

# INNOVATIONS

## The Approaching Storm: Preparing for the Impact of Demographic Changes

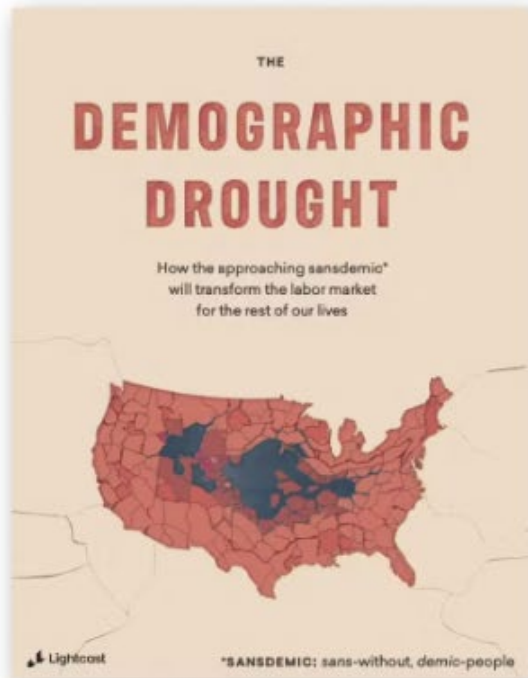
Presented By: Ron Hetrick, Senior Labor Economist



*This program has been approved for 1 HR (General) recertification credit hours toward PHR, SPHR and GPHR recertification through the HR Certification Institute.*



*This program is valid for 1 PDCs for the SHRM-CP® or SHRM-SCP®. For more information about certification or recertification, please visit [www.shrmcertification.org](http://www.shrmcertification.org).*



Coming Sept 17th.

## Key Takeaways

**2 out of every 3 native born young people are planning to get a 4 year degree so...**

**Who is going to do the work that keeps the country fed, protected, and cared for?**



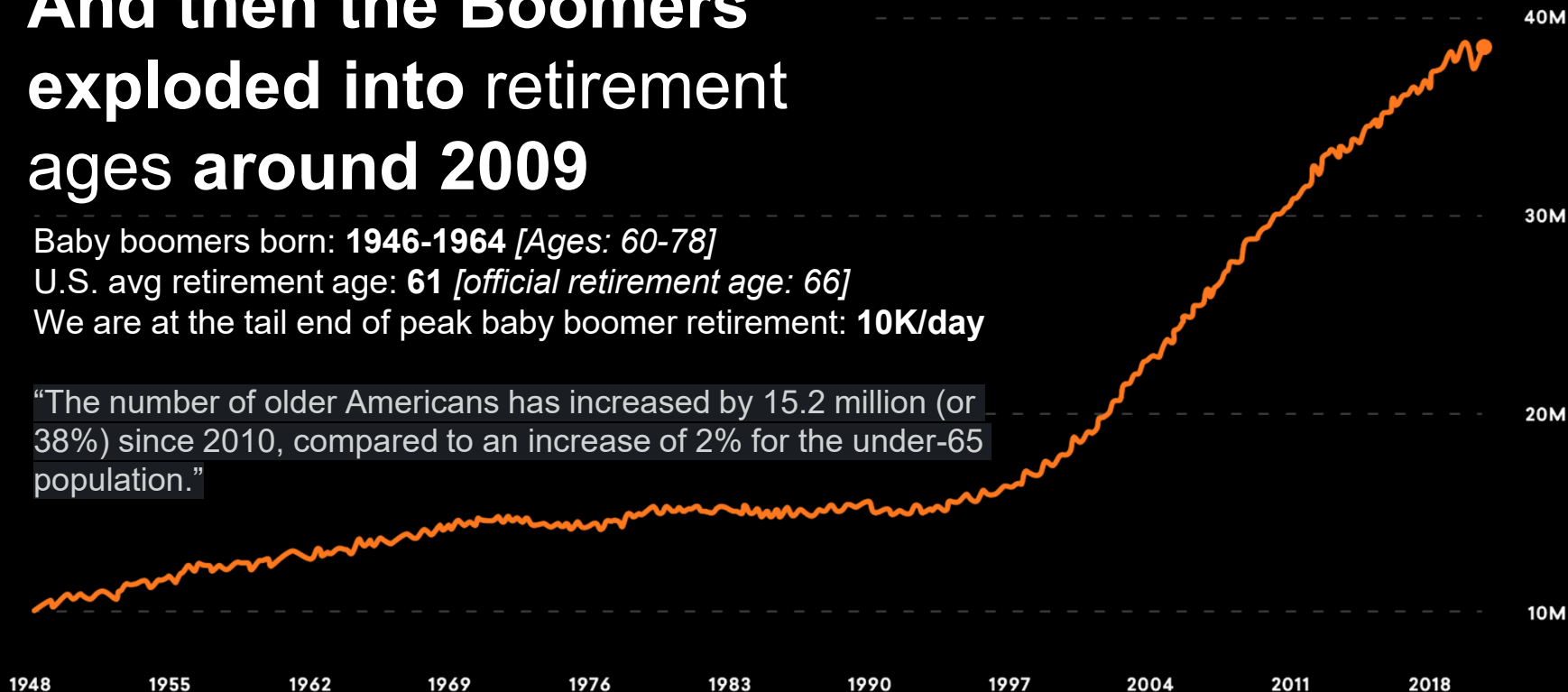
# And then the Boomers exploded into retirement ages around 2009

Baby boomers born: **1946-1964** [Ages: 60-78]

U.S. avg retirement age: **61** [official retirement age: 66]

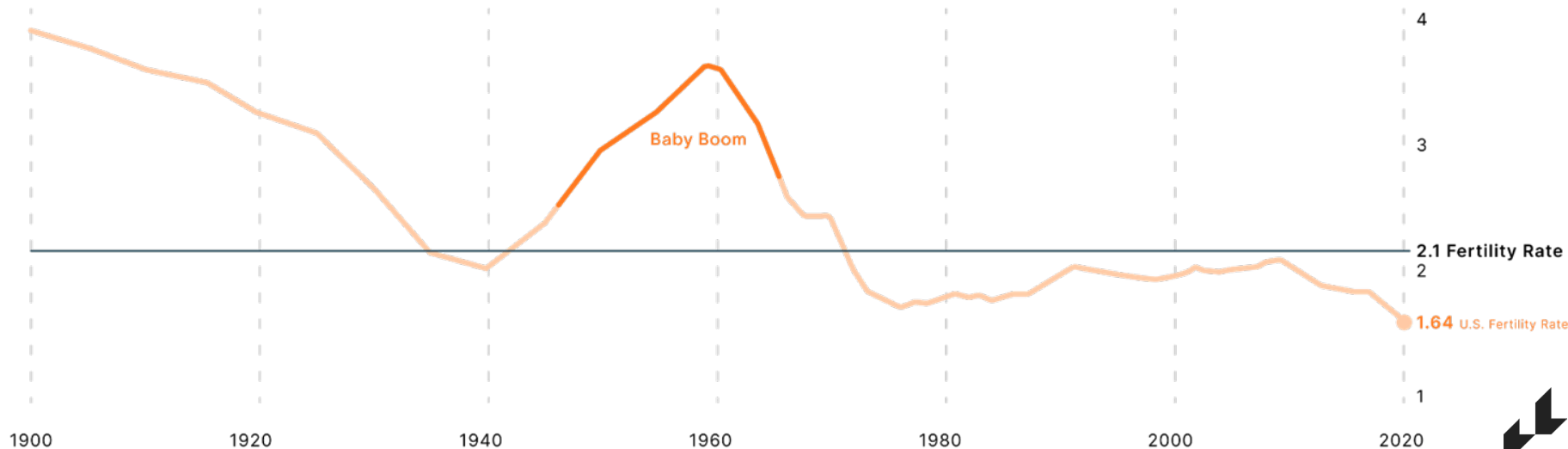
We are at the tail end of peak baby boomer retirement: **10K/day**

“The number of older Americans has increased by 15.2 million (or 38%) since 2010, compared to an increase of 2% for the under-65 population.”



# We're living below the 2.1 birth replacement rate

We never created a next generation



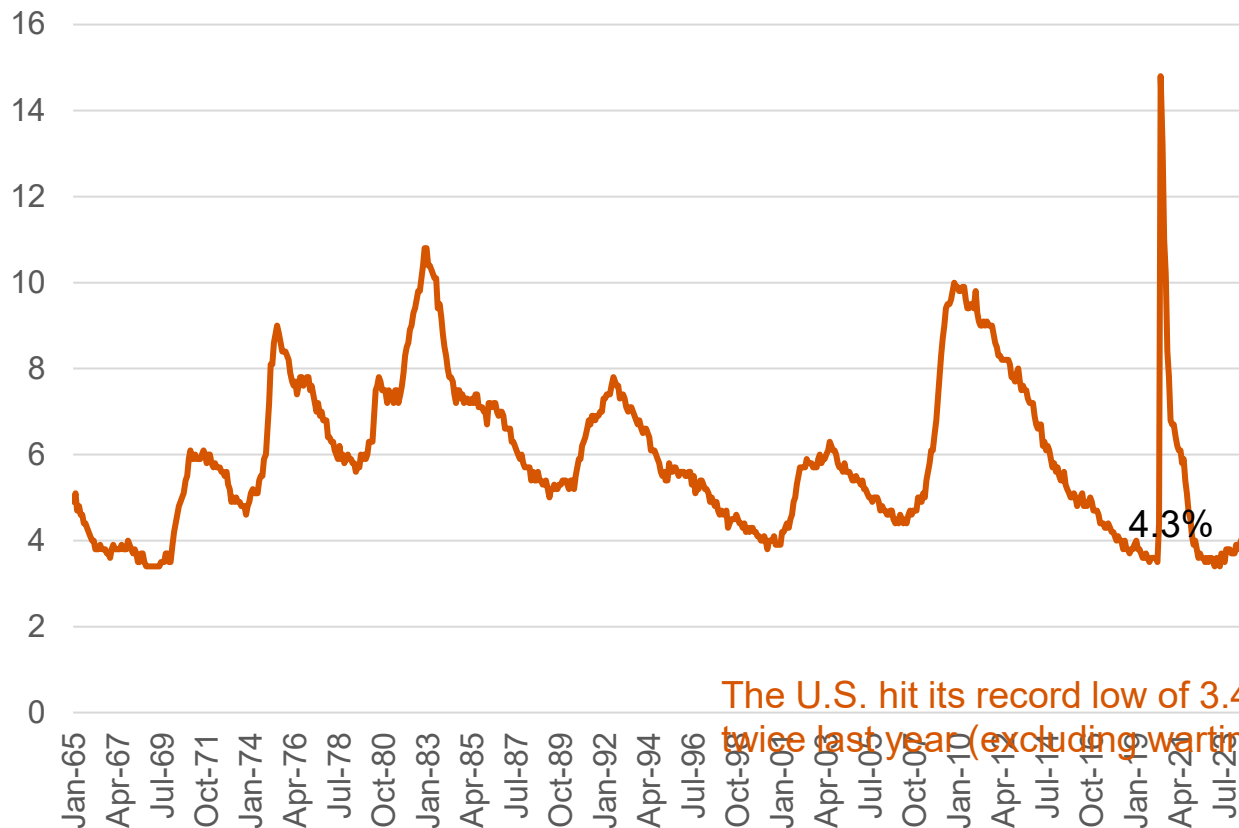


The background of the slide is a dark, industrial scene. On the left side, there is a bright, orange-red glow from sparks or molten metal, suggesting a welding or manufacturing process. A robotic arm or mechanical structure is visible in the center, partially obscured by the sparks. The overall atmosphere is gritty and industrial.

# Current U.S. labor situation



# Perspective - Unemployment

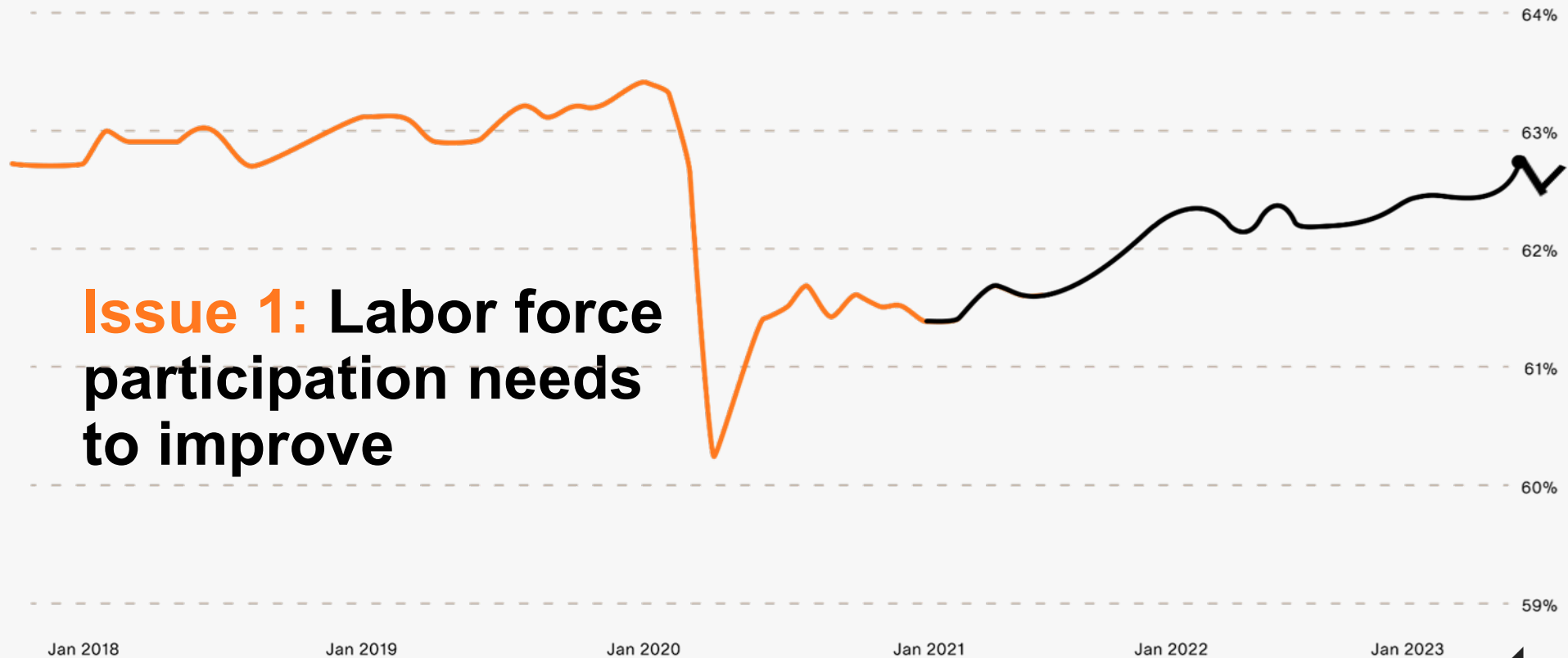


The U.S. hit its record low of 3.4%  
twice last year (excluding wartime)

In the past 50 years, there have only been a handful of months with unemployment below 4.3%, with nearly all of those either in the past 5 years, or during the Vietnam War.



