2023 Hiring Outlook

Jay Denton

Chief Analytics Officer, LaborIQ®

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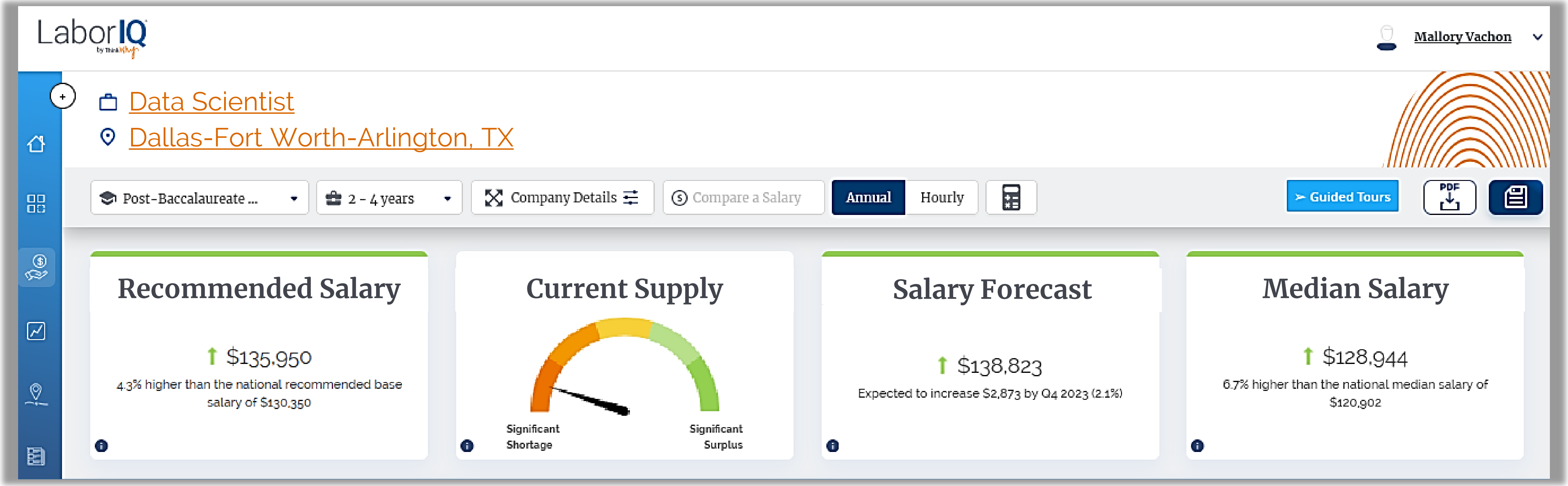
Senior Economist, LaborIQ®

LaborIQ

February 24, 2023

LaborIQ® Salary Answers



LaborIQ® Salary Answers

Competition for talent eases… a little

Unemployment rate up from historic lows

Hiring slowdown

Merit and annual salary increases normalize

Source: LaborIQ®

Labor Market Impacts on Compensation

Great Resignation

What is the salary premium for switching jobs?

"Almost every company out there is in one way or another having to deal with this dynamic," Jay Denton, the chief labor market analyst at LaborIQ, told me. "Companies are struggling across the board. They're playing catch-up."

INSIDER

If you've stayed put at your company during the Great Resignation, you're paying a price for your loyalty

businessinsider.com

Wage Compression

How are wages in Texas increasing relative to California?

"The value proposition isn't what it once was," said Mallory Vachon, a senior economist at ThinkWhy in Dallas. "Now companies are finding they are having to raise salaries to bring people [to Texas] to afford the current housing and rental market."

Bloomberg
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Today's Agenda

- Puzzling Labor Market
- Interest Rates & Layoffs
- Outlook for Hiring
- Talent Availability
- Compensation Trends

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The Puzzling Labor Market

- Record numbers in 2022
- Factors weighing on business sentiment
- Early readings for 2023

ECONOMY

Unemployment rate falls to 3.5% in September, payrolls rise by 263,000 as job market stays strong

Finance & economics | US economy

America's economy is too strong for its own good

TECH

Apple Suppliers Add Manufacturing Sites in U.S., With Focus on California

Partners of iPhone maker seek to stay nearby as pandemic makes travel to China difficult

U.S. job growth strong in September as labor market forges ahead

U.S. labor market defies recession fears as job growth surges in July

By Lucia Mutikani

DAILY OPEN

January's U.S. jobs reports was stunningly good

Good News

Bad News

Markets

Mortgage Rates in the US Tick Up for First Time in Five Weeks

U.S. Economy Weaker Than Thought in Year's First Half, by One Measure

WORLD

Russia and Saudi Arabia agree to massive cuts to oil output. Here's why it matters

Updated October 5, 2022 · 11:57 AM ET

ECONOMY | U.S. ECONOMY

Fed's Inflation Fight Has Some Economists Fearing an Unnecessarily Deep Downturn

Rapid rate increases provide less time for central bankers to study their economic effects

PERSONAL FINANCE

Unrelenting inflation is taking a toll, leaving more Americans living paycheck to paycheck

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2022 Recap

Defying expectations!

4.8M

Net Job Gains

3.5%

Unemployment Rate

76.4M

Total Hires

+508K

Since Feb. 2020

Labor Force Participation

LaborIQ

Source: Bureau of Labor Statistics

What's Driving Sentiment

Lack of Available Talent

- Unemployment at or near record lows for some occupations, industries, locations
- Labor force millions below pre-pandemic projections
- Lack of labor force growth hinders ability to create new jobs

Wage Growth

- Competition for talent drives up market wages
- Record turnover poses challenge to businesses faced with backfilling roles

Inflation & Interest Rates

- Record price increases squeeze consumers and businesses
- Rapid increase in interest rates drives up cost of borrowing

Layoffs

- Inflation controls disproportionately impact some industries
- High-profile tech and finance companies announce major job cuts

Source: LaborIQ®

The Case for Optimism

January's Jobs Report

517K

NET NEW JOB GAINS

- Highest in 6 months.
- Businesses have confidence to add new roles.

3.4%

UNEMPLOYMENT RATE

- Lowest rate since the 1960s.
- Talent supply remains low.

4.4%

12-MONTH WAGE GROWTH

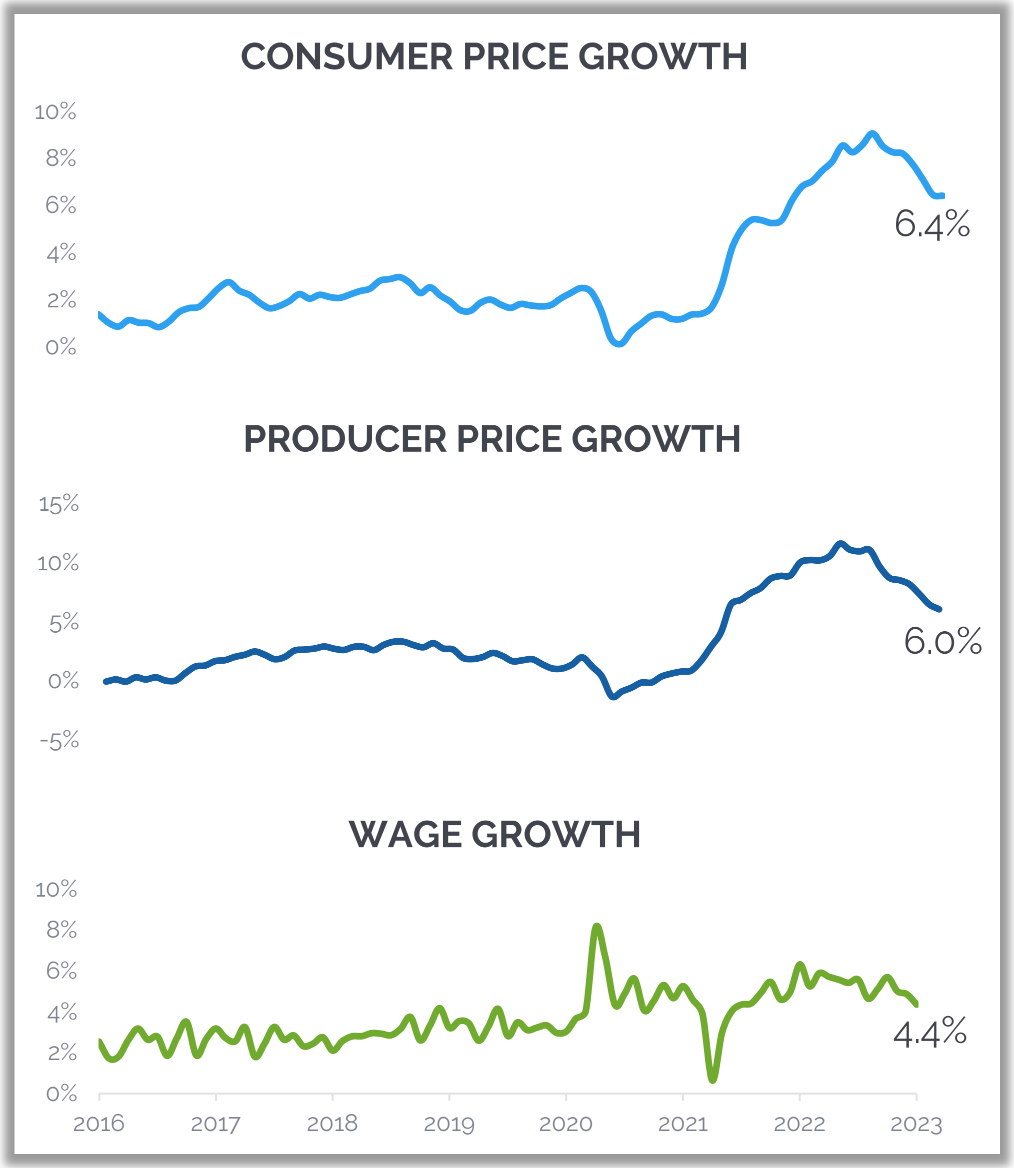
- Lowest rate in several months.
- Talent demand should continue to put pressure on wages.

Sources: LaborIQ®; Bureau of Labor Statistics.

Interest Rates & Layoffs

- Interest rates rising at record pace
- Industry impacts
- Layoffs in the headlines but unemployment remains low

Inflation is Slowing, but Not Fast Enough



Source: Bureau of Labor Statistics

CONSUMER PRICE INDEX
Key measure of headline inflation. Change in the cost of a basket of consumer goods and services, including food, shelter, transportation and energy.

PRODUCER PRICE INDEX
Change in the cost of intermediate goods that businesses face in production.

WAGE GROWTH
12-month change in average hourly earnings. Compensation is often the largest expense for a business.

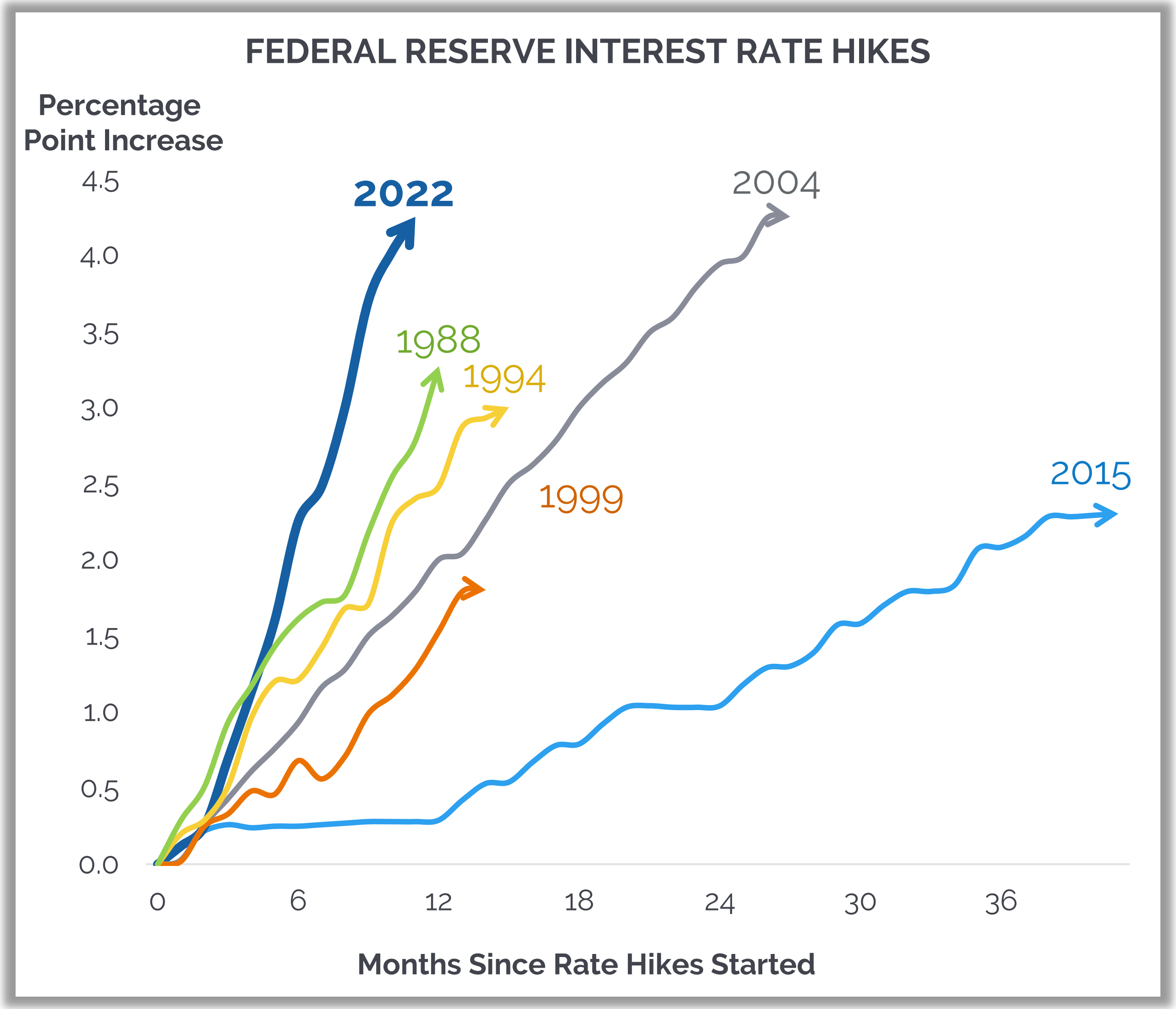
Without a more pronounced decline in these key measures of inflation, the Fed is poised to keep raising interest rates.

