2022: It's a Candidate's Market

How did 2 years of the pandemic prepare us?

Highlights

- The power is now in the hands of candidates
- It's a tight race for candidates, especially for mid- to low-skilled workers
- Key objectives for 2022: Strategic targeting & retention

Written in collaboration with labor economist Morgan Raux

Find the right talent faster

Executive Summary

Not in 100 years have we seen such an economic event in the labor market as that of the COVID-19 pandemic. Even the Great Recession of 2008 does not compare to the global effect the virus has had on the balance of life and work. Looking at a combination of US Bureau of Labor Statistics and Talent.com data, we see how the US labor market continues to recover in 2021 from the shock of COVID-19 and what may come next.

Key lessons we learned from our analysis:

- The power is in the hands of the candidates as the supply of workers is low and job vacancies are high.
- The sector with one of the tightest races for candidates is for mid- to low-skilled occupations.
- Efficiency, strategic targeting and strong employer value propositions will be the important goals in the recruitment industry in 2022

What is labor market tightness? page 2

For those who need to brush up on their economic terminology, we explain what it means when a labor market is tight; i.e. when there are too many jobs and not enough workers, a situation the US currently finds itself experiencing.

What did COVID-19 do to the labor market? page 3

When the virus sent the country into lockdown, many found themselves unemployed. After only a short time, however, the labor market recovered to the point that candidates now have their choice of jobs and recruiters have to work hard to get them and keep them on board.

What did 2021 mean for different occupational sectors? page 4

Using Talent.com data in relation to US Bureau of Labor Statistics, we discover which categories of jobs have experienced the most increase in labor market tightness, namely blue-collar jobs.

What does a tight labor market mean for recruiters in 2022? page 9

Further utilizing Talent.com data, we look at how recruiters have had to increase their spending of their sponsoring budgets across almost all sectors and on what they may need to focus going into 2022: targeting a diversity of candidates in the most efficient way possible.

Final Thoughts on What's Next for 2022 page 11

Until the virus is under control and a semblance of normal can return, recruiters will see a continued preference for gig-work, better salaries, benefits and perks as the labor market weighs heavily in favor of candidates.

For this analysis, a combination of US Bureau of Labor Statistics and Talent.com data was compared and analyzed

What is Labor Market Tightness?

The labor market encompasses where the supply and demand for jobs exists, with employees providing the supply (candidates), and employers providing the demand (jobs). As with any type of market, it is subject to influences and fluctuations, the most recent being the global pandemic.

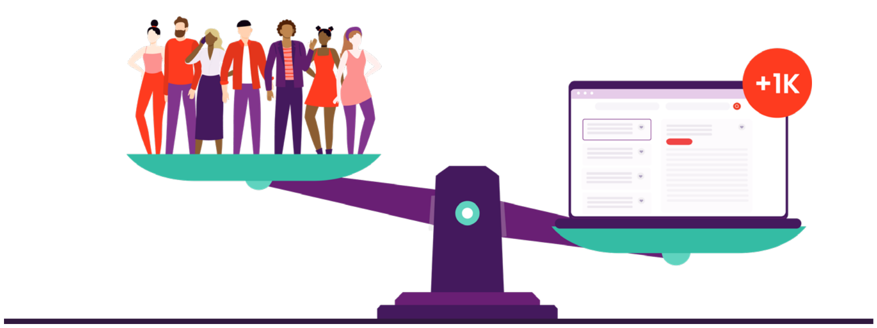
Just as COVID-19 disrupted the balance of our everyday lives, so too did it disrupt the balance of demand for and supply of labor. This balance is expressed as being slack or tight in economist terms, with the current state of the labor market being tighter across most occupations. What does this mean?

$$\text{Labor Market Tightness} = \frac{\text{Jobs}}{\text{Unemployed Workers}}$$

