

# Labor Markets Watch Update and Outlook

May 18, 2022



# Some of the critical questions and issues we will be answering today

- Is the US at full employment? Is there room for more growth?
- What is the outlook for the US labor market and wages?
- How has the global labor market outlook changed?
- Are we on the verge of a productivity boom?



# Today's Speakers



**Ekkehard Ernst**  
Chief Macroeconomist  
**International Labour  
Organization**



**Dana M Peterson**  
Executive Vice President &  
Chief Economist  
**The Conference Board**



**Agron Nicaaj (Moderator)**  
Associate Economist  
**The Conference Board**

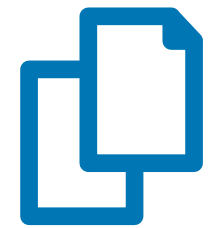
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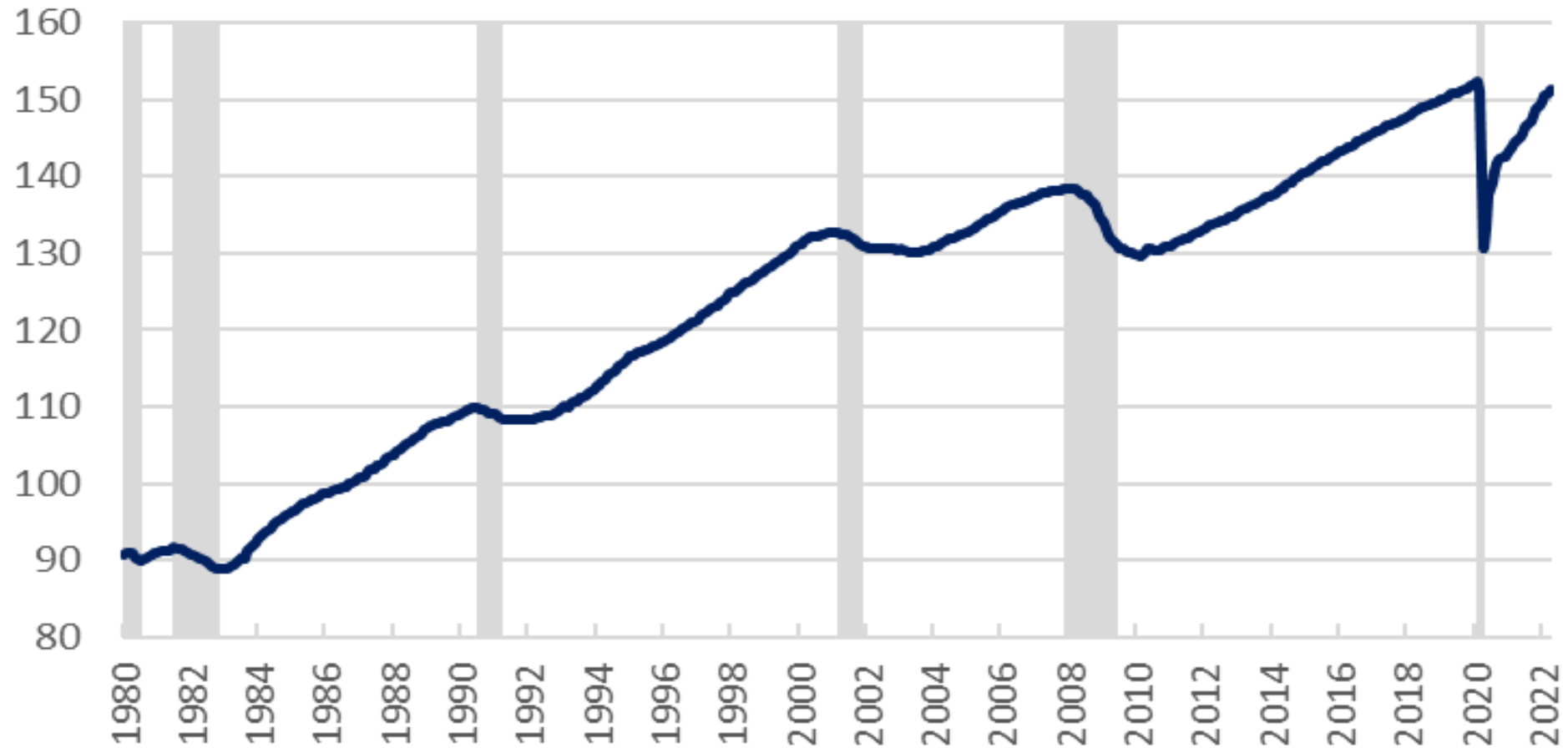
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# The US at Full Employment

# Most Pandemic-Era Jobs Lost Have Been Recouped With Reopening

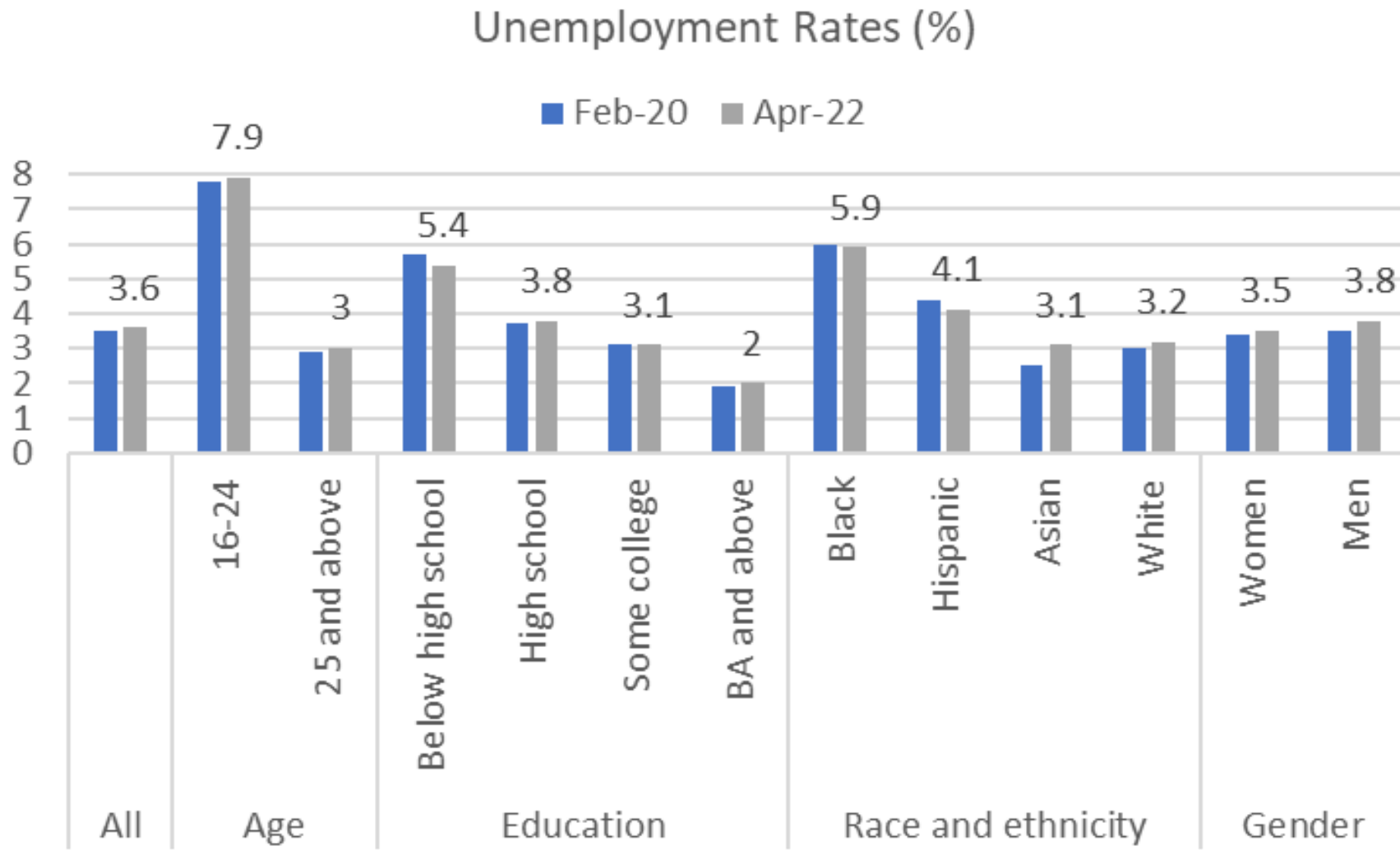
US: Nonfarm Payrolls (Millions of Persons)



Source: US Bureau of Labor Statistics and The Conference Board.



# Most Demographics Are At or Near Pre-Pandemic Jobless Rates

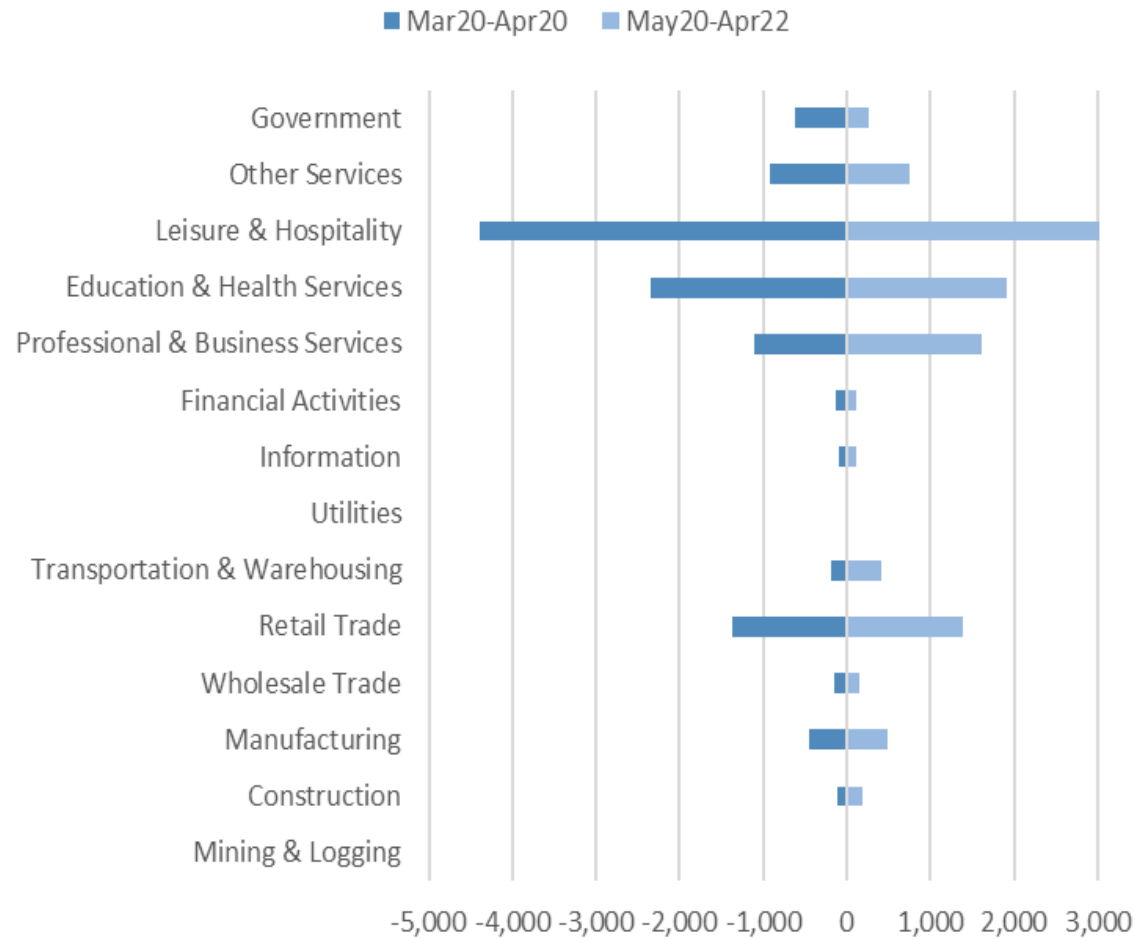


Source: US Bureau of Labor Statistics and The Conference Board.

