# Labor Market Summary

News Your Business Can Use

July 2021

A few weeks ago, four of us went to dinner on a Sunday evening. Now Scottsdale, AZ isn't a late-night dining town, especially on a Sunday in the summer. So imagine our surprise when we arrived about 7:15 and found several groups waiting outside, even though there were many open tables and the place didn't take reservations. The explanation – not enough servers. Same situation a couple of weeks later in a huge, popular Mexican restaurant. One quarter of the restaurant was open and two inexperienced servers worked a very busy patio.

What is going on? Aren't people supposed to be going back to work now that many of us are vaccinated and mask, indoor dining, and social distancing restrictions have been eased or even lifted? Like many things, it's complicated.

## Recruitment & Unemployment

Job openings and separations are on the rise but hiring is not. So many workers have left their jobs that economists are calling it the "great resignation."

On June 8, the U.S. Department of Labor (USDOL) issued its Job Openings and Labor Turnover Survey report (JOLTS) for April. Some highlights help explain the current recruitment environment:

**USDOL Openings and Labor Turnover (April 2021)**

| Category | Number as of 4/30 | Number as of 3/31 | 30-Day Change |
|---|---|---|---|
| Job Openings | 9.3 million | 8.3 million | +998,000 |
| Hires | 6.1 million | 6.1 million | Unchanged |
| Separations | 5.8 million | 5.5 million | +324,000 |

In summary, job openings and separations are on the rise but hiring is not. So many workers have left their jobs that economists are calling it the "great resignation." It's difficult to pinpoint a single reason for this. There are most likely several contributing factors:

- The working age population in the US is shrinking for the first time in history.
- Expanded unemployment benefits may be an incentive to stay home, although half of US states are ending this benefit prior to the original September end date.
- Retail, restaurant, and other front-line workers continue to face risk of infection.
- Child care and school reopening issues continue to keep many out of the workforce.
- Big box retailers such as Amazon, FedEx, and Walmart are recruiting tens of thousands of new workers at higher than minimum wage.

The US unemployment rate was 5.9% in June 2021, up slightly from 5.8% in May. Updated Federal Reserve forecasts predict an overall unemployment rate of 4.5% by the end of 2021 and 2021 economic growth of 7.0%.

**What employers need to do:**

- Anticipate continued difficulty recruiting, especially entry-level candidates.
- Consider raising pay for entry-level workers to compete with big box retailers.
- If raising entry-level pay, review pay levels for current, experienced employees to ensure internal equity.
- Re-evaluate flexible scheduling and remote work options.
- Re-evaluate experience and skill requirements for positions and provide opportunities to gain skills and credentials after hire.

## COVID-19

Affinity HR Group continues to provide employers with the latest COVID-19 information (www.affinityhrgroup.com). New information emerges and laws and guidelines change on a regular basis, and we can expect more of this throughout 2021.

In December, the Equal Employment Opportunity Commission (EEOC) determined that employers may require their employees to get a COVID-19 vaccine and can deny employees entrance to the workplace if they refuse. The Commission determined that this requirement does not violate the Americans with Disabilities Act which prohibits questions about disabilities and current health status.

This ruling prompted a round of lawsuits filed by employee groups objecting. In June, 153 employees at a Houston hospital system resigned or were fired after a judge dismissed their lawsuit objecting to the hospital's vaccine mandate. Other lawsuits have been filed on the basis of the "emergency use" status given the vaccines by the FDA, but full approval has been requested by vaccine manufacturers and is likely by the end of 2021. Several state legislatures have also objected to the ruling and are considering legislation to oppose it.

In late May, the EEOC also determined that employers can offer bonuses and other incentives to encourage employees to get vaccinated. Currently, McDonald's and Target offer 4 hours of paid time off, Publix offers $125 in gift cards, and Amazon and Kroger offer $100 cash as vaccination incentives.

Check out the EEOC website (www.eeoc.gov) for more information and to stay up-to-date.

