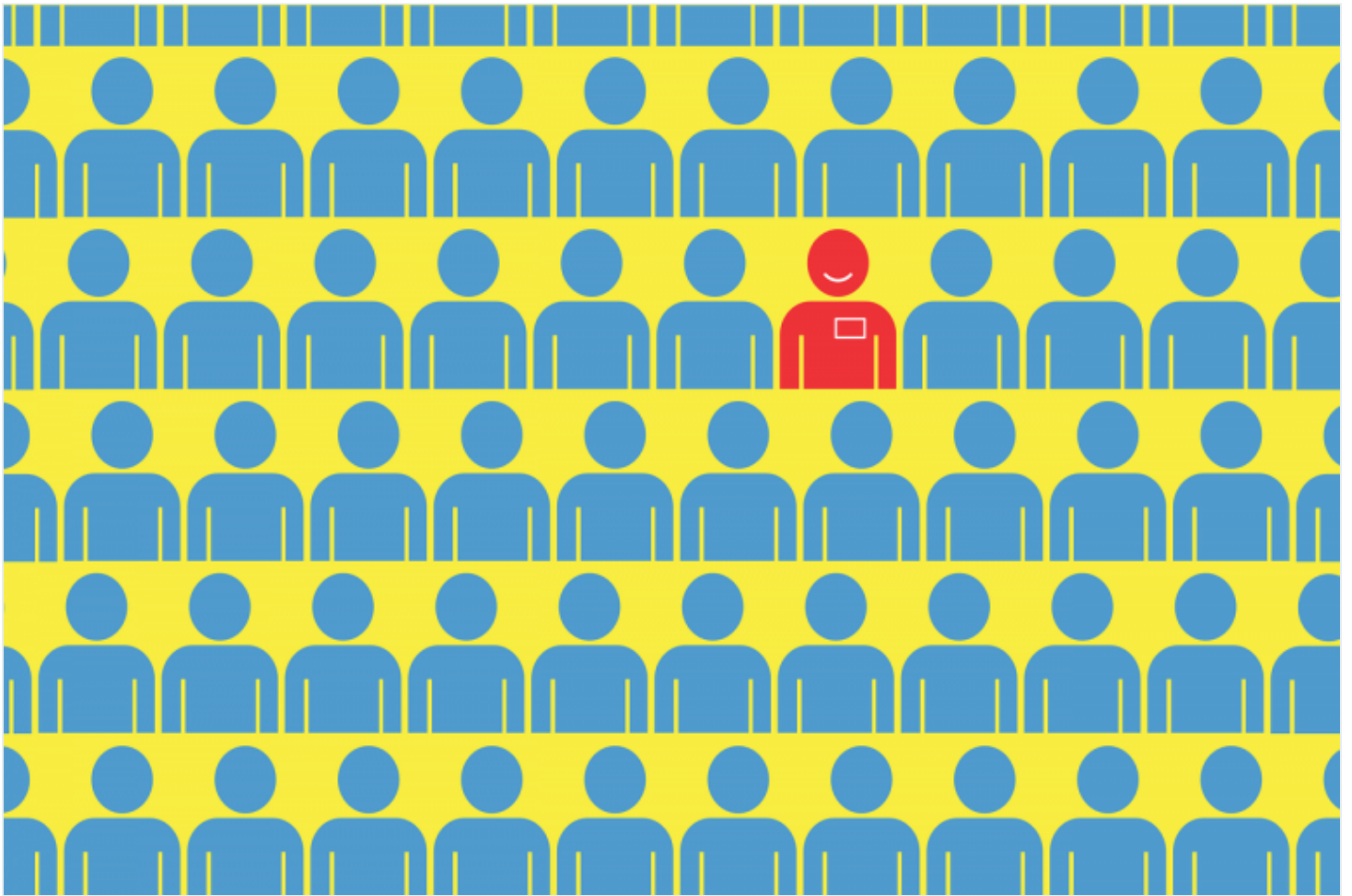


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Richard D. Alaniz • Dec. 01, 2022



U.S. employers' most common complaint across almost all business sectors is an inability to find workers. The Coronavirus pandemic and its aftereffects helped generate this continuing problem for many employers. Following the pandemic, roughly three million fewer workers are participating in the labor force today than in February 2020. In addition, more than 10 million job openings exist with fewer than 7 million unemployed workers to fill them.

The lack of workers presents a problem to more than just employers. It has impacted many across the country. Travelers have faced flight delays and cancellations due to

a shortage of pilots and attendants. Understaffing at many hospitals has led to

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Some have not returned to the workforce as the result of the government financial assistance received during the pandemic. It is estimated that 68% of workers were earning more on unemployment during the pandemic than they made while working, enabling some to add to savings. Other workers received pandemic-related bonuses and wage increases.

Combined with increasing home values and reduced mortgage payments, many found a greater level of financial security than before the pandemic. Together these factors permitted some workers to remain out of the workforce longer than expected. Some chose to leave the workplace permanently. A substantial number of workers 55 and older, who comprised 25% of the workforce before, opted for early retirement rather than a return to a workplace.

Among those workers 65 and over, there were 7% more retirements than would otherwise have been expected in a given year. The loss of these older, experienced workers is especially difficult because a sudden loss of decades of institutional knowledge is difficult to replace.

The loss of so many older workers in the pandemic underscores the primary reason for the anticipated shortfall in the number of workers moving forward. We have an aging population and hence an aging workforce. And the U.S. is not alone in this. The age of workers in the manufacturing sector of several developed countries best illustrates the problem. In the U.S., 25% of manufacturing workers are 55 and older.

In Canada it's 22%, the U.K., 20%, and 30% in South Korea. In Japan, the majority of their workforce overall is between the ages of 45 and 54 and is expected to lose at least 20% of its workforce by 2040 due to aging. The aging problem is easily explained. Birth rates in most of the developed countries have been falling for years. In the U.S. the birth rate in 1970 was 23 births per 1000 people. Today, it is 8 births

per 1000 people. By 2035, adults 65 and older will outnumber children under the age

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Secondly, the frustrating and exhausting experiences of many workers during the pandemic, including the stresses of working in understaffed workplaces operating under COVID protocols, the stress of school closings and childcare issues, caring for elderly relatives, and similar daily challenges resulted in a greater focus by many on work-life balance. Work life balance has long been a focus of millennials, who comprise the majority of today's workforce.

The desire for flexibility in their job to permit sufficient time for family matters has caused some to remain on the sidelines awaiting that perfect job. Relatedly, the labor participation rate for women fell more than 3% during the pandemic and remains below the pre-pandemic level. In many cases the initial exit from the workplace of working mothers came with the closure of schools and childcare facilities.

Where financial conditions permitted, many formerly working mothers made the decision to stay home permanently. Finally, the continued implementation of advanced technology increasing automation of the workplace eliminates some jobs and creates jobs for new skill sets that many workers do not currently possess. The U.S. is not unique in this regard. Across the developed world more than 10 million manufacturing jobs remain vacant because of a worker skills gap. While many employers are investing in reskilling and upskilling, it will take time to sufficiently train a more modern workforce, but regardless, automation of the workplace grows by leaps and bounds in the meantime.

When we consider all the factors that impact the labor participation rate, along with long-term trends that may reduce the overall number of workers, employers could be facing a permanent struggle to find workers.

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