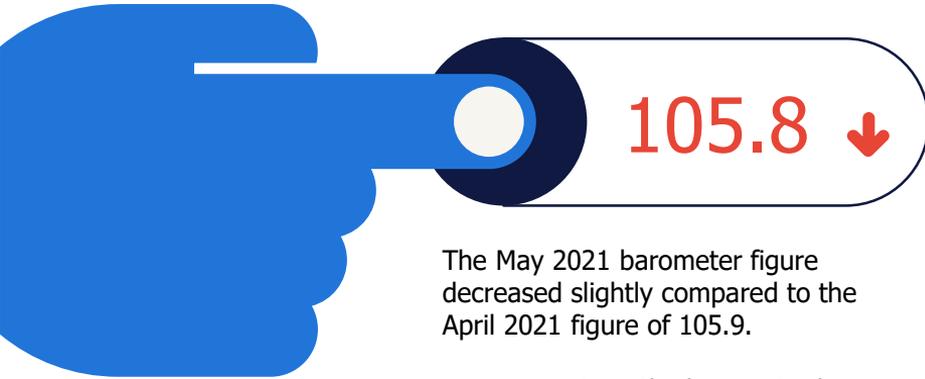
# randstad risesmart labor market barometer.

a monthly overview of the US labor  
market.

may 2021



# introduction.



The May 2021 barometer figure decreased slightly compared to the April 2021 figure of 105.9.

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

In May 2021, the labor market rebounded and performed closer to economists' expectations than was the case in April, with job growth doubling compared to the previous month.

However, the labor market continues to face key challenges on the road to recovery, due to such factors as tensions between labor supply and demand, signs of an overheating economy and supply chain bottlenecks. These factors have caused the barometer figure decrease to 105.8.

Additionally, revisions in the April 2021 data impacted last month's figure as well, which reached 105.9. These two developments, coupled together, reveal a two-month downward trend.

# us labor market in may 2021.

workforce recovery is on track, but trends from the previous month persist.

May 2021 marked a rebound in job creation. The US economy added twice as many jobs as in May 2020 (559K vs. 229K), even if the May figure was ~100K shy of economist projections (675K, [Bloomberg BLS](#)). Services, mainly leisure and hospitality (229K), were the main drivers of the job growth spurt, followed by manufacturing (23K) and logistics (22.9K), partially offsetting the losses from April 2021. On the contrary, the construction sector lost about 20K jobs, while retail lost about 5.8K.

While most labor indicators improved as of the latest data, the trends that started taking shape in April 2021 continued to manifest themselves: mainly job market tightness. The number of job openings is staggeringly high (9.3M, according to the latest data from [BLS](#)), almost at the same level as unemployed individuals (9.3M in May 2021). The labor force participation rate inched down slightly to 61.6% in May 2021 (61.7% in April 2021). Additionally, despite progress in initial monthly unemployment insurance claims, the number of people expecting to receive monthly jobless benefits is still significant.

Even as jobs continue to be added, many individuals are still reluctant to re-enter the workforce for various reasons:

- fear of getting COVID-19
- lack of childcare or elderly care support
- the temporary increase in unemployment benefits
- mismatches between workers and jobs (for example, a survey of restaurant kitchen workers by Mis en Place found out that 26% of workers permanently left the industry) ([FT](#) [WSJ](#)).

According to some experts, these setbacks are temporary and might get solved once unemployment benefits expire in September and schools reopen in late summer and early fall. Regarding federal jobless benefits, 25 states have already announced an earlier termination (June-July), putting about 4.1M people at risk or leaving them with no other choice but to re-enter the job market ([WSJ](#)). Furthermore, some companies, mainly in retail, entertainment, and logistics, have resorted to various strategies to fill their vacancies, including signing bonuses, enhanced benefits and even higher wages.

5.8% (3.5%)

the may 2021 unemployment rate continues to be higher than in February 2020.

7.6M

number of jobs the US economy needs to recover to reach pre-pandemic levels (February 2020 employment levels).

15.4M

US individuals continue to seek jobless benefits (as of May 15, 2021).

9.3M

job openings available in April 2021 (+998K compared to March 2021).

\$30.33

average hourly earning in May 2021, the highest historical level.



# us labor market in may 2021. (continued)

## economy continues to improve, but risk factors loom ahead.

Economic activity has picked up significantly, especially in the services sector, but consumers are holding onto their cash and manufacturers are worried about labor shortages. Coupled with a consumption drop, there are concerns that the US economy could potentially lose steam, incomes will stagnate and inflation will rise.

The distribution of vaccinations, the downward trend of coronavirus cases and the easing of restrictions in all states led to increased economic activity, mainly in the services sector. This is reflected in the May 2021 ISM reading for Services (64), which reached the highest figure on record since the historical series started in January 2008 ([ISM](#)).

