

Labor Markets Watch

US Update and Outlook

August 10, 2022



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

- What are the latest US labor market trends?
- What are the primary risks of a recession in the US, and how would the labor market be impacted?
- What is the outlook for labor shortages in the US?
- What can companies do to solve recruitment and retention difficulties?



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Today's Speakers



Dana M Peterson
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Chief Economist
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The Conference Board



Frank Steemers
(Moderator)
Senior Economist
The Conference Board

Labor Market US Update and Outlook

Labor Market Update and Outlook for the US

■ Labor Market Update:

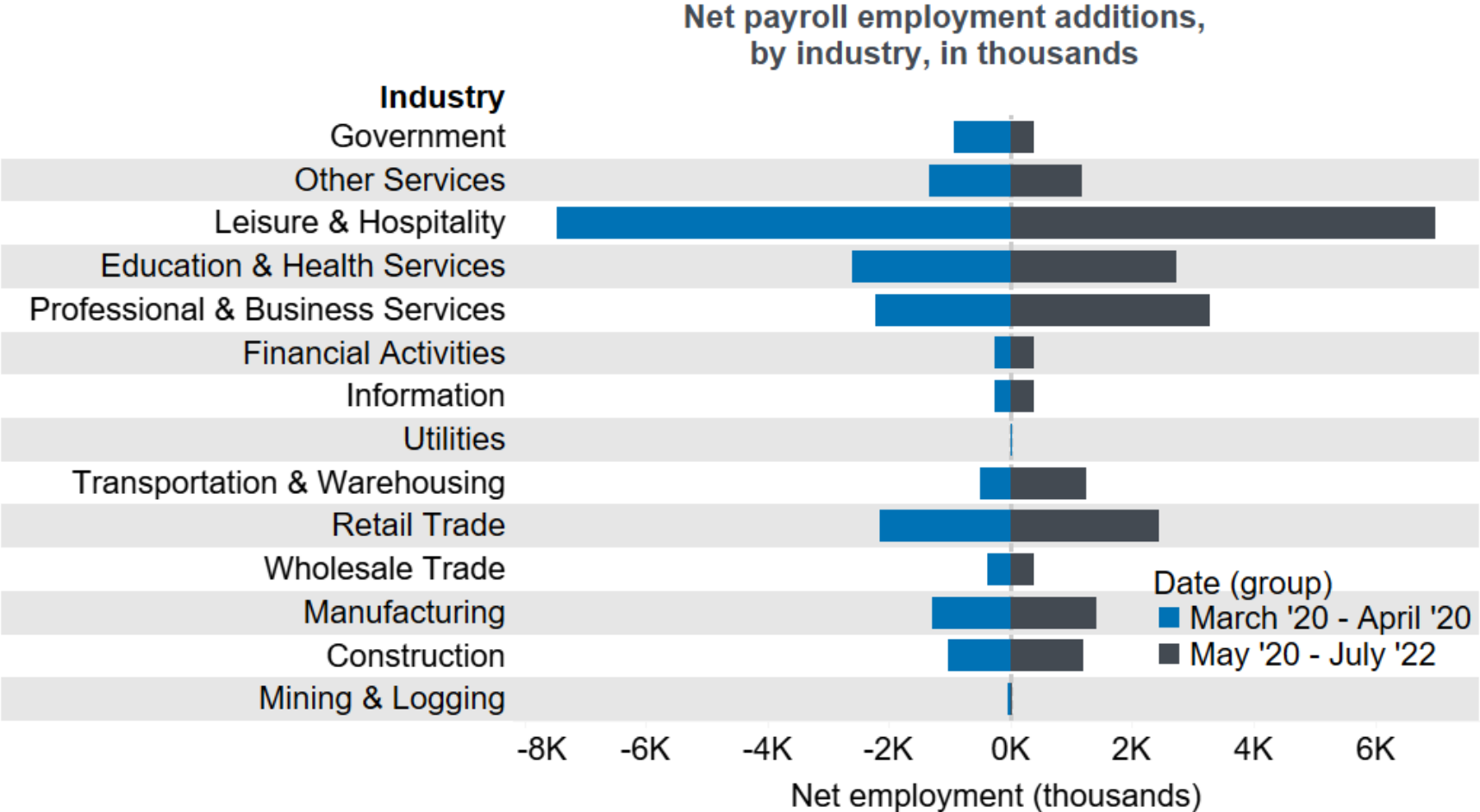
- ✓ The labor market has been strong with employment now back to prepandemic levels.
- ✓ Labor shortages are still severe, especially for in-person services workers.
- ✓ Wage growth has accelerated, especially for new hires and manual workers.
- ✓ Strong wage growth feeds into elevated inflation.

■ Labor Market Outlook:

- ✓ It is increasingly likely that the US economy will fall into recession before yearend or early 2023.
- ✓ Companies will first reduce hiring, then possibly lay-off workers depending on the severity of the economic downturn.
- ✓ Job growth will likely slow over the next months and there could possibly be small monthly job losses by early 2023.
- ✓ A recession would only temporarily ease recruitment/retention difficulties—labor shortages are here to stay.



The largest employment changes have been in in-person services since the start of the pandemic

