



September 24, 2021

WHAT YOU NEED TO KNOW ABOUT Worker Shortages

PRO POINTS

- **Despite widespread vaccination and millions of people claiming unemployment benefits, businesses in the U.S. say they are struggling to find workers to staff their operations.**
- **Conservative lawmakers and businesses blame the enhanced unemployment benefits provided under emergency Covid relief programs enacted by Congress for the tight labor market.**
- **Multiple surveys indicate that coronavirus concerns are the top reason keeping job seekers from going back to work.**

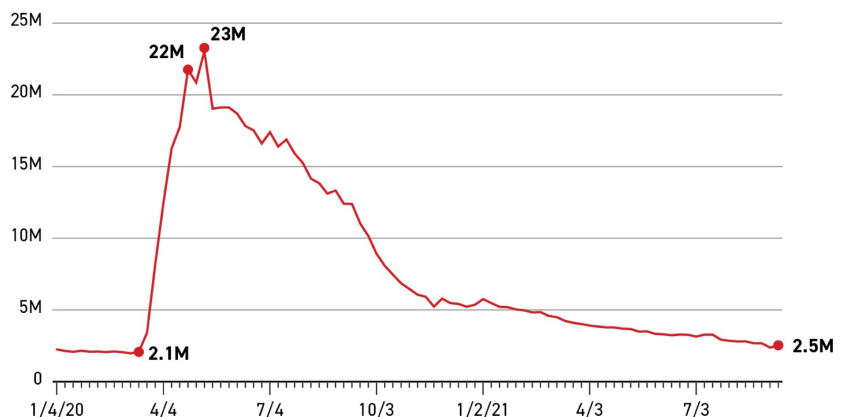
HOW WE GOT HERE

Businesses — especially in the leisure and hospitality industries — and their allies in Congress have complained that companies have been unable to fully resume their operations even as vaccination becomes more widespread. But economists argue that industries struggling to hire typically interact directly with customers and were hit acutely by health restrictions and shutdowns — meaning they have the most jobs to recover. Employment in the leisure and hospitality sectors in August was still down by 1.7 million, or 10 percent compared to before the coronavirus shutdowns began.

The number of job openings has roughly matched or outpaced the number of unemployed workers throughout the summer, leading conservatives to blame the generous federal unemployment benefits for paying workers more to stay home. While many Republican lawmakers have argued that the programs were too generous and were keeping people from going back to work, research from multiple economists found that the benefits had a marginal effect, if any, on unemployed workers' decisions to take a job. Only one in eight workers who lost jobless benefits when their states ended the programs early had found a job by August, according to an analysis of data from Earnin, an app that tracks wages.

Continued unemployment claims have fallen to pre-pandemic levels

INSURED UNEMPLOYMENT CONTINUED CLAIMS, WEEKLY, NOT SEASONALLY ADJUSTED



Sources: Bureau of Labor Statistics, St. Louis Federal Reserve FRED database



WHAT'S NEXT

Even though the federal stimulus checks and additional unemployment benefits have ended, the data so far shows that workers aren't flooding back to the labor market just yet.

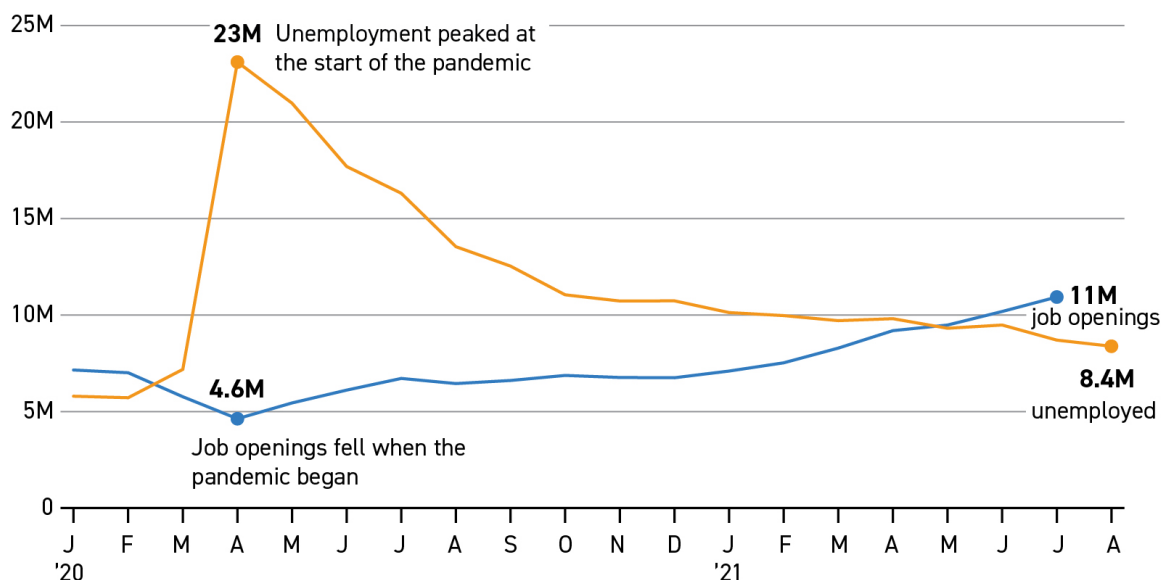
Economists caution that this may be due to a "congestion effect," where some workers are crowded out from getting jobs because they are competing with a sudden rush of new job applications. Other potential workers are waiting out the recovery, spending through their savings and going deeper into debt until they find a job that suits their expectations or skill sets, which has sparked more concern that the U.S. is dealing with a labor shortage.

Workers have been staying home for a variety of reasons as the country has tried to reopen. Health concerns are the No. 1 reason people aren't returning to work, according to surveys from job hiring websites Indeed and Jobs.com. Workers are also doing more with less, substituting stay-at-home parents for expensive child care, tightening their budgets to a single income and moving to more affordable places, data shows. More than half of 18- to 24-year-olds were living at home with parents last year (although this figure includes college students), a nearly 4 percentage-point jump from 2019, according to the latest data available from the Census Bureau.

But this trend isn't likely to last as personal savings run dry and debt mounts. The personal savings rate, while still high, has been on a downward trend and the amount of credit taken out by consumers has been steadily rising since January, with overall debt increasing by \$65 billion in June and July, and jumping by 2 percent in the second quarter of 2021.

Job openings now surpass the number of unemployed people

UNEMPLOYED PERSONS AND NEW JOB OPENINGS, SEASONALLY ADJUSTED



Note: August 2021 job openings data will be released in October 2021

Sources: Bureau of Labor Statistics, St. Louis Federal Reserve FRED database



POWER PLAYERS

- **José Javier Rodríguez:** The former Democratic Florida state senator is President Joe Biden's nominee to lead the Labor Department's Employment and Training Administration, the division in charge of overseeing apprenticeship and job training programs and issuing grants to state training agencies. Rodríguez is still awaiting Senate confirmation.
- **Suzanne Clark:** Clark is the president and CEO of the U.S. Chamber of Commerce, one of the largest organizations lobbying Congress over the labor shortage with which businesses say they are contending. The organization urged lawmakers to end the federal unemployment benefits before their Sept. 6 expiration citing the shortage claims.
- **Sen. Patty Murray:** As the Democrat chair of the Senate Health, Education, Labor and Pensions Committee, she will be fighting to keep various job training and other workforce support provisions in the Democrats' infrastructure bill as it faces budget hawks in the upper chamber. Labor Secretary Marty Walsh has said that job training programs such as the ones included in the package are essential to getting people back to work.