Interest Rates Rising Historically Fast

Federal funds rate is the interest rate set by the Federal Reserve that determines what rate banks charge when lending each other money

Ultimately impacts cost of borrowing for businesses and consumers

Mortgages, car loans, credit card payments, business loans



Source: Board of Governors of the U.S. Federal Reserve System

Mortgage Rate Impact

Simple calculation using Zillow's mortgage calculator

- 30-year fixed rate mortgage
- 20% down
- Insurance and taxes included

Today

$470,000

6.58% interest rate

$3,333 per month

2020–2021

$750,000

3% interest rate

$3,441 per month

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; Zillow

Industry Momentum

Job Losses

- Building Material Supply Stores
- Construction Framing Contractors
- Credit Intermediation
- Furniture & Home Stores
- Industrial Building Construction
- Insurance Carriers
- Real Estate Leasing & Appraisal
- Temporary Employment Services

Job Gains

- Automobile Manufacturing
- Catering Services
- Convention & Trade Show Organizers
- Computer Infrastructure
- Bars
- Hotels
- Men's Clothing Stores
- Taxi & Limo Services

Source: Bureau of Labor Statistics

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Layoffs in Perspective

In the Headlines

Tech, finance companies continue to layoff workers despite positive January jobs report

Technology

78K

2023 Layoffs

amazon
Meta
salesforce
zoom
Tik Tok

Goldman Sachs readies biggest layoffs since the financial crisis

Banks prepare for deepest job cuts since the financial crisis

Finance

The Full Story

While some companies have reduced headcount by 30% or more, many businesses are in the 1-2% monthly range.

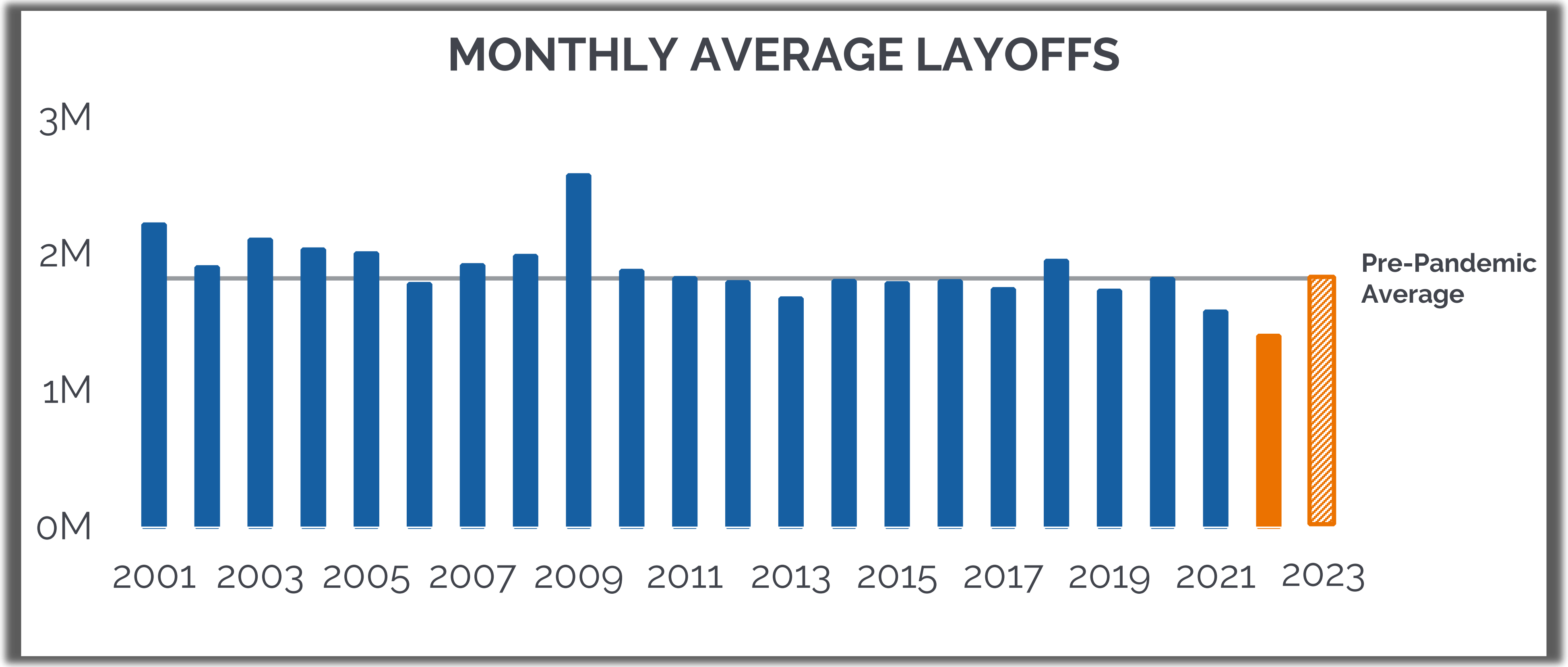
Layoffs and Unemployment Insurance claims remain near historic lows.

Most businesses have hiring or backfill levels that exceed layoffs.

Note: 2023 technology layoffs through Feb 9, according to Layoffs.fyi.

Sources: LaborIQ®; Layoffs,.fyi; Bureau of Labor Statistics.

Layoffs Remain Near Historic Lows



Note: 2020 does not include pandemic layoffs in March and April
Sources: LaborIQ®; Bureau of Labor Statistics

The Outlook for Hiring

- Putting layoffs into perspective
- How many new jobs will be added?
- Labor market churn, backfilling of roles

Job Growth Outlook for 2023

OPTIMISTIC SCENARIO	PESSIMISTIC SCENARIO
1.2 million new jobs	Net loss of 620K jobs
"Soft landing"	Recession, broad-based layoffs
Interest rate hike impacts constrained to a few industries	Impact felt in early 2023 and hits bottom mid-summer
Backlog of open jobs offsets layoffs, minimizing losses	Job gains in positive monthly territory by end of 2023

Source: LaborIQ®

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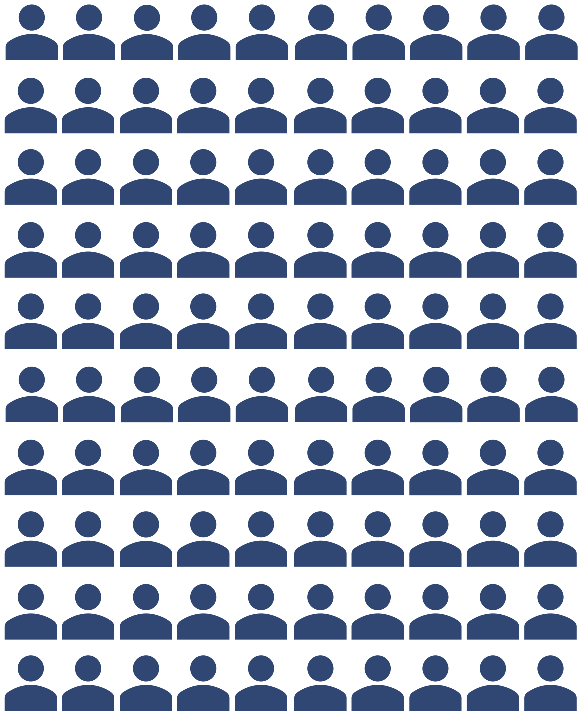
Hiring & Quits Expected to *Normalize* in 2023

	JOB OPENINGS	HIRES	QUITS
LaborIQ® 2023 FORECAST	**102.1M**	**63.8M**	**38.5M**
2022	132.6M	76.4M	50.5M
HISTORICAL AVERAGE	76.3M	66.1M	38.0M

Source: LaborIQ®; Bureau of Labor Statistics; 2022 values are subject to revisions; historical numbers represent the average from 2015 through 2019.

Hiring in 2023

If you started 2022 with 1,000 employees…



Each figure represents 10 employees

Sources: LaborIQ®; Bureau of Labor Statistics.

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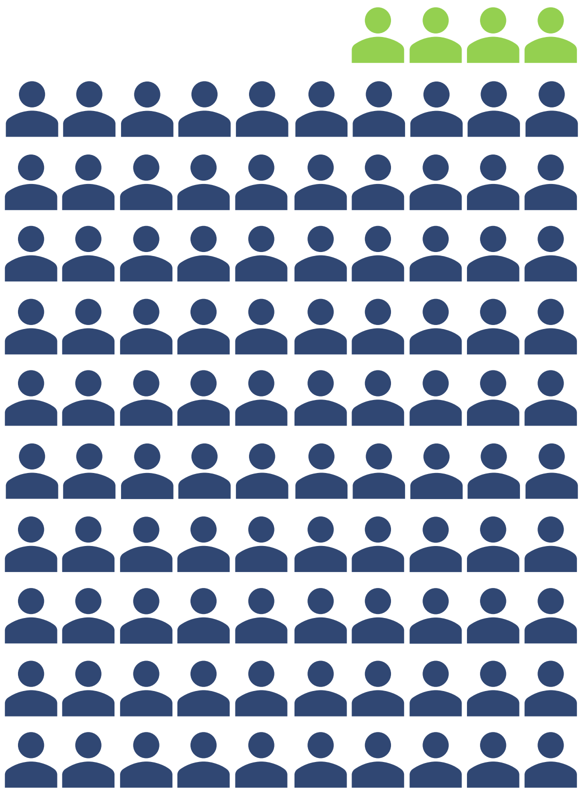
New Hires

Adding Roles to Grow Key Teams

If you started 2022 with 1,000 employees...



Each figure represents 10 employees

2–4% Net New Job Creation

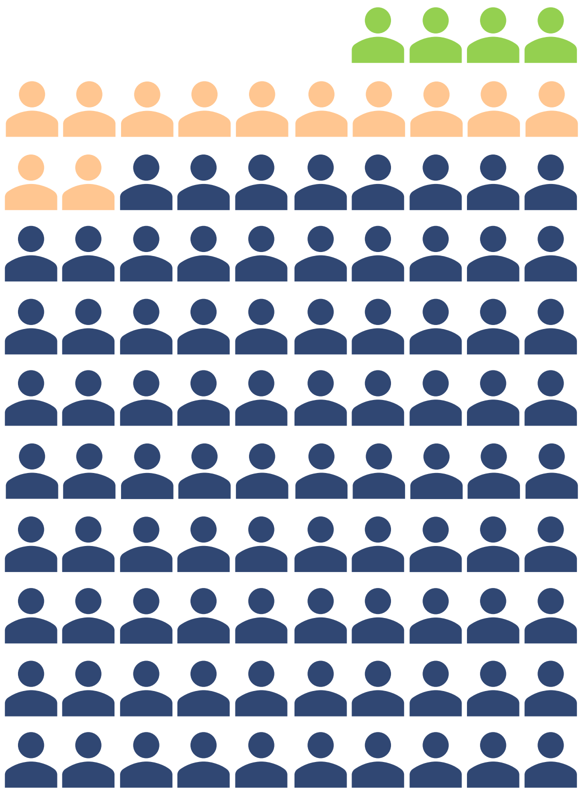
Need to **hire 20–40 employees** at competitive market rate

Sources: LaborIQ®; Bureau of Labor Statistics.

Layoffs & Involuntary Turnover

Cutting Positions Due to Budget or Performance

If you started 2022 with 1,000 employees...



Each figure represents 10 employees

2–4%
Net New Job Creation

Need to **hire 20–40 employees** at competitive market rate

12%
Involuntary Turnover

Need to **hire 120 employees** at competitive market rate

Quits & Voluntary Turnover

Employees Leave for New Positions

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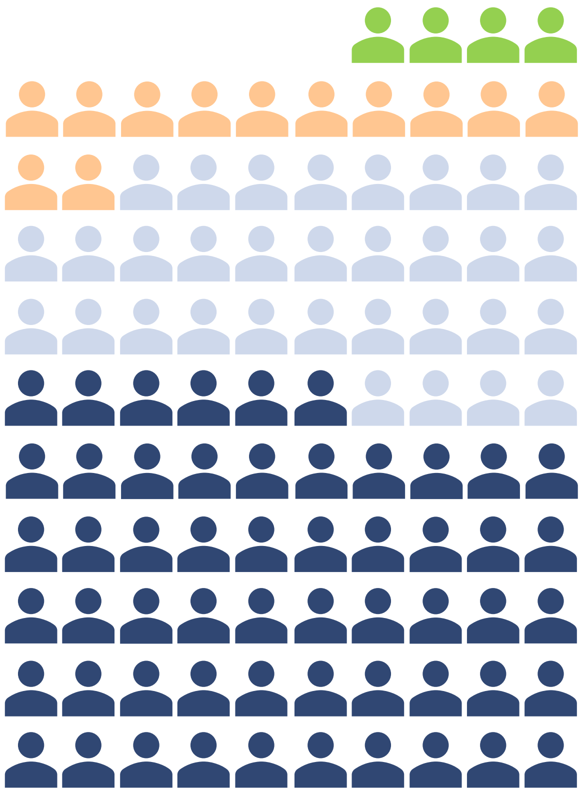

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2–4%
Net New Job Creation
Need to **hire 20–40 employees** at competitive market rate

12%
Involuntary Turnover
Need to **hire 120 employees** at competitive market rate

32%
Voluntary Turnover
Need to backfill **320 positions** at competitive market rate

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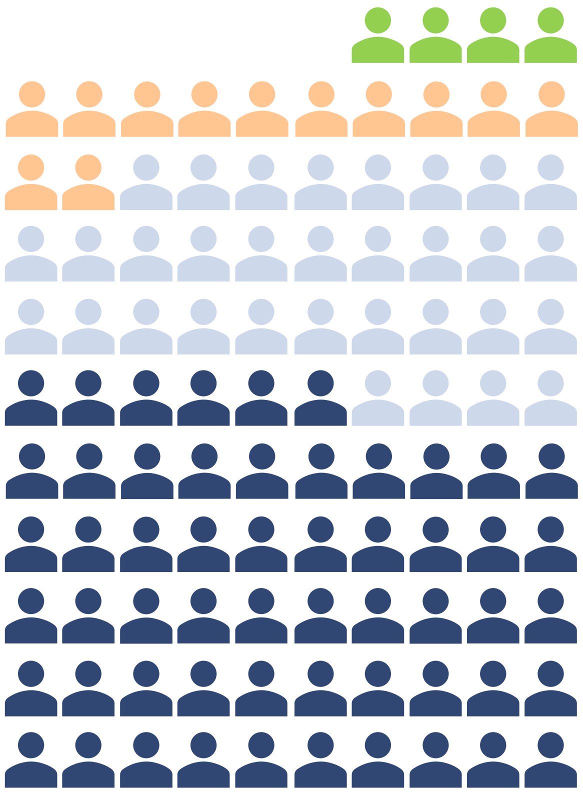
Sources: LaborIQ®; Bureau of Labor Statistics.

