

CED Policy Watch

The US Labor Shortage - Tackling the Challenge

April 21, 2022



Today's Speakers



Rosalin Acosta
Secretary of Labor and
Workforce Development
**Commonwealth of
Massachusetts**



**Tiffany P. Robinson,
Esq.**
Secretary of Labor
**Maryland Department of
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President and Chief Executive
Officer
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Today's Speakers



Jessica R. Nicholson
Senior Economist
**Committee for Economic
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John Gardner
(Moderator)
Vice President, Public Policy
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Some of the critical questions and issues we will be addressing today

- **The pandemic's ongoing mark:**
In what ways has COVID-19 accelerated the trends slowing the growth of the workforce and changed the way employers and policymakers address the challenges?
- **Looking ahead:**
How are long-term demographic trends and immigration policy impacting the US workforce?
- **Increasing participation:**
What are some strategies that business leaders and policy makers can take so American businesses can find the talent they need?
- **Immigration reform:**
Are immigration policy changes needed to help reverse the long-term trends shrinking the US labor force?



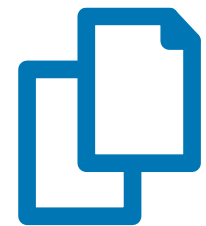
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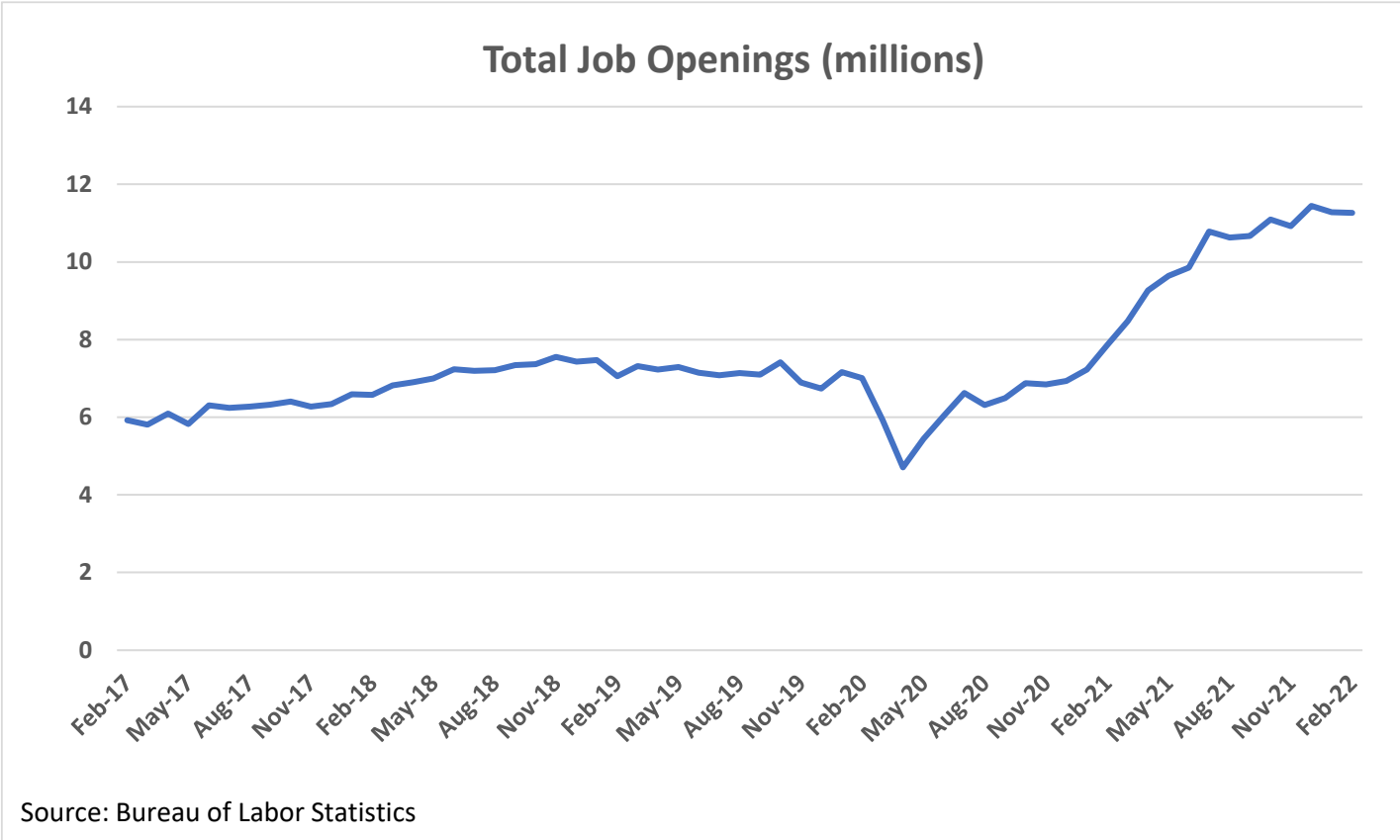


Job openings are at a historical high

Over 11 million openings since October 2021.

