

Labor Markets Watch

US Update and Outlook

May 19, 2021



Some of the critical issues we will be covering today

- Labor shortages are making a comeback.
- How have different groups of workers and industries been impacted by the pandemic?
- How fast will the labor market recover from the pandemic and could labor shortages reappear?
- How will the labor market be different after the pandemic?
- What skills will become most important?
- How may further government stimulus impact jobs?



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Today's Presenters



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The Conference Board***



POLL QUESTION 1

POLL QUESTION 1

RESULTS



US Labor Market Update and Outlook

Labor shortages are making a comeback

■ The economic outlook:

- ✓ Fast rollout of **vaccinations** and states are **reopening**, leading to strong growth.
- ✓ **Savings accumulated** in the past year and together with **government stimulus** have boosted financial conditions of households and state and local governments.
- ✓ **Housing and business investment** are already booming.

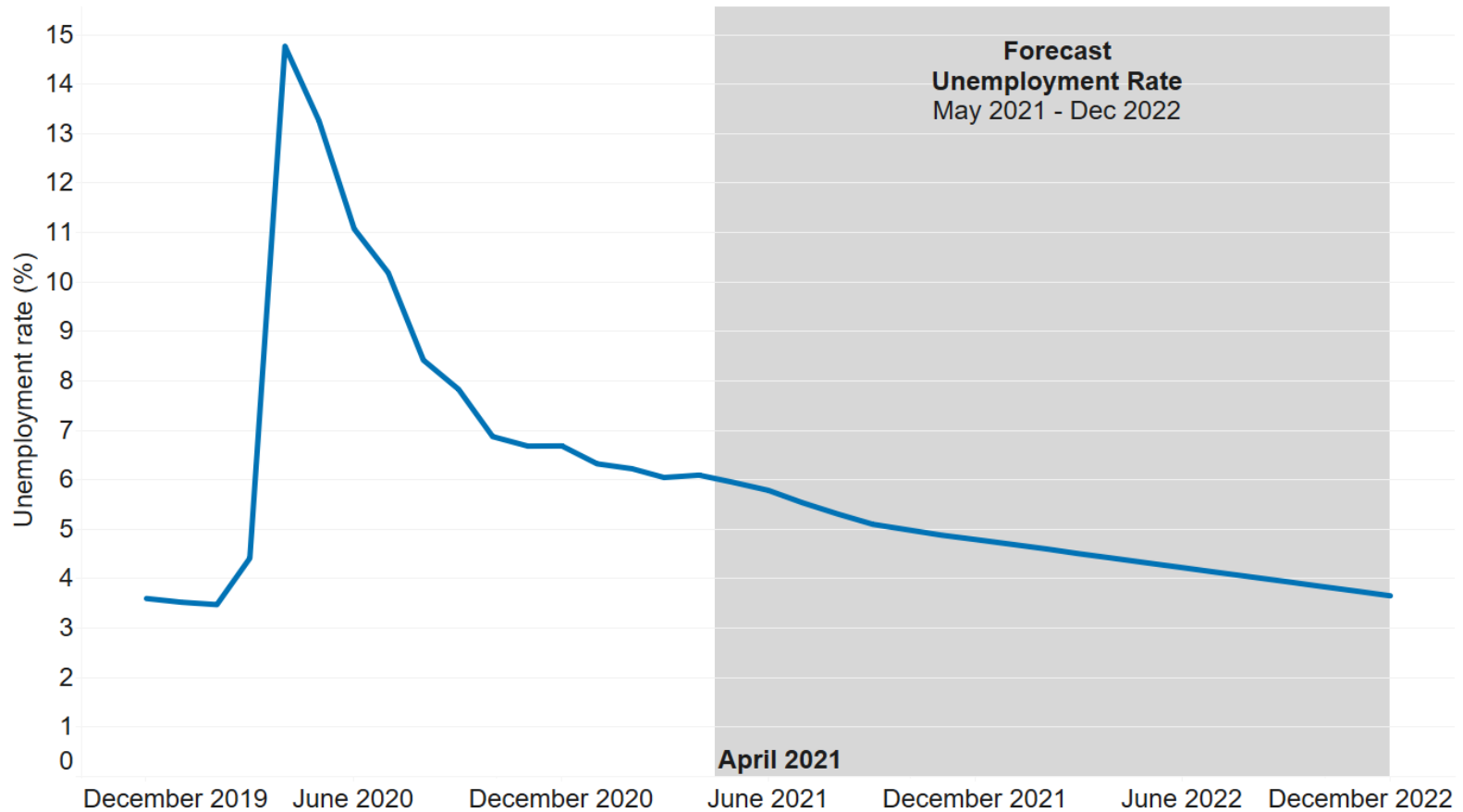
■ The labor market outlook:

- ✓ There is a **strong recovery** in the hardest hit **in-person services industries**, but unexpectedly, **job growth slowed in other industries** in April.
- ✓ **Labor shortages** are making a comeback because of a rapid reopening.
 - Recruiting and retention difficulties are historically high.
 - Wage growth is accelerating, especially for industry and manual services jobs.
 - But supply may be constrained due to infection fears, childcare issues, and elevated unemployment benefits.
- ✓ While some of these trends are temporary, as soon as late 2022, **regular labor shortages** may return.
 - By the end of 2021, the **unemployment rate** should drop below 5% and continue to decline thereafter;
 - The **working-age population is shrinking**, but only for those without a bachelor degree.



Unemployment rate is projected to drop below 5 percent by the end of 2021

US unemployment rate forecast in baseline scenario

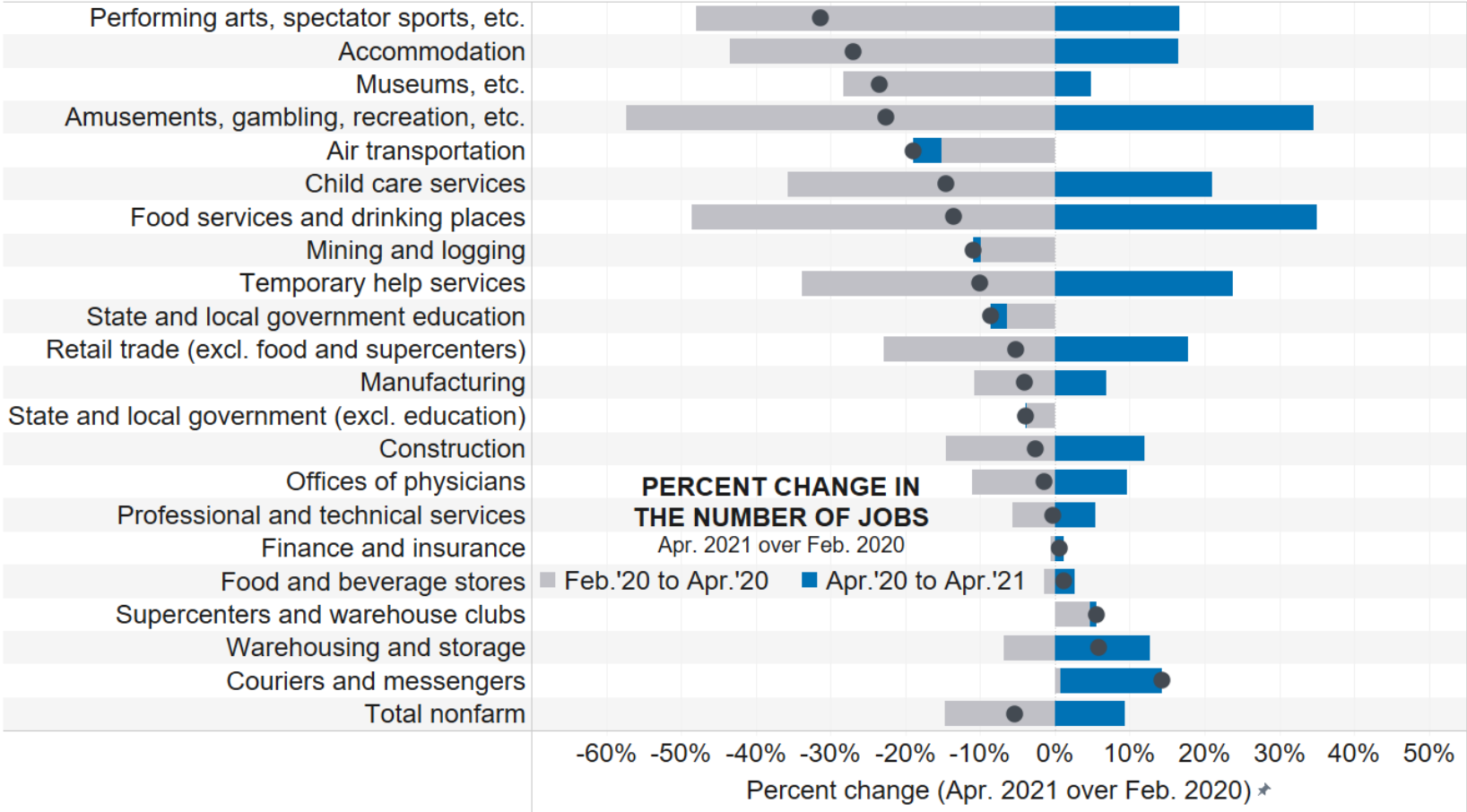


Source: The Conference Board; US Bureau of Labor Statistics



Massive job losses most noticeable in in-person services, but the recovery is underway