Retention

Employees Stay, but Retention Risks Persist

If you started 2022 with 1,000 employees…



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2–4%
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Need to **hire 20–40 employees** at competitive market rate

12%
Involuntary Turnover
Need to **hire 120 employees** at competitive market rate

32%
Voluntary Turnover
Need to backfill **320 positions** at competitive market rate

56%
Remain in Role
Need to keep compensation competitive for **560 employees** to retain talent

Sources: LaborIQ®; Bureau of Labor Statistics.

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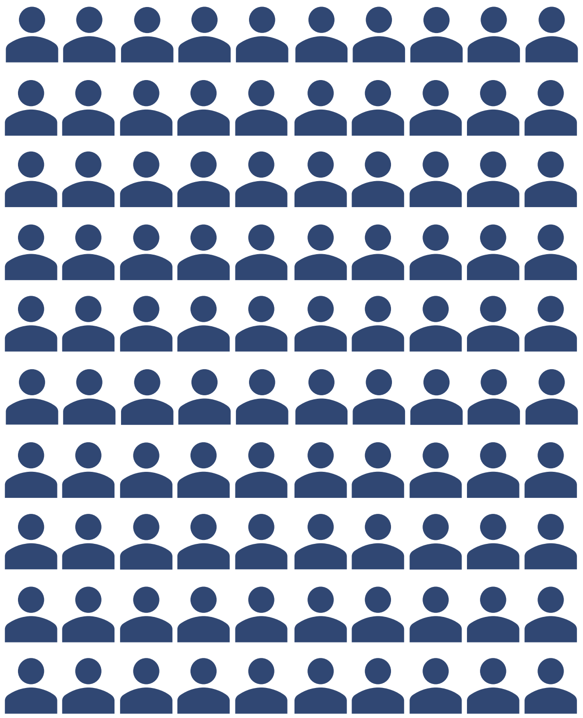
Hiring in 2023

If you started **2023**
with 1,000 employees...



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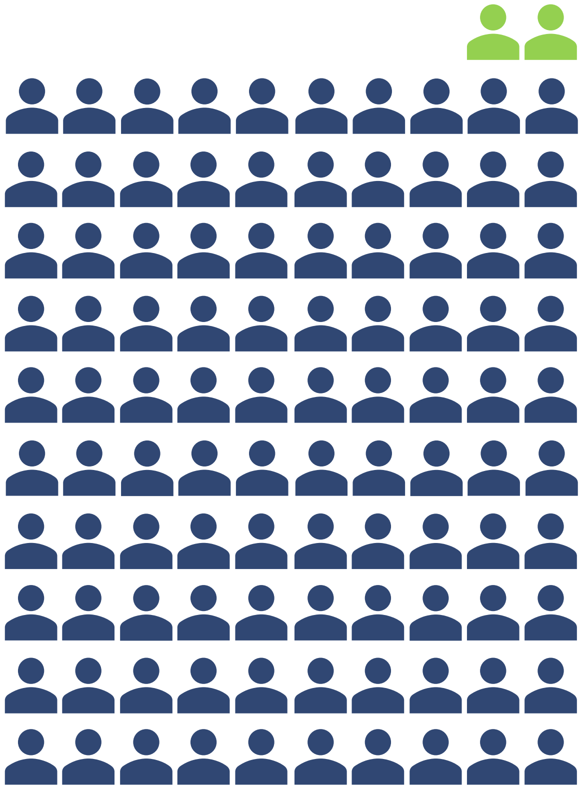


Each figure represents 10 employees

1–2%
Net New Job Creation

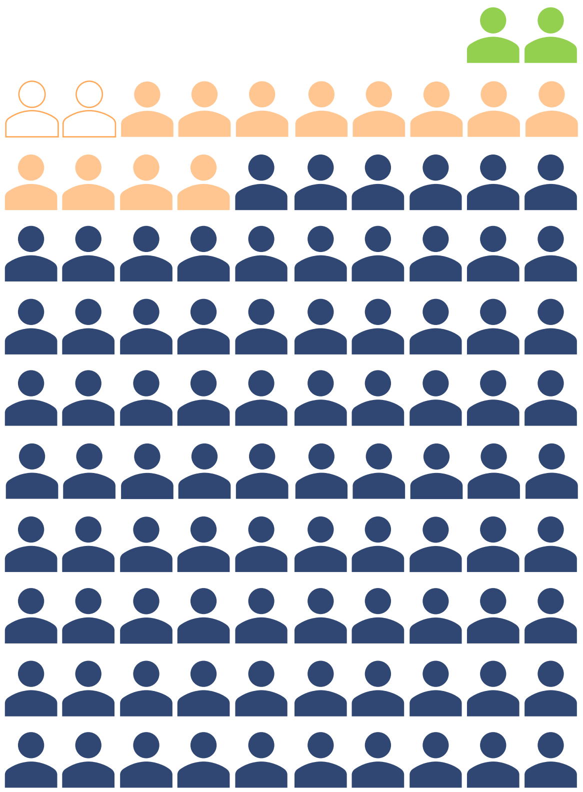
Need to **hire 10–20 employees** at competitive market rate

Sources: LaborIQ®; Bureau of Labor Statistics.

Layoffs & Involuntary Turnover

Cutting Positions Due to Budget or Performance

If you started 2023 with 1,000 employees…



Each figure represents 10 employees

1–2%
Net New Job Creation

Need to **hire 10–20 employees** at competitive market rate

14%
Involuntary Turnover

Need to **hire up to 140 employees** at competitive market rate

Quits & Voluntary Turnover

Employees Leave for New Positions

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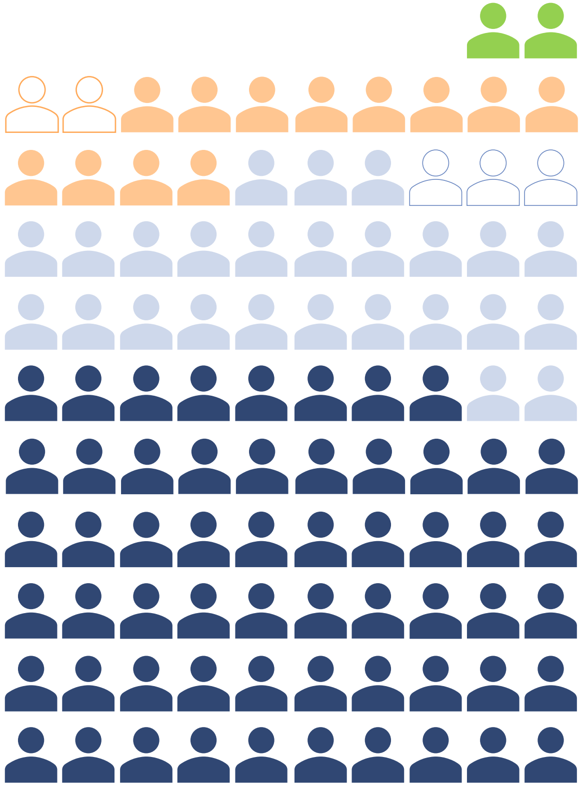

Each figure represents 10 employees

1–2% Net New Job Creation — Need to **hire 10–20 employees** at competitive market rate

14% Involuntary Turnover — Need to **hire up to 140 employees** at competitive market rate

28% Voluntary Turnover — Need to backfill **up to 280 positions** at competitive market rate

Retention

Employees Stay, but Retention Risks Persist

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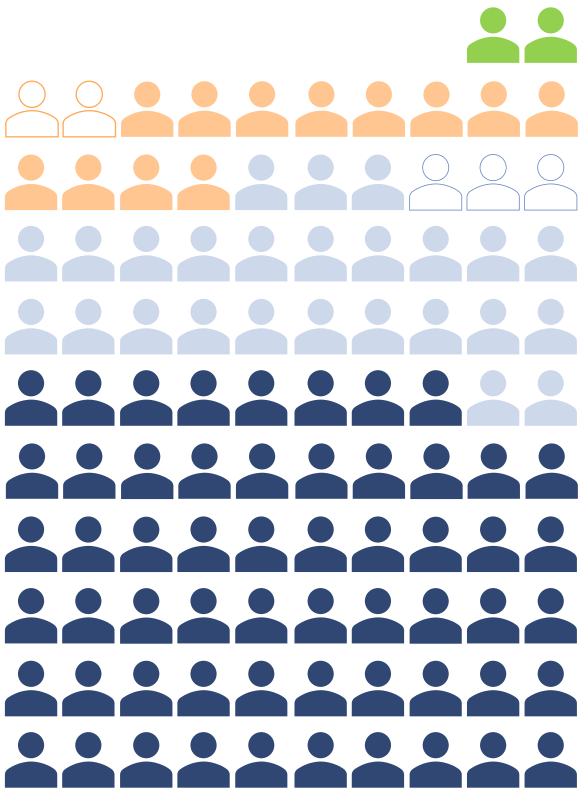


Each figure represents 10 employees

1–2%
Net New Job Creation

Need to **hire 10–20 employees** at competitive market rate

14%
Involuntary Turnover

Need to **hire up to 140 employees** at competitive market rate

28%
Voluntary Turnover

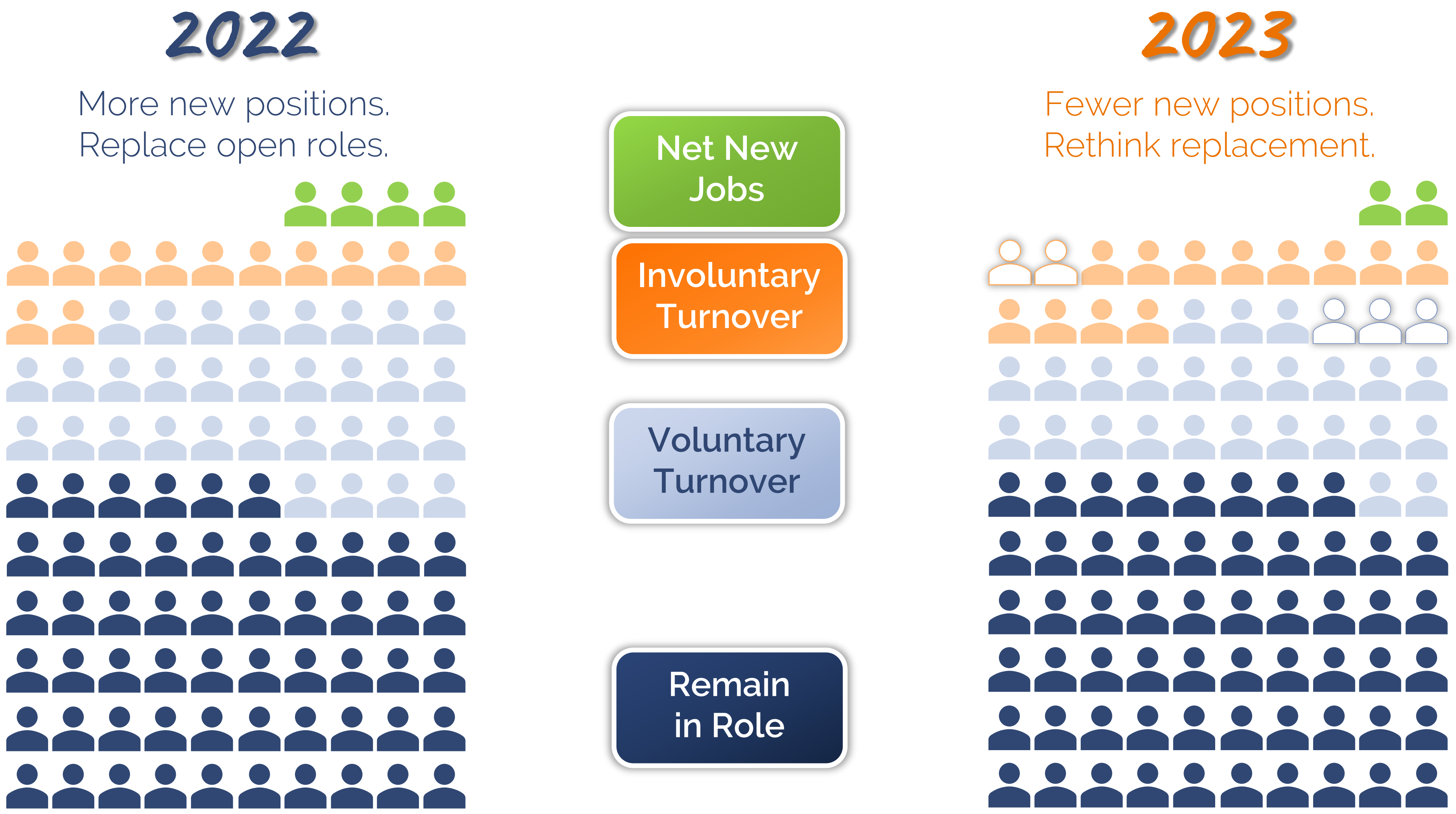
Need to backfill **up to 280 positions** at competitive market rate

58%
Remain in Role

Need to keep compensation competitive for **580 employees** to retain talent

Sources: LaborIQ®; Bureau of Labor Statistics.

