

# 2024.

## The Toughest Labor Market



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**2024 Might Be the Most  
Difficult Labor Market of  
Our Lifetime.**

**Here's How to Beat It.**



Gallup estimates that US businesses lose \$1 trillion annually due to voluntary employee turnover.

That's because US employers contend with substantive labor market obstacles, including the continued decline in population growth and a simultaneous acceleration of baby boomer retirements. A large number of adult-aged workers are also choosing to remain on the sidelines, and any relief provided by Gen Zers will be colored by a heavy, social-media-driven disillusion about work and careers.

This all adds up to a labor market that's poised to become even tougher. According to the Bureau of Labor Statistics<sup>1</sup>, there are now 0.7 unemployed workers for every 1 job opening.

The Biden Administration's immigration surge has temporarily relieved some of the labor market pressure. But, as labor economist Ron Hetrick<sup>2</sup> points out, "Make no mistake, the demographic drought is coming, but even we didn't think it was here yet, but, without these immigrants, we'd be in a mountain of pain."

## **“The Biden Administration’s immigration surge has temporarily relieved some of the labor market pressure.”**

With the economy showing signs of emerging from two years of inflation, the competition for talent could become even more brutal. But lack of employees isn't the only challenge. Over the past two years, workplace litigation has nearly doubled, and 75% of employers now report<sup>3</sup> they endured a labor related lawsuit in the past 5 years.

## **So how do employers win in this market?**





# MERIT

According to Money.com<sup>4</sup>, “employees who are dedicated, responsible and committed to doing quality work are more likely to produce better results and achieve higher levels of success.”

**In other words, meritocracy matters to workforce success, a message that’s not exactly in sync with the trendy “Diversity, Equity, & Inclusion” (DEI) wave.**

It’s also important that “quality work” is tied to “meaningful work.” People who care about the work they’re doing, generally are more motivated and fulfilled by that work. Employers must do a better job of promoting understanding among their teams about why their work matters.

So, to thrive in this changing labor landscape, the pivotal strategy lies in focusing hiring strategies on finding the right “values” and

cultivating a workplace culture anchored by a mission-driven meritocracy that values work, rewards productivity and achievement, and promotes a shared sense of purpose.

Okay, that’s not rocket science.

But this takes abandoning the old “skill-focused” strategies – a hard habit for volume-based hiring departments to overcome. Instead, finding job seekers with a strong work ethic, a willingness to learn, a team-oriented demeanor, and alignment with the company’s values and core mission, must become the dominant talent-search strategy. Or at a minimum, values and mission alignment should be ranked equally with skills and experience. ‘

Because again, employees who align with their company’s mission and values generally have a more positive work ethic, which increases productivity, performance, and better results.



# VALUES

Hiring for values-alignment also creates a hedge to protect against poaching by competitors. When employees exhibit positive values and attitudes towards their work, it leads to higher levels of job satisfaction, employee engagement, and retention.

**Those who fail to pay attention to *value-alignment* in their hiring may find an exodus that they can't afford.**

There may always be job seekers who possess some of the required "skills" to get the job done. Many so called "qualified candidates" survive by skipping from job to job, and in this market, there will always be another willing host.

However, the pool is much smaller for those reliable employees who can produce real growth for your company. The key to winning in this market is using values and mission-alignment to identify and retain them.

# Diminishing Demographics

Like most industrialized nations, the US is undergoing an historic slowdown in population growth. According to the National Institutes of Health<sup>5</sup>, replacement level fertility requires an average of 2.1 children per woman. The current US birth rate average is 1.6 per woman and falling. This trend is also true of the 14 other largest countries by GDP<sup>6</sup>.

The Biden Administration's immigration surge has granted a temporary delay in population decline. According to the Congressional Budget Office<sup>7</sup>, 2023 net immigration to the US was 3.3 million, well above initial estimates of 1 million.

The Brookings Institute<sup>8</sup> calculates that with the immigration surge, the US could sustain 160K to 200K new jobs a month, double the estimates without the immigration surge.

Still, Labor Market Economist Ron Hetrick says that<sup>9</sup> even though an immigration surge has temporarily relieved the pressure, "the demographic drought is coming."

Japan is a harbinger of what's to come, as they've been struggling with the advanced stages of population decline. Despite the Japanese government's efforts to incentivize families with cash payments for each new child they have, Japan had its lowest-ever birth rate in 2023 at just 1.4 births per woman. Japan's working-age population is expected to decline by 40%<sup>10</sup> over the next five decades.

# Boomers and Busts


The US population is aging<sup>11</sup>, and retirements among baby boomers have far outpaced any previous prediction. CNBC reports<sup>12</sup> that the biggest number of Americans in history are hitting the "peak 65" age, and several sources estimate that 10,000 or more boomers retire every single day – a wave that Forbes labeled a "silver tsunami."<sup>13</sup>

Additionally, large numbers of working aged Americans are choosing to remain on the sidelines. CBS News reported

last year<sup>14</sup> that "around seven million men in their prime working age neither have jobs nor are looking for one, creating a huge hole in the labor market."

