Open Journal of Business and Management, 2023, 11, 3491-3497
https://www.scirp.org/journal/ojbm
ISSN Online: 2329-3292
ISSN Print: 2329-3284

Where Are the Workers? 2.0

David White

Firelands Campus, Bowling Green State University, Huron, USA
Email: david@firelandsforward.com

How to cite this paper: White, D. (2023). Where Are the Workers? 2.0. *Open Journal of Business and Management, 11,* 3491-3497.
https://doi.org/10.4236/ojbm.2023.116190

Received: September 6, 2023
Accepted: November 27, 2023
Published: November 30, 2023

Abstract

The labor force landscape has shifted significantly, and for the foreseeable future. Many businesses are approaching the labor force shortage with short term solutions or placing blame on the talent pool itself. However, data shows that the labor force shortage is here to stay and businesses that acknowledge the shifting markets and develop long-term, sustainable solutions will ultimately gain the competitive advantage over firms that don't. This paper discusses the data that quantifies the shift in future labor market norms and what businesses can do to differentiate themselves in a competitive labor landscape.

Keywords

Workforce, Talent, Population Pyramids, Birth-Rate, Labor Market, Competitive Advantage for Talent

1. Introduction: Why Tomorrow Doesn't Look Like Today

Why is it so hard to find workers? Is it because people don't want to work? Is it because our youth are not what they were when we were kids? Are benefits too easy to access? As the United States continues to grow economically, the tightening labor market has placed a tangible burden on business owners, managers, and fellow workers. The importance of answering this question grows as the workforce woes linger. However, the answer is not as easy as you may think, and the solution may not be what you want to hear.

This labor market looks different than it ever has before in American History. As baby boomers continue to leave the labor force in droves, the generations behind them do not have the numeric quantity to replace them. To be more specific, by 2040, the United States is projected to lose 6.6 million workers from the shift in age dynamic alone. To exasperate the problem, the department of labor projects the job growth rate to average 5% - 6% over the next ten years. That is approximately 8.6 million additional jobs (U.S. Bureau of Labor Statistics, 2022). Of course, this is in a perfect world with no degradation to labor force participation.

However, we learned over the last several years just how volatile that participation rate can be. If the labor force participation rate declines like it did in 2021/22, the tightening labor market will be even more pronounced.

What does this mean for business owners? In 2021, the pool of available workers dropped below the line of available jobs. If every available worker filled a job opening in the United States, there would still be a shortage of 5 million workers (see **Figure 1**). The US has since recovered slightly but remains in a labor deficit and likely will for the foreseeable future.

Population pyramids visually articulate the population spread across different age groups. In 1983, baby boomers were fully entrenched in the workforce. The majority of them represented entry level and front-line supervisor jobs. This inflated labor force population came at an incredibly convenient time as what is commonly referred to as the "long economic boom" began around this same period. As more jobs were created, more workers than ever before in American history were available (which in many ways were responsible for the unprecedented economic growth). As growth continued, the baby boomer population matured into middle level management, then senior and C-suite level leaders while simultaneously fostering Generation X's transition into the workforce. In 2020, as the pandemic created an economic anomaly, many retirement age workers simply did not come back to the workforce after the dust settled. Over the next decade, there will continue to be larger numbers of retirements simply based on the age demographic of the baby boomer population.

While the labor force shrinks from the older demographic, there are also less workers entering the workforce. Is this because the younger generations do not want to work, or lack the skills to do so? Quantitatively, the answer to that question is an emphatic no. The NEET rate is the percentage of workers from 15 - 24 that are Not Employed, in Education, or in Training. These are young, eligible workers, who are choosing to not work or further their education. The NEET rate, as depicted in **Figure 2**, was 12.2% in 2021 as compared to 15.3% in 1993 (International Labour Organization (via World Bank), 2023). So while the percentage of young workers isn't necessarily decreasing, the number of workers is. This is a direct result of fewer births. In the United States, there were 22.9 live births per 1000 women in 1950. In 2021, there were only 11.1 live births per 1000 women (United Nations—Population Division, 2022). This is a 52% reduction in the birth rate over the past 70 years (**Figure 3**).

