News Release

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Report: Record Blue-Collar Labor Shortages Will Continue Through 2030

—Research reveals causes of labor shortages and how companies are filling job openings—
—Labor shortages benefiting workers: bigger paychecks, higher job satisfaction, less wage inequality—
—For employers, rising wages and labor turnover are straining business operations and squeezing profits—

NEW YORK, February 19, 2020...Today, America’s businesses face the challenge of staying competitive amid record labor shortages. To help reverse this trend and combat its consequences, a new study explains the factors causing labor shortages and how companies are filling their job openings.

The Conference Board published the study, which features the results of its new survey of more than 200 human resource executives. They detailed the ways vacancies are hurting their companies and how they’re solving this problem.

The Conference Board warns that labor shortages – especially in blue-collar jobs – will likely continue through at least 2030. Without a concerted effort by companies and governments, the nation’s overall standard of living will decline, along with profits in blue-collar-heavy industries such as transportation, warehousing, and manufacturing.

The Cause of Blue-Collar Labor Shortages: Shrinking Supply Amid Soaring Demand

Factor #1: Shrinking Supply of Blue-Collar Workers

- The Baby Boomer exodus: Baby Boomers perform much of the nation’s blue-collar work, but they are leaving the workforce in droves. The proliferation of retiring Baby Boomers will continue through 2030.

- Dismal growth in the working-age population: Amid this Baby Boomer exodus, the working-age population has largely stopped growing. The US economy has never before experienced a swell of retirements amid near-zero growth in its working-age population.

- Disappointing recovery in overall labor force participation: The tight labor market has brought more individuals into the workforce, but participation hasn’t grown fast enough to prevent it from further tightening.

- Men without a college degree are less likely to work: Their declining workforce participation results, in part, from more of them being single, living with their parents, and having less of a need to earn an income.

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**Men’s declining participation in the labor market**

Labor force participation rates for men, aged 25 to 34, 12-month moving average, December 1995 to October 2019

- Note: Shaded areas represent recessions.
- Source: The Conference Board, using microdata from IPUMS-CPS, University of Minnesota
Shrinking Supply (continued)

- **Large increase in disability rates:** The share of people not in the labor force due to disability has soared and is now at a record high, with a strong concentration in the South and the Midwest.

![Map showing heaviest concentrations of disability in the Rust Belt and industrial South](image)

Source: The Conference Board, using microdata from IPUMS-CPS, University of Minnesota

- **More young adults are avoiding the trades, instead pursuing college:** As a growing share of young adults enroll in four-year colleges, the number of working-age people with a bachelor’s degree continues to increase. Meanwhile, the number without a bachelor’s degree – those who typically choose blue-collar jobs – continues to shrink.

- **Young adults are much less likely to be in the labor force:** The decline in labor force participation of 16-24-year-olds significantly reduces the supply of workers in jobs that hire young, less-educated workers. Since this trend mostly results from more young people attaining higher education, it’s positive from a societal perspective.

![Higher college enrollment rates lead to fewer young workers participating in the labor market](image)

Note: Shaded areas represent recessions.
Source: The Conference Board, using microdata from IPUMS-CPS, University of Minnesota
Factor #2: Soaring Demand for Blue-Collar Workers

Amid a shrinking pool of blue-collar workers, several factors have led to more demand for them:

- **Overall labor productivity slows, creating more demand for human workers:** Slow productivity growth means employers need to increase employment more rapidly to meet demand, further tightening the labor market. From 2010 to 2019, labor productivity in the nonfarm US business sector increased by 0.9 percent per year, on average, compared to 2 to 3 percent annually in the decade prior to the Great Recession.

- **Manufacturing labor productivity suffers near-zero growth, leading to a hiring frenzy:** Manufacturing is the largest employer of blue-collar jobs. Over the past decade, its productivity growth has essentially remained flat, after having averaged over 4 percent annually for the prior two decades. Static productivity growth has helped spur a surge in demand for actual workers. The sector has experienced its fastest growth in employment since the 1970s.

- **Explosive growth in e-commerce:** The surge of e-commerce activity has created a surge in blue-collar jobs, particularly in transportation and warehousing.
How Labor Shortages are Helping Workers but Hurting Companies

Workers Benefit

• **Wages are rising fastest for new hires and blue-collar workers:** As a result of these trends, the labor market for jobs that do not require a college degree is tighter than for highly educated white-collar workers. For the first time in recorded history, wage growth for management and professional workers is significantly lower than for other occupations. At the same time, rapid wage acceleration for new hires is contributing to historic levels of pay compression and higher labor turnover.