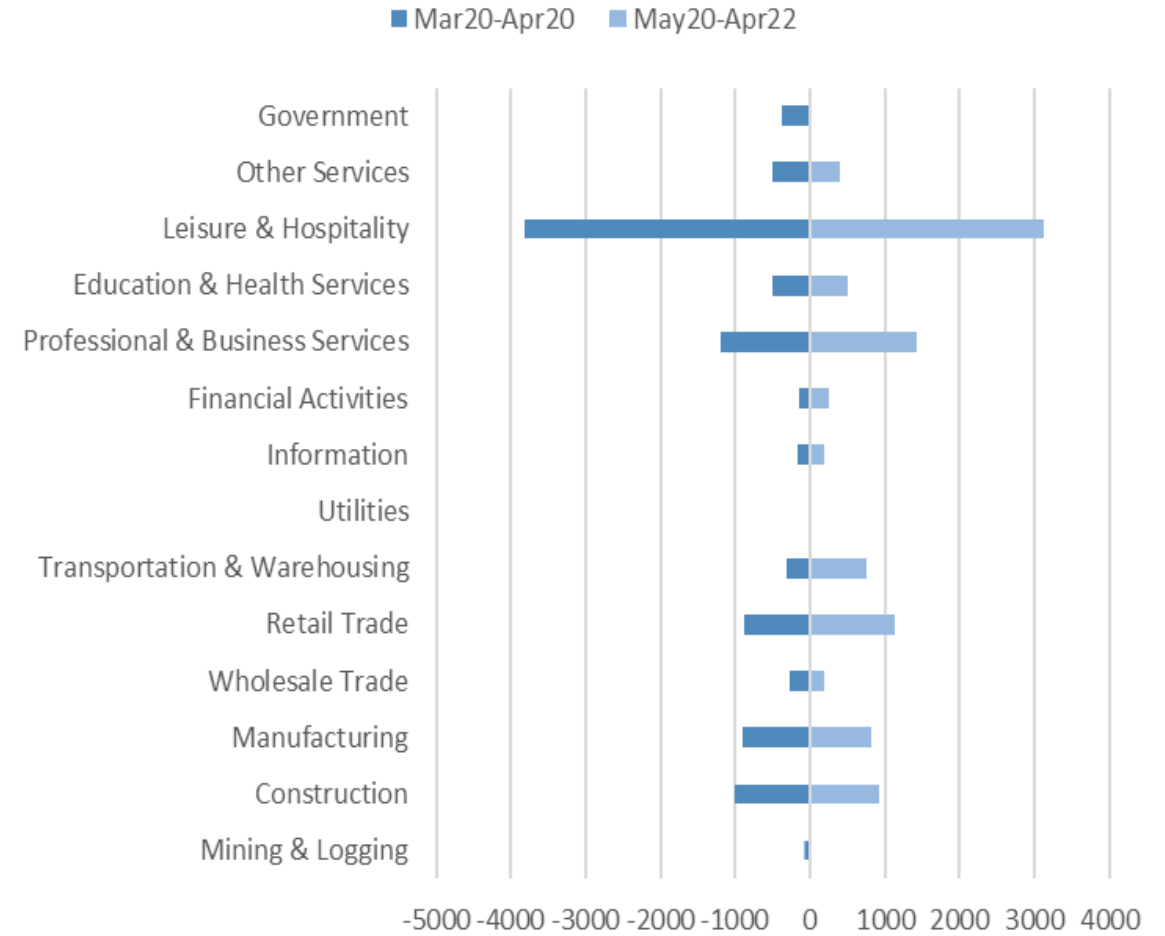


# Not All In-Person Services Sectors Have Fully Recovered

Women: Net Payroll Employment Additions (Thousands)



Men: Net Payroll Employment Additions (Thousands)



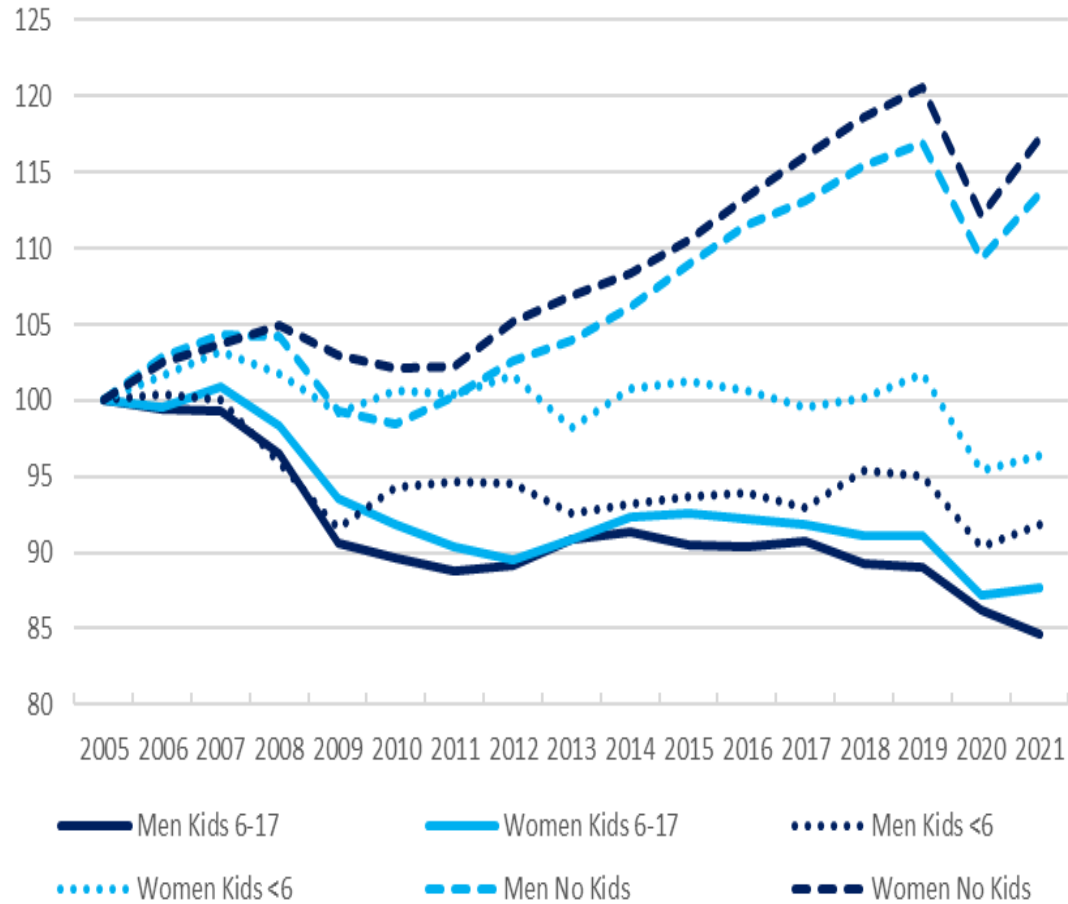
Source: US Bureau of Labor Statistics and The Conference Board.





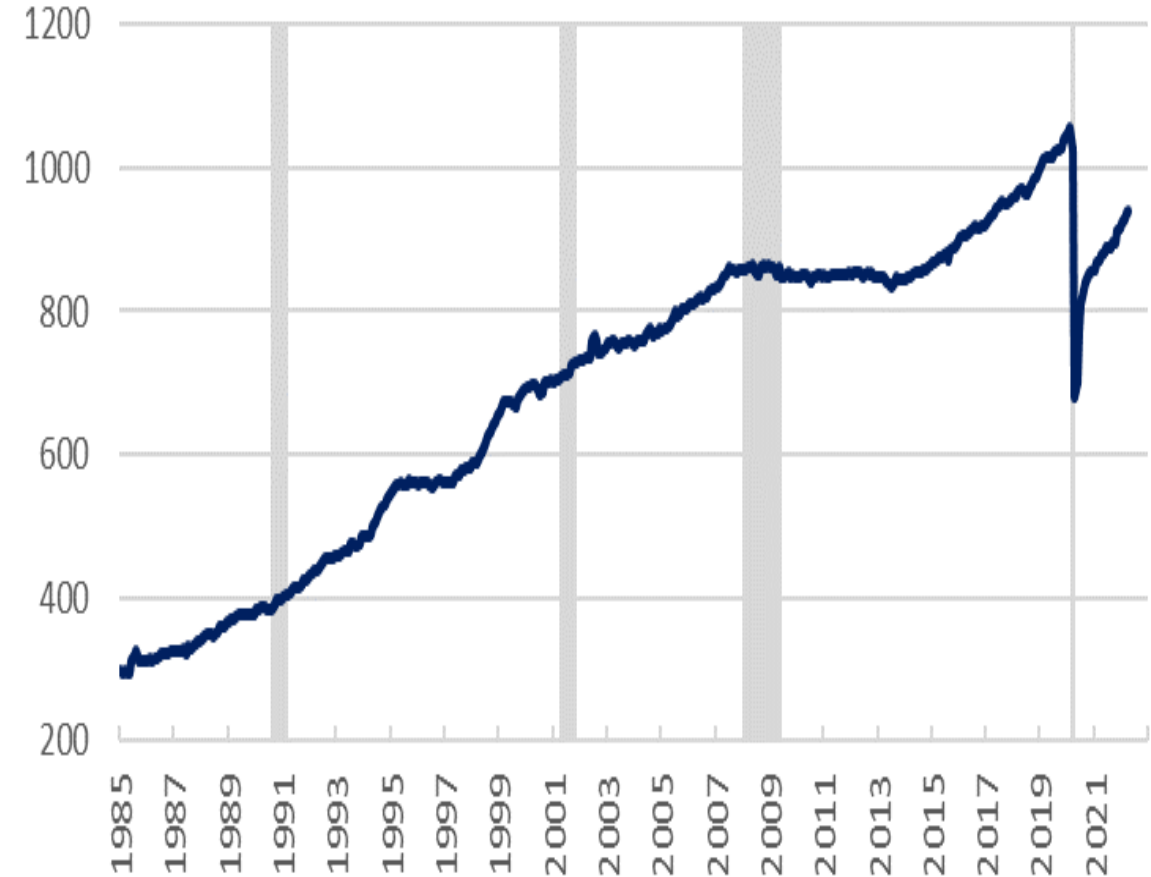
# Parents With Children Are Not Fully Back to Work

US: Employment (2005=100)



Source: US Bureau of Labor Statistics and The Conference Board.

Child Day Care Services Payrolls (Thousands of Workers)

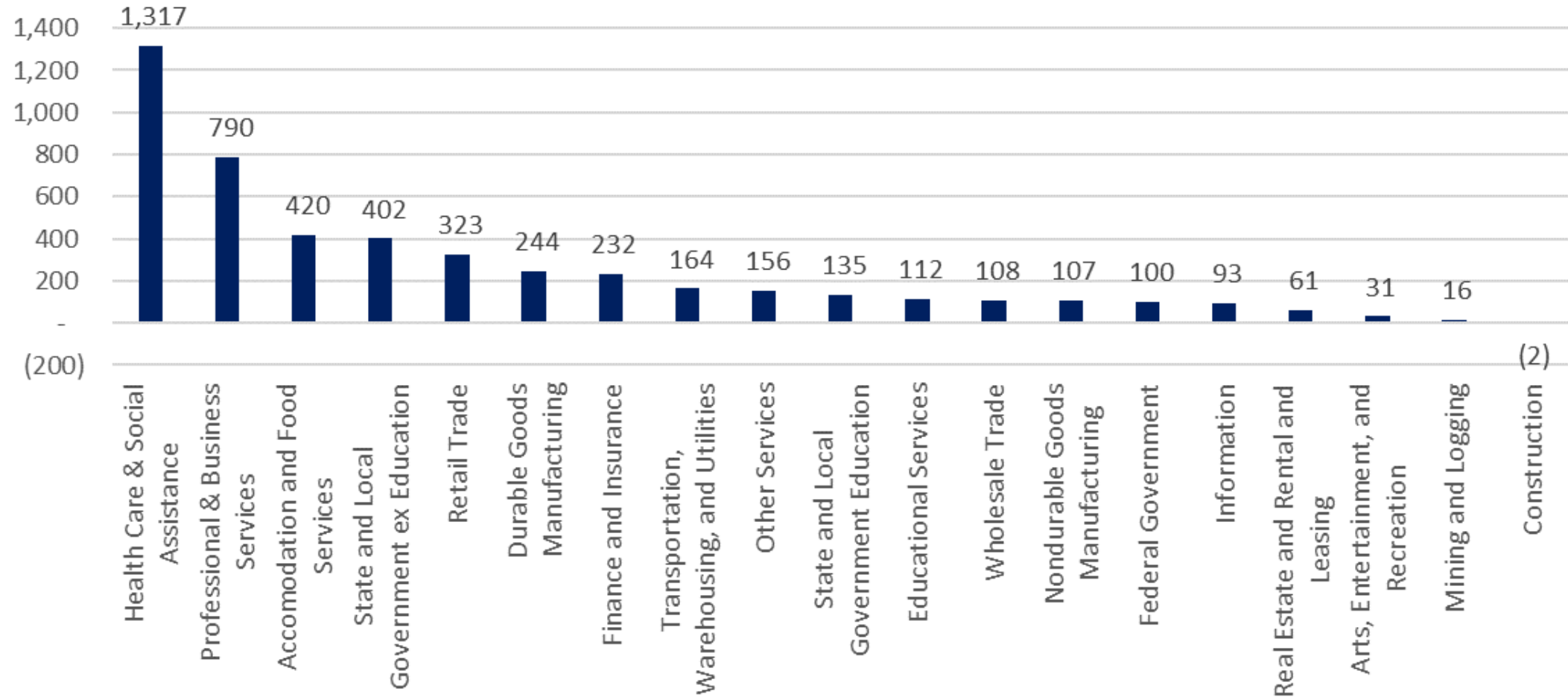


Source: Bureau of Labor Statistics and The Conference Board.



