Evolving Workforces

The Great Resignation's Impact on Office Users

VIEWPOINT

Five Ways for Employers to Attract and Retain Talent as Workplaces Reopen

CBRE RESEARCH
MARCH 2022

Executive Summary

- The Great Resignation is roiling the U.S. labor market, with 0.6 people available to fill each open job, as of January 2022. The impact on office-using industries is mixed, with the Professional and Business sector struggling more than the Financial Activities and Technology sectors to fill vacancies.
- With labor force participation near an all-time low and record numbers of Americans quitting despite rising wages, companies need to get creative to keep and recruit talent—especially as they reopen offices more fully as the pandemic ebbs.
- To counter this trend, employers can proactively focus on addressing employees' pain points, optimizing flexible work arrangements, redesigning offices to better support hybrid work, fostering cultures that transcend physical space and tapping new markets for talent.

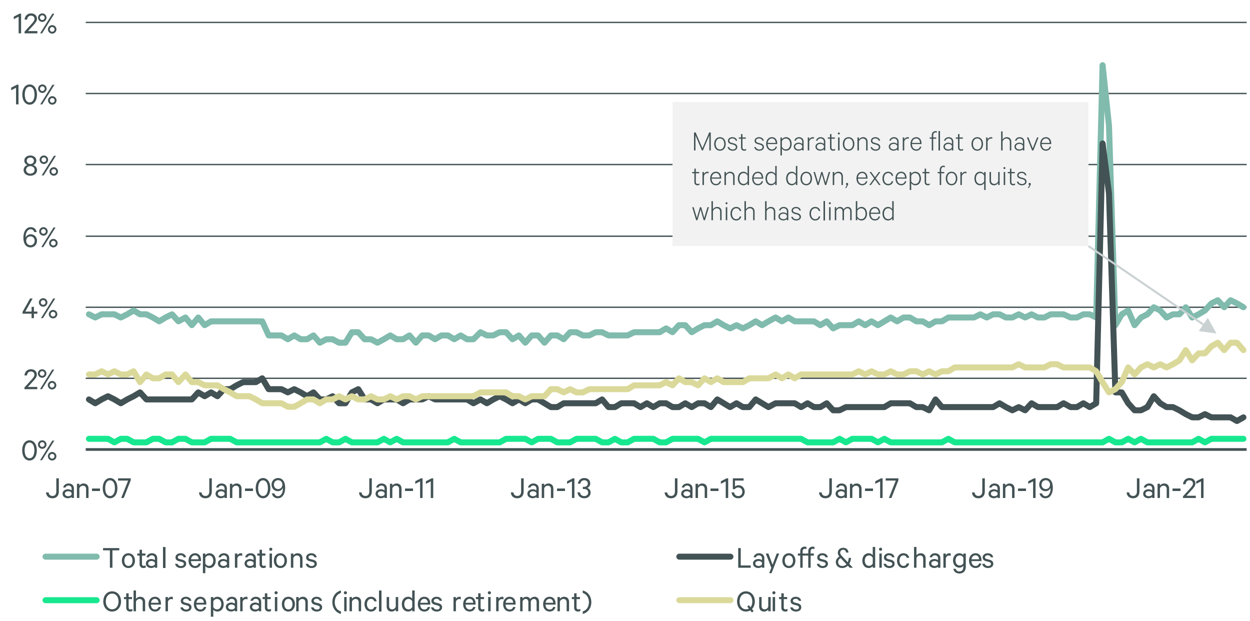
Introduction

More U.S. workers are leaving their jobs than ever before, and job openings exceed willing workers—a trend dubbed the "Great Resignation" in headlines. What does this mean for office occupiers, and what can they do to attract and retain talent in the current environment? In this Viewpoint, we examine the Great Resignation's impact on office-using sectors and look at five ways employers can stem the tide as they reopen their offices.

