

# The Great Reconsideration: Looking Ahead to the Next Stage of the Labor Market



The labor market continues to be unpredictable and driven by new challenges. As such, economists have signaled that the labor market is moving into another phase. Previously, there have been trends labeled as the Great Resignation and the Great Reshuffle. The Great Resignation referred to a mass movement of workers leaving the workforce. In contrast, the Great Reshuffle illustrated workers quitting one job they are unsatisfied with to take another—which has been a more accurate assessment. There has not been a mass exodus from work itself, as the term the Great Resignation suggested. While these terms still hold some truth to the current state of the market, some economists have even used a new term to describe the current worker sentiment: the Great Reconsideration. Instead, workers are seizing the unprecedented opportunity to reconsider and change their work experiences. They've had time to reflect on their jobs and consider opportunities with a fresh perspective.

This article examines the current labor market, highlights driving trends and offers tips for employers navigating the market.

## Market Overview

The most recent U.S. Bureau of Labor Statistics (BLS) [report](#) revealed that the number of job openings rose to 11.2 million in July. This number was well above the estimate and still outnumbered unemployed workers by about 5.5 million. The July BLS numbers reinforced that there is still a considerable shortage of workers for available positions, with openings outnumbering available workers by a nearly 2-to-1 margin.

Employee quits, a top worker confidence metric, dropped from a record-high 4.53 million in March to 4.18 million at the end of July. The report also revealed that the employee quit rate declined one-tenth of a percentage point to 2.7%. Nonetheless, this number is still relatively high by historical standards.

Additionally, the unemployment rate has not yet reached pre-pandemic levels. In July, the rate sat at 3.7%. In a regular labor market, this could be a troubling sign; however, it indicates that the job market could be on its way to normalizing. From a retention and attraction perspective, these numbers further illustrate that it's a worker-friendly market.

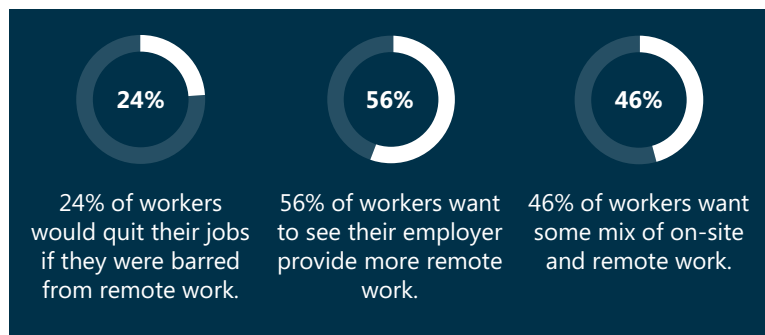
The struggle to fill positions and related challenges have increased labor costs for employers as they raise wages and offer competitive benefits and other perks to attract talent. The market trends also demonstrate that workers remain confident enough to switch jobs for better pay and working conditions despite economic pressures like inflation.

## Driving Trends

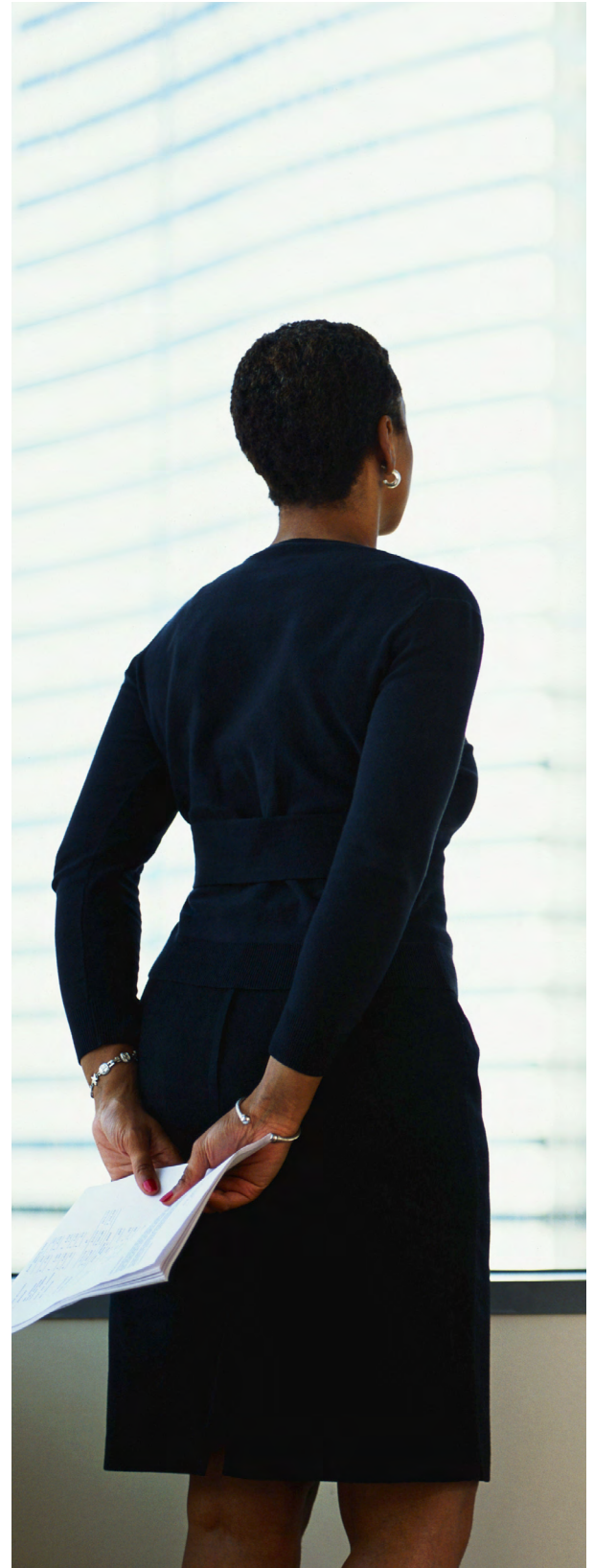
The COVID-19 pandemic undoubtedly shifted the playing field for workers and organizations. Now, amid the Great Reconsideration, both parties are reevaluating various aspects of the workplace and the workday. Many employers are reassessing what workplace accommodations or transformations have—or have not—worked and what can be done to improve employee engagement and satisfaction. Simultaneously, workers are reconsidering their career goals and expectations for an employer.