Percent change in the number of jobs, by industry

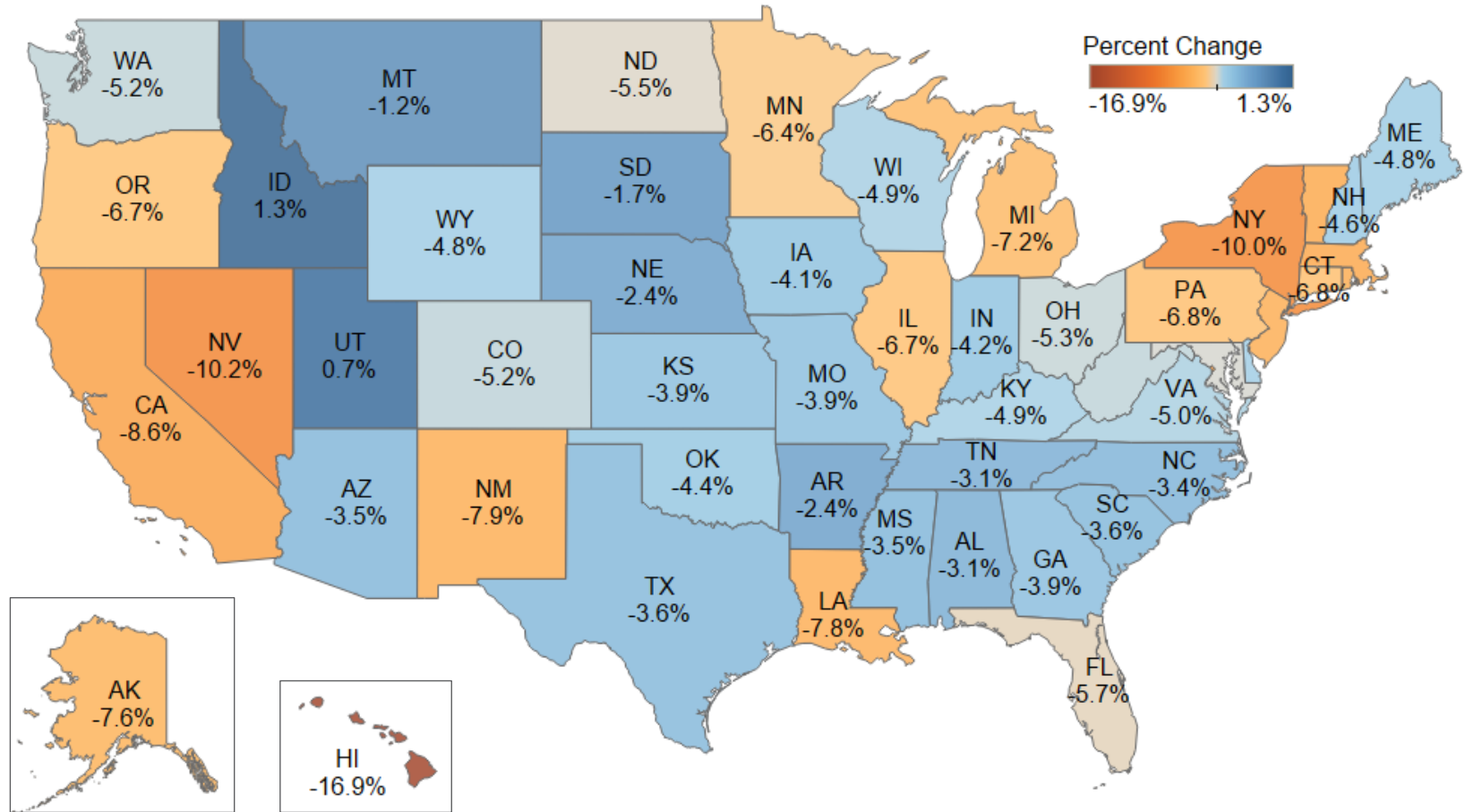


Source: The Conference Board using data from the US Bureau of Labor Statistics



Job losses were largest in the Northeast and Pacific regions

Percent change in employment by state from February 2020 to March 2021

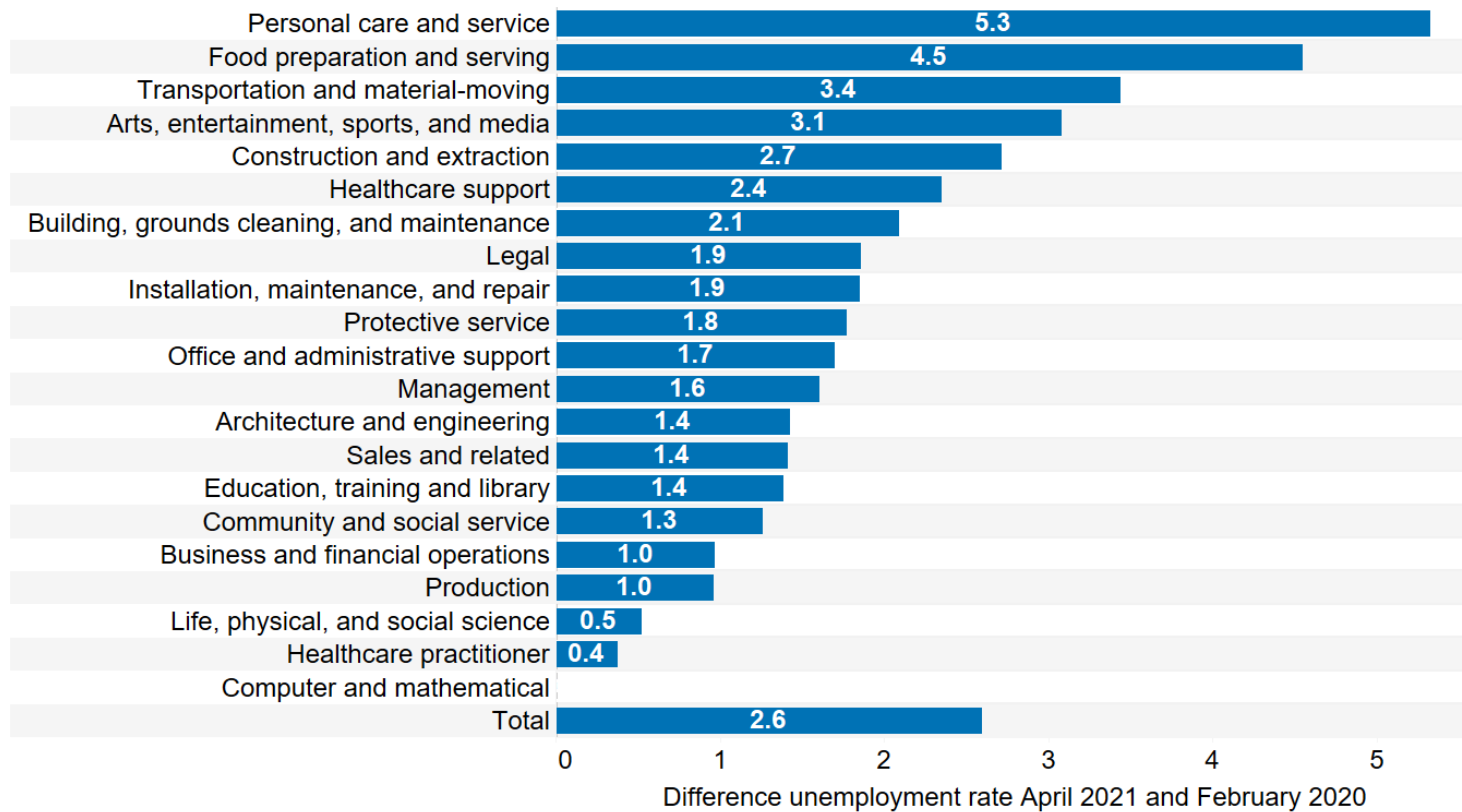


Source: Bureau of Labor Statistics, calculations by the Conference Board



Unemployment is still high, but tech is an exception

Unemployment rate by occupation, seasonally adjusted, difference April 2021 and February 2020