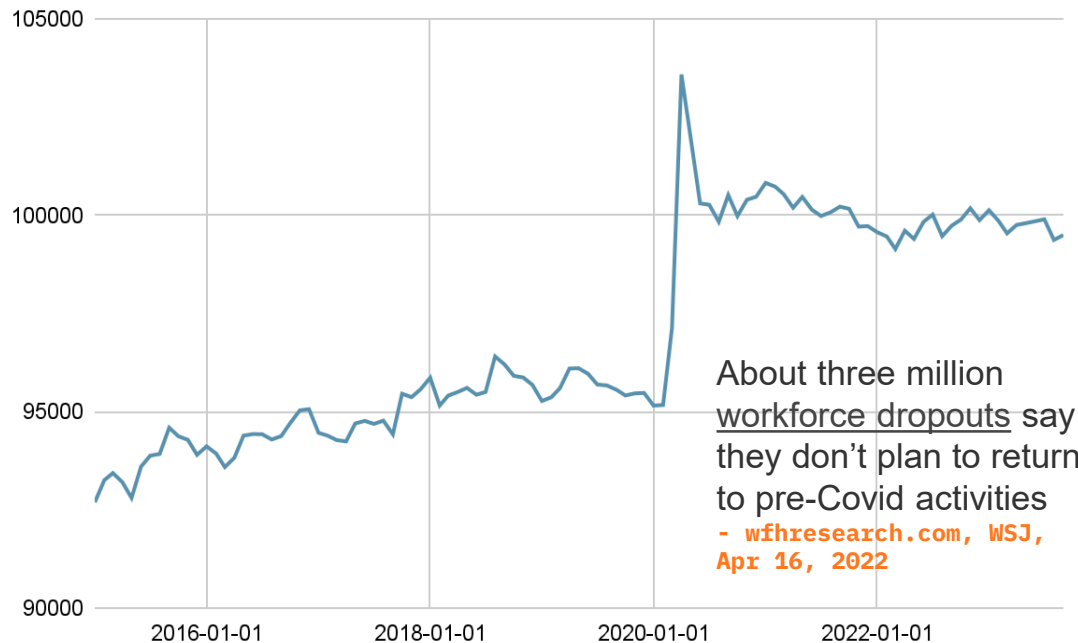
# Issue 1: Labor force participation needs to improve





# After the 5M jump in people out of the labor force early in the pandemic, the US is stuck at this new benchmark

**80%** of this change is accounted for in people **55 and older.**

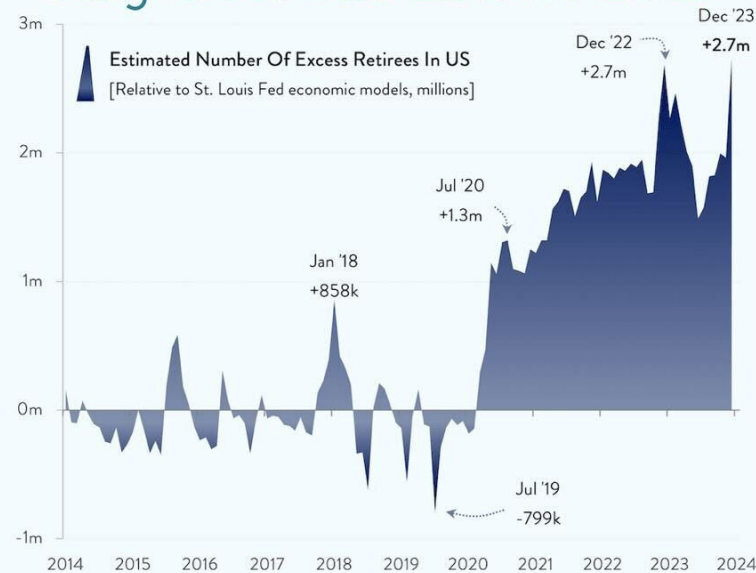


*\*16-24 not in labor force compared to same month 2019 due to extreme seasonality*

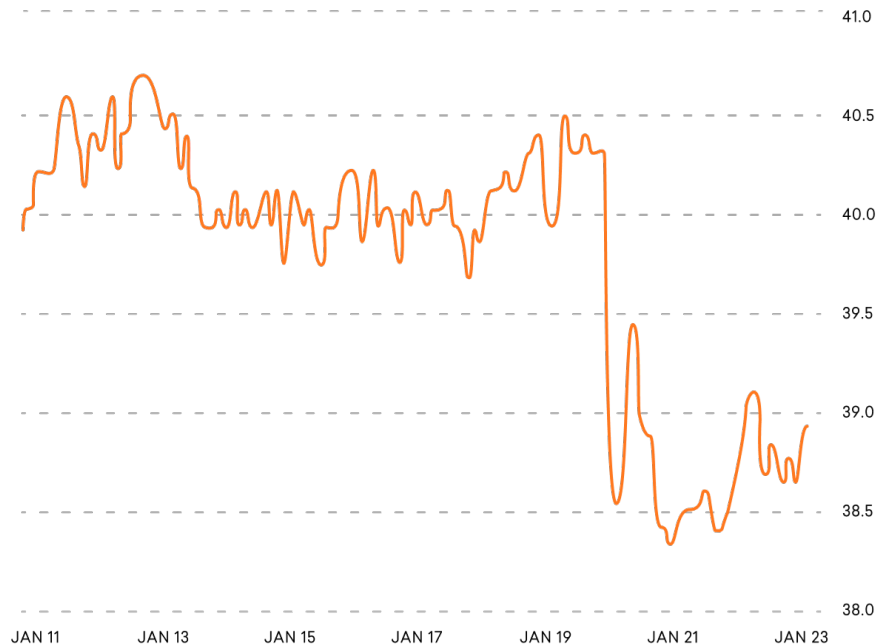


# Labor force participation (55+) not recovering because they retired

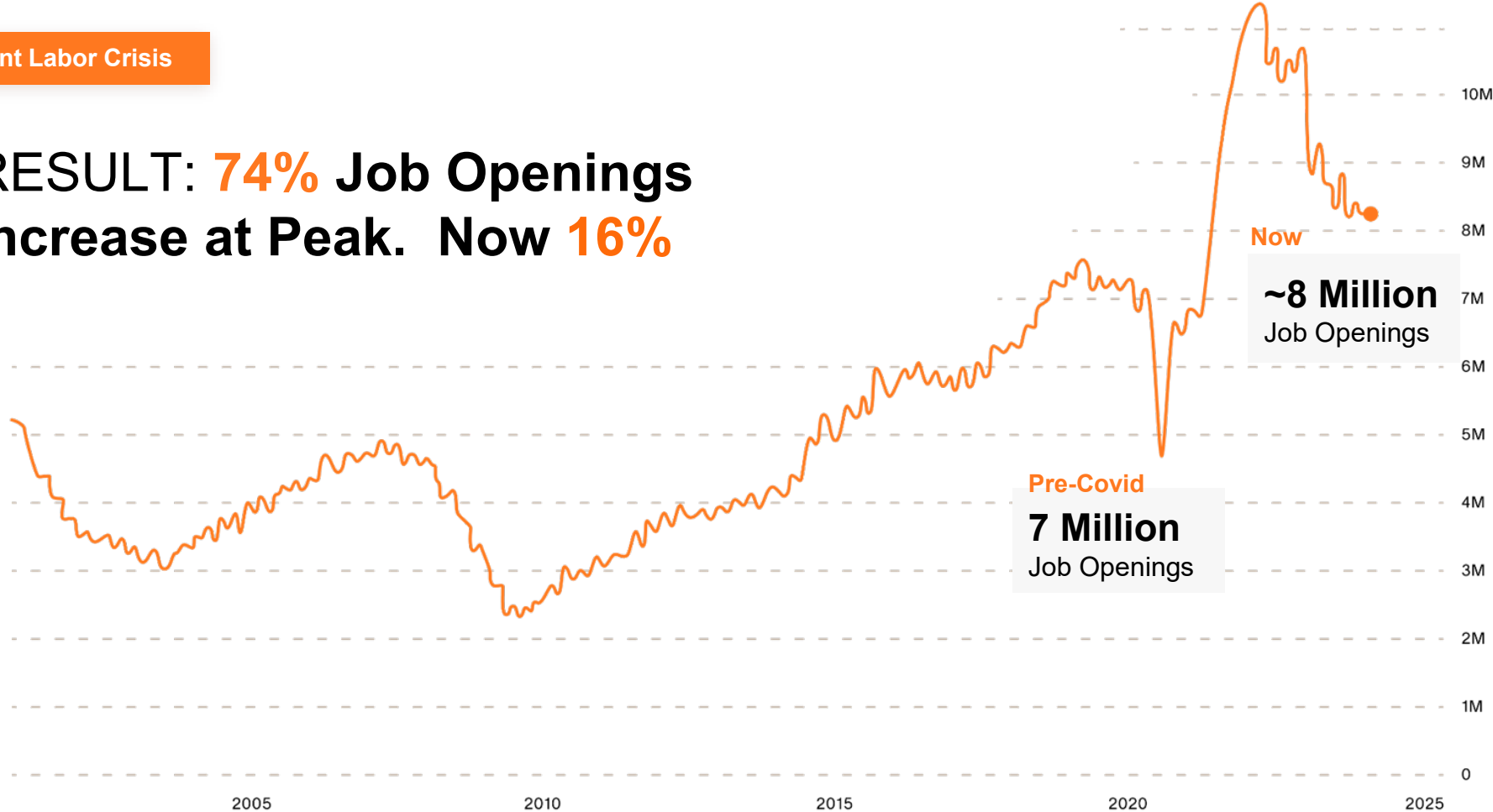
## Clocking Up: Retirement Rates Surged At The End Of 2023



## LFPR 55+



RESULT: **74%** Job Openings  
Increase at Peak. Now **16%**

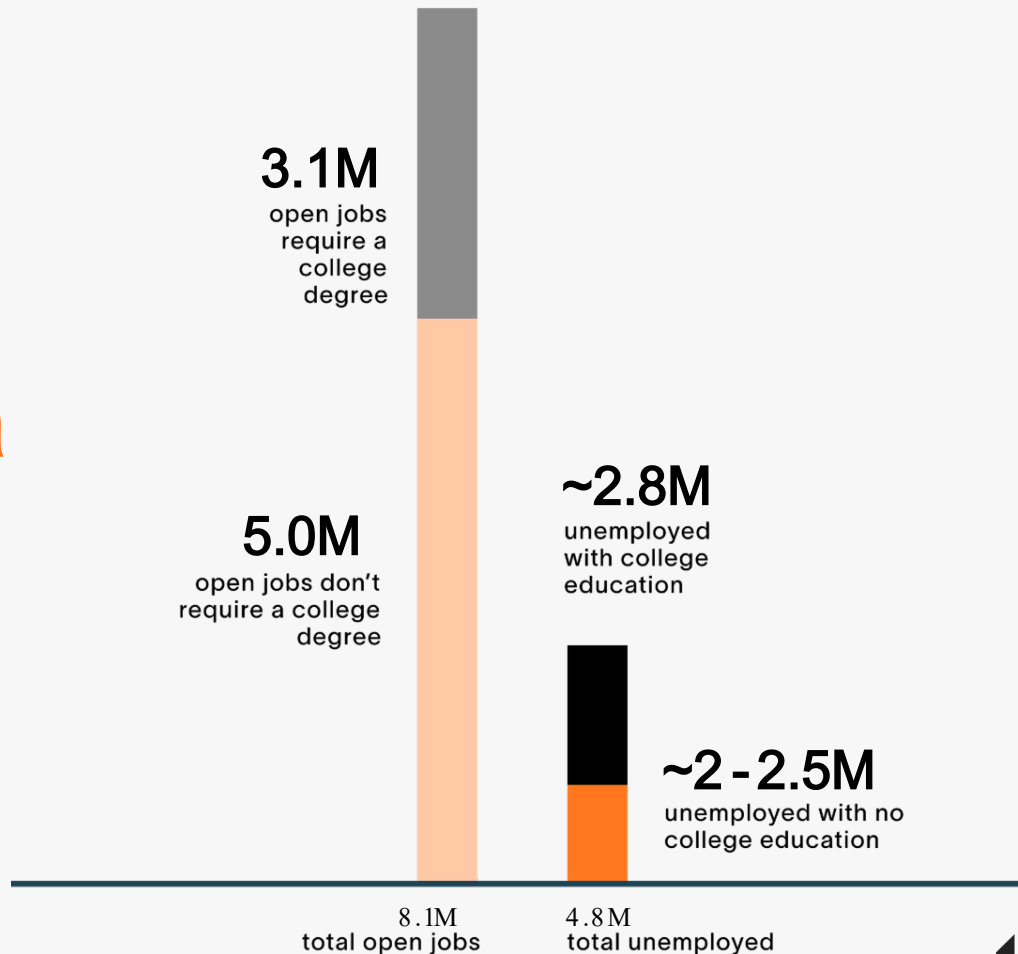


# Roughly 5M of the ~8M open jobs in America

need to be filled by people **without a college degree**

**68%** of people out of the labor force are those with a high school diploma or less.

Unemployment rate for those with a high school diploma is 4.2%. Prior to the pandemic, it bottomed out at 3.4% in 2019.



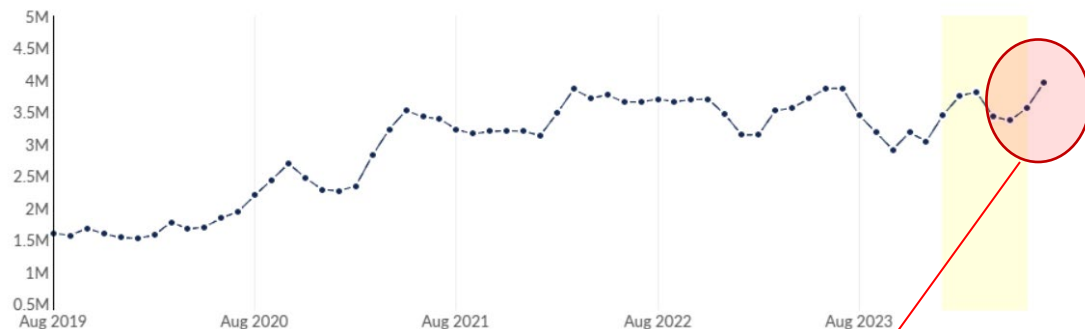
# Overall demand shows low end needs

What do most of these jobs have in common?

Unique Postings July

Unique Postings Trend

[Jump to Job Postings Table](#) ■■■



**Recruit Q1 revenue falls, Indeed sees decline in job postings**

Craig Johnson | August 8, 2024

Registered Nurses	690K
Retail Sales clerk	297K
Truck Driver	218K
Customer Service Reps	203K
Home Health Aides	199K
Admin/Office Asst	171K
Retail Store Manager	169K
Maintenance/Repair Techs	163K
Sales Reps	157K
Laborer/Warehouse	156K





# Who is going to do the work?

Civilian Labor Force Changes: 25 years and older by segment:  
Table A-4, CPS

## Demographic

## Change since prior to pandemic

**TOTAL**

**+3.9M**

Less than High School

-0.4K

High School Diploma

+426K

Associates Degree or Similar

**-1.7M**

**Bachelors or higher**

**+5.2M!!!**



# The Fed and Consumer behavior



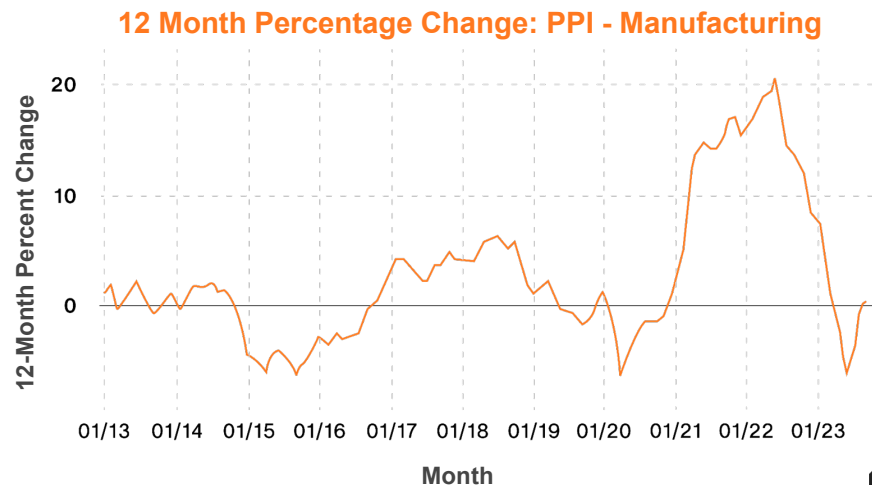
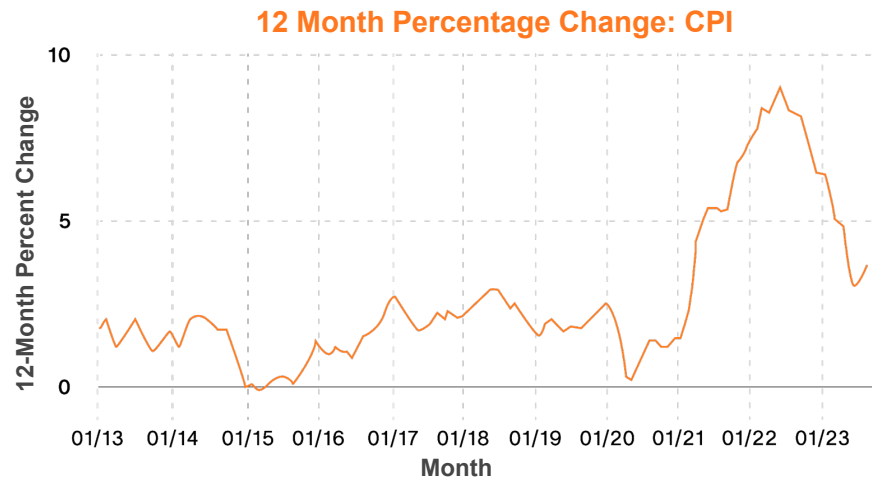
**The Fed raised interest rates  
for 22 months. What was the  
result?**



Inflation is still occurring;  
we just want it to occur  
at a **slower rate**, and it is

Whether it was Fed interest rate increases, or simply a more realistic consumer demand curve; the market is not seeing the product or wage pressure it felt in '21 and '22.