Headcount Planning



Note: *Each figure represents 10 employees*

Sources: LaborIQ®; Bureau of Labor Statistics.

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Talent Availability

- Record-low unemployment
- Jobs in the most demand
- Industry outlook

Labor Market Remains Tight

3.4%

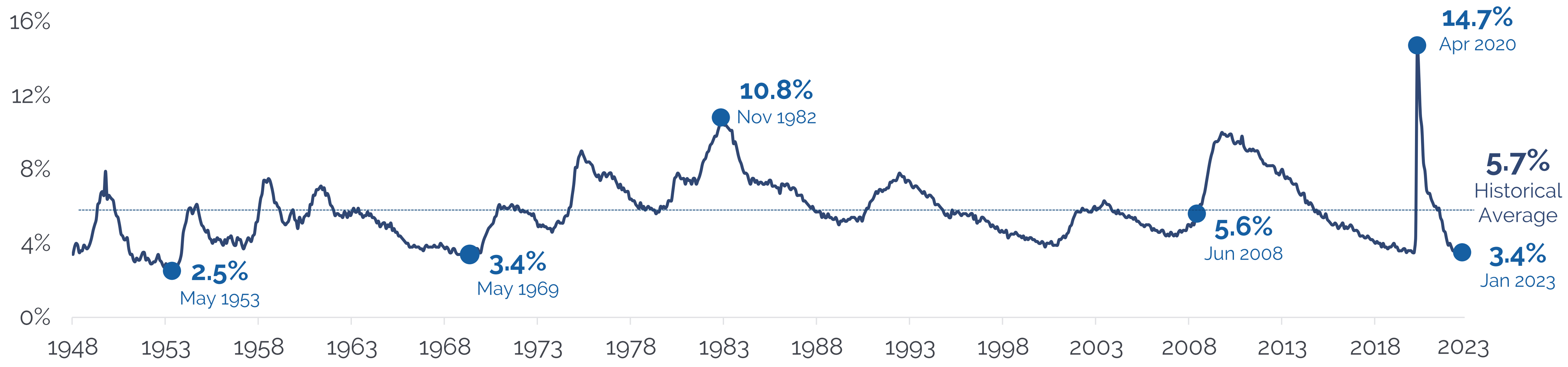
National Unemployment Rate

Market Supply

Business & Financial	2.3%
Legal	2.3%
Management	1.8%
Architecture & Engineering	1.7%
Healthcare Practitioners	1.5%
Tech	1.3%

Source: Bureau of Labor Statistics; non-seasonally adjusted unemployment rates

National Unemployment Rate



Source: U.S. Bureau of Labor Statistics

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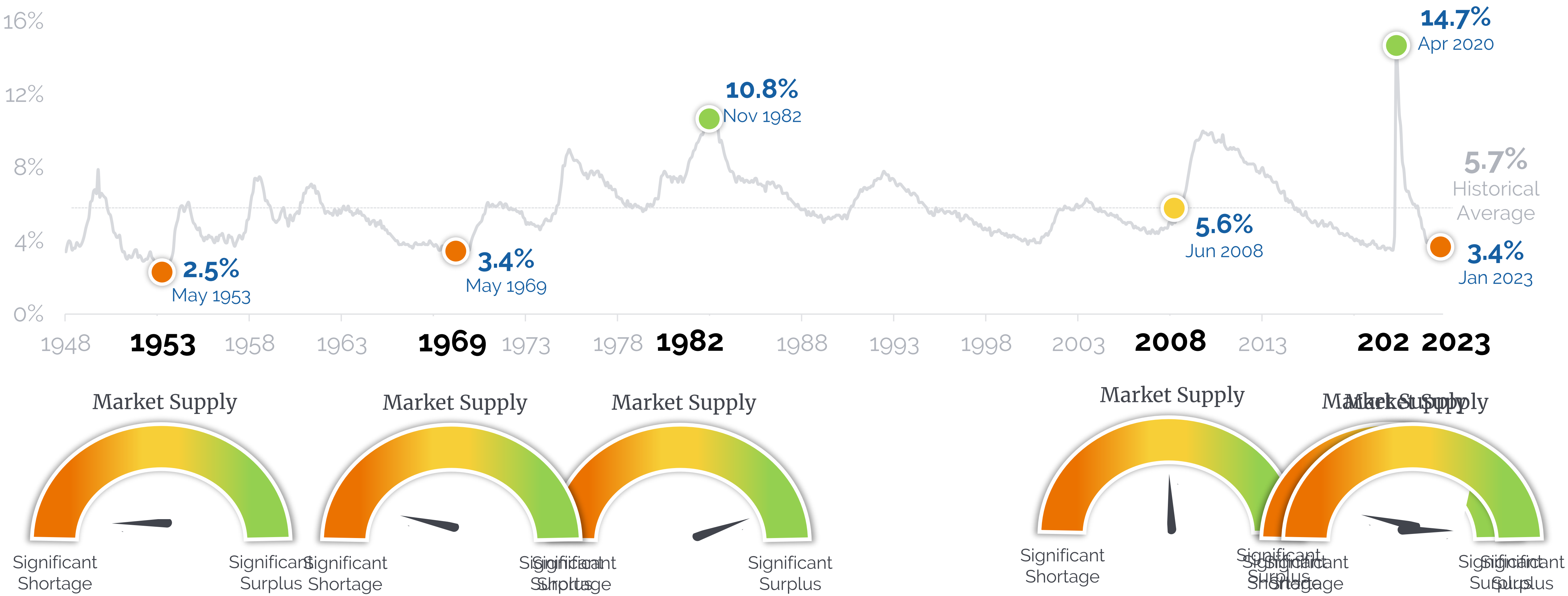
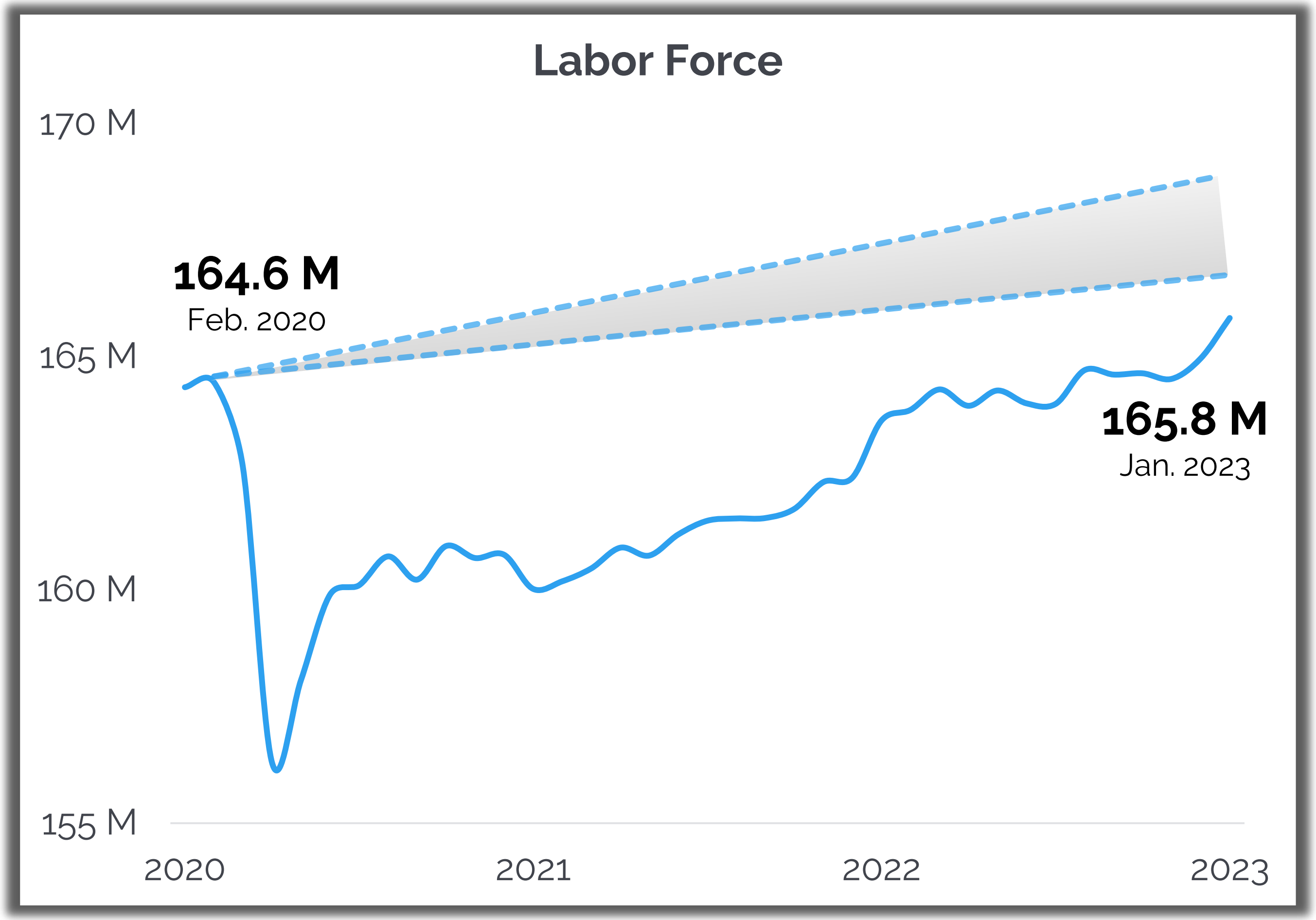
National Unemployment Rate



Source: LaborIQ®; U.S. Bureau of Labor Statistics

Millions Still Missing from Labor Force



The labor force is just above pre-pandemic levels and **2+ million below** expectations (without the pandemic).

Sources: LaborIQ®; Bureau of Labor Statistics

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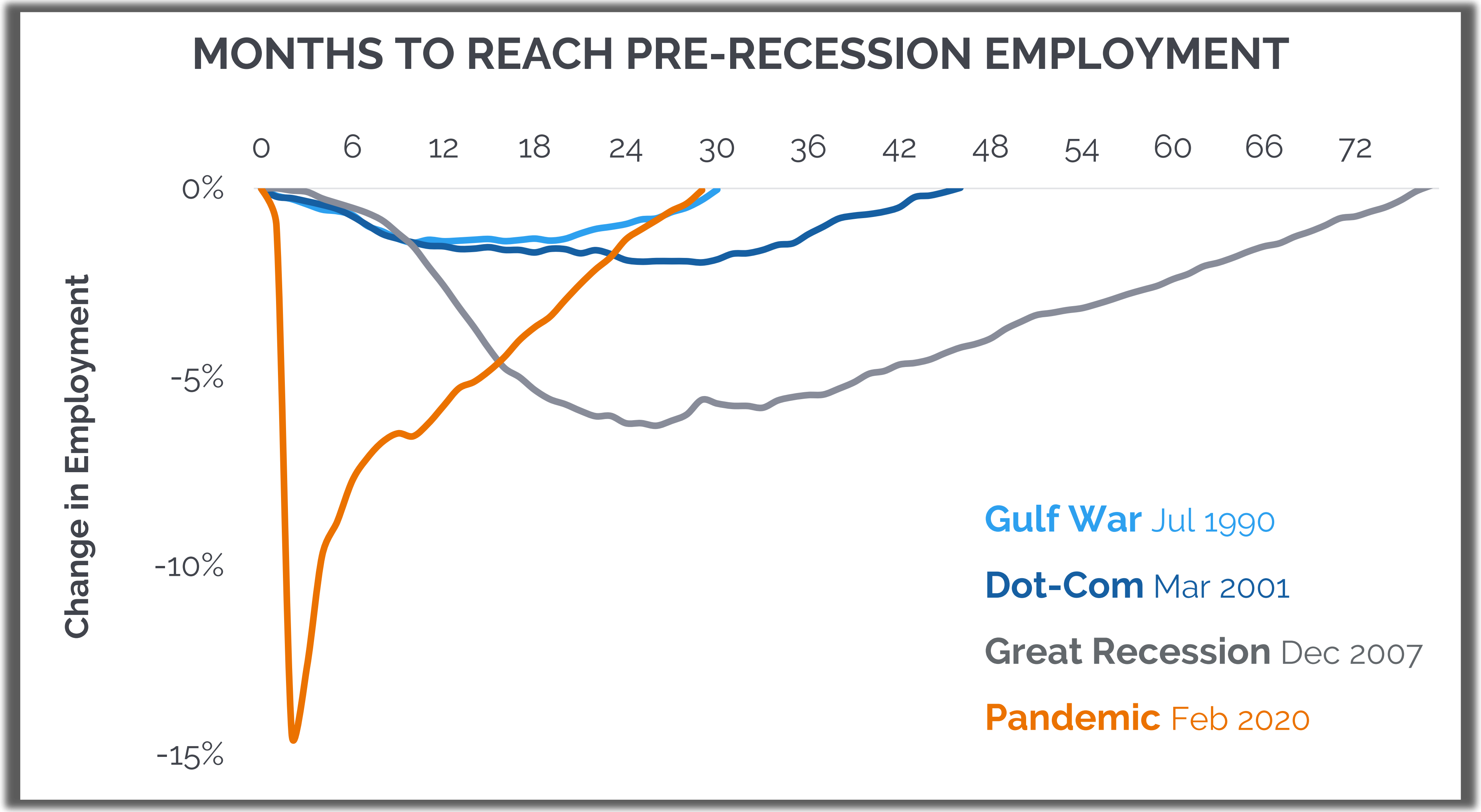
Employment Recovery During Recessions



