

2022 LABOR MARKET OUTLOOK

Trends that will shape 2022 labor market

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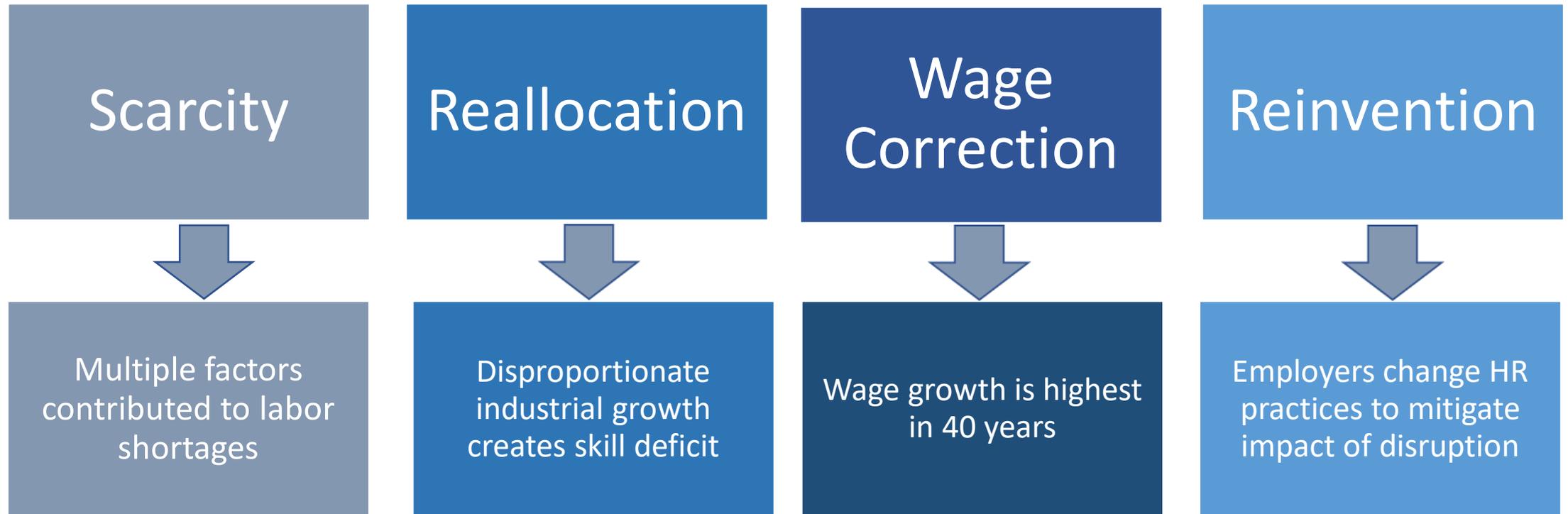


“One of the things I like about Jazz is I don't know what's going to happen next.”

Bix Beiderbecke

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Trends That Will Shape Labor Market in 2022



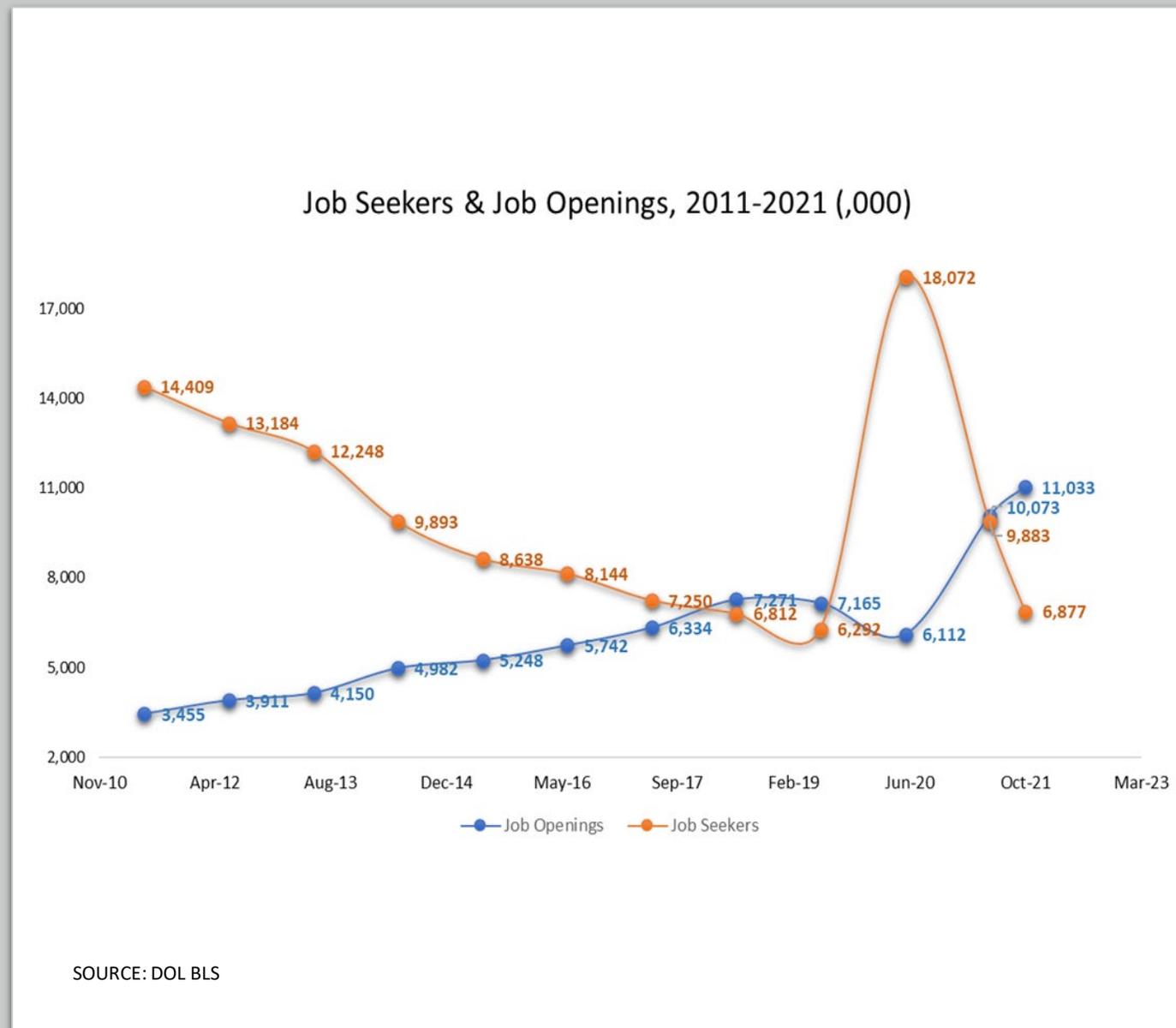
SCARCITY

Shortage of labor due to pandemic disruption, early retirements, etc.

