Missing Workers

The labor market has yet to recover from the pandemic

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June 2022

Executive Summary

The coronavirus pandemic shocked the labor market. In a single month – April 2020 – more than 19 million workers lost their jobs. The size of the private sector workforce shrank by 15 percent.

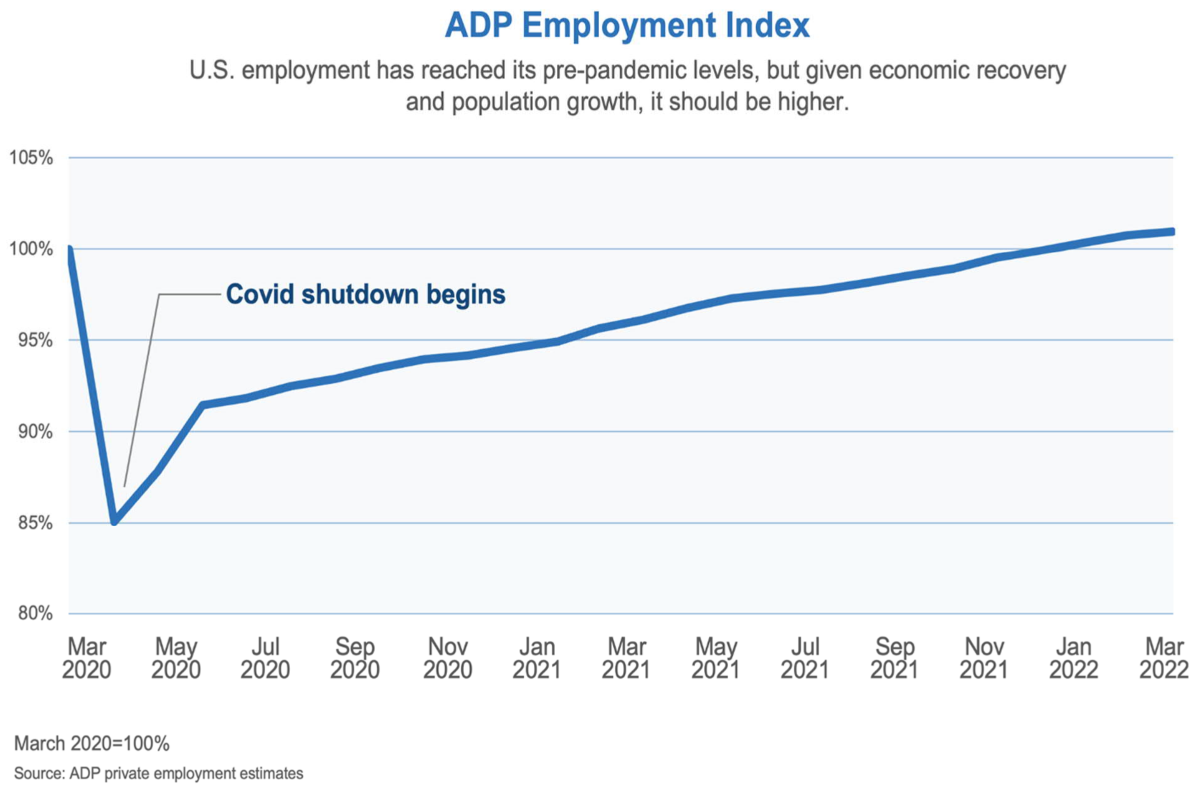
The recovery has been slow. People are rejoining the workforce and we're inching toward pre-pandemic levels of employment. But that progress masks the fact that more than two years later, many workers remain on the sidelines.

We dug into hiring data and worker behavior to find out what's been holding the labor recovery back. What we found was an unprecedented imbalance between labor supply and demand.

Workers are sidelined

More than two years after the pandemic's start, total public and private employment is 822,000 workers short of what it was in February 2020, according to the Bureau of Labor Statistics.

ADP data shows that private payrolls are faring better, supporting1.2 million workers more than they were prior to the pandemic. That's good, but after two years of population growth and a growing economy, the level of total employment should be much higher.



Quits are rising

Even as layoffs and furloughs have returned to normal, quits are on the rise. The number of people voluntarily leaving their jobs hit a record in March 2021 and has been notching new records ever since, according to the Bureau of Labor Statistics.

Quits rose 36 percent in 2021 from the year before, an increase of nearly 12 million people walking off the job.

