

Why America has 8.4 million unemployed when there are 10 million job openings

 [washingtonpost.com/business/2021/09/04/ten-million-job-openings-labor-shortage](https://www.washingtonpost.com/business/2021/09/04/ten-million-job-openings-labor-shortage)

September 4, 2021

But the nation remains in the midst of a deadly pandemic with covid-19 hospitalizations back at their highest rates since January. The surge is weighing on the labor market again, with a mere 235,000 jobs added in August. There are still 5 million fewer jobs compared to before the pandemic, reflecting ongoing problems, including child care as some schools and day cares shut down again from outbreaks. 

From the White House to the local Waffle House, there's a struggle to understand what is going on — and what's likely ahead.

This weekend, the employment crisis will hit an inflection point as many of the unemployed lose \$300 in federal weekly benefits and millions of gig workers and self-employed lose unemployment aid entirely. Some anticipate a surge in job seekers, though in 22 states that already phased out those benefits, workers didn't flood back to jobs.

At heart, there is a massive reallocation underway in the economy that's triggering a "Great Reassessment" of work in America from both the employer and employee perspectives. Workers are shifting where they want to work — and how. For some, this is a personal choice. The pandemic and all of the anxieties, lockdowns and time at home have changed people. Some want to work remotely forever. Others want to spend more time with family. And others want a more flexible or more meaningful career path. It's the "you only live once" mentality on steroids. Meanwhile, companies are beefing up automation and redoing entire supply chains and office setups.

The reassessment is playing out in all facets of the labor market this year, as people make very different decisions about work than they did pre-pandemic. Resignations are the highest on record — up 13 percent over pre-pandemic levels. There are 4.9 million more people who aren't working or looking for work than there were before the pandemic. There's a surge in retirements with 3.6 million people retiring during the pandemic, or more than 2 million more than expected. And there's been a boost in entrepreneurship that has caused the biggest jump in years in new business applications.

"The economy is going through a big shift overall and that has ramifications," said Ben Bernanke, the Federal Reserve chair from 2006 to 2014. "We are reallocating where we want to work and how we want to work. People are trying to figure out what their best options are and where they want to be."

It doesn't help that the abundance of job openings right now are not in the same occupations — or same locations — where people worked pre-pandemic.

There is a fundamental mismatch between what industries have the most job openings now and how many unemployed people used to work in that industry pre-pandemic. For example, there are nearly 3.5 million job openings in the hospitality sector and fewer than 1.5 million unemployed people whose most recent job was in hospitality.

Similar mismatches have arisen in education and health services, where there are nearly twice as many job openings as there are people whose last job was in that sector.

In recent months, health care workers and educators have quit their jobs at the highest rate on record, stretching back to 2002, Labor Department data show.

“This is typically the time of year we recruit for the upcoming school year, but we literally can't get enough candidates, and we're seeing tenured people leave,” said Cindy Lehnhoff, a 36-year veteran of the child care industry who currently heads the National Child Care Association. “If you get one good candidate, there are 10 others contacting that same person. It's a crisis. People can't work without child care.”

Lehnhoff has been helping a child care center in northern Virginia recruit more staff. Their infant room remains closed, because they don't have enough people, and one of their veteran workers was just poached by a nearby elementary school. As she spoke with The Washington Post, Lehnhoff pored over the Indeed.com job portal. It showed more than 2,000 job posts in the Fairfax County, Va., area for child care teaching assistants. Most paid \$12 to \$13 an hour, a bit less than many nearby fast food restaurants and retail stores.

Nationwide, most industries have more job openings than people with prior experience in that sector, Labor Department data show. That's a very different situation than after the Great Recession, when the number of unemployed far outstripped jobs available in every sector for years. To find enough workers, companies may need to train workers and entice people to switch careers, a process which generally takes longer, especially in fields that require special licenses.

While companies say they are struggling to find workers, many unemployed say they are having trouble getting hired, especially if they haven't worked for a year.

Forklift driver Brandon Harvey and his wife used to work in a warehouse outside Atlanta that closed during the pandemic and never reopened. Harvey, 33, searched for a job for months, looking online and driving around South Fulton. He submitted countless applications but rarely got calls back.

“I fear that employers are pretty hesitant to give you an opportunity right now if you haven't worked in a while,” Harvey said over the summer, when his search seemed especially frustrating.

Harvey and his wife fell behind on rent. Their landlord wanted to evict them. They struggled to stay positive in front of their two kids, a toddler and 13-year-old. Harvey saw plenty of \$10 and \$12 an hour jobs all spring and summer, but it wouldn't be enough for his family to survive. He made \$17 before the pandemic.

"I definitely wasn't going to work for \$10 or \$12 an hour. That wasn't going to do anything," Harvey said.

After months of job hunting, in late August, he finally received a job offer for \$21 an hour in a major retailer's warehouse. He expects to start Sept. 4.

Companies across the economy are raising pay at a rapid pace in an effort to entice more people back to work. It's helped, but the pandemic and reallocation pains are still significant barriers.