- Shrinking of blue collar and regional workforce
- Skill mismatch due to changing classification requirement and labor composition

Labor Supply Swing

- Labor shortage, 11m job openings by December
- Decreasing number of job seekers, 6.8m
- Workers retire, reposition, withdraw
- Skill mismatch to fill positions

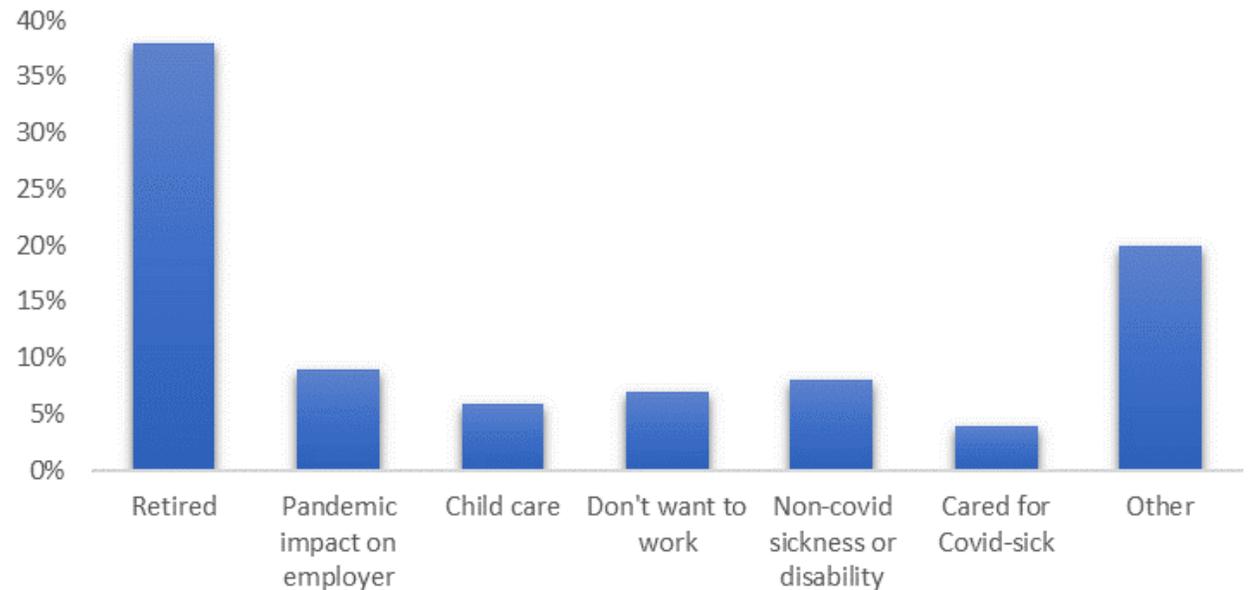


No-Work Hard Bob

- COVID-19 prompted 2.4m baby boomers to early retirement
- In November 2021 4.5m workers quit their jobs
- Workers rethink their career path
- Various reasons, from childcare to “don’t want to go back” were among responses