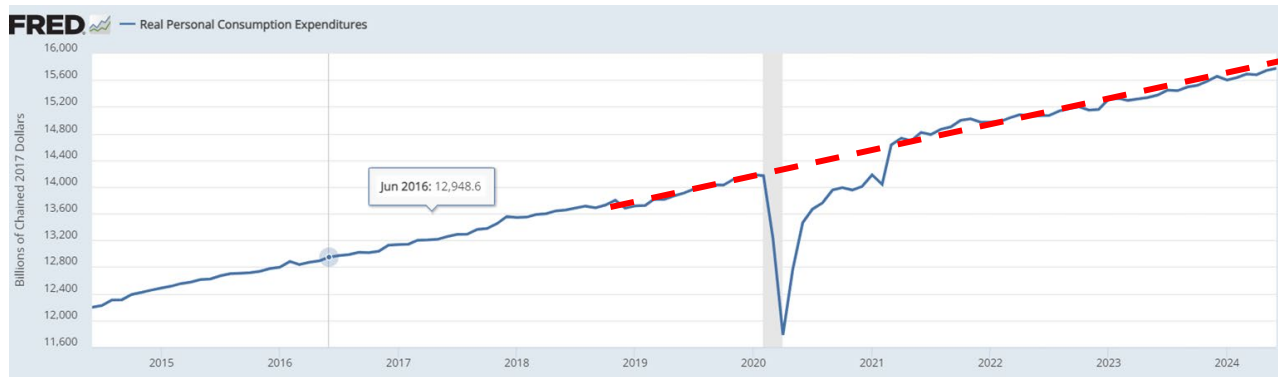
The economy is settling back into a steady state... better known as a “soft landing”.



## Real Personal Consumption Expenditures

Consumers are still spending, and consumer spending is 70% of GDP

Also, we have a gap in services purchases that cannot be made up



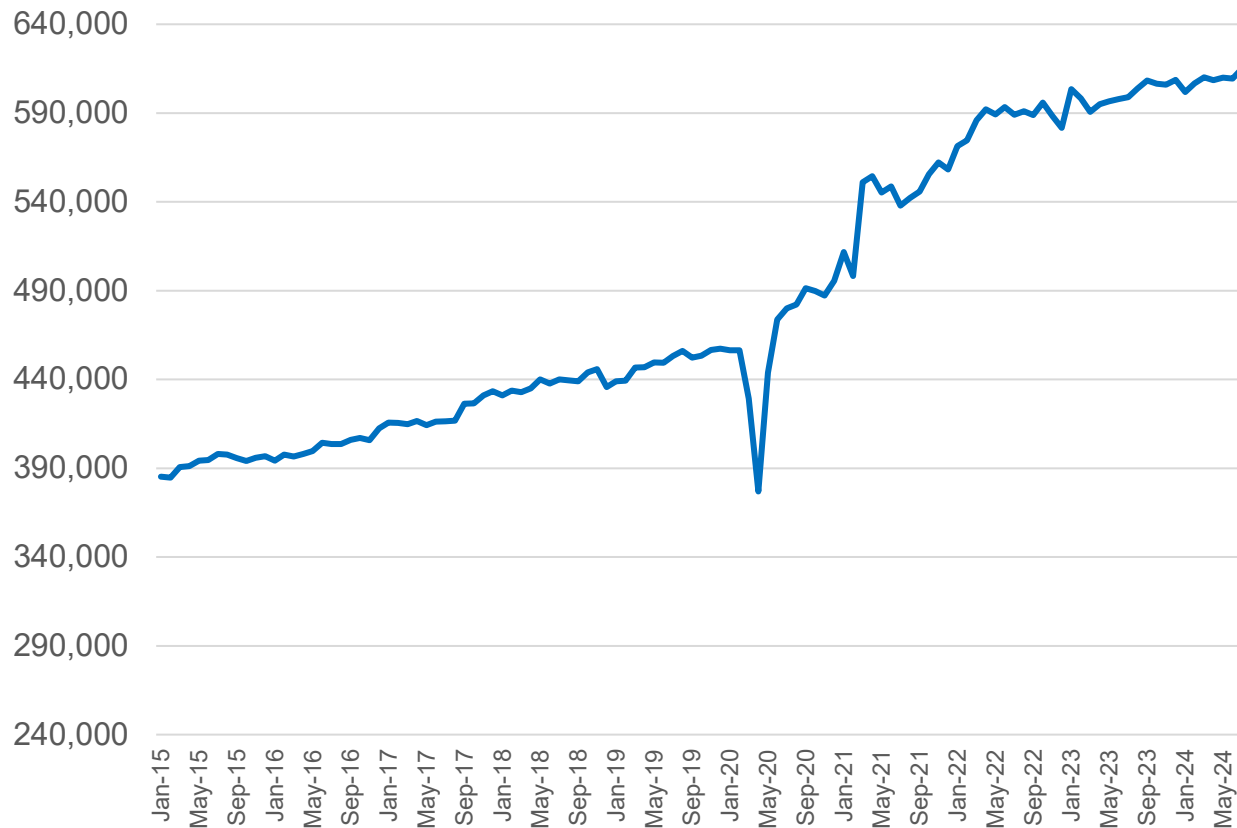
"Our clients still just generally across the board, have about 30% more in their checking accounts than they did pre pandemic. While it comes down a little bit, the high-water mark was about 15,500 on average, and we hit that about a year ago. It's running around about 14,000 now, but it's still 30% higher than it was and across every cohort.

- Bank of America (BAC) Co-Head of the Consumers business Aron Levine (June 28, 2023)





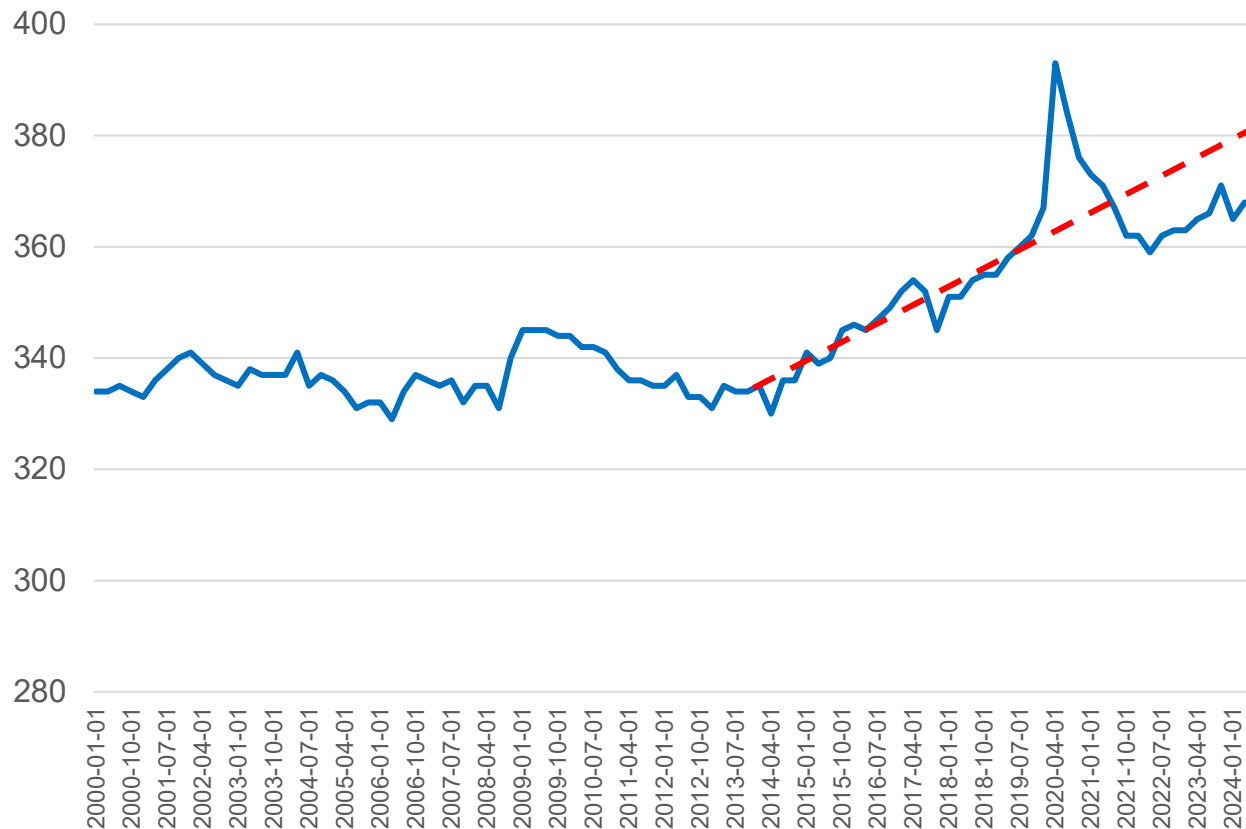
# Advanced Retail Sales Setting Records



Consumers have been unfazed by prices and interest rates



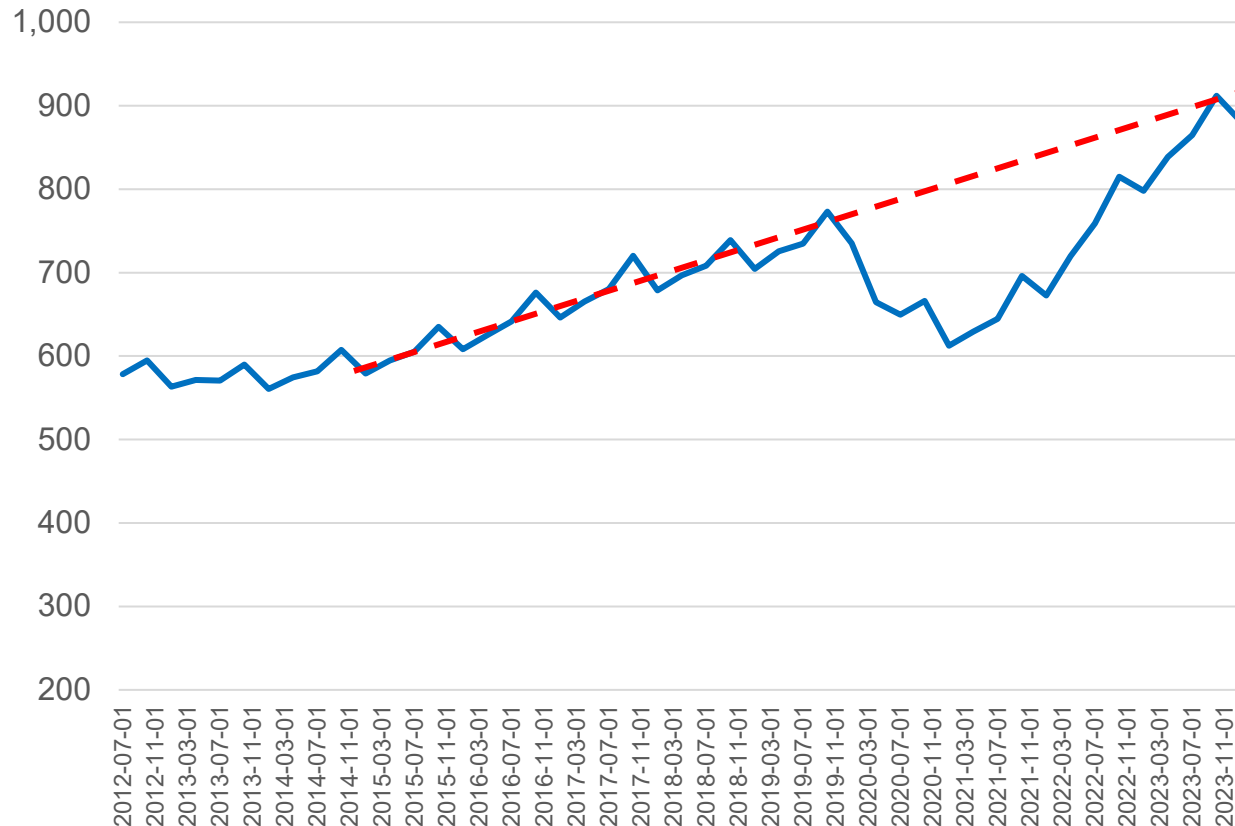
## Median Weekly Real Earnings lagging vs recent trend



On the surface this looks concerning if compared to very recent history, but there is an important reason for this trend.



# Credit card debt balances roughly on trend



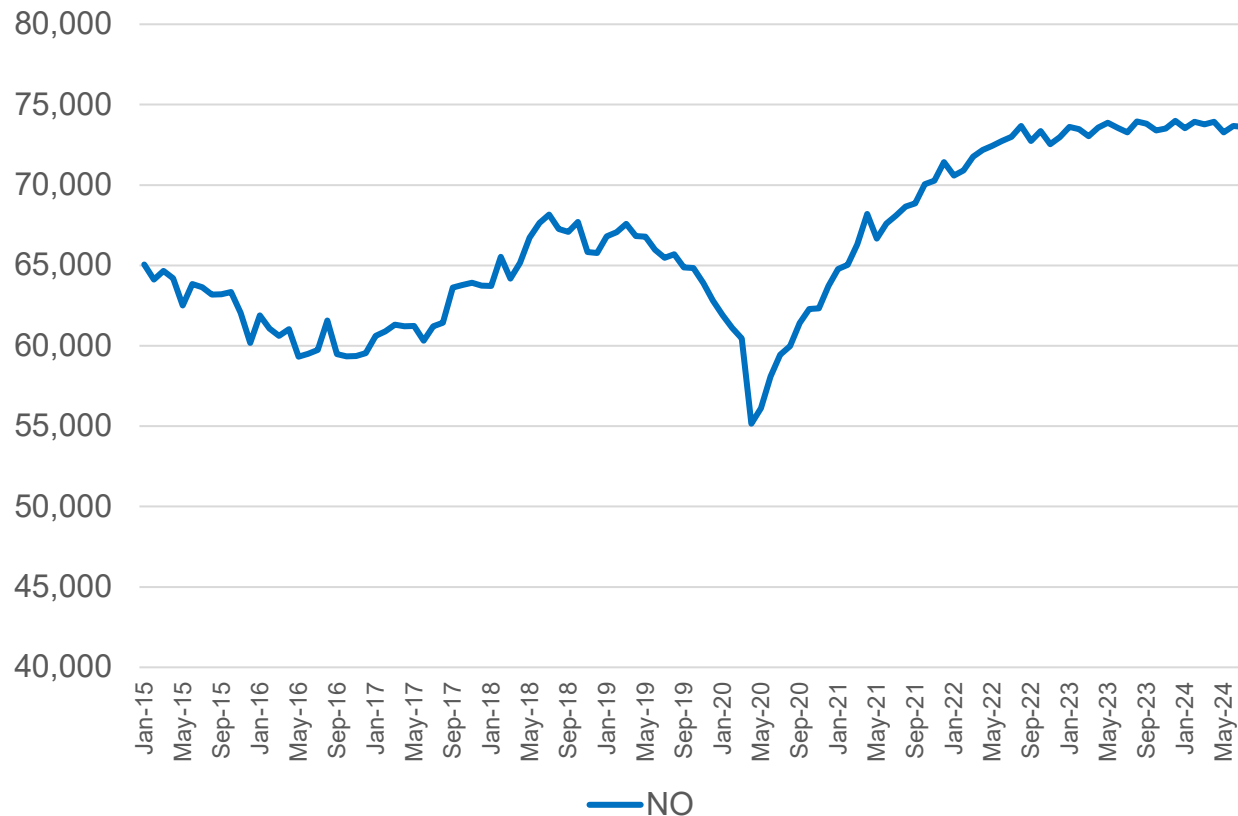
Consumers aren't stretched financially, especially if inflation is taken into account.

