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## MILLIONS ARE UNEMPLOYED. WHY CAN'T COMPANIES FIND WORKERS?

*Among the reasons potential workers are holding back: fear of getting Covid, lack of child care and enhanced unemployment benefits.*

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In a red-hot economy coming out of a pandemic and lockdowns, with unemployment still far higher than it was pre-Covid, the US economy finds itself in a striking predicament. Businesses can't find enough people to hire.

Rising vaccination rates, easing lockdowns and enormous amounts of federal stimulus aid are boosting consumer spending on goods and services. Yet employers in sectors like manufacturing, restaurants and construction are struggling to find workers. There are more job openings in the US this spring than before the pandemic hit in March 2020, and fewer people in the labor force, according to the Labor Department and private recruiting sites.

Surveys suggest why some can't or won't go back to work. Millions of adults say they aren't working for fear of getting or spreading Covid-19. Businesses are reopening ahead of schools, leaving some parents without child care. Many people are receiving more in unemployment benefits than they would earn in the available jobs. Some who are out of work don't have the skills needed for jobs that are available or are unwilling to switch to a new career.

Hiring has been robust recently, despite the labor shortfall. US employers added 916,000 jobs in March, according to the Labor Department, and economists project that the April jobs report, due out Friday, will show employers added 1 million more.

Still, the shortage threatens to restrain what is otherwise shaping up to be a robust post-pandemic economic recovery. Some businesses are forgoing work, such as not bidding on a project, delivering parts more slowly or keeping a section of the restaurant closed. That reduces the pace of the economy's expansion. Other companies are raising wages to attract employees, which could inflate prices for customers or reduce profit margins for owners.

Workers could stand to benefit from a temporary reduced supply of labor. They could command promotions and better wages, which they then could spend in their communities, boosting economic output. They might also be able to negotiate more flexible schedules or other perks.

Analysts say the labor shortages should ease over time as more potential workers are vaccinated, schools fully reopen and federal benefits expire, though the process could take months and the impacts are already being felt.

"It's a little shocking we're at this point already," said Steve Lucas, chief executive of iCIMS Inc., a cloud-based recruiting platform with 4,000 large firms such as Target Corp., CVS Health Corp. and Ford Motor Co. as customers. "Businesses are champing at the bit to grow and are moving faster than applicants are willing to move."

March job openings rose 34 percent compared with January 2020, before the pandemic took hold in the US, iCIMS said. Meanwhile, the number of job applications was down 13 percent in March from the pre-pandemic level.

A Federal Reserve report in April described shortages across numerous occupations, including drivers and housekeepers. An April survey by job search site ZipRecruiter found fewer job seekers felt financial pressure to take the first job offer they received – 35 percent compared with 51 percent when the same question was asked in 2018. More than half the people surveyed said they preferred a job where they can work from home, and 45 percent said they would want that option after the pandemic abates.

“The pandemic has changed people’s motivations,” said ZipRecruiter economist Julia Pollak. “Employers may need to be patient, as vaccines are still being rolled out, and may have to become more flexible in order to find workers.”

## **FEWER JOBS**

The country had 8.4 million fewer jobs in March 2021 than before the pandemic began, but not all those who lost jobs are seeking new ones. By March, nearly 4 million fewer people were in the labor force – Americans who hold jobs or are seeking work. That means millions who were displaced during the pandemic remain on the sidelines of the job market.

Hiring appears to be accelerating this spring, but the share of adults in the labor force has held nearly steady since last summer.

Recent pay trends aren’t much different than before the pandemic, one sign that the job market is tighter than that lingering job shortfall would suggest.

Wages and salaries for private-sector workers rose 3 percent in the first quarter from a year earlier, matching the growth rate at the end of 2019, when unemployment was near a 50-year low, according to the Labor Department’s Employment Cost Index, which adjusts for employment shifts among occupations and industries.

Walmart Inc., the largest private-sector employer, announced raises for 425,000 employees in February, lifting its average wage above \$15 an hour. The second-largest private employer in the US, Amazon.com Inc., said in April that more than 500,000 of its employees would see pay increases of between 50 cents and \$3 an hour. Costco Wholesale Corp. lifted its starting wage to \$16 an hour earlier this year.

Chicken company Pilgrim’s Pride expects to pay out more than \$40 million this year to retain workers and compete for new ones, Chief Executive Fabio Sandri said on the company’s quarterly earnings call last week.

Moving company Two Men and a Truck, based in Lansing, Mich., said it’s seeing some upward wage pressure. The company wants to hire 2,000 workers to meet demand for its peak summer moving season, a reflection of the strong housing market. Sales of existing homes were up 12 percent from a year earlier in March, according to the National Association of Realtors, in what has been the hottest housing market in 15 years.

Daniel Funkhouser, operations manager at the company’s Jeffersonville, Ind., branch is eager for more help. With a single co-worker, Mr. Funkhouser said he has worked up to 75 hours in a week and has moved as many as four families a day. Sometimes the company sends him extra help from Bloomington, a two-hour drive away.