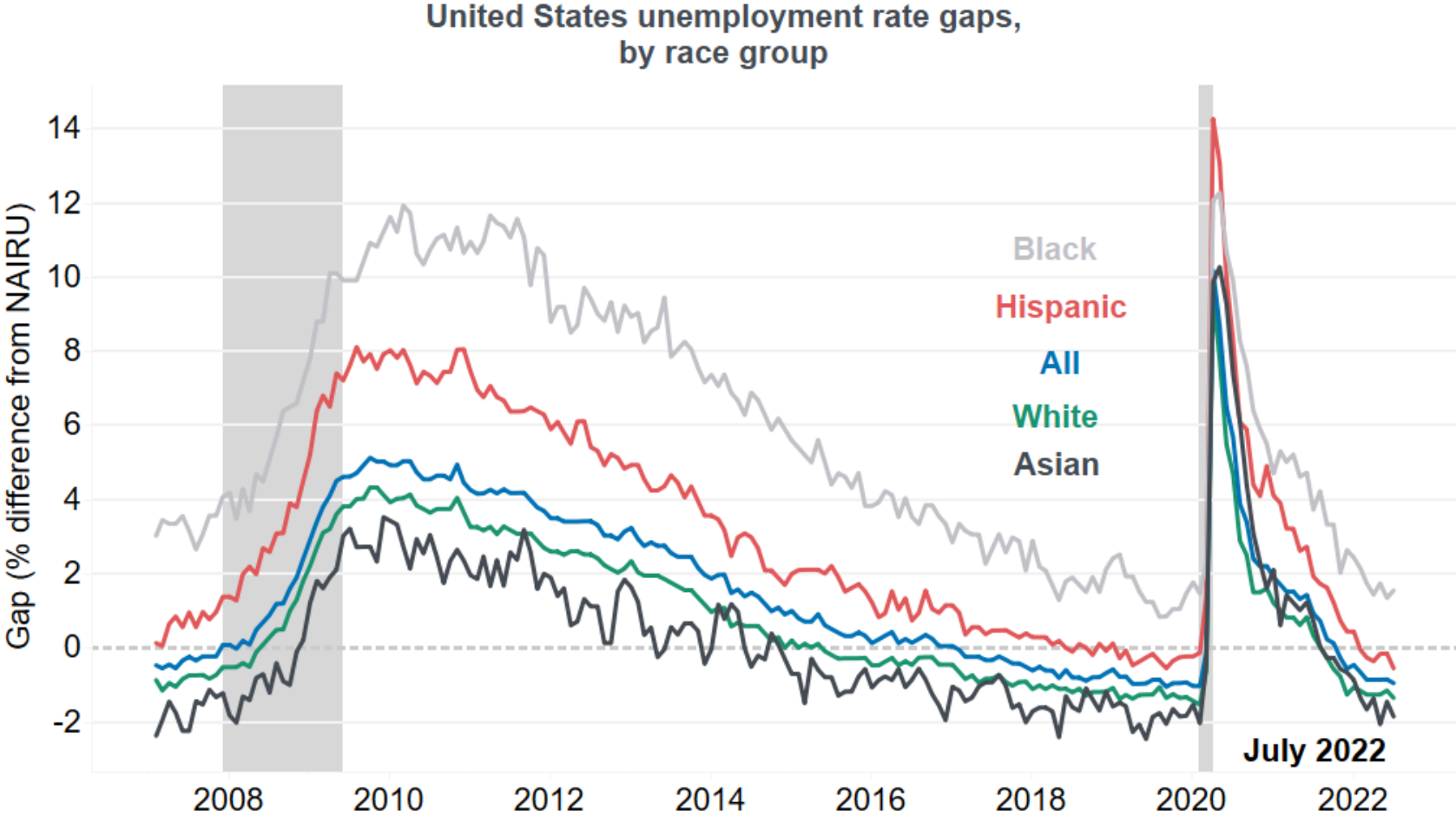


Source: US Bureau of Labor Statistics

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The unemployment rate has dropped below its natural rate, but differences exist across race and ethnicity

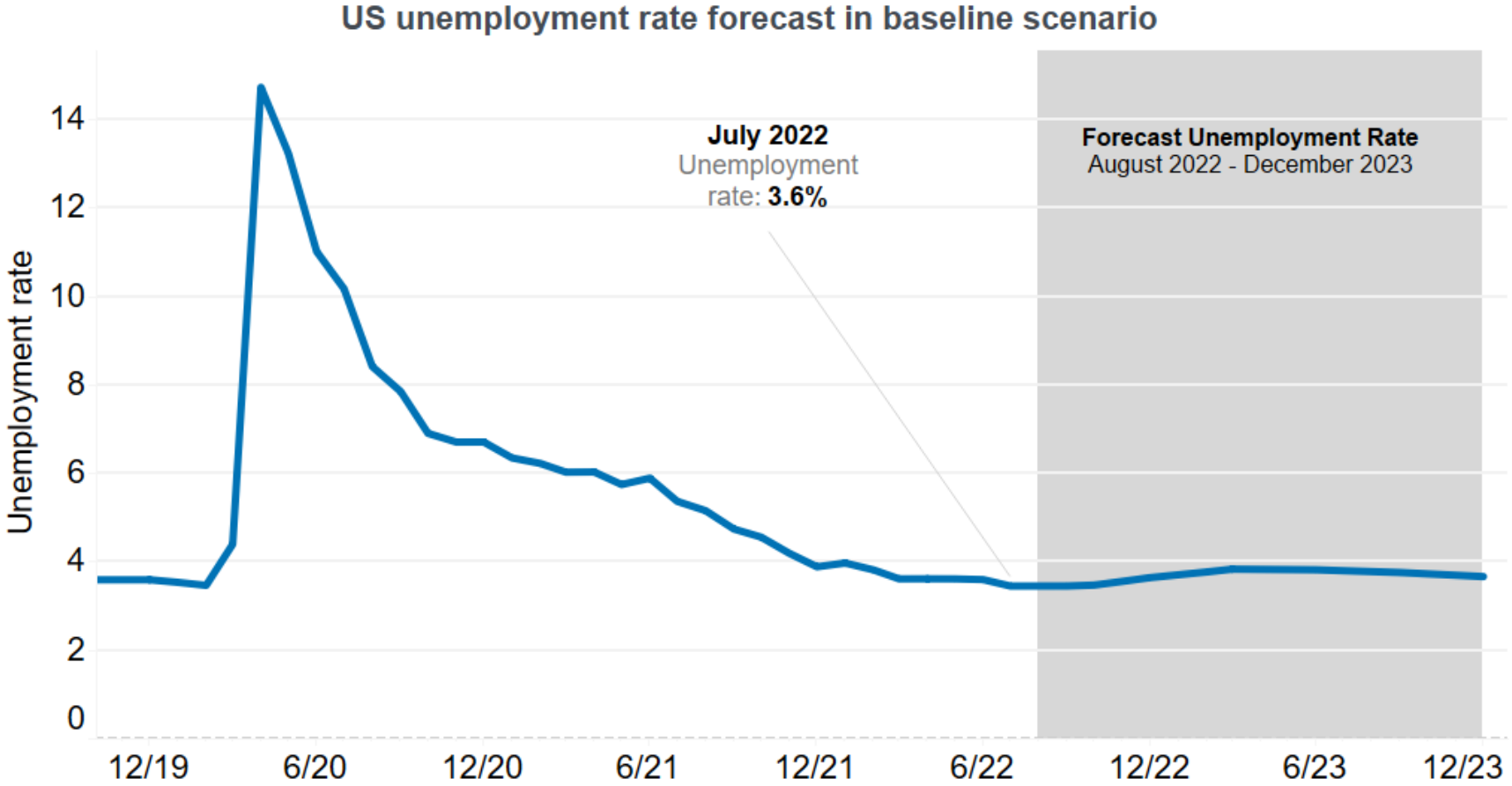


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The unemployment rate is projected to only slightly increase by the end of 2022 and to stay below 4.5 percent



