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David Robinson: No signs of a slowdown for the Buffalo Niagara job market

David Robinson

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A "now hiring" sign is seen on the milk case at the Dollar General on Olean Road in South Wales.
Derek Gee / Buffalo News

David Robinson

Soaring prices, rising interest rates and a plunging stock market aren't

keeping Buffalo Niagara businesses from hiring.

The region added 1,400 jobs during May as it continued its slow but steady recovery from the Covid-19 recession, according to data released Thursday by the State Labor Department.

It was an encouraging sign for the region's economy at a time when fears are growing that the powerful combination of soaring inflation and rising interest rates will, at best, slow the economy's growth or – at worst – push it into a recession.

So far, though, the job market is holding up just fine.

"We haven't seen any impact on employment growth," said Julie Anna Golebiewski, a Canisius College economist.

The May job growth wasn't robust, and the region still has about 5% fewer jobs than it did before the pandemic, but the report also included another encouraging sign when April's modest job loss was revised upward and now is a tiny gain.

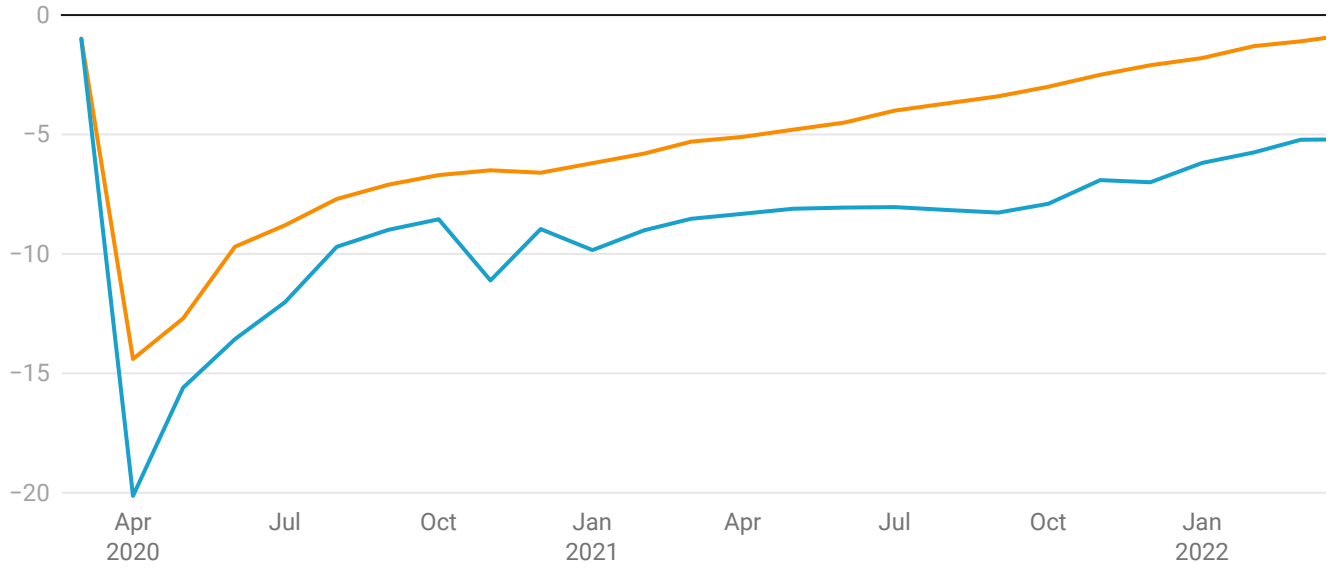
It extended the growth streak for the local job market to five months – a welcome change after hiring essentially stalled out last year from early spring to early fall.

"We're just plodding along," said Timothy Glass, the Labor Department's regional

economist in Buffalo. "Since the beginning of the year, it's been this slow, month-after-month increase."