Sources: Bureau of Labor Statistics; National Bureau of Economic Research

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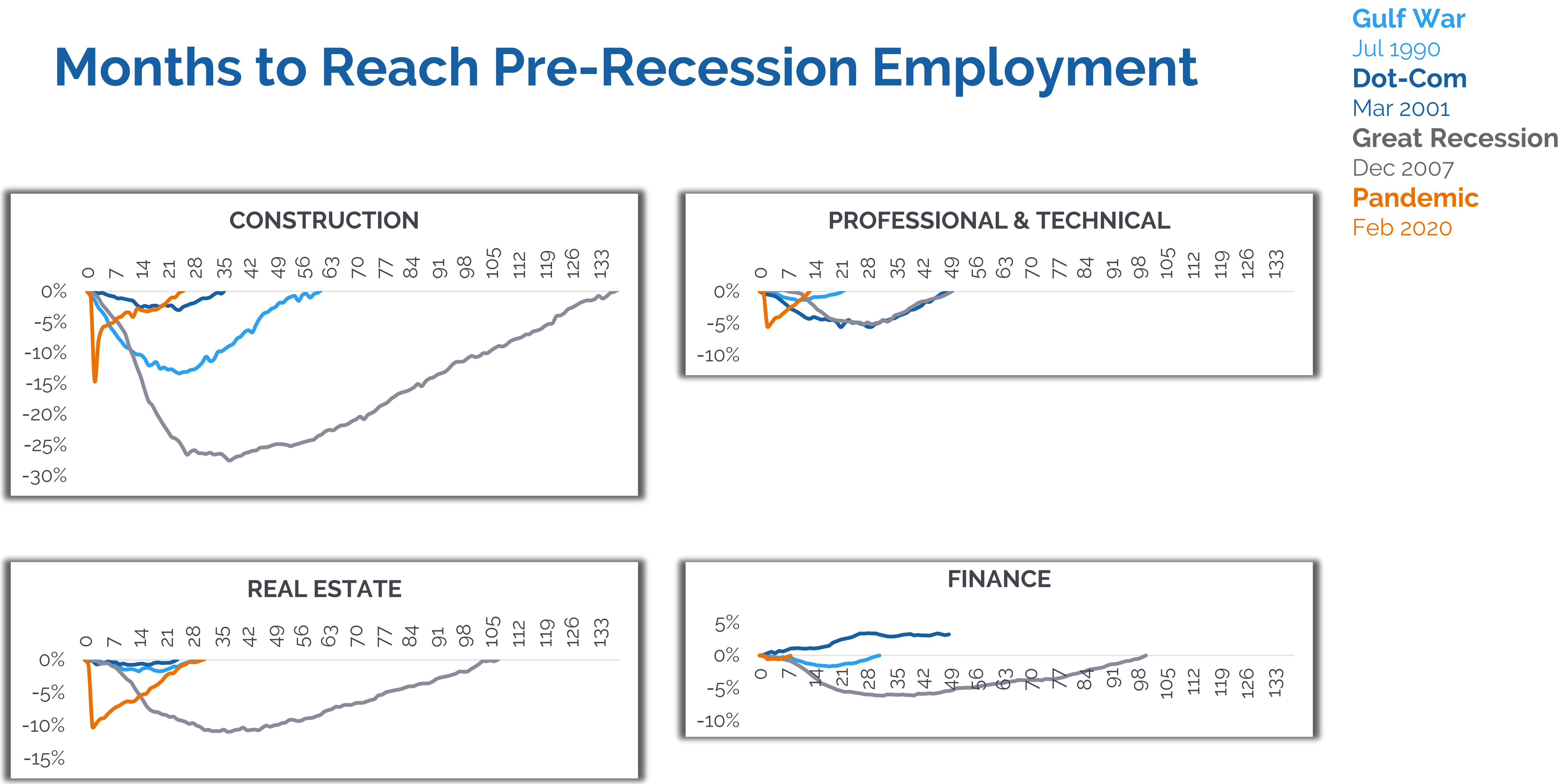
Months to Reach Pre-Recession Employment



Sources: Bureau of Labor Statistics; National Bureau of Economic Research

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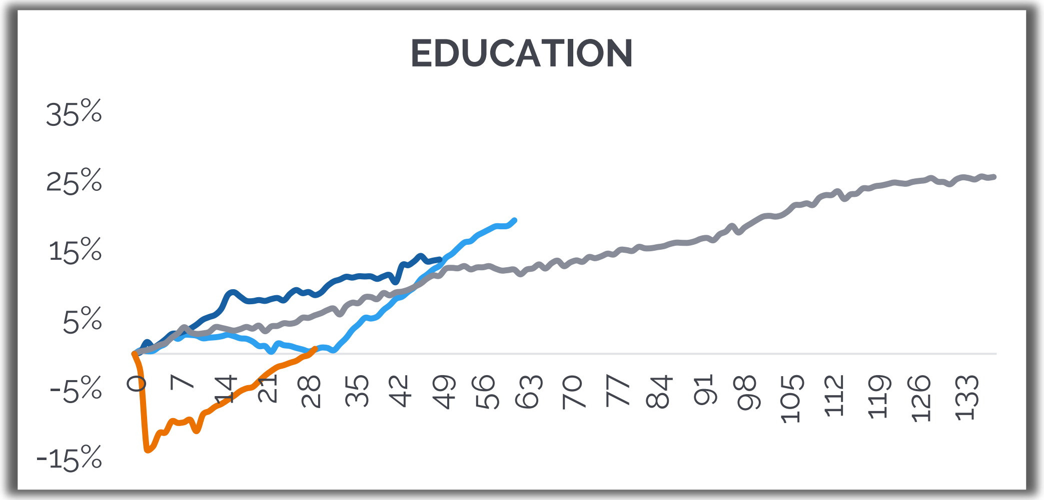
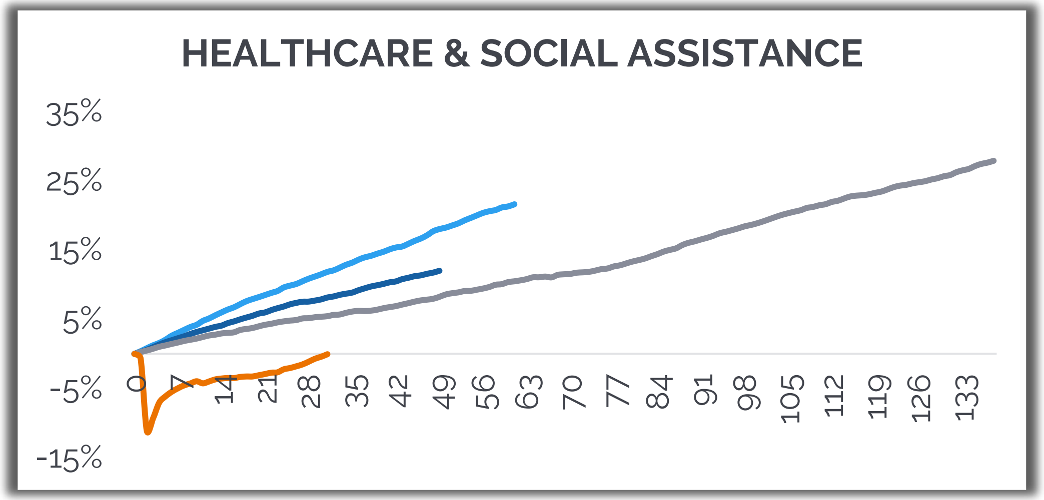
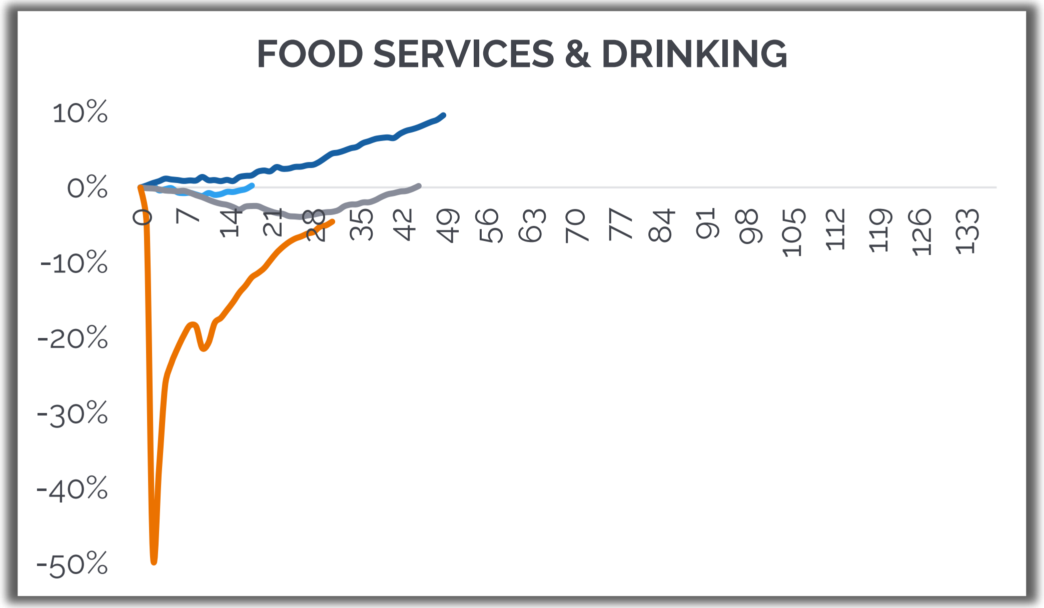
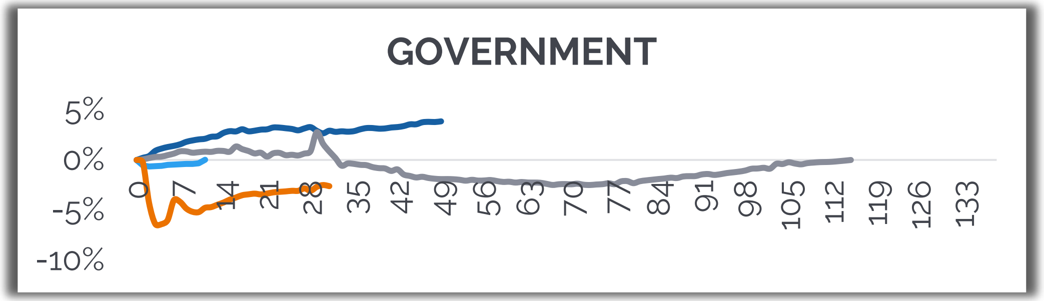
Months to Reach Pre-Recession Employment









Gulf War
Jul 1990
Dot-Com
Mar 2001
Great Recession
Dec 2007
Pandemic
Feb 2020

Note: Pandemic employment through end of 2022.
Sources: Bureau of Labor Statistics; National Bureau of Economic Research

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2023 Industry Hiring Outlook

PROFESSIONAL & BUSINESS

- Strong in most sectors
- Tech & Finance layoffs continue
- Small to medium businesses able to compete for talent

HEALTHCARE

- High demand as population ages
- Turnover persistent due to burnout
- Typically grows/recovers quickly through downturns

TRADE, TRANSPORT & UTILITIES

- Business travel boosts transportation
- Retail benefits from return to office
- Consumer demand remains high

LEISURE & HOSPITALITY

- Recovered slower than other industries
- Demand for travel remains strong
- Often less impacted during downturns
- Potential boost from part-time workers

Source: LaborIQ®

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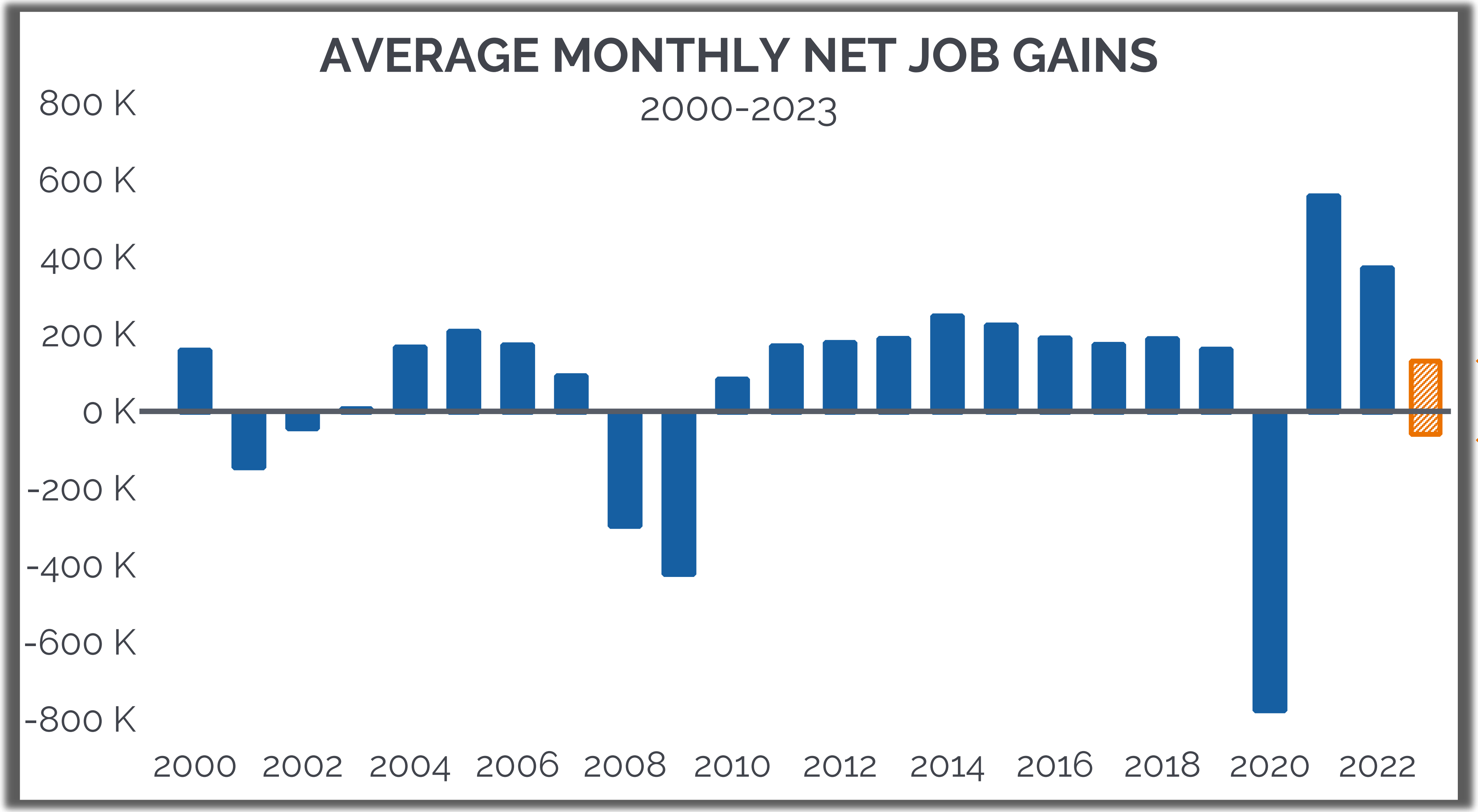
Preview for 2023



