Labor Market Summary

News Your Business Can Use

Insurance Sales and Service

January 2023

Happy 2023! We all navigated a pretty bumpy road in 2022 and now we're all wondering what this unusually complicated labor market will offer up this year.

2022 introduced us to several new labor market concepts. We all read about (and some of us experienced) the chaos around RTO, return-to-office, after working at home. Despised by many employees and eagerly anticipated by many employers, it became such a commonly discussed topic that Glassdoor designated it as "word of the year."

Also new in 2022 was the term "quiet quitting." Apparently, a lot of employees had enough of all that "above and beyond" stuff and opted for lives beyond work. The idea isn't a new one. Baby boomers and millennials may know it as RIP, Retire in Place.

And then there are the "boomerang employees." Remember all those employees who left their jobs during the Great Resignation? Well, some found the grass wasn't greener anywhere else and returned to their old jobs and/or employers. While some employers balked at the idea of rehiring former employees, others thought about the costs and training times required for new employees and welcomed them back.

This time next year we'll most likely have a bunch of new terms to describe 2023, but here's where we are as the year begins:

Recruitment & Unemployment

Job openings decreased significantly during the second half of 2022, as did hiring numbers. These decreasing numbers are caused by a mix of rising interest rates, overall inflation, concern over a possible recession, stubborn supply chain issues, and pandemic over-hiring.

On January 4, the United States Department of Labor (USDOL) issued its Job Openings and Labor Turnover Survey (JOLTS report) for November 2022. Some highlights help illustrate the changing, challenging recruitment environment over the last several months.

USDOL Openings and Labor Turnover (November 2022)

Category	Number as of 11/30	Number as of 6/30	5 Month Change
Job Openings	10.5 million	11.3 million	-800,000
Hires	6.1 million	6.5 million	-400,000
Separations	5.9 million	5.9 million	Unchanged

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January is historically a big month for layoffs. During the first week of the year, Amazon, Salesforce, and Goldman Sachs announced workforce reductions. These are in addition to large year-end layoffs at Meta, Microsoft, PayPal, and, of course, Twitter.

The US unemployment rate was 3.5% in December 2022. That's the lowest it's been in 50 years. As always, unemployment rates vary wildly by geographic area. Currently, 7 of 10 metropolitan areas with unemployment rates under 2% are in Minnesota, North Dakota, and South Dakota. At the other end of the list, El Centro, CA, and Yuma, AZ, both have unemployment rates above 16%.

Recruitment Continued

What employers need to do:

- Don't assume that a decreased number of job openings and possible layoffs mean that recruitment will be easier in 2023. This remains a volatile labor market
- If you recruit for entry-level positions, anticipate continued high demand for candidates. The Leisure/Hospitality and Health Services industries, with high percentages of entry-level employees, both continue to have large numbers of open positions
- Identify the best resources to help you stay informed about labor market activity in the market(s) where you operate and consult those resources regularly
- Streamline your application process. According to the recruiting data provider Appcast, during 2021, 67% of applications were completed on mobile devices and a whopping 92% of candidates who click "Apply" never complete the application. Make sure your application is optimized for mobile devices and is streamlined, simplified and easy to complete
- Be respectful of your applicants and their investment in the application and interview process
- Reach out to Affinity HR Group with help for your recruiting and headhunting needs

Wage Growth

Salary growth in 2022 was highest for employees in sales and information technology positions and lowest for employees in top management and supervisory roles.

The USDOL reported early in January that wage growth in December 2022 was a lower-than-expected .3%. That translates to a 12-month increased percentage of 4.6%. The Federal Reserve views rapidly growing paychecks as one of the key drivers of inflation, and this slowdown in wage growth, coupled with a still-strong labor market, could help to avoid a recession.

Economic Research Institute's National Compensation Forecast, published in January, projects salary increases of 3.5% and salary structure increases of 2.7% in 2023. For comparative purposes, salary increases over the last 20 years have averaged only 2.53%.

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As always, wage growth varies by geography. A survey by Motley Fool conducted in late 2022 reports that the states experiencing the most rapid wage growth are Wyoming, Arkansas, Florida, and Maine. These are states in very different parts of the US with vastly different economies. The lesson here for employers is to understand the market(s) where you operate.

What employers need to do:

- Remain aware of differing wages and wage increases in different labor markets. This is critical for employers doing business in multiple locations
- If raising pay is necessary to hire new talent, review pay levels for current, experienced employees to ensure internal equity and reduce salary compression
- Consider alternate types of salary increases (e. g. bonuses, special incentives) to supplement or replace the standard annual increase of 2% - 3%
- Develop and implement a long-term salary planning process that addresses current and anticipated labor market issues
- Reach out to Affinity HR Group to tap into our Compensation Practice expertise

Minimum Wage

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27 states will increase the minimum wage in 2023. Most of those changes occurred on January 1, but some are scheduled to increase later in the year. None of the 20 states with a minimum wage of $7.25 have scheduled increases for 2023.