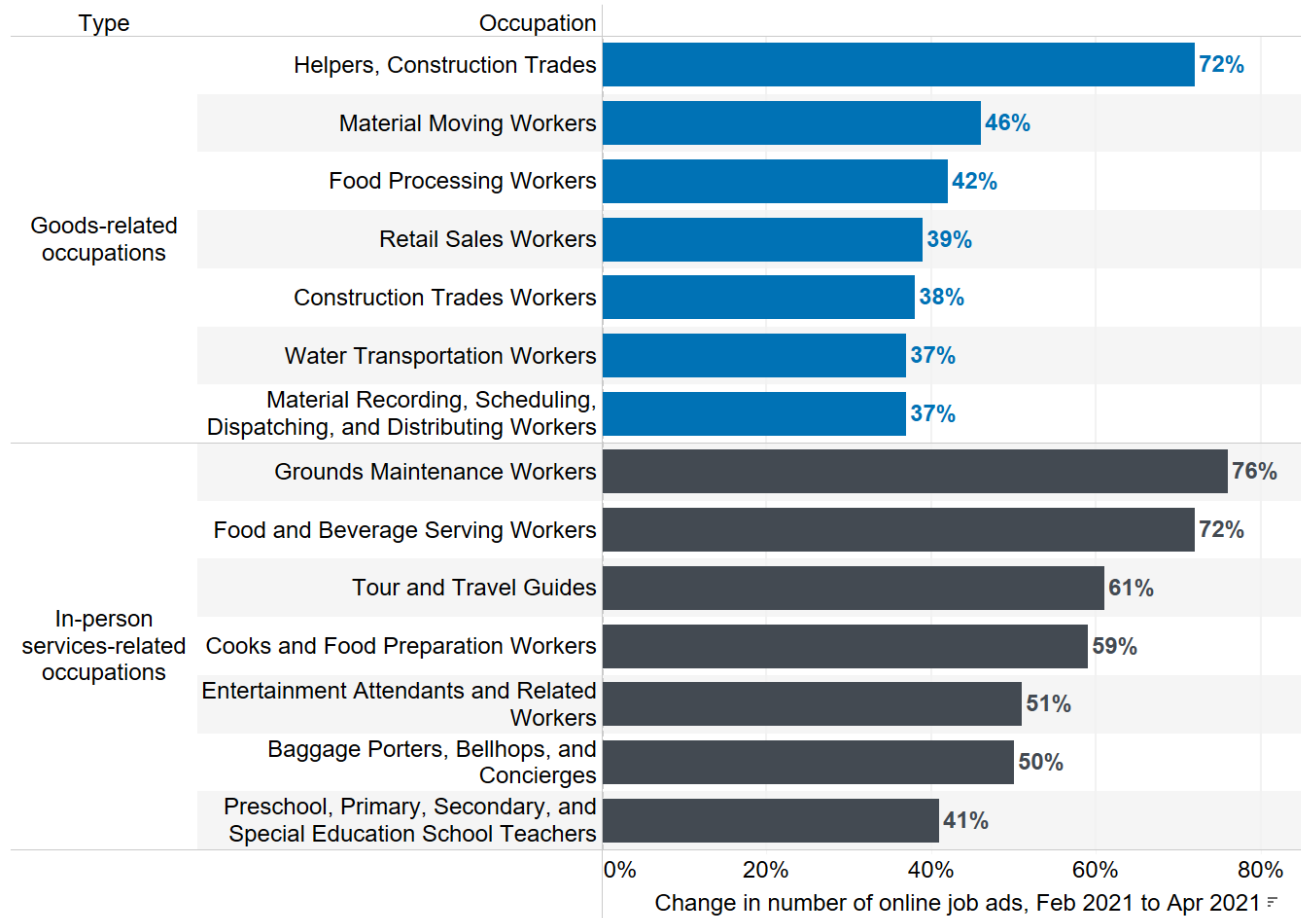


Note: Occupational unemployment rates are seasonally adjusted by The Conference Board; total unemployment rate is from the BLS.
Source: The Conference Board using data from the US Bureau of Labor Statistics



The number of job ads is rapidly growing

Change in the number of online job ads, February 2021 to April 2021

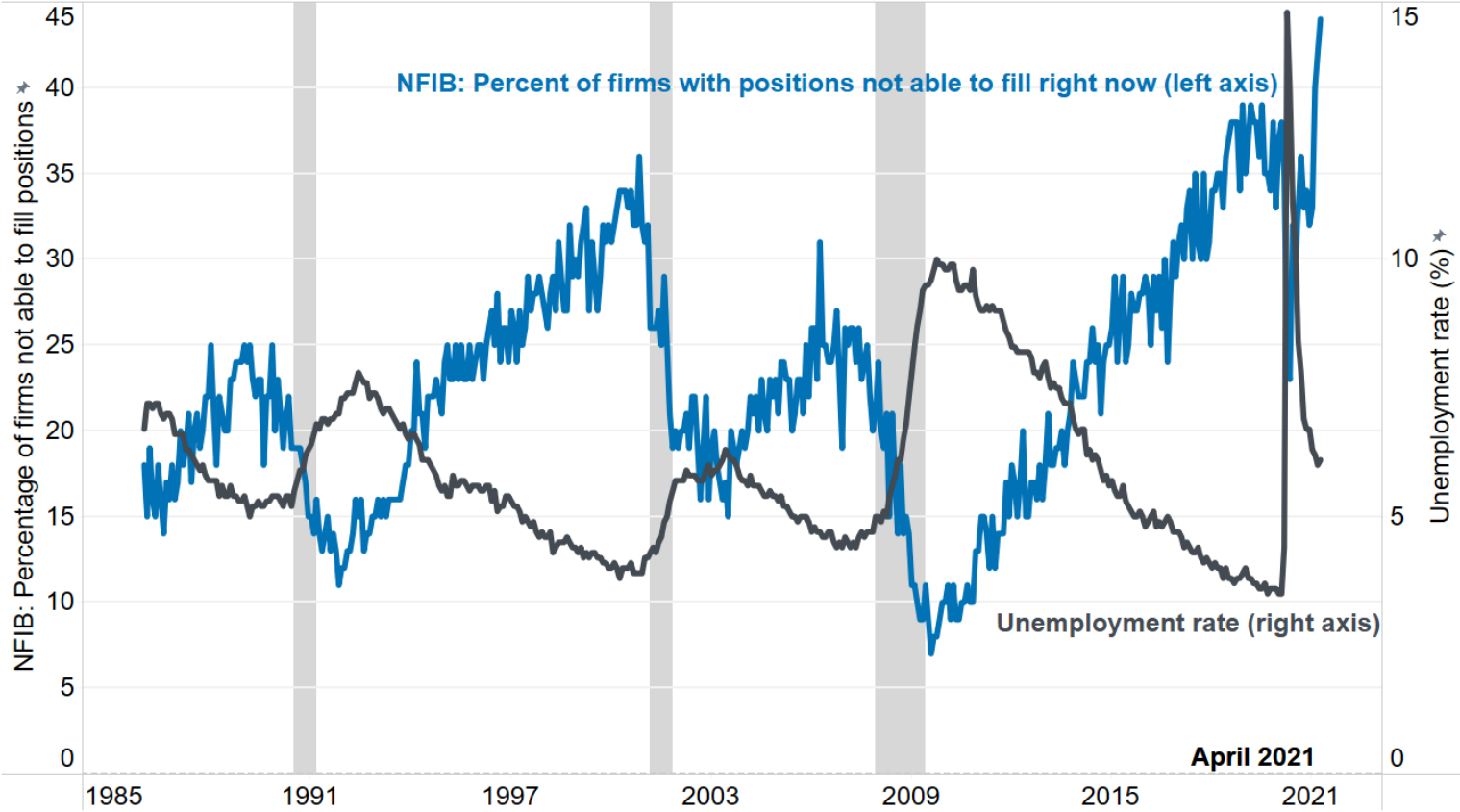


Source: The Conference Board®-Burning Glass® Help Wanted OnLine® (HWOL) data series