Economists measure the degree of labor market tightness by dividing the number of job openings, or vacancies, by the number of unemployed workers. A “slack” labor market is when unemployment is high and vacancies are low. Meaning, the supply of workers outpaces demand—too many workers, not enough work available. A “tight” labor market is when the demand for labor is as strong as, or stronger than, the supply. When unemployment rates drop, fewer people are available to work, and it becomes more difficult for recruiters to fill their open positions. The tighter the relationship between job demand and the supply of job seekers, the more difficult it is to find an appropriate candidate and the more bargaining power goes to the worker.

$$\text{Talent.com Data Measurement of Labor Market Tightness} = \frac{\text{Jobs}}{\text{Clicks}}$$

Let’s go one level deeper and further inform our measurement of labor market tightness with not just the availability of workers, but their interest in working. With Talent.com data, we can divide the number of posted vacancies by the number of job seekers interested in these positions via their activity on the job site, i.e., clicks. The lower the number of clicks, the less interested workers are in the job openings and the tighter the race to secure them as candidates.



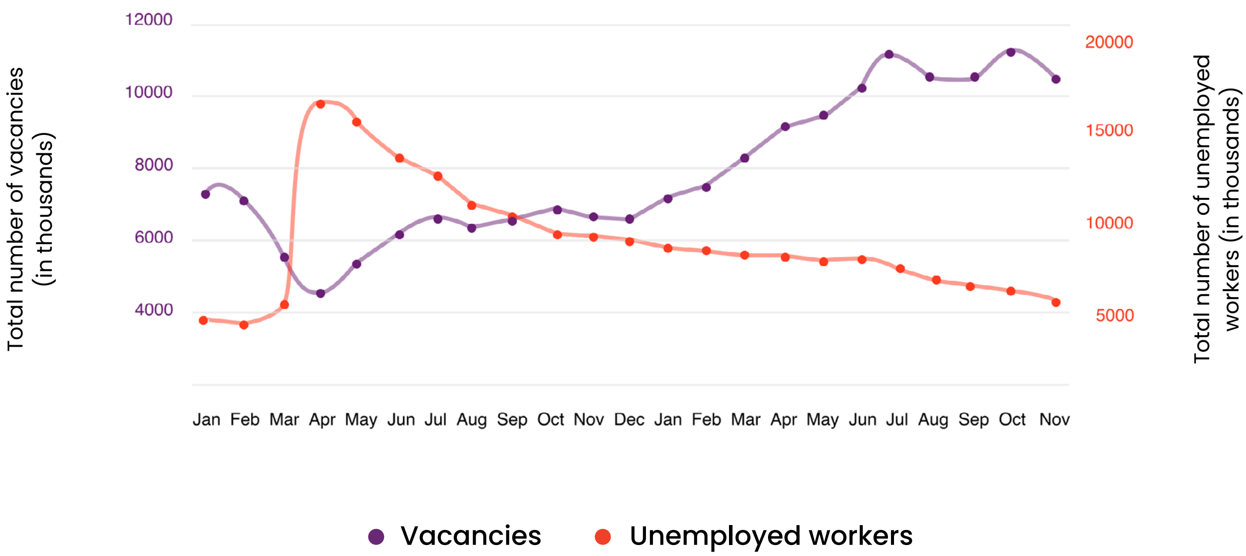
What is COVID-19 doing to the labor market?

The COVID-19 pandemic dramatically affected the U.S. economy and its labor market. Many people found themselves without jobs due to lockdown policies, school closures, and fear of the virus.

At the beginning of 2020, between February and April, the number of unemployed workers increased by more than 250% (figure 1). During that same period, firms reduced their recruitment efforts, and the number of job openings decreased by more than 30%.

After the initial shock of COVID-19, the US labor market began to recover thanks to the progressive lifting of restrictions and vaccination programs. As jobs began to open once again, increasing until July 2021 and then surpassing pre-COVID levels, unemployment began to return towards pre-pandemic levels. This number is still 24% higher in November 2021 compared to February 2020.