# Labor Shortages Still A Major Issue in the US

US - Gap Between Jobs Open and Hires: March 2022 (Thousands of Openings)



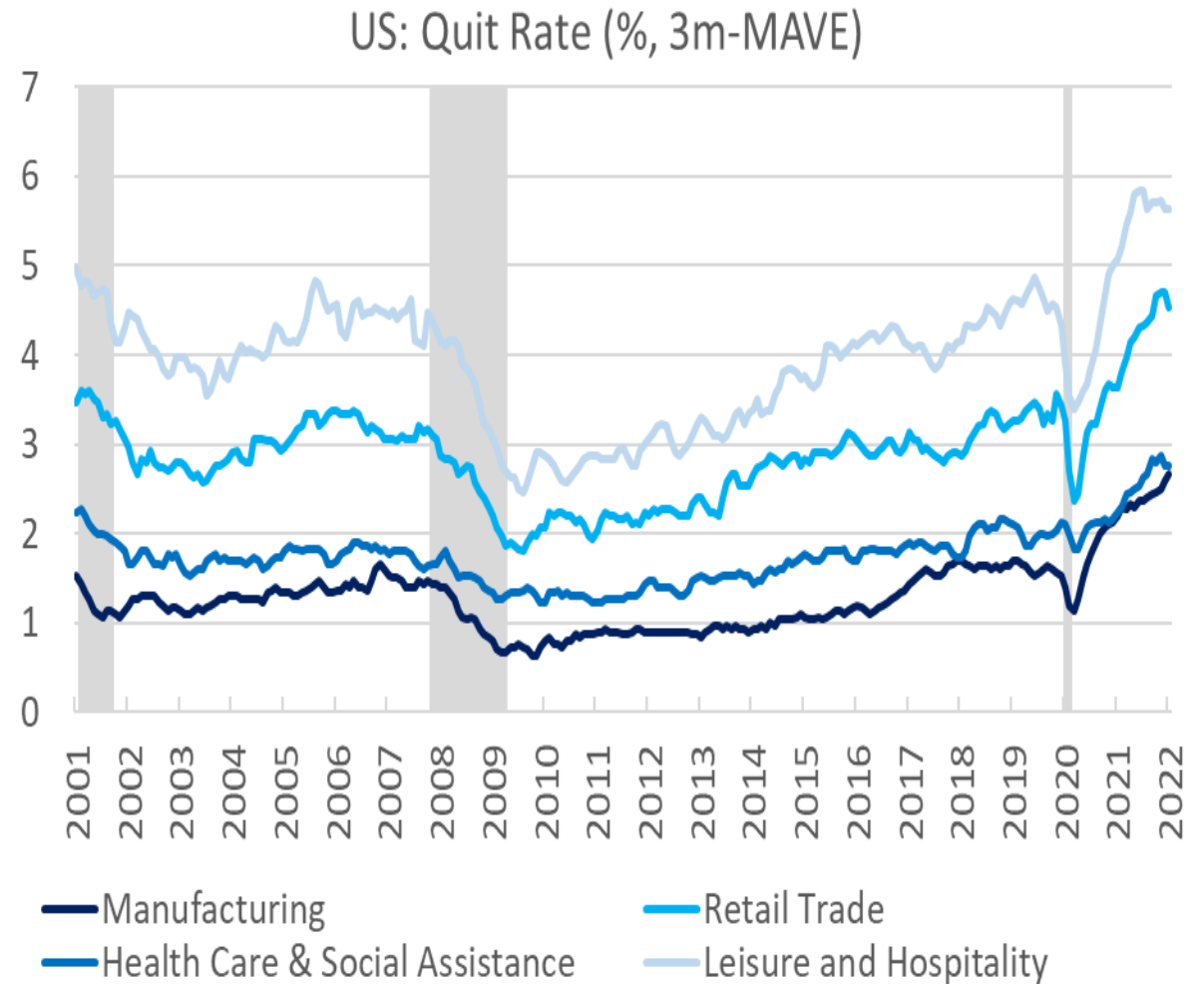
Sources: Bureau of Labor Statistics and The Conference Board.



# What Is Driving Labor Shortages?

- Factors Driving Labor Shortages

- ✓ COVID-19 fear factor
- ✓ Pre-existing conditions
- ✓ Child and adult care challenges
- ✓ Built-up savings
- ✓ Aging populations
- ✓ Retirements
- ✓ Skills mismatches
- ✓ Vaccine mandates
- ✓ Low wages
- ✓ Tight job requirements
- ✓ Travel bans on foreign workers
- ✓ Fewer multiple job holders
- ✓ Past fiscal policies
- ✓ Great Resignation/Great Reset

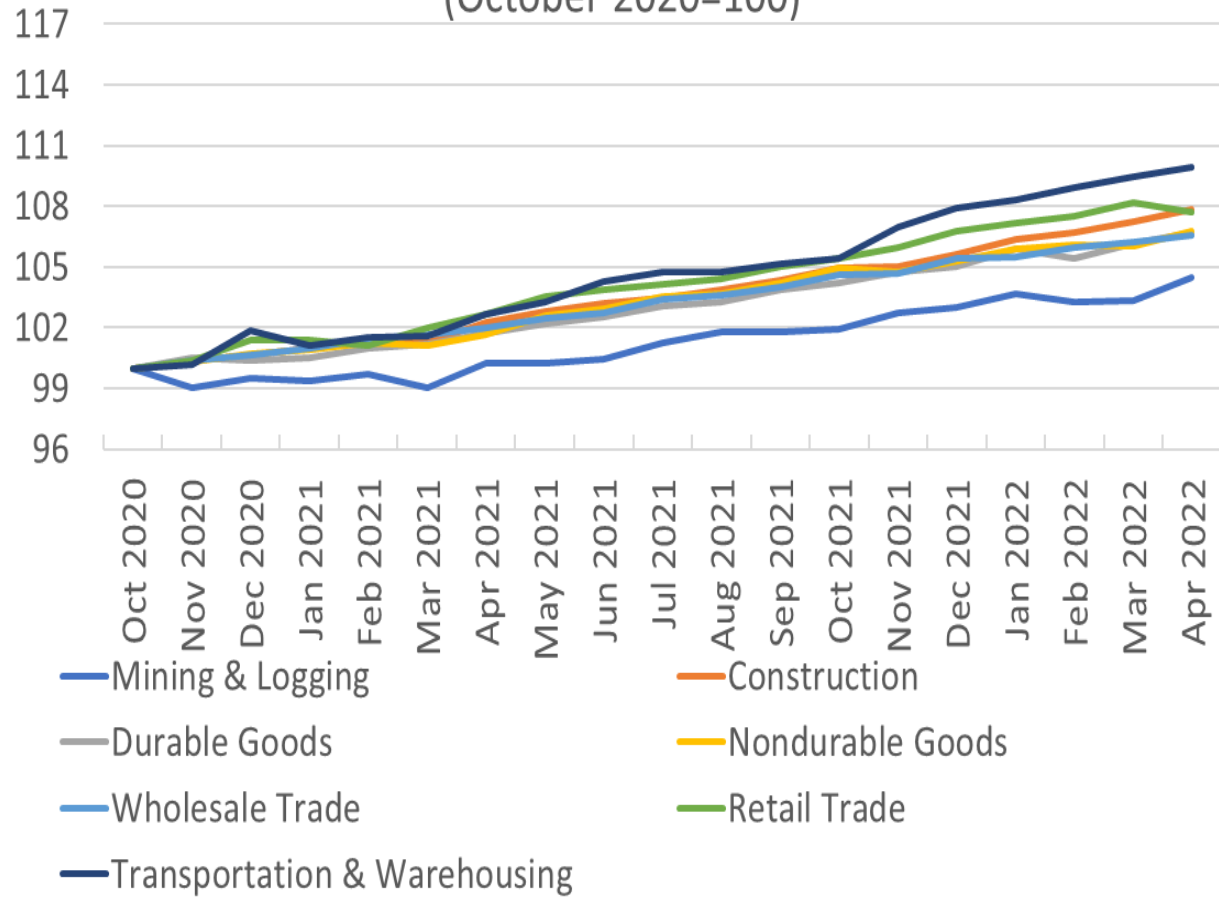


Sources: Bureau of Labor Statistics and The Conference Board.

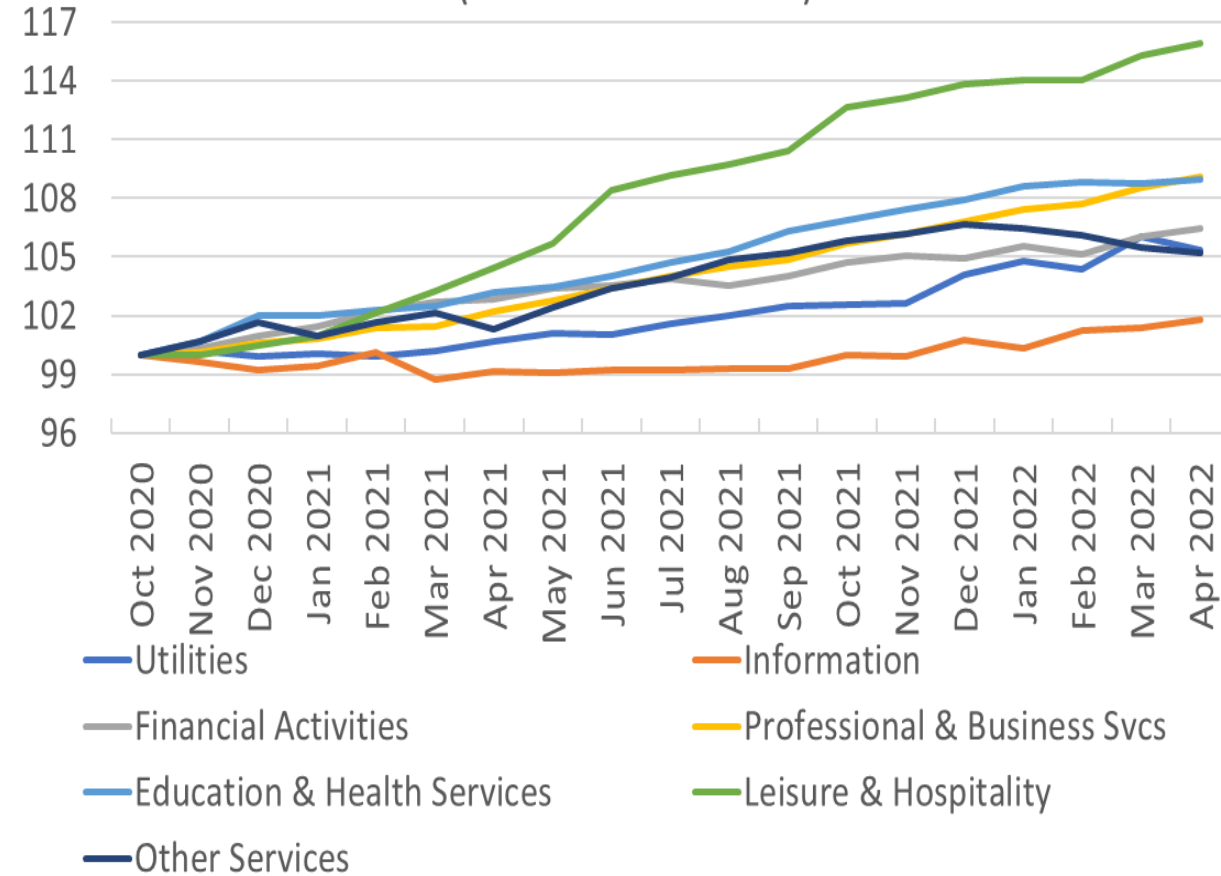


# Wages Rising Rapidly Especially Among In-Person Services Jobs

US: Average Hourly Earnings of All Employees  
(October 2020=100)



US: Average Hourly Earnings of All Employees  
(October 2020=100)



Sources: Bureau of Labor Statistics and The Conference Board.