Recruiting difficulties are historically high

NFIB firms with positions not able to fill right now and the unemployment rate

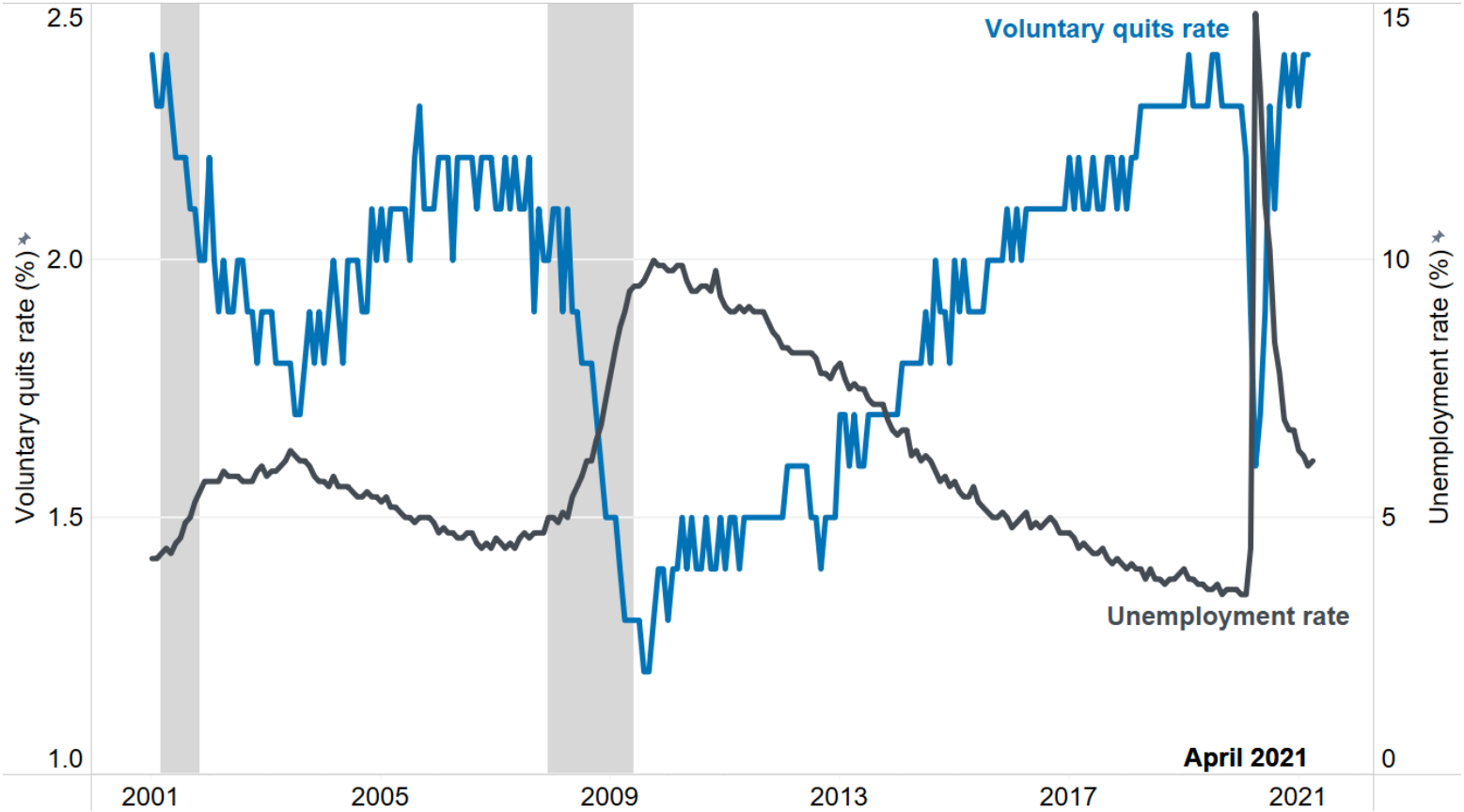


Source: The Conference Board using data from the National Federation of Independent Business and US Bureau of Labor Statistics



So are voluntary quits rates

Voluntary quits rates and the unemployment rate



Note: The voluntary quits rate is available up to March 2021; the unemployment rate up to April 2021.
Source: The Conference Board using data from the US Bureau of Labor Statistics



POLL QUESTION 2

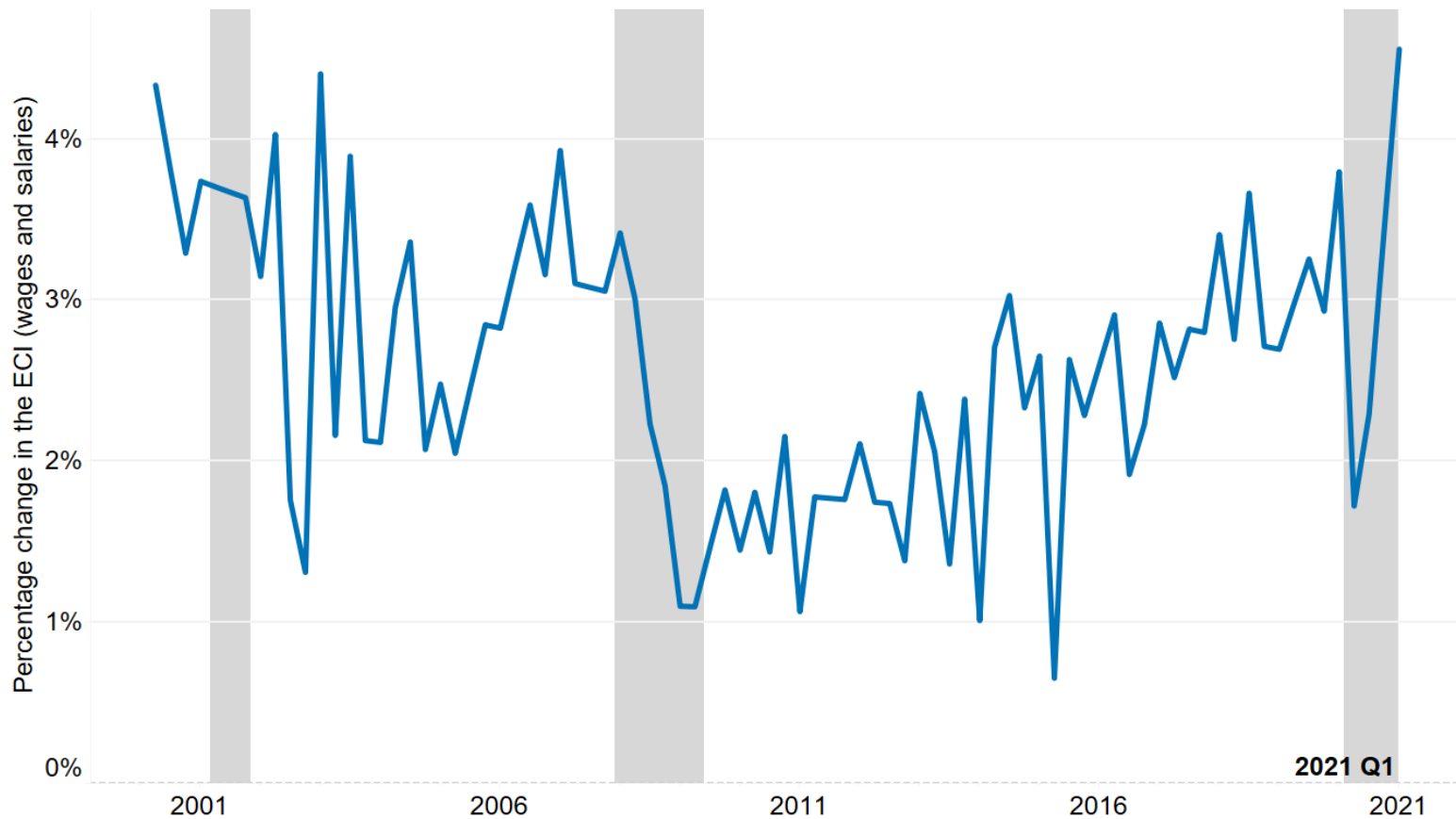


POLL QUESTION 2

RESULTS

Wage growth jumped over the last quarter

Employment Cost Index (wages and salaries), quarterly annualized percentage change