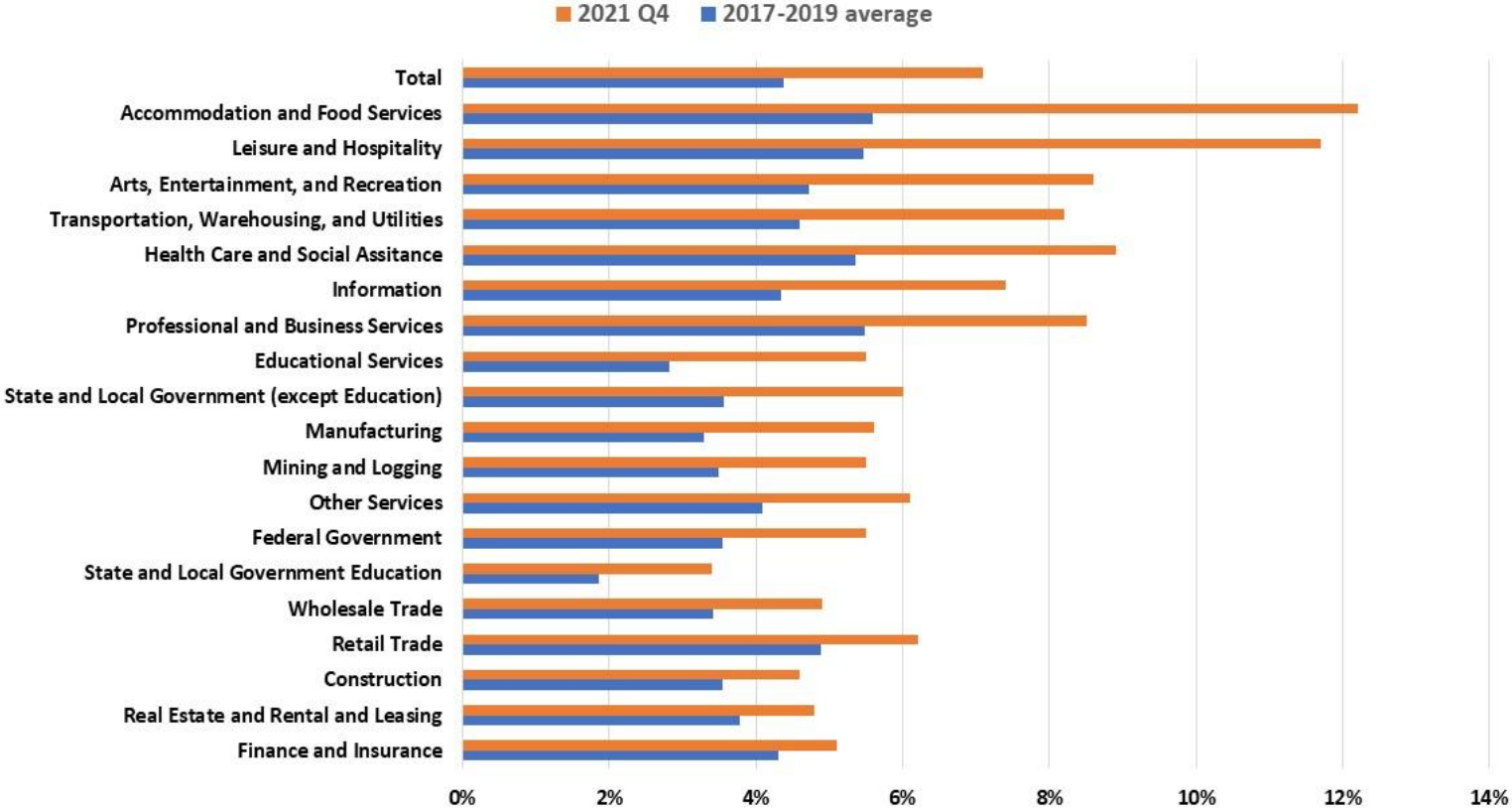
Pre-pandemic openings hovered around 7 million in 2018 and 2019 in what was already being called a “tight” labor market.

