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LOWER-WAGE WORKERS SEE BIGGEST GAINS FROM EASING OF COVID-19 PANDEMIC

Hiring and wage growth are the strongest for restaurant, hotel and retail jobs, reflecting consumers' desire to get out

By Eric Morath
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A fading pandemic and heating U.S. economy appear to be paying off for lower-wage workers.

New jobs at restaurants, hotels, stores, salons and similar in-person roles accounted for about half of all payroll gains in June, according to the Labor Department. And workers in those industries are seeing larger raises than other employees.

"Americans are becoming more mobile and dining out more," said Jim Baird, chief investment officer at Plante Moran Financial Advisors. "Retailers and restaurants are having to pay more to hire workers to meet that demand."

Restaurants and other hospitality businesses added a seasonally adjusted 343,000 jobs in June, the department said Friday. Retailers added 67,000 jobs last month, including strong gains at clothing stores, indicating Americans are getting dressed up to go out and back to offices. Similarly, personal-services businesses such as salons and dry cleaners added 29,000 jobs. Overall, employers added in 850,000 jobs last month, the best monthly gain since August 2020.

In the first six months of the year, the leisure and hospitality sector alone has accounted for nearly 50 percent of the 3.3 million jobs added in the U.S.

The rapid hiring reflects a renewed desire from consumers to travel, dine with friends and shop. It also suggests that constraints on the labor supply could be starting to ease.

Wages are rising and employers are offering hiring bonuses, including up to \$1,500 to work at a fast-food restaurant, to attract workers. Meanwhile widespread availability of the Covid-19 vaccine is easing fears over contracting the virus. Nearly half of states have withdrawn enhanced unemployment payments, which many Republicans and some economists said provided a disincentive to return to work, when recipients often received the equivalent of working full time at \$15 an hour.

Average hourly wages for retail workers were up 8.6 percent in June from February 2020, before the pandemic took hold in the U.S. Wages for restaurants and other hospitality workers were up 7.9 percent. Both gains are above both overall wage growth, at 6.6 percent in that period, and inflation. The average hourly wage in the hospitality sector was \$18.23 an hour in June, and \$21.92 in the retail sector, versus \$30.40 for private-sector workers overall, according to Labor Department data.

"The food-service sector is out of control," said Eugene Lupario, chief executive of SVS Group, a staffing firm based in Oakland, Calif. "Employers are willing to pay almost anything they need to get workers."

He said starting restaurant wages are nearing \$20 an hour in the San Francisco area, from around \$15 an hour before the pandemic. Some clients are willing to take workers who have already completed an eight-hour shift at another business, and pay them overtime wages to do so, Mr. Lupario said.

"There is no shortage of opportunities, but we still have a lot of job seekers asking if they can get a customer-service job they can do from home, rather than return to a restaurant," he said.

Better pay could be drawing workers into the labor market.

About 900,000 fewer Americans reported themselves as being prevented from looking for work due to the pandemic in June, versus May, according to the Labor Department. And Friday's report showed the number of people who became unemployed because they either voluntarily quit their jobs or re-entered the workforce rose by 300,000 – a sign of confidence in the labor market – while the number who were unemployed due to job loss fell. Also, the number of workers who said they hold part-time jobs but prefer full-time work declined by more than 600,000 last month.

"We've had this sustained run of wage increases particularly in lower-wage sectors," said Robert Rosener, economist at Morgan Stanley & Co.

While wage gains are beneficial to workers, they have consequences for businesses and consumers. Businesses often attempt to pass along higher labor costs to customers by raising prices, which contributes to higher inflation. If companies can't pass on all their costs, their profit margins will narrow.

The recent stronger hiring in low-wage fields brings them closer to fully recovering the jobs lost in March and April of last year.

The leisure and hospitality sector, including restaurants, still had 2.2 million fewer jobs in June than in February 2020, according to an analysis of Labor Department data. Retail employment was down more than 300,000 last month from its pre-pandemic level, though some categories, including nonstore retailers, like Amazon.com Inc., general merchandise stores, like Walmart Inc., and building-supply stores, like Home Depot Inc., employ more workers than they did at the start of last year.

Economists, including Mr. Rosener, expect further improvement in hiring.

"We should expect that this quickening pace of job growth will continue over the summer and into the fall," he said.