The percentage of accounts paying off their balance in full every month is well above pre-pandemic.

The percentage of credit accounts with low credit scores is at historical lows.



# Core New Orders, still very strong



Despite  
inflation's  
easing, there is  
no downward  
trend in orders



# Retail Inventories to Sales Ratio still very low

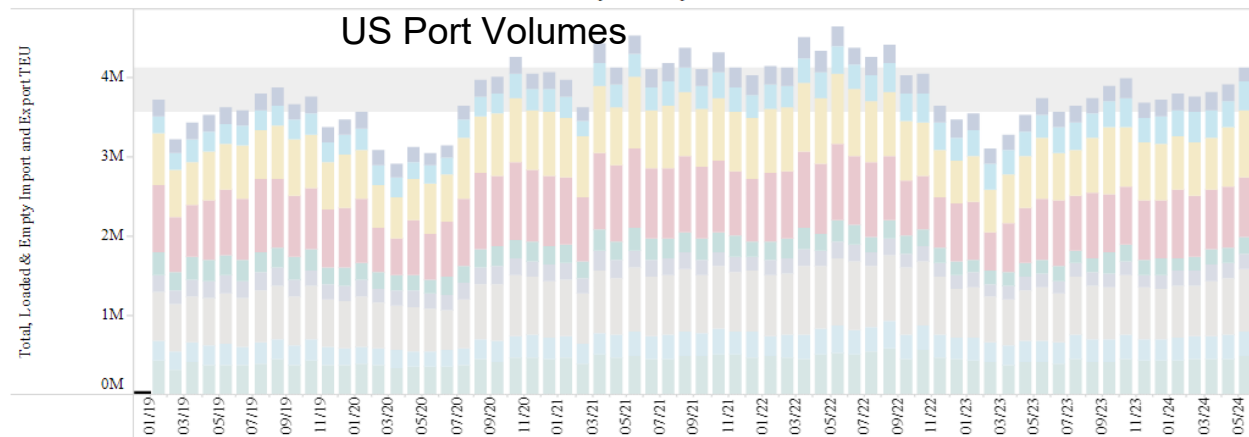
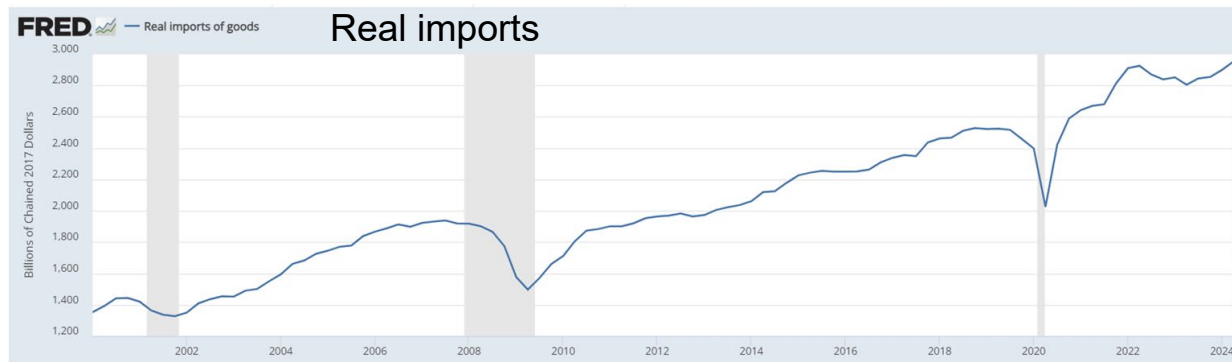


Up from extreme lows, but still well below the pre-pandemic level





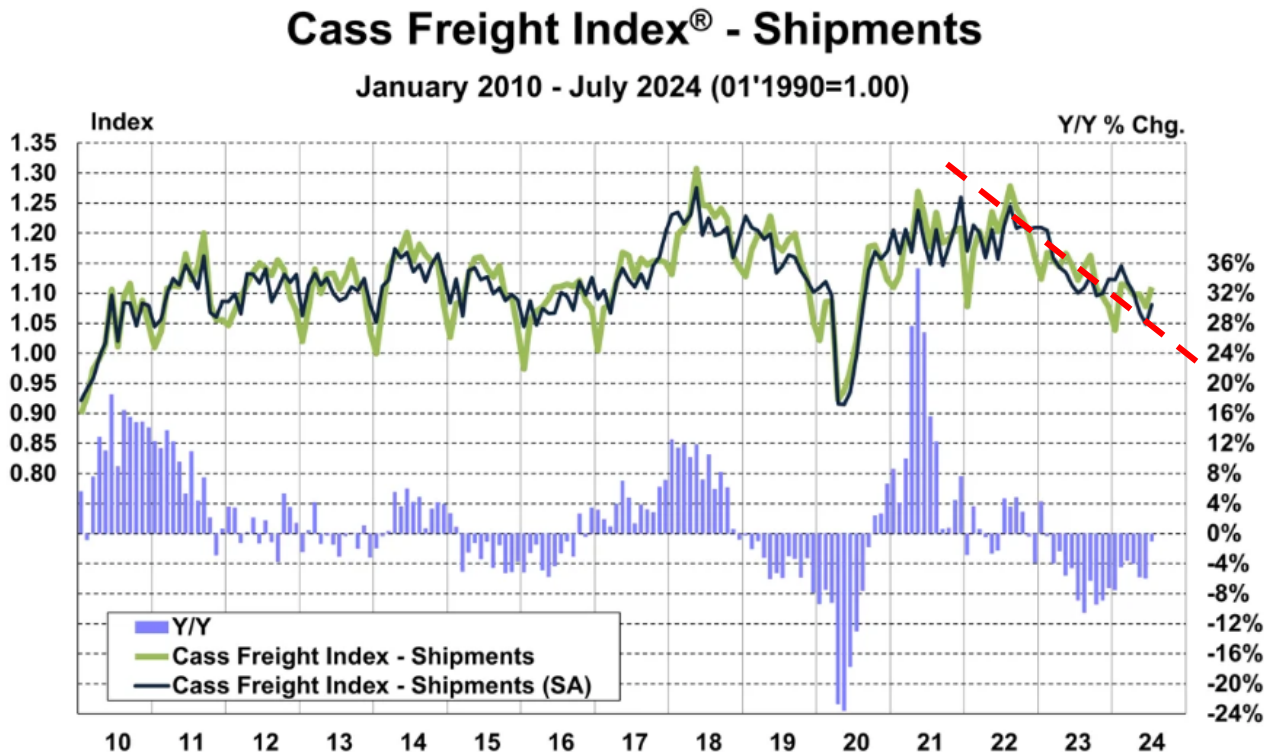
# We are importing at strong levels, but shipping has been struggling



If manufactures and importers need to move product due to demand, then why aren't they?

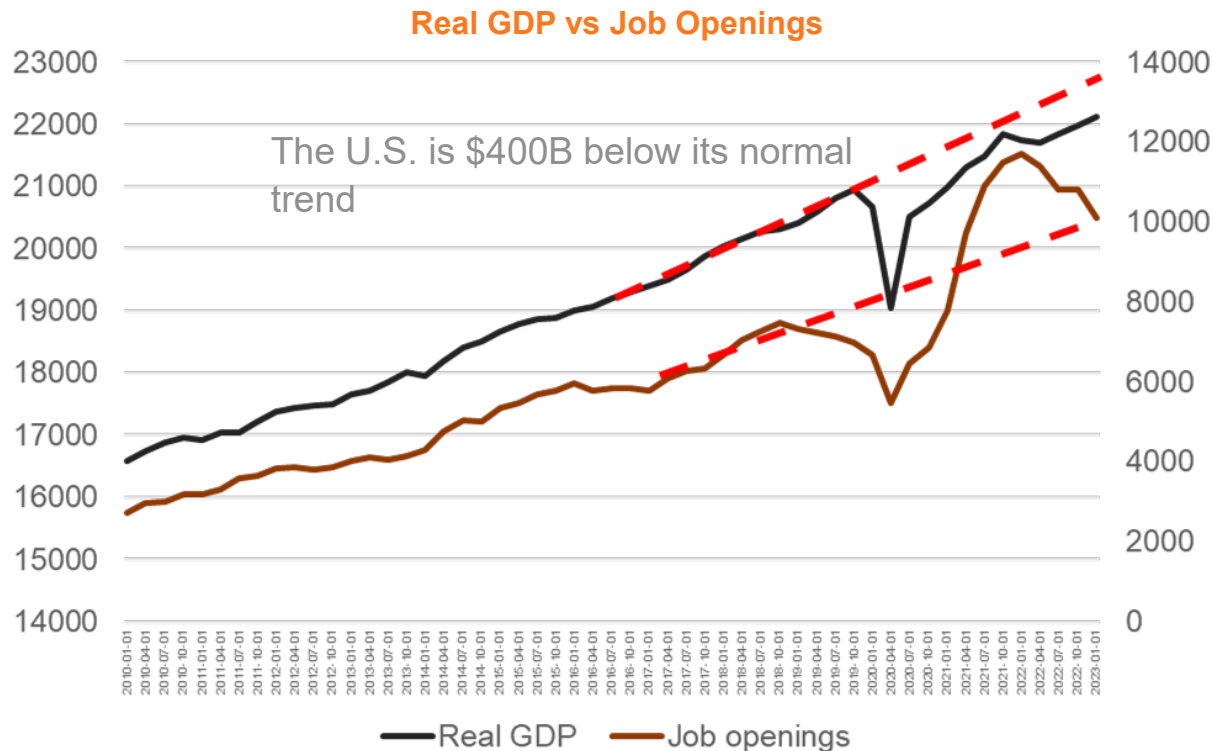


# We are importing, we are producing goods. Why aren't we shipping them?



## It is all about the labor shortage

Had we had the labor, we would have overheated significantly, but the lack of labor acted as a shield of sorts and will play a part for more than a decade to come. Even now, the inventories to sales ratio is lower than 2019. All signs show that the US is underproducing.



# Where are we going?



**There are fewer people collecting unemployment now than in 1970 when the labor force was 102% smaller**





## Labor Force change to 2032

65+ +3.8M

25-64 +1.7M

16-24 -1.1M

**Most of our labor force growth to 2030 is projected to be over 65 but will it?**

*According to Gallup as of '22, the average person says they will retire at 66, but, they actually retire at 61.*

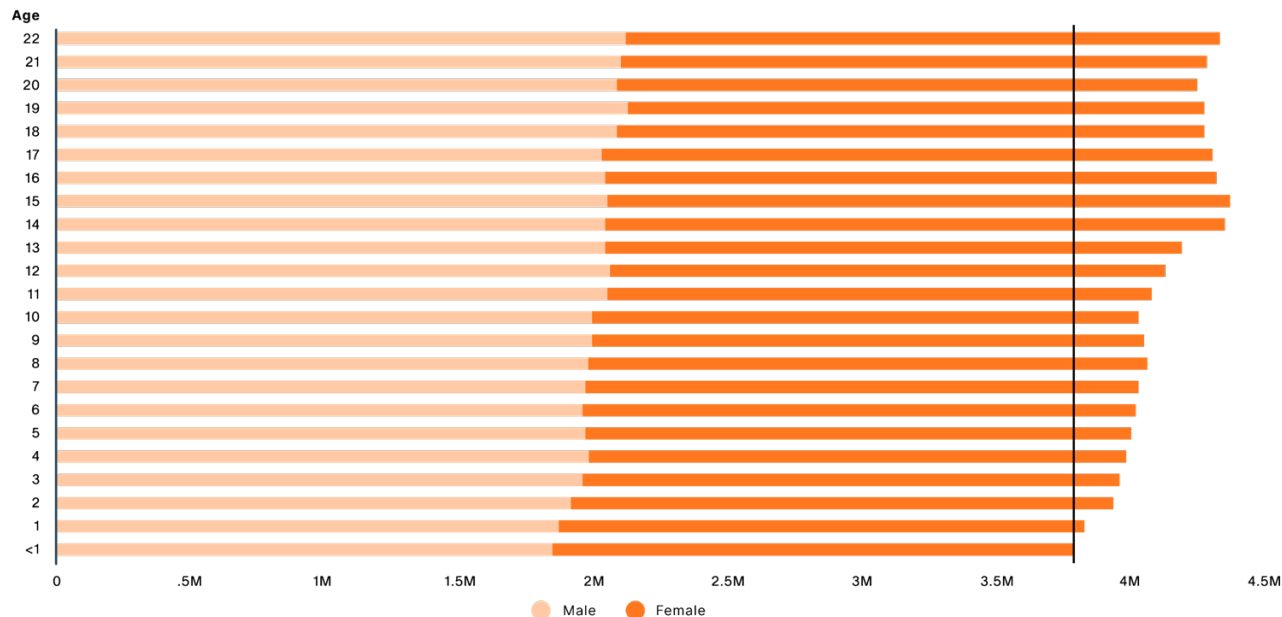
*LFPRs for people over 75 are plummeting, not increasing.*



# Over the next 16 years, we will have nearly 1M fewer potential entrants

From 2010 to 2021, the 0 to 4 age group **declined 6.7%**, the largest drop of all age groups.

- USA Facts



## A math dilemma

If net growth of our labor force to 2032 under the age of 65 is only 2.6M, and 2/3rds or more will have college degrees ...

**That leaves 90K entrants a year to fill millions of non-degreed jobs.**

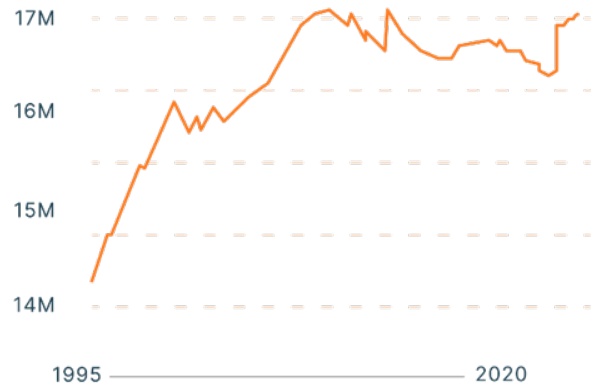


# 16-19 year olds: Not working

The 16-19 population  
is **3.4M larger** than  
1966, the labor force  
**400K smaller**

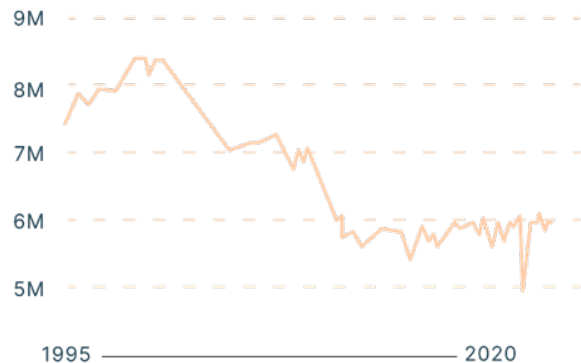
## 16-19-year-old population

Boomer children helped  
explode this group, but  
that will continue to erode  
going forward.