Employment is up by over 5 million since June 2021, but job openings have not retreated.



Job openings increased in every major industry across the economy

Job Openings Rate by Industry



Source: Bureau of Labor Statistics

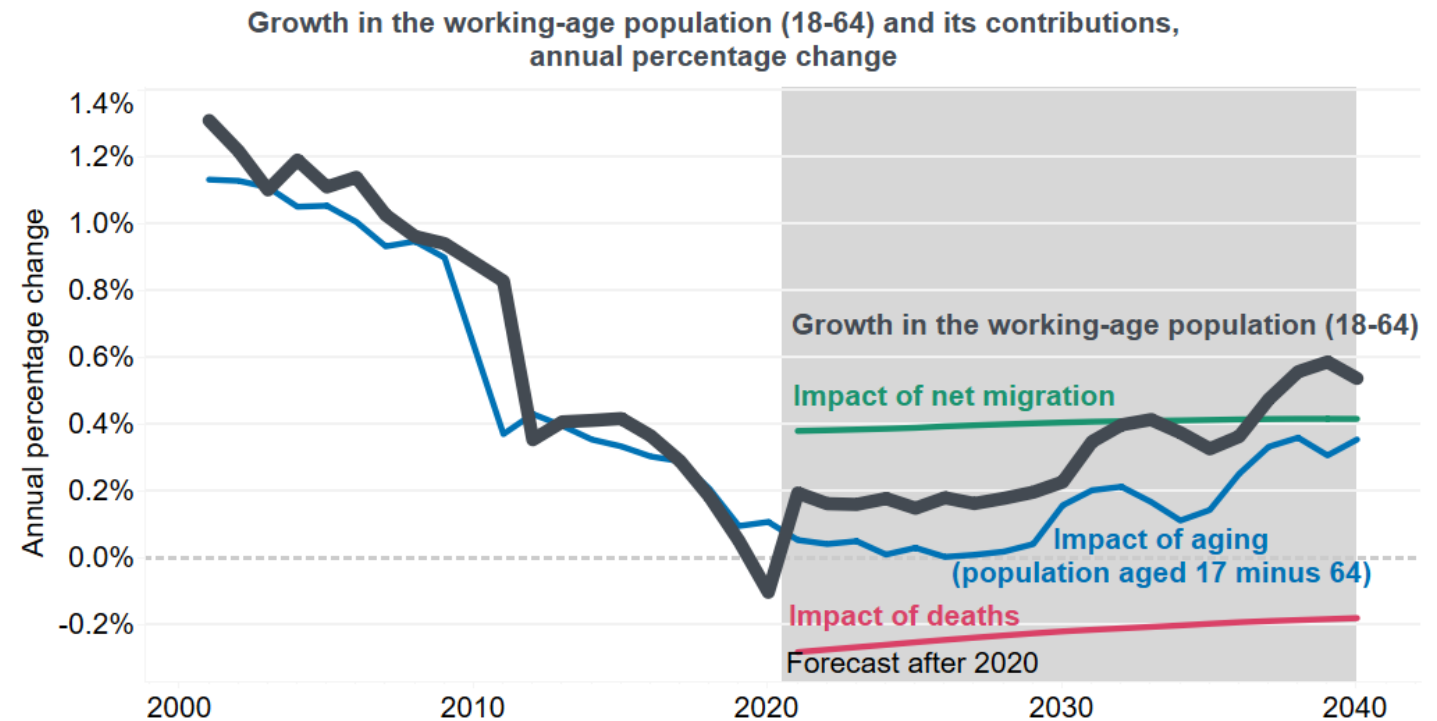


The US working-age population is projected to grow slowly due to aging, limiting the supply of labor.

Year-over-year growth projected to average 0.2% through 2029 with the contribution from the population aging close to zero.

Pandemic impact of deaths and net migration not captured here so the reality may be starker.

An increase in net migration is the only way to grow the working-age population in the short-term.