# Higher Inflation Drivers – Price Spirals

## Various Types of Price Spirals

### Wage-Wage Spiral

- “wages rise because other wages are rising”

### Price-Price Spiral

- “prices rise because other prices are rising”

- *Paul Krugman*

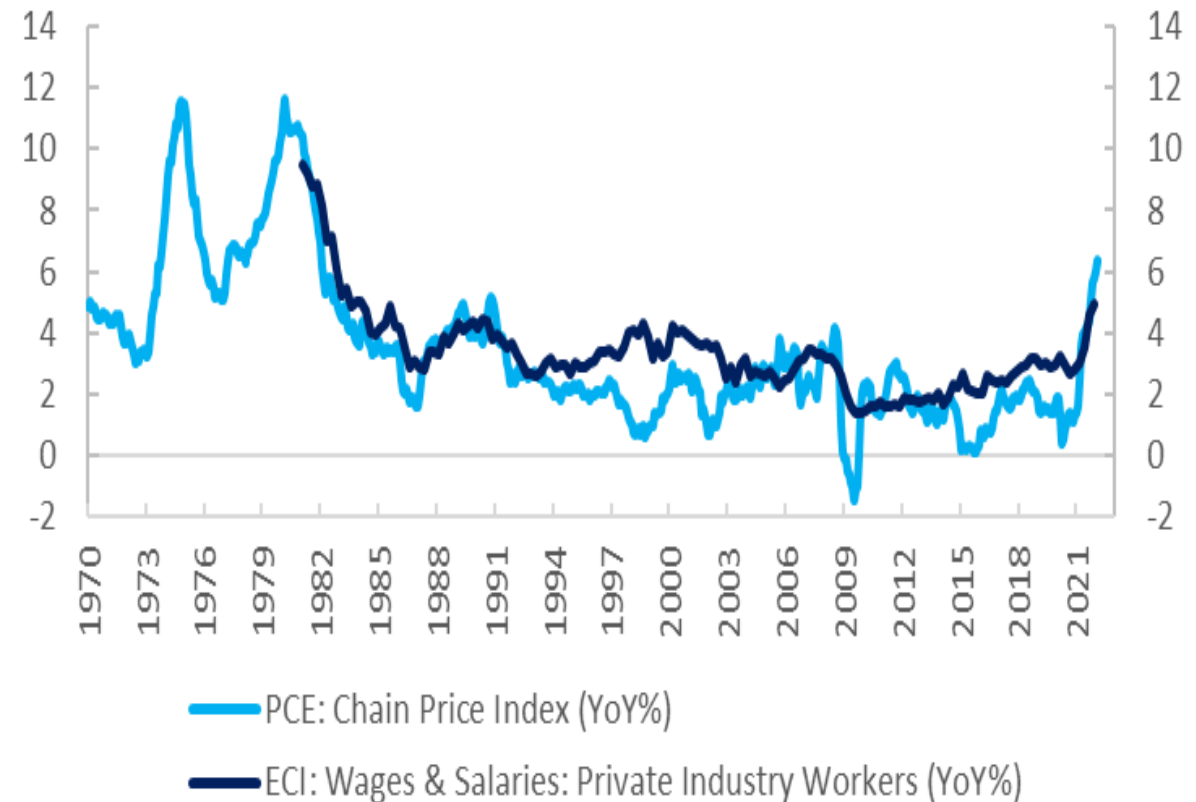
### Wage-Price Spiral

- “workers want to maintain or increase their real wage, and firms want to maintain or increase their markups, and remains so long as either the initial trigger disappears or one side gives up”

- *Olivier Blanchard*

## Is the US in a Wage-Price Spiral?

Wage vs. Consumer Price (Year-on-Year Percent Changes)

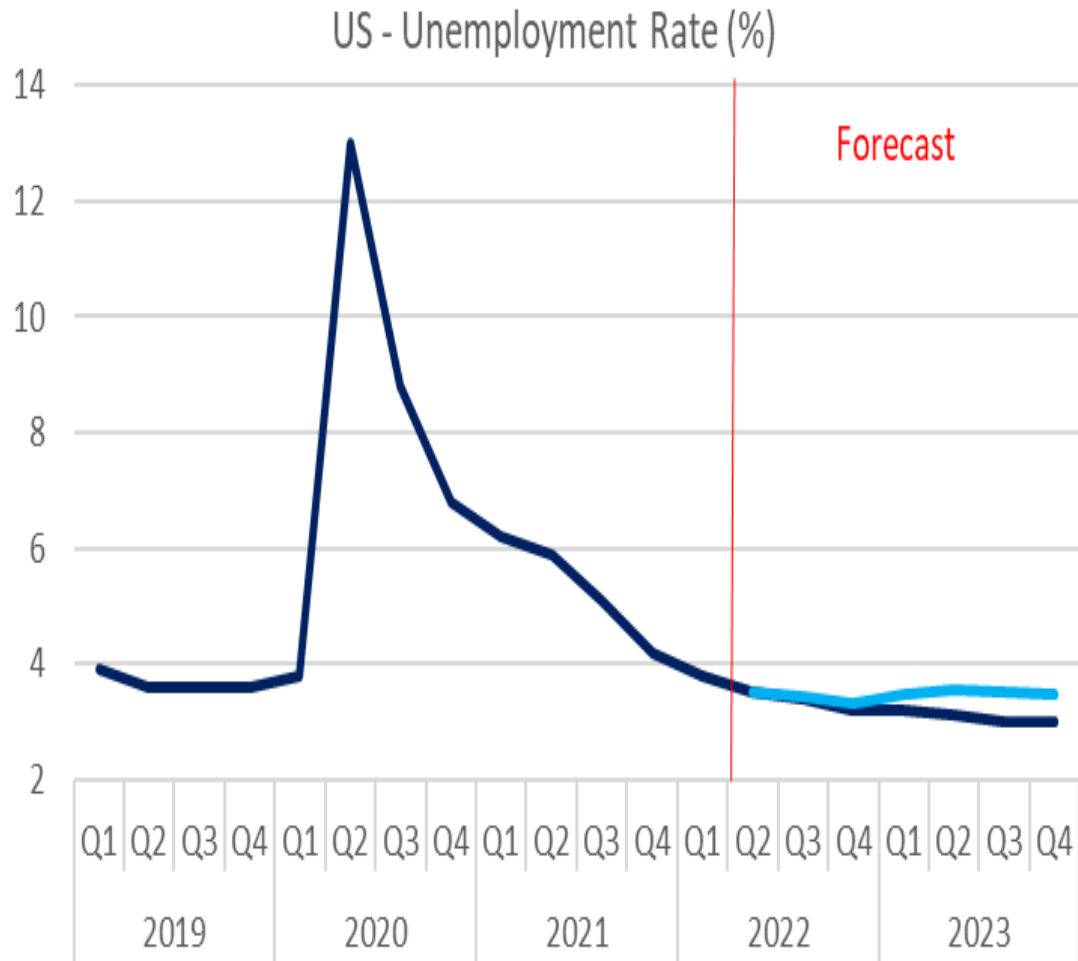


Sources: Bureau of Labor Statistics, Congressional Budget Office, and The Conference Board.

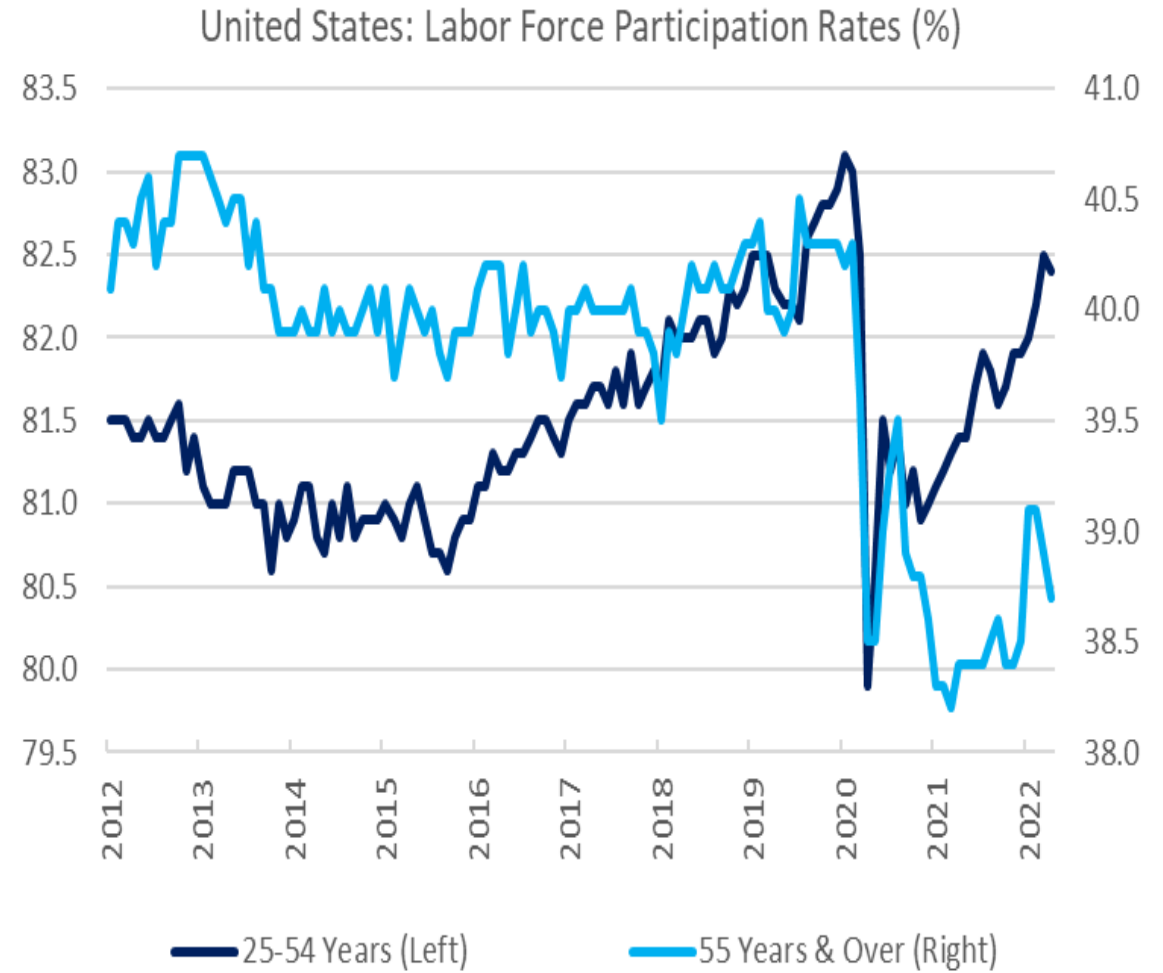


# US Labor Market Outlook

# The Conference Board Labor Market Expectations



Source: Bureau of Labor Statistics and The Conference Board.