Quits reach record highs

The U.S. labor market has largely rebounded since March 2020. However, the quit rate, or the number of people that left their jobs as a percentage of total employment, was 2.8% in January 2022, up from 2.3% during the same month in 2019. This translates into nearly 4.3 million workers quitting in January 2022, up 29% from the average in January 2018 and 2019.

Figure 1: Separations, quits, and layoffs and discharges, January 2007-January 2022



Source: U.S. Bureau of Labor Statistics, JOLTS, January 2022.

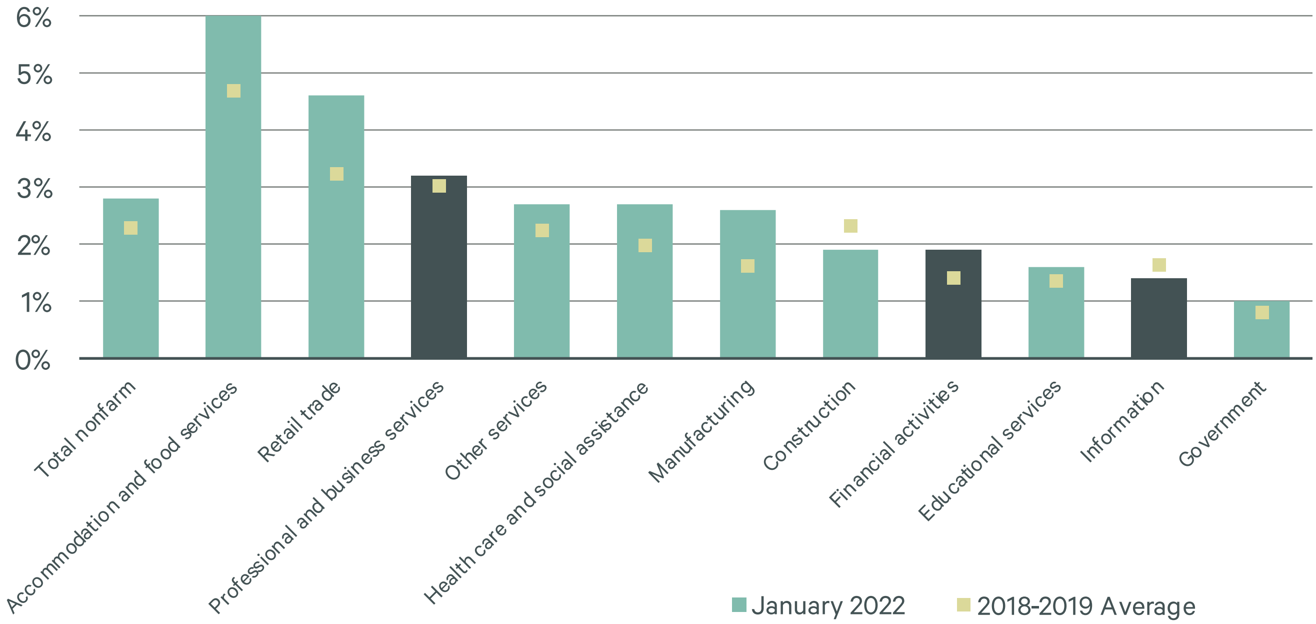
Office-using quits in focus

The Great Resignation's impact varies, with industries that rely on in-person staffing, such as retail and hospitality, recording the highest quit rates and wage increases thus far. Retail-using jobs, for instance, accounted for the largest share of quits, 35%, in January 2022, up from the 2018-2019 average of 34%.

Office-using jobs accounted for 21% of quits in January 2022, slightly down from the 2018-2019 average of 24%. Quit rates were above the pre-pandemic average for the Professional and Business Services sector, which includes back office and shared services sectors that employ a high number of entry-level workers. Professional and Business Services also logged the largest wage growth, with support roles for back office and administrative operations, call centers and shared services seeing 7%-plus increases in wages over the last three years.