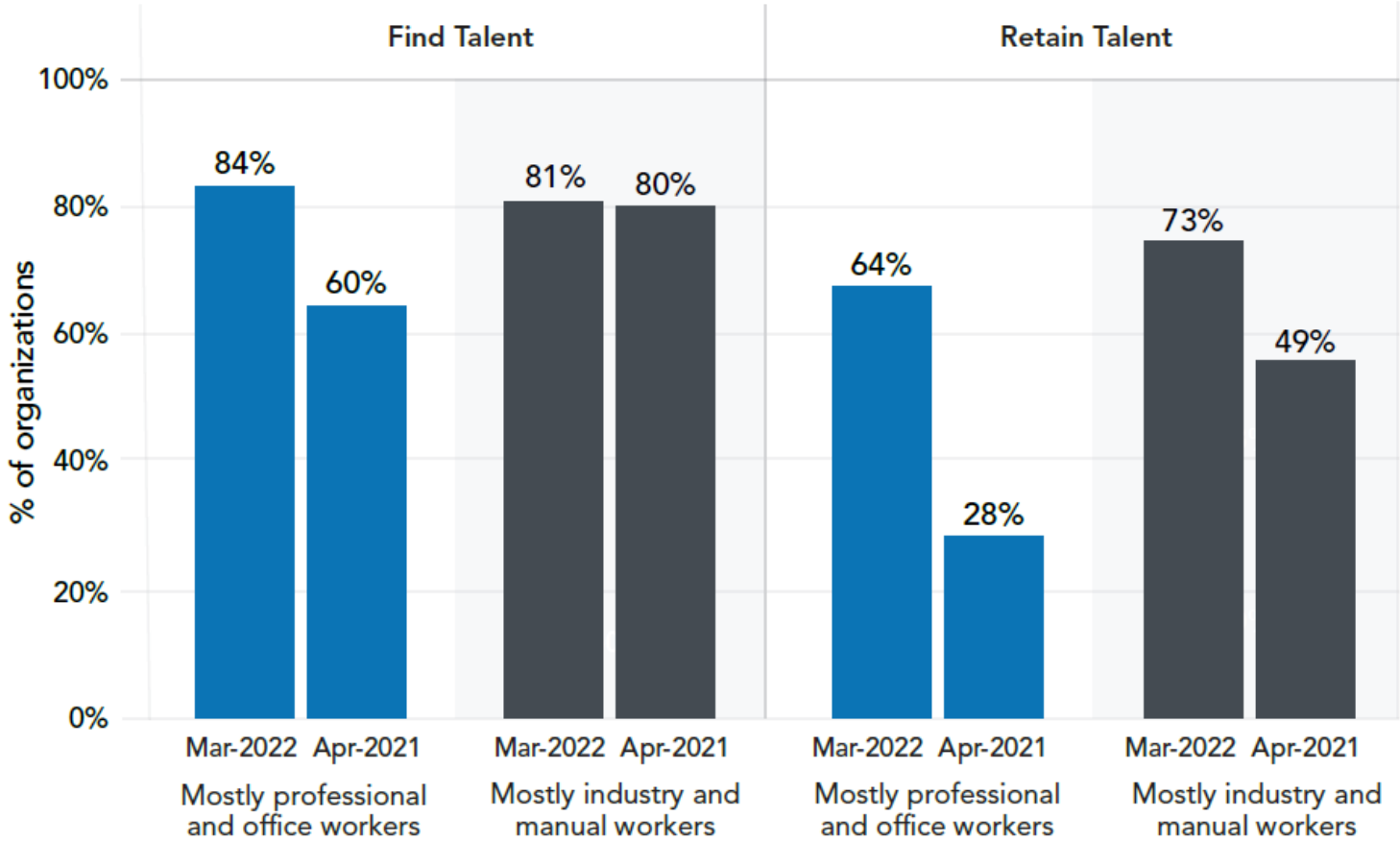
Sources: The Conference Board;
US Bureau of Labor Statistics

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Finding professional and office workers has become a much bigger challenge in the past 12 months; retention is challenging for all organizations

In general, how difficult is it for your organization to do the following?

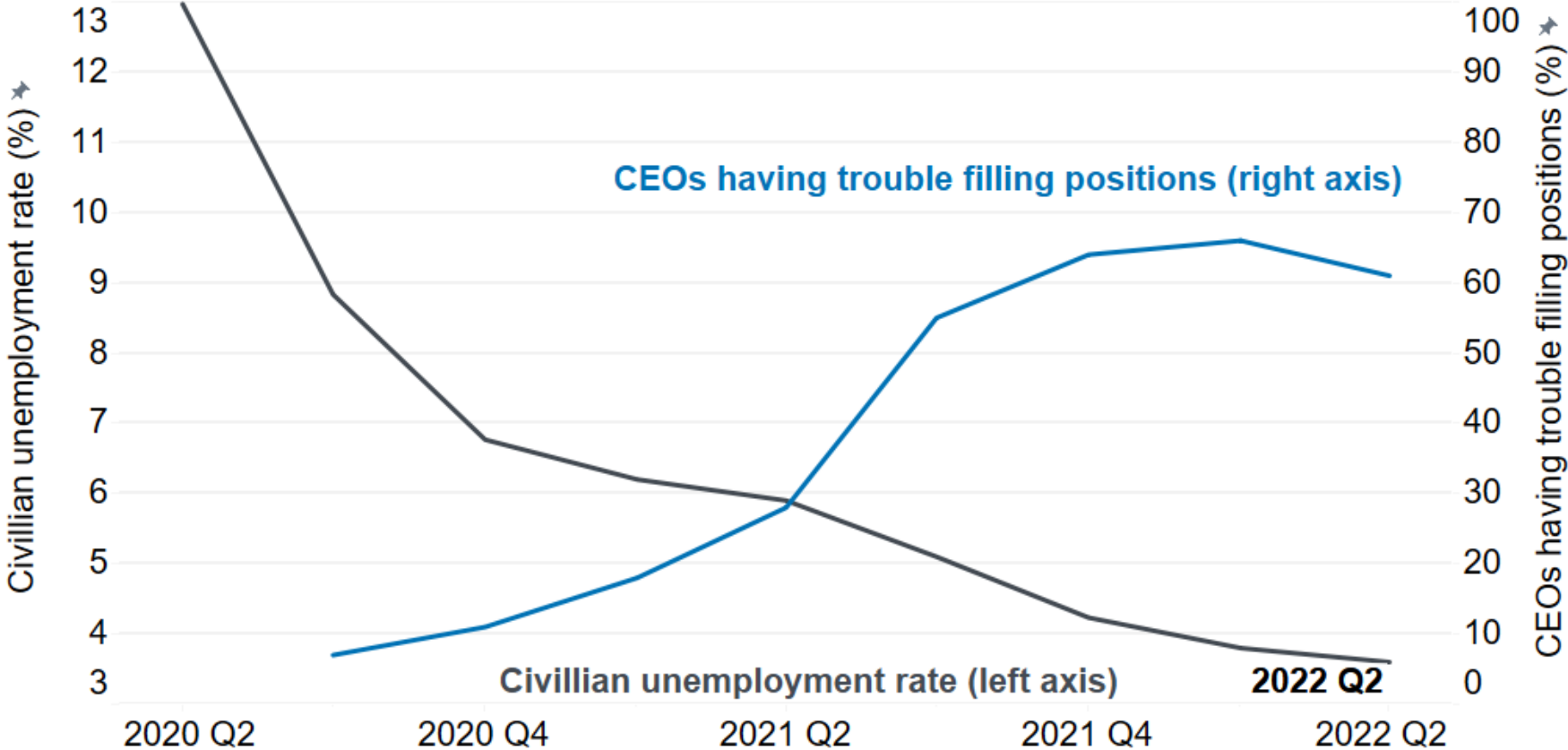


n=109 organizations with mostly professional and office workers; 64 organizations with mostly industry and manual services workers
Source: [The Reimagined Workplace Two Years Later: Human Capital Responses to the COVID Pandemic](#), The Conference Board, 2022



