



Actalent

Labor Market & Economy Report

April 2023

Sharp insights for well-rounded people.

Actalent's monthly Labor Market and Economy Report connects important dots between data and trends in engineering and sciences. The report corresponds with the monthly release of the U.S. Bureau of Labor Statistics Employment Situation, though lends further insight into specific employment trends in engineering and sciences. Accompanying the report is an [article](#) that pulls the data together to tell a complete story about what's happening in the labor market and, by extension, the economy. Specifically, readers can expect to learn about:

- + Job growth in engineering and sciences by industry
- + Unemployment trends in engineering and sciences labor categories and industries
- + Labor force participation
- + Job quits and layoffs
- + Engineering and sciences employment trends by industry wages
- + Other important news stories impacting the labor market overall and engineering and sciences specifically



253K

Jobs Gained in April

February and March job gains were revised downward to 248K and 165K, respectively. April's 253K jobs-added is far from 2022 monthly gains but above February and March. Thus, the labor market is "cooling" but is still stronger than expected.



62.6%

Labor Force Participation Rate

Labor force participation was unchanged between March and April 2023. 25-to-54-year-old workers' participation is 83.3%, a rate not seen since 2008. With their unemployment rate of 3.1%, these 'prime-age' workers are in short supply.



3.4%

Unemployment Rate

The unemployment rate is back to its half-century low of 3.4%. Fears of layoffs, hiring freezes, and a recession have mounted in 2023, yet the supply of workers remains extremely limited.



3.9M

March Quits

Quits slightly declined from 4.0M to 3.9M over the month, still above the pre-pandemic level of 3.5M. Layoffs increased from February's revised 1.6M to 1.8M in March.

