

WHITEPAPER

FIRST COME DROUGHTS THEN COME FIRES



Actalent

Growth and innovation in today's labor shortage market means putting more effort into keeping the talent you have, because replacements are becoming impossible to find.

Market Brief

The data presented in this brief provides a national level perspective of a talent shortage that existed before the pandemic, was exacerbated because of it, and will continue long after it. Now, between the number of lost workers, the tsunami of unexpected and early retirements, and the on-going war for STEM talent, every leader of every business is running down the same list of escalating questions:



Is there enough talent to keep this business **open**?



Is there enough talent to keep this business **competitive**?



Is there enough talent to keep this business **innovative**?



Is there enough talent to keep this business **growing**?

The sparks have been lit, but there is hope. Progressing down this continuum is possible, and every business has an opportunity to advance toward innovation and growth. However, it will require intentional investment in every business' most appreciable asset: the employees they already have.



KEY TAKEAWAYS

The shortage of talent is not a new problem, but exaggerated by the pandemic and the Great Resignation.

Employers must get creative to find ways to enhance the talent experience and promote retention.



THE TALENT DROUGHT

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The Projected Economic Impact of the Talent Drought

The American Action Forum—a non-affiliated, non-political, and non-profit organization with a mission to educate the public about complex policy choices facing the country — predicts, “The American labor market will face a deficit of 800,000 workers who have associates degrees or some college, and a colossal shortage of 8.5M workers with bachelor’s degrees or higher.”¹

The cost of this shortage on economic output is projected at \$1.2T, or, as Emsi refers to it, “a 12-digit loss.”

The pandemic didn’t cause the drought, but it did accelerate it

The shortage of talent is not a new problem. In 2015, 32% of businesses reported feeling the squeeze. Five years later, in February 2020 — pre-pandemic — that percentage more than doubled, with 70% of businesses reporting talent shortages. However, when the COVID-19 pandemic did hit, all at once the US economy experienced:

Rapid reduction in labor force participation

The labor force participation rate measures an economy’s active workforce (employed workers + those actively seeking employment divided by the working-age population). In February 2020—again, pre-pandemic—the overall labor force participation rate was 63%. In April 2020, the rate fell to 60.2%. While it increased slightly to 61.6% in September 2021, the rate remains well below pre-pandemic levels and means there are approximately 3.1 million less people working, or looking for work, than before the pandemic. Researchers continue to examine other factors contributing to lower participation rates, including ability to live off savings, increase in people seeking part-time work opportunities, and increases in opioid use.

¹ The Demographic Drought, 2021, Emsi



Demand that's outpacing supply

The pandemic accelerated technology adoption at unprecedented rates for businesses in every industry, contributing to an already out-of-balance supply-demand ratio for STEM skillsets. In September 2021, the national unemployment rate was 4.8%, but even lower for engineering and sciences labor categories:

Software - Hardware + Mathematics



Architecture + Engineering



Sciences: Life, Physical + Social



Actalent's research and analytics team compared supply and demand in STEM categories, illustrating just how dire the shortage in these industries is:

Between July and September 2021, there were 0.3 unemployed workers available to fill current job openings in engineering and sciences.

This data provides additional context of the current talent shortages for two very specific skill sets and the hiring challenges employers are facing:^[1]

	Over the past 12 months, only 1 out of 7 open positions for mechanical engineers have been filled (Emsi)
	Roughly 25% of current mechanical engineers are in the "retirement risk zone" (Emsi)
	Phlebotomist jobs are expected to increase by 19% over the next ten years, with 14% of current phlebotomists in or nearing retirement age

Early and unexpected retirements by the millions (aka The Great Resignation).

While some of the losses due to the pandemic may reverse and improve over time (e.g., labor force participation rates), other losses are very permanent.

"In normal years, 2 million baby boomers retire. But in 2020, over 3 million retired. According to Pew Research Center, COVID and related policies drove an additional 1.1 million people from the labor market,"¹

The impact of early and unexpected retirements is not only felt statistically; they're felt in the loss of knowledge, skills, and experience, and companies will have to get creative in their efforts to make up lost ground.

Strategies to Mitigate the Talent Drought

Employers must invest in their current workforce.

The short supply of talent combined with the high demand, particularly for those in engineering and sciences, makes it an employee-driven market. The record-breaking number of job quits in August 2021 — 4.3 million — combined with the high demand for skilled workers, indicates employees won't stay in a job they don't connect with. Therefore, businesses must turn an intentional ear toward learning what employees need and what they want in a career experience. Then, employers must act on what they learn. Whether opportunities for advancement or skill development, recognition, performance feedback, flexibility, community involvement, and/or coaching, employers must seek to know what will engage their employees. Otherwise, employees will look (and find it) elsewhere.

Offer flexible working arrangements.

This is an area we're paying careful attention to as businesses emerge from the pandemic eager for growth and resurgence, even as they experience a competitive talent market. The data we're following indicate employees want flexible options for engaging in their work, with up to 50 percent indicating they would leave or turn down a position that didn't offer flexibility. And employers seem to be responding: the percentage of Actalent job postings offering remote work increased by 300 percent between May-July 2019 and May-July 2021. The talent war is no longer geographically bound.

Partner with a strategic talent solutions and services provider.

Working with a talent services and solutions provider is an option many businesses are taking advantage of in this competitive market. A strategic partner should understand a company's unique challenges, deliver customized solutions, and provide skilled, expert talent.

At Actalent, our core business is not just about providing expert talent in engineering and sciences. Our core business is also taking care of and paying careful attention to the engagement and retention of our talent, so that when our clients need them to solve important problems, they're there.

Whether our clients need one of our consultants with a particular skill set for several projects, or one specific project; whether our clients want to manage our consultants' performance or focus only on the project and leave the management to us; or whether our clients want support and advisement on how to retain and engage the employees they have, Actalent is positioned to help.

If you'd like more information on the data presented here, or have questions about the information provided in this report, including Actalent's work in employee engagement and talent services and solutions, visit us at actalentservices.com.

Be sure to visit our website for our monthly jobs report analysis, which doesn't just report on the numbers, but also on the many layered factors affecting them, and why they matter.

About Actalent

Actalent connects passion with purpose. Our services and talent solutions drive results and provide the expertise to help our customers achieve more. Every day, our experts around the globe are making an impact. We're supporting critical initiatives in engineering and sciences that advance how companies serve the world. Actalent is an operating company of Allegis Group, a global talent solutions provider.

People to Possible.

SOURCES

Hetrick, Ron, et al. "The Demographic Drought." Emsi, Emsi, 26 July 2021
[U.S. Bureau of Labor Statistics](#)

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