

Who's Really Working the Most as Services Sector Expands, Employment and Hourly Wages Rise?



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Gene Marks:

Hey, everybody, this is Gene Marks and welcome to this week's episode of Paychex the Week in Review, a THRIVE Podcast. Thank you so much for joining me, and let's get right to the news.

A couple of big things on the economy from last week that was reported by the Institute of Supply Management. That is an association basically made up of a group of purchasing managers that does very in-depth studies of both the services and the manufacturing sectors. It's closely watched by a lot of economists, and I watch it myself.

So, there is, you know, good news and not so great news. The good news first has to do with the services industry: The economic activity in the services sector expanded in March for the third consecutive month, which is really great news for those that are in those you know, type of industries.

The services includes any types of business services, consumer services, contracting, home services, you know, anything that involves, you know, non-manufacturing. They saw an increase in activity and new orders. One, you know, caveat, though: The economist who did this report for the DSM says that there had been a pullback in the rate of growth for the services sector, mainly due to a cooling off in the new orders growth rate, an employment environment that varies by industry, and continued improvements in capacity and logistics.

But, that's a good thing for supplier performance. The majority of respondents are in the service industry for this survey reported a positive outlook on business conditions. So, if you're in the services industry, that's good news for the economy.

Now, the bad news and the bad news comes from the ISM's report on manufacturing. The economic activity in the manufacturing sector contracted in March for the fifth consecutive month after going through a 28-month period of growth unfortunately.

However, of the six biggest manufacturing industries that are out there, both petroleum and coal products and machinery did register some growth. But, overall, new orders remain sluggish. You know, people became more concerned about when manufacturing growth will resume. Supply chains are now ready for

growth. And, you know, a lot of the people that responded to the survey said that they're seeing reduced lead times for their most important purchases, but there is still plenty of price instability and future demand is uncertain as companies continue to work down overdue deliveries and backlogs.

So, I think what we're seeing a lot in the manufacturing world is a lot of inventories that have been built up, a lot of buying in advance, people working off their orders and, you know, some uncertainty about future orders in 2023.

So, you know, service industry going very strong. Manufacturers right now are sputtering. We want to keep an eye on both those industries. Again, the Institute of Supply Management publishes great reports on this every single month.

Now, let's turn to labor. Our friends at Paychex have released their monthly Small Business Employment Watch reports, and they reported that small business employment has grown consistently during the last quarter of 2023. The Small Business Jobs Index, which measures employment growth, increased modestly from the previous month.

The March report also showed average hourly earnings increasing slightly from the previous month, to 4.64%. Going around the country, the south part of the country led regions for the 12th consecutive month and is the only region with an index above 100. That's sort of like the growth standard. Still, the South did report its first decrease in growth since September of 2022. The industries that are hiring the most, leisure and hospitality. They led both in jobs growth and hourly earnings growth. If you're in the leisure and hospitality industry, on average, their earnings have increased — hourly earnings — almost 6% over the past year.

So, still a good payroll and labor picture that's out there. Unemployment, the government just released those numbers last week, as well, are still at historic lows. The Paychex data also showing strong growth in most areas and wage growth, as well. So, that is very, very good news. It doesn't make it easier for us to find employees, of course, but it is a good news when people are out there working.

And speaking of working, a couple other bits of news this week that I found of interest. Number one has to do with older employees. The Wall Street Journal had a great report last week talking about how older employees are very much in demand. One business owner that was interviewed said that he had grown weary of younger employees who he says, and I'm quoting the Journal article, he says that they arrive late for shifts and call out of work often and spend more time scrolling social media feeds than chatting with customers.

"You know, the learning curve is a bit longer," he says about older employees, "but once they get it, God, it's refreshing. "I say, 'This is what we're doing today and it gets done. Their shift starts at 9 and they're here at 8:50. It's their work ethic.' " Now, I don't know if you agree with that or not.

You know, it's ... Listen, everyone has been complaining. Every generation complains about the younger generation after them, right? I mean, that's that's part of being human. I know lots and lots of younger generation people, Millennials and Gen Xers, Gen Zers that are very, very hard workers. I mean, I personally know them because my kids are that age and I know their friends. So, you can't generalize about an entire population or a generation working less.

Sometimes I do take it with a grain of salt as to whether or not older, you know, older employers, employees are that much better. Sometimes we might have a bit of a chip on your shoulder, being older ourselves, thinking that our generation works more than younger generations.

The takeaway is this If you're doing a good job by providing a good work atmosphere, good work culture, good benefits, as well, good work life balance and flexibility. I truly believe that younger generations of workers, on average, work just as hard as anybody else. So, I'm not quite sure I'm buying into the Wall Street Journal's article that older workers are that much better or harder working. But you know what? That's something we can debate at a later stage.

And finally, a new report from the Brookings Institution — it's a paper on economic activity — has found something interesting. They said that Americans are working fewer hours weekly versus before the pandemic. The research shows that the average U.S. workweek has dropped by half an hour over the past three years, from 37½ hours a week to 36.9 hours per week. The drop in the average workweek coincides with a drop in overall labor force participation. The overall labor force participation drop from 63.3% before COVID to 62.5%.

A professor that was quoted in the report noted that the three major groups reduce their hours; these are high earners, educated young men and workaholics. Young men and high earners lower the weekly hours by an average of 1½ hours a week, with so-called workaholics by 3 hours a week.

So, Americans are working a little bit less. The question is, will that continue, and will that trend be something that's more permanent than anything else? Working from home, having more flexibility, having more paid time off from vacation hours certainly is having its impact on the American workforce. Will that make us less competitive? I'm not so sure about that. I think there's a lot of technologies we can invest in. I think there's a lot of ways that businesses are getting their work done and getting goods out the door, getting those services performed. Maybe we don't have to work as many hours as we were doing before if we work smartly and invest in the right type of technologies to help us be productive.

So, am I concerned about working less? Actually, I think that's a good sign. People always compares to the Europeans and say how much that, you know, the Europeans work less than Americans, and my point is, I think they figured it out more than we Americans. We should be working less as long as we're getting the same job done and enjoying our lives more.

So, hopefully that is a trend and continues on in the right direction. I'd like to see us working less as long as we're still getting the work done.

My name is Gene Marks and you of listening to Paychex's Week in Review Podcast, the THRIVE podcast. If you've enjoyed this and would like to suggest guests for our Paychex THRIVE podcast, please visit us at payx.me/thrivetopics.

Hopefully, you've got some good information here and I will be back with you next week with whatever news happens during this current week, so I can give you my take on it to help you run your business better. All of this impacts how we run our businesses and we all want to make sure we're looking ahead and doing the right things.

Thanks again for joining me. I'll talk to you next week. See you.

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