US CEOs believe attracting qualified workers has become very difficult

Percentage of CEOs having trouble across the entire organization filling positions and civilian unemployment rate

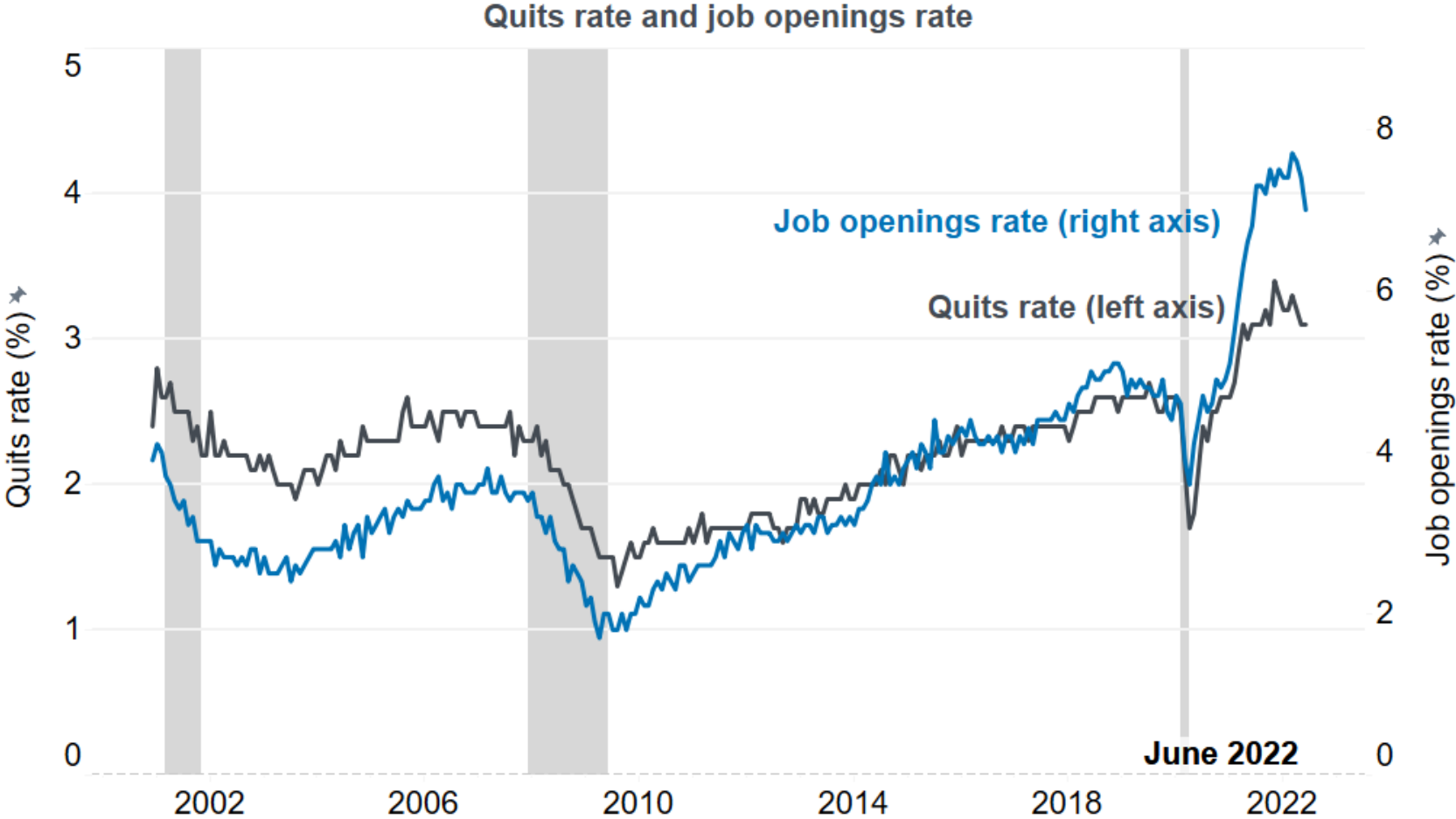


Sources: US Bureau of Labor Statistics;
The Conference Board CEO Confidence Survey

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Job openings and voluntary quits are historically high