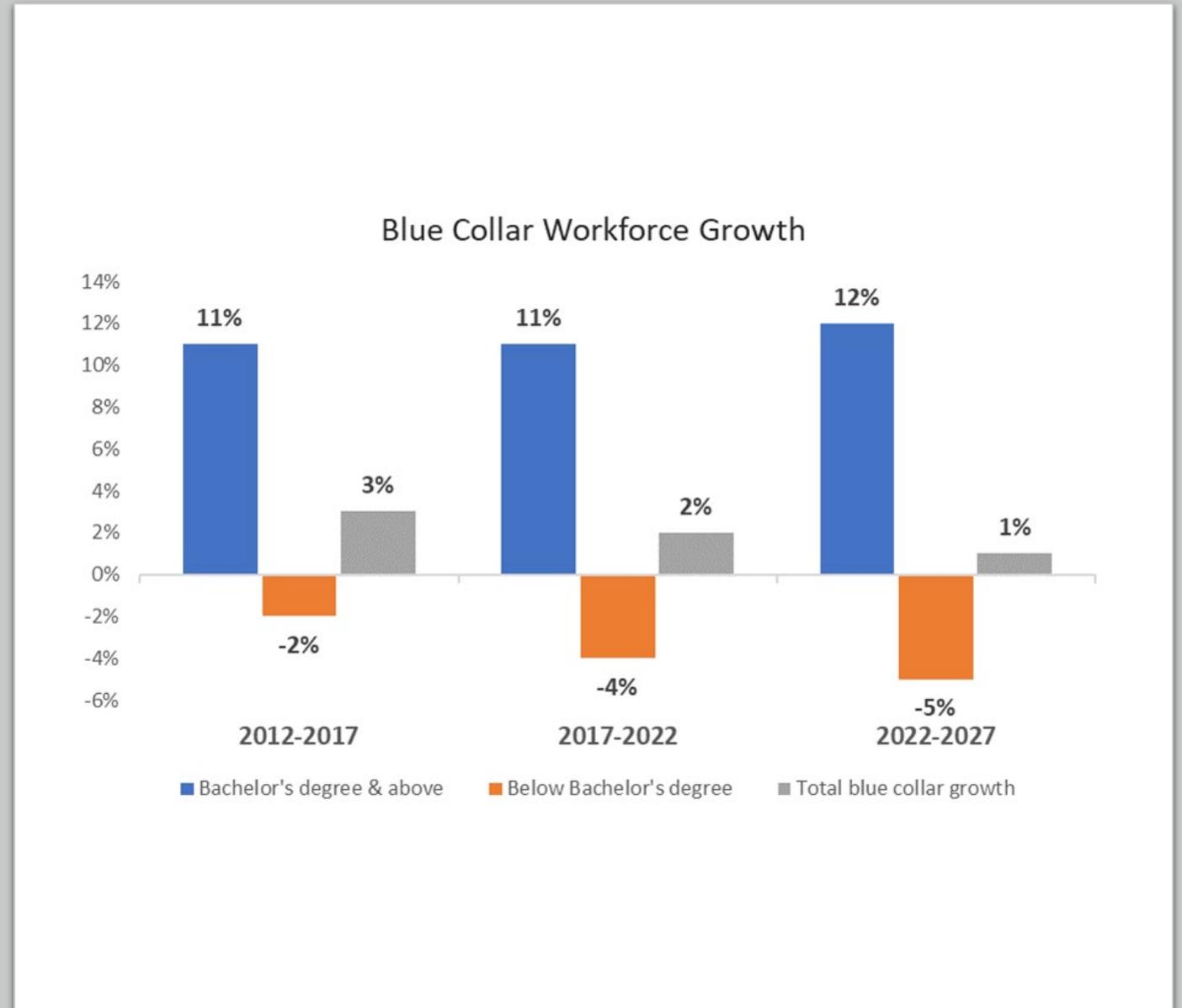
Reasons for Not Working in 2021

SOURCE: Census Bureau



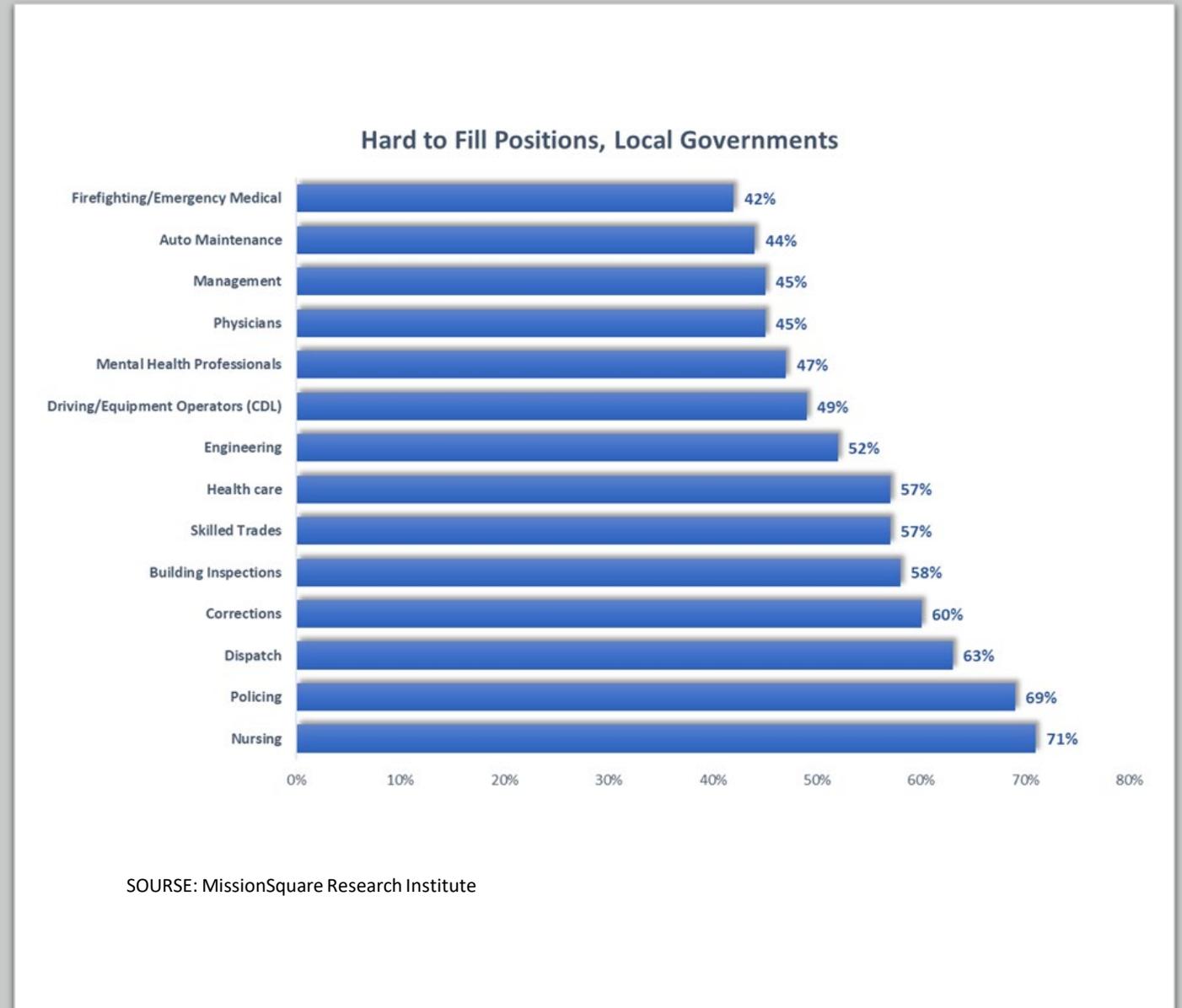
Blue Collar Jobs Blues

- Blue collar jobs evolve adding complexity
- Higher cognitive functions push towards professional level
- Shrinking numbers & slower growth



Government Modern Jazz

- Study of 288 U.S. cities & towns
- Majority say police, nursing, skilled trade jobs are hardest to fill
- 39% of retirement-eligible workers accelerated retirement in 2020, versus 12% in 2009
- Demographic & social changes contributed to these trends



Scarcity: HR Response



Loosening hiring criteria:

- Job postings with “no experience required” doubled in 2021, according to Burning Glass, an analytics firm
- Job postings with “will train” increased by 30% in 2021
- US Chamber of Commerce urge companies to ease four-year degree requirement
- Joseph Fuller of Harvard Business School argues 4-year degree is unreliable guarantor of worker’s worth

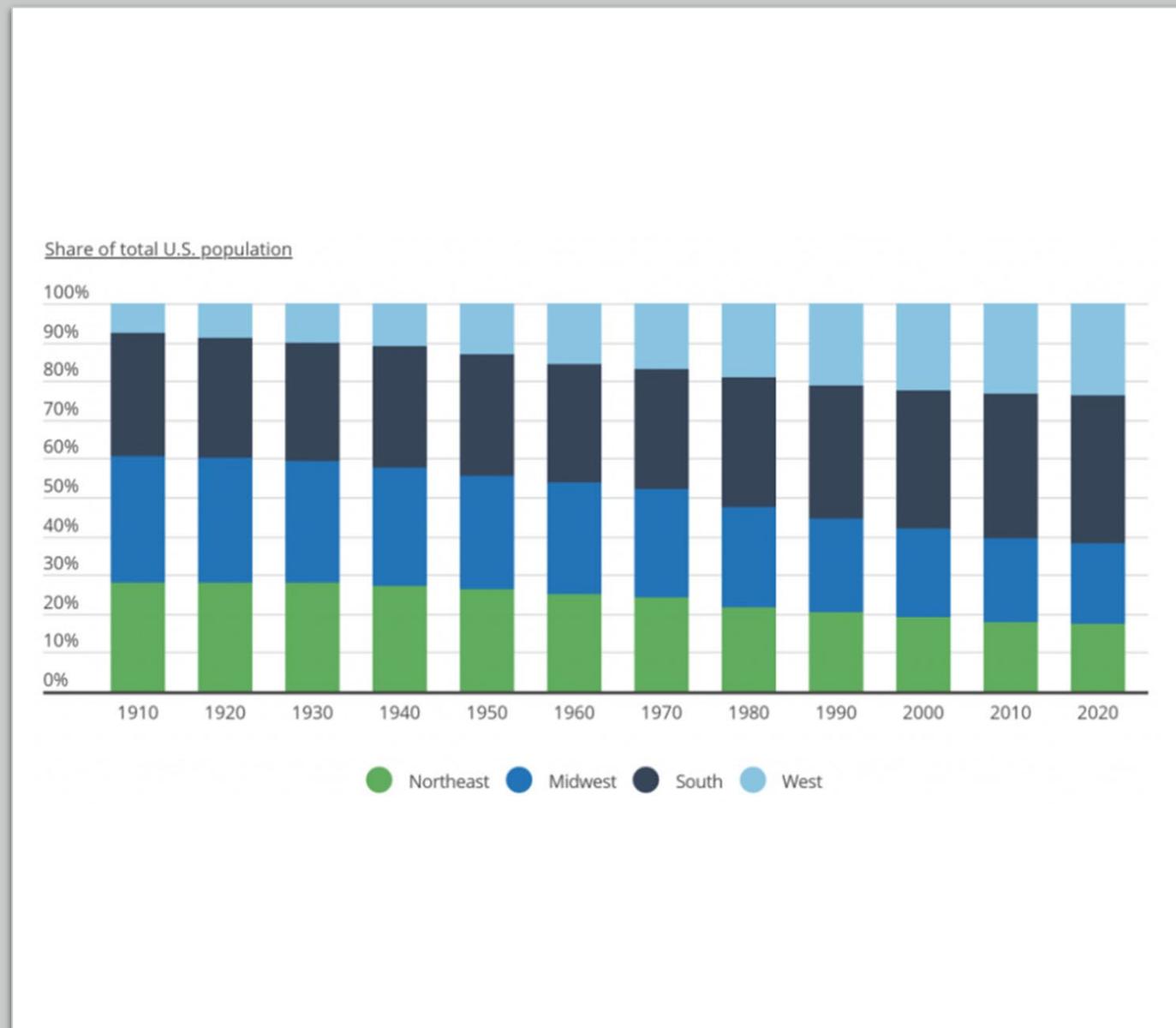
REALLOCATION

Disproportionate job growth & reallocation of labor

- Migration of labor between industries (i.e., from retail to transportation)
- Growth of certain occupations & regions

Economy Fast Tempo

- West & South growing faster
- Growing industries:
 - Telehealth
 - Technology
 - Healthcare
 - Materials moving
 - Transportation
- Consumer markets growth due to shut down:
 - E-learning
 - E-commerce
 - Medical equipment
 - Pet ownership industry



Labor Mismatch is Unlikely to Dissipate on Its Own

- There are several underlying factors for the labor imbalance, some temporary, others - long lasting
- Disproportionate growth in economic sectors
- Regional differences; labor availability varies by area
- Some industries growing at expense of others (retail)
- Not enough re-training efforts from employers

Wages Dissonance

Occupations & Industries	Sep-20	Sep-21
All workers	2.5	4.2
Management, business, & financial	1.8	3.6
Hospitals	2.3	3.7
Healthcare & social assistance	2.2	3.9
Construction, extraction, and forestry	2.1	4.1
Transportation & materials moving	3.9	5.0
Nursing & residential care facilities	3.1	5.3
Service occupations	3.6	6.1

SOURCE: DOL BLS

- Growth of some jobs exceeded average ECI
- Service, transportation, healthcare materials moving are in highest demand
- Higher wages attract workers from other industries
- Migration between industries is common
- Change in occupations is common