The overarching effect of more retirement than ever before coupled with less workers entering the labor force, creates a burning the candle from both ends scenario. This is not something that business owners can wish away. The labor market will continue to get tighter, and the businesses that best position themselves to compete in the tighter labor market will gain the competitive advantage.

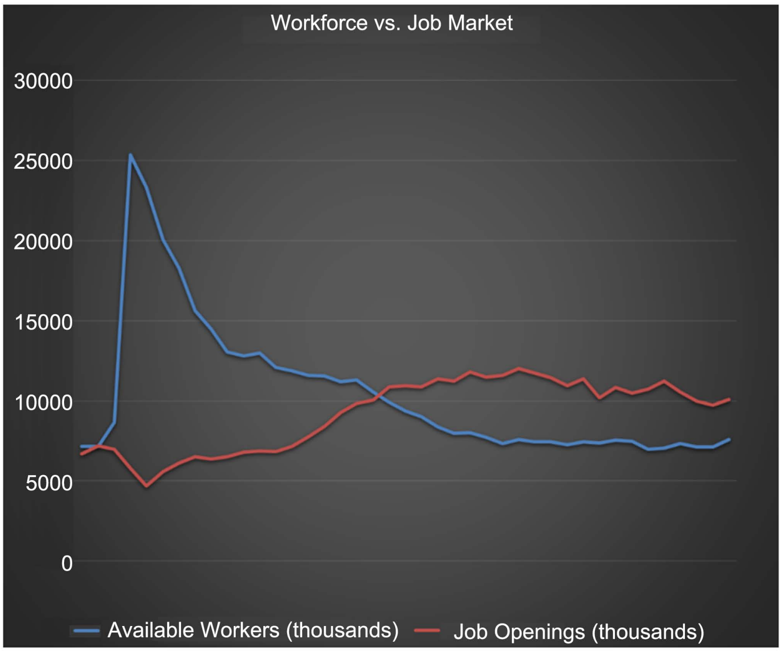

Figure 1. U.S. Bureau of Labor Statistics, 2022.

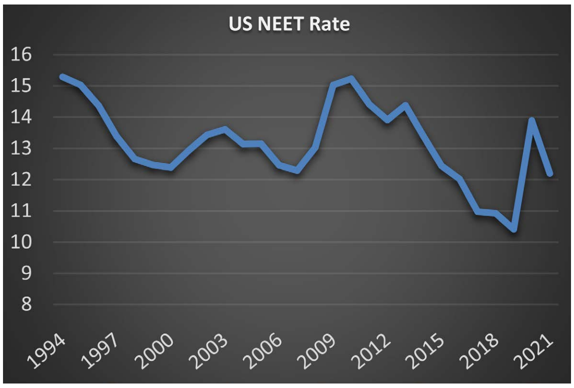

Figure 2. International Labour Organization (via World Bank), 2023.

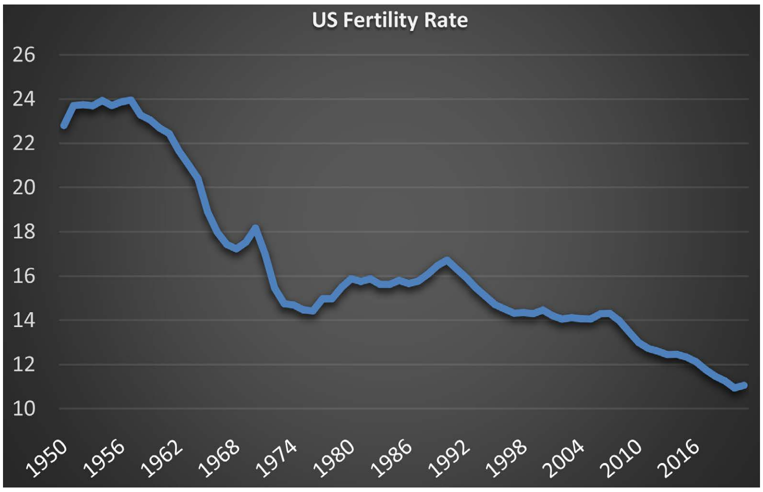

Figure 3. United Nations—Population Division, 2022.