Note: Actual data is up to 2020; projections were created in 2018 and are not adjusted for changing death and migration rates caused by the pandemic.
US Census Bureau; calculations by The Conference Board

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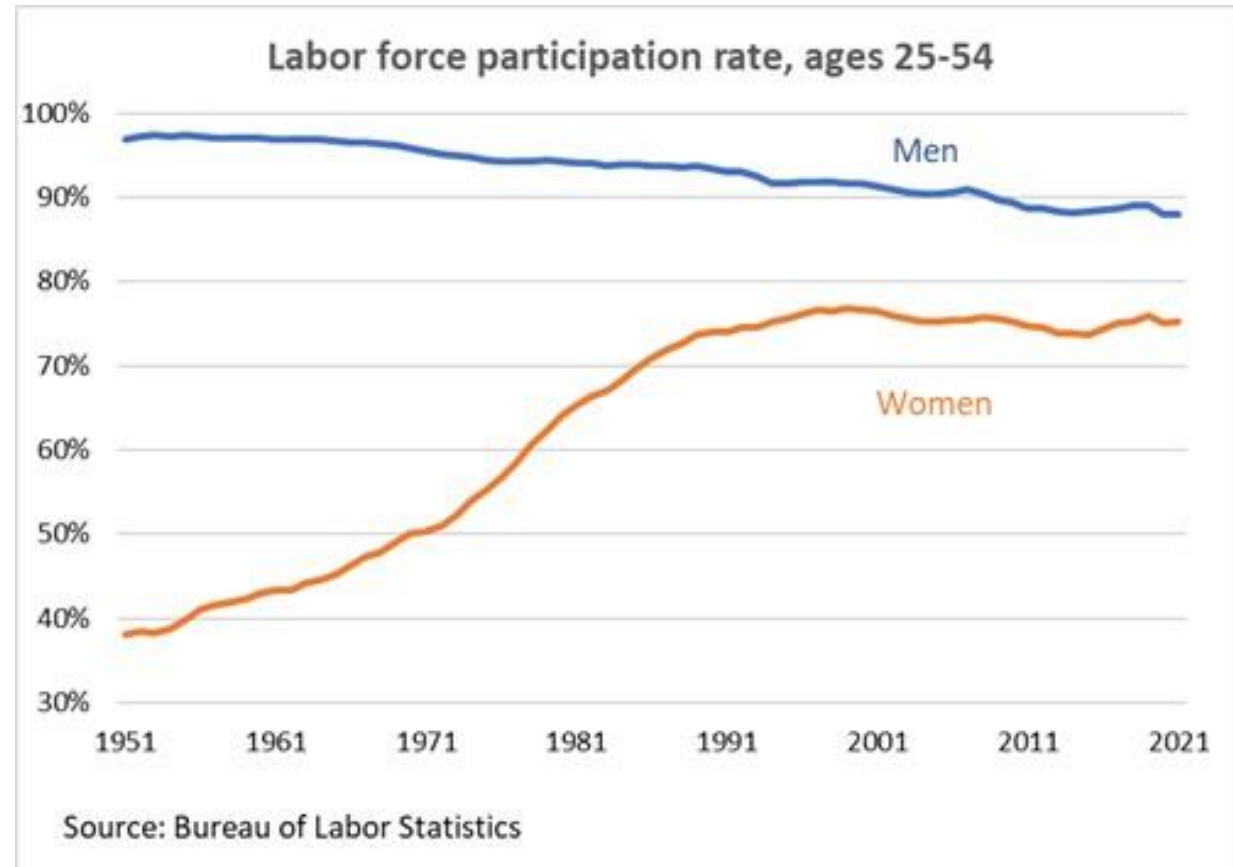


Trends in labor force participation

Overall declines in the long-term. The participation rate for men of prime working age is declining, and women still lag men considerably.