April 2023 Market Trends

A closer look at
unemployment by industry
and labor category



Overall Unemployment Rate

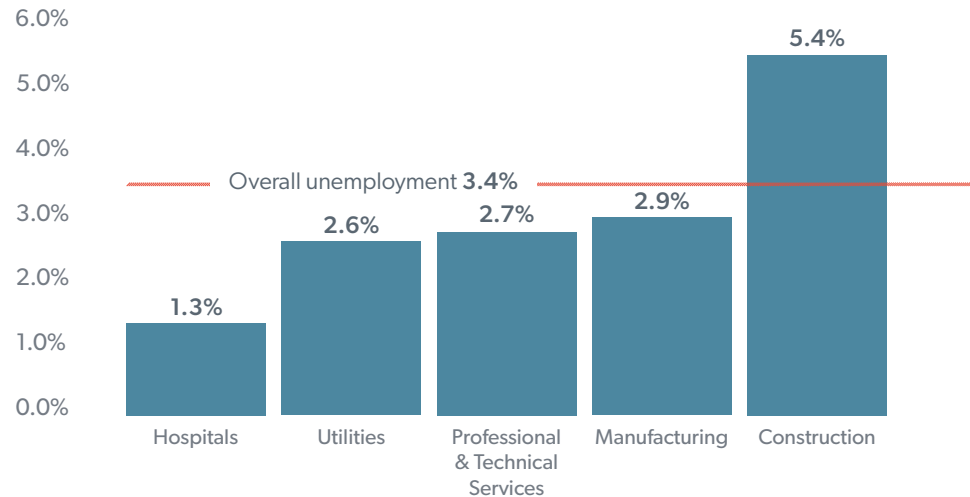


Unemployment Rate for Degreed
Workers

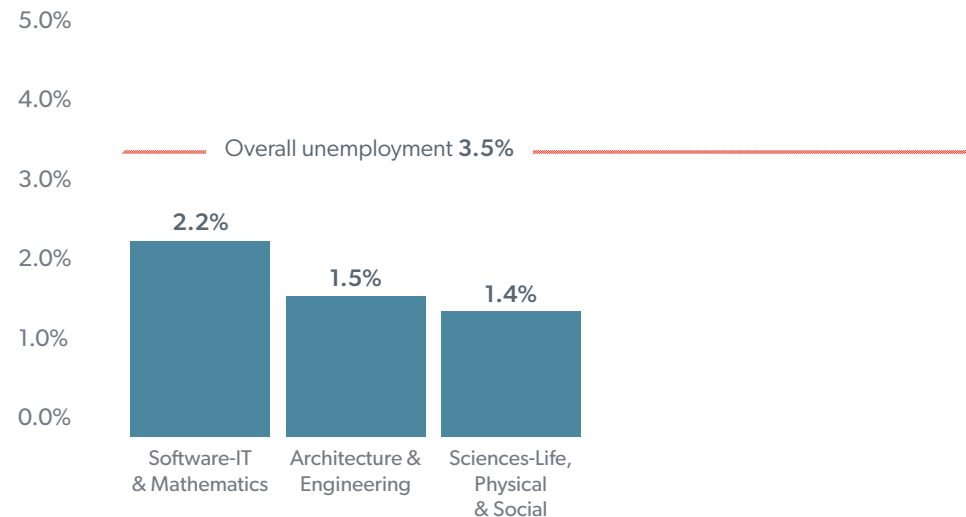


Ratio of unemployed workers
(SW-IT & Mathematics,
Architecture & Engineering,
Sciences) available per job
opening.

Unemployment rates by industry



Unemployment rates by labor category



Due to frequent data revisions and statistical noise on a month-to-month basis, Actalent employs a rolling 3-month average to best represent unemployment by labor category or industry.

Industry Trends

OVERALL ECONOMY

The U.S. economy continues to show some signs of “cooling” and other signs of a still-strong labor market. On the one hand, job openings have declined (although 9.6M is still 2.6M more than pre-pandemic), interest rates and inflation are higher than normal, some companies are laying off and ‘restructuring’ in response to macroeconomic headwinds, and division over raising the nation’s debt ceiling is creating concern. On the other hand, unemployment is at a 50-year low, labor participation among 25-54-year-olds is at a rate not seen in 15 years, and demand for engineering and sciences workers is ticking up again. There is work to be done in every industry – it’s now a matter of which companies have the finances, confidence, and employees to get that work done.



UTILITIES

AEP announced plans to sell AEP Energy and OnSite Partners as part of a strategy to de-risk the company and focus investments on its core utilities and transmission business. AEP also plans to invest \$40B into its regulated wires and generation business over the next five years. AEP’s job postings for architecture & engineering occupations have increased from less than 100 in January to over 200 in April. The utilities sector as a whole has increased demand for A&E workers by 38% since the beginning of the year, with electrical engineers, engineering technicians, and transmission engineers in highest demand.



CONSTRUCTION

Construction spending and employment are both close to record highs, thanks to domestic manufacturing offsetting spending declines from interest-rate-sensitive residential construction. Manufacturing construction spend grew 4.6% in March 2023 (latest data available). Nonresidential spend is partly from government funding and incentives, such as infrastructure projects and semiconductor and EV battery factories, and partly from big players who can fund projects without borrowing. The AGC attributes recent “lackluster infrastructure spending” to fully-funded projects awaiting construction permits. Meanwhile, construction sector demand has increased by over 20% for construction and project managers between Jan-April 2023.



ARCHITECTURE & ENGINEERING

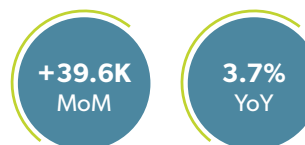
Architecture billings grew slightly in March (latest data available) after five consecutive months of declines. Architecture firm backlogs also increased to 6.9 months in Q1 2023. Sector activity has been very mixed, as some firms have been negatively impacted by higher-than-normal inflation and interest rates, while others have seen business pick up again. The Central-Midwest has experienced the most improvement in billings. From an employer demand perspective, the most architectural and engineering services demand is coming from the South, where there were over 12,000 postings for A&E workers in April, a 13% gain from March.



Industry Trends, continued

HEALTHCARE

Kaiser Permanente reported a 4.2% YoY gain in operating revenue for Q1 and revealed a significant turnaround from losses experienced in 2022. Kaiser addressed high clinical labor costs in the first quarter by increasing its own clinical hiring by 15% and “reducing reliance on contract labor.” iCIMS reported that healthcare roles are consistently difficult to fill, especially nurses, stating that only around nine applicants apply for every nursing opening. NCSBN reported that over 600,000 RNs have expressed “‘intent to leave’ the workforce by 2027 due to stress, burnout and retirement.” One of the significant consequences of the healthcare shortage: elective procedure volumes were roughly 90% of pre-pandemic levels in Q1 partially due to staff shortages, which ultimately hurt 3M’s operating margins and contributed to their recent round of layoffs (see C&IP).



