



Actalent

Labor Market & Economy Report

May 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



339K

Jobs Gained in May

Employment increased by 339,000. This is the largest jobs gain seen since January, when employment rose by 472,000. The labor market is showing signs of cooling in some industries but remains stronger than expected overall.



62.6%

Labor Force Participation Rate

The labor force participation rate has held steady at 62.6% since March of this year. This indicates that the total share of people who are working or unemployed and actively seeking work has not changed in three months.



3.7%

Unemployment Rate

The unemployment rate rose 0.3 percentage points from 3.4% in April to 3.7% in May, which is a bigger month-to-month change than we've seen. 3.7% is still below 4.0%, however, indicating that the labor market is still tight.



3.8M

April Quits

Quits exceed pre-pandemic norms, and although several quits came from retail, healthcare, and accommodation/food services, 17% of quits came from workers in the professional and business services industry. Layoffs decreased from 1.8M to 1.6M in April.

May 2023 Market Trends

A closer look at
unemployment by industry
and labor category



Overall Unemployment Rate

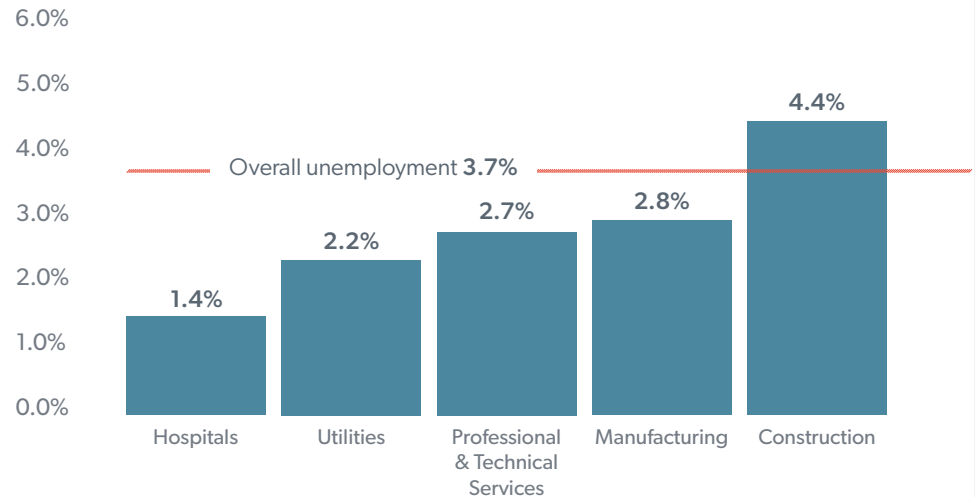


Unemployment Rate for Degreed
Workers

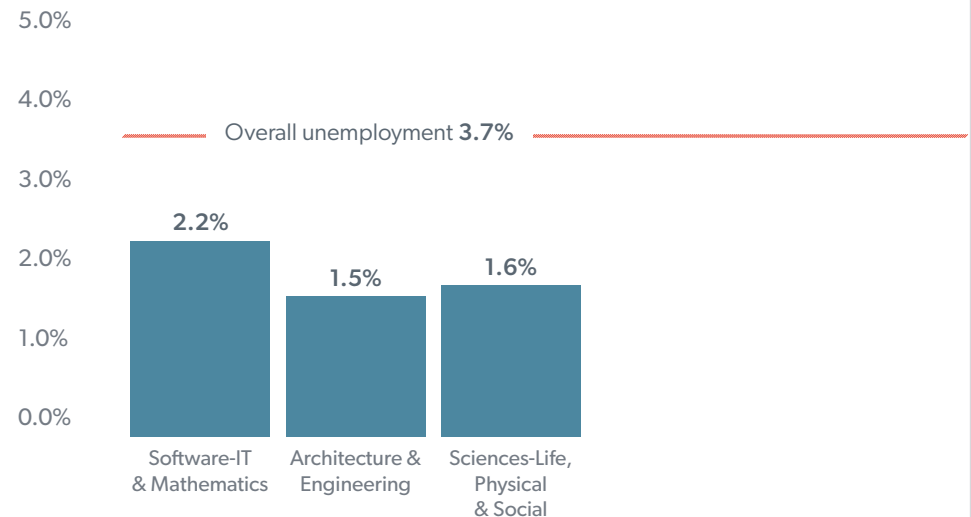


Ratio of unemployed workers
(SW-HW-IT & Mathematics,
Architecture & Engineering,
Sciences) available per job
opening).