Unemployement and vacancies in 2020 and 2021 * (figure 1)



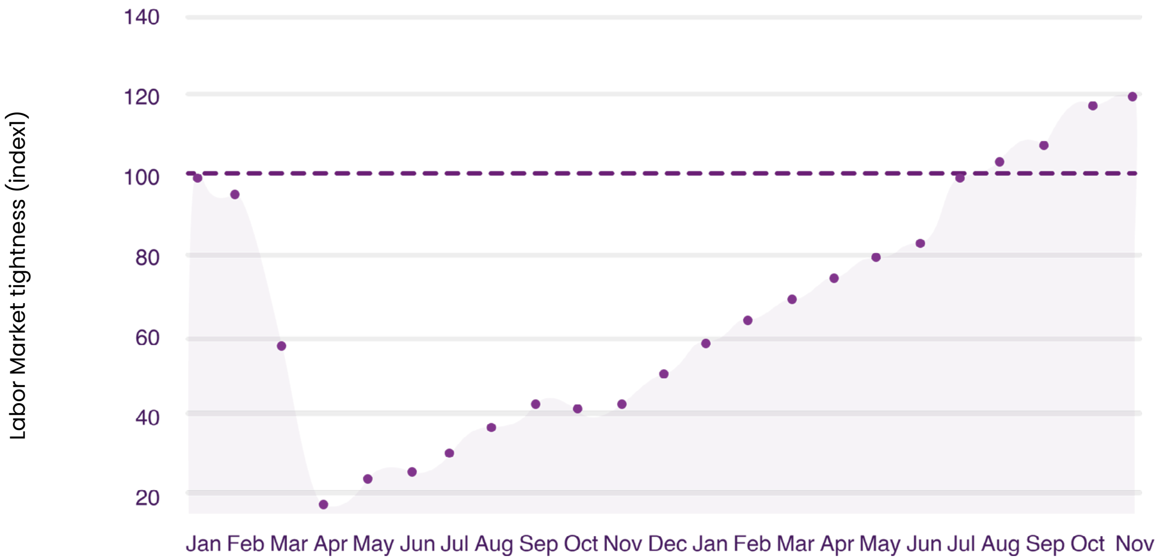
In January 2020, the unemployment rate was low, and the number of job openings was relatively high, meaning the labor market was relatively tight.

We take that measurement and index it at 100, meaning we use it as our baseline for labor market tightness to allow us to evaluate how the balance of the labor market fluctuated due to the virus.

* This graph presents the evolution of the total number of unemployed workers actively looking for a job in the US between January 2020 and November 2021. It also details the evolution of the number of job openings during the same period. Source: Bureau of Labor Statistics.

As COVID-19 hit, you can see an 80% decrease in labor market tightness (figure 2) as unemployment rates skyrocketed and job vacancies plummeted (figure 1). Over the next year and a half or so, labor market tightness in general caught up to and exceeded its pre-COVID level as of September 2021 (figure 2).

Labor market tightness in 2020 and 2021 * (figure 2)



Interesting to note:

During the Great Recession in 2008, the unemployment shock was less severe than after COVID-19 but lasted much longer. In 2020, after a sharp increase, the unemployment trend began to reverse after only a few months.

What did 2021 mean for the recovery of different occupational sectors?

Our analysis so far provides us with a global picture of the US labor market. To complete this broad overview, we now look one level deeper to the differences in labor market fluctuations within four occupational sectors particularly affected by COVID-19.

