

# Post-Pandemic Labor Market Predictions for Staffing Firms

We all want normalcy, and we finally have reason for optimism. Vaccination rates are increasing. Workplaces and schools are returning to on-site activities. Americans who were fortunate enough to remain employed through the pandemic have increased their personal savings. There is a strong sentiment among leaders that the U.S. economy will rebound briskly in the second half of 2021. New numbers published by [Staffing Industry Analysts](#) show staffing revenues have increased by over 10% year over year. Pundits and consultants have started talking about “the new normal.” But don’t expect normal and assume a return to business as usual. Here are my post-pandemic labor market predictions that we are likely to see over the next five years.

## Post-Pandemic Labor Market Predictions

For starters, demand for critical IT and professional skills never really took a breather during the pandemic. Banks, Insurance Companies, and Technology firms continue to fight for qualified professional staff as baby boomers have exited the workforce.

But an even bigger challenge looms for staffing hourly workers across Clerical, Light Industrial, Construction, and Business Services. In February, manufacturing backlogs rose by over 4%. Anecdotally, we hear U.S. manufacturers complaining that they could grow faster if they could find the right people. A quick scan of [Bureau of Labor Statistics](#) Job Openings data shows that **there are still over 6 million unfilled job positions in the United States, with fewer than 1.6 unemployed persons per open job**. The growing labor shortages are so severe that the Biden administration is quietly studying the issue.

We are one year into a pandemic where we have lost 9.5 million jobs, and the U.S. unemployment rate remains 50% higher than in February 2020. There should be plenty of motivated applicants for full and part-time work. So why is it so hard to find qualified workers?

# Labor Shortages in the United States

The U.S. has been facing labor shortages for several years leading up to February 2020. **The pandemic itself provides a partial explanation for labor shortages.** Many potential workers are reluctant to take on-site work during the pandemic. Older workers as well as individuals living with a medically vulnerable family member are reluctant to expose themselves to infection.

Similarly, parents with young children attending virtual classrooms may not be able to leave home for work. While the pandemic had a severe direct economic impact to workers in key industry sectors, it has also acted as an accelerant to broader workforce trends—on-line retail, remote work, growth of technology infrastructure, Gig work, multigenerational households, and remote relocation. **This pandemic will pass but the labor shortages will persist.**

## Reasons Driving the US Labor Shortage

Ultimately, **the issue comes down to workforce socio-demographics** in the United States. There is a fundamental mismatch between people, work opportunities, and skill requirements. We have an aging workforce with more single households and more dependents per working-age adult than at any point in our recent history. Additionally, U.S. job growth has accelerated in high-cost urban tech corridors and in cities, at the expense of rural and ex-urban locations. Available pools of U.S. workers are less likely to live near emerging job opportunities and are also less able to move out-of-state to take advantage of these opportunities.

*When you combine U.S. demographics and job growth patterns with spending cuts to technical and vocational training and add in an opioid epidemic, it becomes clear why it is hard to find motivated, qualified workers.*

Additionally, **it is expensive to show up for work**—especially on-site, low-wage hourly work. Try justifying a temporary work opportunity against childcare expenses, transportation costs, and inefficient commuting options. Today, many temporary

employment opportunities have a negative net present value. For individuals who own their own vehicles, driving for Uber or DoorDash may provide a better ROI per hour worked than a long unpaid commute for low hourly pay.

## Short-Term Labor Solutions

What about all the displaced workers from the Retail, Entertainment, and Hospitality sectors who lost jobs in 2020? In theory, we could retrain them to enter Manufacturing, Construction, and Transportation. In practice, this will be difficult. Back in 2015, I analyzed payroll data and employee movement patterns for millions of U.S. workers. I found two interesting patterns:

1. Voluntary employee turnover declines dramatically between the ages of 25 and 35
2. Greater than 90% of employees who leave one employer stay within the same industry

Essentially, as workers mature, they tend to settle into job roles and work locations that fit their skills and preferences. We can retrain an unemployed bartender to work in light manufacturing, but he/she will likely switch back to a people-facing service role when the Entertainment, Hospitality, and Tourism related industries rebound.

There are also significant gender and diversity issues associated with specific vertical industries. Economic evidence suggests the COVID pandemic has impacted female and minority workers far worse than other demographic groups. Figuring out how to empower and train these displaced groups to transition into new job roles will require planning and sensitivity.

## What Now?

Though these labor market predictions seem daunting, there are various [strategies for staffing firms to overcome the labor shortage](#) in the US. While we are all looking forward to a return to normalcy, now is the time to begin strategizing to win in the post-pandemic market.

## About the Author

*Christopher Ryan is [Avionté's Chief Strategy & Marketing Officer](#). Chris has more than three decades of experience of consulting, thought leadership, and corporate experience in Human Capital Management. Chris has extensive experience speaking on a broad range of HCM topics, including HR Strategy, Regulatory Risk, and HR Technology. His key areas of focus include U.S. Labor Trends, employment practices, and workforce management. Chris has also written and spoken extensively about part-time and temporary workers, employee retention, gender pay equity, emerging trends in compensation, U.S. labor shortages, and the economic impact of the Affordable Care Act. He is a graduate of the University of Chicago with a B.A. in physics and holds an MBA in marketing and management policy from the Kellogg Graduate School of Management at Northwestern University.*