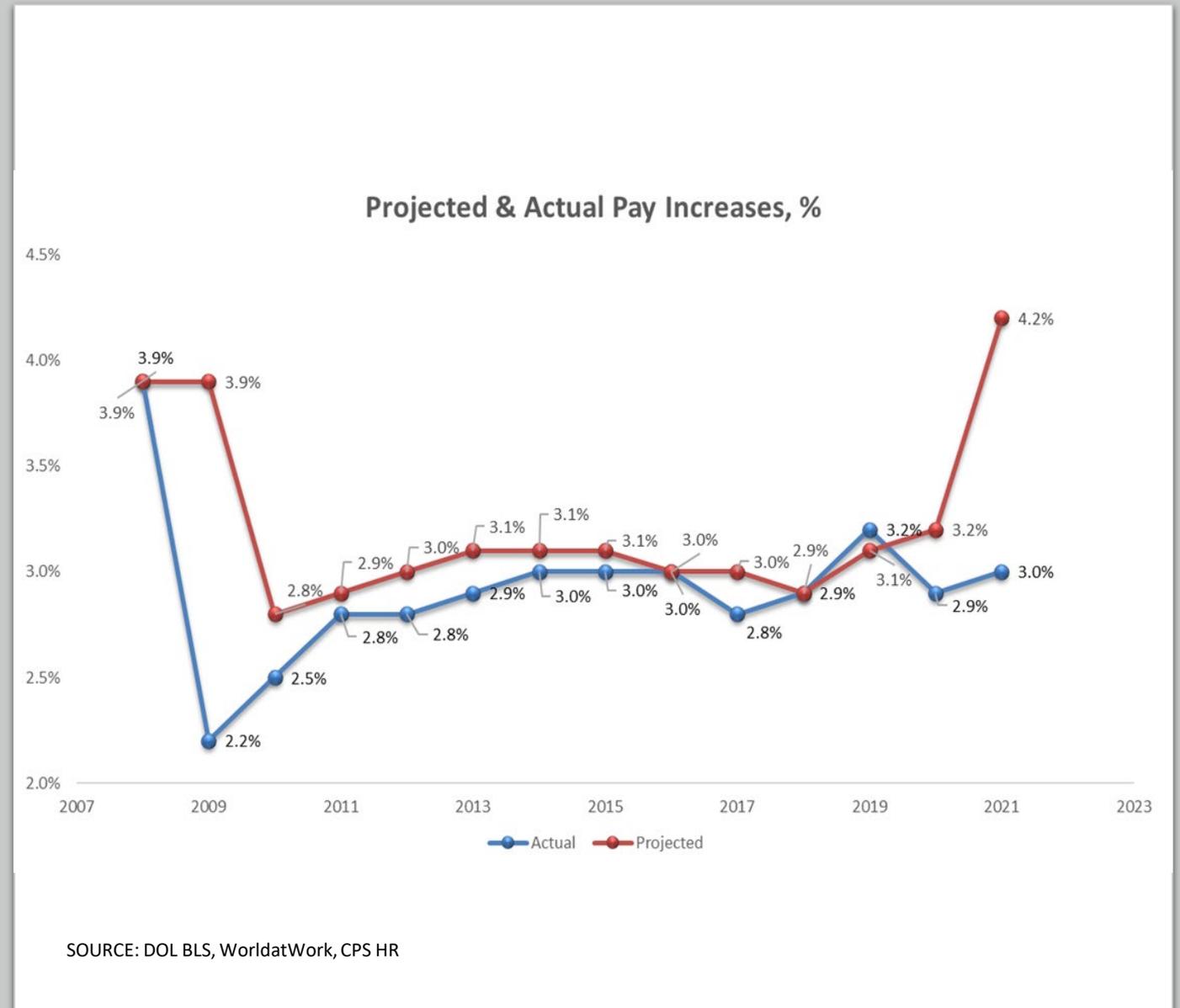
WAGE CORRECTIONS

Rapid minimum wage increases create compression and affect low-wage jobs

- Wages of regional outliers (upper/lower paid regions) gravitate to center due to hybrid workplace practice

Pay Increases Funk

- Wage increases are highest in 40 years
- Inconsistent wage inflations
- Increases for some jobs doubled and tripled



Minimum Wage Big Bang

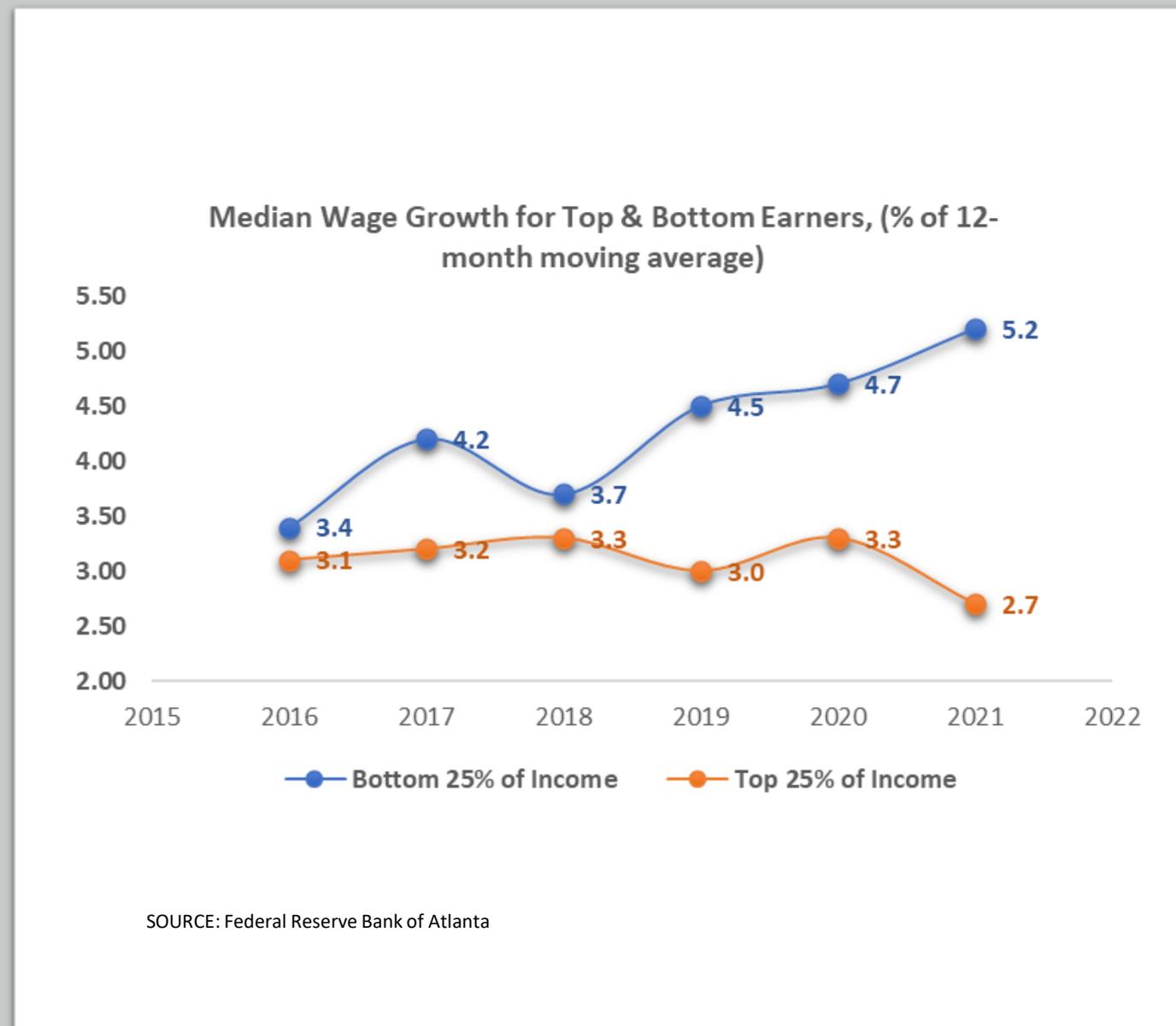
- Minimum wages are on the rise
- Many States tied growth to CPI
- Rapid increases caused compression & equity concerns