**What employers need to do:**

- Determine and develop your organization's vaccine policy. Will you require it? Encourage it? Require it for some groups, encourage it for others?
- Ensure your policy is consistent with federal and, importantly, state law. Contact Affinity HR Group if you are uncertain.
- Develop the procedures and communications necessary to support that policy. Will you offer vaccine incentives? What will they be?
- Identify the best resources to help you stay informed of changes/new requirements at the federal, state, and local level and use those resources regularly to stay informed. This is critical for employers operating in multiple locations.

## Wage Growth

In the fall of 2020, early projections for 2021 forecasted base salary increases from 2.3% - 2.9%. These forecasts considered the impact of COVID-19 and the potential for economic recovery.

Actual wage growth for the first half of 2021 has outstripped those conservative projections. The USDOL reports that average hourly earnings rose $0.15 in May after an increase of $0.21 in April. This is the largest two-month increase since 1983.

A recent Conference Board survey reports that average hourly earnings for nonsupervisory employees in the leisure/hospitality sector rose 26% (annualized) during the first quarter of 2021. This is the largest 3-month increase in several decades.

Workers are demanding – and getting – more money to take a new job. The Federal Reserve Bank of New York reports that the "reservation wage" (the name used by economists to describe the minimum compensation workers require) for workers without a college degree rose 19% over the last 15 months.

**What employers need to do:**

- Review current pay policies for competitiveness in recruiting market(s) and anticipate the need to increase wages to recruit and retain.
- Implement new policies and procedures to attract new hires (e. g. signing bonuses, more frequent salary increases, pay increases for completion of training requirements).
- Regularly review recruitment results, turnover statistics, and pay levels for high demand positions. Annual reviews may not acknowledge market volatility.
- Be aware of changes to competitors' salary policies.

## Minimum Wage

Is there still such a thing as a minimum wage? Technically yes.

The federal minimum wage of $7.25/hr has not been increased since 2009. A proposal to increase the minimum wage to $15.00/hr was introduced as part of the American Rescue Plan Act passed in March 2021 but was not included in the final legislation.

That doesn't mean there are no changes. On January 1, 2021, 24 states and 28 municipalities increased minimum wages. Although 21 states still have a minimum wage of $7.25 or less, the USDOL reports that less than 2% of US workers actually earned minimum wage in 2020.

**What employers need to do:**

- Understand that many employers pay entry-level employees wages well above minimum federal and state levels.
- Keep informed of what's happening at federal, state, and local levels in all the locations where they do business. The National Conference of State Legislatures website (www.ncsl.org/research) maintains a list of current and projected minimum wage rates. Note that this is active, ongoing legislation and that not all changes take effect on January 1.

## Legislative Outlook

In June, the Occupational Safety and Health Administration (OSHA) issued an Emergency Temporary Standard (ETS) focused on protection of healthcare workers in settings where COVID-19 patients are treated.

This ETS is in response to ongoing requests by members of congress and labor unions to issue regulations to protect workers. Provisions require employers to develop a workplace plan, provide patient screening and management, use appropriate PPE equipment, and develop vaccination procedures and requirements. Employers have 30 days to comply. Find more information at www.osha.gov.

States are also enacting new legislation and changing existing legislation that impacts both employers and workers at a rapid pace. In June alone:

- A Colorado court ruled that "use it or lose it" vacation policies violate current labor laws and that employees must be paid accrued vacation at separation. This applies to Colorado-based employers and employers who have employees in Colorado.
- Connecticut became the 19th state to legalize recreational marijuana.
- Oregon expanded eligibility for paid leave under the Oregon Family Leave Act to include employees re-employed after a separation and expanded leave entitlement during public health emergencies.

**What employers need to do:**

- Stay informed and up to date on legislative changes at the federal, state, and local level. Consider subscribing to the Affinity HR Support Plan which tracks state legislative updates that affect workplace policies and practices (www.AffinityHRGroup.com/premium-hr-support).
- Increase focus on compliance. Expect increased enforcement of OSHA, OFCCP, and DOL Wage and Hour Division standards and rules.

## Compensation and Benefit Issues and Trends

As we continue into the second half of 2021 and beyond, Affinity HR Group has identified three trends that will gain ground in the workforce.