In the Manufacturing sector, the ISM reading continues to show high scores (61.2), but an in-depth analysis also shows some structural problems for the US industrial complex: supplier deliveries are slowing down and backlogs continue to grow from one month to another ([ISM](#)). Furthermore, manufacturers have raised red flags about increasing labor shortages ([FT](#)).

Demand has also dwindled: personal consumption expenditure barely gained 0.5% growth since March 2021 ([WSJ](#)), while retail sales grew 0% month-over-month in April 2021, although this figure was up 51.2% up year-over-year ([TheBalance](#)). This shows that the cash infusion from the \$1.9T stimulus package tapered off and US customers became more cautious with their spending.

The consumption trend is moving downward but by how much remains unclear. According to the Conference Board, it dropped slightly (CCI from the [Conference Board](#): 117.2 versus 117.5 in April 2021) but it dropped significantly according to the University of Michigan (consumer sentiment from the [University of Michigan](#): 82.8 versus 88.3 in April 2021). Both gauges reflect a more pessimistic outlook for the US economy (deceleration of growth and softening labor market conditions), income prospects and inflation.

### 5.1%

US GDP yearly growth rate expected by White House economists for 2021.

### 5%

year-over-year inflation in May 2021, the largest since the midst of the financial crisis (August 2008).

### 0.5%

increase in month-over-month personal consumption expenditure in April 2021.

### \$21.2T

personal income in April 2021 – third largest historical figure, except January and March 2021.



## evolution of components: snapshot.

	may 2021 (april 2021)	trend
unemployment level ('000 persons)	9,316 (9,812)	
unemployment rate (%)	5.8% (6.1%)	
temporary help services ('000 persons)*	2,651 (2,646)	
initial claims 4-WMA ('000 persons)	428 (621)	
ASA staffing index	95.1 (93.1)	
employment diffusion index**	66.7 (98)	
layoffs & discharges*,** ('000 persons)	1,444 (1,525)	
ISM Index % reporting lower volumes in Services	14.4 (8.9)	
ISM Index % reporting lower volumes in Manufacturing	18 (10.9)	
google searches (unemployment topic)*	30 (30)	

## barometer components improved in five key areas, showed no change in two and deteriorated in three measures.

In May 2021, unemployment claims showed the most progress. While the latest reading for May 2021 was almost double the level in mid-March 2020 (225.5K), it registered the lowest figure in more than a year.

Additionally, the unemployment level dropped by almost 0.5M individuals, while the unemployment rate also dropped to 5.8%, the lowest level since the pandemic started in the US.

Temporary help services remained almost flat in May 2021, improving the ASA Staffing Index (up 2 points to 95.1).

The barometer continued to reflect the tensions within the US workforce. Both Institute for Supply Management (ISM) gauges continued their climb. However, this month, the upward trend is steeper than in April 2021 (for Manufacturing, it climbed by 7.1 points, while for Services it was up 5.5 points), revealing further strains in labor supply and demand.

The same can be said about the employment diffusion index, which dropped significantly in April 2021. It is still above 50, which means that the workforce is expanding, but this isn't the case across all sectors of the US economy. In some sectors, employers are not hiring while others face challenges filling open positions.

-  improved
-  deteriorated
-  stable



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

# evolution of the barometer: 2019 – May 2021.



the labor market is improving, but it may be a bumpy ride.

The Randstad RiseSmart Labor Market Barometer figure for May 2021 is 105.8 (trending down), continuing a downward path started in April 2021 (105.9\*).

Compared to one year earlier, the index figure has improved (+10 points since May 2020) and gradually making its way back to the historical high of 108.1. However, according to economists, there is still some uncertainty as to when the US workforce will fully recover or reach its pre-pandemic levels.

Overall, the US labor market is trending upward with significant gains, but the recovery process is not linear or smooth. There have been time periods (December 2020, April-May 2021) when some indicators underperformed, which dragged or reversed some of the progress made.



\*value for April 2021 has been revised down from 106.2

# 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

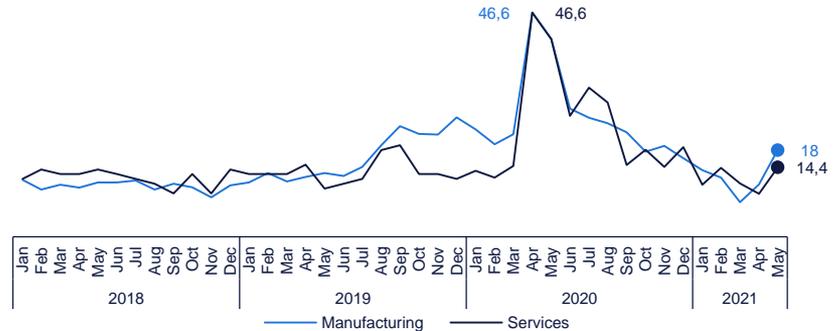
while the labor market is rebounding, certain sectors are struggling to increase their workforce.

