



Editorial

Why job vacancies are surging and likely to continue

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THE GREAT DISRUPTION AFTERMATH

As the labor market starts recovering from the severe disruptions caused by the COVID-19 pandemic, there are some reasons for hope and many reasons for concern. The labor participation rate which continues to remain 1.1% lower than before the pandemic's start may rise somewhat as normal schooling enables more women to return to the workforce and the fear of contracting COVID subsides. On the other hand, reports are showing that students at all levels have lost a year or more of learning and community college enrollments have declined at a time when job skill requirements are growing.

The biggest and most persistent negative factor is the shrinkage of the U.S. working age population in this decade. The baby boomers who caused a huge surge in the working age population are retiring in droves and this will continue until 2030. As the U.S. birthrate declined precipitously starting in the 1970s, a much smaller cohort is now entering the workforce. Furthermore, since 2017 fewer immigrants have been admitted to the United States.

CURRENT JOB VACANCIES SOAR

The rebound from the pandemic and the shrinking labor pool has caused the unemployment rate to plummet and job vacancies to soar. An estimated 10.7–12.5 million jobs are now unfilled. The Bureau of Labor Statistics June JOLTS Report showed high rates of job vacancies in many major businesses sectors: information 7.9%, health care 9.1%, education 8.4%, and professional/business services 8.3%.

The National Federation of Independent Business reported an all-time high of small businesses that cannot find qualified applicants for skilled positions. A January 2022 Fortune/Deloitte survey reported that 71% of CEOs expected that labor and skills shortages will significantly disrupt their business strategies over the course of this year.

U.S. defense contractors have major staffing shortages. Their aging pool of high skill specialized employees – particularly engineers with security clearances – is rapidly shrinking as they reach retirement age. These are also tough times for military recruiters. As of late June, only 40% of the 57,000 new recruits that the U.S. Army wants by September 30 had been enlisted. The Navy, Marine Corps, and even the Air Force are also having trouble finding personnel that meet their fitness and educational requirements.

To retain workers and recruit new ones, many employers are raising salaries or offering special hiring bonuses. So far, in 2022, the average increase in base pay in the United States is 4.8%.

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As there currently is a shortage of 1 million registered nurses in the United States, hospitals are offering an up to \$40,000 signing bonus to nurses who sign a 2-year contract. Walgreens Boots Alliance is offering signing bonuses of up to \$75,000 to pharmacists who agree to stay in their jobs for a specified period.

The Society for Human Resource Management reports that projections for 2023 indicate that salaries will increase from 4% to 5% driven by continuing shortages of skilled workers.

CAN WE ENLARGE THE LABOR POOL?

As we cited earlier, the labor participation rate remains below pre-pandemic levels. As of June 2022, there were about 100 million American of working age that is currently not employed or looking for work. We estimate that about 21 million are deterred from seeking employment because they lack the skill requirements for vacant jobs but could gain them if provided with entry-level training. Many of the 5.6 million Americans currently listed as unemployed also are in the same position. Yet, only 20–25% of American businesses have training and education programs. This includes both entry-level job training and upgrading the skills or knowledge of current employees. For every dollar our chief foreign competition invests in worker training, the U.S. business contributes just 20 cents!

CAN ROBOTICS AND ARTIFICIAL INTELLIGENCE FILL THE GAP?

Many industry analysts are saying robots will largely solve current worker shortages. Businesses are investing billions in robotics and AI. A Material Handling Institute

survey found that their members plan to increase robotics in warehouses by 50% over the next 5 years. However, as nations such as Singapore that have successfully automated industrial facilities illustrate, this approach relies heavily on having a high skill labor pool and providing retraining to workers whose jobs now require programing, monitoring, or repairing automated equipment.

While AI software can now generate text and field telephone inquiries, it cannot go beyond the set of data with which it is programmed. It can't solve cause-and-effect problems or learn about the world like a child. Advancements in AI and robotics will require HI (human intelligence), that is, more knowledge workers.

HOW TO EXPAND THE KNOWLEDGE POOL

Raising salaries will not generate more qualified employees, it will only increase job churn and fuel inflation. The Fourth Industrial Revolution requires a higher proportion of workers to be high skilled, and their skills and knowledge need to be continually updated to keep pace with rapid technological change. Surveys indicate that most American workers want to work for employers that provide workers with opportunities to upgrade their capabilities.

Cooperative options for providing training and education need far more support. Small businesses particularly can profit from participating in regional associations in which businesses, educational institutions, and training providers work together in developing programs that develop and retrain workers with in-demand job and career skills.

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