

Luring Back the Comfortably Unemployed: A Compensation-Averse Guide to Hiring Post-Covid

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Job growth last month grew by a meager 194,000 newly employed, about half of the jobs gained in August. Economists were confused. “Employment is slowing when it should be picking up,” one told the New York Times. Indeed, there are still about five million fewer Americans working now than before the Covid shutdowns.

Few predicted this — certainly not the economists at the Federal Reserve or on Wall Street. Rather, almost everyone predicted a gradual, though perhaps slow, return to normal. Yes, there might be some hiccups along the way, such as a new variant that starts killing Americans at the same rate as last summer. But eventually, most agreed, Americans would return to buying, selling and working.

The evidence shows that millions of Americans are simply unwilling to return to employment, not that they are unable to get a job. The experts provide a number of explanations. None of them are particularly good for those of us looking to hire. Some of the unemployed are reconsidering the necessity of working. Others are living comfortably off their savings. Still others are holding out for better offers.

One of the worst indicators shows that many of the employed are actually quitting for any one of these reasons.

Let's put aside the judgment about those choosing unemployment as some sort of lifestyle or philosophical choice. The more important fact is that their collective decision gives workers extraordinary leverage, perhaps more than we've seen in the post-union era. And this is not just a phenomenon of the working-class — professionals in some of the most highly desired positions are also refusing employment or leaving their jobs.

The law of labor supply elasticity predicts an inevitable rise in salaries and wages to win back these reluctant recruits. But is there something other than compensation that can lure them back? Indeed, I would argue that the same factors keeping people from returning to employment indicate some non-compensatory sweeteners we can offer to encourage their return.

Deliver on the work-life balance

Preliminary data suggests that many of the comfortably unemployed are simply reconsidering their life priorities. A survey by the Society for Human Resources Managers this spring found that less than one-third of mothers who left the workforce because of the pandemic planned to return to work in the next year. Mothers were obviously the primary caretakers of their children during the school shutdowns, but a surprising number are refusing to return to the workforce even now that their children are returning to school. The survey suggests why: Newfound priorities that value work less and time with family more.

Yes, we are talking about the work-life balance. The mothers surveyed said, if they do return to work, they will only do so if their employers deliver on the work-life balance. We must begin to deliver the work-life balance on terms established by those demanding the balance. There might be some general options already available under the suite of HR benefits, but we must also tailor the balance for the specific needs of individuals. This discussion needs to happen during recruitment in collaboration with the recruit, not offered as part of a generalized benefits package.

Career planning

Now let's turn to what appears to be a generational factor driving the refusal to return to the workforce. Another survey found that 90 percent of millennials and Gen Z workers have no interest in returning to full-time employment without certain guarantees. They have little interest working at a job without career opportunities or long-term security. If they do return to work, they also want the

work-life balance guaranteed. Oh yeah, and if you are a boss, they don't trust you to provide any of these things.

Say what you want about their preferences, but these generations are the future (and much of the present) of the workforce. You can scoff at their generational skepticism, but these attitudes are clearly inhibiting the economic rebound. We ignore them at our own peril, and perhaps that of the national economy.

And can you really blame them? Is it so much to ask that our jobs actually translate into a career, that our employers value us for the long-term, and that we can comfortably manage our personal, family and work obligations?

Delivering on all of these also requires individual collaboration with the recruit. We must find out what interests them in a future career, or help them develop that interest. We must commit to long-term job security and find ways to live up to that commitment. We must offer benefits that guarantee their preferred balance of work, leisure and family.

Simply offering higher wages and salaries will be ineffective and a waste of resources. The comfortably unemployed are considering issues beyond what is predicted by traditional economic theory or forecast models. They are considering the very necessity of work. Perhaps these philosophical meanderings will dissipate with their savings. Or perhaps they will think differently when they realize that their quality of life does depend on the dual income.

We have nothing to lose, however, by sweetening the pot with these incentives. Most of them require no direct compensation, and they address deeper (and legitimate) concerns about the meaning of life and work. If we can provide a more enriching experience with work, we can lure the reluctant back to the fold. The comfortably unemployed can become the satisfactorily and productively employed — but only if we take their complaints, and their demands, seriously.