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 US labor market continued to beat expectations in May, adding 339,000 new jobs. Professional and business services, healthcare, government, and construction led the way with the biggest increases in employment. Some industries have shown signs of slowing down, such as consumer goods manufacturing, and the unemployment rate increased 0.3 percentage points, so there are signs of cooling despite overall gains. While future interest rate hikes could increase the likelihood of a hard landing, more CEOs are starting to think a “soft landing” could be possible for the US economy.



UTILITIES

A Columbia Law School report found that 293 renewable projects are currently contested due to widespread opposition to renewable projects, especially towards those involving wind turbines and solar facilities, which could significantly delay clean energy work in the US. Utilities sector demand for engineering workers was down -6% over the month, but the sector still added 100 jobs. Utilities activity can fluctuate due to weather and other seasonal factors, and despite the amount of federal funding for utilities from the IIJA and IRA, some utilities companies are facing the pressure of higher operating expenses and interest rates. The long-term outlook for the sector still anticipates that utilities workers will be in high demand, especially as the older workforce retires.



CONSTRUCTION

From the AGC CEO: “Construction demand is strong, firms are looking to hire, and federal officials are investing billions in construction and infrastructure.” Unemployment declined for the construction workforce, and average hourly earnings for production and nonsupervisory employees in construction increased 6% over the year, implying that firms are paying more for talent that’s harder to find. Construction unemployment tends to be higher than other engineering industries due to seasonal effects and general laborers unemployed in-between projects, but the current rate is actually comparatively low. Manufacturing spend in April (latest data available) increased 8.6% over the month. Residential construction, most notably multifamily, is seeing slight signs of improvement in construction spending and starts. Still, construction could be negatively impacted later this year and in 2024 if interest rates and credit/lending conditions don’t ease. In the case of a recession, public construction would be best positioned, as infrastructure funding is already supporting the industry.



ARCHITECTURE & ENGINEERING

There were over 3,000 new postings each for project managers, civil engineers, and electrical engineers in the architectural and engineering services industry in May. Architectural billings contracted again in April (latest data available), but inquiries into new work grew slightly. This sector faces conflicting trends: the need for A&E services is strong, but high interest rates and inflation could be impacting consumer demand and delaying projects. Architectural firms told the AIA that they are currently most concerned about, “delayed, stalled, and cancelled projects, staff shortages, and supply chain issues and contractor labor shortages.”



Industry Trends, continued

HEALTHCARE

Walgreens will cut its corporate workforce by 10% as part of a strategic realignment. While its healthcare unit is performing well, Walgreens reported a net loss of \$3bn for the first half of its fiscal 2023 due to declining Covid-19 business, higher labor costs, and “a \$5.4bn after-tax charge for opioid claims and litigation.” States are unwinding the COVID-19 continuous enrollment provision and resuming Medicaid disenrollment, and over half a million patients have already been disenrolled. An increase in uninsured patients could lead to lower patient volumes and increased “bad debt” and charity care. Meanwhile, hospitals are facing negative margins due in part to higher labor costs. As some clinic staffing levels normalize, RNs, LPNs, and Medical Assistants remain in short supply.

+52.4K
MoM

3.9%
YoY

SCIENTIFIC R&D

CVS is closing its clinical trial business after its launch two years ago as part of its routine evaluation of its assets, “to ensure they are aligned with [CVS’s] long-term strategic priorities.” Some speculate that CVS’s decision could be due to factors including intense industry competition or the broader headwinds currently faced by other companies involved with clinical trials. Syneos health, a CRO impacted by the ‘credit crunch’, announced that it will be acquired by three investment firms. Small to medium biotechs/medtechs still face a tighter lending market. Despite industry headwinds, demand for many clinical skill sets (including CRAs, CTMs, and CRCs) has increased over the last three months, with the most demand coming from academic institutions.