A study by the Federal Reserve Boston<sup>15</sup> office found that a "more frequent labor force exit among men without a four-year college degree has been driving the decline in the US prime-age (25 to 54) men's labor force participation rate over the last 40 years."





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# Not Your Father's Generation

Job hopping, mental health challenges, and voluntary sidelining are becoming hallmarks of the Gen Z labor force whose perceptions about work and career priorities are increasingly shaped by influencers on TikTok and Instagram. In the March 2024 Freedom Economy Index survey of 80,000 small business owners by RedBalloon and PublicSquare, 68% said that Gen Zers (those born on or after 1997) are the “least reliable” of their employees, and 64% said Gen Zers are most likely to cause division and toxicity in their workplace culture.

According to Bankrate’s 2023 job seeker survey<sup>16</sup>, Gen Zers are “more likely to report quitting a job and getting a new job in the last year than any other generation.” The survey found that 55% of Gen Z workers are ‘very likely’ to look for a new job in the next 12 months.

If Gen Z doesn’t understand the value of work, and therefore doesn’t view work as meaningful, then spending so much time at work can become overwhelmingly stressful.

The American Opportunity Survey<sup>17</sup> by McKinsey found that “Over a quarter of 18- to 24-year-olds say mental-health issues have a major impact on their ability to perform at work,” and 55 percent “report having received a diagnosis and/or treatment for a mental illness.” A study by TalentLMS and BambooHR<sup>18</sup> research also found that “1 in 3 working Gen Zers find it difficult to cope with pressure and stress at work,” and 82% want mental health days provided by their employer.

Forbes notes<sup>19</sup> that a major reason for these mental health challenges could be that Gen-Z spends on average 4 hours a day

on social media where they “contend with ego-bruising and mental health struggles, while comparing their inability to find the right job, feeling stuck in a temporary role in a retail store, worried over how they’re going to pay back their college tuition debt and feeling betrayed that they won’t earn enough money to get an apartment, automobile or save up for purchasing a home one day.”

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# Litigation on the Rise

Employers are seeing a dramatic rise in workplace litigation, including class-action lawsuits over claims of discrimination, toxic workplace culture, wage and hour issues, wrongful termination, and job-interview practices.

The 2024 Carlton Fields Class Action Survey<sup>20</sup> found that the percentage of labor related class-action lawsuits against employers jumped from 25.6% in 2021 to 43.4% in 2023. And, the Equal Employment Opportunity Commission (EEOC) 2023 year-end litigation roundup<sup>21</sup> reported that workplace lawsuits were up by 50% from 2022, with a heavy focus on workplace discrimination, failure to accommodate mental health issues, and hostile workplace environments – over half of which were centered on an employees’ sex or sexual orientation, and another third of these focused on race or national origin issues.

**“The percentage of labor related class-action lawsuits against employers jumped from 25.6% in 2021 to 43.4% in 2023.”**

One measure of just how legally treacherous the labor market has become for employers, ADP reports<sup>22</sup> that even Googling a job candidate ahead of an interview could land you a lawsuit. Perhaps that’s why 75% of employers<sup>23</sup> now say they’ve faced employment lawsuits within the past 5 years.



2021



2023



# How can Employers **Survive?**



# 55% of small business employers said that “woke entitlement, misaligned values & lack of reliability” were their top concerns when hiring.

To summarize the situation employers face: there are less people overall, fewer working-aged people willing to work, more retirements, a higher number of job seekers with mental health challenges, and an explosion in labor-related lawsuits against employers. How is a business supposed to survive?

Simple. Change strategy and tactics. As Albert Einstein noted, “insanity is doing the same thing over and over and expecting different results.” Now, more than ever, companies need to prioritize finding job seekers who align on values, including work ethic, accomplishment & merit, growth & advancement, loyalty, a career-minded attitude, and company mission.

Forbes reports<sup>24</sup> that more hiring managers now want “Candidates who exemplify the company's culture and strongly align with its values.” And, in the August 2023 Freedom Economy Index survey<sup>25</sup>, 55% of small business employers said that “woke entitlement, misaligned values & lack of reliability” were their top concerns when hiring.

Hiring for values also supports a positive workplace culture where a mission-driven “meaningful” work environment can be fostered and maintained. But one bad hire can destroy that workplace culture that has been so carefully cultivated. In a nutshell, companies need to adjust their strategy, so they understand the values that drive those who they’re hiring.



# 1.

## Avoid the Landmines

But how do you interview for “values” when the workplace has become so litigious?

RedBalloon recently released a white paper outlining the legally vetted interview strategies they use to help employers assess job seekers. These include using the company’s core values and mission statement to create, ahead of time, 3 to 4 statements answering the question “What is true of our best employees?”

Then for each culture statement, create 3 to 4 open-ended, behavioral questions intended to gain evidence that will inform a hiring recommendation.

The key is to be prepared when vetting candidates. Know your legal rights and thoroughly understand your company culture so that you can accurately assess a job seeker.

# 2.

## Prioritize Workplace Culture

In this tight labor market, building and maintaining a strong workplace culture is now an essential strategy to protect against employee poaching.