The changes continue to increase in number and complexity:

- 47 municipalities now have a minimum wage that exceeds their state's minimum wage
- 19 states plus the District of Columbia index changes to the minimum wage to local/regional cost of living and inflation
- Several states (including FL) vary the amount of minimum wage by organization size

What employers need to do:

- Identify the best resources to help you stay informed about minimum wage changes in the market(s) where you do business. The National Conference of State Legislatures website (www.ncsl.org/research) maintains a list of current and projected minimum wage rates
- Be aware that minimum wage changes may occur at the municipal as well as state level and may not take effect on January 1
- Understand that even though a location may have a specified minimum wage, prevailing wages in specific markets may be well above minimum wage levels. An example is Fargo, ND, with a minimum wage of $7.25 and a current unemployment rate of 1.5%

Legislative Outlook

Priorities for the House of Representatives include expanding provisions of the Tax Cuts and Jobs Act (2017) to double the standard income tax deduction and reduce the top tax rates.

The 118th Congress which convened in early January is divided with Republicans controlling the House of Representatives and Democrats controlling the Senate. There are a few bipartisan priorities, including healthcare reform (so far undefined) and insulin affordability.

Priorities for the House of Representatives include expanding provisions of the Tax Cuts and Jobs Act (2017) to double the standard income tax deduction and reduce the top tax rates. Healthcare priorities include extending telehealth payment coverage and expanding oversight of health agencies.

A key Senate priority will be confirming judges – currently there are 69 federal judicial vacancies and another 44 appointees awaiting confirmation.

The Biden administration will continue to advocate for additional childcare benefits as well as universal pre-K as a means of increasing workforce participation. Both were originally included as part of the Build Back Better Act (2021) but are now being considered as stand-alone measures.

As of January 1, 2023, 12 states and the District of Columbia now offer some type of paid family leave for employees. Vermont and New Hampshire will implement voluntary family leave plans later this year. And paid leave is under consideration in an additional 9 states.

What employers need to do:

- Consider subscribing to Affinity HR Group's HR Support Plan which tracks state legislative updates that affect workplace policies and practices (www.AffinityHRGroup.com/hrsupportplan)
- Legislation often happens quickly at the state and municipal levels. Identify the resources necessary to stay informed of changes and new requirements and consult them regularly
- Let Affinity HR Group track and notify you of regulatory and legislative changes that affect your workplace

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#1-Where Are Your Employees?: Way back in 2019, that would have seemed a really dumb question. Now? Well, it's complicated.

The number of employees working remotely on a full-time or part-time basis continues to increase. A recent McKinsey American Opportunity Survey reported that 58% of survey respondents work remotely at least part-time. 38% of respondents to the same survey work remotely full time. That's a really high percentage, especially considering that some industries with large numbers of employees (e. g hospitality, construction) often can't offer much opportunity for remote work.

One thing several workplace trends surveys have in common is that the need for flexibility is, and will continue to be, high on the list of what employees want. Flexibility doesn't just mean the opportunity to work from home, but also includes 4-day work weeks, split schedules (e. g. work in the morning, take time off to pick up kids from school, go back to work either in the office or from home) and other opportunities that allow employees more control over their schedules.

The location of employees is also linked to pay differences. Historically, it has been common for organizations to pay employees based on the employee's location. A recent survey by the Economic Research Institute reported that 70% of responding employers use some type of pay differential by location. If you're hiring remote workers, you will need some type of market data for the location of candidates in order to set a fair, competitive compensation level. There are also some remote workers who really don't have a "home." They might spend winters skiing in the west, a few months at the beach, and maybe a few months out of the US. Determining fair, competitive compensation levels for these employees will be a significant challenge for employers.

#2-Workplace Surveillance: This is new to our "Issues and Trends" list, but it's probably going to be on the list for quite a while. The rise in remote and hybrid work has resulted in a significant increase in workplace surveillance activities by employers. A recent survey conducted by Digital.com reported that 60% of employers with remote workers use some type of monitoring software to track employee activity and another 17% are considering it.

Sales of employee monitoring software have grown exponentially since 2020, and the market for this type of software is now valued at 1.1 billion USD.

Employee surveillance is a large component of what Microsoft's Satya Nadella has termed "Productivity Paranoia." Simply put, Productivity Paranoia refers to management uncertainty that employees are working as effectively as they can when they can't physically see them. For more information, check out Affinity HR Group's video from December 2022 (https://www.youtube.com/AffinityHRGroup).

