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Labor Shortage Challenge in Post-Pandemic: Reasons, Possible Solutions, and Research Directions



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Abstract

As the global economy navigates through the COVID-19 crisis, some countries and areas are set to recover in the post-pandemic era. However, organizations in various industry sectors face a labor shortage challenge, which is very likely to slow down the recovery. This brief communication first discusses the reasons causing the labor shortage issue. Then, it presents a series of short-term and long-term strategic solutions to address such a challenge. Finally, it ends with considerations and recommendations for future empirical studies that may help policymakers, organizations, and individual workers cope with the labor shortage issue.

Keywords: COVID-19; Post pandemic; Labor market; Human resource management; Industrial psychology; Organizational Behavior

Introduction

When the World Health Organization (WHO) claimed the widespread of COVID-19 a global pandemic in March 2021, people were pushed to work from home, and many regular business activities were put on a pause mode [1]. The pandemic disrupted the world's supply chains and collapsed the global economy. Now, as the world prepares for recovery after the pandemic, the COVID-19 crisis' long-term economic and societal consequences are yet to emerge.

On July 19, 2021, England dropped almost all COVID-19 restrictions, one step closer to resuming the pre-pandemic normalcy [2]. England and some states in the U.S. are set for a full recovery, even though the rapid spread of the Delta coronavirus variant still cast doubts on the economic outlook [3]. While people are generally excited to return to their pre-pandemic life as consumers, not everyone is ready to re-enter the labor market. In fact, the labor shortage has become an unexpected challenge facing today's businesses as they are navigating through the COVID-19 crisis.

What is followed in this brief communication is an overview of the labor market's current situation. Then, I will discuss the possible reasons why there is a labor shortage. Besides presenting the possible business solutions to address the labor shortage challenge, I will end this paper with a few proposed

research questions that needed to be answered through empirical investigations.

Labor Shortage: How Big is the Gap?

The U.S. economy is on its way to recovery, now operating at 91% of its pre-pandemic level [4]. The number of Americans filing for unemployment benefits for two or more weeks in a row dropped from its peak at 23 million in May 2020 to 3.12 million in July 2021, comparable to the 2-million level in March 2019. In May 2021, layoffs also reached the lowest level since January 2020, at 0.9%, compared to the peak in March 2021, at 8.6%.

According to the U.S. jobs report in May 2021, the adult participation rate in the workforce stayed flat since last summer, whereas the nonfarm jobs growth remained positive for 12 months between May 2020 and May 2021 (except for December 2020) [5]. Additionally, the U.S. economy only added 559,000 people to the payroll in May 2021, falling behind the 671,000-level anticipated by the economists. Although there was a year-to-year increase in the hourly wage of nearly 9%, to \$15.87, the labor force shrank to 160.9 million, about 3.5 million fewer than the level in February 2020.

The hospitality and tourism industry, for example, experienced messy layoffs and furloughs when the pandemic hit [6], but they

are now in the toughest situation in finding service staff when travel bans and dine-in restrictions are lifted [5,7]. The hospitality industry in the U.K. reported 102,000 vacancies between April and June 2021, a 12.1% increase from 91,000 for the same period in 2019 [8]. Businesses found it challenging to fill those vacant positions. In another case, a restaurant owner in New York City posted a job in May 2021 for a host/hostess position at \$30 an hour but received no response for two weeks. Before the pandemic, the same restaurant would have received “hundreds and hundreds of resumes” already for the same position paying \$20 an hour [9].

Besides restaurants, hotels, and airlines, construction and logistic companies are also struggling to fill vacant positions even with sign-on and referral bonuses [7]. In fact, the labor shortage is not an isolated issue in the U.S. or U.K. European Union, Australia, and Singapore also experienced a similar challenge, hoping to reopen their borders soon for immigration workers.