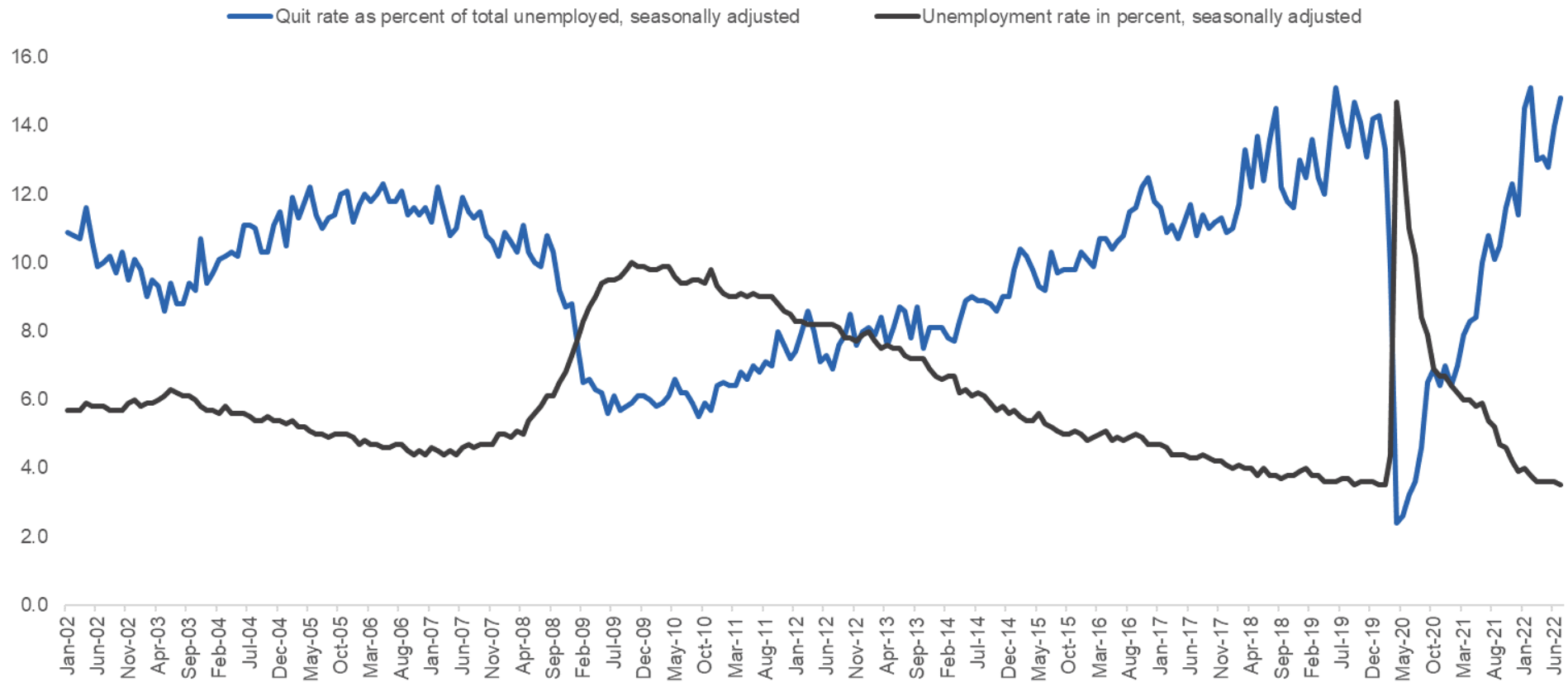
Source: US Bureau of Labor Statistics

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Employees are far more likely to look for new jobs when unemployment rates go down

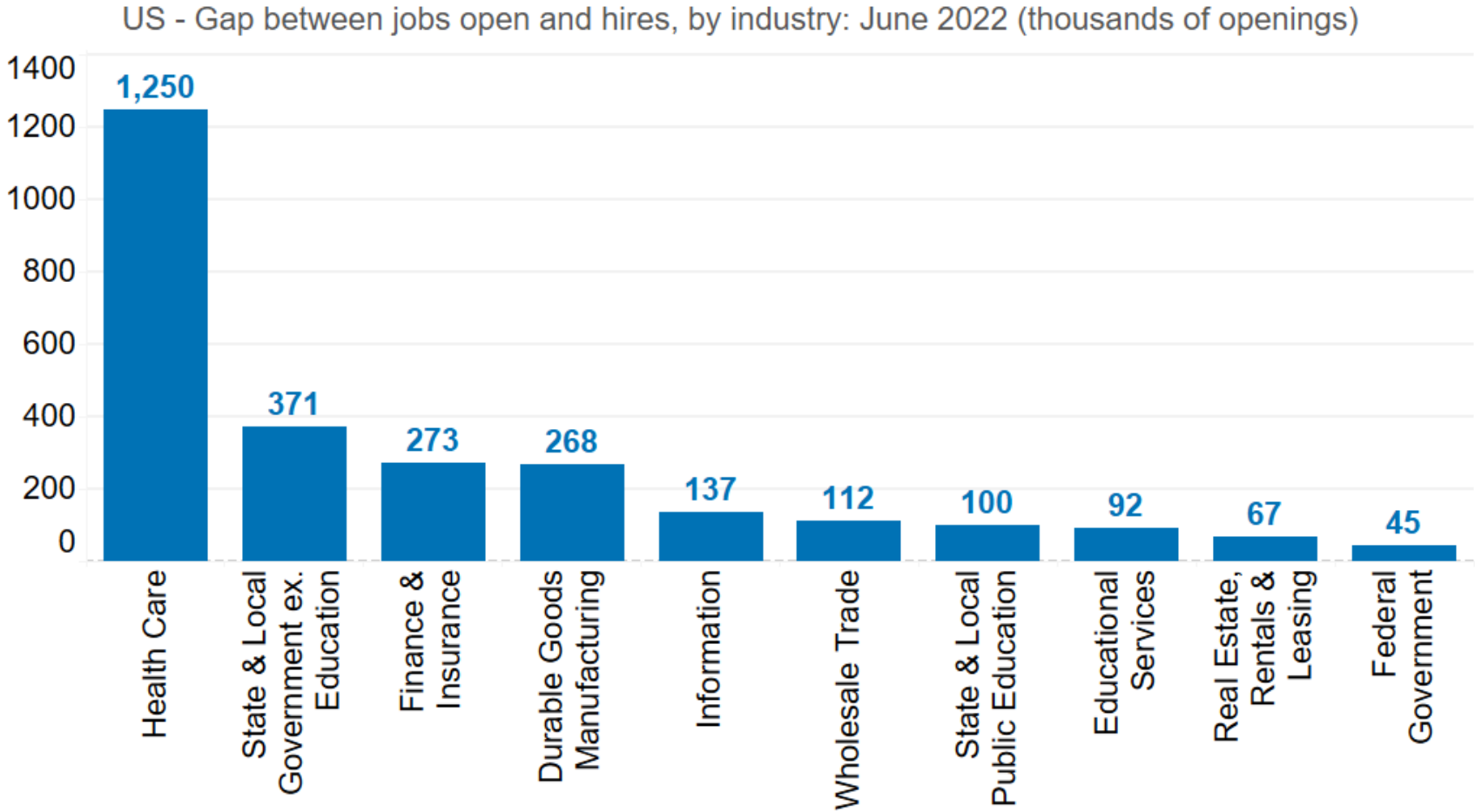
The correlation between voluntary turnover and unemployment = $-.93$



Source: US Bureau of Labor Statistics and The Conference Board



The gap between job openings and hires is the largest in healthcare, indicating much time is needed to fill open positions