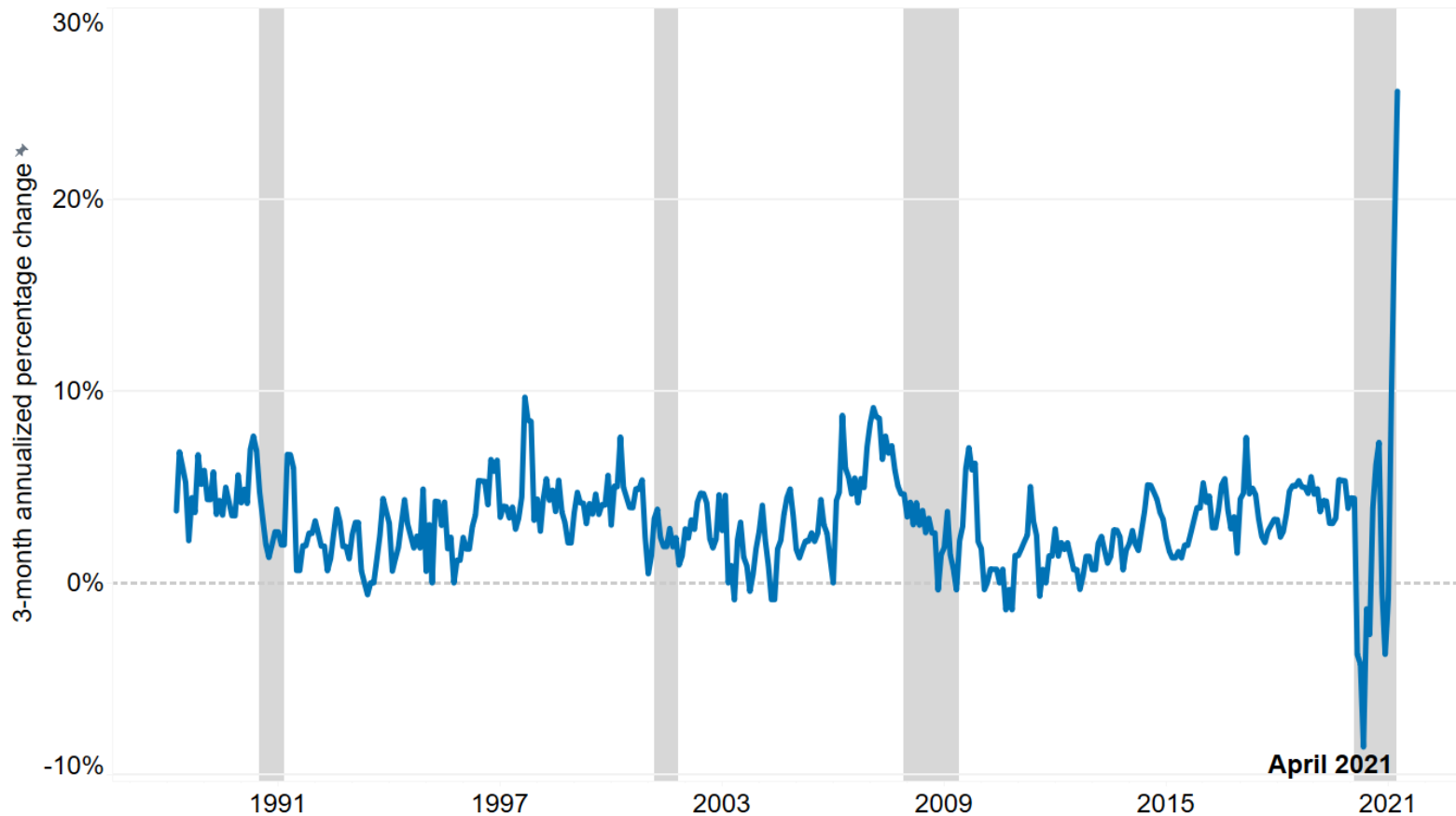


Source: The Conference Board using data from the US Bureau of Labor Statistics



Wages are rising particularly fast in leisure and hospitality

Average hourly earnings for production and nonsupervisory workers in leisure and hospitality, 3-month annualized percentage change

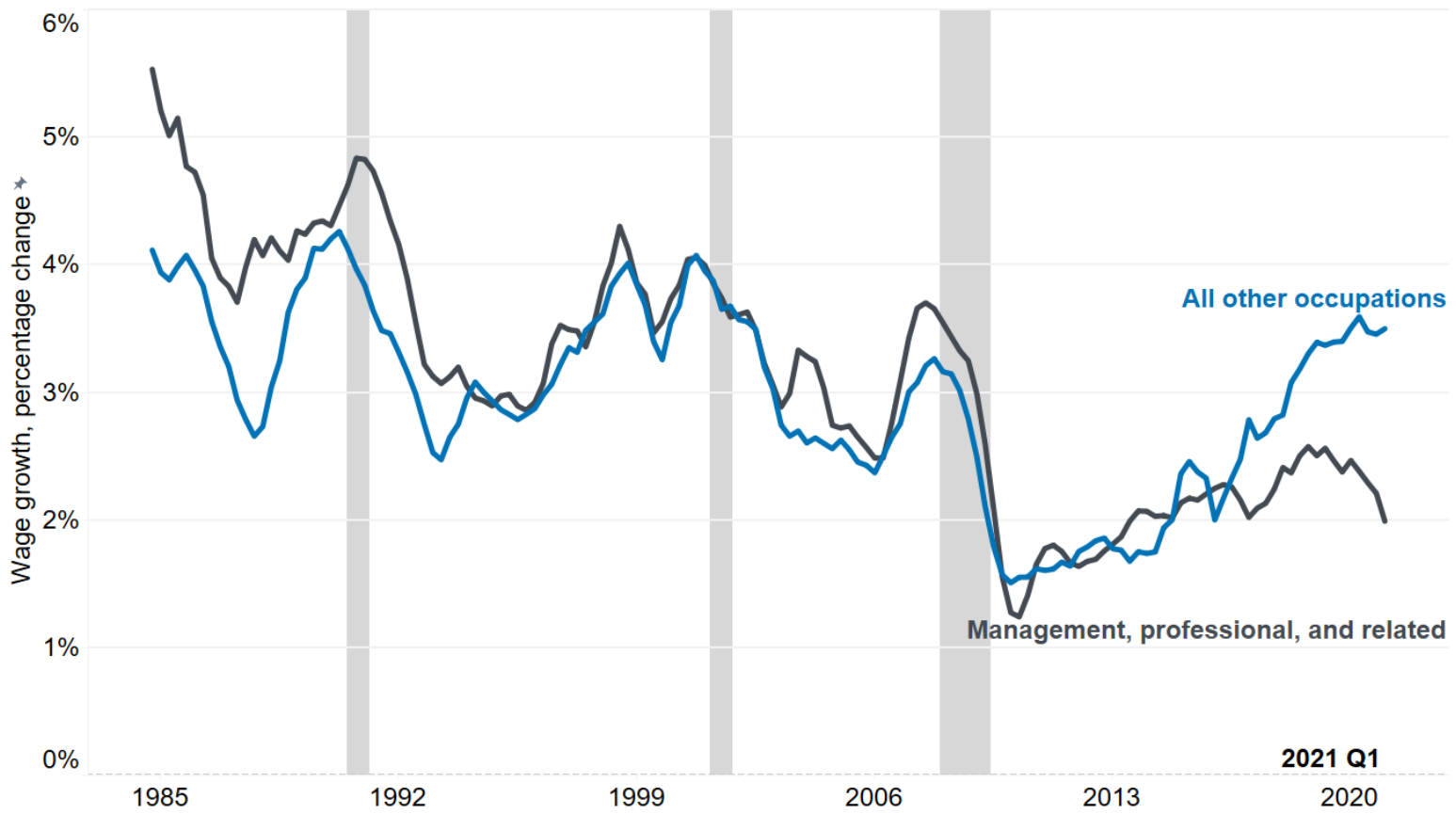


Source: The Conference Board using data from the US Bureau of Labor Statistics



Wages are rising faster for industry, manual services, sales, and administrative workers

Employment Cost Index (wages and salaries), percentage change of the last 4 quarters over the preceding 4 quarters



Source: The Conference Board using data from the US Bureau of Labor Statistics



US Labor Markets

Supply Trends

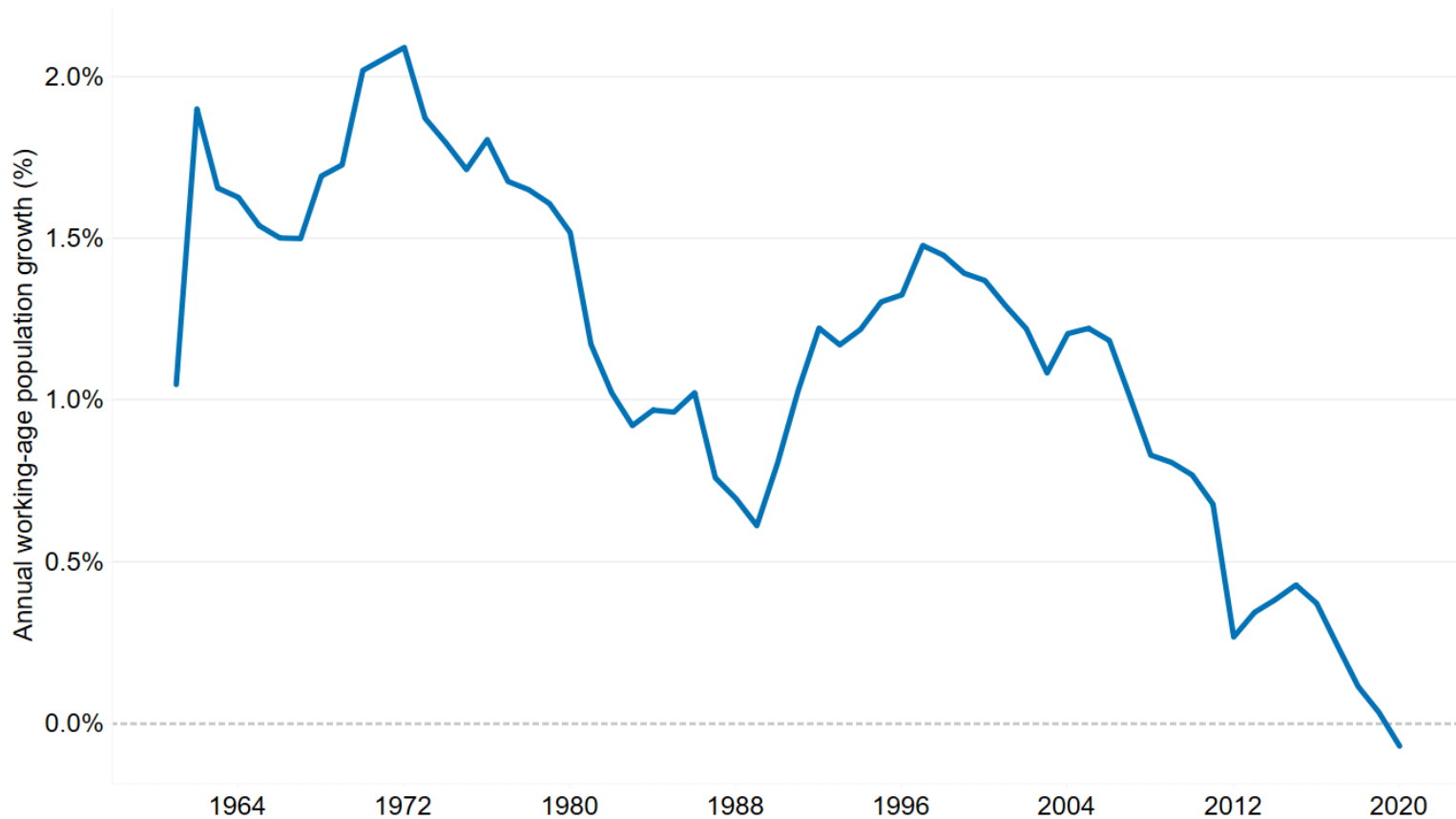
Structural labor shortages may reappear as soon as 2022 due to long-term labor supply trends

- The **working-age population is shrinking** for the first time in US history.
 - ✓ But only for those without a bachelor degree.
 - ✓ For people with a bachelor degree, the working-age population is still growing.
- **Labor force participation may not fully recover** to prepandemic rates.
 - ✓ Some older workers are retiring earlier because of stronger retirement income, fear of the virus, and discouragement to find a new job.
 - ✓ Young men without a bachelor degree are dropping out of the labor force.



