



'I'm just worried': Coronavirus prompts companies to pull back on hiring as uncertainty grows

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As the coronavirus spreads, American companies are hunkering down.

Many U.S. businesses are reining in hiring and investment as fallout from the outbreak dampens sales and creates a cloud of uncertainty over the economy, a development that's likely to further curtail growth in the months ahead.

The hiring pullback didn't appear to have an impact on the February jobs report, which revealed a blockbuster 273,000 payroll gains. But it's expected to significantly reduce job gains through the spring, economists say.

"Businesses are now saying they have way too much uncertainty about where the economy is headed," says **Bernard Baumohl, chief global economist of the Economic Outlook Group.**

'Batten down the hatches'

"Their response is to batten down the hatches," says Diane Swonk, chief economist of Grant Thornton. The fallout for employment is "going to get very large, very rapidly" before a likely rebound in the second half of the year.

For many big companies, the wariness has compounded uncertainty over the 2020 election and its implication for policies affecting business regulation..

Most of the epidemic's effects so far revolve around companies involved in travel and tourism, trade shows, and business conferences, as well as manufacturers that haven't received vital parts from China. Some of those businesses already have started to lay off workers or impose hiring freezes, Swonk says.

United Airlines has suspended hiring and is offering workers voluntary unpaid leave. Many small businesses are also putting aside plans to add workers.

Hiring on hold after canceled events

San Francisco-based Entire Productions, which stages conferences, receptions and other corporate gatherings, is near the center of the maelstrom. A handful of corporate clients have canceled or postponed events the past couple of weeks, reducing the company's revenue for that period by about 10%, says CEO Natasha Miller.

Perhaps of greater concern is that three or four larger conferences that appeared likely but weren't finalized now have been scrapped as well, Miller says. She was interviewing for an account executive and an event producer but has decided to hold off on filling those positions.

"I'm just worried for the short term," she says. The firm, with 12 employees, had been doing well, with revenue increasing 20% last year and 25% in January compared with the same period a year ago, Miller says.

Company Folders, of Pontiac Michigan, which makes folders, binders and other materials for meetings and presentations, hasn't yet felt any negative impact from the virus. But CEO Vladimir Gendelman fears it's coming. He was planning to add three salespeople to his staff of about 19, but is shelving those plans as well as the purchase of a roughly \$1 million printer.

Cutting expenses to be safe

"We're cutting expenses as much as we can to be safe," he says.

Businesses that depend on dining and tourism are also getting squeezed. TerraSlate, which makes waterproof, tear-proof paper, has suffered a 30% loss in revenue as many restaurants in China, Southeast Asia and Europe have stopped ordering its paper for menus amid sharp sales declines, says company president Kyle Ewing.

The 15-employee company, based in Denver, Colorado, has put off plans to add two sales representatives, he says. “We just don’t want to hire them and then lay them off right away.”

The firm is also postponing the purchase of a \$500,000 printer. Such business investment already was weak and a further pullback can have indirect effects on employment and the economy: New printers, computers and factory machines require workers to make and operate them.

Hotels and companies and their suppliers are also getting hurt. The Falcon Lab, a marketing and printing company based in McLean, Virginia, does lots of hotel posters. Three hotels recently canceled orders related to conferences while a fourth simply scuttled other projects because its overall business has declined, says Falcon CEO Borzou Azabdaftari.

Azabdaftari is putting off adding a graphic artist to his staff of 15. “I want to see how things shake out,” he says, noting many of his clients are weighing whether to scale back. “Everyone is looking at it.”

All told, Baumohl expects coronavirus effects to slow average monthly job growth from about 185,000 to about 115,000 the next few months. Swonk predicts a steeper decline, with job gains flatlining.

The coronavirus is adding to business uncertainty over the election that has been curtailing investment by large companies, says Neil Bradley, executive vice president and chief policy officer at the U.S. Chamber of Commerce. A new U.S. president could change policies affecting broadband, energy, healthcare and banking, he says.

“So much rides on the regulatory posture of the next administration,” Bradley says.

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