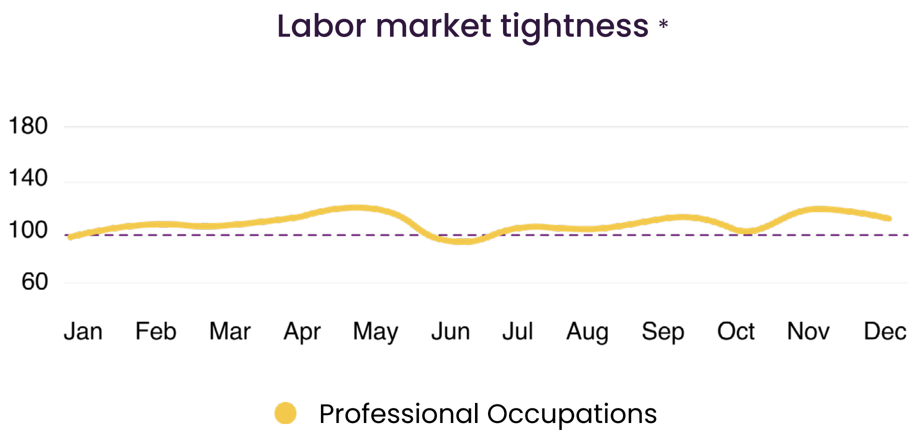
This is accomplished through using Talent.com data which shows job seeker interest in open positions via their behavior, or their clicks on the jobs.

* This graph shows the evolution of labor market tightness in 2020 and 2021. The value of labor market tightness is indexed at 100 in January 2020. Source: Bureau of Labor Statistics

Using the baseline measure of labor market tightness from January 2021, we can see the evolution of the race for candidates throughout 2021 in each category of occupations which will help inform strategies for recruiting in 2022.

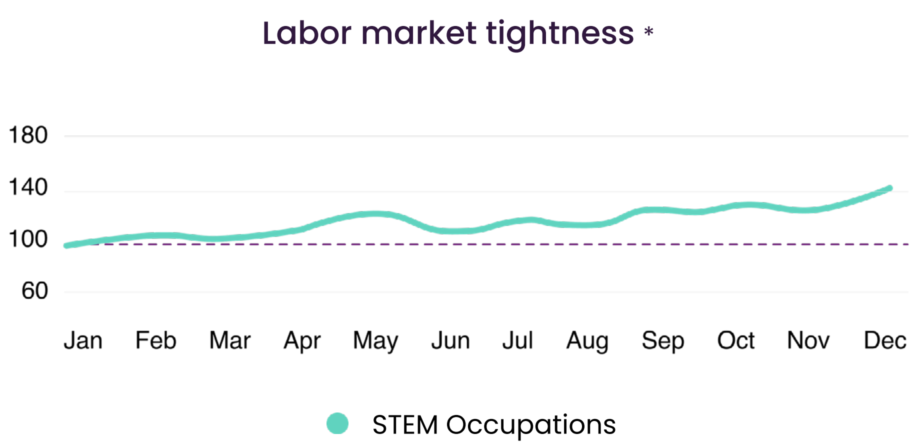
Professional occupations experienced the smallest increase in labor market tightness during 2021. Therefore, recruiting methods will likely remain the same in 2022.

The Professional category largely consists of jobs that can be work-from-home, such as management, business and financial, legal and media occupations.



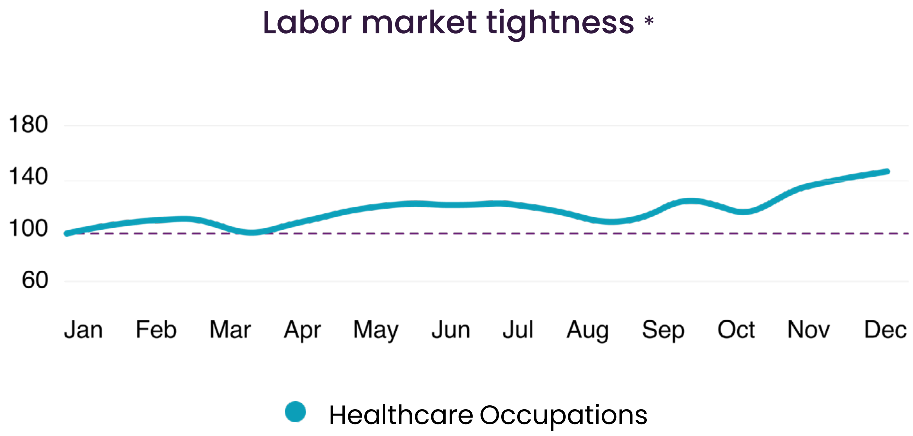
Labor market tightness in **STEM** and **Healthcare** occupations increased up to 40% by December 2021. Even after the initial increase in demand for healthcare workers at the beginning of the pandemic, the trend continues into 2021 and may keep going well into 2022 as health systems continue to adapt to the reality of co-existence with a highly contagious and mutating virus that may eventually become endemic.

