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Nothing 'Normal' About Labor Day 2021

The delta variant of the coronavirus is dashing expectations for the workplace and the economy.

By Tim Smart
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Ah, Labor Day, the unofficial end of summer and the return of workers to their offices and other places of employment following vacations, along with the final round of children heading back to school.

Not this year. For the second year in a row, the coronavirus has upended traditional norms of Labor Day, which also serves as the beginning of the busiest period for many service businesses that rely on the holiday shopping and entertainment season.

And, as for the workers for whom the holiday was created, they are facing more uncertainty over whether their workplaces will fully reopen, whether their children will be back to traditional in-person learning and whether parents will be able to find child care amid the second year of a pandemic that still rages in many places.

As 2021 began, the expectation was that the virus would be gone and things would return to "normal" as the nation embraced vaccines and reached herd immunity. Despite early successes, the effort to vaccinate everyone stalled amid a hesitancy borne of misinformation and distrust. Cases and deaths have soared as the summer came and went, with the majority of those in hospitals dying of the highly transmissible delta variant overwhelmingly unvaccinated.

Just how much of a dampening effect delta is having was illustrated by Friday's monthly jobs report from the Labor Department. A mere 235,000 jobs were created, which in a normal economy would be a decent number but one that was not even a third of the 750,000 expected. The drop-off was most noticeable in the leisure and hospitality sector, where no new net jobs were added following six months in which jobs gains averaged 350,000.

"The hospitality sector remains the most at-risk to the impact of the ongoing virus and altering of consumer behaviors, both personally and professionally," says Jay Denton, chief analyst at ThinkWhy, a labor market data and analytics firm. "The industry is already struggling to fill the 1.4 million available jobs. At a minimum, the rise in counts means more people are quarantining and unable to attend social events. From a business perspective, the cancellation of in-person gatherings will have a ripple effect on sales and marketing plans across a variety of industries."

But the effects are hardly limited to the job market. Columbia Threadneedle Investments tracks "high frequency data" that includes travel reservations, returns to work and school, brick-and-mortar shopping, and in-person restaurant dining. After rising 10 percentage points from June to August, the company's Return to Normal index dropped in early September to 84 from the prior month's 86.

"We are still seeing people going to shops, but activity at stores like salons has declined," Columbia Threadneedle noted. "Regionally, we saw greater impacts in COVID hotspots such as Texas and Florida." Both states have been at the forefront of a national battle over mask and vaccination mandates.

Heading into the holiday weekend, the Transportation Security Administration reported traffic at airport checkpoints was 1.35 and 1.47 million passengers on Wednesday and Thursday, well above 2020 levels but roughly 700,000 and 400,000 below those days in 2019.

And a survey by the American Hotel & Lodging Association in late August found that 67% of U.S. business travelers fear planning trips because of the rise in the coronavirus, with 52% likely to cancel existing plans. The association forecasts hotel employment will be down 500,000 jobs in 2021 compared to 2019 levels.

"Recent data on restaurant bookings, hotel reservations and airport traffic show Americans are turning more cautious," **Bernard Baumohl, chief global economist at The Economic Outlook Group,** wrote Friday. "This is why September and October are going to be white-knuckle months for households, employers and the Federal Reserve."

Another factor affecting the economy is disruption in the global supply chain, which has crimped shipments of key components used in many industries. Some had expected those to ease as vaccines took hold worldwide, but delta has delayed that.

Automakers, in particular, have been hard hit by a global shortage of semiconductors, the result of factories shifting production to other industries once the pandemic curbed driving and shippers lowered the number of containers available. Many of these products are made in Asia, where governments have imposed new restrictions to combat the delta variant.

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"The refusal of the pandemic to go away is pushing back expectations," says Veneta Dimitrova, senior U.S. economist at Ned Davis Research. While her forecast is for 6.5% to 7% GDP growth this year, Dimitrova "acknowledges a significant downside to our projection."

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"At the end of July, there were 8.7 million claims for federal pandemic unemployment assistance, down 65% from the previous month," she notes. Even assuming a similar decline in August, she says that represents about a $2.4 billion reduction in weekly income.

Skittishness over the delta variant is showing up in consumer confidence numbers. HPS-CivicScience recorded a two-week decline in its Economic Sentiment Index released Thursday. The index now stands at 42.5, a drop of four points from its prior reading, and close to the all-time low of 40.1 reached in March 2020.

Of its five indicators, "confidence in the overall U.S. economy fell the most over the past two weeks, dropping 2.5 points – down 18.5 points from the 2021 high reached in March," HPS said. "Concerns about inflation, meanwhile, show no signs of letting up."

Similarly, the latest Forbes Advisor-Ipsos Consumer Confidence Weekly Tracker found 48% now expect "that lifting restrictions to control the coronavirus will occasion a prompt economic rebound, down 10 points from last week."

"At the same time, a bare majority (54%) support allowing businesses to reopen even before the pandemic is fully contained," it added.

Morning Consult's Index of Consumer Sentiment fell 2.5 points in August to 91.6, with the decline in recent weeks closely correlated to the increase in the coronavirus caseload.

"The index has fallen sharply since the beginning of July," Morning Consult noted, "and is now at its lowest level since February 2021 as the 7-day moving average of new COVID cases reaches levels not seen since winter."

It's unclear when things will improve for consumers and workers, given the resilience of the coronavirus, which even now has spawned a new variant known as Mu that to date is not showing up much in the U.S. Some believe the past two years of labor market volatility could continue and bring about a new workplace environment.

"We have been in this pandemic for over 18 months," says Jalie Cohen, senior vice president and head of human resources for the Americas at staffing company Adecco Group. "People are re-evaluating their life, whether personal or professional."

The firm's Resetting Normal survey of 14,800 across 25 countries found that workers have adapted to remote work and want a hybrid model, with 53% of their time spent working remotely and 47% in the office. However, they also say they fear companies will expect them to be in the office working 60% of the time. Respondents said they were more productive working remotely.

There were significant differences among generations, with younger workers generally wanting to spend more time at the office, Cohen says. "They are looking for the structure."

Whether these desires will be met, or even whether the labor market will recover to its pre-pandemic status by Labor Day 2022, will depend a lot on the progress or lack thereof in dealing with a virus that is showing a remarkable ability to disrupt norms.

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