## 16-19-year-old labor force

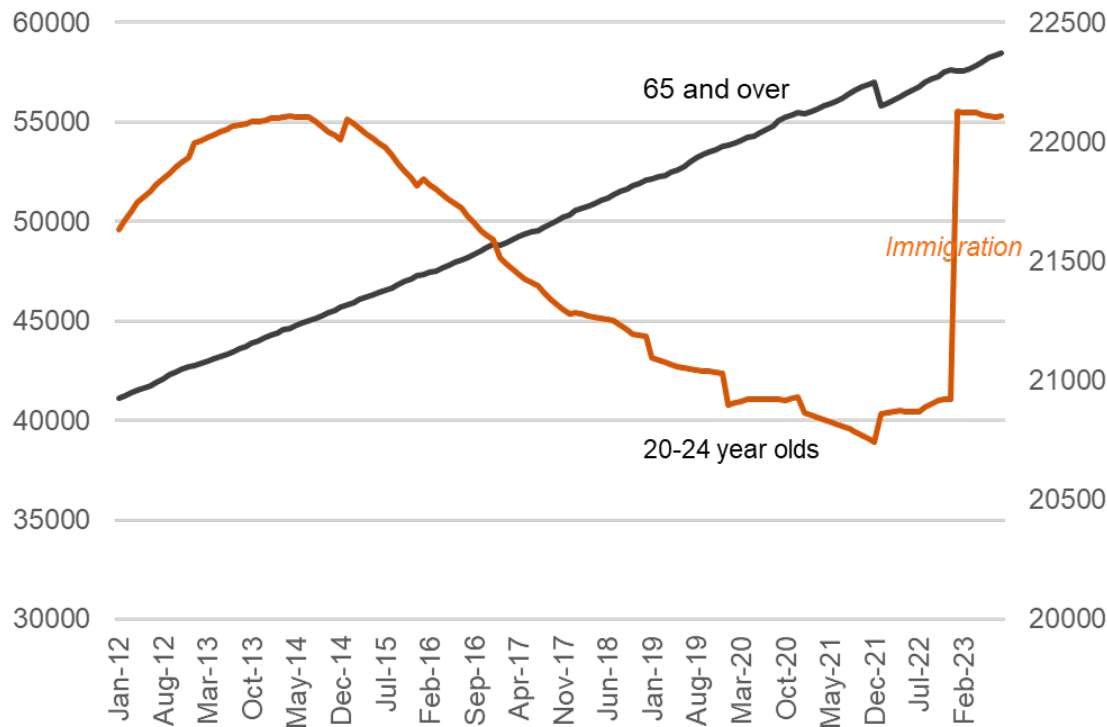
Despite a somewhat stable  
population, the number in  
the labor force fell for  
decades and has plateaued  
lower for a decade.



## While Our Dependent Population Has Exploded by 17M...

**20-24-year-olds have seen no net growth in the past 10 years.**

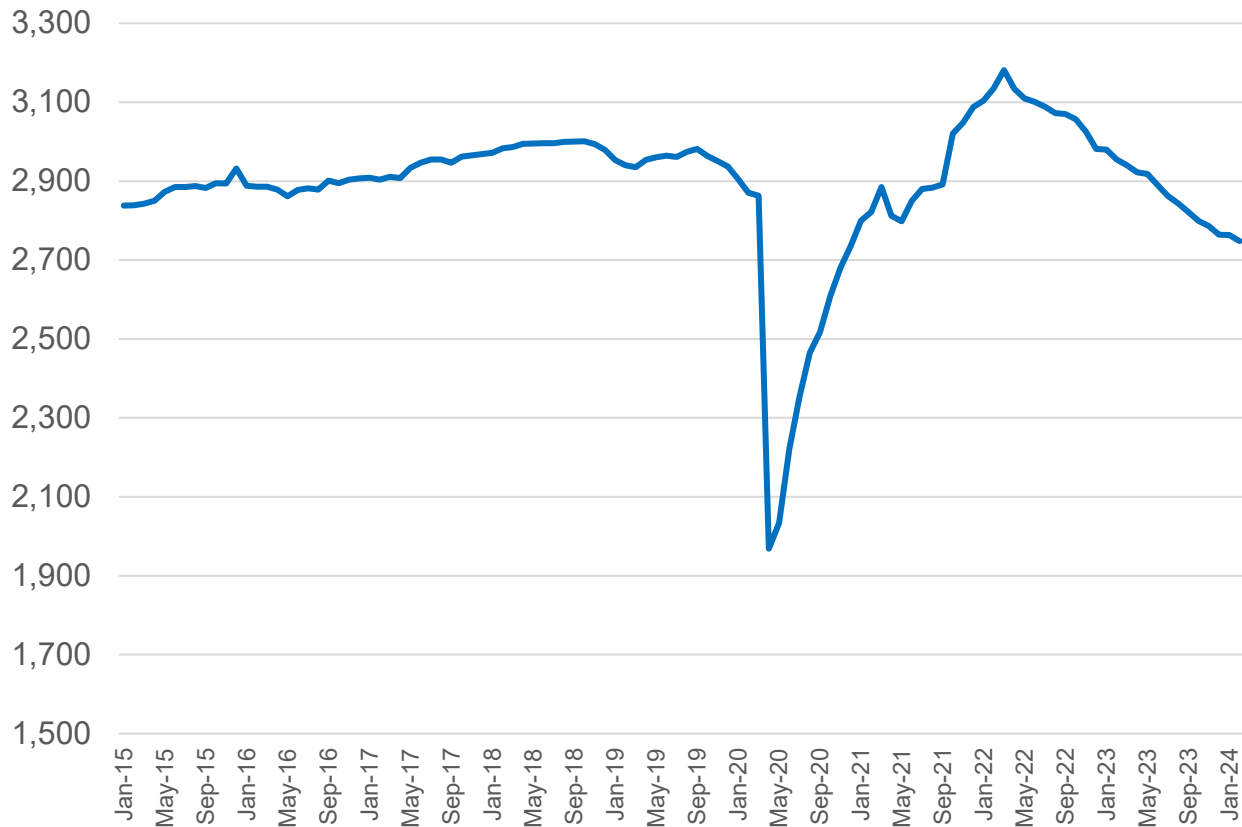
From 1960 to 1980, the 20-24 population grew by 10M, doubling its number.



# Sectoral Breakdown



## Staffing: An unusual drop, but, explainable



Temp staffing average employment growth of 0.5% from 2015-2020.

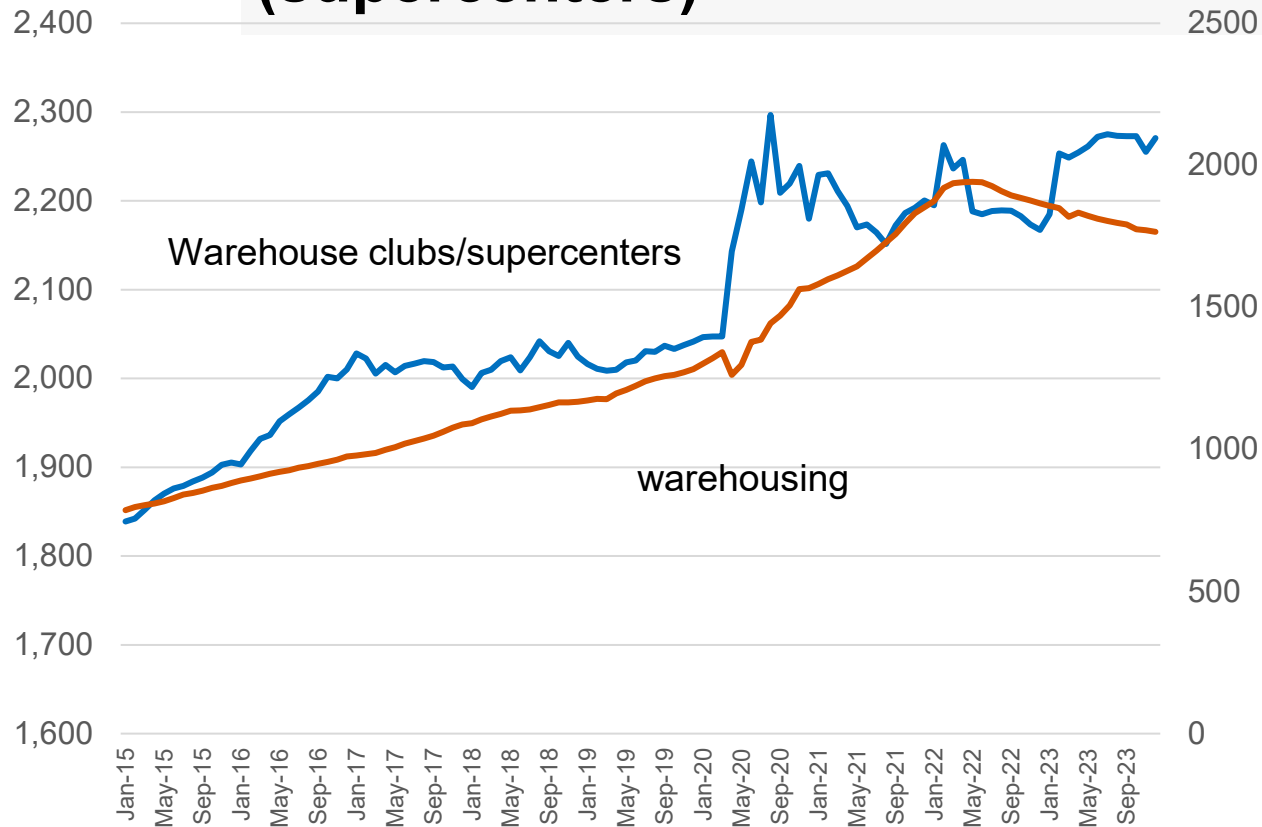


# Warehouse: what our data shows





# Warehousing and Warehouse Clubs (supercenters)



Where consumers have gone is to more direct interaction with warehoused goods.

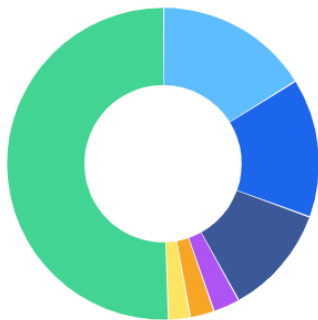


# Warehouse Workers (Laborers)

- 7M currently employed in the U.S.
- Projected to grow by 350K to 2032.
- Will have around 1.1M(!) annual openings over the next ten years (retirements, quits, etc...)

**Job Family:** Most Jobs are Found in the Employment Services Industry Sector

...



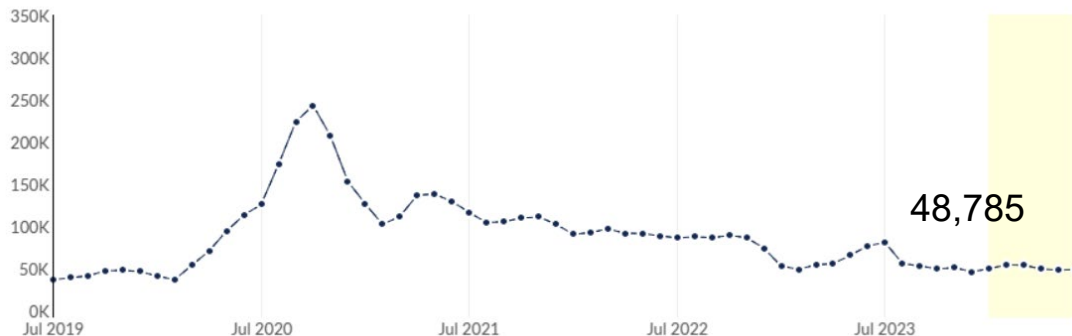
Industry	% of Occupation in Industry (2023)
Employment Services	16.1%
Warehousing and Storage	14.4%
Couriers and Express Delivery Services	11.4%
Building Material and Supplies Dealers	2.8%
General Freight Trucking	2.5%
Grocery and Related Product Merchant Wholesalers	2.2%
Other	50.6%



Job postings trend for **warehouse workers** also consistent with demand prior to the pandemic

Lower demand does not equal lower wages. A new floor has been set.

Unique Postings Trend

[Jump to Job Postings Table](#)

## Top Cities Posting

## City

Phoenix, AZ

Houston, TX

Denver, CO

Portland, OR

Los Angeles, CA

San Diego, CA

Dallas, TX

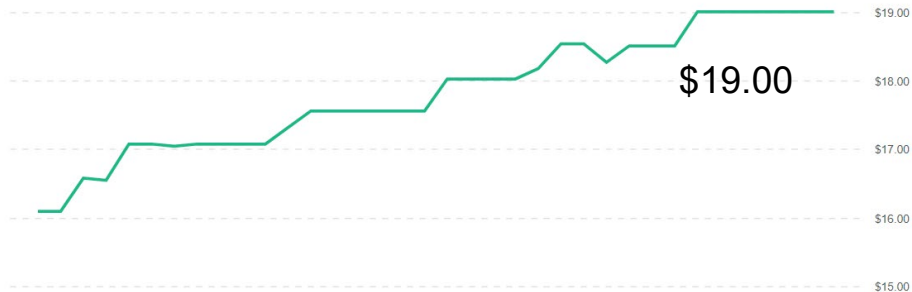
Charlotte, NC

Kansas City, MO

Salt Lake City, UT

▲ 18.2% Jul 2021 - Jun 2024  
\$17.57 Median

6M 1Y 3Y CUSTOM



# Construction and housing



## New orders of construction supplies still at record highs



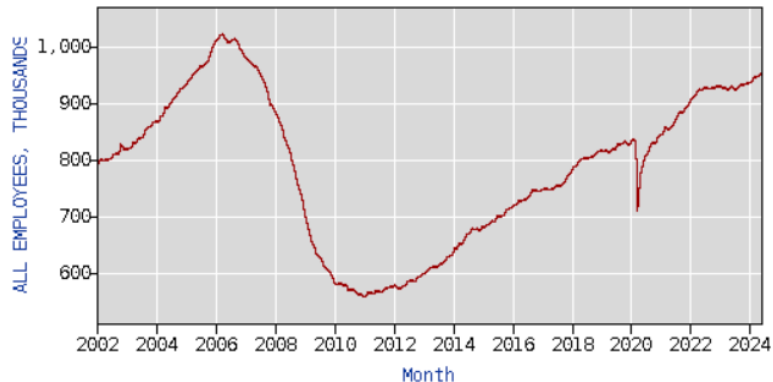
Although part of the persistence is inflation, numerous construction materials have seen significant declines in producer prices, especially plastics but even rubber.



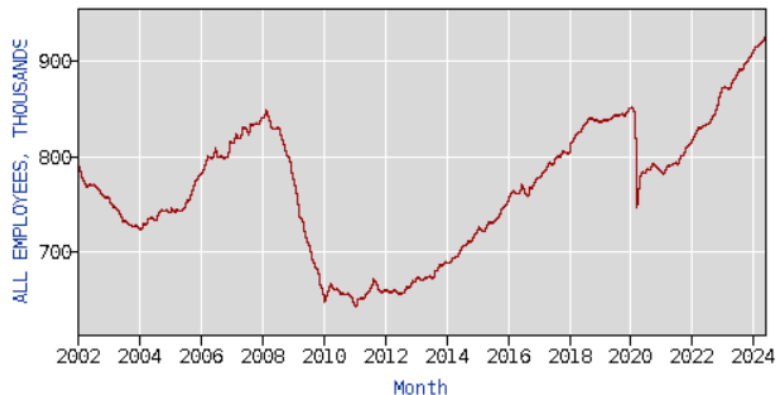
# Construction

The two worlds: Homes vs Commercial, not what was expected.

Residential Building Construction



Nonresidential Building Construction



The rise in remote workers, the issues for companies borrowing at interest rates was supposed to seriously injure the non-residential market. But, it hasn't.



# The stock of homes is not owned by those who buy and sell

Home ownership has moved to older adults who are also much more likely to hold multiple homes.

	% of all housing units owned 55+	% of home- owners 55+
1993	34.3%	41.7%
2000	33.7%	40.1%
2012	40.7%	49.4%
2019	45.0%	53.8%
2023	45.8%	54.0%

Those under the age of 35 went from owning 30% of homes in 1982 to 21% of homes in 2023.