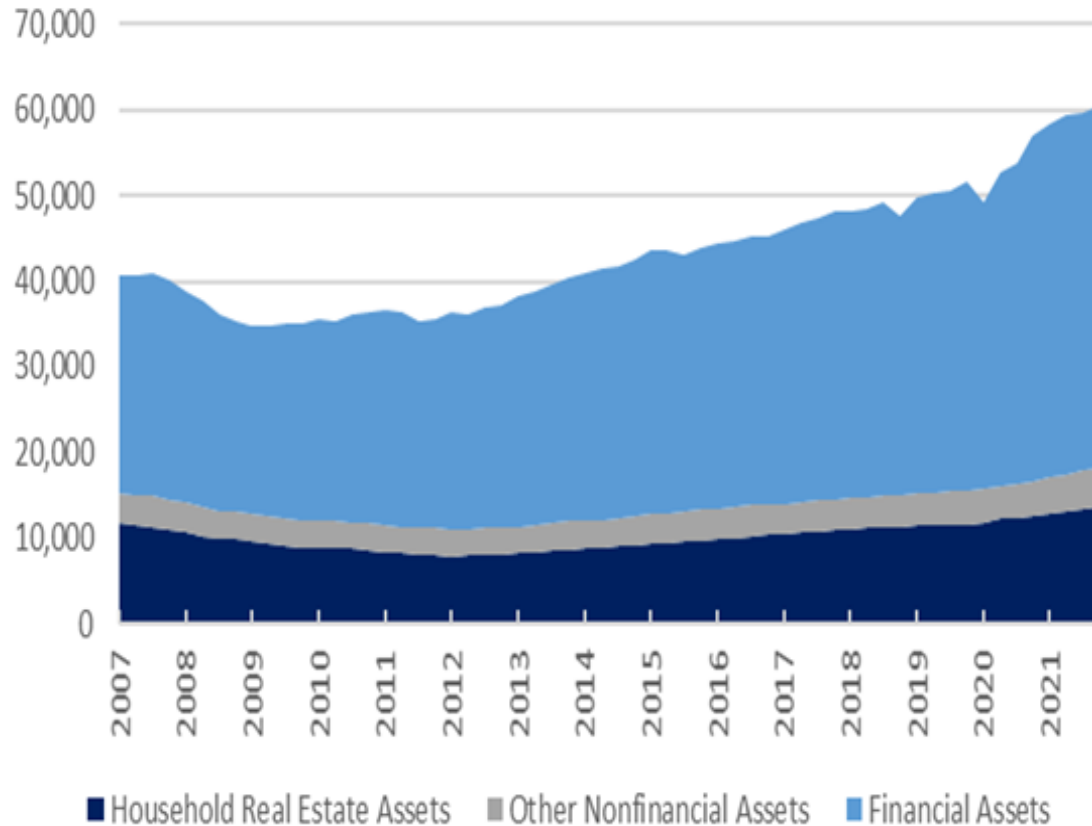


Source: Bureau of Labor Statistics and The Conference Board.



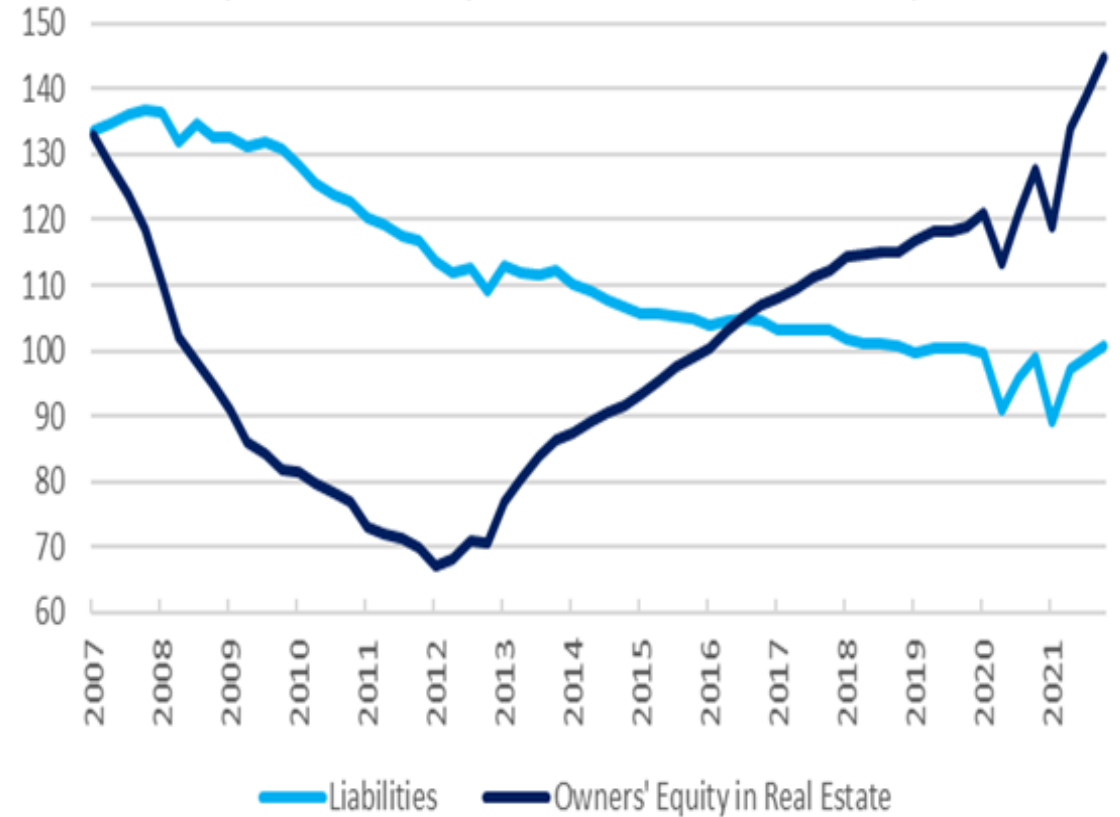
# Older Americans Own Assets and Are Wealthier Post-Pandemic

Real Assets of US Households (Bil. US\$)



Sources: Federal Reserve Board and The Conference Board.

Nominal Liabilities and Home Equity (Shares of Disposable Personal Income)



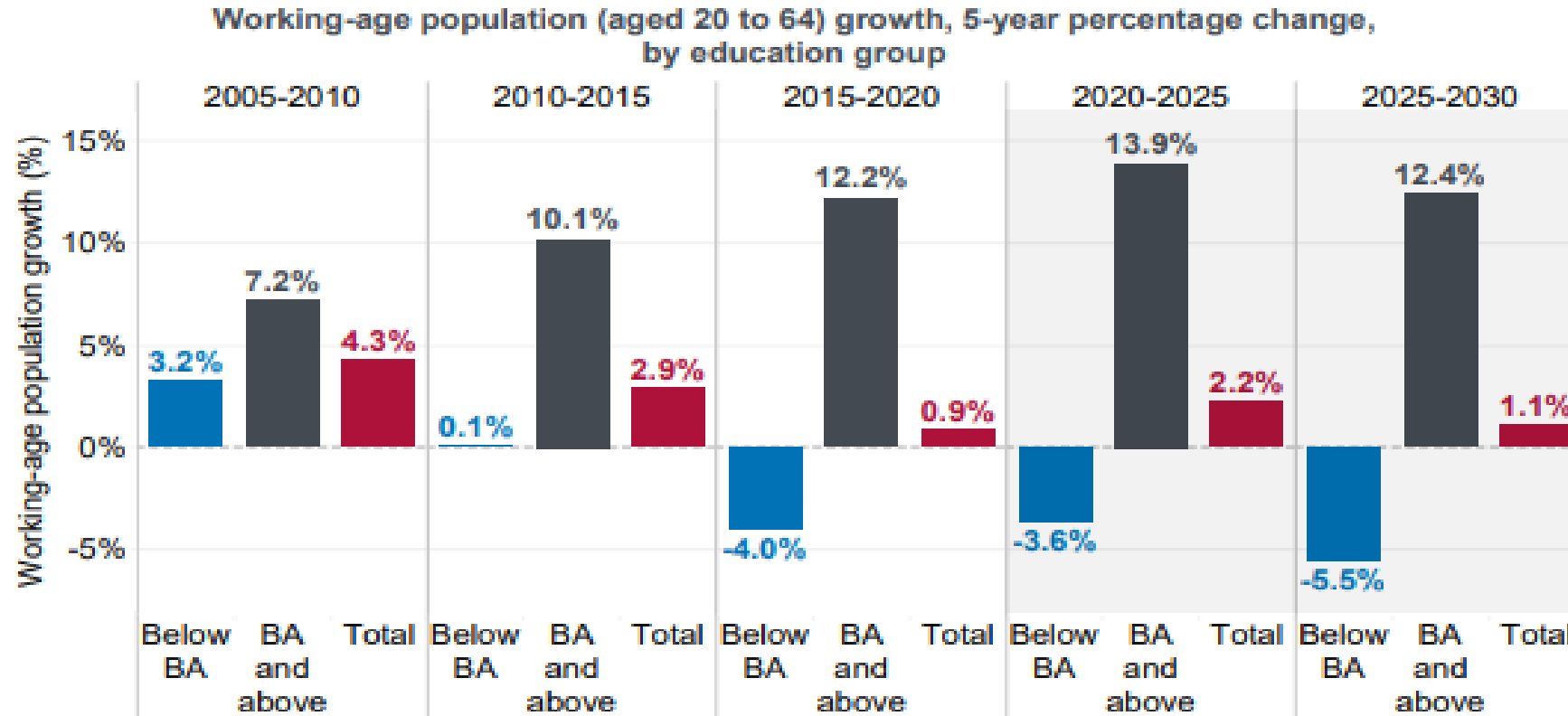
Sources: Federal Reserve Board and The Conference Board.





# Labor Shortages for Low-Skilled Workers to Worsen

Labor supply for manual labor and manual services jobs shrinks as the noncollege population shrinks



Sources: US Census Bureau; IPUMS-ACS, University of Minnesota; The Conference Board Future Occupational Labor Shortages Risk Index, March 2022.

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# Labor Shortages: Solutions

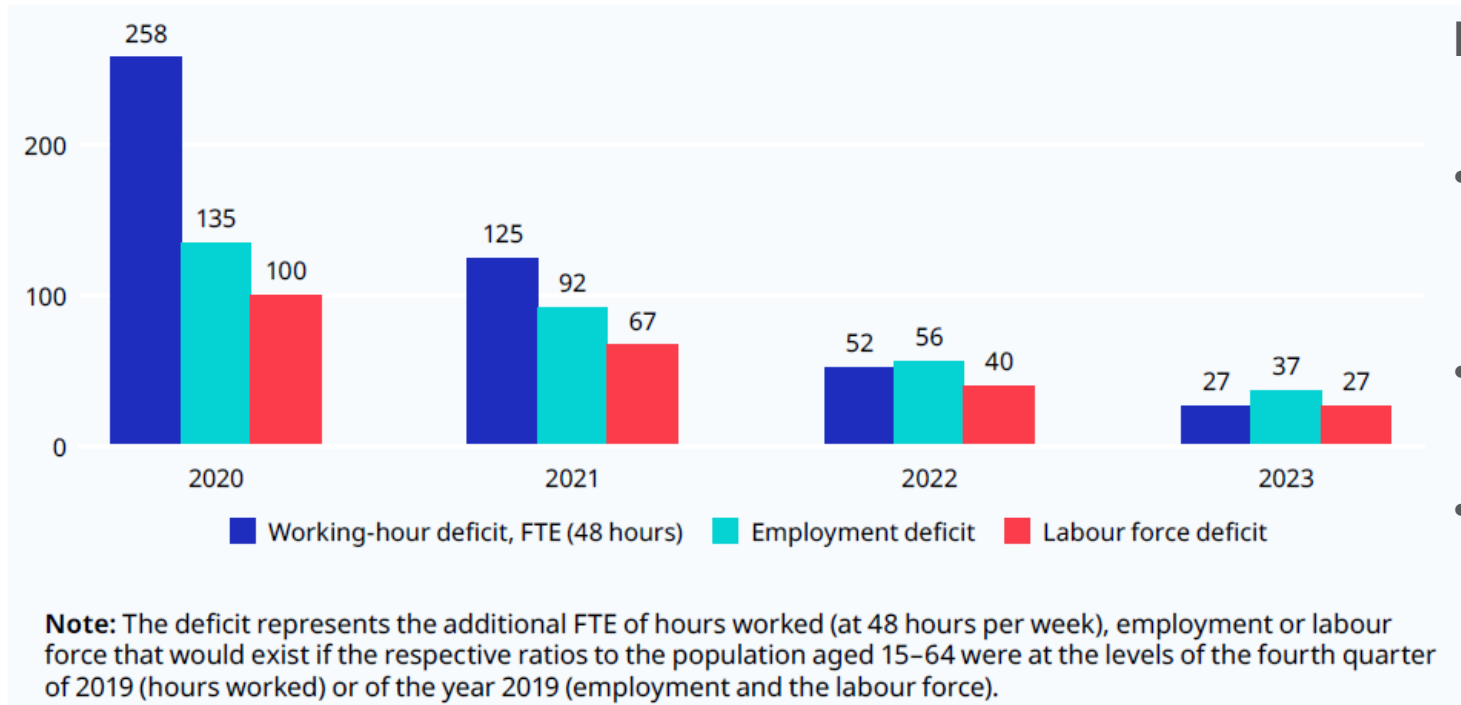
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- Solutions for Addressing Labor Shortages
  - ✓ Higher Wages
  - ✓ More Benefits
  - ✓ Remote Work
  - ✓ Outsourcing
  - ✓ Paid Leave
  - ✓ Subsidized Childcare
  - ✓ Immigration
  - ✓ Automation
  - ✓ Higher Birth Rates
  - ✓ Flexible Hours/Work Arrangements
  - ✓ Upskilling & Training
  - ✓ Advertising wage, benefits
  - ✓ Lower education/skills requirements
- Generational Drivers
  - ✓ Flexibility
  - ✓ Recognition / Pay
  - ✓ Optionality



