

The economic cost
of unfilled jobs
in the U.S.
November 2014

Nearly

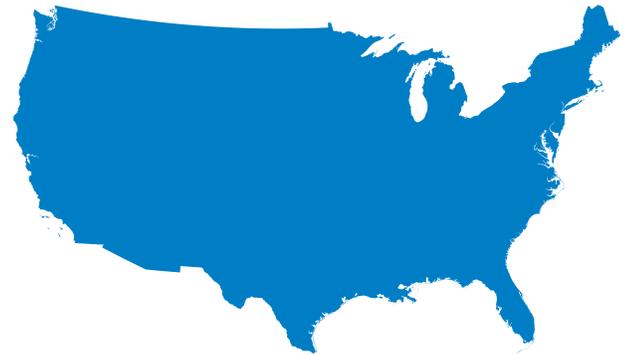
\$160B

per year

Key Findings

2M

While total employment has now almost caught up to its pre-recessionary peak with **over 2M jobs being created** in the first nine months of 2014, labor market participation has fallen to its lowest level in decades. A large number of unfilled, open roles may well cause problems for the economy in the years ahead.



\$160B

Nearly \$160B is the **annual potential value of unfilled job opportunities** in the U.S.



Many businesses have to wait for significant periods of time to find the right person for the job, with **33% of job vacancies in the U.S. remaining active for at least three months.**



There are a number of industry sectors in which unfilled jobs have **greater impact due to the higher levels of contributed economic value**, including finance, insurance, and professional services. **These industries alone collectively represent over \$4B GDP** (GDP, a measure of goods and services produced within an economy and the income generated by that economy) in a typical month.



For states and industries which can achieve reductions in the time it takes businesses to fill job vacancies, there are clearly **significant economic gains to be made and greater amounts of economic potential can be unlocked by better matching the right people to the right job opportunities.**



For the wider economy, the efficient matching of potential employees to businesses through the labor market is key to **supporting healthy levels of employment and household incomes**, while allowing businesses to **reach their productive potential.**

Introduction

Each job opening represents an opportunity both for an individual and for a business. To the individual, it represents a potential income from employment, while the business itself needs to bring in the right people to allow it to produce goods and services to generate profits – difficulties in recruiting the right people can therefore have a detrimental effect on the productivity of businesses, as incumbent workers may not be adequately qualified, have to cover for skills shortages by working longer hours, or may not have the capacity to take on new work.

For the wider economy, the efficient matching of potential employees to businesses through the labor market is key to supporting healthy levels of employment and household incomes, while allowing businesses to reach their productive potential. This potential can be measured through the Gross Domestic Product that could be produced by people employed within unfilled positions.

“At almost \$160B per year, the cost of unfilled roles should serve as a wake-up call to U.S. businesses developing recruitment strategies in a post-recession environment.”

Paul D’Arcy, SVP Indeed

This report, which summarizes a study conducted by the Centre for Economics and Business Research (Cebr) on behalf of Indeed, explores labor market conditions in the U.S. The summary focuses on the productive potential represented by unfilled jobs and illustrates the cost to the economy when businesses are unable to find the right people. In addition, it highlights key industry sectors which have outsized labor market impact.

Ongoing U.S. economic recovery is stoking labor demand and leading to a rise in openings. Total employment has now surpassed its pre-recessionary peak, with 2M jobs being created over the first nine months of 2014. Despite this, many businesses have to wait for significant periods of time to find the right person for an individual role, with 33% of jobs in the U.S. remaining active for at least three months.

