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Where are the workers? Research exposes 'quiet quitting' impact on labor shortage

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Last month, Yongseok Shin, professor of economics in Arts & Sciences at Washington University in St. Louis, published a new working paper, "Where Are the Workers? From Great Resignation to Quiet Quitting," through the *National Bureau of Economic Research* with graduate students Dain Lee and Jinhyeok Park.

It was the first academic paper Lee and Park published and the experience, they say, has been "surreal" and "delightful." That's because the paper has attracted a lot of attention from national and local media outlets including Bloomberg, The Wall Street Journal, Fortune, The Atlantic, CBS News, St. Louis Post-Dispatch and others.

Academic papers are published every day by the dozens, but few attract this level of attention. So why did this research hit a nerve with readers? Probably because it offered new insight on one of the biggest current problems impacting the economy and businesses, big and small: the labor shortage.

Below, Shin explains the research and why this could be good news for U.S. workers, long-term.

There's been a lot of focus on the labor shortage, but your new research suggests the problem is not lack of workers. So what is driving the labor shortage?

Currently, the unemployment is really low—around 3.5%. Factoring in that low unemployment rate, the labor market is a lot tighter than what we would expect. There's also a measure called "vacancy rate," which is calculated by dividing the number of total job openings in the economy by the total number of jobs. Normally, if the unemployment rate was at 3.5%, the vacancy rate would be around 4.5% or 5%. But last year, the vacancy rate was 7%. This is really high—almost unprecedented.

Another puzzling factor for policy makers is inflation. There are signs of inflation easing in other areas of the economy, but not in the labor market. So why is this happening? Well, because the unemployment rate is not the whole picture. It just shows you how many people are looking for a job. What it's not showing is that even the people who are working are reducing their hours, which is not picked up by this vacancy rate or unemployment rate at all.

The 1 percentage point decline in the labor force participation rate between 2019 and 2022 is definitely part of the story, but our research shows that it is not the whole story. In fact, more than half of the decline in aggregate hours worked in the U.S. between 2019-2022 occurred through a reduction in hours worked per person.

As more and more people "quiet quit" or only do the minimum requirements in their jobs, employers have to adjust or hire additional employees, which is challenging in an already tight labor market.

Who is working less hours?

That was one of the interesting takeaways of our research. We found that college-educated males who were working a lot of hours to begin with were most likely to scale back their hours during the pandemic. We're talking about men who were working more than 2,600 hours per year or roughly 50 hours per week.

Prior to 2019, the top 25% of workers in terms of total hours worked—mostly college-educated men—put in roughly 2,340-2,860 hours per year. Between 2019-2022, that number dropped to 2,236-2,600. While this is still more than 40 hours per week, the change is equivalent to more than a full week of work.

If you take it a step further, you'll find that it's primarily a married men phenomenon. Married men are voluntarily reducing their work hours so that they can enjoy more social activity and leisure. For single men, we found very little change in terms of work hours versus leisure and social activity.

We also did not see a significant reduction in working hours among women. That's probably because there are fewer women working such extreme hours in the first place due to differing societal expectations, more responsibilities at home, etc.

It appears that the pandemic gave people a chance to reassess their life priorities and, as a result, some have different perspectives now when it comes to work-life balance. Now they're thinking, maybe I don't have to work so many hours. Maybe there are more important things in life than that. In that sense, I think this change may be a good thing.

Is this phenomenon unique to the U.S.?

If we look back to the 1950s, which is when we began tracking this data, Americans were working more than 2,000 hours per year, similar to workers in other industrialized countries like Germany, United Kingdom and Canada. Over the next few decades, that number slowly dropped in all industrialized countries. In the U.S., working hours have stayed stable since the 1980s—on average 1,791 hours per year—but it's continued to drop in other advanced economies.

For example, Canadian workers work 1,685 hours per year. Japanese workers work 1,607 hours per year. In France and the UK, it's closer to 1,500 hours. And German workers work roughly 1,400 hours—that's a very sizable difference compared with the U.S.

So, in some sense, to me, "why did hours fall?" is not really the question. Instead, why are Americans working so hard relative to other workers in rich, developed countries? The U.S. is very atypical in this sense. Part of it is cultural: Americans have a reputation for valuing hard work. Americans buy into the "bootstrap story" about advancing through hard work alone.

Do all Americans benefit from this trend? Do you expect it to continue?

One of the reasons why college-educated, top-earning males are able to reduce their hours is because they have in-demand, valued skills as a worker. These are workers who are already doing well economically and now they're doing even better. When you look at the numbers very carefully, though, you see that the low-wage workers actually increased their hours between 2019 and 2022. The bottom 10% of men in terms of earnings increased their annual hours by 38 hours from 1,177 in 2019 to 1,215 in 2022.

The good news is that change often starts at the top. If the boss starts cutting back on hours, it will be easier for other employees to follow their lead.

The fact that this trend lasted through 2022 suggests that the hours reduction cannot be explained by such pandemic-period factors as sickness, fear of infection or child care needs during school closures and, therefore, is more likely to last.

Looking forward, as more employees demand flexible hours, companies will have to adjust their expectations. This is especially true in a tight labor market where employees have more bargaining power. Right now, the 40-hour work week is the norm for full-time employment in the U.S., but that may not always be the case.

The research was published by the *National Bureau of Economic Research*.

More information: Dain Lee et al, Where Are the Workers? From Great Resignation to Quiet Quitting, *National Bureau of Economic*

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