The COVID-19 Labor Shortage

Exploring the disconnect between businesses and unemployed Americans
Purpose of the Research

The COVID-19 pandemic has had a significant impact on the U.S. workforce and economy, putting millions of Americans out of work.

Now that businesses are finally starting to reopen, many say they are experiencing a labor shortage and are struggling to attract and retain workers despite current levels of unemployment. Many have blamed the pandemic stimulus checks and expanded COVID-19 unemployment benefits, prompting states to reduce or opt out of them early.

Meanwhile, many unemployed Americans expected to have their unemployment benefits until September. They are now grappling with returning to work despite their concerns about the jobs and wages currently available in the market, caregiving responsibilities, and their health.

This research seeks to explore potential reasons behind this disconnect by exploring this labor shortage from two different perspectives: Businesses and unemployed Americans.
The Business Perspective
Nearly 9 in 10 of the organizations surveyed said they are currently finding it difficult to fill certain open positions.

33% are having an extremely difficult time

Nearly 40% are having a very difficult time

28% are having a moderately difficult time
Businesses say they are having the toughest time filling hourly, entry-level and mid-level non-managerial positions.

Do the open positions your organization is having the most difficulty filling tend to be hourly or salaried positions?

- Mostly salaried positions: 15%
- Slightly more salaried positions: 3%
- Approximately even: 10%
- Slightly more hourly positions: 11%
- Mostly hourly positions: 61%

Which types of positions is your organization currently finding difficult to fill?

- Senior or executive-level positions: 9%
- Mid-level (managerial) positions: 24%
- Mid-level (non-managerial) positions: 66%
- Entry-level positions: 79%
### Industries struggling to hire predominantly hourly positions:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>80%</td>
</tr>
<tr>
<td>Hospitality, Food, and Leisure</td>
<td>80%</td>
</tr>
<tr>
<td>Healthcare and Social Assistance</td>
<td>76%</td>
</tr>
</tbody>
</table>

### Industries struggling to hire entry-level positions:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>93%</td>
</tr>
<tr>
<td>Hospitality, Food, and Leisure</td>
<td>93%</td>
</tr>
<tr>
<td>Wholesale/Retail Trade, Transport &amp; Warehousing</td>
<td>87%</td>
</tr>
<tr>
<td>All industries</td>
<td>79%</td>
</tr>
</tbody>
</table>
Nearly 7 in 10 organizations believe that the expanded COVID-19 unemployment benefits have contributed to their difficulty filling certain open positions considerably or a great deal.

Notably, employers are significantly less likely to believe their hiring difficulties are tied to childcare or safety concerns.
The Unemployed American Perspective
How actively unemployed Americans are looking for a new job is tied to the way in which they became unemployed.

Those who said they voluntarily chose to leave their job during the pandemic are less likely to say they are actively searching for a job to a great extent (30%) than those who are still unemployed because they were laid off by their previous employer (48%).
3 in 5 unemployed Americans say they feel misunderstood or judged because of their unemployment status.

Those with children are more likely to feel misunderstood or judged because of their unemployment status (66%) than those without children (56%).
There are a variety of reasons why unemployed Americans say they are still out of a job.
The top reasons businesses say they’re facing a labor shortage heavily contrast with the reasons unemployed Americans say they’re still out of work.

Nearly 7 in 10 organizations believe that the expanded COVID-19 unemployment benefits have contributed to their difficulty filling certain open positions considerably or a great deal.

Yet, only a minority of unemployed Americans cite this as a reason they’re still unemployed...

- **11%**: Of unemployed Americans say that the expanded benefits and stimulus checks have made it possible for them to be more selective in the types of jobs they apply for.
- **9%**: Of unemployed Americans say they’re earning more on the expanded unemployment benefits than what they’d earn by working.
**Spotlight: Career Shifts**

17% of unemployed Americans said they’re using this time to prepare for a career shift, suggesting that some of the workers businesses previously relied on prior to the pandemic may be looking to change industries.

Notably, those who voluntarily left their job during the pandemic are more likely to say they are using this time to prepare for a career shift than those who were laid off from their jobs.

Further, unemployed Americans with another source of income may feel more comfortable taking the risk of shifting careers. Those with an employed spouse or partner were more likely to say they’re taking this time to prepare for a career shift (22%) than those whose spouse or partner is also unemployed (12%).
Spotlight: Previous Roles & Education

Unemployed Americans are likely to consider their previous roles and level of education when deciding which jobs to apply to during their search.

For example, those with higher levels of education are more likely to say factors contributing to their continued unemployment include that the available jobs pay less than what they were earning before and that the available jobs don’t match their skillset or interests.

Additionally, those who held mid-level roles prior to the pandemic appear unlikely to be considering jobs they’d see as a demotion. Those who were previously employed in mid-level non-managerial jobs (31%) and mid-level managerial jobs (38%) are more likely than those who were previously employed in entry-level jobs (20%) to say the jobs that are currently available pay less than what they were earning before.
Key Challenges: Comparing Perspectives
73% of organizations say they’re seeing a decrease in the number of job applications for their difficult-to-fill positions either considerably or a great deal.