2023
JOB GROWTH SCENARIOS

+100K Monthly Jobs Gained

-50K Monthly Jobs Lost

Sources: U.S. Bureau of Labor Statistics; LaborIQ®

LaborIQ®

Compensation Trends

- Pay transparency challenges
- Slowdown in wage growth
- Considerations when backfilling roles

Outlook for Wages in 2023

Wage growth should start to **moderate** in 2023

The job market will **remain competitive**, but expect less outlier and irrational pay

Companies paying below market rate will be at risk

- Significant **hiring** will still occur
- **Inflation** could pull people into labor market

Sources: U.S. Bureau of Labor Statistics; LaborIQ®

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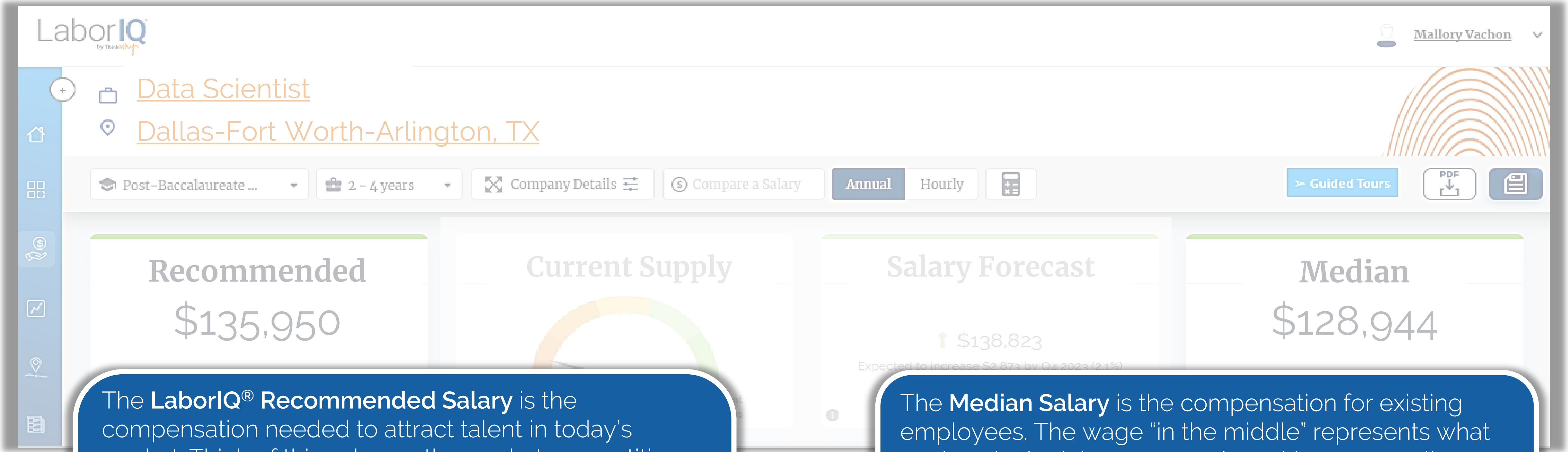
The Gap Between Recommended and Median Salaries Will Narrow



The **LaborIQ® Recommended Salary** is the compensation needed to attract talent in today's market. Think of this value as the market competitive rate for each job and location.

Current Market salary recommendations are based on 88.6 million salary data points – along with proprietary research – then validated using third-party data from a leading payroll processor.

The **Median Salary** is the compensation for existing employees. The wage "in the middle" represents what workers in the job are currently making across all education and experience levels. This means, half of the workers in the role earned less than the median salary, and half earned more.

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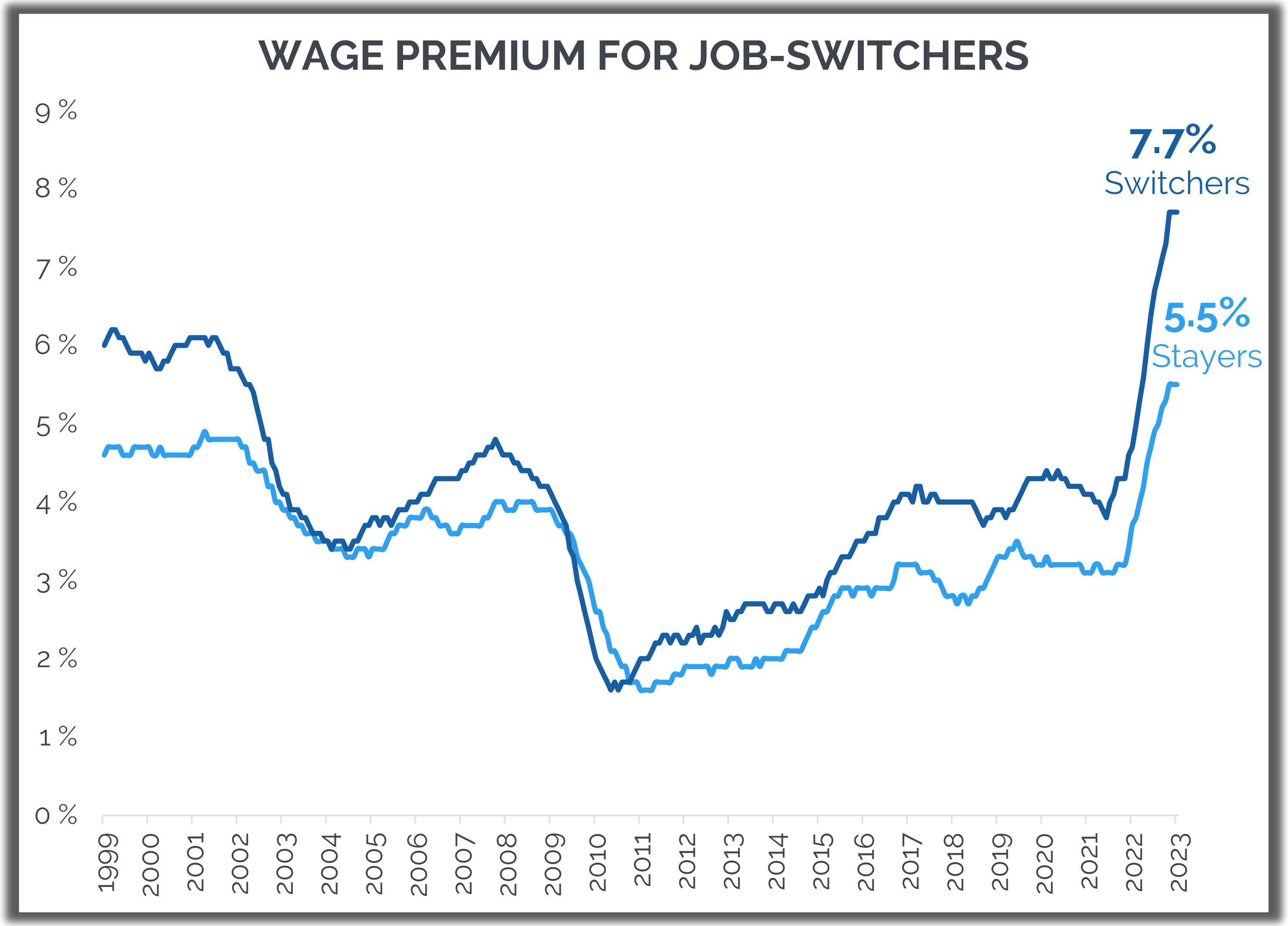
Job Switchers Command a Premium

According to the Atlanta Fed Wage Tracker:

- Those switching jobs typically get higher wage growth
- The premium for switching jobs skyrocketed in 2022



Sources: Bureau of Labor Statistics; Federal Reserve Bank of Atlanta Calculations. as of February 20, 2023

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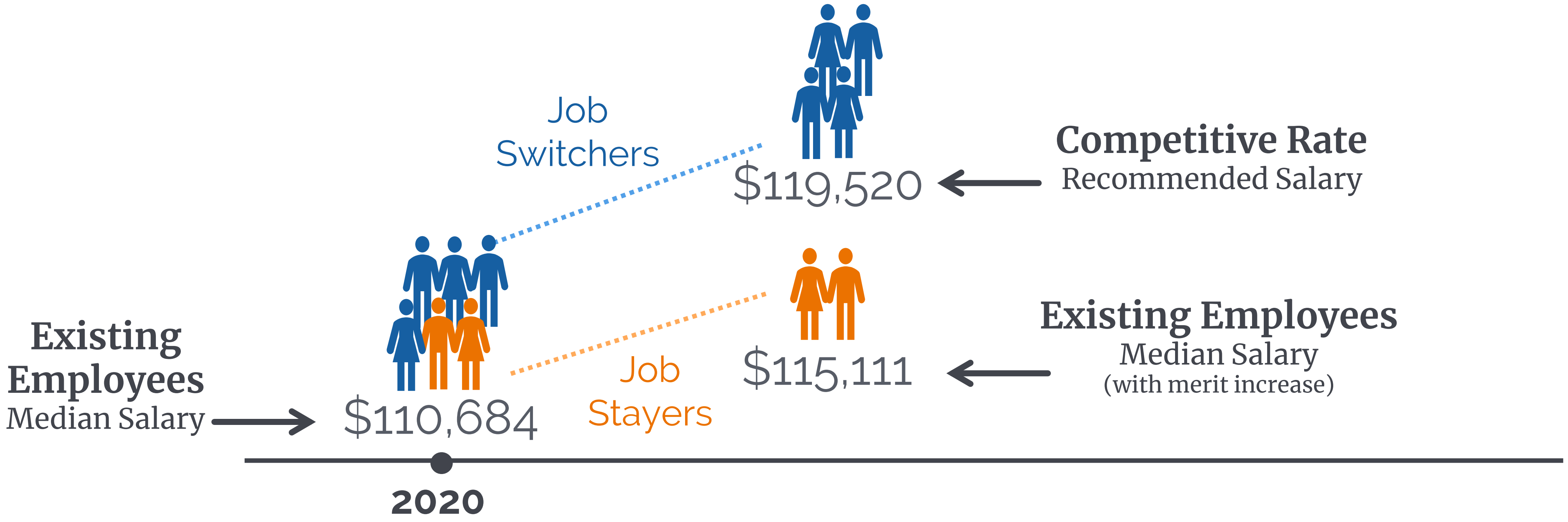
Job Switching Drives Pay Gaps