STEM occupations include computer and mathematical scientists, architects, engineers, and life, physical, and social science occupations.



* These graphs present the evolution of labor market tightness in four group of occupations: STEM, other professional, healthcare and blue-collar. The values of labor market tightness are indexed at 100 in January 2021. Source: Talent.com

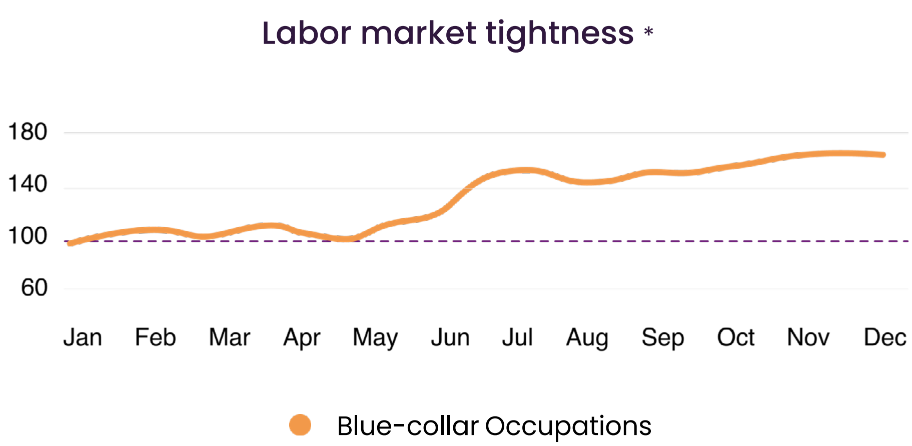
The healthcare category includes both healthcare practitioners and healthcare support occupations.



Finally, **blue-collar** occupations experienced the largest increase in labor market tightness in 2021. This can potentially be explained by the mechanics of the labor market and immigrant workers. Firstly, low-skilled occupations took the biggest hit at the beginning of the pandemic, with the highest numbers of unemployment compared to the other occupational categories.

This means these jobs experienced the biggest decrease in labor market tightness and so the increase in tightness is much more drastic since March and April 2020. Secondly, because of pandemic travel restrictions there was a further decrease in the blue-collar labor force as foreign-born workers, who were over-represented in low-skilled jobs, could not travel to the US to work.

Within the blue-collar category, we include farming, construction, maintenance, production and transportation occupations.



Interesting to note:

Recovery after the Great Recession of 2008 led to an increase in labor market tightness for **high-skilled** occupations while the COVID Crisis is associated with an increasing tightness for **low- and middle-skilled** occupations.

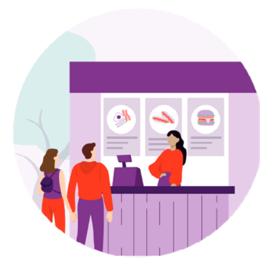
* These graphs present the evolution of labor market tightness in four group of occupations: STEM, other professional, healthcare and blue-collar. The values of labor market tightness are indexed at 100 in January 2021. Source: Talent.com

What's Happening with Blue-Collar Jobs?