2. Data Source

Data referenced in this report is generated from both national sources (the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, the Consumer Price Index, Redfin®, and LinkedIn®) and regional sources (Childcare Resource Network, Regional Economic Modeling Software International, and the Great Lakes Community Action Partnership). This document contains data driven insights that support three critical components (employment barriers, wages, deliberate leader training) to building a healthy, self-actualized workforce, an essential element in sustainable business growth.

3. Key Findings

3.1. The New Workforce Needs Both New and Legacy Skills

Not only is the labor force shrinking, but labor force needs are changing at a rapid rate. Skilled trades are in high demand; however, the age demographic of trade labor is significantly older than the overall labor force. One of the primary reasons for this was the narrative that college was the primary path to success. College enrollment has soared over the past two decades while individuals entering the trades have declined. Conversely, enrollment in apprenticeship programs for the skilled trades deteriorated significantly. The number of apprenticeship programs fell by as much as 42% over the last 25 years (U.S. Department of Labor, 2022). Although this is slowly shifting, the widespread effects will not be felt for some time (**Figure 4**).

In the 1980's and 1990's many manufacturers offshored their production lines in an effort to lower production cost with cheaper labor. The labor market responded, and in many ways contributed to the massive influx of college enrollees. More recently, based on the geopolitical climate and the demonstrated fragility of the global supply chain, many manufacturers have begun to reshore that production. Unfortunately, the labor market takes time to build the supply of workers, especially in a labor market where there are so many alternative opportunities.

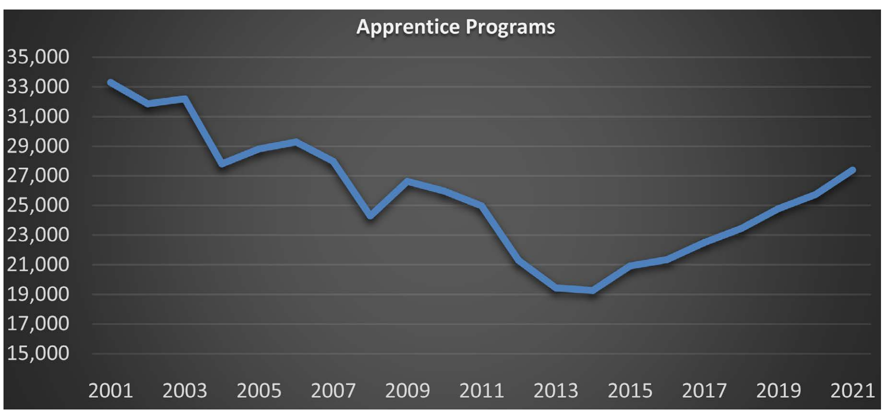

Figure 4. U.S. Department of Labor, 2022.

In addition to the known changes in the labor force, there are many unknowns which workers are trying to posture for. Businesses are automating in order to keep up with demand. This creates some unease in the labor market from a sense that humans will be replaced by robots. Although this is demonstratively untrue (according to the World Economic Forum, 23% of existing jobs will change but will not result in any significant loss), many workers are choosing to enter different labor markets where the likelihood of automation is much lower.

The sophistication of technology has also changed the labor landscape. It is simply easier to earn income from alternative methods, often referred to by the U.S. Bureau of Labor statistics as gig work. 16% of all adult workers have participated in some sort of gig work and for 3% of all adult workers, gig work was their main source of income (Pew Research Center, 2021). To put that in perspective, this equates to five million workers lost to the gig work economy. With the continued advent of new technologies and Americans' affinity for convenience, this trend will likely continue.

These developments have created a market where demand far exceeds supply in what economists often refer to as excess demand. Typically, this gives suppliers the ability to raise prices until the market reaches equilibrium again. Here, the demand is for workers, and laborers have the ability to increase their price. That increase price may not come in the form of wages, but in other demands such as benefits or flexibility in schedules.

3.2. Business Solutions: How to Gain the Competitive Advantage in the Labor Market

So how do businesses navigate a prolonged labor force shortage amidst a shifting labor landscape? The answer is much easier said than done. However, the businesses that differentiate themselves by shifting the way things have always been done will certainly gain the competitive advantage. To make it even more complicated, the solution will likely look different for every business. It will be the ability to read the local labor market conditions and design environments that meet their wants and needs that will truly make the difference.