Data Scientist

Post-BA Certificate
2 – 4 years of experience



Source: LaborIQ®

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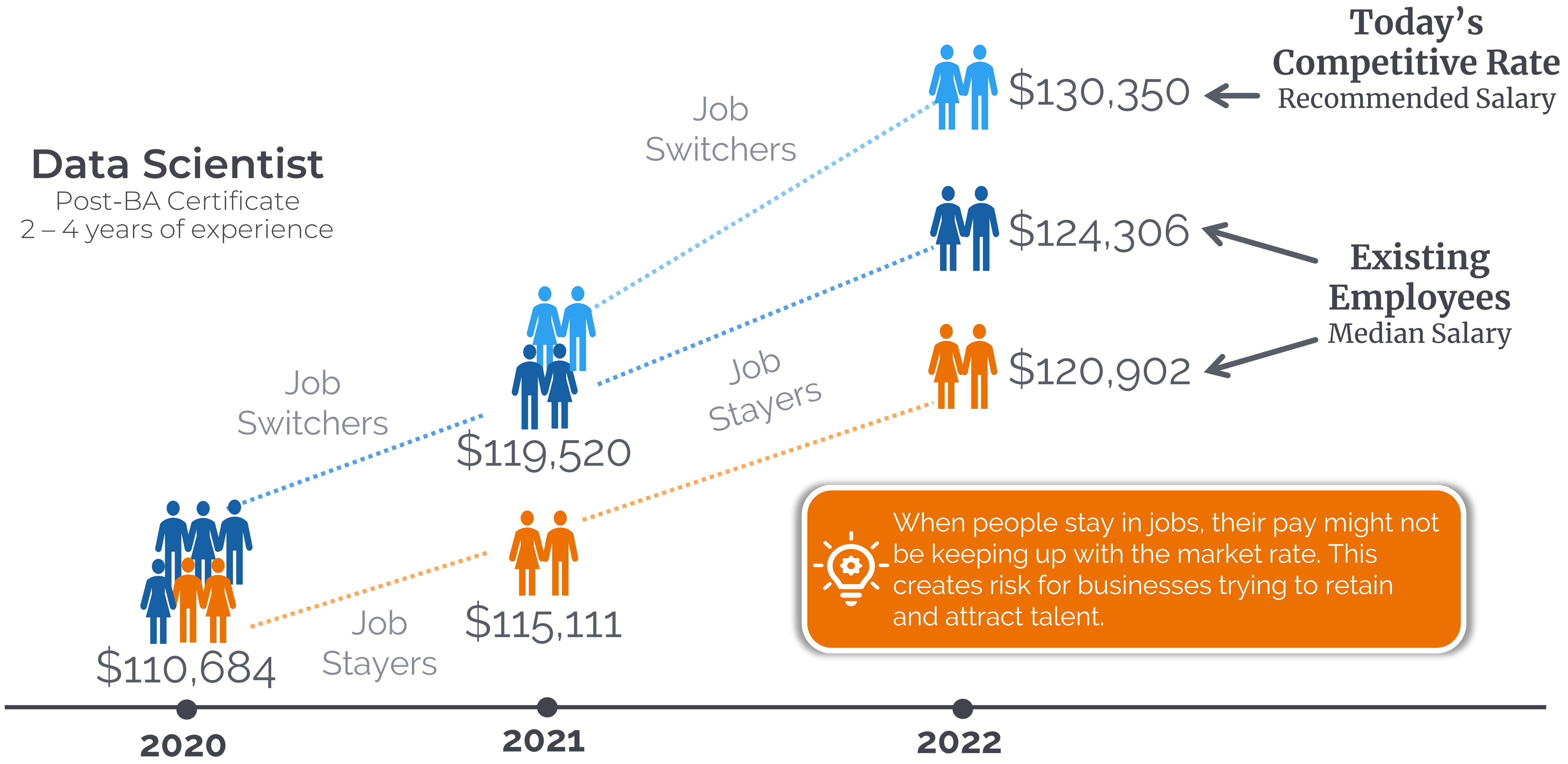

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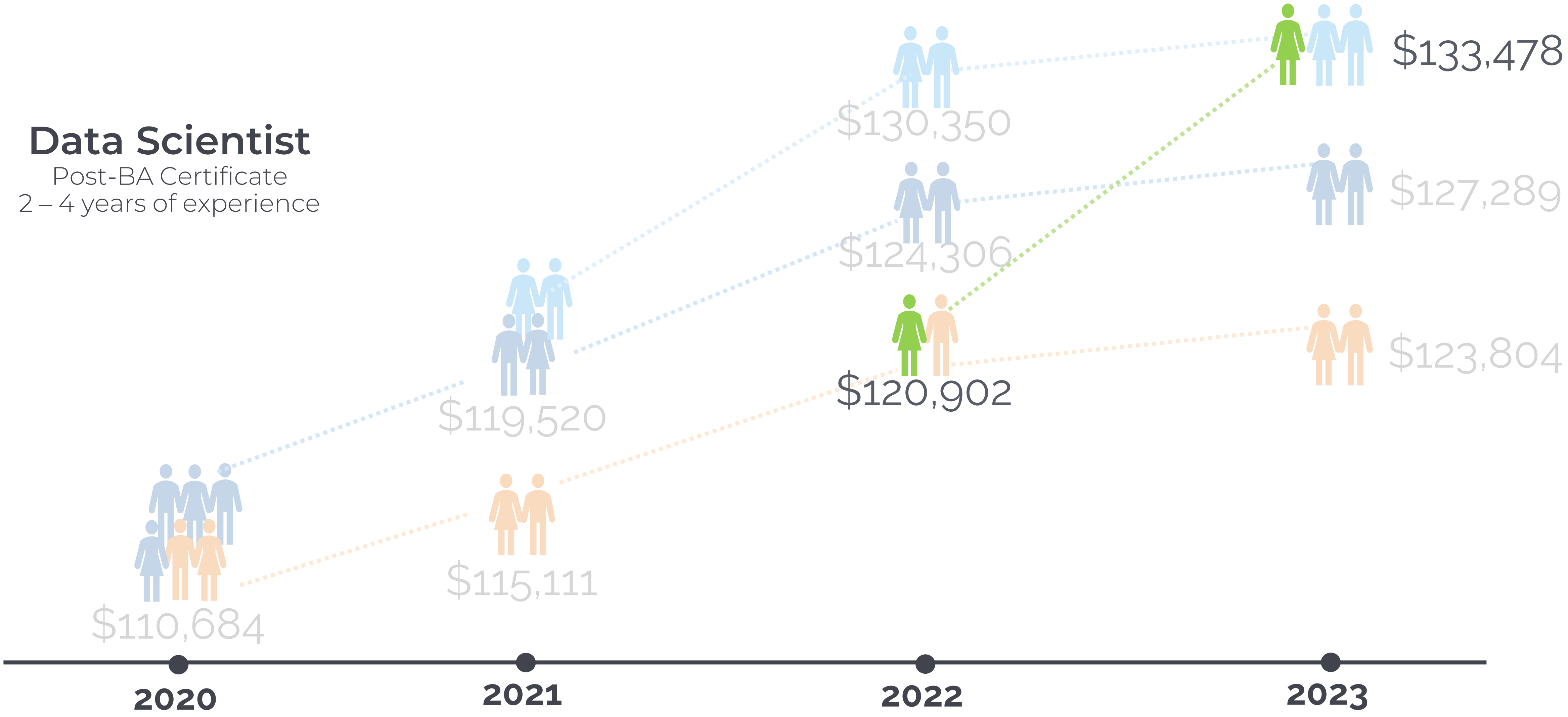

Source: LaborIQ®

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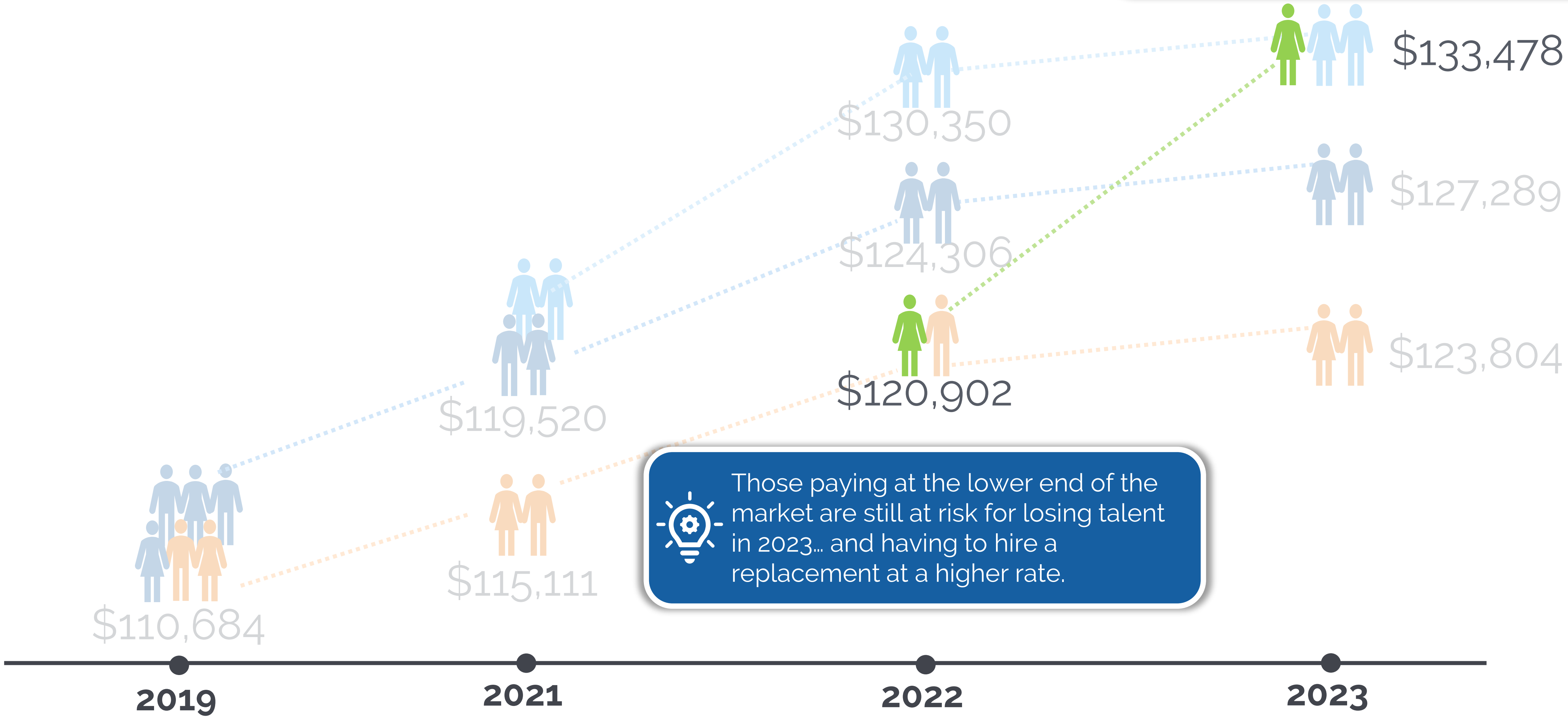
Job Switching Drives Pay Gaps

But… wage growth should ease somewhat, especially at the high end of the market.



Source: LaborIQ®

Salary Ranges

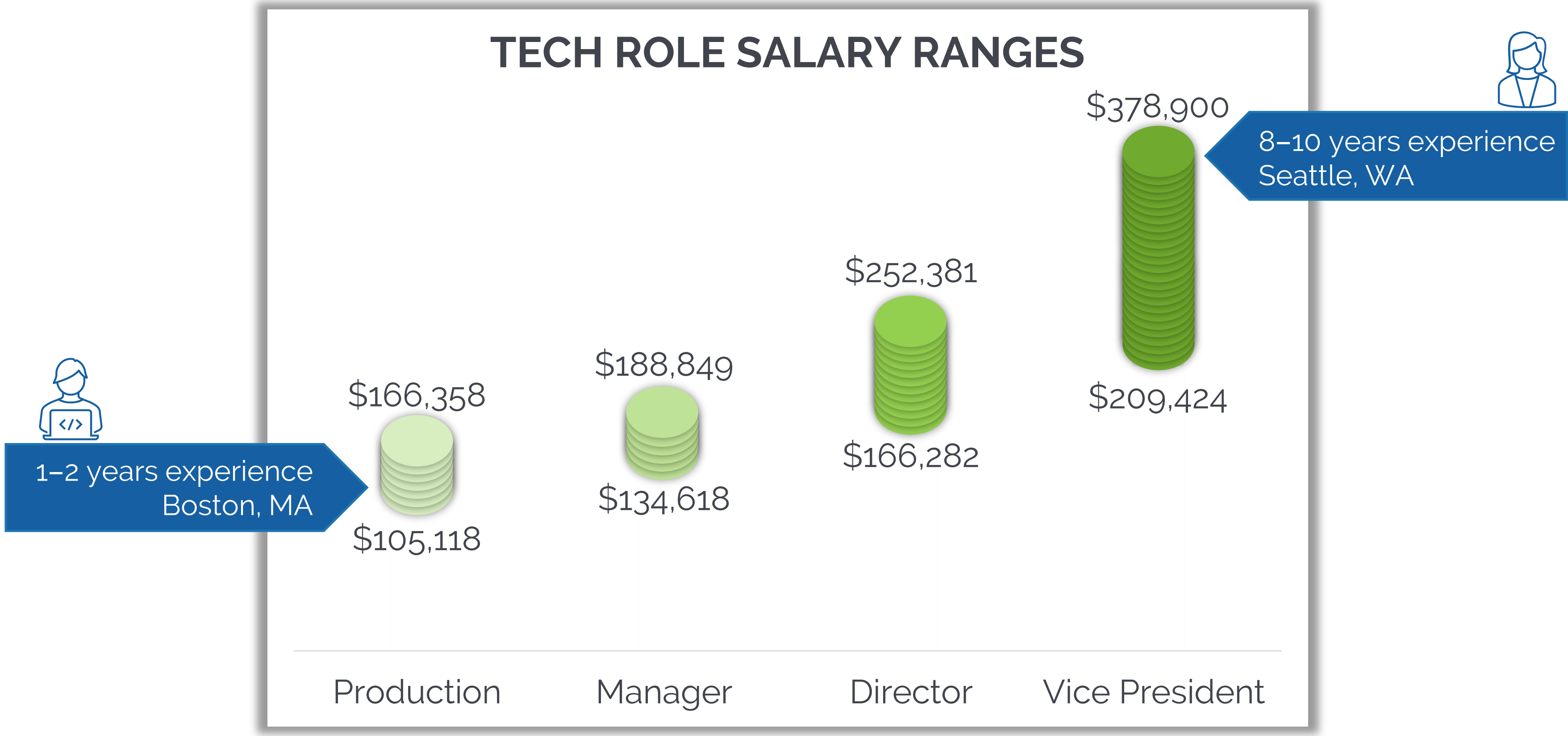
Pay Transparency Laws & Determining Hiring Needs

Pay transparency laws have led to wide ranges in posted compensation.

Large posted pay ranges could be the result of companies examining what is truly needed for a position.