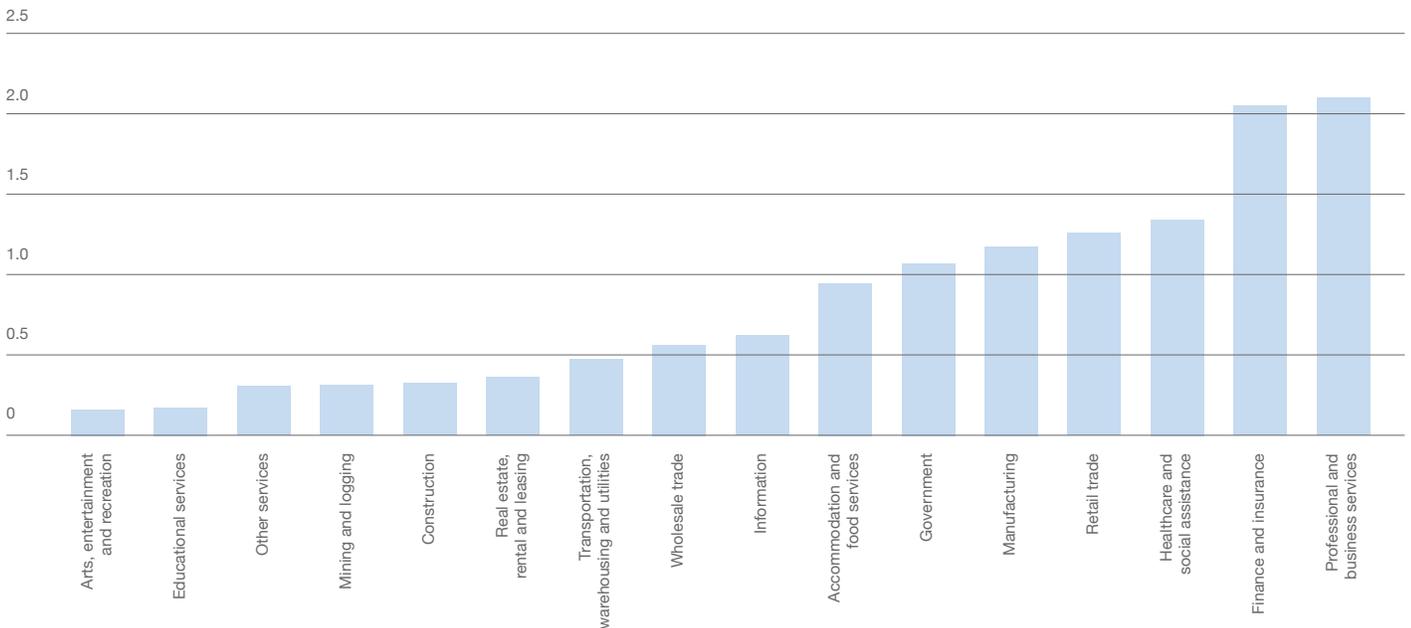
From a business perspective, this impact can be felt far beyond the confines of just resourcing and recruitment teams: for example, if a manufacturer does not have enough employees to meet their orders in time to meet a deadline, and is unable to find additional employees, the manufacturer’s production is ultimately going to be lower than it might

otherwise have been. At the same time, the income that the manufacturer would have been willing to pay to an employee goes unearned.

The failure of an individual business to find and recruit the right hire for the role is two-fold for the U.S. economy. Lack of ability to effectively resource a business slows both production and profits, while the inability to earn an income or spend a salary reduces the individual’s contributions to economic growth. The findings illustrate the importance of building and sourcing a strategic recruitment function; the ability to hire the right fit for each role will only become more fundamental to business success in coming years, against a backdrop of lowered unemployment and labor participation.

In a typical month, our estimates show that openings that businesses have been trying to fill for at least one month represent over \$13B in potential economic output each month, equivalent to 0.9% of monthly GDP across the economy, and almost \$160B annually. Exploring the breakdown of openings by industry allows us to see which sectors have the most to gain from an improvement in the matching of people to job opportunities, as illustrated in Figure 1.

Figure 1 – U.S., potential monthly GDP represented by unfilled jobs, US\$B, average over 12 months to April 2014



Source: Indeed, BLS, CEBR analysis

Open roles in professional and business services contain significant economic potential. Job openings over one month old in these sectors represent the equivalent of over US\$2B in GDP in a typical month.

Also of significant value, the finance and insurance sector represented \$2B in a typical month, or up to \$24B annually, between April 2013 and April 2014, the value of these roles having been boosted by higher levels of productivity (the additional contribution made by each employee).

Behind the economic potential offered by these job openings sits a steadily improving U.S. labor market, in which employers are once again hiring in significant numbers amid rising business confidence. This growth in employment has supported a decline in the unemployment rate, which stood at 5.9% in September, down substantially from a peak of 10.0% in October 2009.

