CPA Practice Advisor

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Don Lee, The Los Angeles Times (via TNS).

WASHINGTON — With the economy slowing, the post-pandemic surge is over for Wisconsin restaurant owner Patrick DePula and his four pizza and pasta places.

Last year he sold some 50 orders of his popular Father's Day special — a fat tomahawk rib-eye steak with all the trimmings. This year: only seven. And sales overall at three of his restaurants are down about 10% from a year ago.

"I'm pretty sure there's a recession coming," said DePula, 49, who has already begun preparing for tough economic times. Expansion plans are on ice. He reduced operating hours at his downtown Madison outlet. Value meals are featured on the

do they dare let go of the workers they've fought so hard to attract — especially if a recession turns out to be relatively mild, as many economists expect?

For DePula, the answer is no. In fact he's thinking about beefing up employee benefits to attract more workers and keep the ones he has.

"We'll just have even smaller margins to keep quality people employed," he says.

Nationwide, as inflation erodes profits and many companies have stockpiles of unsold goods, what usually follows is a cutback in staffing.

It's a tried-and-true recipe for companies wanting to boost short-term profits and keep shareholders happy during a downturn. Businesses often seized such moments to reorganize and get leaner, figuring they could turn to temp agencies and contract workers if they got in a jam.

But current conditions suggest things could be different this time.

By some measures, the labor market has never been tighter, with more job vacancies than ever and still nearly two openings for every unemployed worker. The U.S. unemployment rate was 3.6% in May.

COVID-19 and its accompanying lockdowns triggered massive layoffs. Although many of the cuts were meant to be temporary, a lot of good workers didn't return to the same employers or even to work at all. Millions stayed home because of health concerns, retired earlier than planned, or quit jobs as they sought better pay and more desirable working conditions.

Even as businesses have bumped up wages, workers have been slow to reenter the job market, some relying on federal stimulus and enhanced unemployment checks to keep them going. Employers today still complain about people “ghosting” them by

Still, layoffs remain at historically low levels, and the lessons learned during the pandemic could prove significant in how fast and aggressively employers cut jobs.

“I do think the pandemic and its aftermath has focused employers on having a sustained relationship with people who know the business and can keep them going,” said Erica Groshen, the former Bureau of Labor Statistics commissioner who’s now affiliated with Cornell University and the Upjohn Institute for Employment Research.

She said more employers may opt for temporary work furloughs, rather than the permanent layoffs that have been more common since the 1980s.

At the very least, said Harry Holzer, a labor expert at Georgetown University, “They might be slower to bring down the ax.”

Early last month Woodland Hills-based Silgan Containers said it planned to make temporary layoffs this summer at its Riverbank plant in the Modesto area. The facility, which makes cans for the food industry and employs 164 people, had produced nonstop earlier in the pandemic to meet heavy demand, but is now sitting on a large stockpile of containers, said Kevin Waid, the plant’s chief union steward.

Temporary layoffs aren’t unusual for Silgan in Riverbank, but Waid, a nine-year veteran at the plant, said he had never heard managers stress so much how they didn’t want to lose employees during the furlough.

“The whole COVID thing made it new,” he said, noting that despite some hefty pay increases, turnover has been rampant during the pandemic. Seniority, he said, is now measured in weeks and days, not years.

“The last couple of years has been something else,” said Waid, 38.

The company, which filed a layoff notice with the state as required under the WARN

On one hand, employers may be reluctant to let such workers go, even on a temporary basis, because many more companies today offer remote jobs, making it easier for people to find new work.

But it could prove to be the opposite: A world of telework may mean a weaker employer-employee attachment, which could make layoffs and separations easier, not to mention prompt companies to use more on-demand independent contractors, said Susan Houseman, an economist and research director at the Upjohn Institute.

Similarly, Houseman said, it's not clear how many employers will try to avoid layoffs by turning to work-sharing, an arrangement popular in Europe and tried by many more U.S. businesses during the pandemic. The program allows employers to keep staff by cutting employees' work hours across the board and then having their reduced pay covered at least partly by state unemployment benefits.

"I frankly hope they think twice about layoffs," said Mary Kay Henry, president of the Service Employees International Union. In retail, hospitality and other industries, she said, worker shortages are so bad it's spurring increased interest in unions "because there aren't enough staff to perform the work and it's increasingly stressful."

At the end of the day, how companies behave in terms of layoffs will depend on their financial situation and how they assess what's likely to happen. If employers think it'll be a relatively mild recession, they may try to wait it out, not wanting to be caught flatfooted as many were when COVID-19 receded and they didn't have enough help available.

Arnold Kamler, chief executive of the bicycle importer and producer Kent International, says business has slowed markedly after gangbuster sales in 2020 and 2021, when demand surged and there was shortage of bikes.

"A year ago, we could go bowling inside our warehouse," he said, because bikes were

employees," he said.

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