The working-age population is shrinking for the first time

Working-age population (aged 15 to 64), annual percentage change

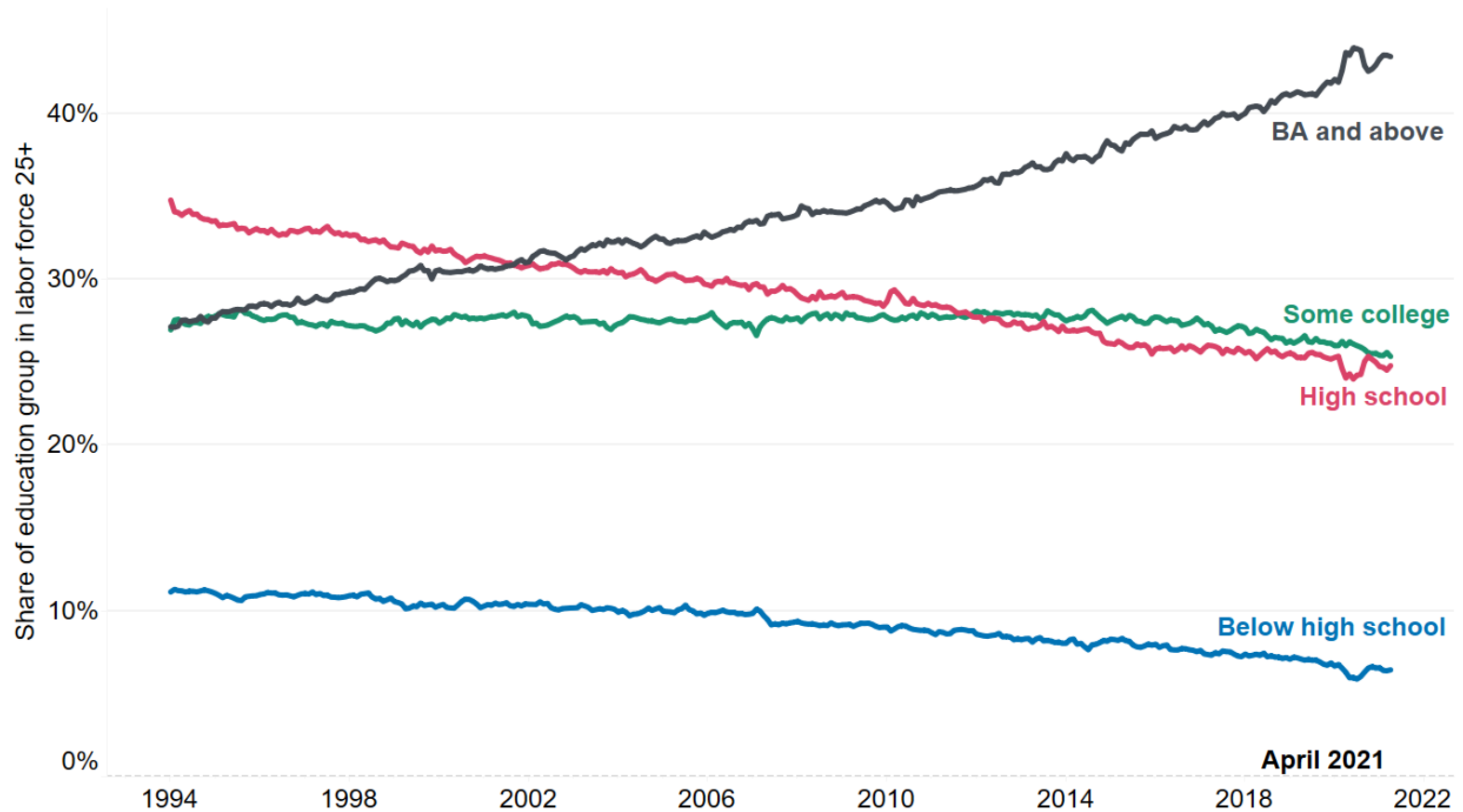


Source: The Conference Board using data from the US Census Bureau



The labor force willing to work in blue-collar and manual services jobs is shrinking

Share of education group in the total labor force (aged 25 and above)



Source: The Conference Board using data from the US Bureau of Labor Statistics



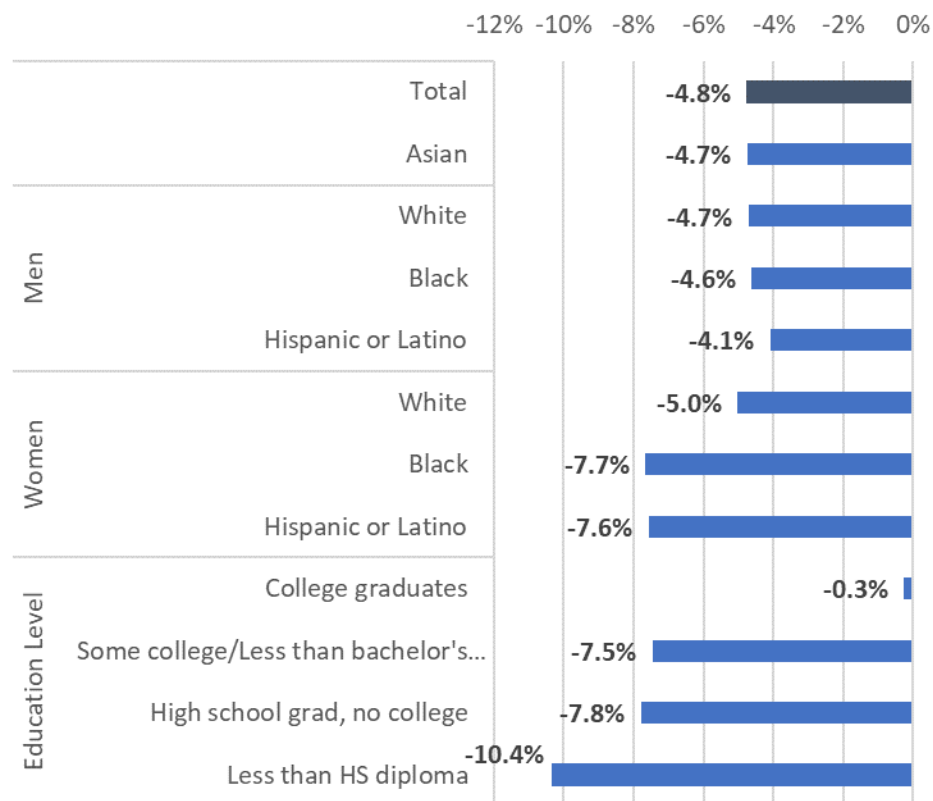
US Labor Markets

The Changing Landscape of Jobs and Skills

Black and Hispanic women and those with less education have been hardest hit by pandemic job losses

- Job losses were concentrated among **low-wage occupations**
- Social distancing measures and rapidly advancing technologies were a **one-two punch** to minority groups overrepresented in high-risk occupations
 - Transmission risk + Automation risk
- A fast-paced economic recovery will **not be enough** to get Americans back to work
- Labor market scarring** will hinder widespread recovery
 - While the unemployment rate continues to drop, long-term unemployment remains high

Percent change in employment from February 2020 (prepandemic) to April 2021, by demographic group, seasonally adjusted



