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What the Red-Hot Job Market Means for Workers

The COVID-19 pandemic kicked off a severe labor shortage — and quite possibly the most worker-friendly job market in many years. Unpredictable demand shifts exposed pre-existing mismatches between the knowledge and skills of available workers and the tasks for which they are needed. The sheer number of available jobs has also been running far above the number of unemployed job seekers. For example, employers reported 11.4 million job openings in April 2022, while there were only 6.0 million unemployed persons.¹



This smorgasbord of open positions provides job seekers with more choices and more leverage. U.S. workers have been quitting their jobs at record rates, in many cases to join new employers offering higher pay, lucrative benefits, better working conditions, or the option to work remotely.²

Higher Wages

More intense competition for workers drove the average hourly wage up 5.5% for the year ending in April 2022, but inflation rose 8.3% over the same period, according to the Consumer Price Index (CPI).³ Unfortunately, real wages, which are adjusted for inflation, dropped as prices spiked. Workers don't really benefit from wage gains unless they outpace inflation, because it cuts into their buying power.

Even so, labor shortages have been more acute in some industries, especially for lower-paying and in-person jobs, which led to bigger wage increases for some types of workers. For the year ending in April 2022, wages grew 11.0% in the hospitality and leisure industry and 7.4% in transportation and warehousing.⁴

Longer-Term Changes

The labor force has been aging and shrinking, and retirees' share of the U.S. population has been growing. Economists have been anticipating a wave of baby boomer retirements, some of which were accelerated by the pandemic. Between February 2020 and November 2021, up to 2.6 million more people retired than were expected to based on previous trends.⁵

Bigger paychecks could inspire some early retirees and stay-at-home parents to seek jobs, but labor force participation may never return to pre-pandemic levels. This means employers might need to change their hiring practices, reduce experience and education requirements, or provide training programs, opening the door to better-paying jobs for more workers. It's also possible that automation technologies will help fill the gap.

1–4) U.S. Bureau of Labor Statistics, 2022

5) *The Wall Street Journal*, March 15, 2022

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