

2023

# Hiring Outlook

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Smart Compensation Answers

## Understanding a Puzzling Labor Market

2022 was a year of high salaries, fierce competition for talent and high-profile layoffs in tech and finance. But despite the tumult, the U.S. labor market ended the year on very positive notes. With 76.4 million total hires, 4.8 million net job gains and a 3.5% unemployment rate — the lowest in 50 years — 2022 defied expectations.

Going into 2023, forecasts point to positive momentum for both the labor market and hiring overall. While media outlets have focused on layoffs, recessions and downturns, the reality is that employers are still hiring.

Layoffs for 2023 are currently trending towards pre-pandemic levels, and we are still seeing a very tight market in the skilled labor space. Some sectors are and will be more adversely impacted than others, but overall there is an abundance of opportunities for the general population. In this report, we dig into current trends and data from [LaborIQ](#), as well as recruiting guidance to help you apply economic forecasts to your hiring strategy for your team.



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## Early Readings for 2023

Despite headlines and market uncertainty, numbers were positive for January 2023. 517,000 jobs were added in January, according to the U.S. Bureau of Labor Statistics — the highest net new job gains in six months. Unemployment hovered at 3.4%, with a low supply of talent. Annual wage growth was 4.4%, the lowest rate in months, on par with mid to late 2021 levels.

In 2023, the theme will be more moderation. Remember, we are coming off of record levels. There will still be substantial hiring, though these numbers can go up and down based on industries and individual companies. In 2023, we will likely see fewer net new jobs, or at least delays replacing voluntary or involuntary hires. Companies will still be focused on retaining more than half or two-thirds of their workforce.

“Top talent continues to gravitate towards industries, where opportunities for growth and innovation are plentiful.”

Darren Lancaster, CEO for EMEA and the Americas,  
Hudson RPO

### Record Numbers

**517K**

net job gains — the highest in six months

**3.4%**

unemployment rate — the lowest rate since the 1960s

**4.4%**

12-month wage growth — the lowest in months

### Takeaways

- 1 Despite layoffs, people are not only finding jobs, but half a million jobs were added in January, in spite of pessimistic headlines.
- 2 Businesses are confident in their hiring plans, and making the hires they had planned heading into the new year. Wages are beginning to slow, at least in terms of how quickly they are going up.
- 3 Different sectors are experiencing different impacts in today's market. While tech has experienced deep cuts, new hires are being made in sectors including life sciences and FMCG (fast-moving consumer goods).

## 2023 Projected Hiring & Quits

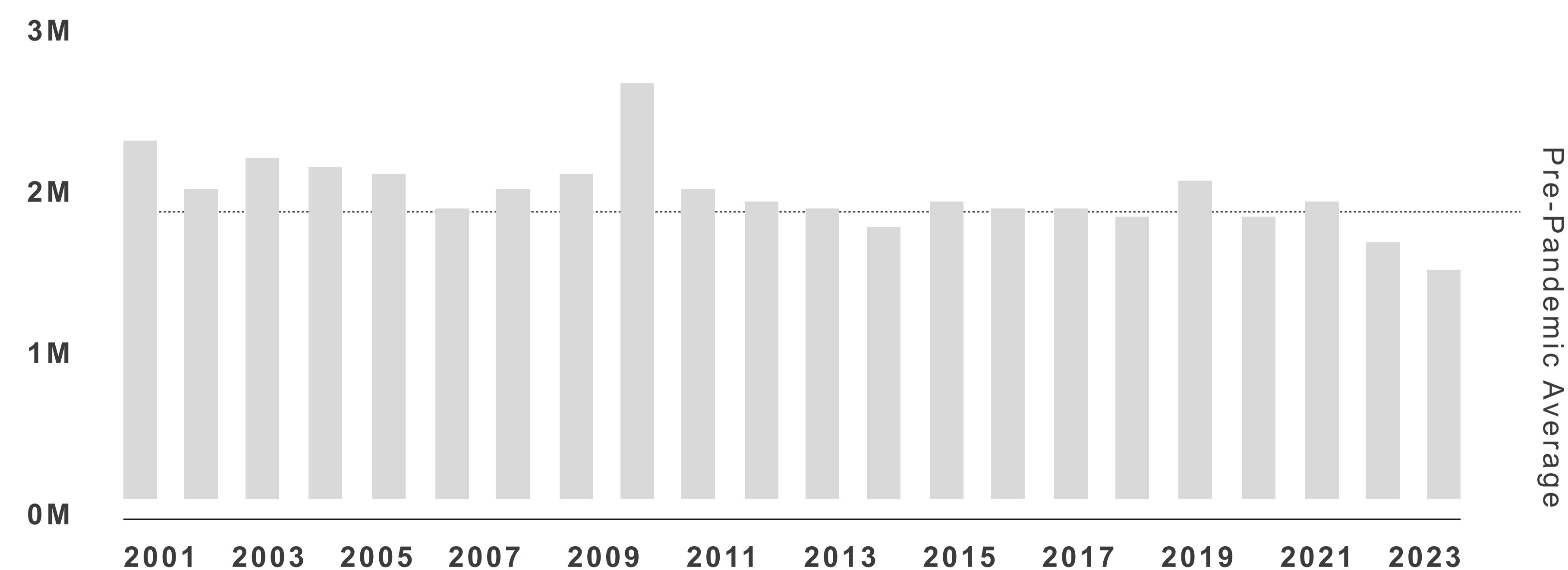
Overall, hiring and quits are expected to normalize in 2023. Benchmarking 2023 forecasts against historical figures offers a clearer view into the overall hiring landscape for this year.