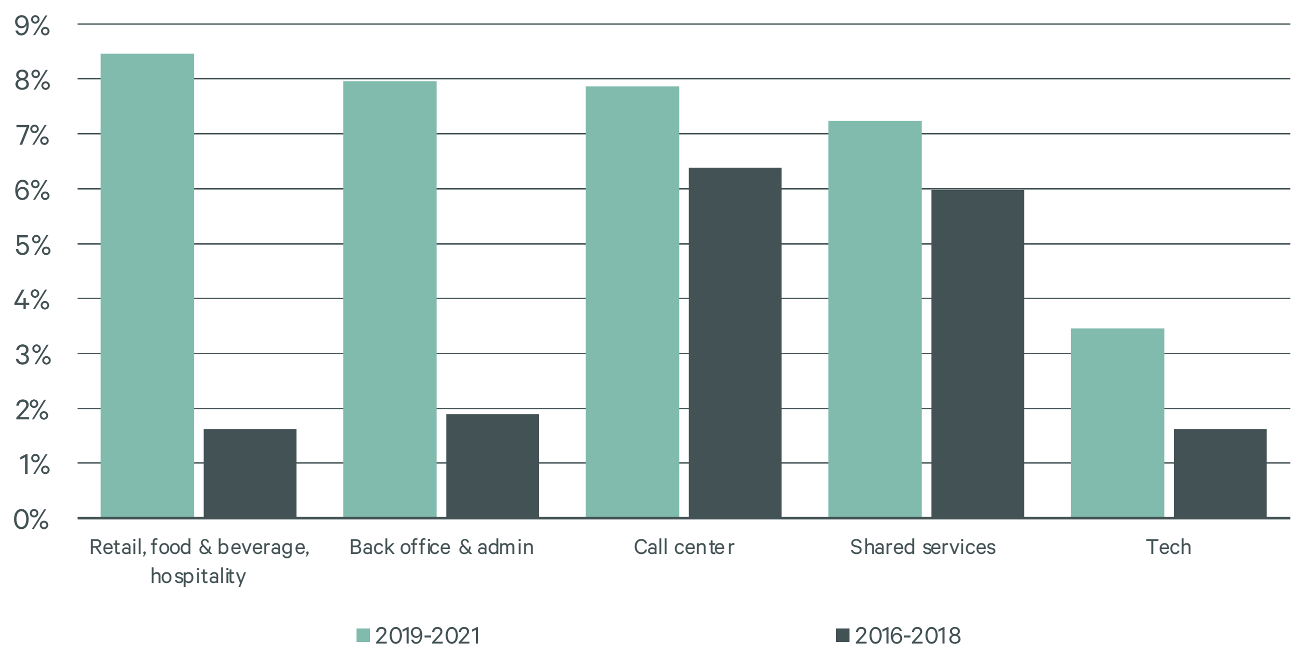
Quits were less prevalent in other office-using sectors, such as Information, which includes technology positions, and Financial Activities, presumably because these are typically higher-paying positions that could more easily work remotely during the pandemic.

Figure 2: Quit rate by sector (office-using sectors in dark grey)



Source: U.S. Bureau of Labor Statistics, JOLTS, January 2022.