The average age of first time home buyers is 36 and the average home buyer is 47. The average age to sell a home is 61 except now, older adults want to downsize.

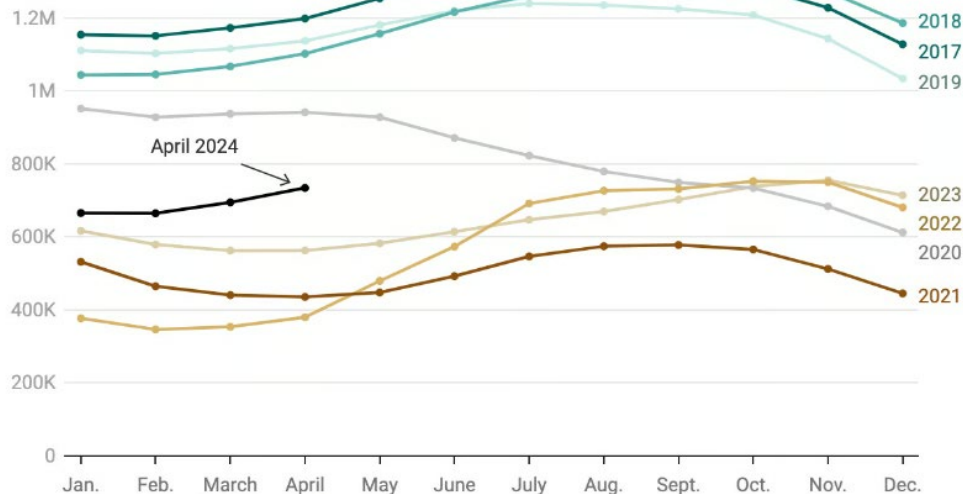


# What does this mean? People cannot move to jobs

Employers need to think of the housing needs of people they want to bring to a location if they aren't there already.

20-30 years ago, 20% of the population moved from State to State. Now, that is 12.6%.

**Active U.S. housing inventory for sale, according to Realtor.com**



Monthly active listings (i.e. inventory) on Realtor.com

Chart: Lance Lambert • Created with [Datawrapper](#)



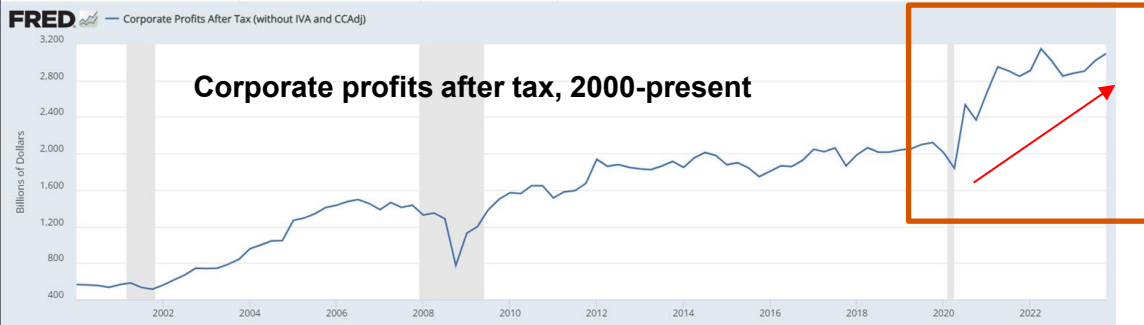
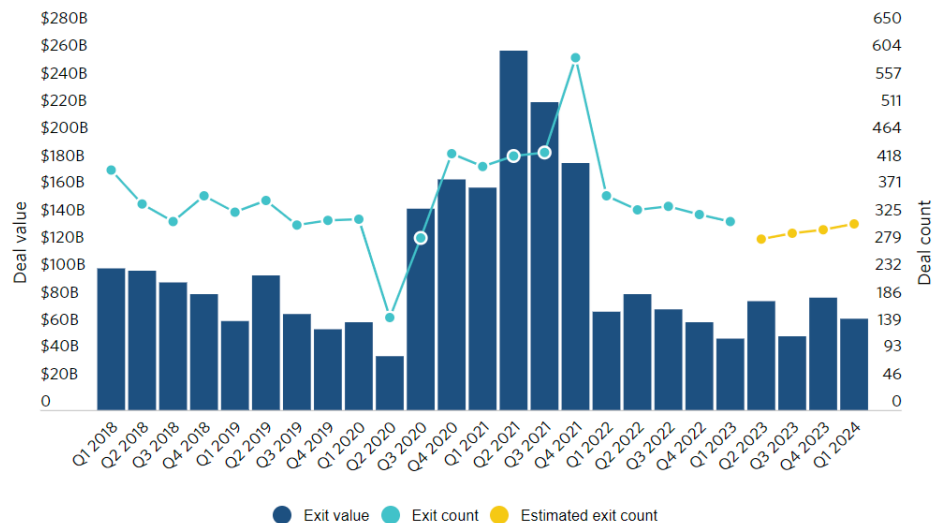


# The curious state of IT



**An unprecedented combination of consumer spending, excessive profits, and Private Equity and Venture Capital spending all put enormous pressure on the IT labor market. Then the layoffs.**

## PE exit activity's downward slope



Corporate profits now are 46% higher than Q4, 2019

Source BEA, Pitchbook

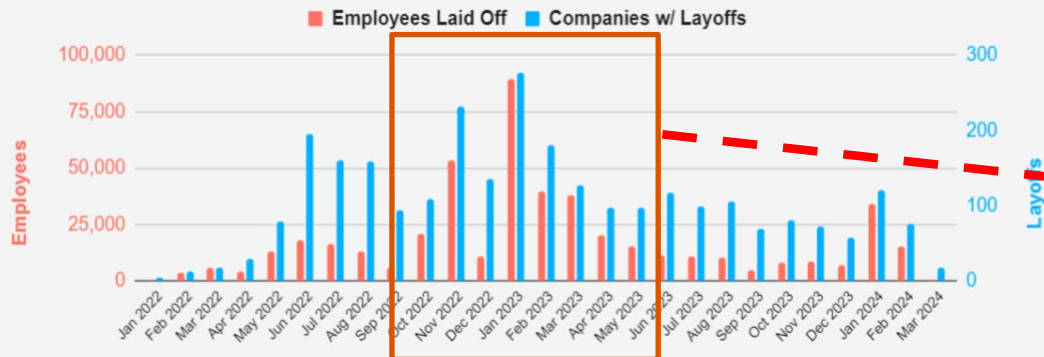


# All the layoffs did very little to the IT labor force

February had the highest non-pandemic IT unemployment rate in 10 years but it started back down in March.

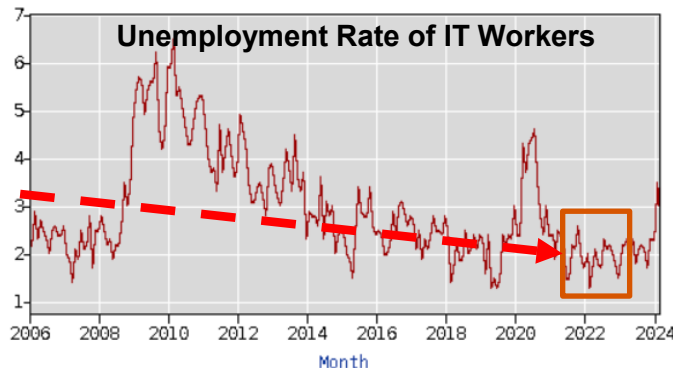
Tech layoffs in 2022-2024

Source: <https://layoffs.fyi>



Occupation:

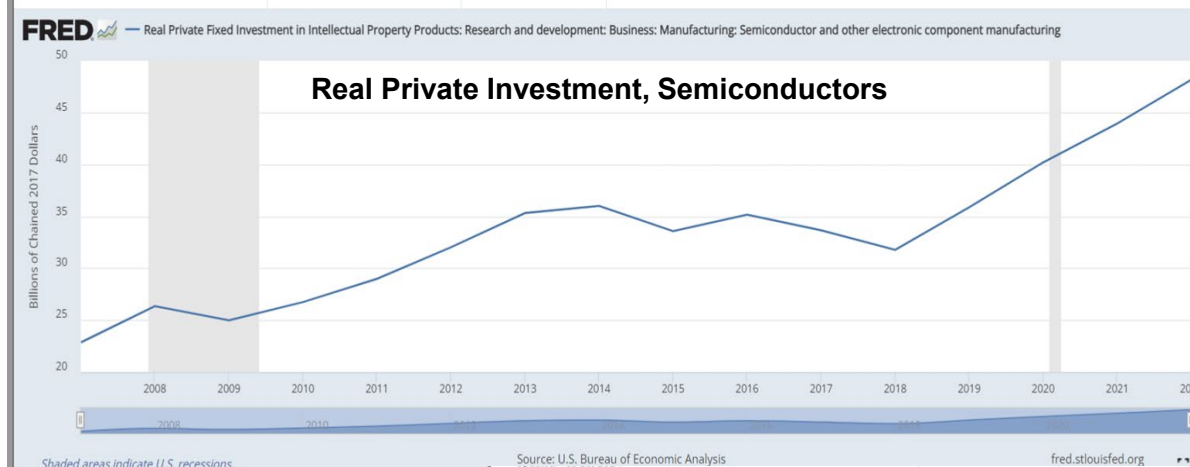
Computer and mathematical occupations



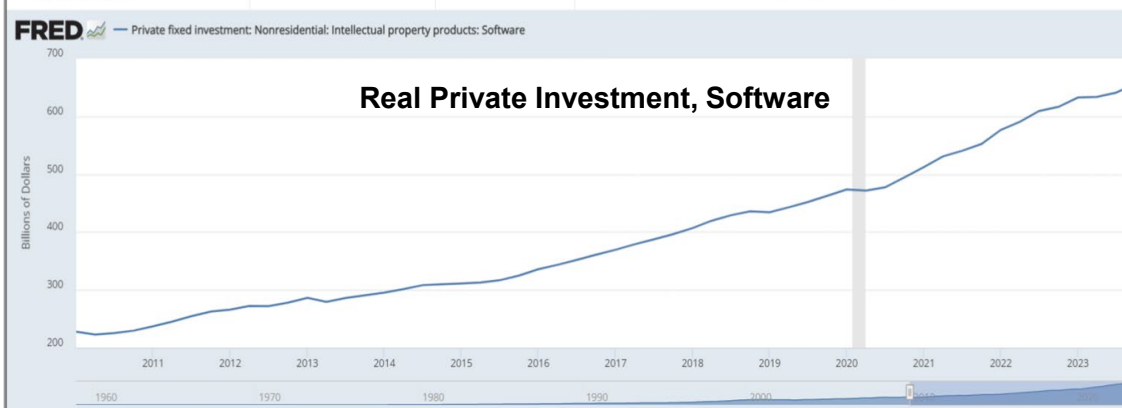
Hoarding was a primary culprit of the layoffs, how do we know that?



# Yes, PE money is gone, but demand is still at record levels



Companies are still making big investments in semiconductors and software

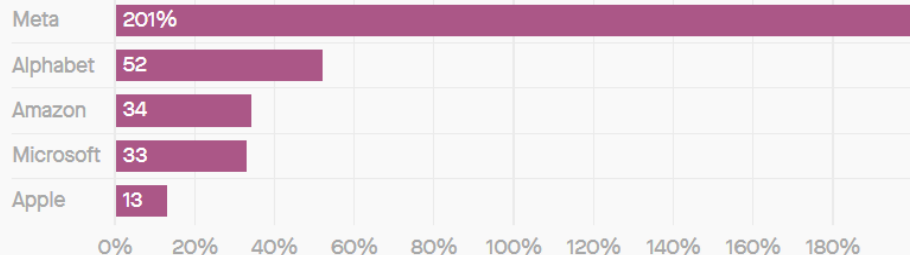


# So, profits are at significant record levels

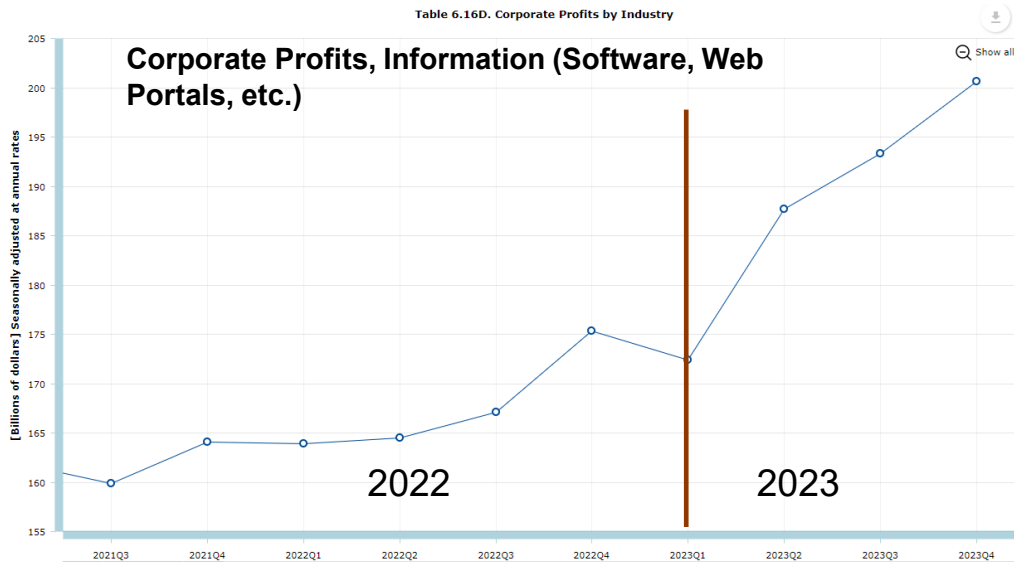
The Tech Industry is feeling no pain whatsoever. Layoffs were not a product of weakness.

## Big tech net income, year-over-year percent growth

In the last three months of Dec. 2023



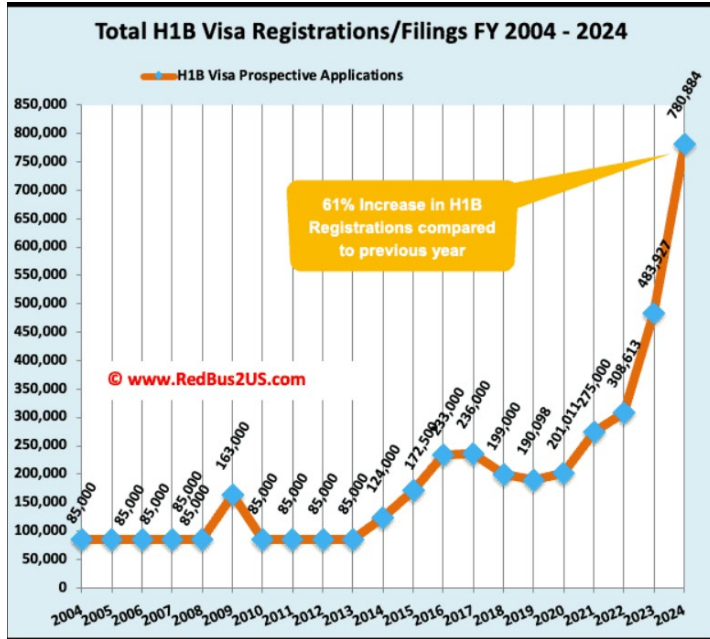
Quartz | qz.com | Data: Company filings



Source: BEA



# And what is this all about??



Explosive H1B growth NOT driven by healthcare but still by IT.