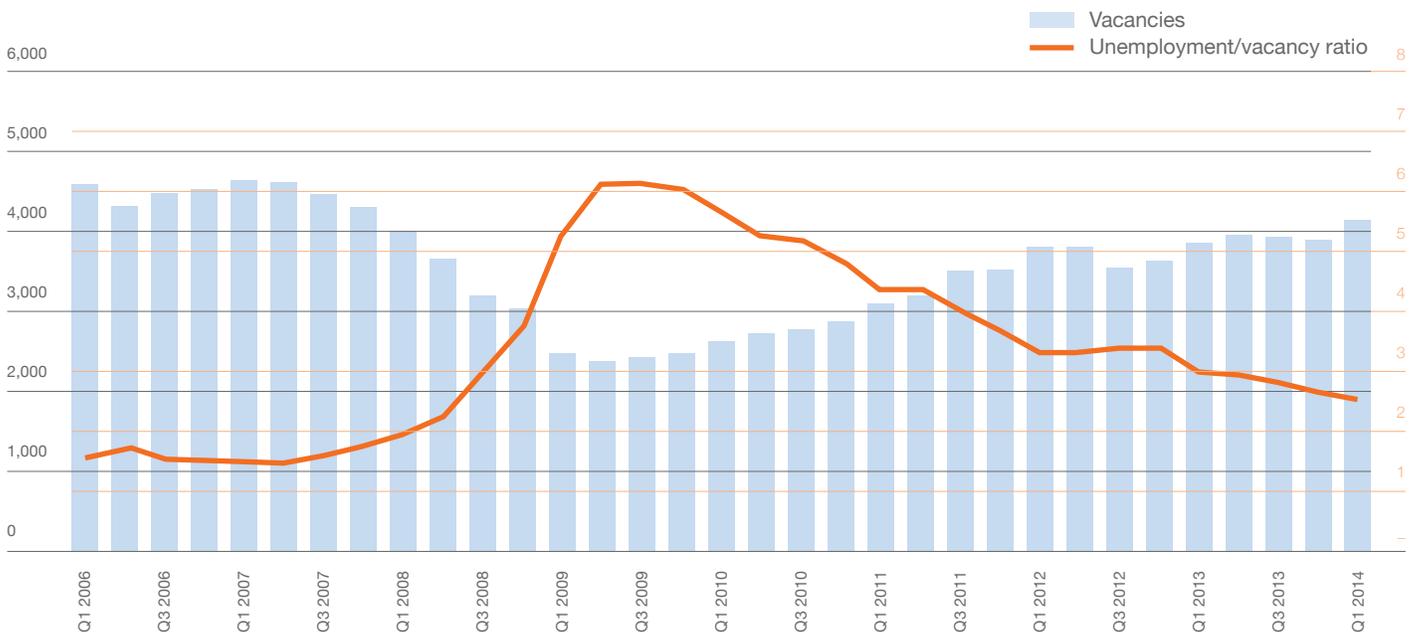
The picture is by no means entirely positive however, in fact the repercussions for businesses trying to hire in significant numbers could be keenly felt. As previously highlighted, labor market participation has fallen to its lowest level in decades, which may well cause problems for the

economy in the years ahead, particularly as workers' skills tend to diminish the longer they are away from the workforce.

But for those who are looking for work, the chances of finding employment have improved significantly, as shown in Figure 2 The number of unemployed people for every job opening in the U.S. has fallen from a peak of 6.2 in Q3 2009, to just 2 in Q2 2014. Meanwhile, the total number of opportunities on offer in the economy has returned to pre-financial crisis levels: in Q2 2014, official data estimate there were 4.7M positions available, compared to 4.6M in Q2 2007.

This tightening of conditions could be expected to lead to greater competition amongst businesses for potential employees. As a result, businesses may find it relatively more difficult to hire the right people, raising the time taken to fill positions.

Figure 2 – U.S., non-farm job openings, thousands, and unemployed persons per job vacancy



Source: BLS, Macrobond

Cross Country Findings

U.S.

4.7M

positions available
quarterly



2

number of
unemployed for
every job in
Q2 2014

Nearly \$160B

in potential GDP
per year

0.9%

of monthly GDP across
the economy.

United Kingdom

662K

positions available
quarterly



3

number of
unemployed for
every job in
Q2 2014

Nearly \$29B

in potential GDP
per year

1.3%

of monthly GDP across
the economy.

Australia

147K

positions available
quarterly



5

number of
unemployed for
every job in
Q2 2014

\$6B

in potential GDP
per year

0.5%

of monthly GDP across
the economy.

Germany

482K

positions available
quarterly



6

number of
unemployed for
every job in
Q2 2014

\$36B

in potential GDP
per year

1.1%

of monthly GDP across
the economy.

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Authorship and acknowledgements

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