**#1 Labor Shortages:** The shortage of entry level workers isn't the only labor shortage employers need to be concerned about. A May 2021 Conference Board survey reported that labor force participation for those over age 65 decreased by 3% in the last 14 months. This reverses a 25-year trend of rising workforce participation for older workers and further reduces the labor supply.

A recent Dice (a tech job posting and resource site) survey of tech workers stated that 48% of survey participants reported they are likely to change jobs in 2021.

Labor shortages are likely to continue throughout 2022 and will continue to be the #1 compensation issue facing employers.

**#2 The Hybrid Workforce:** "Hybrid workforce" is a relatively new term for a concept that has been around for a while. The general definition is a workforce with some type of flexible work structure. It plays out in two different ways: some employees work full-time remotely and others work full-time in the office or employees split their time between remote and in office work.

The Dice survey noted above reported that 59% of survey participants preferred full-time remote work; only 17% preferred full-time in office work.

A recent Microsoft survey reported that 66% of surveyed employers were redesigning office space to allow for hybrid work. Employees in the same survey, however, reported that they do not have adequate supplies to work remotely (42%) or lack an adequate internet connection (10%).

**#3 Paid Family Leave:** The United States remains the only wealthy country in the world that does not offer paid family leave, even though most parents work. In April 2021, President Biden proposed legislation that would guarantee workers 12 weeks of paid family and medical leave as part of the American Families Plan. Congress will consider the proposal this summer.

States continue to rapidly outpace the federal government in considering this type of legislation. 10 states currently offer paid family and medical leave; several additional state legislatures have the issue under discussion.

### What employers need to do:

- Anticipate continued difficulty recruiting and retaining employees at all levels.
- Review current pay policies for competitiveness in recruiting market(s) and anticipate the need to increase wages.
- Develop and implement policies to support flexible scheduling and remote work options.
- Examine parental leave and related policies in anticipation of additional federal and state legislation.

## Immigration

In January, President Biden proposed the US Citizenship Act of 2021. Key provisions include creating a pathway to citizenship for 11 million people living illegally in the US and making the Deferred Action for Childhood Arrivals (DACA) program permanent. Congress has taken no significant action on the proposal.

Also in January, President Biden issued an Executive Order stopping family separation at the US-Mexico border and reversed President Trump's executive order banning travelers from Muslim-majority countries.

In June, ICE announced an extension of flexibility in I-9 compliance until 8/31/2021. These modifications were introduced in 2020 in response to COVID-19 concerns and exempted employees working remotely from physical inspection requirements.

Fines for errors and omissions in forms and related paperwork to appropriately document workers remain at $224 - $2,236 per incorrect form.

**What employers need to do:**

- Stay informed and up to date on legislative and executive order changes and modifications to ICE procedures.
- Ensure proper documentation is in place for current employees and is obtained for all new hires.
- Comply with all requirements for storage and retention of documentation (check out the US Citizen and Immigration Services website – www.uscis.gov – for a full list of requirements).

## Occupational Outlook

In early 2021, there was much uncertainty about job growth in the US. As the year has progressed, hiring has exploded and continued robust job growth is forecast through year-end.

The USDOL reported a total of 850,000 jobs were added in June 2021, the largest number in 10 months and significantly higher than the 559,000 jobs added in May. The sectors with the largest June gains are shown below. Despite these healthy recent gains, employment numbers remain well below pre-pandemic levels.

**USDOL 2021 Job Data**

| Job Sector | # New Jobs – June, 2021 | Employment Compared to Pre-Pandemic Levels |
|---|---|---|
| Leisure/Hospitality | 343,000 | -2,200,0000 |
| Local and State Govt. Education/Private Education | 269,000 | -837,000 |
| Professional/Business Services | 72,000 | -633,000 |
| Retail Trade | 67,000 | -303,000 |
| Wholesale Trade (including Durable Goods Manufacturing) | 21,000 | -192,000 |

**What employers need to do:**

- Review current pay policies for competitiveness in recruiting market(s) and anticipate the need to increase wages. Recognize that competitors may be different in different markets.
- Identify the best resources to help you understand and respond to market changes that may impact recruitment and retention and use those resources regularly to stay informed.