+3.1K
MoM

5.2%
YoY

AUTOMOTIVE

Toyota announced its first US-made EV will be built in 2025 at its Georgetown, KY production plant, which will need to be retooled via a \$461M investment announced in 2021. Toyota’s EV batteries will come from its Liberty, NC complex (currently under construction). Hyundai and LG Energy announced a \$4.3bn EV battery plant near Savannah, GA, which will begin construction this year and production in late 2025. US light-vehicle sales rose 23% in May, driven by increased consumer incentives, replenished inventory, and strong fleet demand. Recent investments in South Carolina from automakers and their suppliers are generating concerns about the state’s already-tight labor market. Suppliers are finding it difficult to gain outsourced e-drive business, as many automakers are preferring to make EV e-drives in-house.

+6.8
MoM

6.6%
YoY

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

Demand for engineering and IT workers was down 2% over the month in the manufacturing sector, but individual industries such as aircraft, semiconductor, and auto manufacturing increased demand. Manufacturing indexes continue to report contraction, but April set a new record high for new orders for nondefense capital goods, excluding aircraft. Manufacturing is currently a key contributor to construction spending – with the substantial increase in factory investments across the US, the long-term outlook suggests both heavy and industrial equipment will be in high demand. While plenty of big-tech companies have laid off workers this year, Boston Consulting Group estimates that 90% of those laid-off workers have already found new jobs; thus, it hasn’t necessarily become easier for other industries to hire top tech talent.

-2K
MoM

1.5%
YoY

Wages in the United States

How they've changed.

+4.0%



Consumer Price Index

Inflation was 4.0% for the year ending in May. This is the lowest the CPI has been since March 2021; however, the price index for “core items” (excluding volatile food and energy prices) rose 5.3% over the year, indicating that inflation is still impacting the cost of shelter, used cars and trucks, motor vehicle insurance, and apparel.

+4.3%



Wage Increases

While wage growth is still above the pre-pandemic norm, it continues to show signs of cooling. Smaller wage growth (i.e., smaller growth in the cost of labor) puts less pressure on the cost of goods and services, so this could help stabilize inflation.

-0.2%



“Real” Earnings

After adjusting wages for inflation, “real” average hourly earnings are 0.2% below the same earnings from a year ago. Many Americans likely feel as if they can afford less this year than they could last year, but the deficit is less severe than it was when inflation was around 40-year highs.

References

Read more about trends in Engineering & Sciences

All job posting data (often written as “demand for workers”) from Lightcast

OVERALL ECONOMY: [CEOs increasingly foresee a “soft landing” for the economy](#)

UTILITIES: [Hundreds of US localities restrict renewables siting, with 293 projects currently contested](#); [Tackling high costs and long delays for clean energy interconnection](#); [Entergy reports first quarter earnings](#)

CONSTRUCTION: [AGC – Construction Firms Add 25,000 Jobs in May](#); [Nearly all sectors see strong construction spending](#); [Monthly New Residential Construction, April 2023](#); [Construction Employment Picks Up in May](#)

ARCHITECTURE & ENGINEERING: [ABI April 2023: Business conditions soften again at architecture firms](#)

HEALTHCARE: [Walgreens laying off 10% of corporate workforce](#); [Walgreens healthcare division boosts retail giant’s second-quarter earnings](#); [What Do the Early Medicaid Unwinding Data Tell Us](#); [Medicaid changes, end of COVID emergency hampered hospital margins in April](#); [Clinic Staffing Costs Growing Despite Some Stabilization](#)

SCIENTIFIC R&D: [CVS is closing its clinical trial business](#); [Why did CVS shutter its clinical trials unit?](#); [Syneos Health eyes sale of company as contract backlog shrinks-sources](#); [Syneos Health inks \\$7.1B acquisition with investment firm trio](#)

AUTOMOTIVE: [Toyota picks Kentucky plant for its first U.S.-made EV](#); [Hyundai, LG Energy plan \\$4.3B EV battery plant in GA](#); [May Auto Sales: F-Series drives Ford increase, Toyota snaps losing streak, Honda surges again, Hyundai/Kia post double-digit gains in May](#); [Automotive talent war escalates in South Carolina](#); [Suppliers lose out as e-drives shift in-house](#)

C&IP: [May 2023 Manufacturing PMI](#); [Manufacturers’ New Orders: Nondefense Capital Goods Excluding Aircraft](#); [Not a tech firm? Snaring top laid-off tech talent won’t be easy](#)