42% of unemployed Americans say a reason why they’re still unemployed is they’ve applied to jobs but haven’t received any responses from employers.
Nearly 60% of organizations say they’re facing a lack of applicants with the necessary skills for these difficult-to-fill positions either considerably or a great deal.

30% of unemployed Americans say a reason why they’re still unemployed is that the jobs currently available don’t match their skillset or interests.
Nearly half of organizations say they’re seeing an increase in the number of applicants failing to reply to a request for an interview either considerably or a great deal.

In contrast, only 4-8% of unemployed Americans say they’ve engaged in such behavior over the past few months.

However, 30% do admit that they’ve applied for a job they didn’t seriously intend to pursue to meet the proof of job search requirements for receiving unemployment assistance.
How Businesses Are Addressing the Labor Shortage
To counteract the talent shortage they’re perceiving, the most common incentive organizations say they’re offering is a one-time referral bonus to existing employees who can help bring in new hires. However, some organizations may soon be changing tactics.

Although only about 2 in 5 organizations say they are currently offering additional professional growth and development opportunities and increased pay as incentives for these difficult-to-fill positions, about 1 in 5 more are planning to begin offering these incentives soon.
Spotlight: Increasing Pay

Of organizations that are currently offering increased pay to attract applicants to their difficult-to-fill positions, 44% indicated that these positions previously paid less than $15/hour and 35% indicated that these positions paid $15-$20.99/hour prior to the increase.
### Spotlight: Increasing Pay

Of organizations that have increased pay, most have done so modestly. The most common level of increase was between $1-$2/hour followed by $2.01-$3/hour.

This modest increase is notable given that **over 1 in 4** unemployed Americans say a reason they are still unemployed is because the jobs currently available pay less than what they were earning before.

**3 in 4** organizations say that existing workers’ pay will also be increased to be in line with the new pay rate offered to new hires.

<table>
<thead>
<tr>
<th>Increase Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>By less than $1 / hour</td>
<td>7%</td>
</tr>
<tr>
<td>By $1 - $2 / hour</td>
<td>46%</td>
</tr>
<tr>
<td>By $2.01 - $3 / hour</td>
<td>22%</td>
</tr>
<tr>
<td>By $3.01 - $4 / hour</td>
<td>6%</td>
</tr>
<tr>
<td>By $4.01 - $5 / hour</td>
<td>3%</td>
</tr>
<tr>
<td>By $5.01 - $6 / hour</td>
<td>2%</td>
</tr>
<tr>
<td>By $6.01 - $7 / hour</td>
<td>1%</td>
</tr>
<tr>
<td>By $7.01 - $8 / hour</td>
<td>2%</td>
</tr>
<tr>
<td>A rate not listed above</td>
<td>11%</td>
</tr>
</tbody>
</table>

On average, by what amount has your organization decided to increase pay for these difficult-to-fill positions?
Besides increasing pay, organizations say they have also taken other actions due to the perceived labor shortage.

Additionally, some businesses mentioned additional actions they’ve had to take via open-ended response...

- 18% mentioned having had to have their employees work overtime
- 6% mentioned having had to job share or report that employees are taking on extra work.
Looking Forward
While many organizations have made changes to their offerings to attract more candidates...

54% say it’s too soon to tell if the changes will improve their ability to fill open positions.

38% say the changes they’ve made haven’t improved their ability to fill those positions.

Only 8% say these changes have improved their ability to fill the positions.

Small organizations are more likely to say their changes haven’t worked compared to medium and large organizations.

Meanwhile, medium and large organizations are more likely to say that it’s too soon to tell if their changes have worked.
4 in 5 unemployed Americans say they’re confident that they will find a job in the near future.

Those who previously held hourly jobs are more likely to say that they’re confident they will find a job in the near future (82%) than those who previously held salaried jobs (69%).
Methodology

**Business Sample**

The survey was fielded electronically to a random sample of active SHRM members from May 21st through June 2nd, 2021. In total, 1197 members responded to the survey on behalf of their employers. Academics, students, consultants, and retired HR professionals were excluded from the survey. Respondents represented organizations of all sizes—from two to more than 25,000 employees—in a wide variety of industries across the United States.

**Unemployed Americans Sample**

A sample of 997 unemployed Americans was surveyed online May 25, 2021 to June 1, 2021. Respondents were sourced from Lucid.

Of the respondents, 78% said they are unemployed because they were laid off during the pandemic and 22% said they are unemployed because they voluntarily chose to leave their job during the pandemic. Of those who were laid off, 80% said they previously held hourly positions. Although respondents came from a variety of industries, the most common were Food Service (17%), Retail Trade (13%), and Healthcare (9%), all industries heavily impacted in different ways by the pandemic.