Figure 3: Wage growth by sector

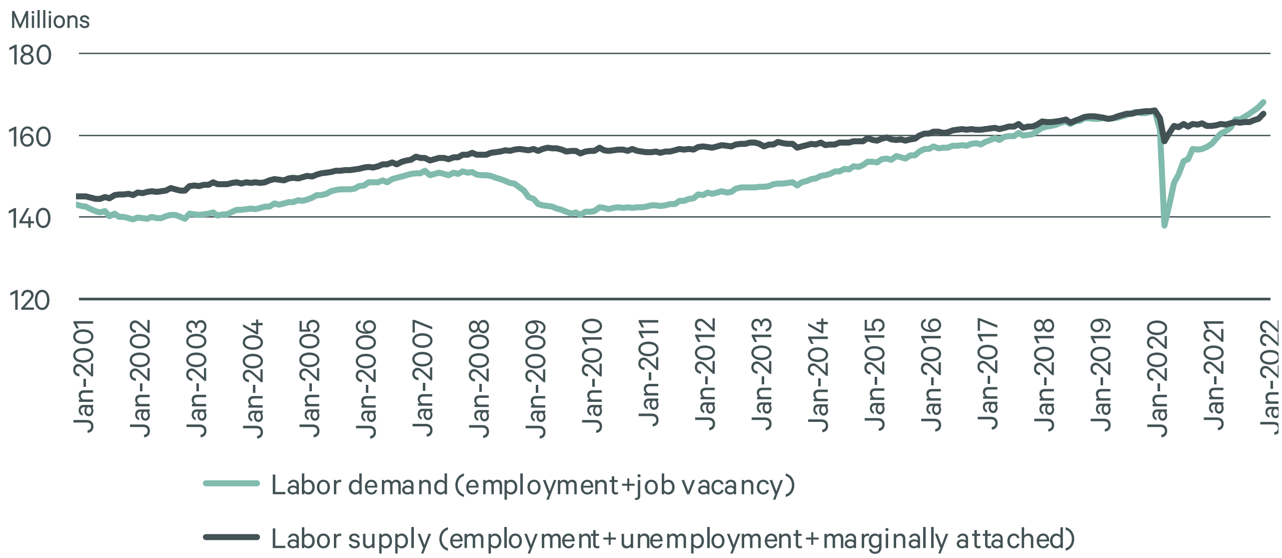


Source: ERI, December 2021.

Supply and demand imbalance exacerbates challenge

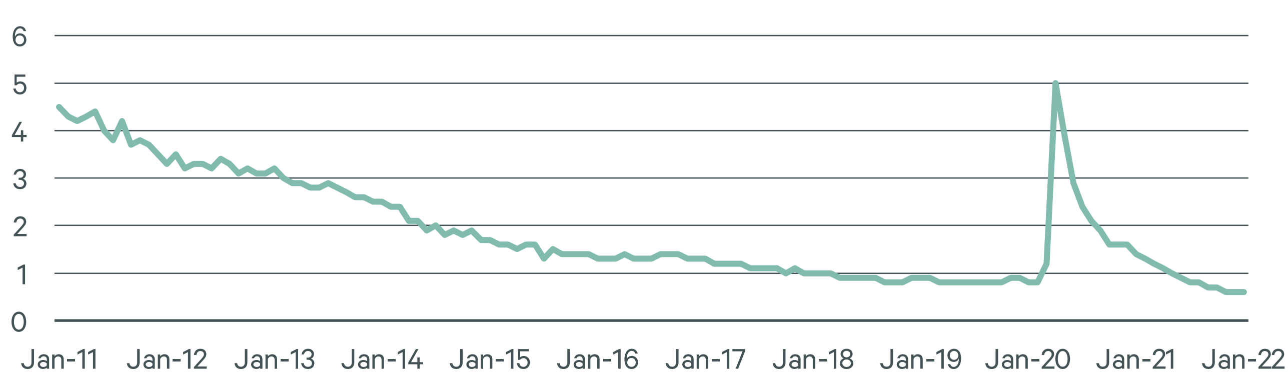
The U.S. economic expansion needs more labor—especially retail and office-using workers—to keep growing. The labor force participation rate, the percentage of working-age Americans who are either employed or seeking employment, was 62.3% in February 2022, down from 63.4% in February 2020.. There are several reasons for this. Older workers, including baby boomers, are retiring at a quicker pace than new ones can replace them. In addition, pandemic-induced burnouts and shifting family responsibilities contributed to a reduced, albeit possibly temporary, level of participation among younger workers. As a result, there were a record-low 0.6 unemployed workers for every job opening in January 2022, down from an average of two unemployed workers per job listing from 2011 to 2018.

Figure 4: Labor supply and demand



Source: U.S. Bureau of Labor Statistics, CBRE Research, January 2022.

