Workers Are Gaining Leverage Over Employers Right Before Our Eyes

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The relationship between American businesses and their employees is undergoing a profound shift: For the first time in a generation, workers are gaining the upper hand.

The change is broader than the pandemic-related signing bonuses at fast-food places. Up and down the wage scale, companies are becoming more willing to pay a little more, to train workers, to take chances on people without traditional qualifications, and to show greater flexibility in where and how people work.

The erosion of employer power began during the low-unemployment years leading up to the pandemic and, given demographic trends, could persist for years.

March had a record number of open positions, according to federal data that goes back to 2000, and workers were voluntarily leaving their jobs at a rate that matches a historical high. Burning Glass Technologies, a firm that analyzes millions of job listings a day, found that the share of postings that say "no experience necessary" is up two-thirds over 2019 levels, while the share of those promising a starting bonus has doubled.

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People are demanding more money to take a new job. The "reservation wage," as economists call the minimum compensation workers would require, was 19 percent higher for those without a college degree in March than in November 2019, a jump of nearly $10,000 a year, according to a survey by the Federal Reserve Bank of New York.

Employers are feeling it: A survey of human resources executives from large companies conducted in April by the Conference Board, a research group, found that 49 percent of organizations with a mostly blue-collar work force found it hard to retain workers, up from 30 percent before the pandemic.

"Companies are going to have to work harder to attract and retain talent," said Karen Fichuk, who as chief executive of the giant staffing company Randstad North America closely tracks supply and demand for labor. "We think it's a bit of a historic moment for the American labor force."

This recalibration between worker and employer partly reflects a strange moment: The economy is reopening, but many would-be workers are not ready to return to the job.

Yet in key respects, the shift builds on changes already underway in the tight labor market preceding the pandemic, when the unemployment rate was 4 percent or lower for two straight years.

That follows decades in which union power declined, unemployment was frequently high and employers made an art out of shifting work toward contract and gig arrangements that favored their interests over those of their employees. It would take years of change to undo those cumulative effects.

But the demographic picture is not becoming any more favorable for employers eager to fill positions. Population growth for Americans between ages 20 and 64 turned negative last year for the first time in the nation's history. The Congressional Budget Office projects that the potential labor force will grow a mere 0.3 percent to 0.4 percent annually for the remainder of the 2020s; the size of the work force rose an average of 0.8 percent a year from 2000 to 2020.

An important question for the overall economy is whether employers will be able to create conditions attractive enough to coax back in some of the millions of working-age adults not currently part of the labor force. Depending on your view of the causes, the end of expanded pandemic-era jobless benefits might also have an effect. Some businesses may need to raise prices or retool how they operate; others may be forced to close entirely.

Higher wages are part of the story. The jobs report issued on Friday showed that average hourly earnings for nonmanagerial workers were 1.3 percent higher in May than two months earlier. Other than in a brief period of statistical distortions early in the pandemic, that is the strongest two-month gain since 1983.

But wages alone aren't enough, and firms seem to be finding it in their own best interest to seek out workers across all strata of society, to the benefit of people who have missed out on opportunity in the last few decades.

"I've been doing this a long time and have never felt more excited and more optimistic about the level of creative investment on this issue," said Bertina Ceccarelli, chief executive of NPower, a nonprofit aimed at helping military veterans and disadvantaged young adults start tech industry careers. "It's an explosive moment right now."

In effect, an entire generation of managers that came of age in an era of abundant workers is being forced to learn how to operate amid labor scarcity. That means different things for different companies and workers — and often involves strategies more elaborate than simply paying a signing bonus or a higher hourly wage.

At the high end of the labor market, that can mean workers are more emboldened to leave a job if employers are insufficiently flexible on issues like working from home.

It also means companies thinking more expansively about who is qualified for a job in the first place. That is evident, for example, in the way Alex Lorick, a former South Florida nightclub bouncer, was able to become a mainframe technician at I.B.M.