## Hybrid Work

Hybrid work continues to be a catalyst for modern workplace challenges. As such, more on-site workers want to leave their jobs than remote workers, according to a survey from professional services network KPMG. Consider the following additional statistics:



Many workers desire a hybrid workplace model to have more face-to-face time with their co-workers. The camaraderie with colleagues is a top reason why workers want to be in the office or similar settings part-time. Other motivators include creating a work-life balance, getting out of the house or benefiting from a regular change of environment. In the end, workers are looking for solid and united company cultures—and employers have an opportunity to act on this desire as they reconsider their workplace expectations and strategies. Employers who embrace hybrid work models may see improvements in employee productivity, morale and, most critically, retention.



## Long COVID and the Labor Market

Long COVID-19—long-term effects stemming from COVID-19 infection—continues to impact the labor market and employees' health. The U.S. Census Bureau's latest Household Pulse Survey found that 16.3 million working-age Americans currently have long COVID. It has been reported that long COVID is even keeping some workers out of employment; an estimated 4 million workers are out of the labor market, according to Brookings Institution's nonresident senior fellow Katie Bach.

Long COVID can pose serious risks for employers, including decreased productivity and the loss of employees from the workforce entirely. Therefore, they must stay up to date on trends surrounding the condition's rates and other related topics, such as strategies other employers are using to respond to long COVID.

## Salaries and Job Hopping

HR services provider ADP reported that salaries have been increasing rapidly, nearly on par with inflation. Annual pay raises rose by 7.6% in the period leading up to August 2022, compared to an average of 2% in early 2021. However, the most significant raises went to job hoppers. Those who found different jobs experienced salary gains of 16.1%, while employees who stayed loyal to a company received an average increase of 7.6%.



## Looming Recession

As the Federal Reserve struggles to tame skyrocketing prices, employers and employees alike are worried about entering a recession. Some might even say a recession has already begun. The reality for many business owners due to the employment market is slower growth and rising labor costs. As a result, many organizations have experienced or are planning layoffs and hiring freezes in the back half of this year.

## What Are Employers Doing?

Although the Great Reconsideration is currently taking place, new labor challenges will likely surface. All employers can do is face the moment and put together a game plan. As a thought-starter, here are strategies some organizations are using to win over talent:





**Review compensation.** As employers and employees continue to be hit by inflation, organizations should start reviewing and assessing their current compensation and benefits. It could be helpful to analyze pay raises from similar companies based on industry or geographic location.




**Reimagine company culture.** Just as workers are reconsidering what they want for work and an employer, an organization can reevaluate its goals and what kind of employer they want to be. Company culture can be an organization's best protection against losing employees—and offer a leg up on attracting new employees. There is usually a gap between organizational leadership and what employees experience, so there's a need to keep it aspirational but realistic.



 **Rethink perks.** Flexibility is no longer a generous workplace perk. It's a significant perk, but many employees already have a flexible working schedule or expect it from prospective employers. With remote or hybrid work becoming table stakes, employers will have to stand out against the competition with other unique perks (e.g., four-day workweek and flexible hours).

 **Prioritize real-time over real-life connections.** Workplace connection has often been thought of as something that happens during the workday in the hallway, at the coffee station or in other communal areas. However, employers can still plan for real-life connections without requiring employees to be working on-site all day. This can be achieved by making real-time communication a habit for employees by providing tools, opportunities and encouragement to connect. Employers are considering ways to create intentional spaces for peer connection that don't necessarily involve day-to-day work.

 **Invest in career growth.** With many workers reevaluating their career goals and paths, employers can invest in workers by expanding learning and development opportunities. Employers can enhance their staffing and worker skill levels by offering employees a chance to enrich their careers via upward mobility. Forward-thinking organizations will plan to recruit and retain employees for the skills needed today—and in the future.

In the end, many employers are reinventing their company culture to account for adjusted organizational mission and values, company culture and employee expectations.





## Summary

Generally, job openings remain high as the demand for workers outweighs the supply. Many employers are at a disadvantage and struggling to fill positions. Unfortunately, experts expect talent challenges to continue. Yet, forward-thinking organizations are benefiting when they remember that workers are human. Workers are looking for an employer who matches their style, needs and beliefs. They want to work where they feel care and support from their employers. As the Great Reconsideration is in progress, employers will have to find ways to make their culture and workplaces look and feel authentic and reliable.

Employers should continue to monitor employment trends in the evolving market to stay competitive. Contact us for more resources.