Average pay for rank-and-file workers is up 2.8 percent in the past five months, outside the pandemic that's the fastest rate of increase since 1981.

There has been especially fierce wage competition for lower-paid positions, especially since many former service sector workers say they won't return at any price due to long hours, grueling work and increased exposure to the virus.

Pay is up 8.8 percent for nonmanagerial workers in the restaurant-and-hospitality sector and 6.1 percent for warehouse workers in the past five months. It appears to be helping lure some workers back. Of the 3.1 million jobs gained since March, almost half are in hospitality, though hiring in the sector stalled in August as the delta variant surged.

Some Americans are being forced to shift careers whether they want to or not. The pandemic has lingered longer than anyone initially anticipated and the ranks of long-term unemployed have swelled. About 40 percent of the currently unemployed — 3.2 million — have been out of work for six months or longer.

Years of research, especially after the Great Recession, show these people have a much harder time getting back to work. Hiring managers are skeptical that their skills are still fresh, and these workers' prior jobs and employers are often gone, forcing job seekers to rely on sending out resumes online without any personal connections.

"One of the most well-known facts in labor economics is people unemployed for a short time get jobs really quickly. People unemployed a long time have a harder time getting a job," said Peter Ganong, assistant professor of economics at the University of Chicago's Harris School of Public Policy.

Some of the long-term unemployed have become so discouraged that they retired earlier than planned.

Annie Farley of Hutchinson, Kan., said she hadn't intended to retire early, but she nonetheless recently applied for Social Security at age 63, because she no longer had any unemployment benefits coming in. She has struggled to pay for the basics. She can't afford to repair her car so she can commute to a retail job.

Farley worked for years at an embroidery business, helping to run the machines and manage orders, but she was laid off at the start of the pandemic. She had hoped to return this summer but found the company had replaced her with a younger, cheaper worker.

"It's been pretty rough. I've missed credit card payments and I'll probably have to do a pay agreement with the electric company," said Farley, who takes care of her two grandchildren. "It feels like there's a million people applying for two positions around here."

Economists point out that overall jobs are actually rebounding at a remarkable pace. Over 75 percent of the jobs lost during the pandemic are back, a much faster recovery than almost anyone anticipated a year ago. Private forecasters anticipate all the jobs lost could be back by mid to late 2022 — a rebound of about two years compared to the six-plus years it took for the labor market to recover from the Great Recession.

But, as Federal Reserve Chair Jerome H. Powell put it recently, it's been a "vigorous but uneven recovery." Job losses remain steepest for Black and Hispanic women, as well as Americans without college degrees.

The uneven recovery is evident in how different states are faring. In some areas of the country, the labor market is booming. All the slack has vanished in Idaho and Utah, where employment recovered months ago and the unemployment rates were nearing their all-time lows at 2.6 percent and 3 percent respectively. But other states are still reeling: Hawaii is still missing 12 percent of its jobs, New York is still missing 9 percent, and Nevada and Alaska are more than 7 percent behind, as tourism-dependent economies struggle amid fast-spreading covid-19 variants.

Similarly, urban downtowns in San Francisco and Washington D.C. have struggled to rebound as more office workers remain at home. The shops and restaurants that supported these office workers aren't coming back yet, especially as bellwether employers such as Google, Amazon, Apple and Facebook push back openings to January. (Amazon founder Jeff Bezos owns The Washington Post). Meanwhile, the most urgent need for workers is often in suburban areas, where housing costs have skyrocketed, making it difficult for low-wage workers to live there.

As the recovery proceeds, the holes in the labor force have shifted. Half of all jobs are still missing in high-contact industries such as buffets and movie theaters, but other industries that were hit harder in the early days of the crisis, such as RV dealers, carwashes, breweries and appliance stores, have staged a full comeback, buoyed by record consumer spending on goods.

Some lucky industries, such as delivery services, mortgage lenders, and breakfast-cereal manufacturers seemed to have sailed through the entire crisis without shedding jobs. They now have 10 or even 20 percent more employees than they did in February of 2020.

The White House and many business leaders hope a combination of rising vaccination rates, reduced unemployment benefits and more time will lead more unemployed Americans to find new careers — and to be excited about them.

Sarah Henrie, 39, from the San Francisco Bay area, lost her corporate job at Bloomingdale's in June of 2020 and struggled to find any job openings in her area of expertise: International marketing and tourism. Initially, she was shocked to find herself unemployed for the first time in her career.

But after her daughter was born, she decided she wanted a more flexible career. She's about to take the real estate exam in California. If all goes well, she will start as a Realtor early next year working with her brother.

“It's been a crazy year and we're still kind of navigating,” Henrie said. “The nice thing about real estate is it's flexible and you're not commuting and going into an office. I think it will allow me to work and also be able to have more time with my daughter than I would have if I had been in my old role.”

The key to this great reallocation will be ensuring some workers aren't left behind.