The Reasons Why There is a Labor Shortage

Some may argue that the labor shortage is a unique challenge facing the hospitality and tourism industry. Jobs in the hospitality and tourism industry are typically known for irregular and long working hours, but workers in this sector usually only earn minimum wages [8]. Moreover, the frontline employees are expected to provide exceptional customer service even when they found themselves in an abusive situation by “uncivilized” consumers [10]. Hence, it is not surprising to see that some hospitality workers who were laid off or furloughed during the pandemic would have moved to other sectors. The reality, however, is that many industry sectors are desperate for workers, such as sawmills and wood preservation, textile mills, specialized long-haul truckers, movers, specialty finishing contractors, mental health practitioners, and veterinarians [11].

The boosted unemployment benefits could discourage workers from going back to the labor market, but the real reasons why there is a labor shortage is likely a much more complicated issue. On the one hand, people might begin reassessing the meaningless of their lives when they live through the COVID-19 crisis. People may want to spend more time with their family and loved ones than at work. They may want jobs with a better work-life balance. On the other hand, people who witnessed the dramatic changes in the workplace (e.g., work-from-home) may want more flexibility, respect, and a safer work environment from the employers. In the case of Apple Inc., 68% of respondents to an employee survey (1,100+ employees) stated that “lack of location flexibility” would “likely cause them to leave Apple” [12].

Possible Business Solutions to Address the Labor Shortage Challenge

Besides offering a higher wage and even sign-on bonuses to new hires, organizations must do more to respond to the labor shortage challenge. In the short term, companies may call the previous workers and offer them a raise if they return to work.

Organizations need to maintain a safe work environment for all employees. Offering paid internship programs can be an excellent way to recruit temporary workers from high school and college students.

Meanwhile, organizations must invest more in the employees by highlighting the career advancement and training opportunities to the interns, new hires, and current employees. It is critical to convince all employees that they have a future in the company and can grow with the organization. Moreover, it is time to redesign the existing jobs with flexible schedules and part-timers and restructure the workflow by introducing more easy-to-implement, self-service components.

From the customer-service perspective, organizations need to be frank with their customers through clear communications about the labor shortage issue. Most customers will also understand the challenge and hence, be more tolerant of slower service. Alternatively, using the dynamic pricing strategy can also help businesses smooth uneven demand [13].

As long-term strategies, organizations may consider transforming the production and service process with faster and more automatic self-services that require fewer workers. They may also need to revisit employee compensations, benefits, and appraisals, making retention management a top priority. Establishing an appealing employment brand will be helpful.

Research Directions that May Help Address the Labor Shortage Issue

Academic research can help organizations address the labor shortage issue in the post-pandemic era. First, policymakers can help organizations better define the necessary legal accommodations for workers and caregivers. Furthermore, is there a need for new policies that govern sick leaves, family and medical leaves, work safe, and benefits?

Research can also help answer such questions at the organizational level: What are the optimal job designs for organizations in post-pandemic? What role does “flexibility” play in hiring, scheduling, and compensations? What are the best ways to attract, acquire, and retain the top talents? What are the essential (new) skills that are needed to succeed in the new work environment? What types of training and development programs can help manage the talents? What are the effective strategies to engage with the employees and other stakeholders in the new and more flexible work environment? What type of teams is effective in high-performance organizations? What changes have taken place among workers, unions, and the management? How do organizations manage organizational knowledge in the new work environment? What are the effective ways for knowledge sharing? How do organizations react to the changing global economy?

Finally, it is essential to understand better what individual employees want in their lives and work. What new tactics can be used in career development? How do employees define work-life

balance in post-pandemic? How do job seekers define an appealing employment brand? What skills are needed to secure a job offer in the virtual world? How do workers develop trustful relationships with the leadership team and their peers outside of the office? How are effective teams built to promote collaborations? How do job seekers and employees perceive fairness and equality?

Conclusion

This paper presents some practical and research ideas that can help address the labor shortage challenge in the post-pandemic era. I hope my discussion will spark additional conversations and new ideas. Together, we will get out of the COVID-19 crisis soon. When the pandemic is over, we will become stronger than ever.

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