State	2016	2017	2018	2019	2020	2021	2022	% Increase Since 2016
Maine	\$7.50	\$9.00	\$10.00	\$11.00	\$12.00	\$12.15	\$12.75	70.0%
Arizona	\$8.05	\$10.00	\$10.50	\$11.00	\$12.00	\$12.15	\$12.80	59.0%
New Jersey	\$8.38	\$8.44	\$8.60	\$10.00	\$11.00	\$12.00	\$13.00	55.1%
Washington	\$9.47	\$11.00	\$11.50	\$12.00	\$13.50	\$13.69	14.49	53.0%
Virginia	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$9.50	\$11.00	51.7%
California	\$10.00	\$10.50	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00	50.0%
Colorado	\$8.31	\$9.30	\$10.20	\$11.10	\$12.00	\$12.32	\$12.56	48.3%
Illinois	\$8.25	\$8.25	\$8.25	\$8.25	\$10.00	\$11.00	\$12.00	45.5%
Maryland	\$8.75	\$9.25	\$10.10	\$10.10	\$11.00	\$11.75	\$12.50	42.9%
Massachusetts	\$10.00	\$11.00	\$11.00	\$12.00	\$12.75	\$13.50	\$14.25	42.5%

SOURCE: DOL BLS, CPS HR

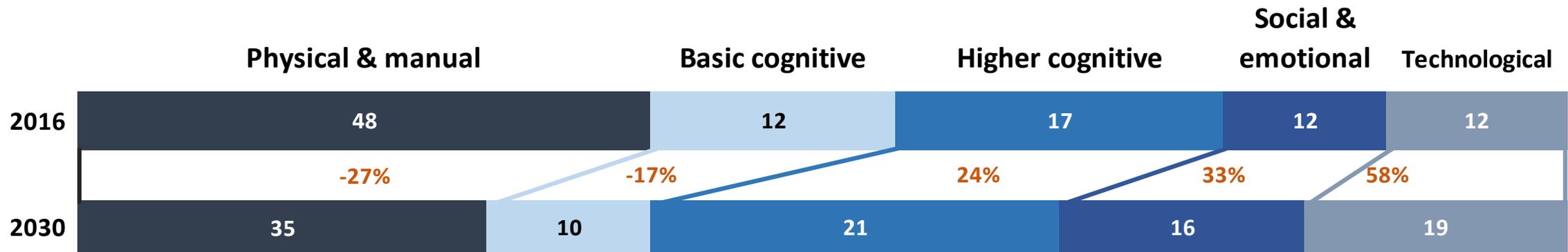
Low-Wage Jobs Fusion

- Rapid minimum wage growth & compression
- Shortage caused by post-Covid exit of labor
- Shrinking numbers of blue-collar jobs
- Migration of low-wage to other industries