# Global Labor Market Outlook

# A close-up to the post-Covid global labour market



## Full recovery not yet achieved

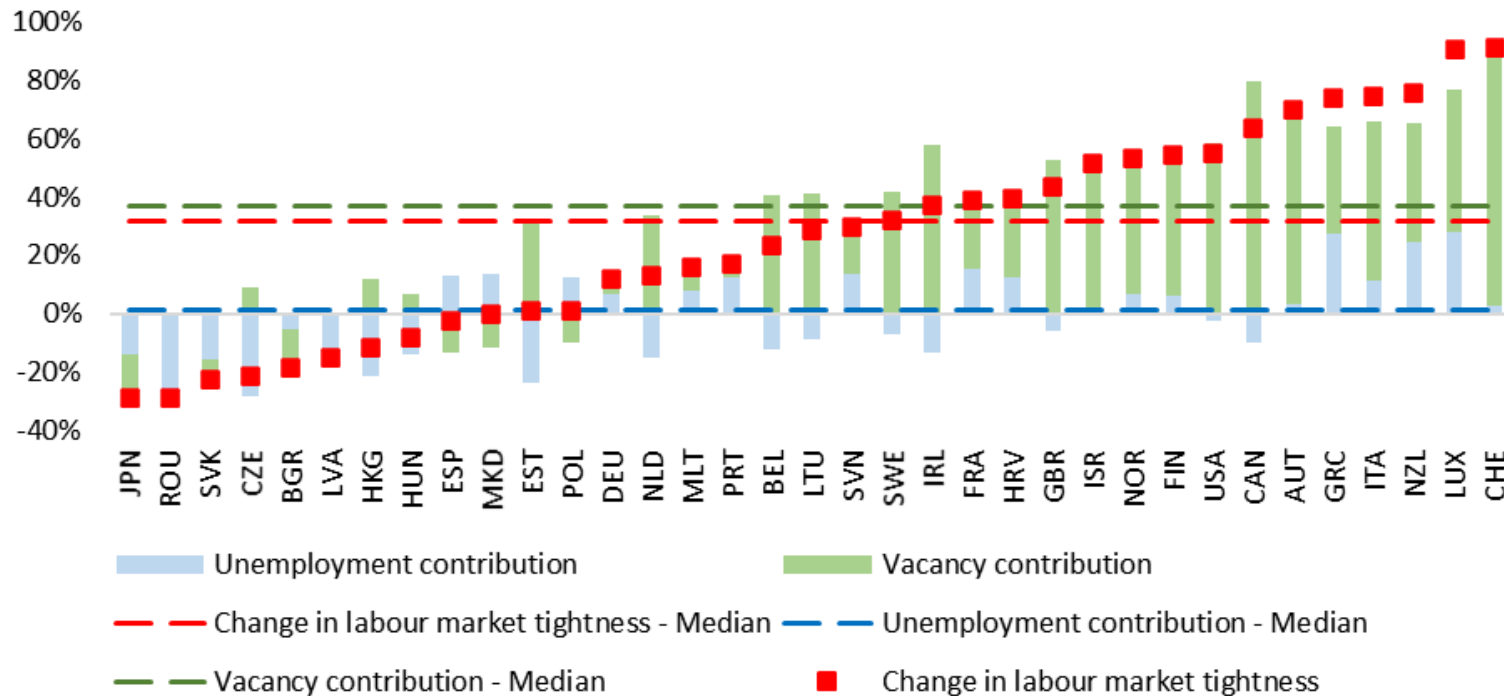
- Number of hours worked remain depressed
- Not everybody has returned to work
- Job growth not sufficient to close the gap

Source: ILO, *World Employment and Social Outlook Trends, 2022*



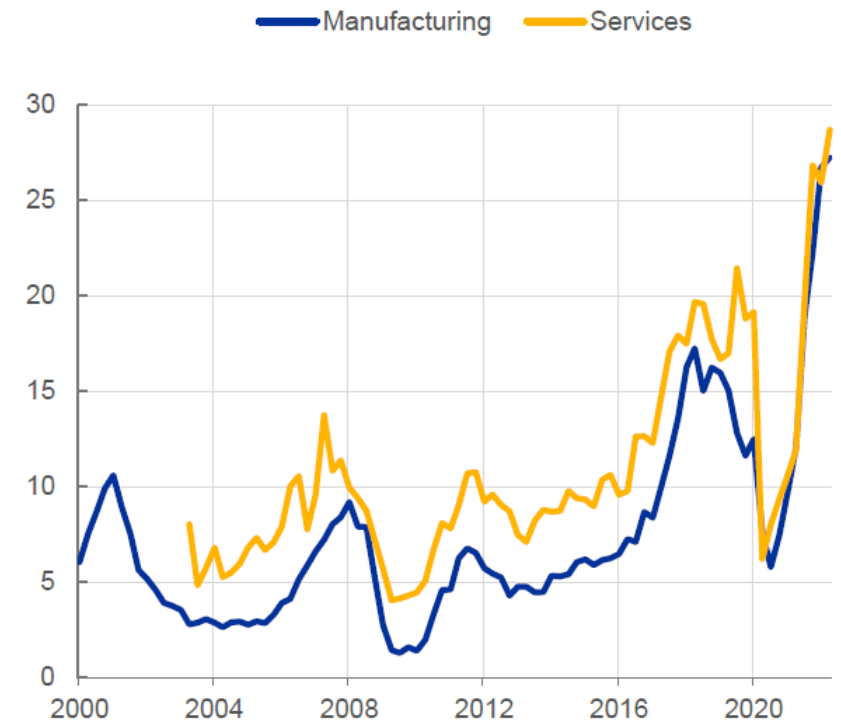
# Labour market shortages? Not everywhere

**Changes in labour market tightness  
(Oct 2021 to March 2022, contributions by component)**



Source: ILO, Covid Monitor, 9<sup>th</sup> edition

**Euro area  
Limits to production – shortage of labour  
(percentage balances)**



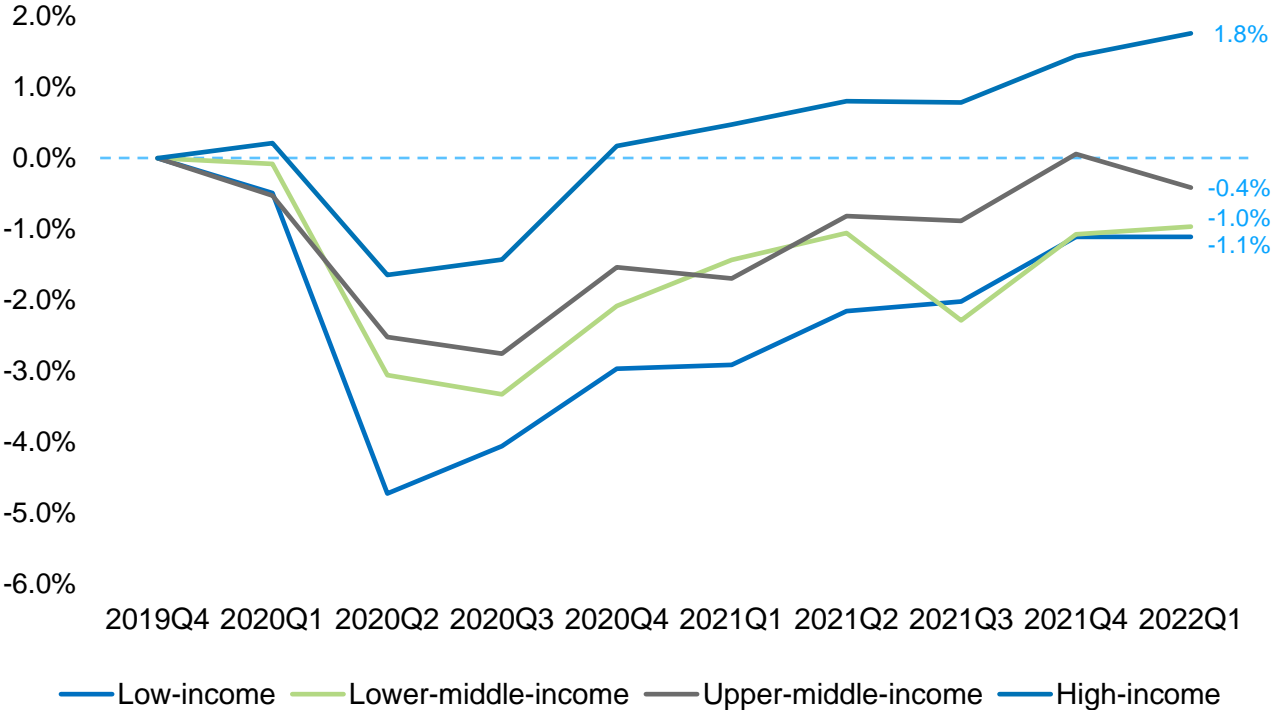
Source: European Commission.  
Last observation: 2022Q2.



# Gender gap in hours worked has not been fully closed...

...except in high-income countries

**Deviation in gender working-hours gap relative to baseline (2019 Q4, adjusted for 15-64 population, female-male, by income group)**



Globally, gender gap wider than before the pandemic

...as developing countries are hard hit...