Figure 5: Number of unemployed persons per job opening



Source: U.S. Bureau of Labor Statistics, JOLTS, January 2022.

The implication of the Great Resignation on the workplace

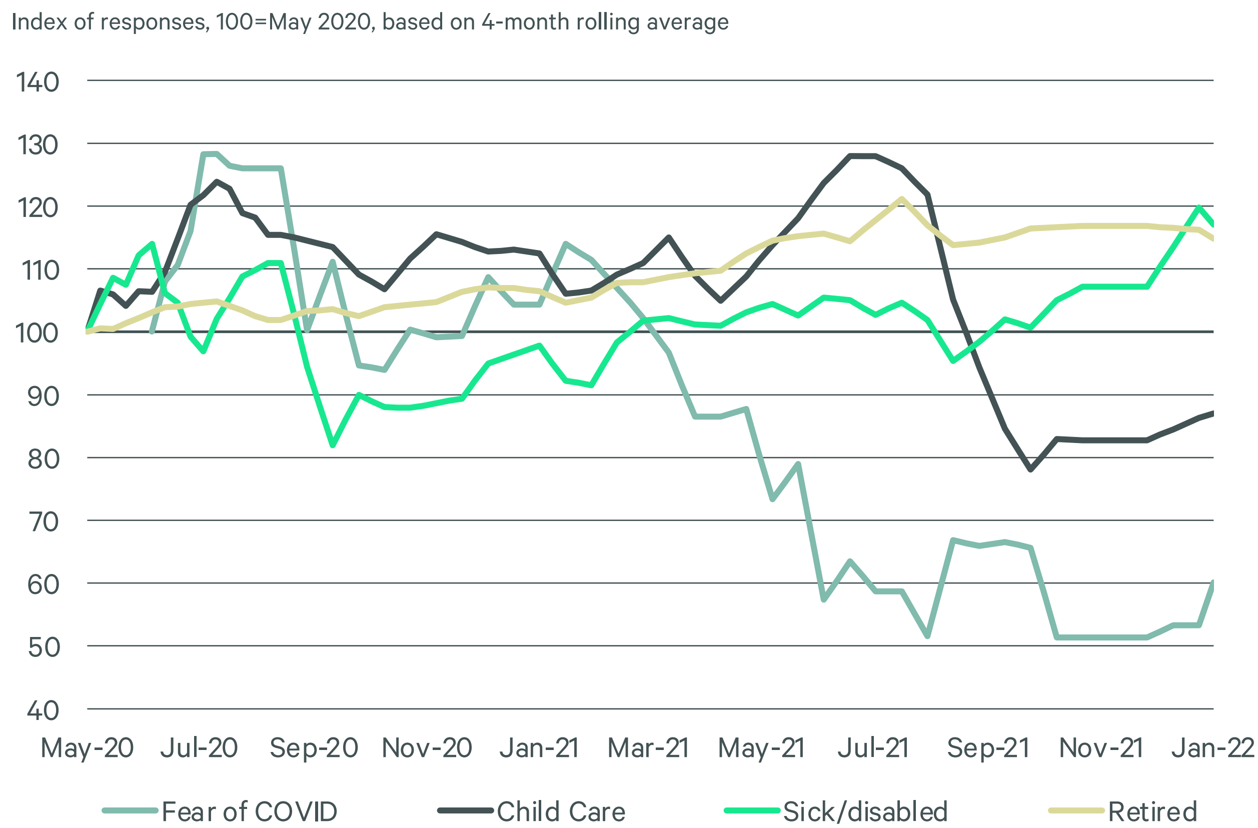
While the Great Resignation's impact on office-using industries is more subdued relative to other sectors, it's still a factor to contend with. As office-using employees return to the office on a more regular basis, turnover could rise if people are unhappy with their employer's policies or in-person experiences.

