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Trends report
DETROIT

Continued Record-Low Unemployment Means Companies Need to Get Serious about Wage Increases, Creative Hiring Practices

In May, the **national unemployment rate hit a milestone:** The Labor Department reported that—for the first time since such record-keeping began in 2000—the number of available positions exceeded the number of Americans without jobs and those actively looking for employment. Michigan's May unemployment rate dropped to 4.6 percent from 4.7 percent in April—the lowest it's been since August 2017. Overall, Michigan's gross domestic product is finally above pre-Great Recession levels. Jobs are plentiful across the state and in May job growth reached its highest level in 2018.

For employers who want to compete for workers and reduce turnover, the unemployment rate should be a catalyst to scale-up entry-level wages to attract workers and increase wages for existing employees. Since finding qualified workers becomes increasingly difficult when unemployment is low, employers also need to rethink their hiring criteria. This combination of increased wages and less stringent criteria gives potential employees extra incentives to apply for positions that in the past might have been out of their reach.

The low unemployment rate should also motivate employers to look at underutilized workers, including those without high school diplomas. Employers now recognize that a college education or even a high school diploma may be preferred but not necessary for some positions and have adjusted their hiring practices.

A recent article in the Wall Street Journal reported that the unemployment rate for workers 25 years and older with less than a high school diploma was 5.4 percent, down from 6.2 percent a year earlier. The unemployment rate for those without a high school diploma reached a 25-year record low late last year and has held below 6 percent in 2018. This is a sharp drop from 8.5 percent in September 2016. In a tight labor market, these workers are also able to negotiate for better pay, which is translating into better wage prospects for many lower-skilled workers, according to Andrew Chamberlain, Glassdoor Chief Economist.

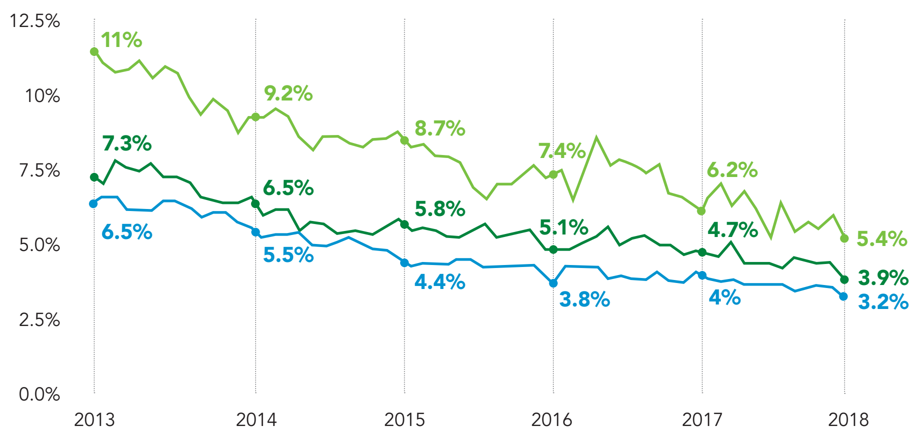
In this employee-driven market, is there relief on the horizon for employers? Some economists point to subtle clues that workers not currently in the labor market are contemplating entering the workforce. In a recent **New York Times** article, Martha Gimbel, an economist at Indeed.com, said they've seen an increase in people searching for things like "background check" and "full time," which could indicate the job market has become suddenly irresistible for workers who might have been discouraged by a particularly bruising recession a decade ago. However, these workers would need to enter the labor force at a substantial rate to prevent employers from fighting over a shrinking candidate pool.

There's no doubt that the strong economy combined with the tight labor market has put employees in the driver's seat for the foreseeable future. The lack of available workers is forcing employers to think differently about wages and recruiting and hiring practices. Finding quality workers is possible—if companies pay wages that the market and position commands, are willing to loosen hiring criteria, and expand their pool of potential candidates. It just might produce the kind of results employers hope for—valuable employees who value working for your organization.

Unemployment rates for persons 25 years and older by educational attainment, 2013–2018

Less than a high school diploma — High school graduates, no college — Some college or associate degree

U.S. Bureau of Labor Statistics



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