A Gallup survey found that “The cost of replacing an individual employee can range from one-half to two times the employee’s annual salary,” and that a 100-person organization with average salaries of \$50,000 “could have turnover and replacement costs of approximately \$660,000 to \$2.6 million per year.”

WorkHuman.com found that “the higher an employee rates

their company culture, the lower the chances are they will leave the organization.” In their study, employees favored positive workplace cultures built on “meaningful work, open communication, and core values.

Ignite CEO Jim Tobin<sup>26</sup> wrote in Forbes that the benefits of a positive workplace culture include increased creativity, reduction of employee burnout, attraction of top talent, more engaged employees, increased innovation, a sense of belonging, and creates better leaders.



But, when it comes to workplace culture, as the saying goes, “the road to hell can be paved with good intentions.” A great example of this is the rise of Diversity, Equity, & Inclusion (DEI) workplace policies. DEI’s growth was driven by CEOs and HR leaders who thought DEI would provide a welcoming workplace. Instead, it created a divided, toxic workplace that deemphasized meritocracy.

**RedBalloon’s comprehensive 3-part research report on DEI found that “the rise of DEI has also coincided with increased disaffection among American workers.”**

Strong workplace culture starts by hiring for mission and values-alignment. Here, again, is where Gen Z needs to be carefully vetted. Forbes reports<sup>27</sup> that “Gen-Z views diversity, equity and inclusion not as mere corporate buzzwords but as non-negotiable pillars that define the essence of an organization.”

Failure to meet new hires “non-negotiable” expectations for DEI programs could lead to a costly exit and costlier lawsuits, as well as damage to the overall team culture.

A meritocracy which recognizes employees for their efforts and accomplishments produces a more harmonious and productive workplace. And, a company that fosters effort, achievement, recognition, merit-based advancement, and the freedom for employees to just “be themselves at work” will find it has an extra measure of protection against employee poaching.

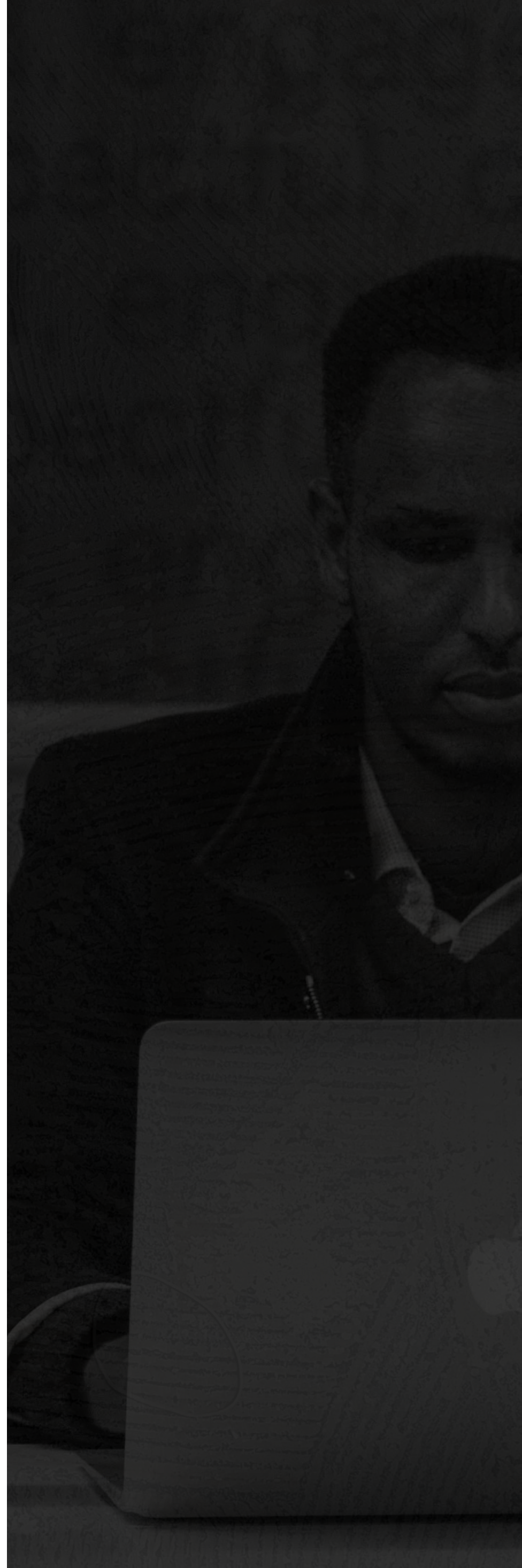




# Prepare for the Road Ahead

Most will agree that the labor market will continue to be a challenge for employers. And, as the people shortage intensifies, more small businesses will likely abandon old methods that no longer work.

Employers must work harder at knowing who they're hiring, and what motivates them to excellence. Gone are the days when open jobs can be posted on mega-job boards with quick results from qualified applicants. Instead, employers must be much more careful and analytical. In this environment, the 'easy' hire is likely to ultimately be a 'bad hire,' and a good-looking "skills" resume may mask a wrong fit. But with commitment to the right strategy, an employer can thrive in this marketplace, finding themselves pulling way ahead of the competition, because their people have the right values, and are focused on the mission.







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