Rank	Occupation	Number of LCA *
1	<u>IT and Math</u>	349,135
2	<u>Architecture and Engineering</u>	49,069
3	<u>Business and Finance</u>	41,249
4	<u>Management</u>	28,000
5	<u>Life, Physical, and Social science</u>	24,267
6	<u>Education, Training, and Library</u>	18,937
7	<u>Healthcare</u>	18,525
8	<u>Arts, Design, Entertainment, Sports, and Media</u>	5,561



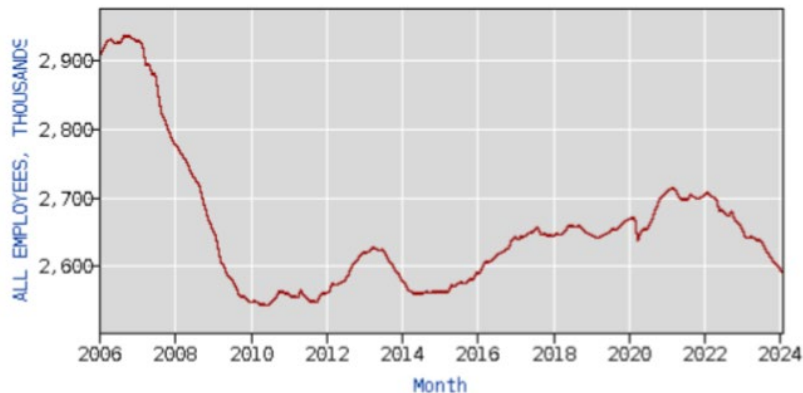
# Finance & Insurance



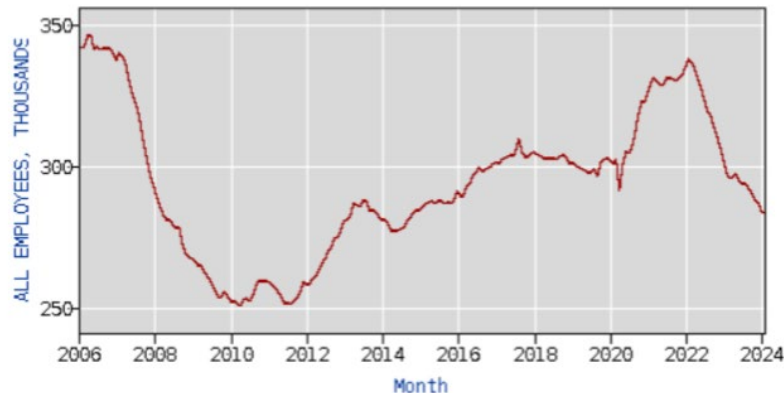
# Finance and Insurance

Interest rates take their toll on banking

Commercial Banks



Mortgage and Real Estate Lending/Credit



Banks already crushed by IT now face an AI threat. It is hard not to be bearish about the future of consumer banking.

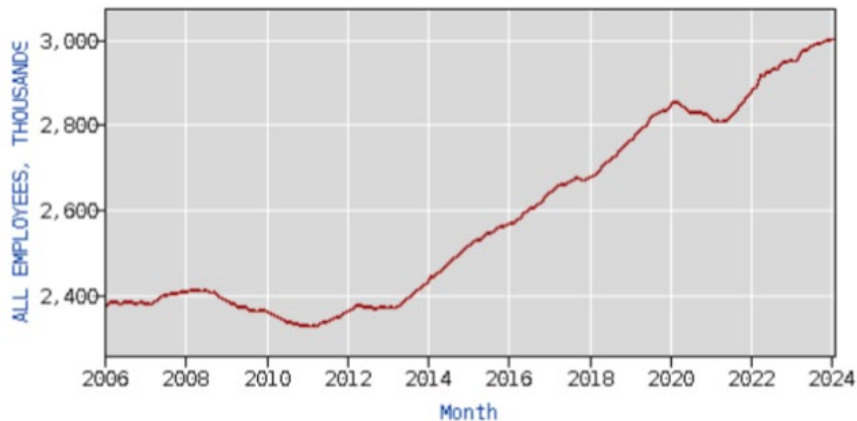




# Insurance just missing its long term growth line

After a pandemic hit, a surge then flattening

## Insurance



### Occupation

Total/Unique (Jun 2020 - Feb 2024)

Insurance Sales Agent	1,033,994 / 329,039
Customer Service Representative	527,411 / 138,160
Sales Representative	370,005 / 113,116
Claims Specialist / Adjuster / Examiner	426,736 / 112,374
Software Developer / Engineer	206,470 / 93,149
Business / Management Analyst	190,684 / 86,145
Registered Nurse	294,304 / 83,615
Account Manager / Representative	187,266 / 59,620
Healthcare Administrator	156,755 / 53,080

Growth has been a bizarre hand off. Initially it was all not life, health, and medical, now it is reversed.



**The single most  
important development  
in many labor markets**



# In 2023, the U.S. added **3.3M** immigrants

2.4M nonlegal or pending, 1.8M of those likely stayers

**3.3M net immigrants came to the US in 2023**

vs 1M projected prior to the pandemic.

Average immigration numbers per year:

<b>1990-99</b>	977,500
<b>2000-09</b>	1,029,900
<b>2010-19</b>	1,063,300
<b>2020-21</b>	638,000

CBO estimates of net immigration, by category, 2000–24



Source: CBO 2024.

Note: "Lawful permanent residents+" are lawful permanent residents (LPRs) and people who can apply for LPR status, such as refugees. "INA nonimmigrants" are Immigration and Nationality Act (INA) nonimmigrants, such as students and temporary workers. "Other nonimmigrants" (which CBO refers to as "other foreign nationals") are immigrants with a nonlegal or pending status.



# Since the beginning of 2022, the U.S. has added **2.5M** immigrants to our labor pool.

Between 2021 and 2022, Immigrants of all kinds went from 17.4% of all workers to 18.1%. That is likely getting closer to 20%.

Immigrants represent **60-70%** of the increase in the total labor force in the past 20 months and it is estimated

Number of foreign-born workers in the U.S. workforce

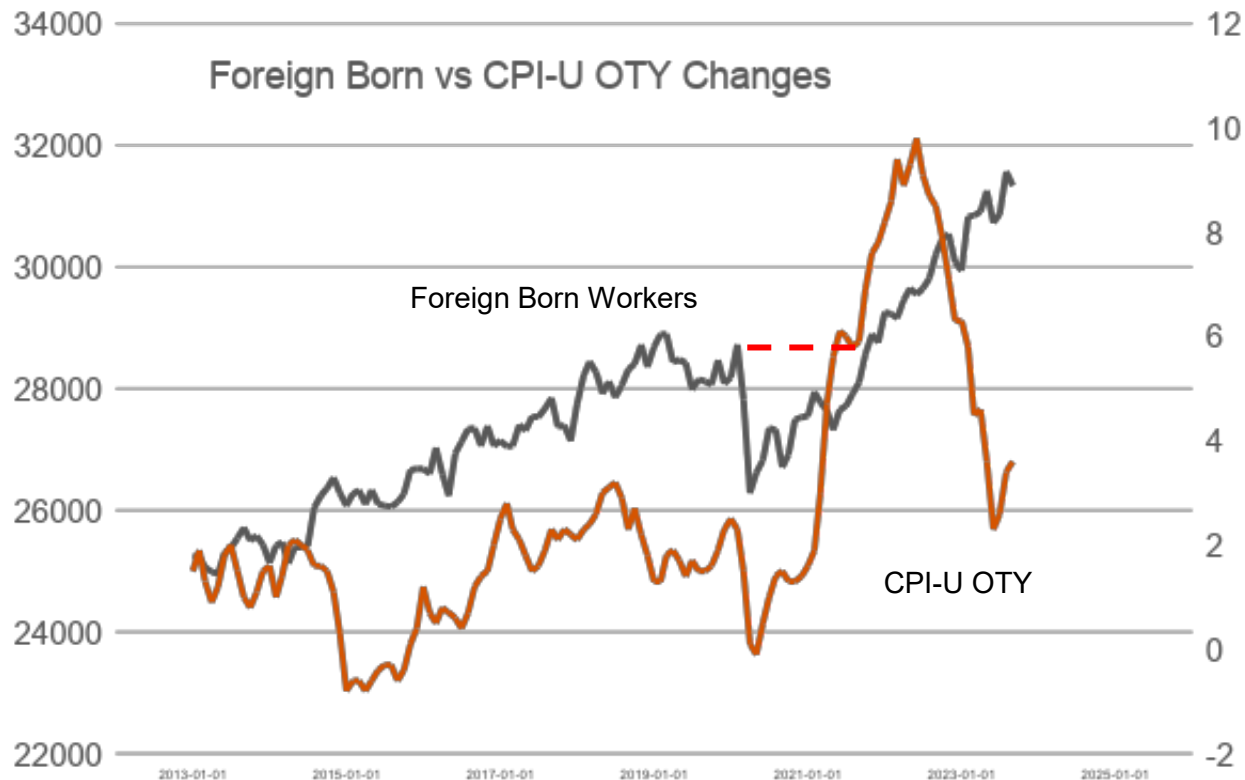


Source: U.S. Labor Department via Federal Reserve Bank of St. Louis



# How important is immigration? It may be the most important aspect.

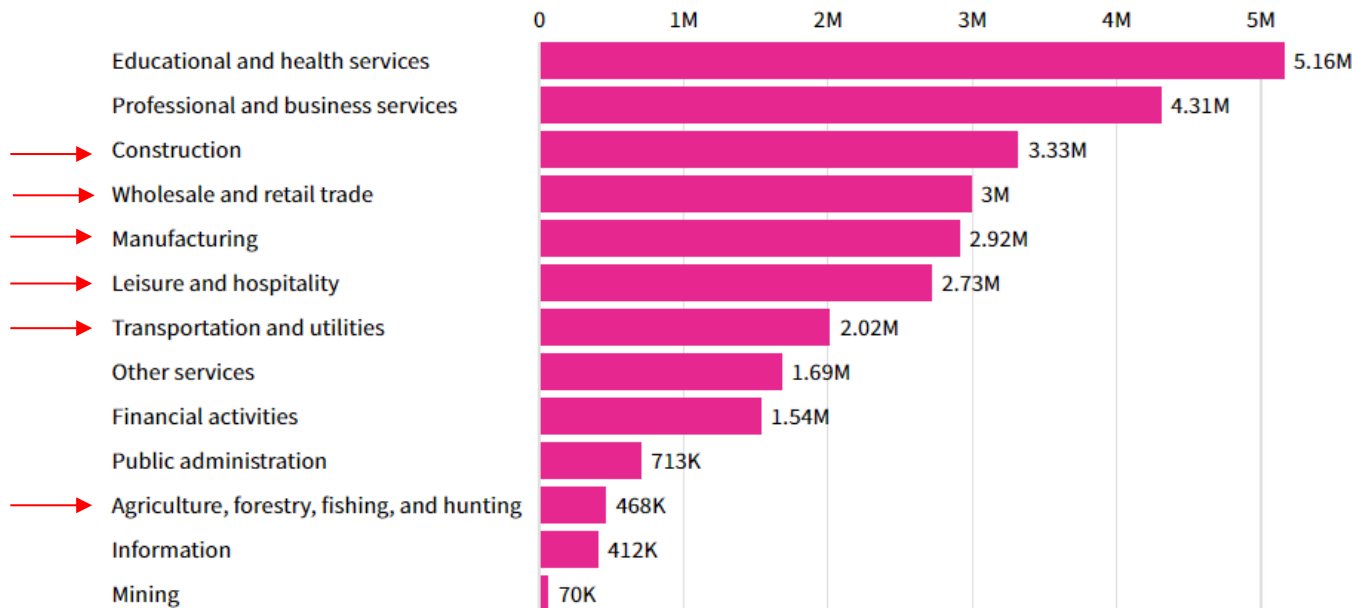
In the time it took foreign workers just to get back to their pre-pandemic levels, the CPI-U had increased by 11%



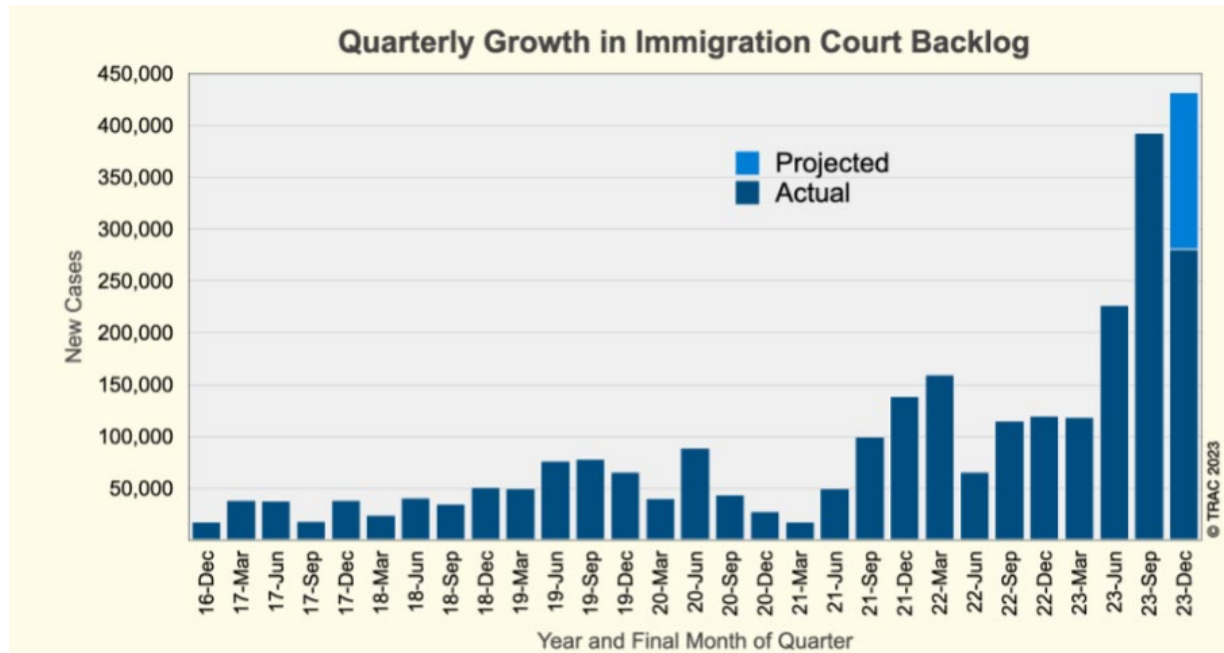
# Numerous sub \$20 industries are heavy consumers of immigrants

**Educational and health services is the most common industry for foreign-born workers to work in**

Employed foreign-born workers (2022), by industry



## There are a record 3M immigration cases in the backlog



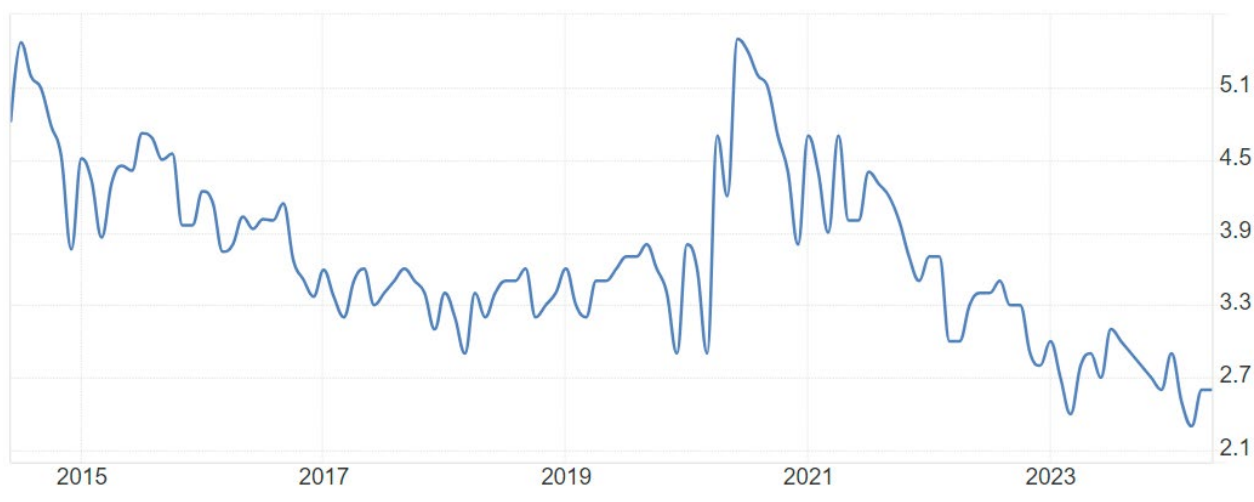
The average immigration judge has 4,500 cases currently. -TRAC 2023



The math problem

**immigration will dry up**

**MEXICO unemployment rate much lower than the U.S.**



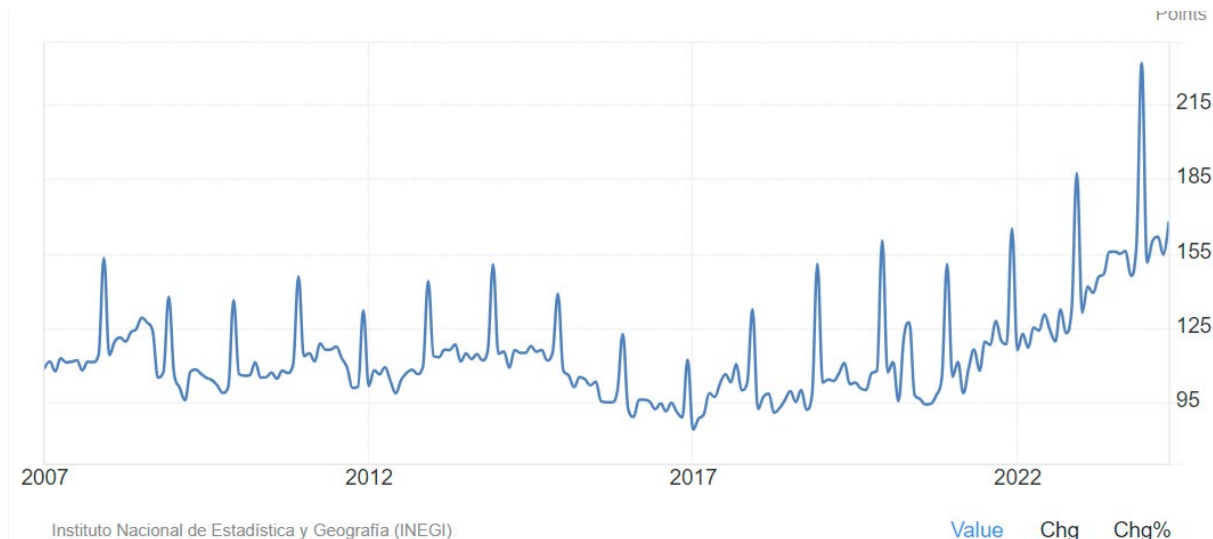
The last time there were this few people unemployed looking for work was in 2007!