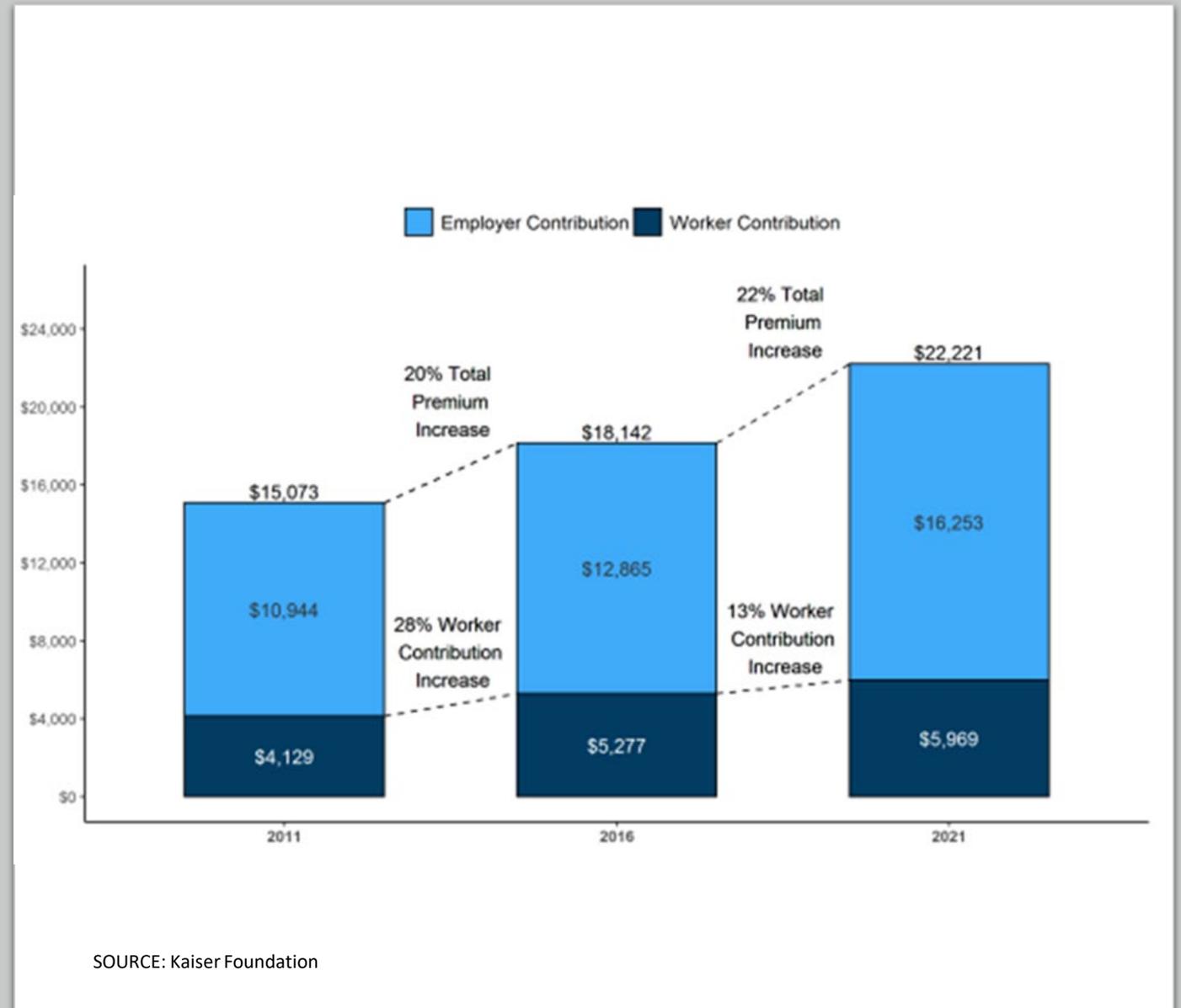
Changing Skill Framework: Jobs Evolve, Classifications Must Too

Demand for social and emotional skills (initiative, entrepreneurship, leadership, creativity) will continue rising in developed economies. Blue collar jobs add higher cognitive & technological skills



Healthcare Premiums Beat

- As costs of wages increase, costs of healthcare premiums follow
- Total increase in premiums in 5 years - 22%
- Worker contribution increased 13%
- 2022 will be no exception



Wage Corrections: HR Response



Wage corrections:

- Revisit market job values
- Corporate minimum wage increases (Walmart, \$12.00 by 2022; Amazon, \$18 by 2022; Bank of America, \$25 by 2025)

Adopting remote & hybrid workplace arrangements:

- Percent of employers adopting remote work arrangements increased to 90% (from less than 10% a year ago)
- Invest in training due to “reskilling” classification trend

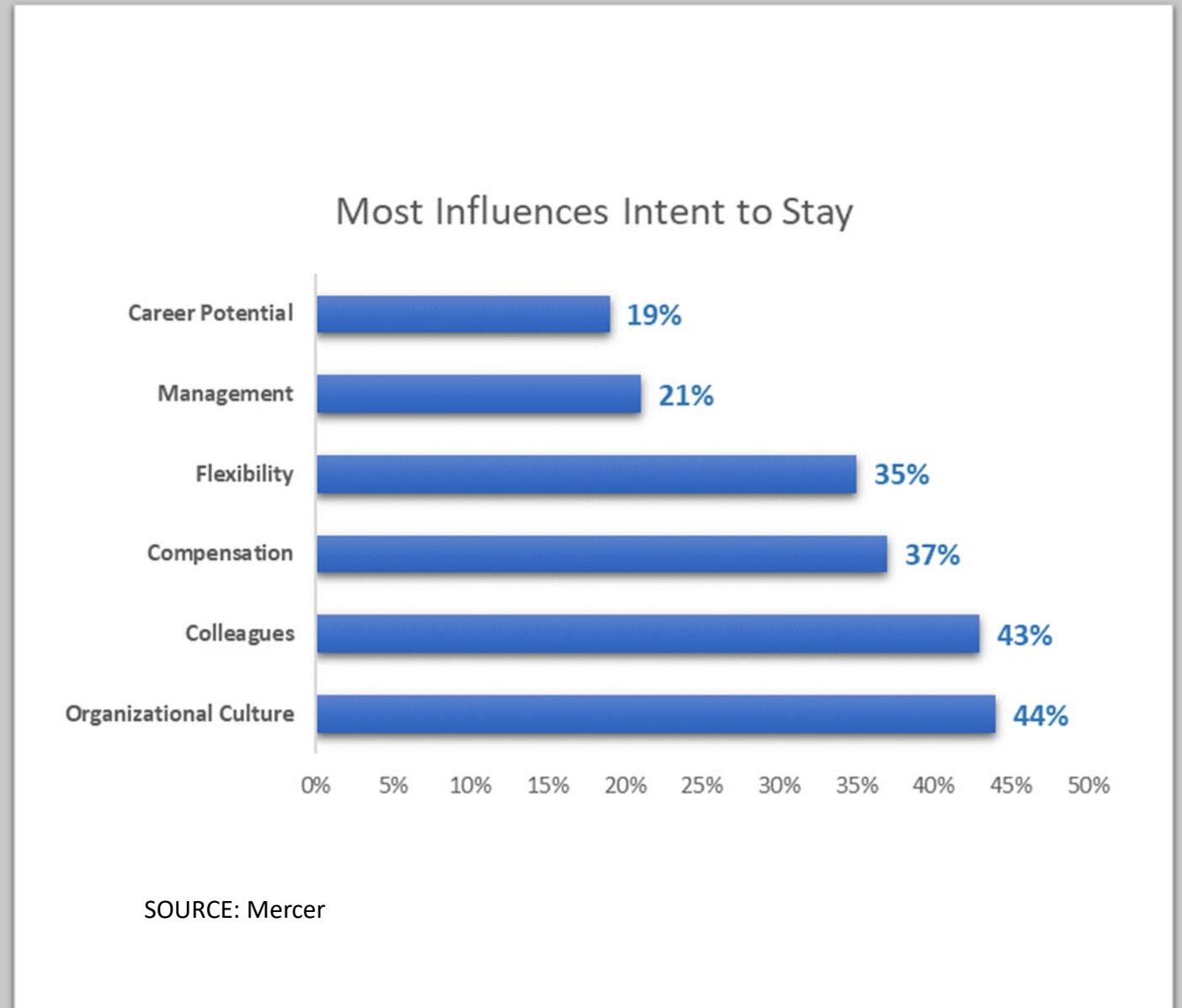
REINVENTION

Employers and HR departments adjust their practices to adopt to the new realities

