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4.3 MILLION WORKERS ARE MISSING. WHERE DID THEY GO?

Many economists expect the shortage to last years, and some think it could be permanent

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Scarce labor is becoming a fixture of the U.S. economy, reshaping the workforce and prodding firms to adapt by raising wages, reinventing services and investing in automation.

More than a year and a half into the pandemic, the U.S. is still missing around 4.3 million workers. That's how much bigger the labor force would be if the participation rate—the share of the population 16 or older either working or looking for work—returned to its February 2020 level of 63.3%. In September, it stood at 61.6%.

The absence comes as U.S. employers are struggling to fill more than 10 million job openings and meet soaring consumer demand. In another sign of just how tight the labor market is, jobless claims—a proxy for layoffs across the U.S.—fell to 293,000 last week, the first time since the pandemic began that they fell below 300,000, the Labor Department said Thursday.

Workers are quitting at or near the highest rates on record in sectors such as manufacturing, retail, and trade, transportation and utilities, as well as professional and business services.

Participation has fallen broadly across demographic groups and career fields, but has dropped particularly fast among women, workers without a college degree and those in low-paying service industries such as hotels, restaurants and child care.

The participation rate experienced its biggest drop since at least World War II in the early months of the pandemic. It partly rebounded last summer and since then has hovered near the lowest level since the 1970s, despite sturdy economic growth and the strongest wage gains in years.

Many economists expected school reopenings, expiring unemployment benefits and the fading Delta variant to help boost labor-force participation this fall. But evidence suggests labor shortages might be deepening: Labor supply declined in September and workers quit at record rates in August.

Some economists are concerned that worsening worker shortages reflect longer-term shifts, such as the pandemic-driven acceleration of retirements, that won't reverse.

Many expect the labor shortage to last at least several more years, and some say it's permanent. Of 52 economists surveyed by The Wall Street Journal, 22 predicted that participation would never return to its pre-pandemic level.

"Our problem is not an economy that doesn't want to get started—it's already started," said Ron Hetrick, an economist at labor analytics firm Emsi Burning Glass. "It just doesn't have people to make the engine run. We don't know how to reignite this thing right now."
Normally after recessions, consumers are reluctant to spend and businesses to hire, and laid-off workers are eager to find a job. This time, consumer spending is robust and employers are anxious to hire, but workers aren't willing or able to come back. Companies

are adjusting in ways that accept the worker shortage as the status quo, making changes that promise to have a lasting impact.

The prospect of a smaller labor force could make it especially hard for large employers to meet ambitious hiring targets for the holiday season. Amazon. com Inc. and Walmart Inc. have announced plans to recruit more

than 300,000 workers between them in the coming months, while UPS and FedEx Corp. are hoping to hire nearly 200,000 package handlers and other workers.

Employees are reaping the benefits of large pay raises. At the same time, many businesses are responding to higher wage costs by boosting the output of the workers they have, with productivity up 5% from the first quarter of 2020 through the second quarter of 2021.

The reasons for the labor shortages are myriad, and often interrelated. Day-care centers, short of workers, are turning away families. The number of people employed in child care was down by 108,700, or 10.4%, in September 2021 compared with February 2020, Labor Department data show. Wages for such workers were up 10% in August of this year from February 2020. More expensive, harder-to-find daycare ripples through the economy, giving some parents added reason to stay home with young children rather than return to work.

Pandemic border closures have reduced the availability of immigrant workers. Many baby boomers, fearful of the virus and their portfolios fattened by the bull market, are retiring early. Other workers have become self-employed. Trillions of federal relief dollars have made many less eager to return to strenuous, modestly paid jobs.

“Work—for me, at least—just wasn’t working for our family anymore,” said Stephanie Schaefer, a 36-year-old mother of two in Riverside, Calif.