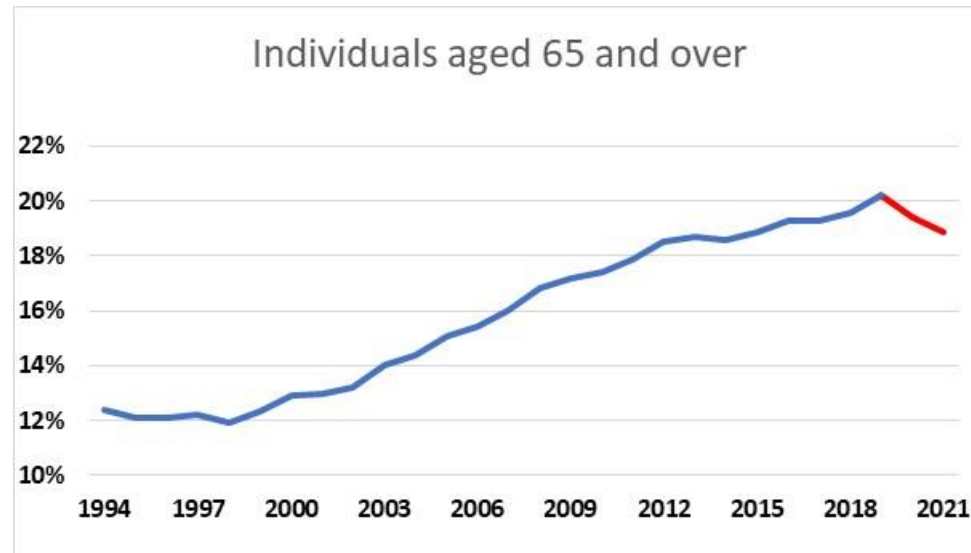
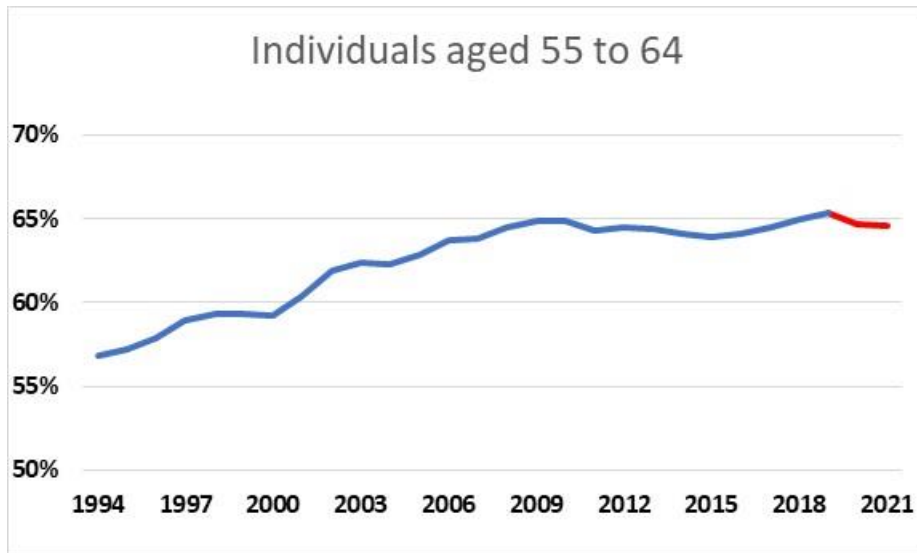
The pandemic caused dips in participation and rates have not fully recovered as of March 2022.

Educational attainment matters. Workers with higher educational attainment participate more and were less impacted by the pandemic.



Older workers have not returned to the labor force since the pandemic began

Labor force participation rate by age group



Source: Bureau of Labor Statistics



Immigration Trends



Net migration has been declining since 2016 as a result of more restrictive policy and, more recently, as a result of the pandemic.



Demand for H-1B temporary specialty worker visas greatly exceeds supply. These visas are commonly used to for sourcing tech talent.



H-2B temporary non-agricultural worker visas are capped at 66,000 per year unless a temporary rule allows for more. Heavy industry users include landscaping & groundskeeping, forestry, amusement and recreation, hospitality (housekeeping and hotel staff), restaurants, construction, and meat and fish processing.



Almost half of all foreign students in US higher ed are in STEM fields. New enrollments overall decreased each year from 2016/2017 through 2020/2021.



Solutions: Increase and support American workers' participation

- Increase public-private provision of training
- Hire based on skills
- Diversify talent pools
- Review and reform occupational licensing requirements and reduce regulation
- Expand and increase the Earned Income Tax Credit (EITC)
- Expand workplace flexibility for workers with dependent care responsibilities
- Support older workers who wish to remain working
- Create incentives for the unemployed, underemployed, and non-labor force participants to upgrade their skills
- Expand learn-and-earn apprenticeships



Solutions: Immigration reform to support the US labor force

- Improve the H-1B visa program
- Increase offers of permanent residence for skills needed in the economy
- Pilot a “fast-track” entry program for top international recruits
- Set aside an annual allocation of “place-based” employment visas to fill regional labor market needs





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The US Labor Shortage
A Plan to Tackle the Challenge