Though raising wages helps, it is not the only factor, as some of the industries posting the largest wage gains are also experiencing high quit rates. Below are five areas employers can proactively focus on to attract and retain talent during the Great Resignation:

1. Address the evolving needs of employees

The pandemic pushed companies to become more employee-centric. Employers should continue fostering this shift, monitoring how their employees' needs evolve as the post-pandemic world takes hold. The U.S. Census Household Pulse Survey reported that the main reasons people left their jobs were child care, fear of COVID-19, early retirement and not wanting to work. The latter reasons, especially those not wanting to work, remain elevated likely because of burnout, lifestyle changes or vaccine mandates. Enticing this cohort back to the labor force and ensuring more don't leave can be influenced by organizations' policies and actions in the coming months and years.

Figure 6: Household pulse survey: Why people are not working



Source: U.S. Census Household Pulse Survey, January 2022.

2. Embrace flexibility and communicate policy changes

During the pandemic, office-using employees established remote working routines that may be challenging to change. Most workers now prefer flexibility with where and when they work, and 87% of large companies have embraced hybrid work as a way forward, according to CBRE's 2021 Global Occupier Survey. With this next normal approaching as the pandemic seemingly recedes, companies that support and communicate their flexible policies, and create a culture to support them, will be better positioned to attract and retain talent. This is uncharted territory, so malleable workplace policies are considered a best practice for now.

3. Review design principles considering the new purpose of the office

Supporting a more hybrid workforce means the office will be used differently by employees. While desk sharing, increased collaboration space, enhanced video conferencing and wellness amenities are hallmarks of new space design, implementation varies widely based on each company's needs. Taking time to understand peoples' work habits and activities while in the office, and designing space accordingly, can help ensure a happy, engaged and productive workforce. While transformation efforts may take time to implement, introducing small changes as workers return, like employee wellness initiatives and networking events, can set the right tone.

4. Foster a community and culture that transcends physical or virtual space

As hybrid becomes the new norm, finding creative ways to keep employees connected and engaged in virtual and physical spaces will benefit occupiers as they combat the "detached worker" dilemma. People hired and onboarded away from the workplace missed out on the spontaneous and organic interactions and relationship-building that often take place in the office. Managers also found it difficult to onboard and train workers virtually. Detached workers are more likely than happy and engaged workers to search for other job opportunities, leading to higher turnover, which is costly for organizations.

5. Test new markets for talent

Tightening labor conditions and the migration of talent to other regions by people seeking a better work-life balance will push occupiers to reassess their office portfolios. Organizations will locate their offices where their employees live and in new markets poised for growth. Over the next several years, cities in the South and Mountain West benefiting from domestic in-migration are set to see higher labor force growth. Meanwhile, major, high-cost cities are poised to experience weaker growth, especially if immigration—a demographic growth driver for such markets—remains weak. This shift will be beneficial for Sunbelt office markets with a growing industry mix.