• **Higher job satisfaction:** While companies are facing severe challenges in recruiting and retaining workers, plentiful job opportunities and rising wages have contributed to improved job satisfaction for nine consecutive years.

• **Less poverty and wage inequality:** The prolonged tight labor market has led to wage gains for those at the bottom of the wage income distribution, resulting in record-low poverty rates for black and Hispanic workers.

Companies Agonize

• **Increased labor turnover is straining business operations:** Rapid wage growth, especially among new hires, has led to increased job-hopping. With the voluntary quits rate well above the 2007 rate and the time needed to fill positions reaching historic highs, many companies are operating with unfilled positions and overstretched workforces.

• **Labor quality a rising concern:** Given the perceived difficulty of finding qualified candidates, employers are hiring less-educated workers, which is partially responsible for historically high levels of concern about labor quality.

• **Accelerating wages are squeezing corporate profits:** The accelerations in wages and quit rates, along with slow labor productivity, are reducing US corporate profits—a trend that will continue in the coming years as the labor market continues to tighten.

Workforce Diversity Improves

• **Women make record gains in employment:** Part of this gain reflects the rising share of women in traditionally male-dominated blue-collar occupations, especially in transportation.

• **Companies widen their talent pools:** Companies are increasing their efforts to recruit other underrepresented populations such as minorities, mature workers, the disabled, immigrants, the previously incarcerated, and veterans.

![Employers are hiring more women in male-dominated occupations, most visibly in transportation occupations](image)
Solutions: How are Blue-Collar-Heavy Companies Solving Labor Shortages?

The Conference Board surveyed human resources leaders at more than 200 companies. They identified the consequences their companies were experiencing due to shortages and the actions being taken. Frequently used solutions include:

- **Increasing salaries and wages:** Although the most popular tactic, raising pay helps only to a point.
  - Given increased employment opportunities for workers and the financial constraints companies face, employers must innovate to attract and retain workers.

- **Enacting tactical HR solutions:** The biggest difference between companies most and least affected by shortages is that those hardest hit are making tactical changes to the recruitment process. Solutions frequently cited include:
  - **Increasing referrals:** 51 percent of blue-collar-heavy companies indicated they had *added or modified an employee referral program*, compared to only 21 percent of white-collar-heavy companies.
  - **Ramping up social media:** *Increasing social media efforts* ranked as the second most popular recruitment strategy (69 percent) among blue-collar-heavy companies, behind *increasing wages and salaries* (79 percent).
  - **Shortening the recruitment process:** 37 percent of blue-collar-heavy companies have experienced candidates ghosting interviews. As such, the most affected companies are responding by not requiring multiple interviews.

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<th>Companies that are most affected by labor shortages focus more on implementing tactical improvements to recruiting than companies that are least affected</th>
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<td>Percentage of companies using each solution to address recruitment and/or retention difficulties, by companies most and least affected by labor shortages and by companies with mostly blue- or white-collar workers</td>
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<tr>
<th>Solutions</th>
<th>Least affected</th>
<th>Most affected</th>
<th>Mostly white collar</th>
<th>Mostly blue collar</th>
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<td>Added or modified employee referral program</td>
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<td>Contracted with staffing firm to fill positions</td>
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<td>Implemented new/advanced technologies to streamline recruitment &amp; better target candidates</td>
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<td>Shortened recruitment process with fewer interviews</td>
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<td>Increased social media efforts</td>
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<td>Reevaluated jobs to better assess credential requirements</td>
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Note: Companies most (least) affected by labor shortages refer to those that indicated they were affected by five or more (less than five) adverse business outcomes as a result of recruitment or retention difficulties. Solutions are ranked by the size of the gap, or the difference in usage intensity, between companies most and least affected by labor shortages. Source: The Conference Board Labor Shortages Solutions Survey, 2019

- **Extending outreach beyond the usual recruits:** 55 percent of blue-collar-heavy companies ranked *expanding the target demographic* as a key tactic; just 30 percent of white-collar-heavy companies said the same.

- **A blind spot? Not doing enough to retain mature workers:** The lowest-ranked retention strategy was *providing new incentives to retain older workers in full or partial capacity*.

The report and survey results are free to the media and public. Access the research [here](#).

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