Mr. Lorick often worked a shift called “devil’s nine to five” — 9 p.m. to 5 a.m. — made all the more brutal when it was interspersed with day shifts. The hours were tough, but the pay was better than in his previous jobs, one at a retirement home and another serving food at a dog track. Yet it was a far cry from the type of work he had dreamed about in high school, when he liked computers and imagined making video games for a living.

As a young adult, he took online classes in web development and programming languages, but encountered a Catch-22 many job seekers know well: Nobody wanted to hire a tech worker without experience, which meant he couldn’t get enough experience to be hired. College wasn’t for him. Hence the devil’s nine to five.

Until late last year, that is. After months on unemployment during the pandemic, he heard from I.B.M., where he had once applied and been rejected for a tech job. It invited him to apply to an apprenticeship program that would pay him to be trained as a mainframe technician. Now 24, he completed his training this month and is beginning hands-on work in what he hopes is the start of a long career.

“This is a way more stable paycheck, and more consistent hours,” Mr. Lorick said. “But the most important thing is that I feel like I’m on a path that makes sense and where I have the opportunity to grow.”

Before Adquena Faine began an I.B.M. apprenticeship to become a cloud storage engineer, she was driving for ride-hailing services to support herself and her daughter, dealing with the erratic income and sore back that came with it.

“I really hate driving now,” she said. “I could feel the car vibrating even when I wasn’t in the car.”

She had attended but not completed college, and served in the Air Force, but the information technology industry was new to her.

“They were confident they could teach me what I needed to know,” she said. “It was intense, but I didn’t want to let myself down or my baby girl down.”

The hiring of Ms. Faine and Mr. Lorick was part of a deliberate effort by I.B.M. to rethink how it hires and what counts as a qualification for a given job.

The apprenticeship program began in 2017, and thousands of people have moved through it and similar programs. Executives concluded that the qualifications for many jobs were unnecessarily demanding. Postings might require applicants to have a bachelor’s degree, for example, in jobs that a six-month training course would adequately prepare a person for.

“By creating your own dumb barriers, you’re actually making your job in the search for talent harder,” said Obed Louissaint, I.B.M.’s senior vice president for transformation and culture. In working with managers across the company on training initiatives like the one under which Mr. Lorick was hired, “it’s about making managers more accountable for mentoring, developing and building talent versus buying talent.”

“I think something fundamental is changing, and it’s been happening for a while, but now it’s accelerating,” Mr. Louissaint said.

Efforts like the one at I.B.M. are, to some degree, a rediscovery in the value of investing in workers.

“I do think companies need to relearn some things,” said Byron Auguste, chief executive of Opportunity at Work, an organization devoted to encouraging job opportunities for people from all backgrounds. “A lot of companies, after the recessions in 2001 and 2008, dismantled their onboarding and training infrastructure and said that’s a cost we can’t afford.

“But it turns out, you actually do need to develop your own workers and can’t just depend on hiring.”

Any job involves much more than a paycheck. Some good jobs don’t pay much, and some bad jobs pay a lot. Ultimately, every position is a bundle of things: a salary, yes, but also a benefits package; a work environment that may or may not be pleasant; opportunities to advance (or not); flexible hours (or not).

Statistics agencies collect pretty good data on the aspects of jobs that are quantifiable, especially salary and benefits, and not such great data on other dimensions of what makes a job good or bad. But it is clear, as the labor market tightens, that people routinely favor those less quantifiable advantages.

That has become vividly apparent in the restaurant industry, which is facing extreme labor shortages.

“Traditionally in restaurants, it was: ‘Hey, this is the job. If you want these hours, great; if not, we’ll find somebody else,’” said Christopher Floyd, owner of the hospitality industry recruitment firm Capital Restaurant Resources in Washington. “Now employers have to say, ‘You have the qualities we’re looking for; maybe we can work out a more flexible schedule that works for you.’ Employers are becoming much more cognizant that yes, it’s about money, but also about quality of life.”

Whether it’s a bigger paycheck, more manageable hours or a training opportunity offered to a person with few formal credentials, the benefits of a tight labor market and shifting leverage can take many forms.

What they have in common — no matter how long this shift toward workers lasts, or how powerful a force it turns out to be — is that it puts the employee in the position that matters most: the driver’s seat.