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U.S. Hiring Slowed Sharply in August

Economy added 235,000 jobs as the Delta variant appears to be weighing on consumer confidence and spending

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U.S. hiring slowed sharply in August as the surging Delta variant dented the pace of the economic recovery.

The U.S. economy added 235,000 jobs last month, the Labor Department said Friday, falling far short of economists' estimates for 720,000 new jobs. Job growth last month was also down from upwardly revised monthly payroll gains of 1.1 million in July and 962,000 in June.

Though job gains are slowing, employer demand for workers persists. The unemployment rate fell to a pandemic low of 5.2% in August from 5.4% in July. Wages increased 0.6% from a month earlier and 4.3% from a year ago. Industries including warehousing, manufacturing and finance added jobs solidly in August.

Hiring last month was particularly weak in services sectors that involve in-person interaction. Employment in leisure and hospitality held steady after adding an average of 350,000 jobs a month over the previous six months. Retailers cut jobs in August. The Covid-19 Delta variant appears to be weighing on broader economic growth, including consumer spending and confidence.

“The economy is losing some steam,” said **Bernard Baumohl, economist at the Economic Outlook Group, LLC**. “Consumers are much more cautious about spending,” he added, saying, “A lot of businesses recognize this and are also willing to pull back on hiring.”

The deceleration of job growth is likely to spoil the case for the Federal Reserve to start reversing easy-money policies related to the pandemic at its September

policy meeting, though it could still start doing so later this year. U.S. stocks ended the day mixed, with the S&P 500 inching lower, the Dow Jones Industrial Average declining and the Nasdaq increasing slightly. Yields on government bonds rose.

In August, 5.6 million individuals said they didn't work or worked shortened hours because of the pandemic, an increase from 5.2 million who said the pandemic negatively affected their work situation the prior month.

Creative Day Technologies, a Troy, Mich., live-events and production company, is getting requests from people to change plans after seeing bookings for September and October events return to near-pre-pandemic levels, said Chief Operating Officer Dave Gillis. He said his clients, which include public universities and auto manufacturers, had been eager to host large events, citing participants' fatigue with virtual meetings.

"We thought we saw the light at the end of the tunnel, but now the Delta variant has caused some uncertainty," he said.

About 5% of events scheduled for the coming months have been canceled, and 10% have been switched to a virtual model. The planned events will keep his staff of about 20 busy, but fewer live events means the company won't need to hire as many independent contractors, ranging from those who build stages and set chairs to specialized technicians who operate video boards.

While many employers are holding off on adding new workers due to pandemic uncertainty, they are clutching to the ones they have as demand for labor remains stronger than earlier in the year. Jobless claims, a proxy for layoffs, reached a new pandemic low of 340,000 last week and continued slowly declining since mid-July.

Many employers also report difficulty filling job openings, which touched record highs this summer. Online job postings in the U.S. increased 13% in August from July, according to job site ZipRecruiter.

Companies have recovered a large portion of the jobs lost at the onset of the pandemic last spring, but there were still about 5.3 million fewer jobs in August than in February 2020. The trajectory of Covid-19 cases will help determine the pace of job growth through the end of the year. Jobless individuals who are fearful of Covid-19 health problems could be slower to return to the labor market until the virus abates, for instance.

This cautiousness is one factor restraining growth in the labor force, which represents the number of people working or seeking work. There were 2.9 million fewer people in the labor force in August compared with February 2020, before the pandemic

Economists expect that school reopenings in August and September will help pull some parents, particularly mothers, back into the labor force as child-care responsibilities ease. There will likely still be hurdles, though, as the pandemic continues. Employment at child daycare services fell in August from a month earlier, offering one indication of continued disruption.

Signs of a slowing recovery include a decline in the number of diners seated at restaurants, which fell 9% in the week ending Sept. 2 compared with the same week in 2019, according to reservations site OpenTable. Growth in the number of people eating out has gradually slowed from earlier this summer.

The number of employees logging hours also fell 4% in August from July, according to Homebase, a scheduling-software company with mainly smaller-business clients. The steady decline in employment throughout the month was driven by industries that had seen the sharpest job growth in recent months amid state reopenings. The number of hospitality employees working dropped 35% from mid-July, while those employed in entertainment fell 20%, according to Homebase.

Some local governments and businesses have reimposed mask mandates or instituted vaccine mandates in recent weeks but have avoided reinstating shutdowns and capacity restrictions. About 13.4% of Americans teleworked in August, an increase from 13.2% in July, according to the Labor Department, reflecting that more people are working remotely as companies pull back on return-to-office plans.

Typical patterns in school hiring have been thrown off by pandemic related layoffs and larger summer-school programs intended to help students catch up. The wide fluctuations in school jobs helped bolster job creation in June and July and held it back in August.

The labor market overall made strides this summer, as vaccinations and state reopenings helped fuel growth. Payrolls averaged 750,000 a month in June through August and the unemployment rate fell to 5.2% from 5.9% in June. Payroll gains have averaged 586,000 a month so far this year.

Individuals such as Cameron Abdo, 31 years old, have found jobs amid a strengthening labor market. Mr. Abdo recently started at a Los Angeles marketing firm after being out of work for nearly a year-and-a-half. He was previously a self-employed social-media consultant, but his work dried up at the onset of the pandemic.

He drew on unemployment benefits and applied for jobs, rarely receiving calls back. Frustrated by the lack of employer interest and understanding his jobless benefits were slated to end in September, Mr. Abdo hired a professional resume writer. His revamped application helped him quickly land a job.

Mr. Abdo said his new job pays him less than previous roles, and he has some concerns about the risk of infection because his employer requires him to report to an office a few days a week. “But having a job is way better than being unemployed,” he said.

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