Though we see an overall increase in tightness among blue-collar jobs, when we focus on specific industries within the sector, we find it's not the case everywhere, which may affect recruiting efforts in 2022. Job seeker interest and available jobs for positions such as "Order Filler," and "Truck and Delivery Driver" type jobs increased significantly between July and November 2021. These jobs will likely continue to experience healthy activity as COVID-19 isn't going away and getting products packaged and trucked to consumers will continue to be in high demand.

In the construction industry, however, there was a decrease in both job openings and clicks in the second half of the year with similar trends for food Service jobs. This decrease may reflect how much these specific subcategories of blue-collar jobs were affected by the pandemic or may simply be due to the seasonal nature of the work.

For the **construction** sector at least, this might change with the [Build Back Better] bill that may increase opportunities in 2022 and beyond. While it may not create a "boom" per se, the act will begin many long-term infrastructural projects that will need people to fill a variety of positions, as well as open rural and other areas of the country with projects and the implementation of broader internet access. There may not be the same amount of movement as there was during the initial months of the pandemic, but people will still be moving towards better opportunities in the months and years to come.



One of the other blue-collar industry stories of the pandemic is how hard **restaurants** were hit by lockdowns and how they continue to struggle in their recovery—if they made it through the initial waves of the virus at all. Not only did COVID-19 put a spotlight on the sometimes less-than-ideal conditions of employment in the industry when it comes to security and wages, but frequent lockdowns forcing restaurants to pivot to take-out only or close completely have driven many restaurant staff to change careers.

Currently, finding front of house staff who can be trained in a day or two is relatively easy. Finding, hiring and retaining cooks is another matter entirely. While bigger, more established restaurants can offer better wages and benefits, smaller restaurants will continue to struggle to be competitive and retain staff, especially in the kitchen.

Until the virus is more under control, the restaurant industry may struggle further, though perhaps an easing of restrictions on to employing foreign workers may help restaurants survive longer.

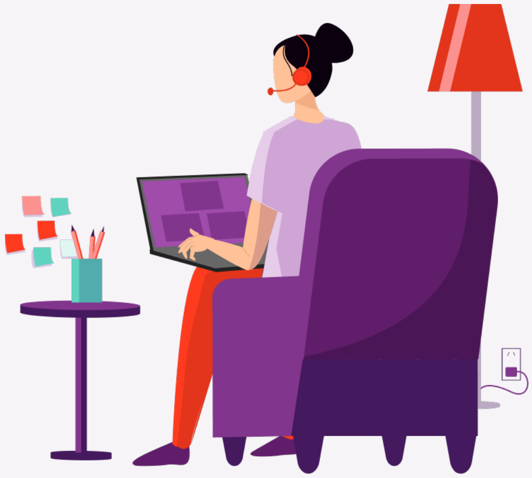
Is Remote Work Still "a thing"?

With remote work as a hot topic among businesses and recruiters, it's interesting to note that the number of available jobs and job seeker interest is on the decline according to Talent.com data. Jobs with remote, work from home, or some variation in the title experienced an uptick in demand and interest after COVID-19, reaching an all-time high in September and October 2020.

The general trend in 2021 however is a decrease in vacancies, clicks from candidates and sponsoring expenditures from recruiters. This trend is echoed by the US Bureau of Labor Statistic reports that show a decline in the numbers of "employed persons who teleworked because of the coronavirus pandemic." In January 2021, 23.2% of the total number of people employed were working from home. In December 2021, that percentage had dropped to 11.1% of all workers.

This decline is probably due to a combination of factors. In part, it may simply be the labor market's response or adjustment after the huge increase in remote work in 2020 and a subsequent (relative) stabilizing of the crisis in 2021.

No matter the reasons, remote work isn't going anywhere anytime soon with new variants prolonging the situation and unequal global vaccination rates. Plus, in the US, employees and candidates want remote work, or at least hybrid work situations now that they've had a taste for it. Recruiters can then continue to **diversify their talent pools by geo-expanding** their job advertisements to include more locations for the jobs and industries that allow working from home. As we know, remote jobs do not work for all industries, however, and can still be tricky. As we know, remote jobs do not work for all industries. Plus putting remote in the job title can give some recruiters a large influx of candidates they then have to sift through.