Lawmakers and regulators are already considering actions to protect the privacy rights of employees. The Massachusetts State Legislature recently introduced a bill aimed at protecting employees from "non-consensual capture of information or communications within an individual's home." At the federal level, the Worker Privacy Act, originally drafted in 2020 and designed to require employers to report what types of employee data they collect and why, hasn't gained much support for passage but may gain increased momentum as this issue becomes more important to both employers and employees.

#3-Impact of Dobbs v. Jackson on Employers and the Workforce: It has now been seven months since the Supreme Court issued the decision that overturned Roe v. Wade. Few of the questions raised by this decision have been answered – and many more have arisen.

The decision returned the power to regulate abortion to individual states. More than a dozen states had "trigger bans" in place that would take effect if Roe v. Wade was overturned. Some of this legislation has been blocked at least temporarily by litigation, but eight states have now implemented total or near-total abortion bans.

Abortion is now classified as a crime in Texas and Oklahoma. This means that abortion providers may be charged with a crime, as can the woman receiving the abortion. This raises an important issue for employers – how can policies and benefits be put in place that support employees who may seek an abortion but are unable to do so because of laws in the state where they live or work.

Trends Continued

What employers need to do:

- Develop and implement compensation and related policies and practices that support a hybrid workforce and recognize the need for wage differences in different geographic areas
- Develop and provide clear, consistent communications surrounding the use of employee surveillance. Keep abreast of state and federal legislation – this is largely an unregulated area that will come under increased legal and legislative scrutiny
- Consider what short- and long-term actions you may need to take to attract and retain women in your workforce

COVID-19

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Not only hasn't COVID-19 gone away, but the winter of 2022-2023 has given us the "tripledemic." This is the confluence of COVID-19, influenza, and RSV that has resulted in high levels of hospitalization. This is expected to increase through the winter months as people in many parts of the country continue to congregate indoors. COVID-19, the flu, and RSV are all highly contagious.

Colorado reported only 2 children's ICU beds were available in the entire state during Thanksgiving week. In Phoenix, one large urban hospital has erected tents and is using them to treat patients in overflow situations.

On January 11, Secretary of Health and Human Services, Xavier Becerra, signed a renewal of determination that a public health emergency due to COVID-19 continues to exist. This Declaration of Public Health Emergency provides access to additional funding to address the pandemic, adjusts Medicare reimbursement for some part B drugs, and supports modifications to telehealth. The declaration lasts for 90 days, and must be renewed again or it will expire on April 11,2023.

Mask mandates have been lifted at the federal level and in most states. However, California, Massachusetts, New York, Oregon, Washington, and the District of Columbia continue to require masks be worn in healthcare, long-term care, correctional, and other specified facilities.

What employers need to do:

- Contact Affinity HR Group for the latest workplace guidance (www.affinityhrgroup.com)
- Identify the best supplemental resources to help you stay informed of changes/new requirements at the federal, state, and local levels
- Ensure your policies are consistent with federal, state, and local laws
- Develop the procedures and communications necessary to support those policies

Occupational Outlook for Insurance Sales and Service

The USDOL anticipates 7% job growth for this position during the period 2020-2030.

2022 saw high demand for insurance Sales Representatives. US News recently named insurance sales positions as #5 on its list of best sales and marketing jobs and #14 on its list of highest paying jobs that don't require a college degree. The USDOL anticipates 7% job growth for this position during the period 2020-2030.

The demand for Customer Service Representatives was moderate in 2022. Technology has replaced many of these positions and many organizations offer online self-service systems to perform simple tasks. Demand continues to be higher for CSRs who provide complex customer support or who possess specialized skills such as being bilingual.

As noted above, wage growth slowed during the last half of 2022. Despite this slowdown, wage gains for many employee groups continue to be steady. The table below, using data from USDOL, illustrates some of these wage gains over the last three years. It shows national information, so keep in mind that the data for your geographic area(s) may vary – sometimes significantly.

USDOL 2019-2021 Income Data

Occupation	Mean 2019 Annual Salary	Mean 2020 Annual Salary	Mean 2021 Annual Salary
Insurance Sales Representative	$67,787	$69,098	$69,451
Customer Service Representative	$37,315	$38,501	$39,083

What employers need to do:

- Anticipate continued difficulty recruiting candidates with specialized skills (e. g. bilingual CSR)
- Understand who your competitors are for talent in your recruiting market(s) and that these competitors may be different than in the past
- Review current pay policies to address both external competitiveness and internal equity issues