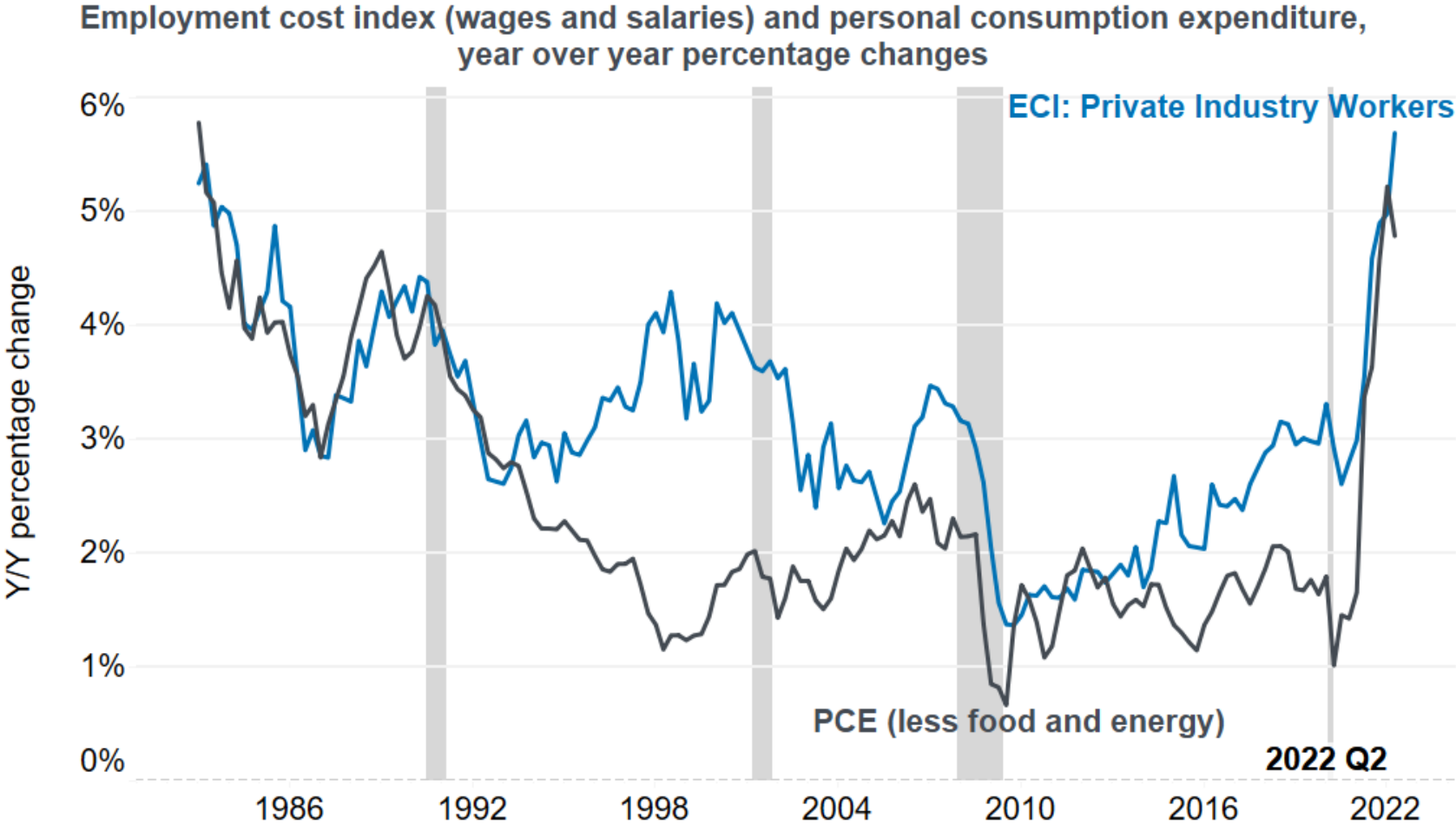


Source: US Bureau of Labor Statistics (JOLTS)

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Wages and inflation are rapidly rising

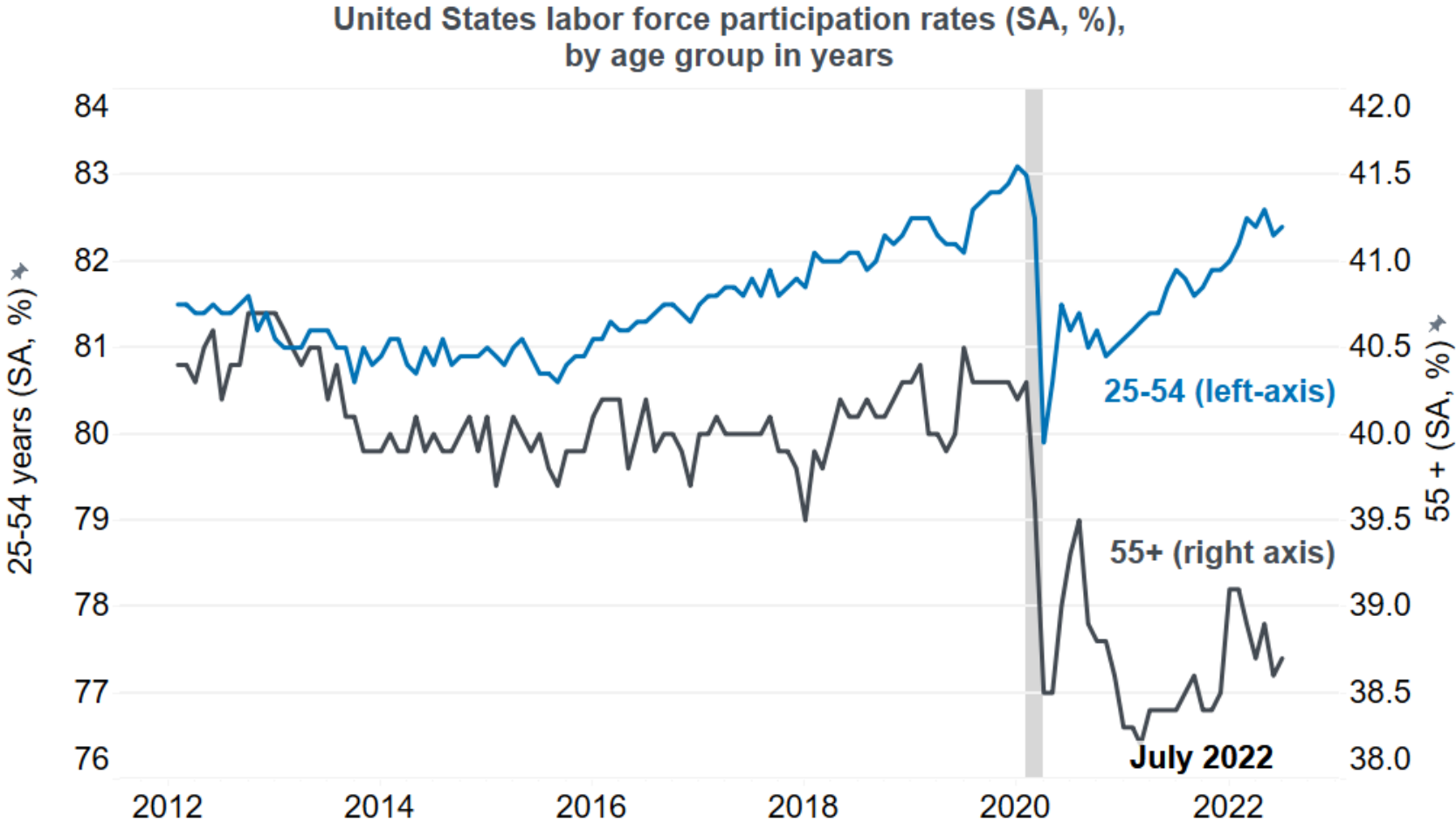


Source: US Bureau of Labor Statistics

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Participation has not fully recovered, and particularly older workers have dropped out of the labor force