Perhaps one solution is to look at the **different degrees of remote work** desired by employers and adjust recruiting efforts accordingly. There is **permanently remote**—where the job does not require in-person work and therefore recruiters can look for candidates far and wide.

Then there is what we'll call **semi- or regionally-remote** where an employer may want to expand their job posting region-wide as opposed to internationally or country-wide since there may be some in-person work required, or they may not want a time difference to add complexity to the role.

Then there is the **temporarily-remote and/or hybrid job** that may eventually return to the office for good once COVID is sorted out, or at the very least there will be an expectation for the candidate to work partly from home and partly at the office, so they must live in or around the city where the office is located.

What does a tight labor market mean for recruiters in 2022?

By looking at how recruiters are sponsoring their jobs on Talent.com, we can provide insights on their behavioral responses to the shifting labor market in 2021 to inform strategies for 2022. Again, by taking the spending numbers from January 2021 as a baseline starting at 100, we compare the evolution of sponsoring expenditures per ad between the four groups of occupations (figure 4).

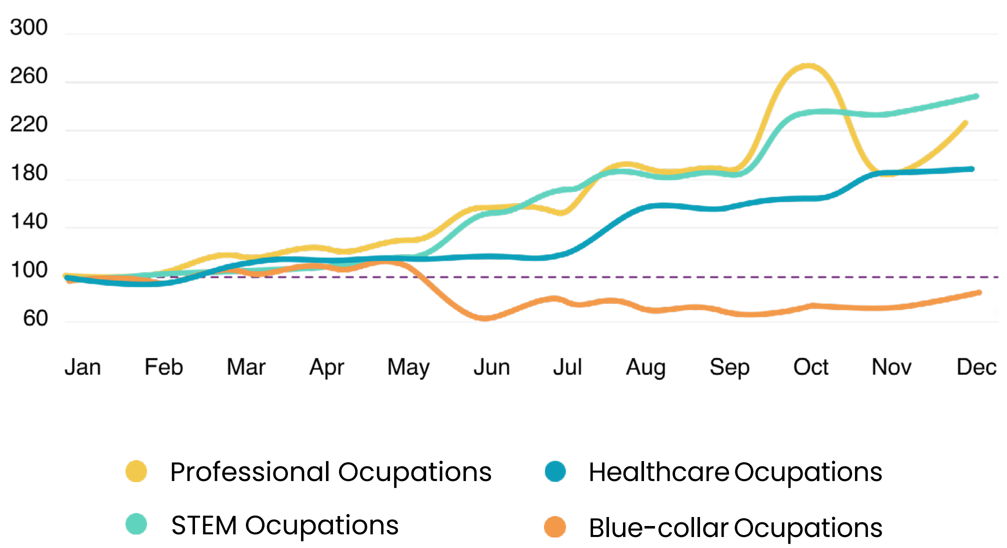
In tight labor markets, the competition between recruiters to find workers and fill their vacant positions is fiercer. In this race to attract workers, recruiters can sponsor their vacancies to increase their visibility online. **STEM** occupations experienced the largest increase in sponsoring expenditures.

While the increase in labor market tightness was relatively smaller in other **professional** occupations, sponsoring expenditures increased much more in these categories in 2021.

For **healthcare** occupations, sponsoring expenditures slightly increased in 2021. This may in part be a result of the large increase in spending in this sector in 2020, and so it is not so surprising that the percentage of increase slowed the following year as the waves of the pandemic stabilized, though this may change with variants prolonging the crisis.

Finally, sponsoring expenditures remained stable in 2021 for **blue-collar** occupations. This result is surprising as blue-collar jobs experienced the largest increase in labor market tightness (figure 3). However, with this category encompassing such a wide range of occupations, with some increasing in demand and others decreasing, this may be why the average spend in sponsoring has remained steady.