If someone in a Director level position recently left, ask the following…

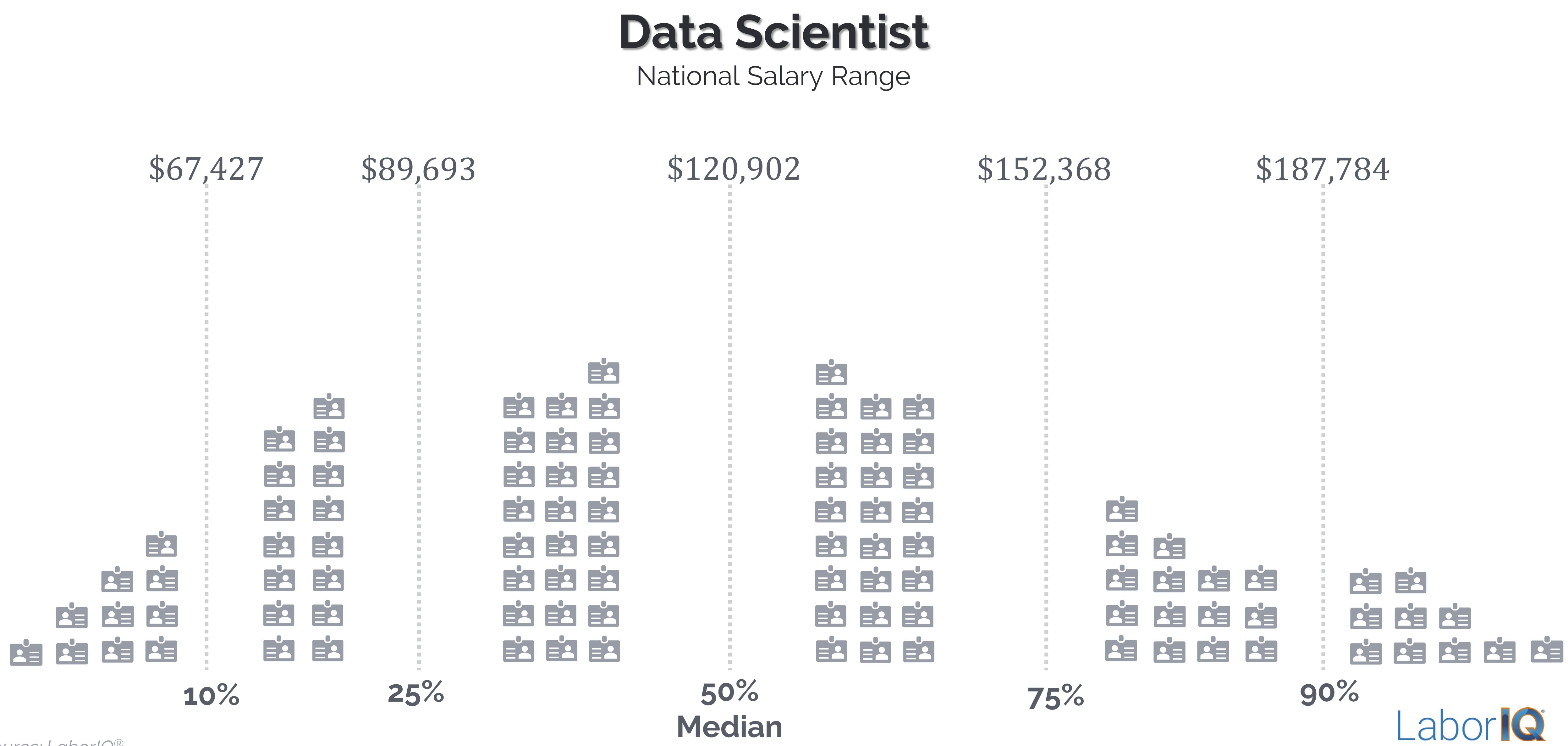
- Do you need that same level of education and experience?
- Is there a Manager we can promote internally?
- What skills are really needed to make this team successful?



Note: Pay levels are LaborIQ® Recommended Salary ranges for Boston, MA, Los Angeles, CA, and Seattle, WA for a range of experience in role and education levels.

Sources: LaborIQ®; Bureau of Labor Statistics.

Full Range of Salaries for Data Scientist



Source: LaborIQ®

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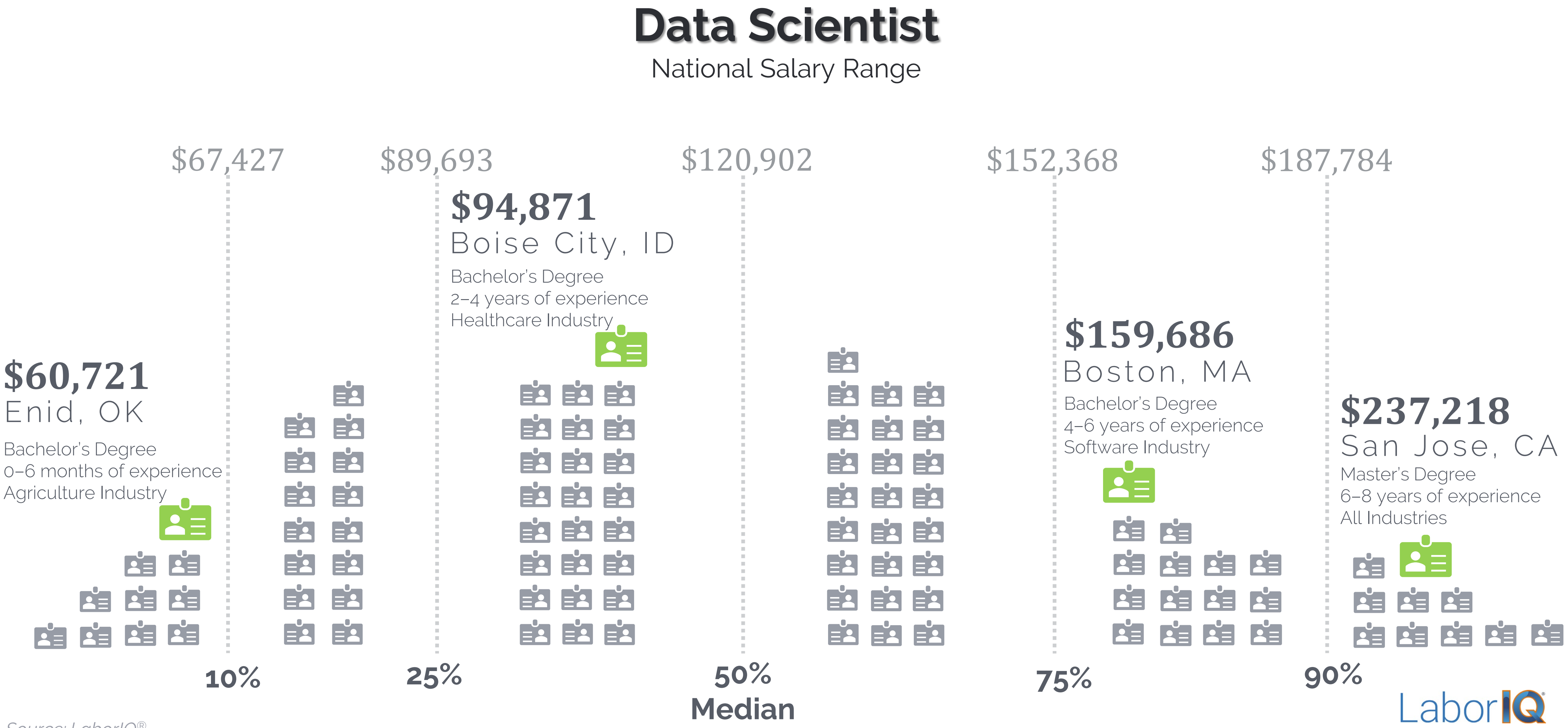
Education, Experience & Location Influence Pay



Source: LaborIQ®

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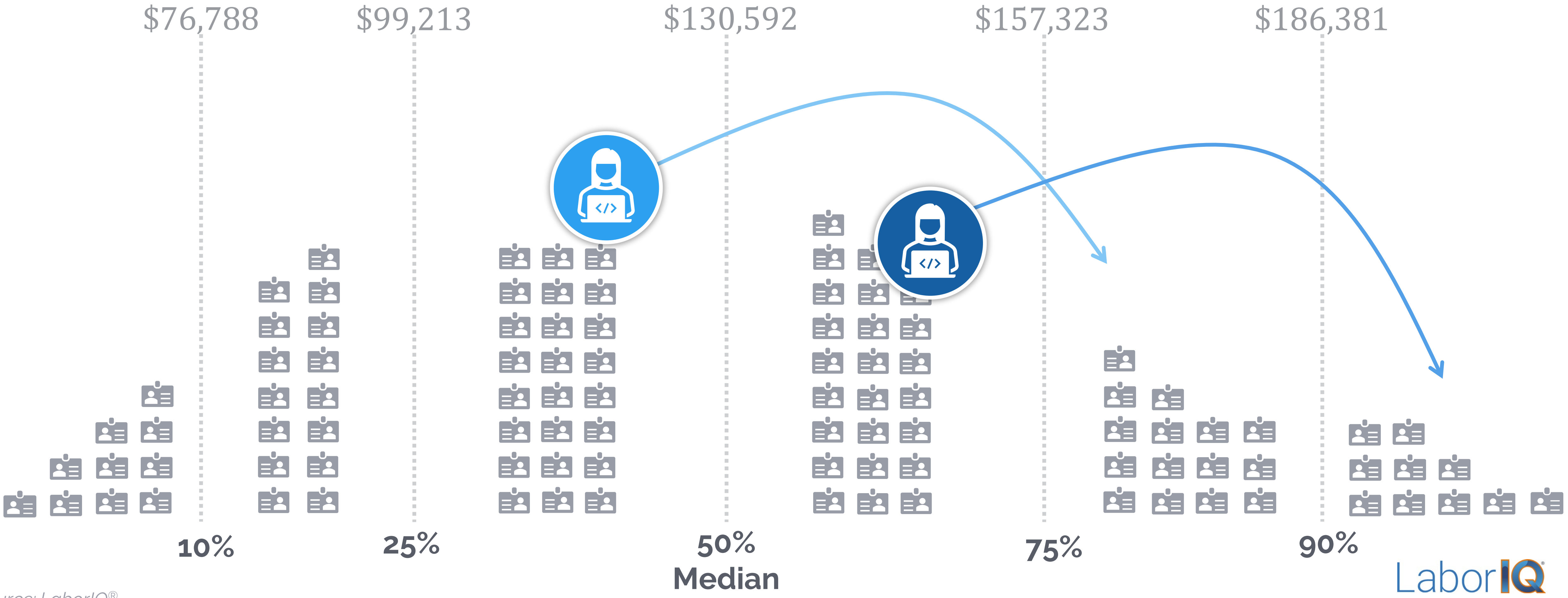
2022: Big Pay Jumps for Job Switchers

Data Scientist

Boston, MA Salary Range



Source: LaborIQ®

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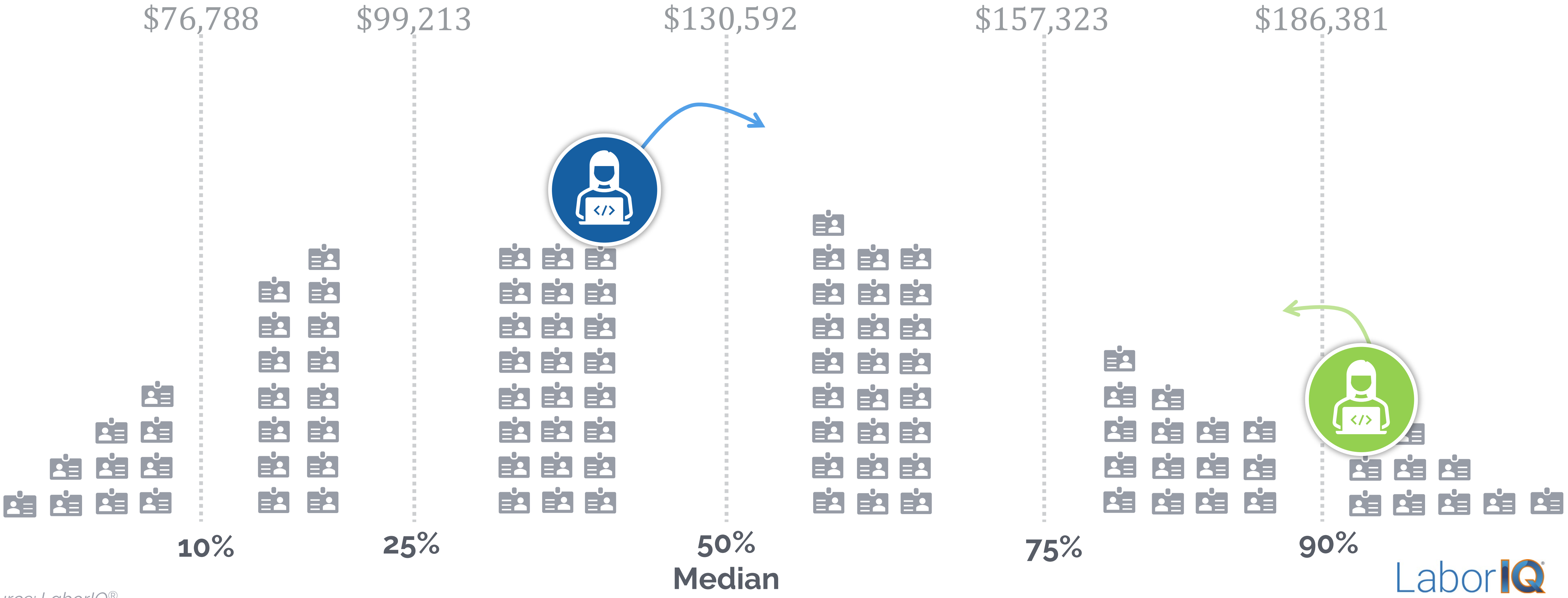
2023 Expectation: Modest Increases

Data Scientist

Boston, Mass. Salary Range



Source: LaborIQ®

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Final Thoughts

- Get ready for the **labor market to change**… again, adaptability will be key
- Provide guidance, **be an advisor** to stakeholders to stand out
- There will still be **64 million hires in 2023**, but the landscape could look and feel much different
- **Inflation** will get under control – big question is when?! – and that should bring some **relief for rising wages**

Any Questions?

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Connect with us!

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Watch a demo!

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