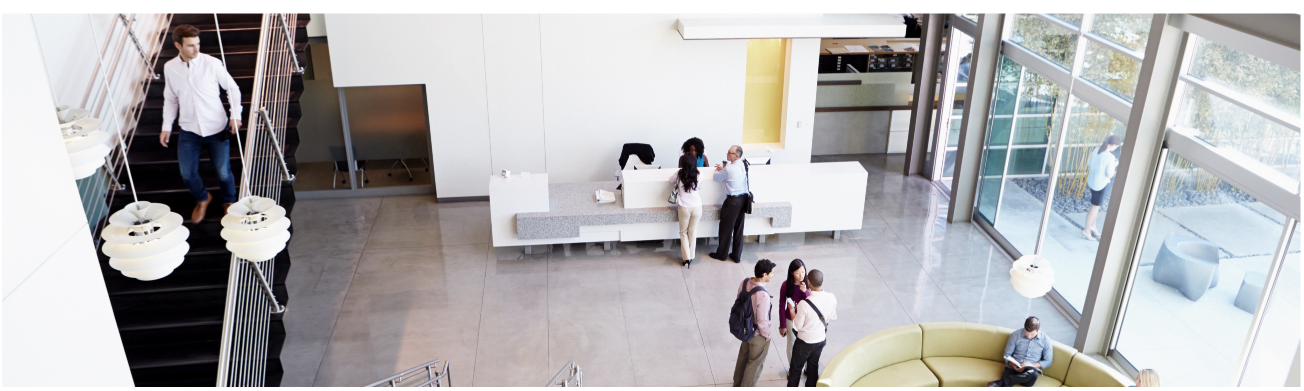
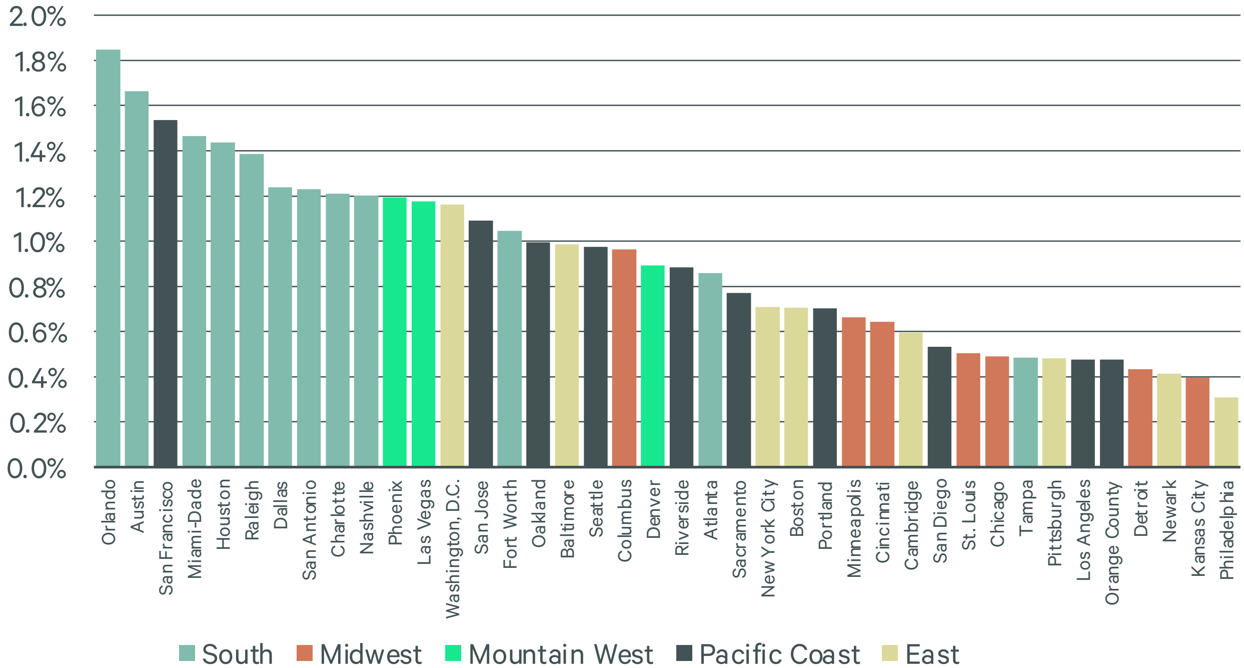


Figure 7: Labor force growth by market, 2022-2030 CAGR



**San Francisco's labor force declined by 4.6% during 2020, compared to 1.7% for the U.S. overall. The sturdy outlook for labor force growth during 2030 is driven by the assumption that the city's labor force will revert to long-term trends, as many people who left the city return.*

Source: Oxford Economics, December 2021.

Contacts

Jessica Morin
Head of U.S Office Research
CBRE Research
jessica.morin@cbre.com

Julie Whelan
Global Head of Occupier Thought Leadership
CBRE Research
julie.whelan@cbre.com

Matt Mowell
Senior Economist
CBRE Econometric Advisors
matt.mowell@cbre.com

Kevin Major
Director Client Strategy
CBRE Labor Analytics
kevin.major@cbre.com