Mr. Funkhouser has advanced quickly since getting hired for an entry-level moving position a year ago. He first trained to be a driver, then became a trainer himself. Now he manages a company branch. He said it has been difficult to find workers who have the physical ability to move heavy items and the customer-service skills to work with clients during moves, which are often a stressful time.

"It's not for everyone," he said. "Some people find out the job is harder than they expect, and they just flee."

Pay for movers typically starts at around \$15 an hour and drivers at \$17 an hour, said Sara Bennett, the company's chief talent officer. Drivers are hard to recruit because most states have additional licensing requirements and the company is competing with Amazon and UPS for people with those qualifications. The company recently started offering perks, such as restaurant gift cards, to vendors and customers who send workers to the company, she said.

Domino's Pizza Chief Executive Richard Allison said last week that the labor market right now in the US is creating the most difficult staffing environment the company has seen in a long time.

"The real pinch point in the business is drivers," he said on the company's earnings conference call.

## **BENEFITS**

Fueling the labor-market imbalance is the fact that many workers, particularly women, find it difficult to work outside the home. Only 60 percent of the 200 largest US school districts were fully reopen the week of April 27, according to Georgetown University's FutureEd think tank, and many child-care centers continue to operate at reduced capacity.

Some employers and economists cite enhanced unemployment benefits as another factor. More than 16.1 million people received unemployment benefits the week ended April 17, the Labor Department said Thursday. That includes gig workers and the self-employed who are typically not eligible for such payments.

Under relief bills passed by Congress, those receiving jobless benefits get an additional \$300 a week on top of regular state benefits, which average \$318 a week, according to the Labor Department. That means the average unemployment recipient earns better than the equivalent of working full time at \$15 an hour. Those enhanced benefits are available until September, for a maximum of nearly 18 months – about three times longer than most states typically allow.

Lorne Zaman lost his jobs as a concert promoter in Los Angeles more than a year ago. He hasn't worked since, supporting himself on savings, stimulus checks and unemployment benefits, which have been about \$750 a week in recent months. The benefits cover his rent and other bills, he said, but don't leave any extra money at the end of the month.

Mr. Zaman, 45, said he's had no interest in taking available jobs at warehouses or restaurants, but he's eager to return to the entertainment industry. His former employer told him the company is likely to start recalling workers within the next few months.

"I really enjoyed what I did," he said. "If the government is going to pay you to stay home, you're going to do that unless that job you really want comes along."

A University of Chicago study found 42 percent of those on benefits receive more than they did in their prior jobs, and the share is higher when factoring in temporary health insurance offered through relief bills.

Adam Ozimek, chief economist at freelance platform Upwork, said he thought improved unemployment benefits were a wise policy earlier in the pandemic, but now sees problems. He said some of the hardest hit parts of the economy have been the slowest to bounce back, including restaurants, hotels and in-person service providers that face a shortage of workers and rising wage pressures.

"The benefits are a policy mistake that is going to hold back the recovery in the coming months," he said. Dr. Ozimek, who described himself as a neoliberal economist, a philosophy that favors free markets and deregulation, said businesses that need to pay more to attract workers this summer will find it difficult to lower wages in the fall, when he said the labor market could loosen, once unemployment benefits expire.

Other economists, including Heidi Shierholz, senior economist at the Economic Policy Institute, a left-leaning think tank, say unemployment benefits' disincentive effect is overstated. She said if there was a significant shortage of labor, employers wouldn't be able to hire more than 900,000 workers in a month, as they did in March, and wages would be escalating at a much more rapid rate.

Dr. Shierholz, who worked in the Obama administration, said the pandemic caused a huge disruption in the labor market and it will take time for the dust to settle.

"And if the extended benefits mean some workers can take the time to find a job that's a better match for their skills, and pays them a better wage, that's a good thing, not a bad thing," she said.

## **EMPLOYMENT SHIFTS**

For job seekers, the sectors with the most rapidly rising job openings in the past year, such as construction, manufacturing and logistics, often require physical abilities, such as lifting heavy objects, and have special requirements, such as a commercial driver's license.

The shift to remote work also means more jobs are being created at outlying warehouses and suburban restaurants rather than downtowns, airports and shopping malls that tend to have better access to public transportation.

"If you lost a near-minimum-wage job with a 15-minute commute, it may not be worth taking a near-minimum-wage job with a 60-minute commute, especially if schools are closed and you don't have child care," said University of Chicago economist Steven Davis.

Bob Bellin, who had worked previously in sales, would go back to work if the right sales job emerged. He said he was close to accepting a job in Austin, Texas, where he'd recently moved, in March 2020, but the opportunity fell through. In the year since, Mr. Bellin, 66, said he hasn't aggressively pursued other work, supporting himself on savings.

"I haven't looked that hard, given my age and the job market," he said. "My plan is to wait for the unemployment numbers to get down to where they were and then I'll start looking."