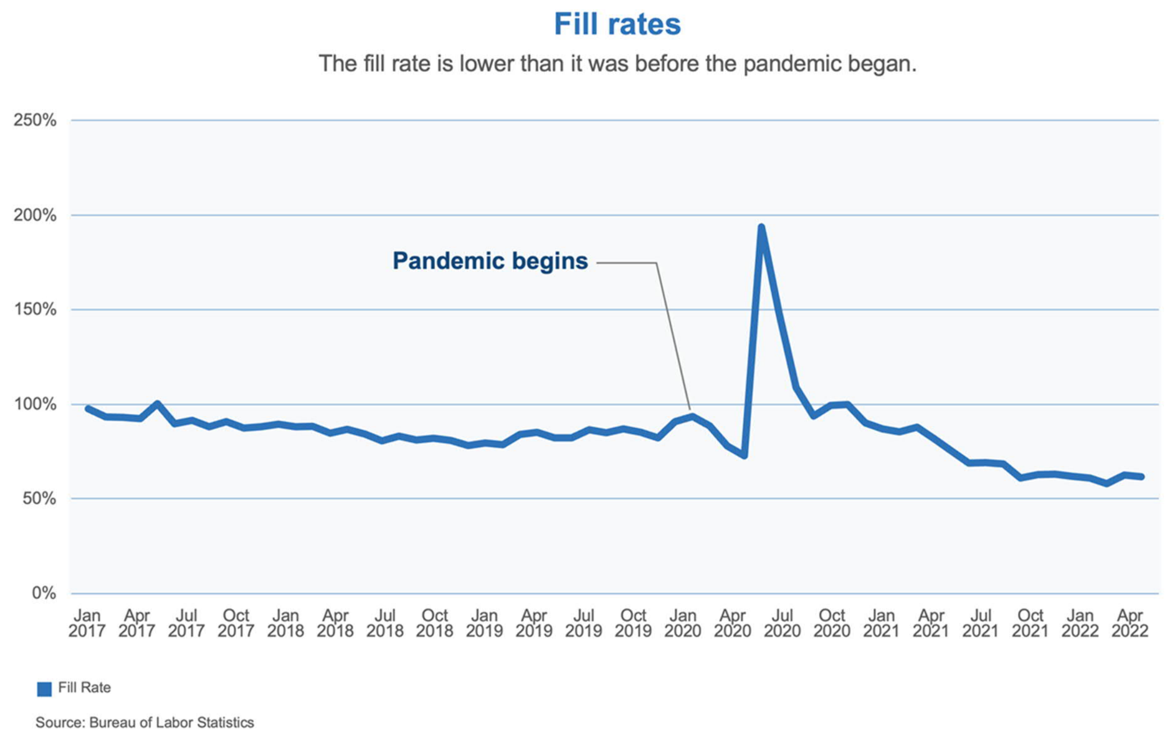
In all, 45.4 million people quit their jobs last year. The great resignation is real.

Job fill rates are down

For employers, the shrinking workforce has meant growing problems

In the summer of 2020, as the country started to re-open, companies brought back people they had laid off or furloughed. But by early 2021, that fill rate started to decline and is now lower than it was before the pandemic began.

In 2019, employers found new hires for about 84 percent of job openings. In 2021, that number had fallen to 71 percent. Applicants just aren't showing up.



