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STORES, FACTORIES LEAD THIS YEAR'S UNEXPECTED HIRING BOOM

Economists expected hiring to slow in 2018 because a tight labor market, the opposite has occurred

By Eric Morath
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Economists expected hiring to slow in 2018 because a tight labor market – consistent with a sub-4 percent unemployment rate – would make it difficult for businesses to find workers. The opposite has occurred, largely due to a resurgence in two categories that had been contracting, retail and manufacturing.

Through July, U.S. employers added an average of 215,000 jobs a month to payrolls. That is a marked acceleration from the 184,000 jobs added on average during the first seven months last year. And, well above the 165,000 average monthly employment growth economists surveyed by The Wall Street Journal predicted for 2018 when asked in January.

One big reason is after shedding an average of 6,000 jobs a month during the first seven months of 2017, retailers added an average of 12,000 each month this year.

An increase in consumer spending, driven by rising incomes and strong confidence, is causing some retailers to expand.

Ace Hardware Corp., based in Oak Brook, Ill., has opened 87 new U.S. stores in the first half of 2018, which equates to roughly 1,300 new jobs. The company expects to open about 160 total new stores this year.

"There's no doubt that the low unemployment rate, rising household spending and lower taxes are benefiting sales," Chief Executive John Venhuizen said in an interview last week. The chain has focused on customer service and having locations near to customers' homes.

The strategy is paying off. Ace expects sales to increase about 6 percent this year.

The retail turnaround could be evidence that much of industry's retrenching in response to online shopping occurred last year, said Martha Gimbel, economist at job-search site Indeed.com.

"Every job at a brick-and-mortar retailer wasn't going to disappear," she said.

Manufacturers have mostly been shedding jobs since the late 1970s, but employment in the sector has increased since the recession ended in 2009, and growth accelerated over the past year. The pace of factory hiring more than doubled this year compared with the first seven months of 2017.

The manufacturing sector is benefiting from a growing global economy that demands American-made goods and increased domestic oil production, which supports demand for metals and heavy equipment. The tax law, enacted late last year, was written to incentivize businesses to invest in capital equipment, and there are some early signs that is happening.

International Wheel & Tire, a maker of assembly and testing machines, is aiming to double its 40-person staff in the next three years. It has added six employees so far this year.

"It's an exciting time to be here in Detroit," said Chief Executive Netresh Rege. "The industry is doing very well." The company, based in the suburb of Farmington Hills, Mich., is benefiting from auto makers' desire to invest in automation and become more efficient.

The company's challenge is finding workers, especially robotics engineers and programmers. International Wheel & Tire has raised starting salaries, started co-op programs with local colleges and moved into posher digs. Mr. Rege said the vibe in the new light-filled offices featuring a meditation room and superhero posters is more Silicon Valley than Rust Belt.

Mr. Rege said he is worried about growing trade disputes and whether that will allow him to find new customers overseas, especially in the growing Chinese market. But so far trade tensions don't appear to be affecting manufacturing employment.

"The broad impact of tariffs may be building," said Jim Baird, chief investment officer for Plante Moran Financial Advisors. "But that risk does not yet appear to be weighing on hiring in the manufacturing sector, despite the potential for the sector to bear the brunt of the disruption."