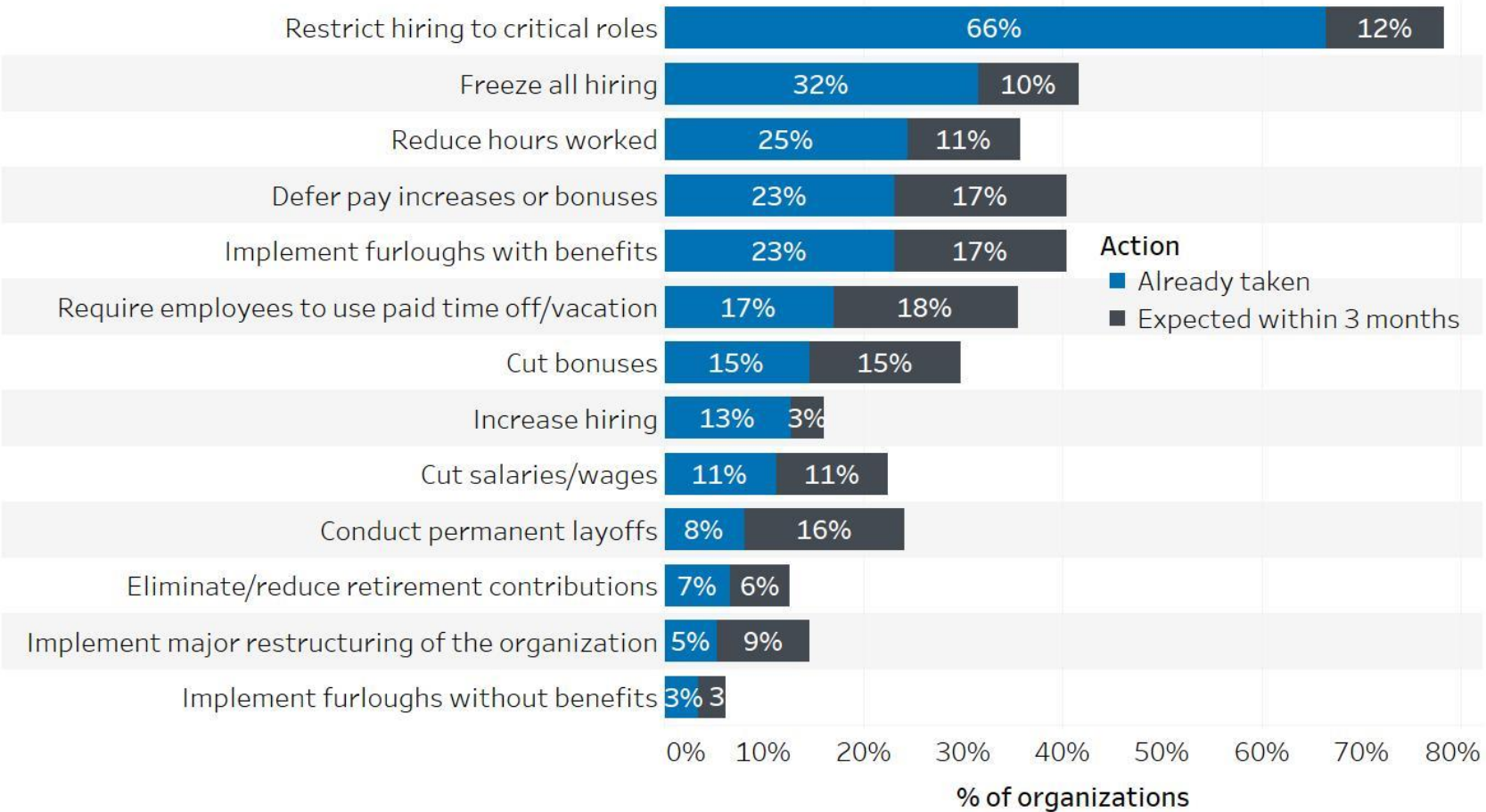


Source: US Bureau of Labor Statistics

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The following workforce cost reduction actions were implemented in April 2020. What are you doing now?



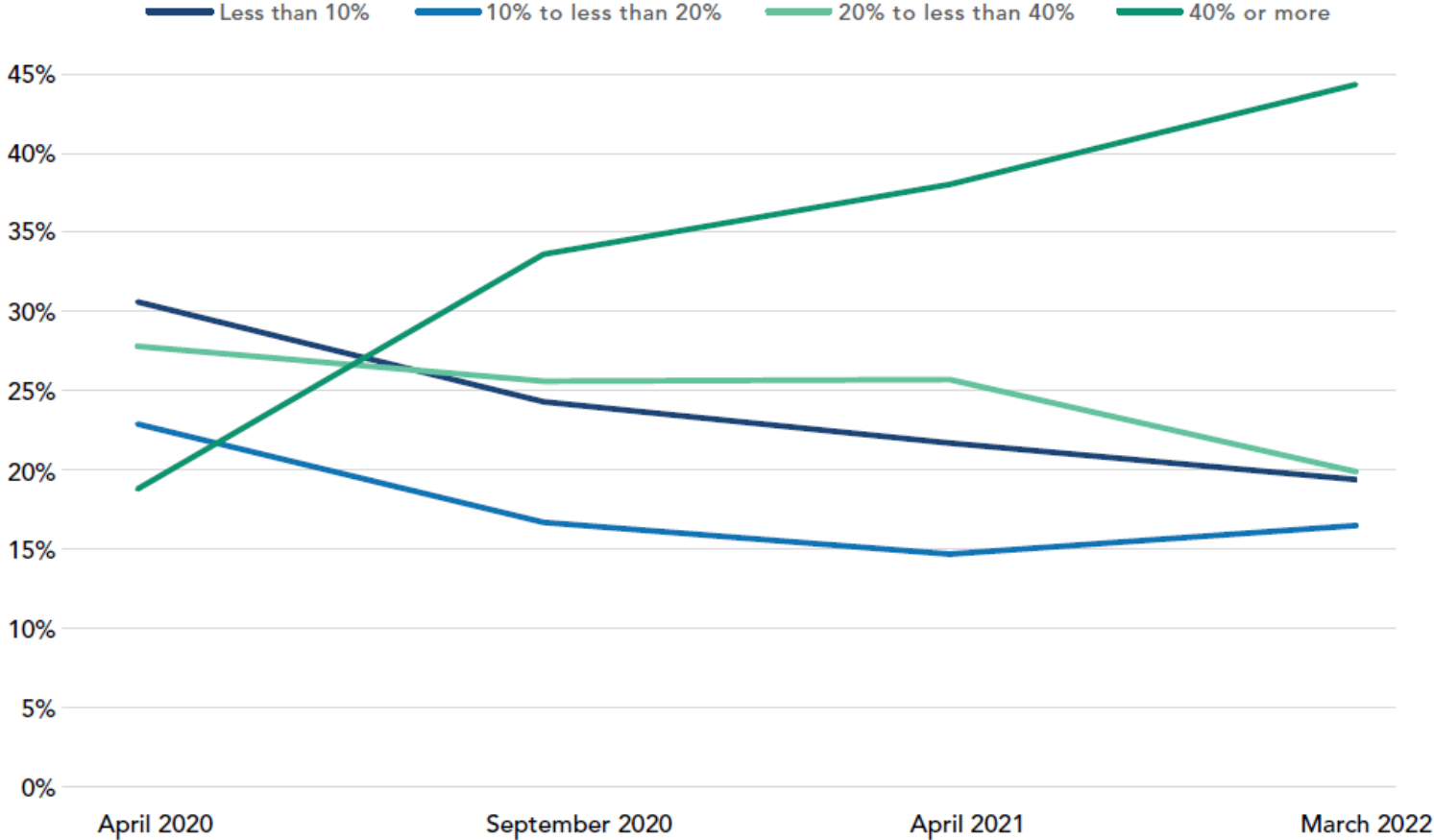
N = 152 HR leaders
 Source: The Conference Board, April 2020, [From Immediate Responses to Planning for the Reimagined Workplace: Human Capital Responses to COVID-19](#)