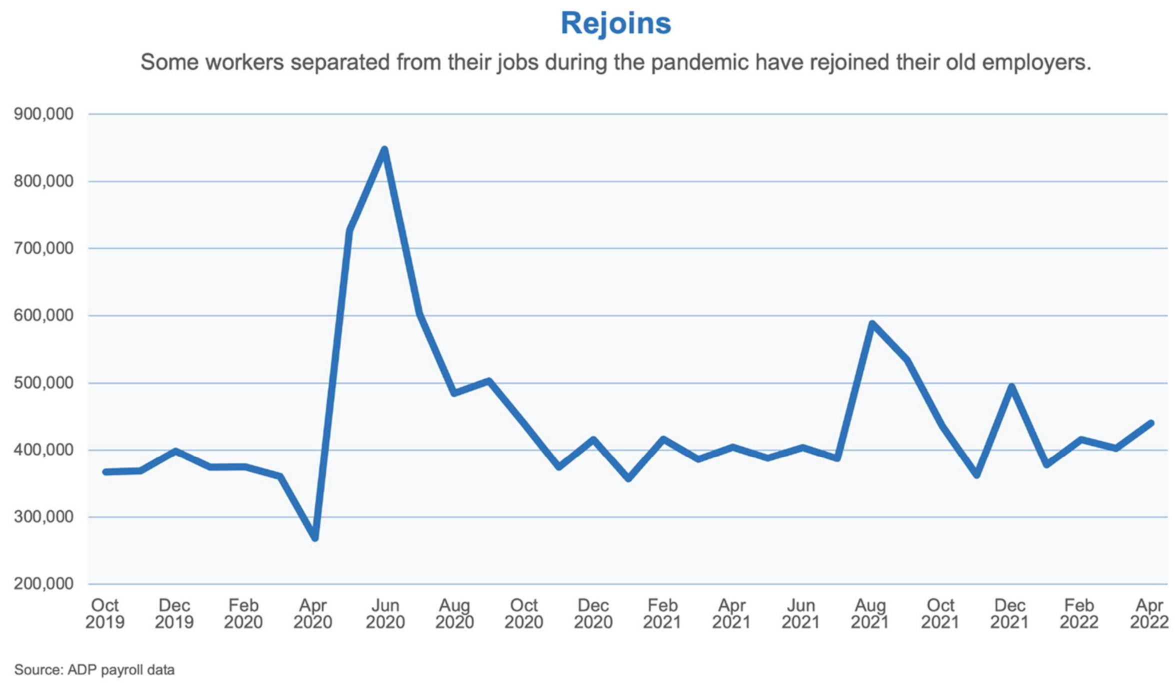
Job openings are up

The result of that lower fill rate? More openings. Last year, there were nearly 30 million more private-sector job openings than in 2019, an increase of 39 percent.

We also looked at rejoins using ADP anonymized payroll data – workers who fell off a payroll only to be added back months later with the same company.

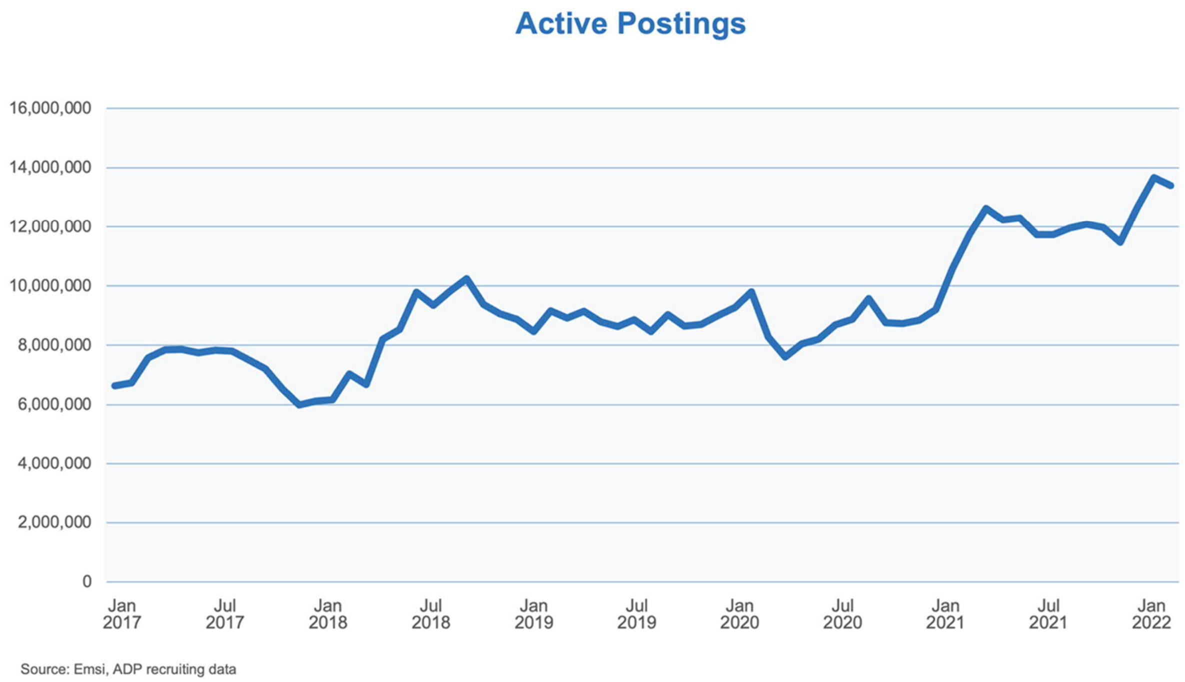
There was a rush of rejoins in May and June 2020, after the initial shock of the pandemic, and volume remained steady until August 2021, when they increased again, though to a lesser extent.

That acceleration coincided with the September 2021 expiration of federal unemployment benefits. It also preceded the beginning of the school year, when many classrooms re-opened for in-person learning, allowing parents to return to work.



