



## News Release

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### **Amid Record Labor Shortages, CED Report Outlines How Business and Government Can Fill the Gaps**

**New York, NY, April 20, 2022...**Well before the pandemic struck, long-term demographic trends were starting to tighten the US labor market. Now—more than two years after COVID-19 dealt a blow to the US economy and workforce participation rates—the labor market continues to further tighten. Employers are struggling to find qualified workers to fill crucial openings, preventing businesses—and the economy as a whole—from reaching full potential.

Today, the Committee for Economic Development, the public policy center of The Conference Board (CED), issued a new Solutions Brief, [The US Labor Shortage: A Plan to Tackle the Challenge](#). As detailed in the report, prior to the start of the pandemic, a series of long-term, troubling demographic trends—including minimal growth in the number of working-age Americans, a diminishing number of working-age adults without a college degree, and historically low US birthrates—formed a perfect storm that left countless businesses struggling to fill staffing vacancies. The report—the latest in a series on Sustaining Capitalism—goes on to note that the pandemic only further constricted the labor supply. Even with the economy reopening and rebounding, labor force participation rates have not returned to their prepandemic levels.

“US companies of various sectors and sizes are struggling to fill jobs, as quits rates in the US are at record-high levels, and so is the average time to fill open positions,” said Dr. Lori Esposito Murray, President of CED. “Businesses and policymakers alike must develop ways to encourage workers to reenter—and remain—in the workforce. A two-tiered approach, aimed at boosting labor participation for workers already in the US and augmenting the workforce through immigration, is the best path forward. Such an approach was needed before the COVID-19 pandemic, and has only become more pressing in the years since.”

#### **Key insights from the Solutions Brief include:**

##### **The US workforce has shrunk due to the country’s demographic trends:**

- The enormous Baby Boomer generation is aging out of the workforce, as the share of Americans aged 65 and over has increased from 12 percent at the turn of the century to 16 percent.
- The working-age population, those 18 to 64, will barely grow—with average annual year-over-year growth projected to be a mere 0.2 percent—through 2030.
- This is caused both by the aging population and a declining national birthrate, which is now lower than at any point in US history.
- Workforce participation has been declining since 2000, when it peaked at 67.1 percent. As of February, it stood at 62.3 percent.
- Net migration has been declining since 2016 because of more restrictive immigration policies. Immigration has the potential to supplement and complement the existing US labor force with additional skills and talent, but the slowdown has limited that effect.

### **The tight labor market stems from a combination of factors:**

- From 2017 to 2019, the US averaged 6.8 million job openings per month, a figure that fell sharply at the onset of the pandemic and then started to steadily rise once vaccines became available.
- The quits rate has more than doubled since 2009, rising from 16.1 percent that year to 32.8 percent in 2021.
- This “Great Resignation” has been attributed to several factors: Workers who were already planning to leave their jobs delayed doing so until they had greater certainty around the pandemic; widespread COVID-related turmoil caused other workers to quit; lockdowns and remote work prompted some Americans to re-evaluate their priorities and opportunities; changes in spending habits, as well as government stimulus payments, gave some Americans the financial flexibility to change jobs; the tight labor market made job-switching profitable for many workers.
- Each major industry group posted a higher job openings rate in the fourth quarter of 2021 than the average in the three years before the pandemic.

### **Key recommendations from the Solutions Brief include:**

In its new Solutions Brief, CED offers two overarching recommendations for addressing the supply of labor, each with multiple action steps for business and government. They include:

#### *Increase and support American workers’ participation, by:*

- **Increasing public-private training:** Private sector leaders should spearhead collaborative regional efforts for employer-driven consortiums with colleges, broad access institutions, other trainers, and public policy leaders to link skill-development with job opportunities.
- **Adopting skills-based hiring practices:** Business leaders should embrace competency-based hiring and promotion models based on skills, rather than degrees.
- **Diversifying talent pools:** Executives can leverage traditionally overlooked sources of talent by sourcing underrepresented, economically vulnerable groups and the long-term unemployed.
- **Reviewing and reforming occupational licensing requirements and reducing regulations:** These regulations often stymie recruiting and hiring, and/or disincentivize workers from entering or remaining in certain occupations.
- **Expanding and increasing the Earned Income Tax Credit:** This will incentivize more people with initially low-income job prospects to enter and remain in the workforce.
- **Expanding workplace flexibility for workers with dependent care responsibilities:** Providing flexible work opportunities will allow employees to care for children or other dependents without damaging their career prospects. Local governments should also prioritize pre-K education opportunities for at-risk children.



- **Supporting older workers who wish to remain in the labor force:** Policymakers should repeal the Social Security retirement earnings test, which reduces benefits for recipients who wish to continue working and earn above a certain threshold before full retirement age.
- **Creating incentives for the unemployed, underemployed, and nonlabor force participants to upgrade their skills:** This can be done by expanding the use of Pell Grants for credentialing programs, requiring colleges to submit data to allow for the calculation of postgraduate career outcomes, and providing unemployment benefit tax relief for skill development to recipients without four-year degrees.
- **Expanding learn-and-earn apprenticeships:** This should be done for both for students and workers at all stages of their careers.

*Reform immigration to supplement and support the US labor force, by:*

- **Improving the H-1B visa program:** The program can be improved by allocating H1-B visas more frequently; limiting petitioning for them to within a few months of the employee’s planned start date; speeding up the adjudication of selected applicants; replacing the random lottery with a modified wage-ranking approach; and adjusting annual H-1B limits based on the previous year’s demands.
- **Increasing visa offers of permanent residence for skills needed in the economy:** Leaders should rebalance US immigration priorities toward the national economic interest while protecting existing family reunification visa levels and the diversity lottery by increasing annual permanent immigration inflow levels. They should also channel additional visa offers to immigrants selected for economic reasons and remove limitations based on country-of-origin for employment-based offers of permanent residence.
- **Piloting a “fast-track” entry program for top international recruits:** By targeting a limited number of highly qualified workers into the US, officials can expedite offers of permanent residence.
- **Setting aside an annual allocation of “place-based” employment visas:** Leaders must ensure that more US communities can compete for and benefit from international talent aligned with their specific regional labor market needs by allowing for a designated number of region-specific offers of immigration.

The new Solutions Brief, *The US Labor Shortage: A Plan to Tackle the Challenge*, can be accessed [here](#).

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**About CED**

The Committee for Economic Development (CED) is the public policy center of The Conference Board. The nonprofit, nonpartisan, business-led organization delivers well-researched analysis and reasoned solutions in the nation’s interest. CED Trustees are chief executive officers and key executives of leading US companies who bring their unique experience to address today’s pressing policy issues. Collectively



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