- Reimagine and adjust classification structures
- Rethink skill framework
- Discover new sources of qualified talent
- Adopt new workplace realities (hybrid work, flexible schedules, etc.)
- Promote DEI

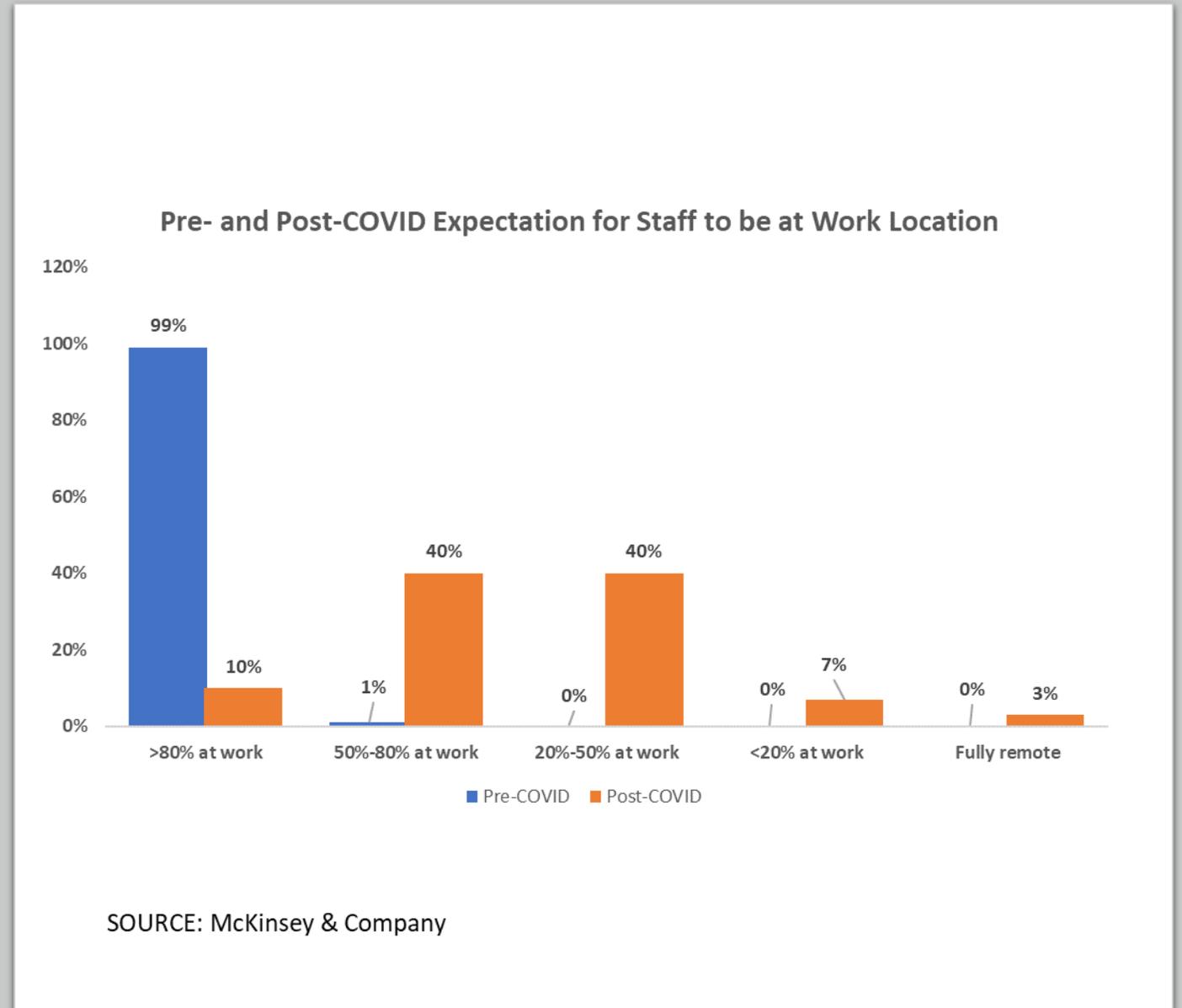
Retention Ragtime

- 2021 voluntary attrition spiked to 67% of total “separations”, versus 54% avg in the past decade
- Among factors that make people stay:
 - meaningful work
 - sense of purpose
 - organizational culture
 - flexible work
 - compensation



Remote Work Avant Garde

- In November 2021 4.5m workers quit their jobs
- Post-COVID expectations of remote work changed
- Studies show that productivity is the same or better
- Pros and cons of remote work



Reinvention of HR Practices



- Create purpose, meaningful work
- Rethink job classification design
- Revisit external job values and adjust wages
- Administer decompression of wages affected by wage growth
- Adopt flexible and hybrid workspace arrangements
- Strive for equity, diversity, & inclusion

5 Themes Stood Out in Retaining Talent Study

- Energize employees through meaningful work
 - *Having a sense of meaning creates more fulfilled, happier employees*
- Invest early in relationship development with coworkers and managers
 - *Study found that organizations with high leadership scores also saw higher retention rates*
- Promote a culture of development
 - *Employees who feel they have opportunities to grow more likely to stay*
- Provide the resources and environment to balance stress and well-being
- Motivate with both financial and non-financial incentives.
 - *While salary remains an important retention driver, without non-financial rewards employees feel undervalued and demotivated.*



QUESTIONS?