Solutions to Labor Shortages

Hybrid work is here to stay and will be one of the most significant organizational legacies of COVID-19

What percent of your US full-time employees are working primarily virtually/remotely (at least three days a week)? Expectation a year after COVID



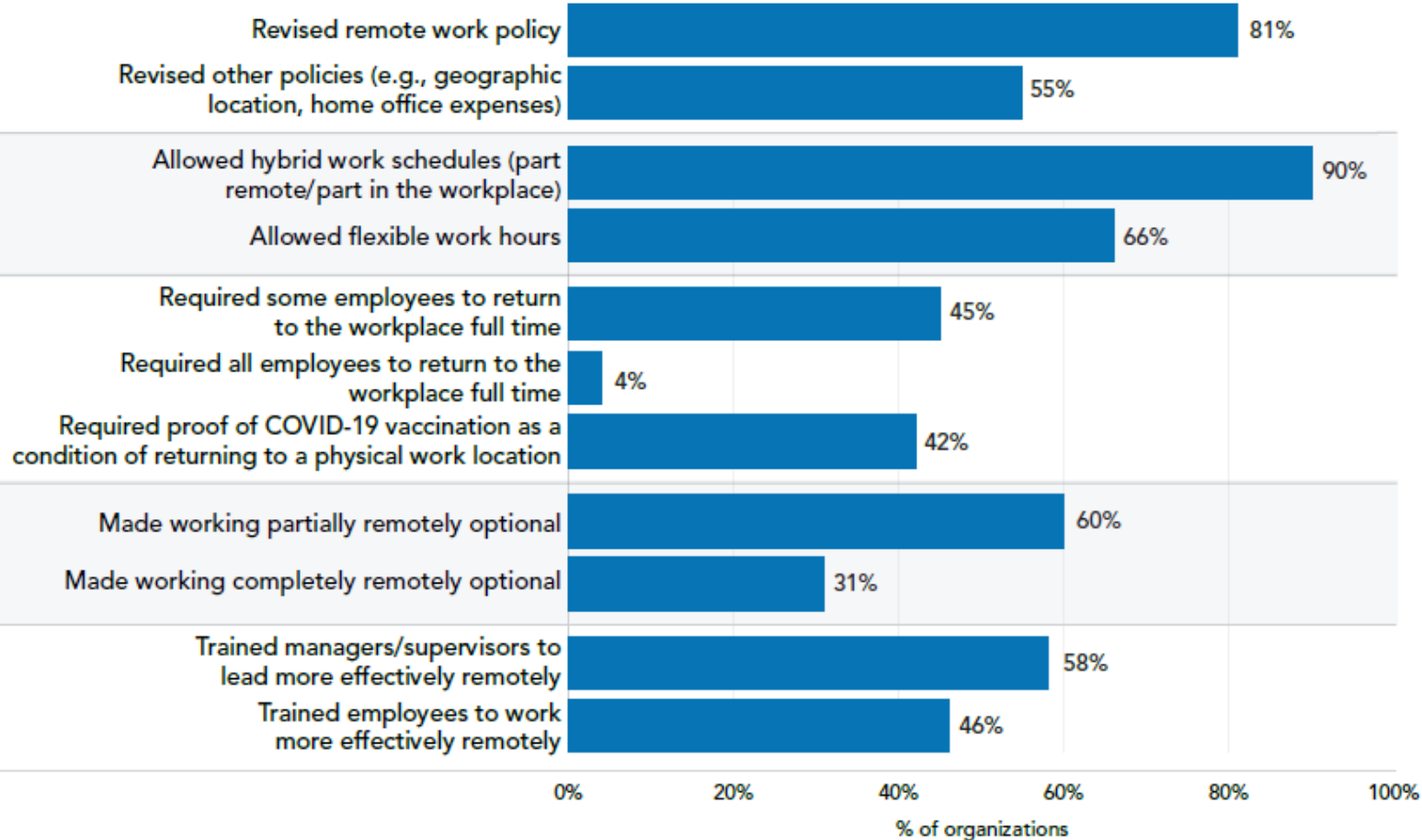
Notes: For April 2020, n=150; for September 2020, n=312; for April 2021, n=228; for March 2022, n=177.

Source: *The Reimagined Workplace Two Years Later: Human Capital Responses to the COVID Pandemic*, The Conference Board, 2022



Ninety percent of surveyed organizations are allowing hybrid work (part remote and part in the office), and two-thirds are allowing flexible work hours

How has your organization addressed the shift to remote work and the return to the workplace? (Select all that apply)



n= 178

Source: *The Reimagined Workplace Two Years Later: Human Capital Responses to the COVID Pandemic*, The Conference Board, 2022



Possible solutions to labor shortages

- Allow for more work schedule or remote work flexibility.
- Improve work conditions to improve job satisfaction.
- Increase compensation (e.g., wages, bonuses, retirement) and improve benefits.
- Lower education, skill, or experience requirements and provide more on-the-job training.
- Automate certain tasks wherever possible.
- Increase immigration.
- Rethink sourcing strategies.
- Improve retention with increased employee engagement.

For more solutions, read pages 39-71 of our January 2020 report:

✓ [*US Labor Shortages: Challenges and Solutions*](#)



To Find Talent, Rethink Sourcing Strategy Assumptions

RETHINK

Who can do the work

Seek skills instead of experience

Hire for potential

Consider untapped populations

Revisit traditional hiring credentials

Where, when, and how the work gets done

Be flexible about where the work is performed

Question when the work needs to be performed

Redesign job roles in ways that expand the pool of potential candidates

Talent acquisition itself

Make everyone a recruiter

Focus on internal mobility

Realign recruiting

Reconsider salary increases

Source: *Navigating the Global Talent Tsunami: Rethinking Strategies to Find the Right Talent*, The Conference Board, 2022



To Improve Retention, Take These Six Actions



Trust and Offer Flexibility



Communicate Frequently and Transparently



Make Genuine Caring a Priority



Commit to Inclusion



Amplify Mission and Purpose



See Opportunity in Crisis and Be Agile

Source: *Reshaping Employee Experience and Organizational Culture: Lessons from the Tumultuous Events of 2020 and 2021*, The Conference Board, 2021.



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