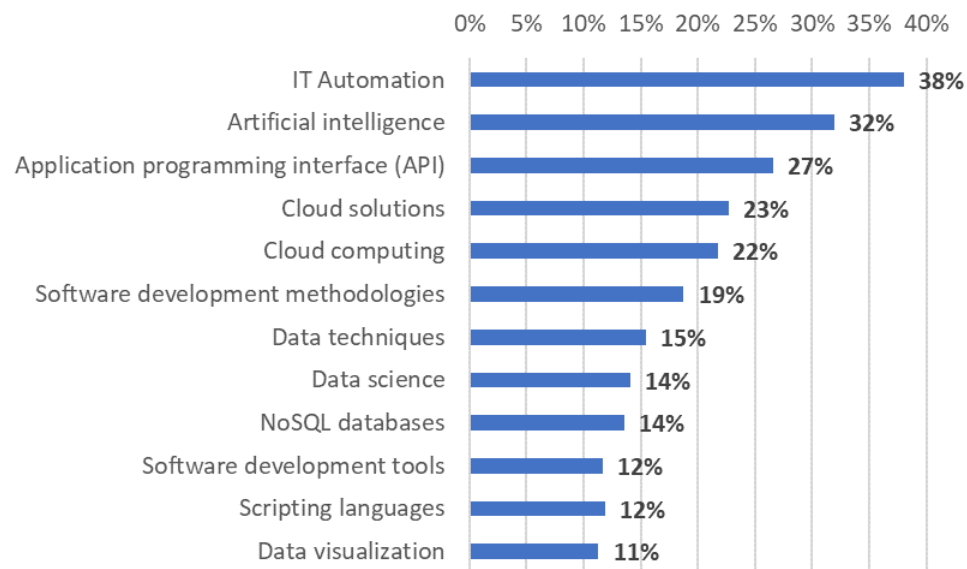
Note: National and Asian totals refer to persons ages 16 and older. Gender breakdowns are not available for Asians. Data for men and women refer to persons ages 20 and older; educational breakdowns refer to persons ages 25 and older.
Source: US Bureau of Labor Statistics



Pandemic-driven increases in technology and automation have reshaped the jobs and skills in demand

- The growing shift to online activity, pandemic-inspired innovations, and greater reliance on advanced technologies have increased the need for **highly skilled workers**
- BUT also growing employer demand for complementary **“human” or “soft” skills** that cannot be automated
- While many jobs in retail and hospitality may not come back, they are likely to be replaced by **emerging jobs** in other industries and occupations

Percent change in the share of selected skill cluster mentions in job ads for tech occupations from 2019 (prepandemic) to the 12 months ending in March 2021



Note: The HWOL dataset, provided by Burning Glass Technologies, identifies individual skills mentioned in online job ads and groups them into skill clusters. These skills and skill clusters are then calculated as a share for select occupations to determine which skills are mentioned more in online job ads relative to others in those same occupations.

Source: The Conference Board®-Burning Glass® Help Wanted OnLine® (HWOL) data series



Jobs that are positioned for future growth can be classified into five distinct “economies”

1 The Readiness Economy

Jobs in biotechnology, cybersecurity, infrastructure, and public health related to both strategic business planning and US national preparedness (e.g., [utility workers](#), [information security analysts](#), [epidemiologists](#)).

2 The Logistics Economy

Occupations in industrial big data analytics, IoT technologies, supply chain management, pharmaceutical (i.e., vaccine) manufacturing, and “re-shored” manufacturing of PPE and medical equipment (e.g., [production workers](#), [warehouse workers](#), [supply chain managers](#), [IoT specialists](#)).

3 The Green Economy

Roles in renewable energy, natural resource conservation, pollution removal, and waste management and recycling (e.g., [solar panel installers](#), [wind turbine technicians](#), [environmental engineers](#)).

4 The Remote Economy

Jobs supporting e-commerce, remote working and online learning platforms, cloud computing, and network systems, as well as roles advancing augmented and virtual reality technologies (e.g., [e-commerce/social media/digital marketing specialists](#), [network administrators](#), [IT project managers](#)).

5 The Automated Economy

Roles that create and maintain automation systems (e.g. [robotics engineers](#), [big data/AI/machine learning specialists](#), [software and application developers](#), [data scientists](#)).

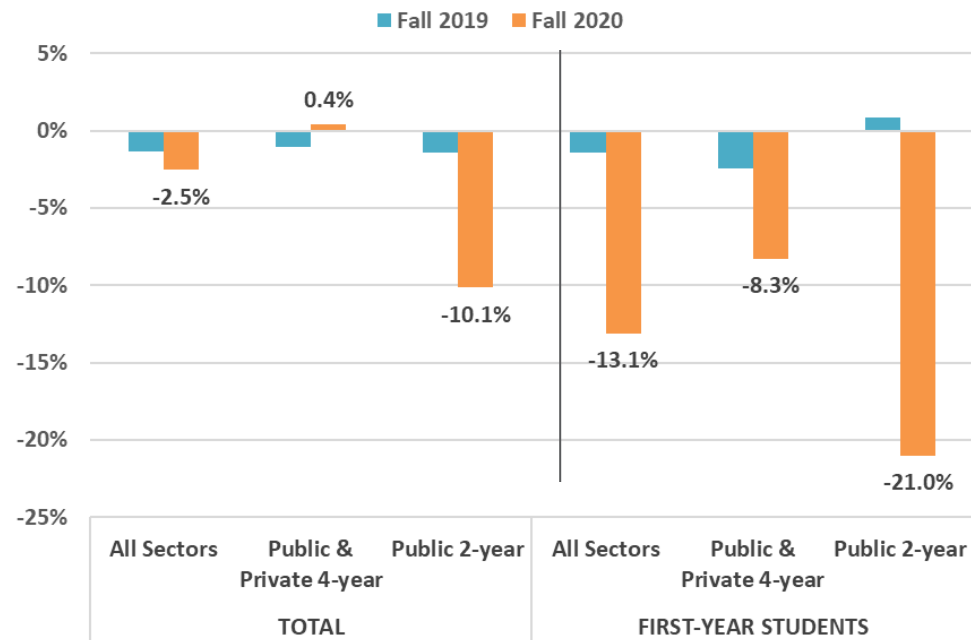
Source: “[After the Storm: The Jobs and Skills that Will Drive the Post-Pandemic Recovery](#),” Burning Glass Technologies, February 2021.



The challenge is not mass unemployment but helping workers transition to new industries, skills, and occupations

- BUT falling college enrollment during the pandemic, especially in community colleges, is making it **harder for at-risk workers to learn new skills**
- Two-year colleges serve as an **alternative gateway** into the workforce
 - Short-term credentialing programs
 - Job placement via apprenticeships
- We could potentially see a cohort that will enter the workforce with **lower education, lower skills, less employability, and lower productivity and earnings**

Percent change in enrollment from previous year by institutional sector



Source: National Student Clearinghouse Research Center [Current Term Enrollment Estimates Fall 2020](#) and calculations by The Conference Board



If the infrastructure proposal became law, the economy would add about 15 million jobs over the next 8 to 10 years

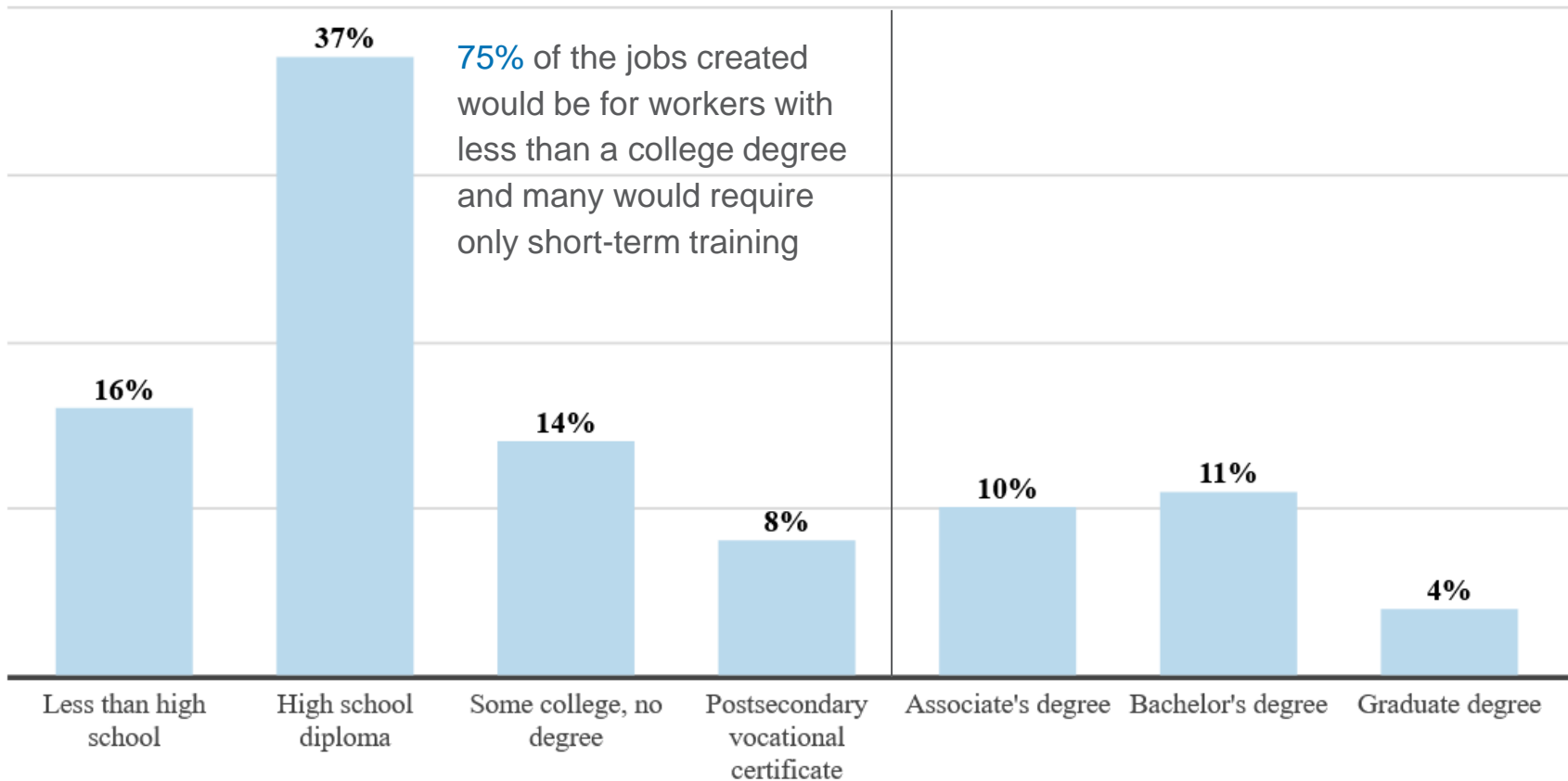
Based on studies by [Moody's Analytics](#) and [Georgetown University](#)