SCIENTIFIC R&D

High interest rates have contributed to a harsher venture capital and bank lending environment for smaller to medium biotech companies. The industry continues to experience mixed conditions, and April layoff announcements included Thermo Fisher, Nektar Therapeutics, and Biogen. Still, overall demand for engineering and sciences workers in the biotech R&D industry increased 14% in April. Boston Scientific, Edwards Lifesciences, and Stryker are three companies who added job postings in April and reported sales growth and optimism for 2023 in their Q1 press releases. Pfizer and Labcorp both reported Q1 revenue declines due to drops in Covid-19 business, yet they remain optimistic for 2023 based on non-Covid business performance and expectations.



AUTOMOTIVE

In addition to its \$2B factory in South Carolina, VW has selected St. Thomas, Ontario, as its first overseas and first North American VW-PowerCo gigafactory for battery cell manufacturing, which will create demand for thousands of skilled workers. This follows the trend of companies moving manufacturing locations to North America, which will create a surge in demand for construction and manufacturing workers as these plants are built and begin operations. EV charging infrastructure quality is not keeping up with EV production: 1 in 5 charging attempts failed in 2022, according to J.D. Power. Automotive News anticipates field technicians are going to be in high demand “to ensure that software is up to date, and that the physical charger is in suitable condition.”



C&IP *Manufacturing of Durable Goods, Technology, Chemicals, Food Products, etc.*

Q1 earnings reports for Caterpillar, Rockwell Automation, and Cummins revealed the benefits these companies are reaping from increased manufacturing construction (see Construction). The construction of semiconductor, EV, renewable energy, and other production facilities has led to more orders for heavy and industrial equipment, heavy and vocational trucks, materials, and systems. Defense companies are ramping up hiring after global military spend reached a new record high last year, but recruitment of such talent can be difficult since they often require specific skills and security clearances. Demand for engineering workers with security clearances has increased by 14% since the beginning of the year. 3M announced another round of layoffs as part of its strategy to restructure and improve margins after sales slipped for a fifth consecutive quarter, with transportation and electronics taking the biggest hit.



Wages in the United States

How they've changed.

+5.0%



Consumer Price Index

April's inflation rate was 4.9%, much lower than the 40-year high 9.1% in June 2022 but still above the 2% target. The Federal Reserve has mentioned that it may pause interest rate increases (which they've been using to try to combat inflation) at its next meeting. The hope is that inflation will continue to cool without another interest rate hike.

+4.4%



Wage Increases

Average hourly earnings increased 4.4% between April 2022 and April 2023. Although the pace of wage growth has slowed in comparison to early 2022, earnings are still increasing faster than they were pre-pandemic.

-0.5%



"Real" Earnings

Average hourly earnings are still negative YoY after being adjusted for inflation, but the difference is narrowing. Just last September, real earnings were down a whole 3.0% YoY; thus, inflation's negative impact on workers' wages is easing. This is good for workers, who have been feeling like they can afford less, and for employers, who have been facing employee demand for higher pay.

References

Read more about trends in Engineering & Sciences

UTILITIES: [AEP plans to sell energy businesses](#); [AEP Signs Agreement to Sell Unregulated Renewables Assets](#)

CONSTRUCTION: [Manufacturing construction spending](#); WSJ – ‘Building boom’ impact on construction spending and employment; [AGC coverage of construction spending](#)

ARCHITECTURE & ENGINEERING: [ABI March 2023: Business conditions improve slightly](#)

HEALTHCARE: [Kaiser Foundation Health Plan and Hospitals Q1 2023 financials](#); [iCMIS Healthcare hiring challenges](#); [CVS closes \\$8B Signify acquisition](#); [NCSBN Significant nursing workforce shortages and crisis](#); [3M plans 6,000 layoffs as hospital staffing woes continue to curb procedures](#)

SCIENTIFIC R&D: [The biotech VC crunch](#); [Biopharma Layoff Tracker 2023](#); [Boston Scientific Q1 results](#); [Stryker Q1 results](#); [Pfizer Q1 results](#); [Labcorp Q1 results](#); [Edwards Lifesciences Q1 results](#)

AUTOMOTIVE: [Automotive: Volkswagen and PowerCo SE will build their largest cell factory to date in Canada](#); [Field techs, industry collaboration critical to EV charging infrastructure](#)

C&IP: [America’s Factory Boom Drives Sales Surge for Excavators, Steel and Trucks](#); [Defense companies struggling to recruit enough workers](#); [3M layoff tally climbs to 8,500 in companywide restructuring ahead of healthcare spinout](#)

All job posting data from Lightcast