In May 2021, five indicators helped boost the barometer figure. The drop in initial claims was the primary growth driver, following its downward trend from last month. Unemployment levels and the unemployment rate bounced back after their slight deterioration in April 2021. Moreover, layoffs and discharges continued to drop, reaching their historical low.

Labor market gains were offset by poor performances of the employment diffusion index, or the view purchasing managers have on the future of employment. The employment index was 98 in March 2021, and in the next month, it dropped to 67, reflecting the struggle in different sectors to increase their workforce. The same is reflected in the ISM readings. For both Manufacturing and Services, the number of purchasing managers reporting lower volumes has increased in the last two months.

## Purchasing managers reporting lower volumes, evolution 2018-21

Source: ISM, QUANDL.



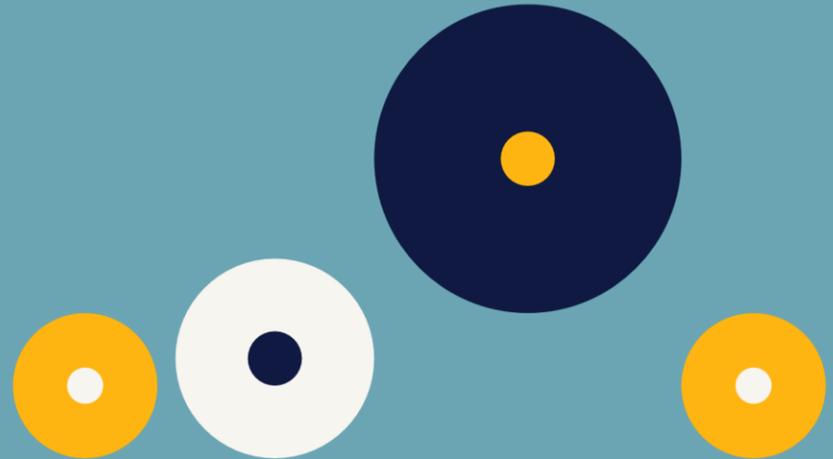
\*value for the last week of the month.

# 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.

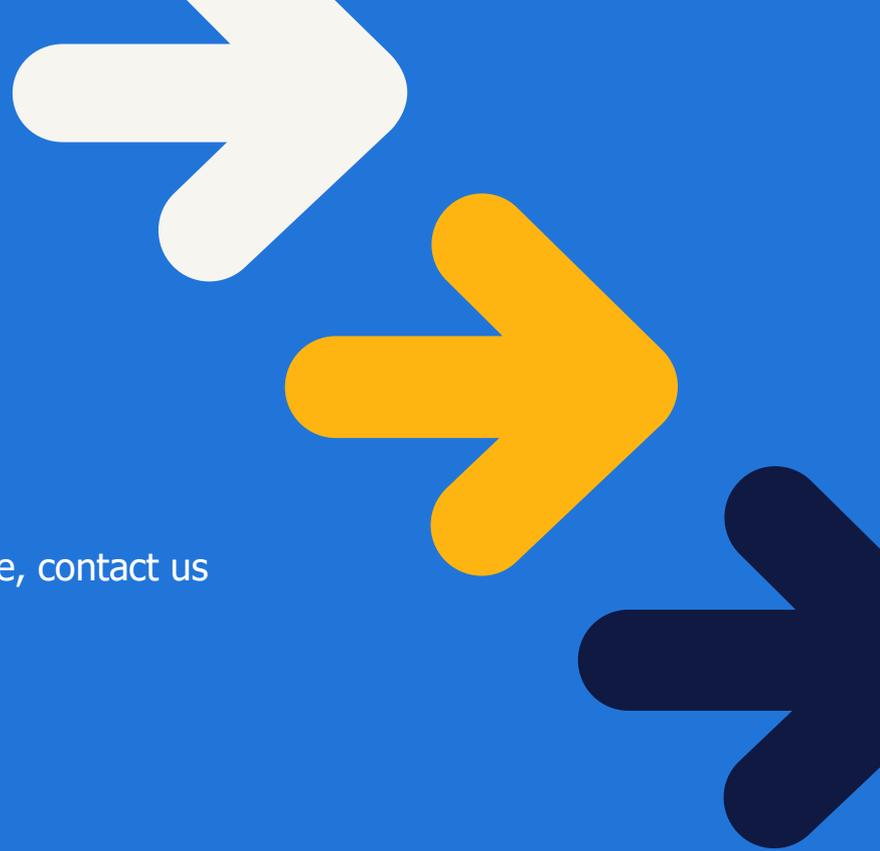
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# about randstad risesmart.

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.

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