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Career & Workplace

The job market has hit a new normal. Here's why everyone hates it.




The current job market has small-business owners struggling to find good candidates for open jobs, while workers are anxious about layoffs and the future.

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The job market has settled into a new normal, and it's a frustrating one for workers and business owners alike.

That's because while monthly job openings held steady in January at around 8.9 million – down from a peak of 12.2 million in March 2022, **according to the latest data from the Bureau of Labor Statistics** – it's a softer job market than at the height of the pandemic, when workers switching jobs **commanded large raises and often sign-on bonuses**.

For business owners, that's making the battle to recruit top talent that much more challenging.

“Compared to 2021 and 2022, the party has ended, and now people are feeling the hangover,” said Ron Hetrick, senior economist for demographic and labor market analytics firm Lightcast.

Hetrick said in a statement that the consistency of the labor market over the last several months has shown the labor market has returned to normal – but that normal simply feels worse than it did before.

"People think things are terrible now, but looking at the economy as a whole, we're not seeing that in the data. Things are fantastic, but we lost track of what 'fantastic' was when we experienced something completely unrealistic in '21 and '22," Hetrick said.

Despite layoffs being lower than they were before the pandemic, and **quit rates** being the lowest since August 2020, workers feel tied to their jobs by higher prices and higher interest rates.

Traditionally, January is a big month for layoffs, as companies get rid of seasonal workers they hired for the holidays, but layoffs saw a decline in January this year – which means companies might be more hesitant to let people go than they were two years ago, Hetrick said.

That comes even as **unemployment remains relatively low historically** and there are 1.5 jobs available per unemployed worker, according to Lightcast senior economist Elizabeth Crofoot.

“The hard economic data is normalizing to pre-pandemic levels; however, workers and consumers are experiencing anything but normal. Fundamental changes in the prices of goods and services, the availability of homes and mortgages, and the types of jobs available are keeping consumers tempered about their own economic situation,” Crofoot said in a statement.

Small businesses are still struggling to get good recruits for open jobs

According to a National Federation of Independent Business survey, 37% of small-business owners had jobs in February they could not fill, down two points from January and the lowest since January 2021. Additionally, just 16% of small-business owners said labor quality was their top operating problem, the lowest mark for that measure since April 2020.

“Job openings among small businesses decreased in February to pre-pandemic levels,” said NFIB Chief Economist Bill Dunkelberg, in a statement with the survey results. “Employment activity has lessened somewhat as it becomes easier for owners to find qualified workers. Even with this slowdown, labor demand remains strong.”

However, 91% of small-business owners trying to hire or fill open positions reported few or no qualified applicants. To combat that challenge, 35% reported raising compensation, although that's down four percentage points from January.

Overall, finding and recruiting talent remains a persistent challenge for small businesses, with 54% of employers identifying that as an operational challenge in a recent **Small Business Credit Survey released by the 12 Federal Reserve Banks**. That's down from 60% in 2022 but now tops the list of operational challenges, ahead of growing sales, supply chain issues and government regulations.

In a separate survey, the CBIZ Main Street Index found that 47% of business owners worry about having enough skilled workers right now, while 39% say employee retention is an issue.

Workers are anxious about layoffs and the future

While job-seeker confidence has trended upward since the second quarter of 2023, it still is below where it was in 2022, [according to the ZipRecruiter Job Seeker Confidence survey](#).

"Job seekers are feeling less anxious thanks to a resilient labor market, rallying stock market and falling subjective recession odds. Higher job-seeker confidence is leading candidates to feel bolder about negotiating their offers," said ZipRecruiter chief economist Julia Pollak in a statement accompanying the survey.

At the same time, workers are more anxious about layoffs even as that metric remains historically low. The share of workers who estimate they will be laid off within the next six months – a marker for general vibes about their sense of security – rose to 29% this quarter, according to the ZipRecruiter research. That's up from 26% in Q4 of last year and 24% in Q3 of 2023.

Worker pay rose 5% in January over the same month last year, according to the [Federal Reserve Bank of Atlanta's Wage Growth Tracker](#). That's down from a year-over-year high of 6.7% in August 2022 but still higher than at any point since 2001.

Workers and employers are often far apart on what they value, though.

Seventy-nine percent of employers said their employees' expectations around compensation have increased in recent years, according to [Franklin Templeton's newly released Voice of the American Workplace Survey](#). Surveyed employees prioritized pay and 401(k) matches as the enhancements they'd most like to see – but employers assumed workers' preferences were for improved health and dental insurance and health savings accounts, according to the survey results.

Other surveys show similar employee discontent about their financial situation and overall compensation.

In a [2024 Work Watch Report by Monster Worldwide Inc.](#), 81% of workers said their current wage has not kept up with the rising cost of living, and 46% of workers said they had higher salary expectations than they did in 2023.