Overview
Demographic and market trends exacerbated by COVID-19's impact on the workforce are converging to worsen labor shortages, presenting important challenges for business and public policy leaders as the nation strives to revitalize its economy and compete in the postpandemic era. Before the pandemic took hold in the US in March 2020, the US labor force was already showing signs of being stretched. The unemployment rate was at or below 4 percent for the previous 24 months.¹ But the rate which captures those who are eligible to work but have not been employed for over 18 months is just above 7 percent and is concentrated in particularly vulnerable segments of the US population. Job openings were averaging over 7 million while the number of unemployed individuals totaled less than 6 million.² Average hourly wages for private sector workers grew at an average annual rate of 3.3 percent in 2019, the fastest rate on record since the annual rate was first reported in 2008.³

Several long-term demographic trends contributed to a tight labor supply even before the pandemic, including meager growth in the number of working-age Americans, the shrinking number of working-age adults without college degrees, and historically low US birth rates, projected to continue beyond 2040.

The pandemic's impact has further constricted the labor supply. While labor force participation data as of March 2022 show that workers are returning to the labor force, employers are still unable to fill available jobs, and another wave of new COVID-19 cases could threaten further improvements. Two years in, as businesses attempt to resume normal operations and Americans adjust to life during a pandemic, labor force participation rates for almost all demographic groups are below prepandemic rates. In the wake of the pandemic, fewer

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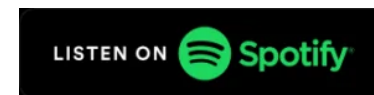




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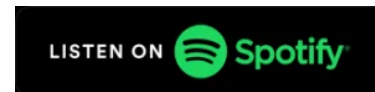


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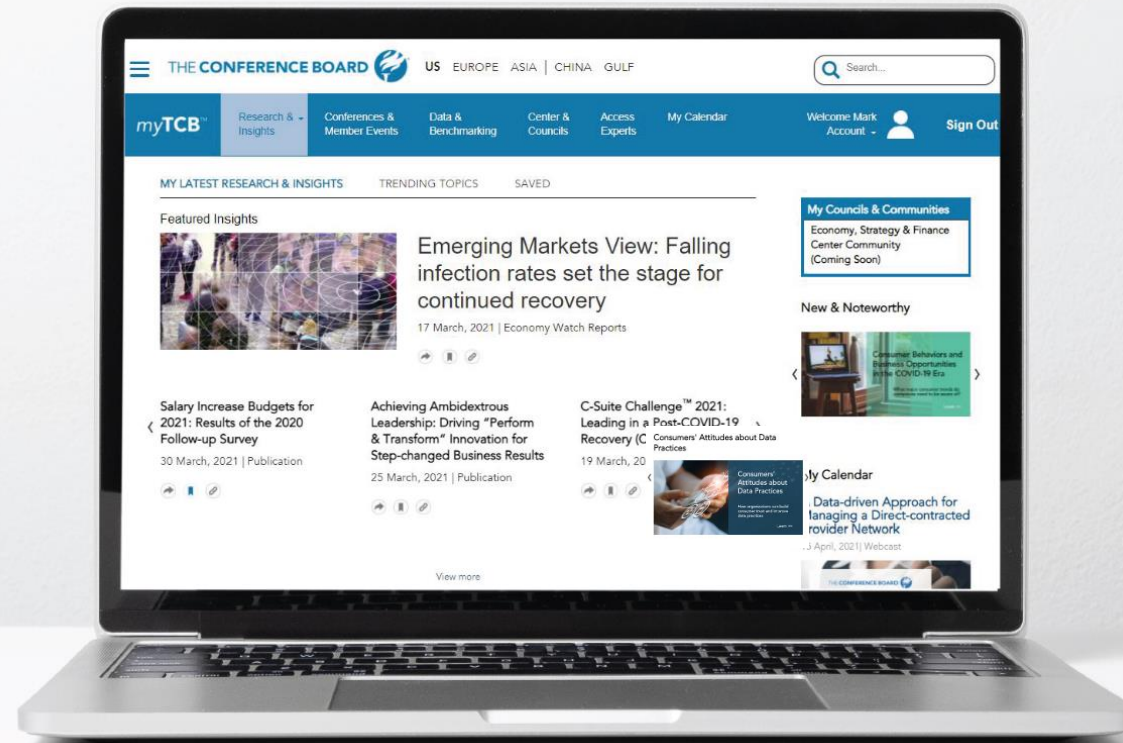
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