Coping with the Labor Market Crisis

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December 19, 2021

Due to the ongoing COVID-19 pandemic, much ado is being made about the labor market crisis in the United States.

However, this crisis has been years in the making, and cracks in the market were present well before the novel coronavirus hit American soil in early 2020.

The roots of the labor shortage can be traced as far back as 2000, according to data compiled by Emsi Burning Glass. That year, the first members of the millennial generation — defined by *The Economist* as those born between 1981 and 1996 — entered the labor force. Fast forward 21 years, and members of the populous baby boomer generation, or those born between 1946 and 1964, have retired in droves.

These labor force departures have been accelerated by the pandemic, with Pew Research Center reporting that, in the third quarter of 2020, about 28.6 million boomers left the job market. In comparison, 25.4 million boomers retired in the same quarter of 2019. According to a report from *Forbes*, this "Great Retirement" will continue as older people retire early to focus on "what is really important to them."

Even before the pandemic, boomer retirement presented a problem for the U.S. workforce. There are not enough workers available to replace the boomers. An Emsi Burning Glass analysis shows that job postings have seen a dramatic rise since mid-2020, but total employment has dipped and has yet to return to pre-pandemic levels.

Retiring boomers bear only some of the responsibility for the reduced labor force participation rate, according to *The Wall Street Journal*. The rate has fallen and remains "stubbornly low," even among prime-age workers, or those between 25 and 54. The newspaper cites increased personal savings and pandemic aid as reasons for the low participation rate while also noting these items are fading and could soon result in rising worker numbers.

However, the country's labor market faces another challenge in the form of a skills shortage. Emsi Burning Glass projects that 37 percent of the skills of the average U.S. job have been replaced over the past five years. For example, 47 percent of the requirements for a marketing specialist are new. In 2010, the top skill necessary for such a position was sales; in 2020, it is social media.

The pandemic has also accelerated the pace of change in skillsets. Production technicians, for example, are expected to know more about the kaizen method of continuous improvement and math than they are about equipment operation or soldering. Only time will tell if the U.S.

workforce can be adaptable and innovative enough to meet the technologically led opportunities of the future.

Employers may feel hopeless when confronted with the challenges facing the U.S. workforce. They may not be able to control the labor participation rate or singlehandedly fix a skills gap, but they can recognize that people matter, and they can change how they value employees. As we confront these broader challenges as a society, here are some short-term solutions for workforce challenges:

- Employers can raise wages, which helps retain employees and, according to a study by the Wharton School at the University of Pennsylvania, improves employee satisfaction, happiness, and emotional well-being.
- Employers can offer non-wage incentives, such as flexible hours, additional vacation time, rewards and recognition, or wellness initiatives.
- Employers can simplify job requirements, making it easier for applicants to understand the expectations and responsibilities.
- Employers can invest in training and grow their own talent, which, according to Indeed, improves skills and knowledge as well as employee productivity.