Average sponsoring expenditures per ad * (figure 4)



* This graph presents the evolution of sponsoring expenditures per ad made by recruiters in the four groups of occupations: Professional, STEM, Healthcare and Blue-Collar.

Quick Tips for Recruiters Moving Forward

In a tight labor market, it's more important than ever to be more efficient in the recruitment process and get those candidates from application to hire as quickly as possible, say the Talent.com team experts. The way to do that is to bulk up your recruiting team and invest in technologies that take away any obstacles that separate you from job seekers.

With more robust hiring teams working together to screen candidates, perhaps you can **simplify your apply process** by removing screening questions. Then use your bigger team and other recruitment software to filter through and select candidates more quickly.

Small and Medium Sized Businesses especially (SMBs) "need a plan to have a consistent pipeline of candidates at their disposal," says **Daniel Kijewski**, Talent.com Sr. Director of Enterprise and Staffing in the US. In the current candidate market, they need to be prepared to lose people as well as learn how "to bring on new candidates faster and expect these hiring challenges to continue for the foreseeable future," he adds.

Furthermore, it's time to take a targeted approach, not just in your own team, but in your advertising. "Double down on the targeting of your audience," says **Kevin Bunce**, Business Development Director in the US for Talent.com.Whether it's through modifying job titles and descriptions and/or investing in and taking advantage of all your broad and niche distribution channels it's key to ensure your jobs are getting in front of your target candidates, Bunce adds.

During the pandemic many re-evaluated their priorities, their work and their lives. It's also time to re-evaluate your job adverts and descriptions and make sure they make sense in a COVID-19 world reflecting the **diversity** of talent out there and the employment culture they now demand.

Also, it may be time to start targeting **transferable skills**, profiles, and/or potential, as opposed to ready-made, qualified candidates. With the supply of talent low on the ground, recruiting outside of the usual demographics and looking for candidates who can be trained on the job or found in-house may help solve for the talent shortage.

If you haven't already, now is the time to really start working in close collaboration with your recruitment partners and their technological solutions to make your recruitment process more targeted and efficient.

Final Thoughts on What's Next for 2022

When experiencing a labor shortage, making predictions becomes an exercise in looking into a crystal ball! However, one thing we can be certain about is that a tight labor market puts **power in the hands of the candidates** as they have their pick of employment opportunities.

Job seeker expectations will be higher as they look for **benefits** and better positions. In a candidate labor market switching jobs becomes easier as employers must do more to attract candidates, whether they expand or improve their EVP (Employee Value Proposition) and/or increase **salaries**.

We also think we'll see a continued penchant for "**gig work**" as people look to use part-time jobs to supplement their pandemic stimulus cheques or retirement money says Bunce. Perhaps when there is less government support, more workers will return to full time jobs. For even though the unemployment rate is almost back to pre-crisis levels, there is still an excess of people out of the workforce whose labor participation rates are not improving. A large chunk of these missing workers are 55 years and older, who may be responsible, in part, for the term "The Great Resignation." Some of these missing workers, of all ages, may have retired for good or are too afraid of the virus to return to work. Others are quitting for other options, better options, or are impeded by vaccine mandates or lack of childcare. For many, the only way they will return to work is when they eat through too much of their savings and/or the government stimulus money disappears.

Ultimately, however, the real way back to a semblance of normal and balance in the labor market is to get the virus under control. **Resolving uncertainty** will help increase worker search effort to answer the already high demand for labor.

In the meantime, while it's difficult to find talent (and may continue to be difficult to find talent since COVID-19 mainly exacerbated or accelerated issues already present in the labor market—an ageing workforce, low birth rates, and lower labor participation rates) focusing on **retaining talen**t will be important. We may quickly go from "The Great Resignation" to "The Great Retention" as it's time to invest more in people, as it is the people who will keep companies and the economy running, growing and thriving.

talent.com

Find the right talent faster.