Although the need for customized solutions will exist, there are some formulaic considerations that should be explored. It is no secret that employees care about more than just wages (although still perhaps the most critical piece of the puzzle). While health insurance remains at the top of the list, childcare has risen to number two in many employee surveys. The fact is, childcare is expensive and in many American communities, hard to access. Why is it a business problem? Because without childcare, many potential employees will remain out of the workforce, or they will go to somewhere who does offer childcare benefits. This does not mean employers need to get into the childcare business, however, it does mean that employers need to play a role in the access to this needed amenity. This can come in many different forms. Dependent FSAs provide a tax benefit to employees even if an employer doesn't contribute. Many employers are sponsoring childcare slots in local providers or subsidizing care with a partnered facility. Whatever it looks like, this ranks well above retirement benefits for many employees and should be treated as such.

Another critical component in remaining a competitor for labor is the ability for employees to visualize their career path and for employers to contribute to training that results in upskilling and promotion pathways. A survey by the Workforce Institute reveals that 64% of Gen Z and Millennials feel they need to leave their current company to develop their skills. This is compared to 41% of Baby Boomers (Workforce Institute, 2022). The development, articulation, and execution of career pathways will become an important component of talent attraction and retention.

A more controversial topic is flexibility of schedules. Again, businesses will have to make risk decisions and decide where they want to assume the risk. For some, the risk of loss of productivity due to turnover or understaffing will outweigh the risk of making changes in scheduling and they will opt to alter the way they have always done things. For others, it will not outweigh this risk, and they will decide to remain with the status quo.

4. Conclusion and Policy Recommendations

We have all heard "where are the workers?" and rightfully so, much of that discussion has been around the barriers that are keeping workers out of the workforce. This has to be addressed. However, what is often a missing component of this narrative is that this labor market is not going to change anytime soon. Because of this, businesses will have to make decisions based on where they are willing to assume risk. There are many uncertainties and likely employers will have to look at solutions that they never would have considered a decade ago. Conducting a cost analysis of benefit programs and lost productivity due to turnover and understaffing as well as turnover cost is a good place to start. Businesses often do this for their customer base when analyzing new projects that could maintain their competitive advantage in their market, but it is rare to conduct the same analysis when deciding the best way to position themselves to attract labor. Implementing this into strategy discussions will pay dividends and help inform projects that are designed to reduce cost, namely that turnover and lost production cost. As discussed in this article, providing non-traditional benefits and upskilling opportunities are good places to start. However, this article is not meant to drive specific policy decisions, only articulate the shifts in the market that quantifies a need to implement this new variable into business strategy and C-Suite discussions. The certainty that things will change based on new labor force dynamics is supported by data, but this change can be controlled by businesses by realizing that there has been a lasting and tangible shift in the market, or it can be left up to the market, and we all know how volatile that can be.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

References

International Labour Organization (via World Bank) (2023, May 29). *Share of Young People Not in Education, Employment or Training, 1994 to 2022*. Our World in Data. https://ourworldindata.org/grapher/youth-not-in-education-employment-training?tab=chart&country=~USA

Pew Research Center (2021, December 8). *The State of Gig Work in 2021*. Pew Research Center. https://www.pewresearch.org/internet/2021/12/08/the-state-of-gig-work-in-2021/

U.S. Bureau of Labor Statistics (2022). *Employment Projections.* U.S. Bureau of Labor Statistics. https://www.bls.gov/emp/

U.S. Department of Labor (2022)*. FY 2021 Data and Statistics*. U.S. Department of Labor. https://www.dol.gov/agencies/eta/apprenticeship/about/statistics/2021

United Nations—Population Division (2022). *Fertility Rate*. Our World in Data: https://population.un.org/wpp/Download/

Workforce Institute (2022). *Empowering Employee Wellbeing in the New World*. Achievers Workforce Institute. https://www.achievers.com/wp-content/uploads/2022/03/Empowering-Employee-Wellbeing-in-the-New-World-of-Work_UK.pdf