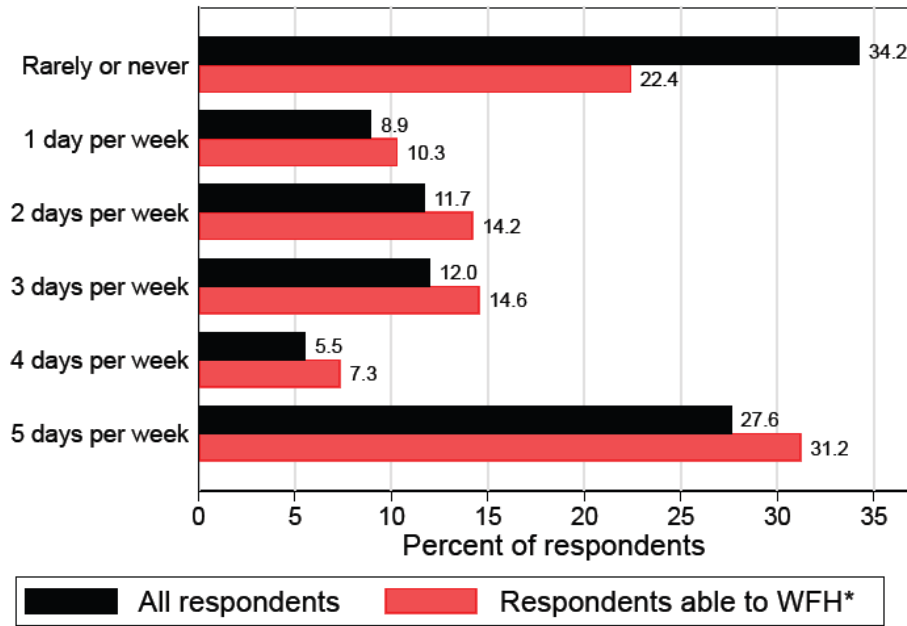
...and informal employment is lagging behind in the recovery

Source: ILO, Covid Monitor, 9<sup>th</sup> edition



# Is remote work going to stay?

*Employees would like to work remotely....*



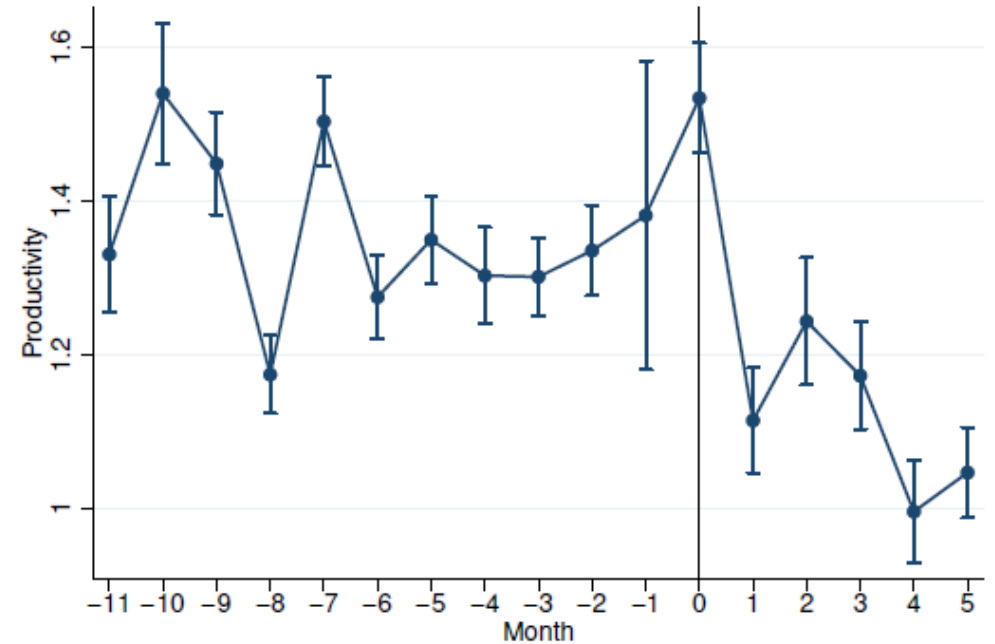
\*64% of the full sample meets this criterion

**Source:** Responses to the question:

*In 2022+ (after COVID) how often would you like to have paid work days at home?*

**Notes:** Data are from 33,250 survey responses collected from May 2020 through March 2021 by Inc-Query and QuestionPro. "Respondents able to WFH" are those who say they can work from home at least partially and those who report having mainly worked from home at some point during the COVID-19 pandemic. We re-weight raw responses to match the share of working-age respondents in the 2010-2019 CPS in a given {age x sex x education x earnings} cell.