# Mexican wages taking off as supply can't meet demand

## MEXICO labor costs in uncharted territory



There has been a 44% increase in labor costs since the beginning of 2022.



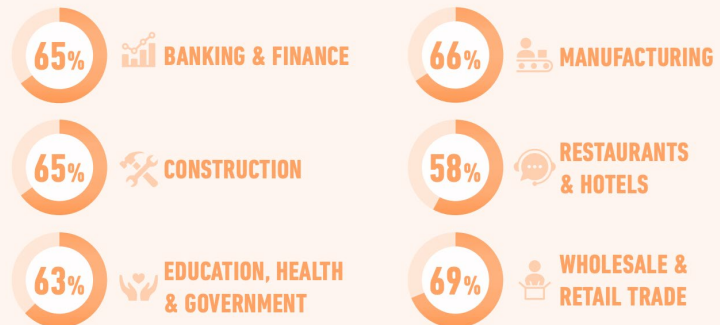
# The math problem immigration will **dry up**

Countries who send the most immigrants to the US are having their own problems

## MEXICO

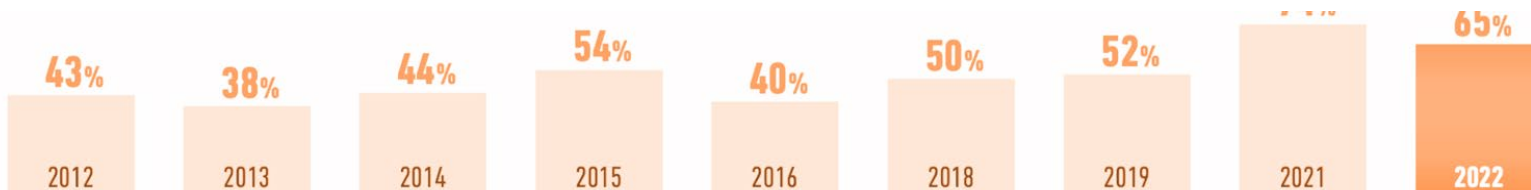
Infographic: "Mexico's 2022 Talent Shortage" - [Manpower](#)

### Talent Shortages Across Industries



## Talent Shortages Over Time

From manufacturing to marketing, transport or trade, employers cannot find the people they need with the right blend of technical skills and human strengths.



**What do you need to  
do right now?**



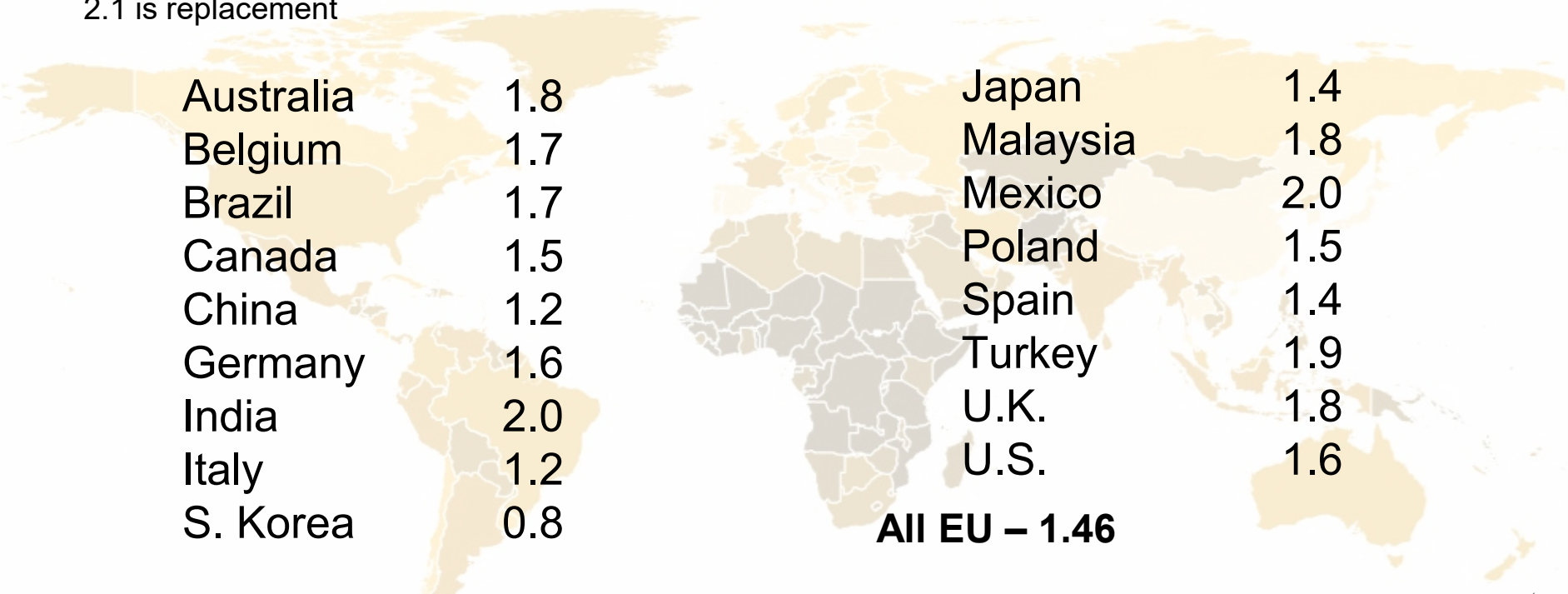
**Work gets done in 4 ways. That's it.**

- Push it out (globalization)
- Bring workers in (immigration)
- Embrace your local workforce (upskilling/training)
- Automation



# For many countries, birth rates are grim

2.1 is replacement



A world map with countries colored in shades of yellow and orange, representing different birth rate levels. The map is centered on the Atlantic Ocean, showing the Americas on the left and Europe, Africa, and Asia on the right. The birth rate data is listed in two columns on either side of the map.

Australia	1.8
Belgium	1.7
Brazil	1.7
Canada	1.5
China	1.2
Germany	1.6
India	2.0
Italy	1.2
S. Korea	0.8

Japan	1.4
Malaysia	1.8
Mexico	2.0
Poland	1.5
Spain	1.4
Turkey	1.9
U.K.	1.8
U.S.	1.6

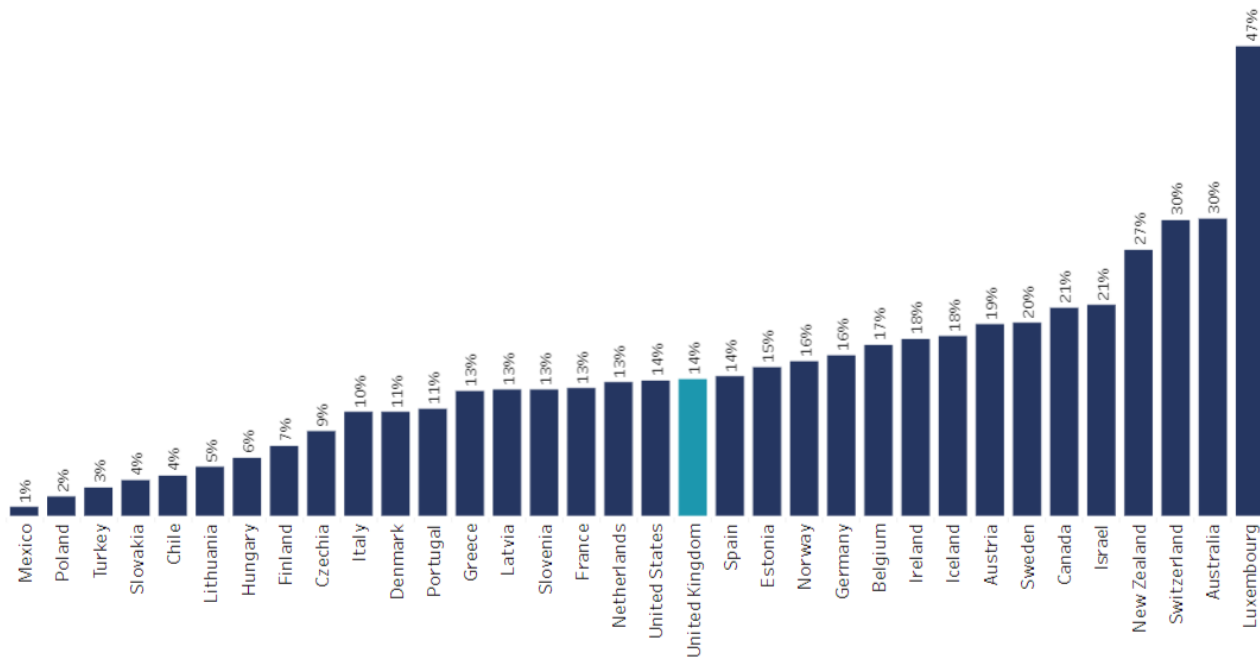
**All EU – 1.46**

**Since peaking in 2010, Japan's population has fallen by 6M**



# If globalization is a consideration: Focus on countries that have strong immigration histories.

Foreign-born population as share of total population  
OECD countries, in 2019 or latest date available



Not shown: Japan 2.2%, S. Korea 4.3%, China 0.1%

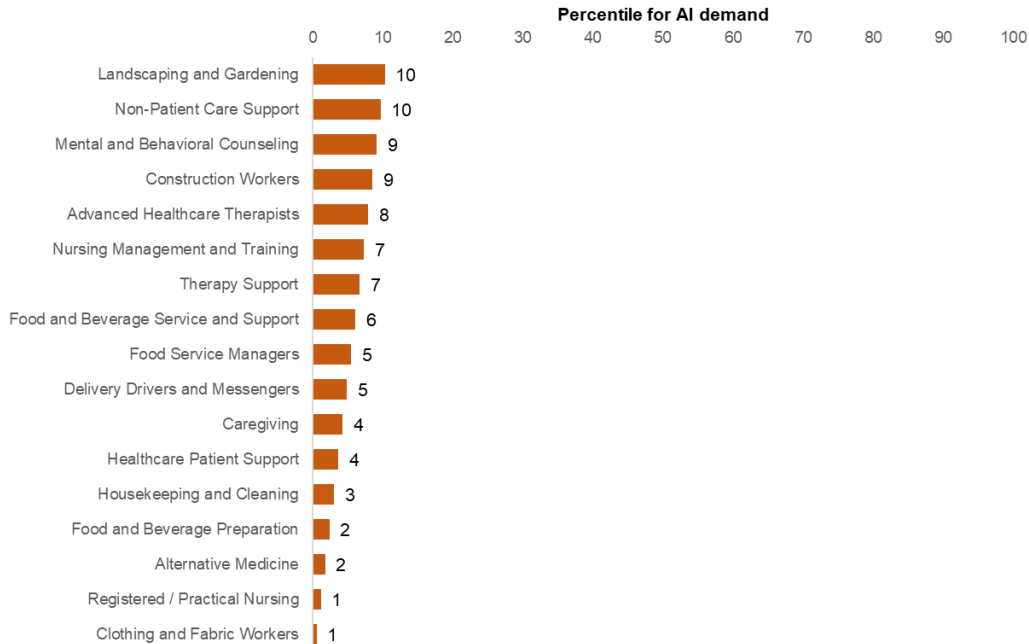
Source: Migration Observatory analysis of OECD, International Migration Database.



# Artificial intelligence

“People working alongside artificial intelligence, rather than being replaced by it” - CNBC

**Occupations in the bottom 10% include roles in healthcare, construction, and production**  
*May 2023 - May 2024*



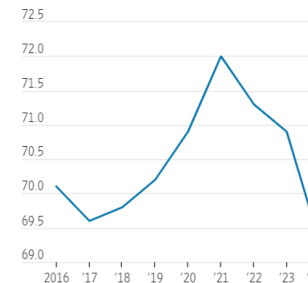
**Me yelling “REPRESENTATIVE!!!”  
to the automated customer service**



Consumers don't want an “artificial” experience

## Customer Experience Hits New Low

Average U.S. Customer Experience Index Scores



Note: Scores are on an 100-point scale  
 Source: Forrester



1. These are the outer bands of the hurricane that is coming. START your long term labor plan now.
2. Re-examine your “MARKETING” to the labor market. How do you post jobs? By what you need, or what they will be doing?
3. STOP saying people lack the skills you need and have tiered training plans and mentorships to give them those skills.
4. GET people on your job sites and SHOW them the jobs.
5. Modernize thinking on immigration and network into immigrant communities.
6. Study how technology can assist your workforce to make them more effective, not how to distance them from clients.





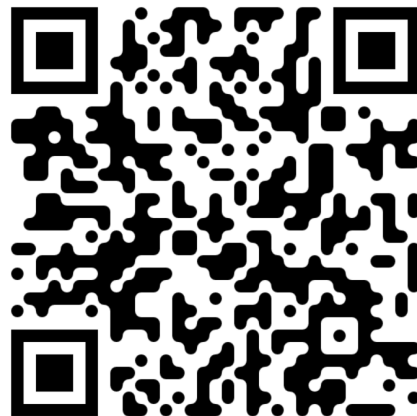


# Ron Hetrick

[ron.hetrick@lightcast.io](mailto:ron.hetrick@lightcast.io)

[linkedin.com/in/ronlhetrick/](https://www.linkedin.com/in/ronlhetrick/)

SCAN to get the  
newest Demographic  
Drought update in  
September





**Any Questions?**

# INNOVATIONS

● LIVE

# Thanks for joining us!

Ron Hetrick, Senior Labor Economist



*This program has been approved for 1 HR (General) recertification credit hours toward PHR, SPHR and GPHR recertification through the HR Certification Institute.*

— SHRM —  
SHRM-CP | SHRM-SCP  
**RECERTIFICATION  
PROVIDER**

*This program is valid for 1 PDCs for the SHRM-CP® or SHRM-SCP®. For more information about certification or recertification, please visit [www.shrmcertification.org](http://www.shrmcertification.org).*