The lagging jobs recovery still has a long way to go

The Buffalo Niagara region has roughly 28,000 fewer jobs than it did before the pandemic began



Jobs, in thousands, seasonally adjusted

Source: State Labor Department; U.S. Bureau of Labor Statistics • Created with Datawrapper

In this case, plodding is good. It means the spike in inflation hasn't convinced businesses to stop hiring – at least not yet.

Unemployment is low – 3.8% in April – and there are more job openings across the state than there are workers to fill them. Federal employment data shows that there are about three job openings for every two people looking for work.

That tight labor market initially may work in our favor, even if the economy slows, as most economists think it will.

With workers hard to find, businesses may initially respond by hiring fewer workers, rather than cutting jobs outright and losing employees who were so difficult to find in the first place, Golebiewski said.

"The initial impact of an economic slowdown is going to be in a slowdown in hiring, as opposed to layoffs," she said.

Weekly jobless claims are near their post-pandemic low

With unemployment at 3.8%, few workers are losing their jobs

Figures are the four-week moving average

Source: State Labor Department • Created with Datawrapper

A pair of reports this week by the Federal Reserve Bank of New York bear that out.

Businesses are getting wary, the reports showed. Optimism among New York manufacturers about how business will be six months from now has dropped for three straight months, according to a survey by the Federal Reserve Bank of New York.

But they still expect to be hiring, even though their expectations over the general business conditions they'll be facing six months from now are becoming steadily less optimistic. In June, 1 in 4 of the manufacturers surveyed thought business would be worse in six months. In May, it was 1 in 5.

"Optimism about future conditions was subdued," Fed economists wrote in their monthly report on the Empire State Manufacturing Survey.

The Fed economists found the same thing when they surveyed CEOs in the service sector. They think business is worse than normal for this time of year, and they aren't expecting improvement over the next six months. While they're wary of

rising prices, they still see wages and hiring remaining robust.

May is traditionally a busy month for hiring, as college and high school students take on seasonal summer jobs. This year, with the Covid-19 pandemic becoming less worrisome to many consumers, hiring surged at local restaurants and other dining establishments, where there are now about 21% more jobs than a year ago. That's an extra 8,100 jobs.

How the job market has changed

Change in jobs, by sector, since May 2019

Total

Total	−4.9%
Private	−3.5%
Manufacturing	−1.5%
Trade	−3.2%
Construction	−2.7%
Professional and business services	−5.9%
Financial activities	−4.9%
Education and health services	−4.9%
Health care and social assistance	−5.8%
Leisure and hospitality	−4.9%
Government	−6.8%

Manufacturing has been a strong point for the local job market. Local factories have added about 2,000 jobs over the past year, and now are within 1.5% of their pre-pandemic level. Construction, which had been the only fully recovered part of the job market, took a step back in May and was down almost 3% from its pre-pandemic level after hiring stagnated last month.

The biggest constraint on the local job market is the shortage of workers. The region is down about 24,000 workers since the pandemic began – for reasons that range from early retirements and health concerns to a lack of affordable child care and transportation issues, Glass said.

That's a big loss for the job market, with 1 of every 25 people who had been working or looking for a job before the pandemic now on the sidelines. And it explains why companies are having such a hard time filling their job openings.

"The labor shortage is kind of unique," Glass said. "People are still out and they have not fully come back to the labor force."

Inflation could help bring some sidelined workers back into the labor force, especially those who retired last year only to see the value of their 401(k) accounts plunge with the stock market, and inflation cut into the purchasing power of their fixed incomes.

There are signs nationally that that's already happening. We don't have local numbers to see what the trend is like here, but across the country, 3.4% of the workers who said they were retired a year ago now say they are back at work, according to an analysis of federal employment data by economists at employment site **Indeed.com**. A year ago, only about 2% of workers were "unretiring."

"The one positive to inflation is it will force more people off the sidelines to start looking for jobs," Glass said.

By David Robinson

Deputy Business Editor

I'm the News' deputy business editor. I grew up in New Hampshire, went to Syracuse University and started working at The News in 1985.