

# What's Causing the Current Labor Shortage?

## Inquiring Minds Topic for January 21, 2022

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In a recent *Insider* article (December 8, 2021,) Madison Hoff and Juliana Kaplan investigated a number of reasons why the United States is suffering through a labor shortage.

### **1. People want more money**

Shortages may be both caused by — and benefiting — workers who are seeking out a living wage. An MIT and CNBC analysis earlier this year found that even a \$15 minimum wage wouldn't be a living wage for many families. Anecdotally, businesses paying higher wages haven't struggled as much with labor shortages and understaffing. Wages have been on the rise as employers scramble to lure in workers, but after decades of declining wages, economist Heidi Shierholz of the left-leaning Economic Policy Institute argues that gains are still just catching up with pandemic losses. According to the Bureau of Labor Statistics, average hourly earnings have ticked up by 4.8% from November 2020. In the traditionally low-paying leisure and hospitality, wages have soared by 12.3%.

### **2. Workers are questioning if they even like their jobs.**

You may have heard countless stories in the news of the "Great Resignation" or the "Great Reevaluation." Perhaps you were one of the millions and millions of US job quitters during the pandemic. Some workers have not only left a company for a new role or been one of the "epiphany quitters" during the pandemic. They've taken the leap into a completely different industry, such as one person Insider talked to who went from retail merchandising to tech recruiting. According to an Indeed survey of about 1,000 people who "voluntarily resigned from at least two jobs since March 2020," most of them (92%) said "the pandemic made them feel life is too short to stay in a job they weren't passionate about."

### **3. High demand for jobs offering more flexibility.**

One of the industries feeling the most pain is leisure and hospitality. Even if employers in that sector increase wages, they may have trouble finding workers as Americans seek out jobs offering flexibility. Positions in restaurants and hotels like servers and bartenders are jobs that tend to be done in person. This may not appeal to Americans who have experienced the benefits of working remotely and want to apply to jobs that offer this flexibility — whether that be fully remote or hybrid options. According to one

survey of 10,000 knowledge workers from [Future Forum](#), workers want flexibility in both location and schedule.

#### **4. Childcare and caretaker obligations complicate the shortage.**

Some working parents have exited the labor force completely — meaning they're not working or actively looking for work — because they don't have access to daycare, or had to take on extra caretaking responsibilities during the pandemic that resulted in them making the decision to leave the labor force. Daycare services are also still recovering with employment still below pre-pandemic levels. Without a spot at a daycare or childcare provider or having to care for an elderly parent during this time, Americans and employers alike may struggle. "We've seen a very slow recovery in the daycare industry, and that has a significant impact on the rest of the economy — because it means that parents can't return to work," Daniel Zhao, a senior economist at Glassdoor, told [Insider](#).

#### **5. Healthcare and vaccination hesitancies also enter into it.**

We're still very much in a pandemic, and, especially with fears over a new variant, health concerns may stick around. For instance, S&P global economists said in a note that 1.4 million workers may not return until "pandemic-related issues are resolved." JPMorgan chief global economist David Kelly noted that some workers may be contending with long-Covid symptoms. Broadly, the Bureau of Labor Statistics [said that](#), in November, 1.2 million people didn't look for work because of the pandemic. In addition, some workers may be quitting or staying out of work because they're hesitant to get the vaccine, as more businesses put requirements in place.

#### **6. Retirements are skyrocketing.**

A whole lot of workers retired during the pandemic, and it's looking like we shouldn't expect the majority of them to return. In a note, Goldman Sachs said that 2.5 million of the 5 million workers missing from the labor force are retirees, and 1.5 million of them are early retirees. An analysis from the Federal Bank of St. Louis found that over 3 million "likely retired earlier than they would have otherwise" during the pandemic. While some of those younger retirees could return — over 2.5% of retirees "unretired" in October — not all of them will come back.

#### **7. Slowing Immigration leads to a shortage of low-paid workers.**

One group of people that could help ease the pain of the labor shortage in industries like construction could be immigrants. But Joseph Lavorgna, Natixis' Americas chief economist, told [Axios](#) that "immigration to the US has slowed" and is "exacerbating the labor shortage problem." "There are about 1.2 million adult foreign workers or work-

eligible immigrants who are just not here because of the restrictions that have been imposed during the pandemic," David Bier from Cato Institute told [NPR](#) in October. "And so that's about a quarter of the increase in job openings." Before pandemic restrictions, immigration slowed down because of restrictive Trump-era policies. [Insider's Jason Lalljee and Andy Kiersz](#) find that if the pre-2016 net international migration trend had continued, there would have been 2.1 million more immigrants between 2017 and 2020.

## **8. There's a disconnect between available jobs and skills needed.**

Yes, there's a whole lot of open jobs — but that doesn't mean they're automatically the perfect job for jobseekers. That's what economists call mismatches, and they've been dragging on for months regarding skills, location, and pay expectations.

## **9. People are stressed and burned out.**

In addition to demanding higher pay and rethinking what they want out of a job, some workers are resigning because of burnout, putting added stress on employers and the remaining employees. Workers are taking on extra duties as companies struggle to fill positions, leading these workers to also feel burned out.

Nurses, who have been on the frontlines of the pandemic, are facing their own shortage of workers as some have left because of burnout, according to reporting from [Insider's Sarah Al-Arshani](#). In response to workers leaving, some businesses are just working their existing labor harder — creating another cycle of burnout, as the remaining workers struggle to keep up.

## **10. Workers are rethinking the world of “work” and “anti-work.”**

The pandemic, and the wrench its aftermath has thrown in the power of employers, has led many workers to rethink work altogether. One prime example is the rising "antiwork" sentiment, where over a million Reddit users converge to discuss exploitative bosses and conditions, and what a work-free lifestyle could look like. It's creating a new version of the American Dream, based on a type of work that works for workers, and not the other way around." The truth of the matter about anti-work — and everything surrounding it — is that obviously things have to get done, but the current structure in which things get done and the way that capital flows as they get done is unfair and should be nonexistent."

## **11. People want to be their own boss.**

Employers may be struggling to find people to work for them because workers have decided to go to work for themselves. According to [Bloomberg's](#) reporting on business applications from the Census Bureau, there have been a record number of applicants in

the first nine months of 2021 compared to the first nine months in previous years. The US reached its highest number of unincorporated self-employed workers during the pandemic so far in July 2021 — also the highest number since the last big crisis to hit our country in 2008. And although the number of self-employed workers in November isn't as high as July, it's still higher than the number of self-employed workers before the pandemic.

## **Questions for Consideration**

- 1. Which of the above reasons for the labor shortage resonates most forcefully with you?**
- 2. Would you add any more reasons to the list? For example, Conservatives place the blame on “the Nanny State” which handed out money in the form of stimulus checks and passed child tax rebates for thousands?**
- 3. Have you had any personal experience with someone in your family or a friend who has experienced the symptoms of the job shortage first-hand?**
- 4. Are there separate solutions for different jobs? For example, Joe Scarborough on “Morning Joe,” posited that a partial solution could exist by increasing work visas so that non-residents could be employed more widely, especially in low-skill, low-paying jobs.**
- 5. Steve Rattner, an Obama administration economist, lays partial “blame” for the labor shortage on the fact that the pandemic reduced expenditures for services by the general public who stockpiled the money they otherwise would have spent, but suggests that now that pandemic fatigue is easing, the demand for goods will eventually cause the labor shortage to ease. Do you agree or disagree?**