*...but employers fear a drop in productivity*

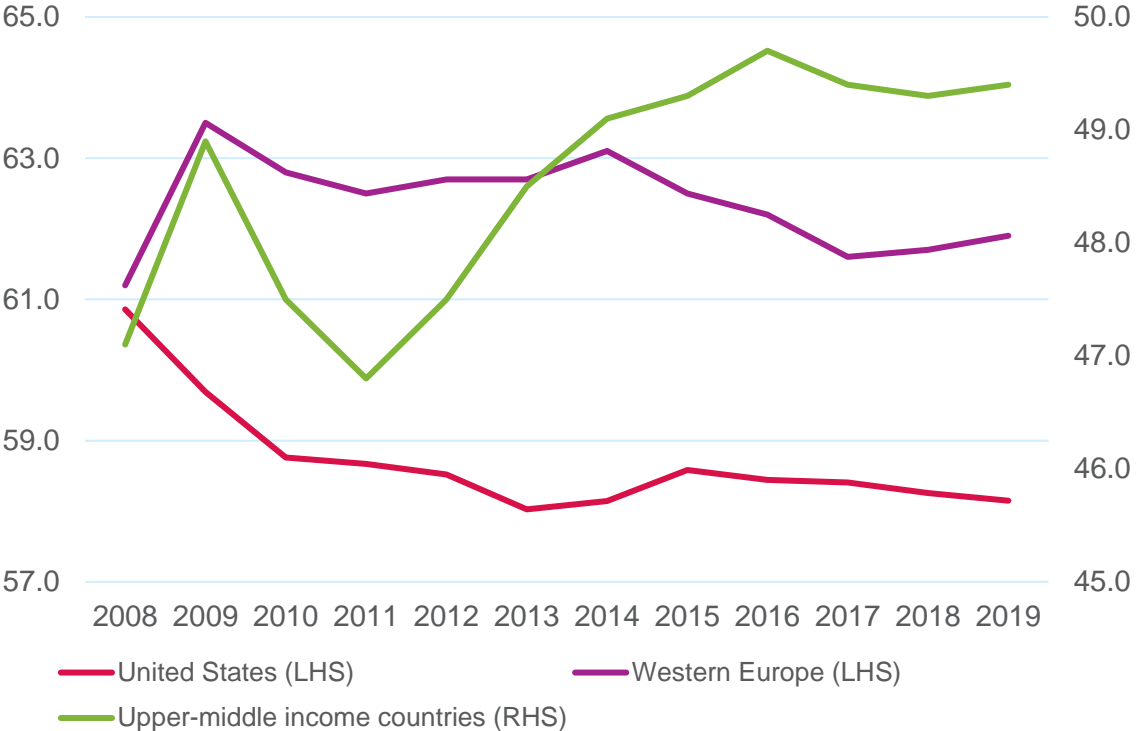


(c) Productivity

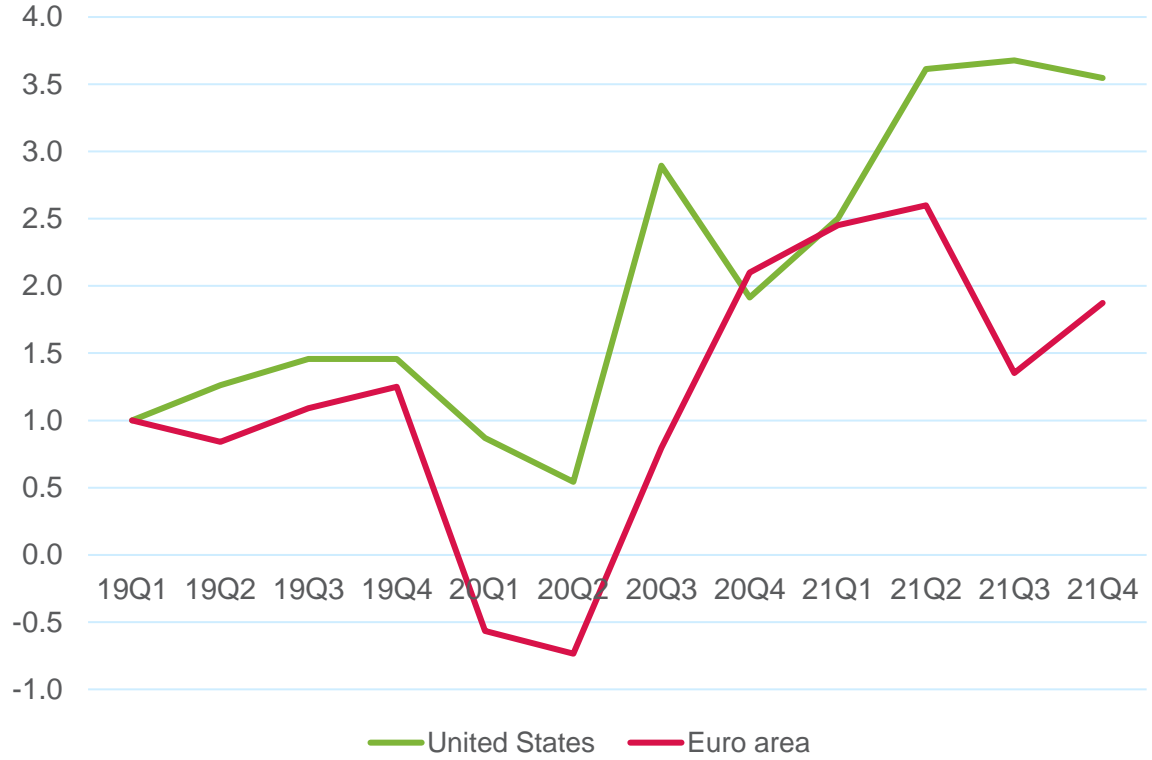


# Labour incomes have shifted

**Labour income shares**  
(United States, Western Europe, Upper-middle income countries;  
in % of GDP)



**Profit margins - United States vs euro area**  
(Index, 2019 Q1=1)



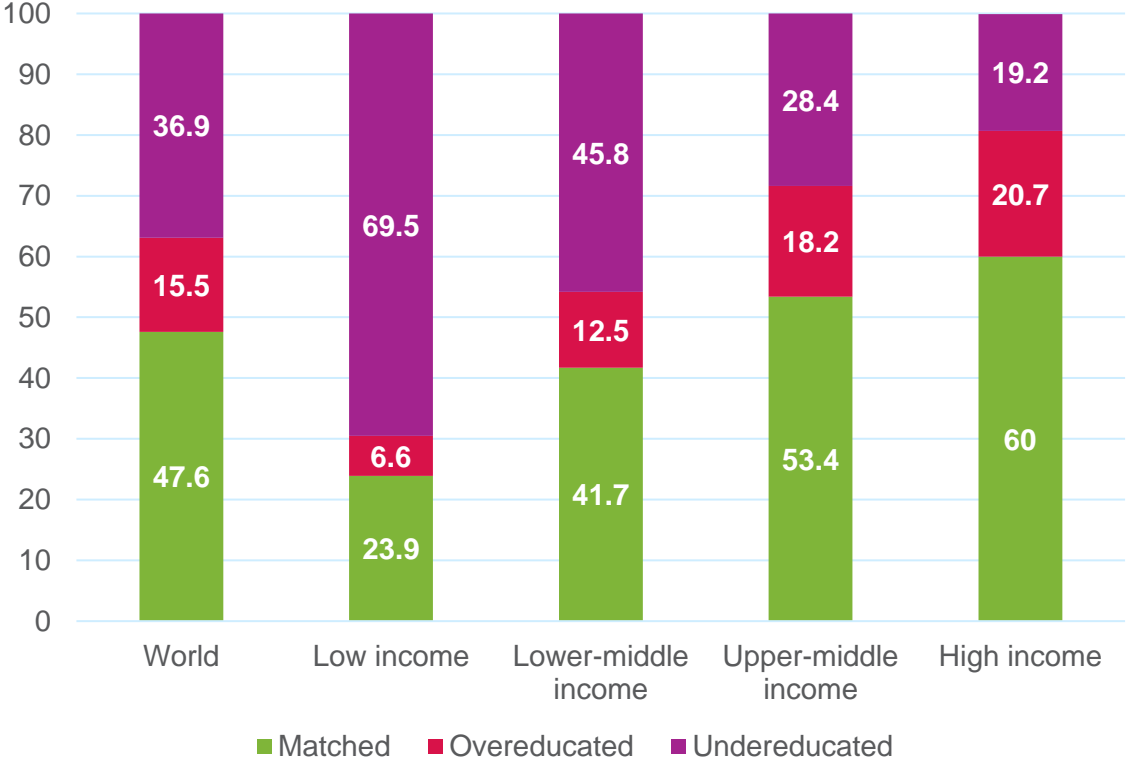
Source: ILOStat, Modelled estimates



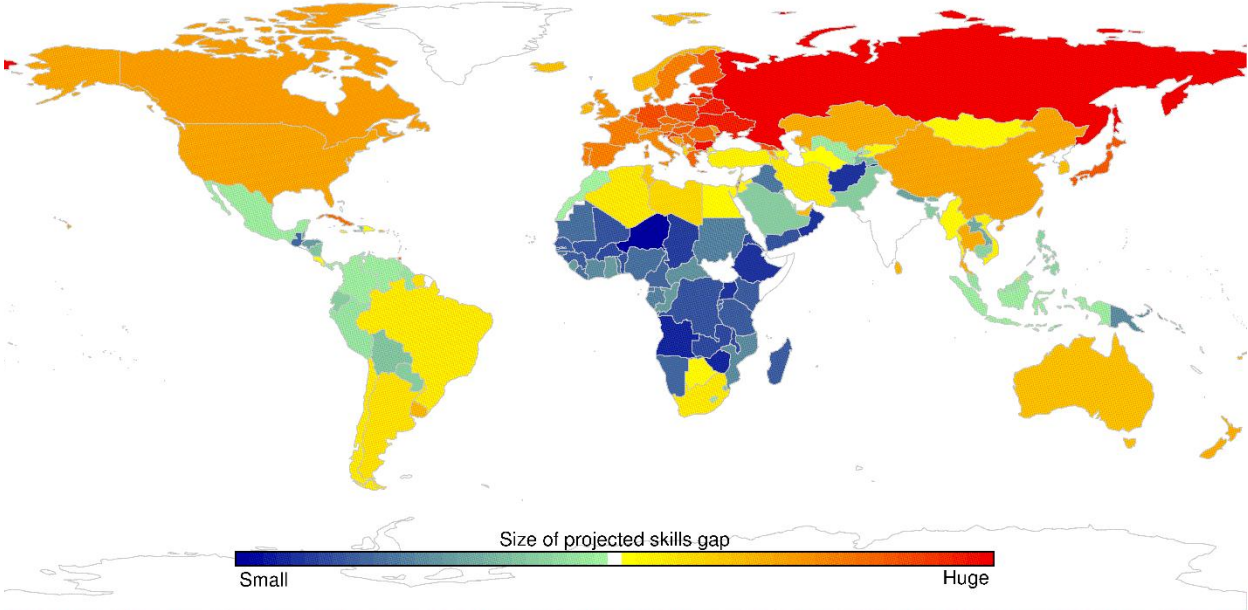


# Talent shortage – a global phenomenon that is going to worsen

*Talent shortages world-wide*

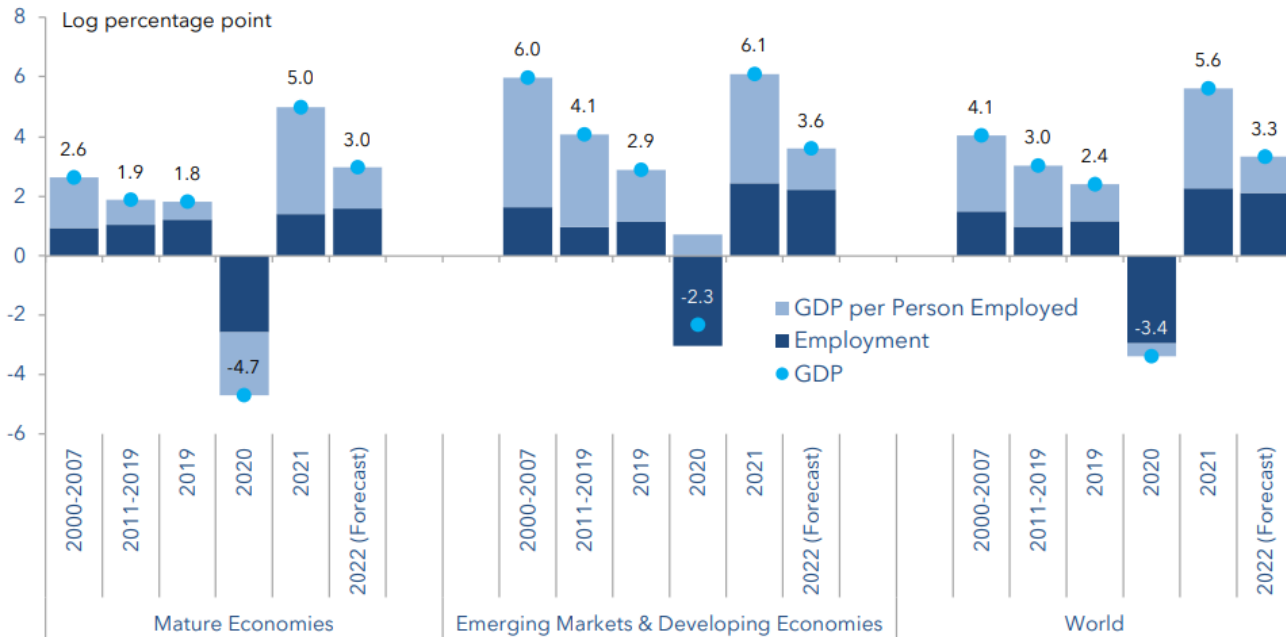


*Skill projections until 2025*



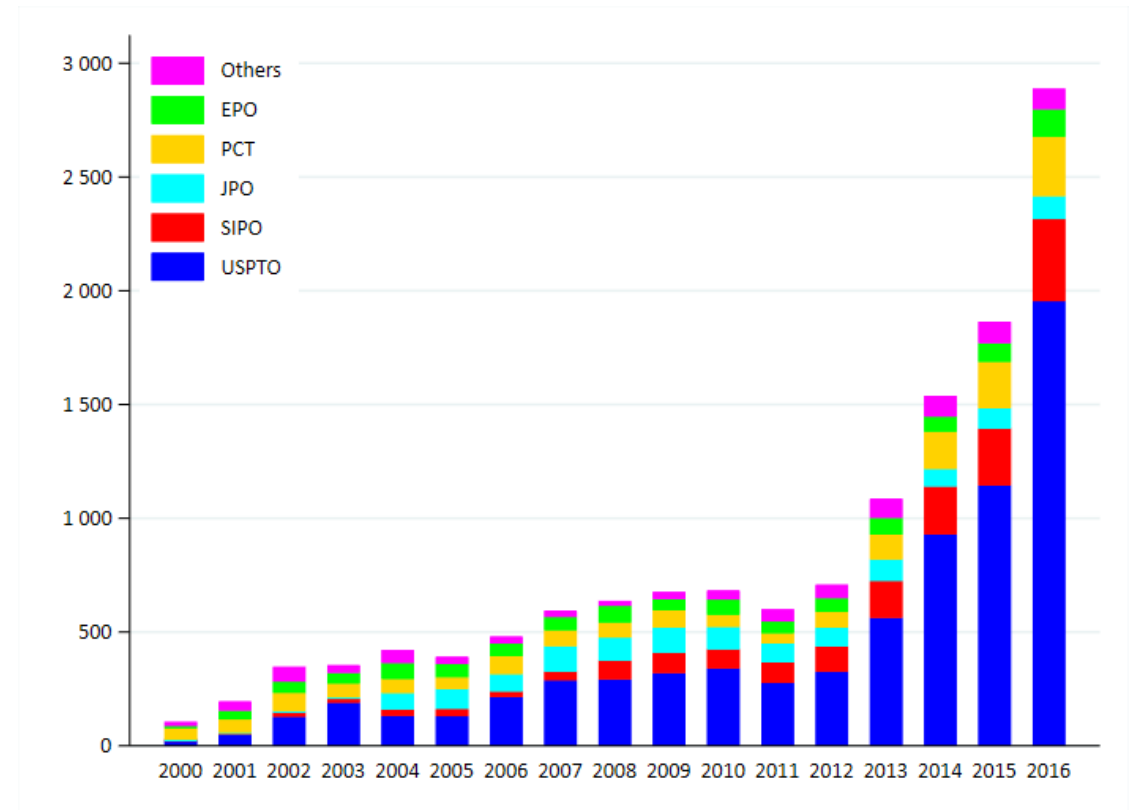
# Are we on the verge of a productivity boom?

*Global productivity has disappointed....*



Source: The Conference Board

*despite an acceleration in new technologies...*

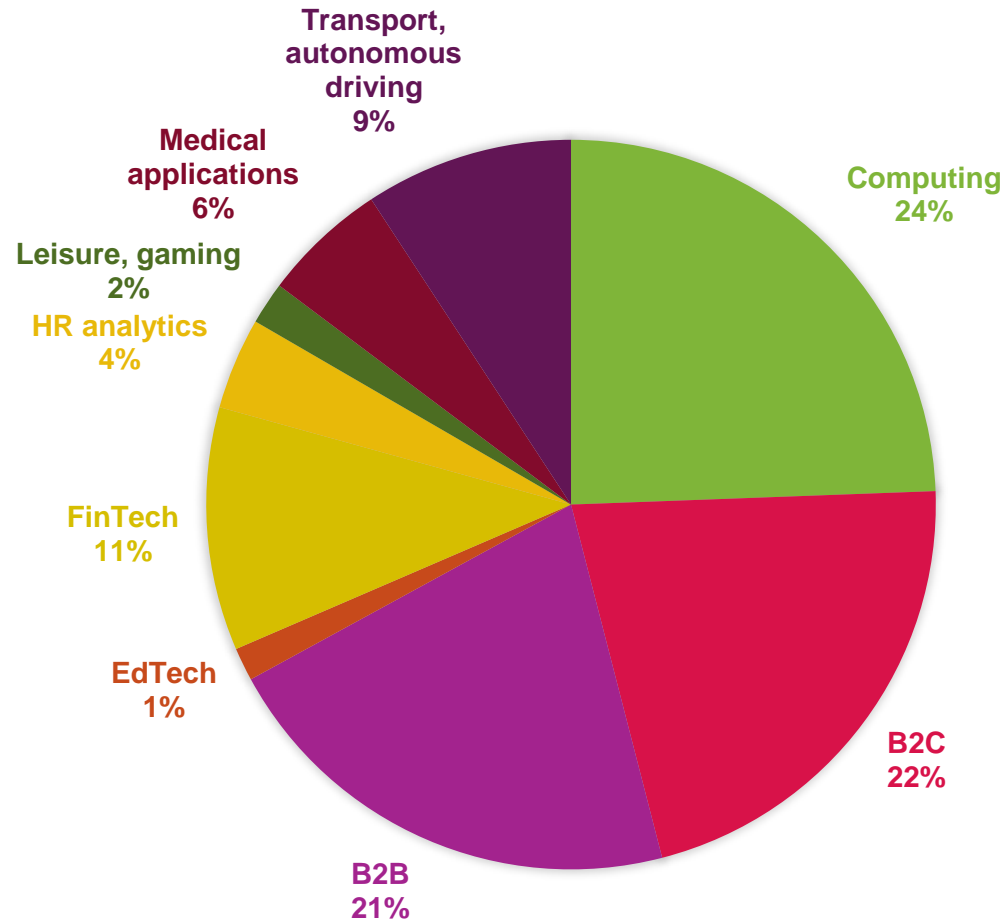


Source: Ernst, Merola, and Samaan, 2019



# Most tech applications concentrated in only few domains...

...which limits economy-wide benefits



Source: Geneva Macro Labs, 2022

- E-commerce and B2B applications with limited impact on productivity
- High and rising entry barriers to app development
  - ✓ Lack of access to data/algos
  - ✓ Rising energy costs
  - ✓ Regulatory compliance costs



# Outlook

- Rising productivity key challenges to address current labour market woes
  - ✓ Current inflation pressure mostly a supply issue as benefits from globalisation disappear
- Challenging global demography
  - ✓ All advanced economies and some major emerging economies are ageing fast
  - ✓ Migration is of little relief if migrants are not properly integrated and trained
- Persistent labour shortages are restoring power balance on labour markets
  - ✓ Strengthen bargaining power...and set incentives to diffuse new technologies more broadly
  - ✓ Consorted effort needed to restore a virtuous productivity-wage cycle



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