Employers are struggling

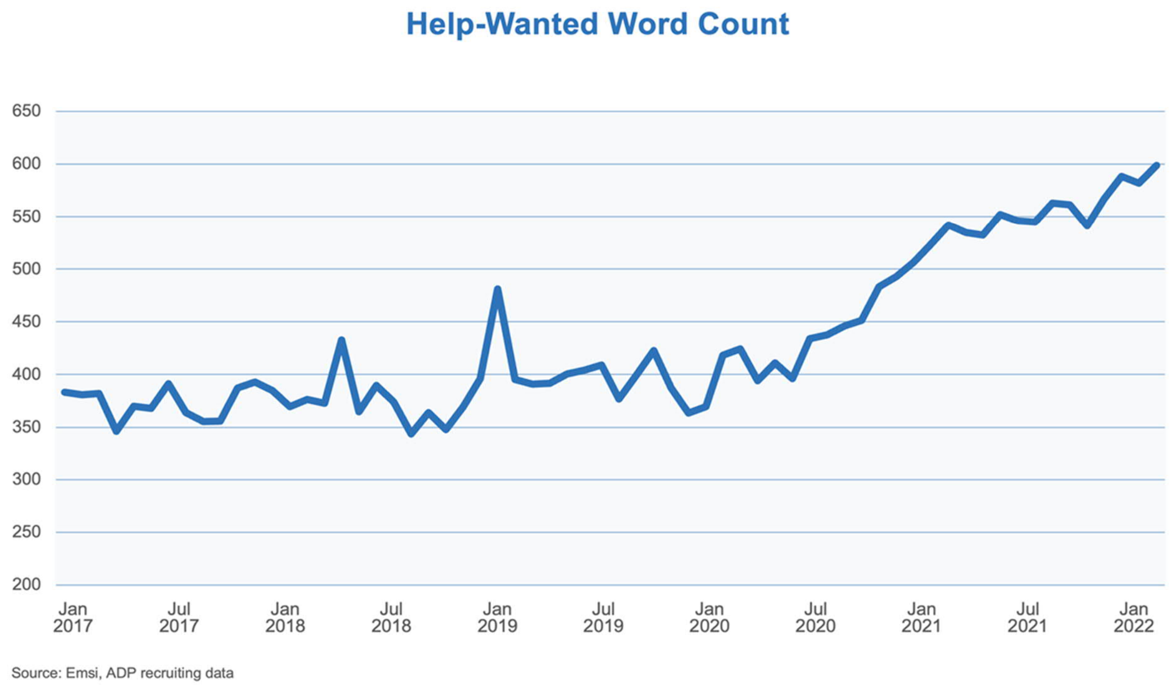
Employers are struggling to add staff, but it's not for lack of trying. Overall job postings have surged and unique job postings for remote positions more than doubled in 2021 from the year before, to 2.8 million.



New jobs are being created in the growing economy, but the increase also is partly the result of jobs going unfilled and openings piling up. And managers could be putting more postings online as help-wanted signs and local hiring agencies fail to draw applicants.

But there's another sign of employer desperation: The *length* of job postings.

As employer competition for workers intensifies, companies are putting more effort into their job postings, using want ads to tout the benefits of their workplaces. Help-wanted ads are 29 percent wordier than they used to be, and minimum requirements are falling.



Employers are using their want ads to build their worker-friendly bona fides and strengthen their brands to lure applicants.

They're also lowering their standards. The minimum years of required experience has shrunk dramatically, from 5.8 years in the months leading up to COVID (January 2018 to February 2020) to 4.3 years post-COVID (March 2020 to March 2022), as companies right-size inflated demands.

And while most jobs still don't – or can't – accommodate remote work, the number of positions advertised as remote continues to climb.

They're increasing pay, too, especially for people with in-demand skills.

Post-COVID, advertised wages were up 4 percent for commercial truck drivers, 10 percent for cashiers, 8 percent for registered nurses, and 13 percent for stockers and order fillers when compared to post-COVID.

Conclusion

Employer demand for workers has intensified, but not enough to bring those workers into the fold.

In what we're calling the great realignment, people have recalibrated their relationship with work. They're still worried about Covid-19, their wages haven't kept up with inflation, and they report long-lasting job dissatisfaction.

Companies are responding with new workplace flexibility, benefits, and even higher pay in some instances, but talented employees remain stubbornly in short supply.

To correct that imbalance, employers should work to improve their branding and find ways to make their jobs more attractive. This could mean ensuring a good experience for candidates during the hiring process, higher pay, improved benefits, and flexibility to allow for work-life balance.

Employers also should look for ways to improve existing employee engagement to reduce turnover. Managing employee workloads to prevent burnout and providing flexibility can ultimately lower hiring costs.

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