- But the \$2 trillion American Jobs Plan would create only an additional 2.7 million jobs through 2030 on top of what would be created without it ([Moody's](#))
- Jobs would be heavily concentrated in certain industries
 - ✓ Construction
 - ✓ Electric vehicle manufacturing
 - ✓ Semi-conductor manufacturing
 - ✓ Jobs related to creating universal access to high-speed broadband
 - ✓ Jobs in the Care industry, i.e., childcare and homecare for the elderly and persons with disabilities



Infrastructure program would create jobs at every level of education and kickstart the blue-collar economy

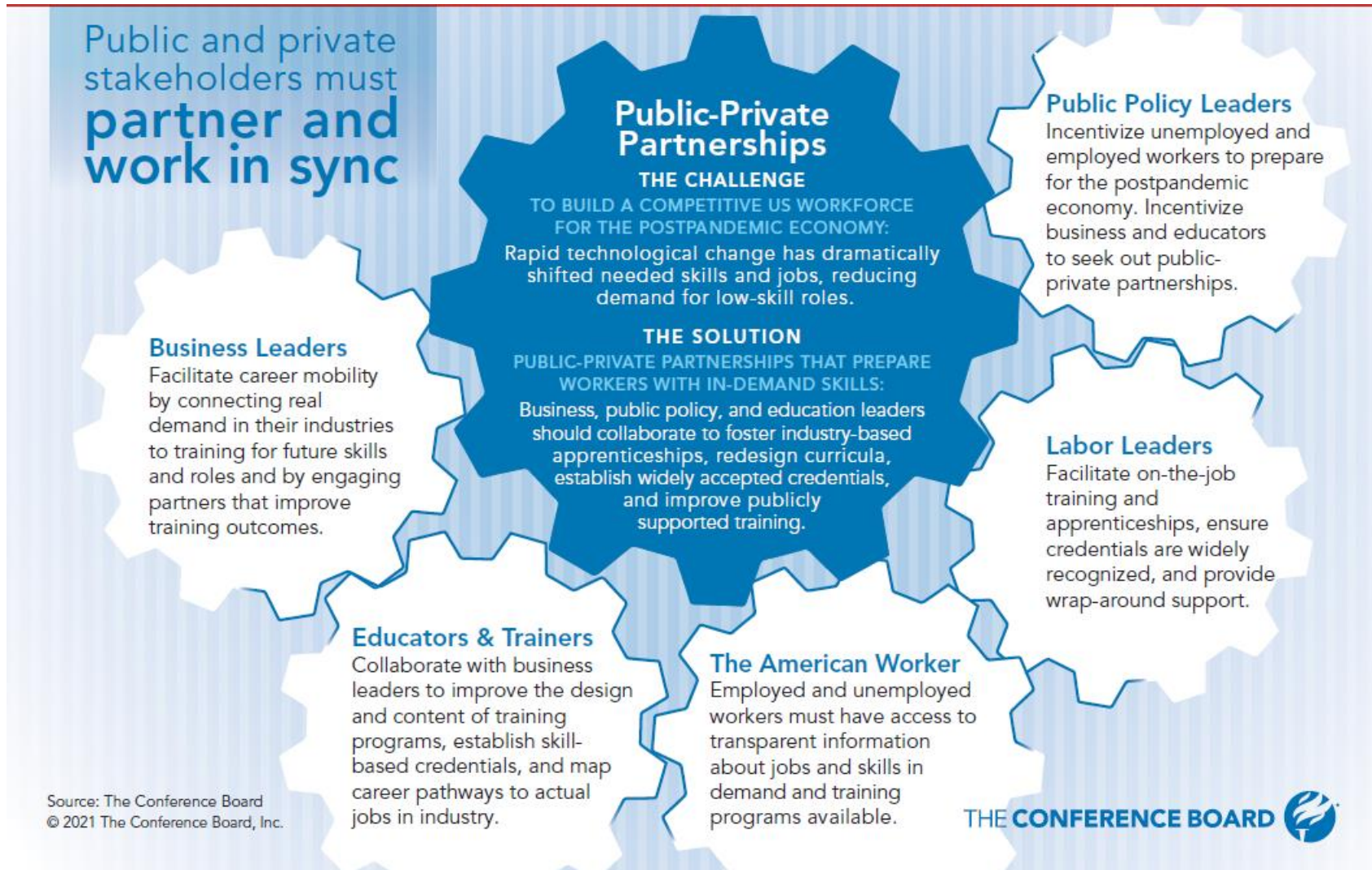
Share of jobs created, by level of education



Source: "[15 Million Infrastructure Jobs: An Economic Shot in the Arm to the COVID-19 Recession](#)," Georgetown University Center on Education and the Workforce, March 2021.



Public-private partnerships can prepare workers with in-demand skills



Source: “[A US Workforce Training Plan for the Postpandemic Economy](#),” The Conference Board, April 2021.



Other trends that will impact the labor market

- The shift to **remote work**.
 - ✓ More recruiting flexibility across geographies, including offshoring.
 - ✓ Workers, especially high-skilled, will move out of city centers.
 - ✓ Less business travel and in-person communication.
- Growing **online purchasing and delivery**.
 - ✓ Retail, higher education, health, banking.
 - ✓ Increased demand for tech workers: cyber security, data scientists, software developers.
 - ✓ Growing demand for drivers, while demand for sales workers will drop.
- Rising demand for **health workers** as the population is aging.
- **Labor demand will shift from city centers to the periphery** as business geography has permanently changed since the pandemic.
- Growing importance for **Environment, Social, and Governance (ESG)**.
- Growing importance of **gender and racial equality**.



Upcoming Webcast Programming from The Conference Board



- [Window On Infrastructure Investment \(May 26\)](#)
- [The Reimagined Workplace a Year Later: Human Capital Responses to the COVID-19 Pandemic \(June 3\)](#)
- [Economy Watch \(June 9\)](#)

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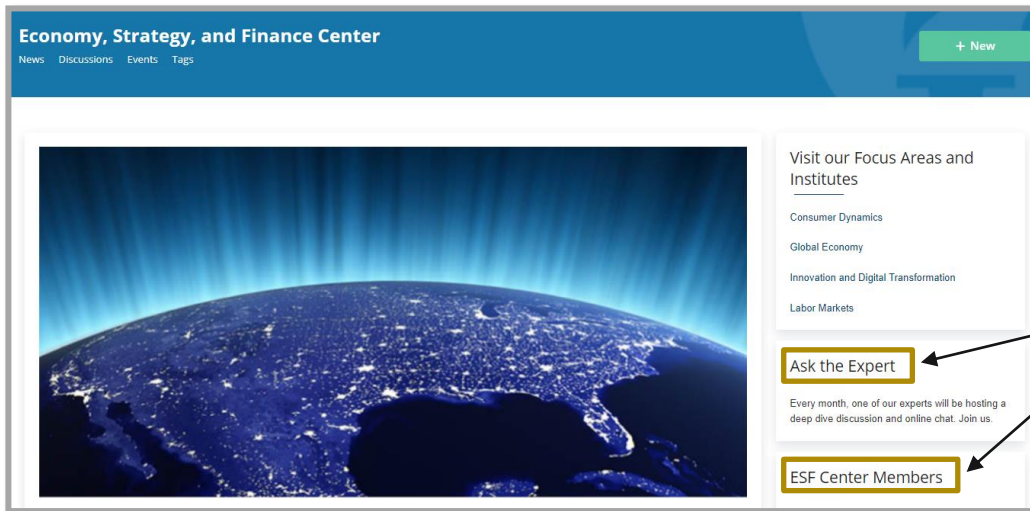
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