	2023 LaborIQ Forecast	2022	Historical Average
<b>Job Openings</b>	<b>102.1M</b>	<b>132.6M</b>	<b>76.3M</b>
<b>Hires</b>	<b>63.8M</b>	<b>76.4M</b>	<b>66.1M</b>
<b>Quits</b>	<b>38.5M</b>	<b>50.5M</b>	<b>38.0M</b>

Sources: LaborIQ®; Bureau of Labor Statistics; 2022 values are subject to revisions; historical numbers represent the average from 2015 through 2019.

## Putting Layoffs into Perspective

While some companies have reduced headcount by 30% or more, many businesses are in the 1-2% monthly range. Layoffs and unemployment insurance claims remain near historic lows. Most businesses are hiring, or their backfill levels are exceeding their layoffs.



Note: 2020 does not include pandemic layoffs in March and April  
Sources: LaborIQ®; Bureau of Labor Statistics

# Job Growth Outlook

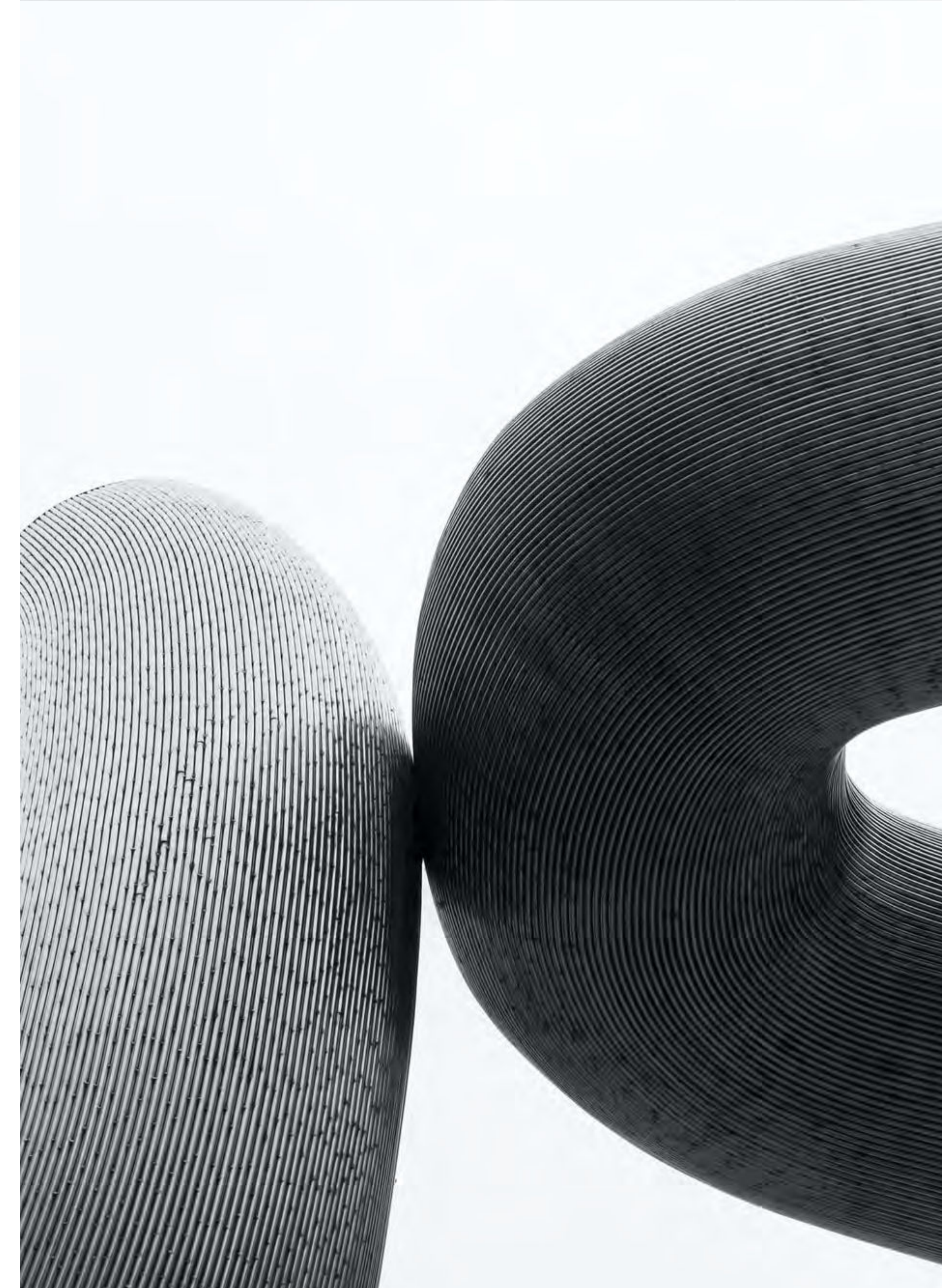
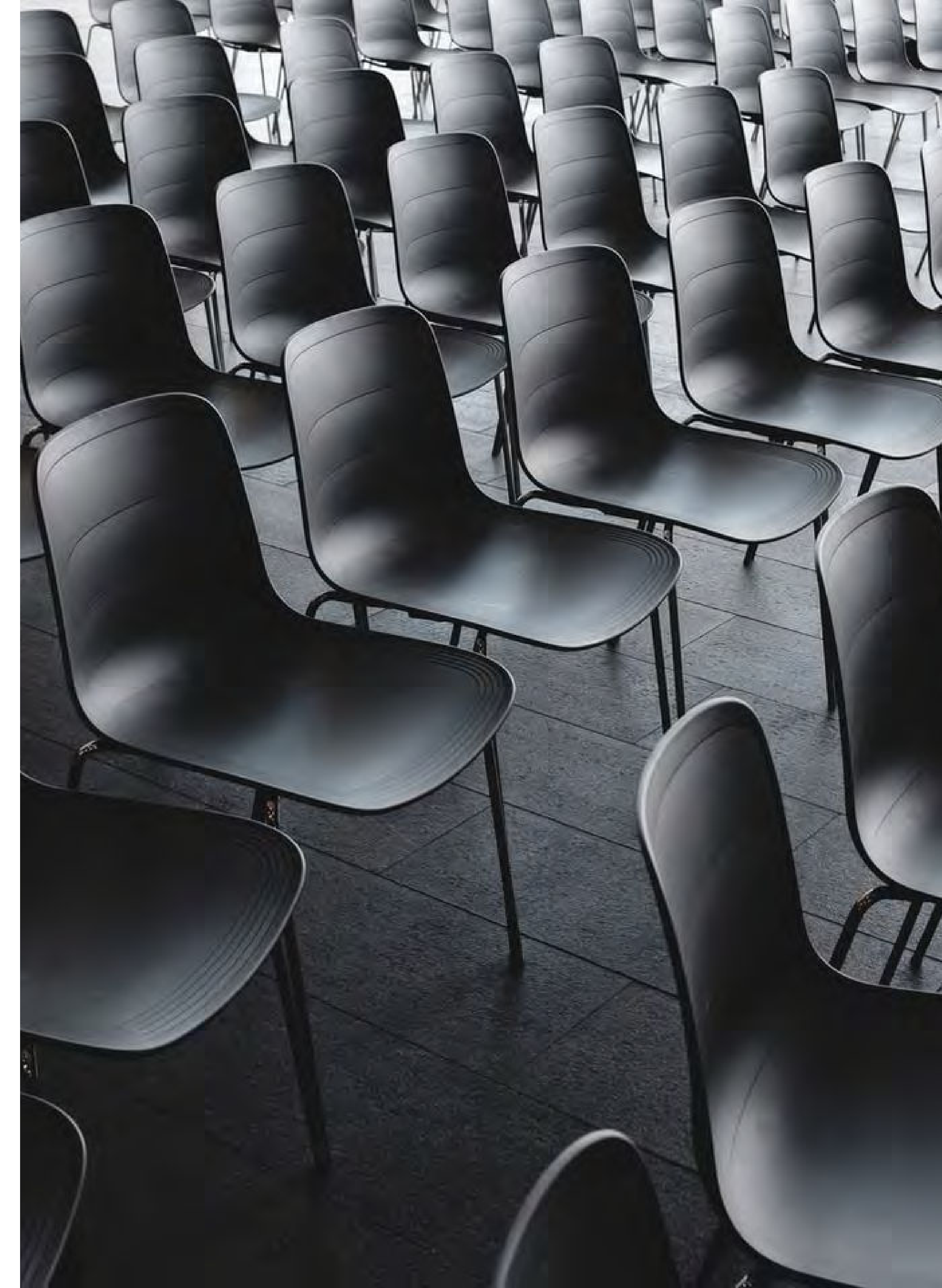
In terms of job growth, forecasts point to moderation. Beyond the 500,000 jobs created already this year, economists at LaborIQ expect a "best case" optimistic scenario, or a more pessimistic scenario should the economy enter more troubled waters throughout the year.

## Optimistic Scenario

- 1.2 million net new jobs created
- A “soft landing” where interest rate hikes bring down the pace of growth, but impacts are constrained to a few industries (e.g., tech, housing, finance)
- A backlog of open jobs would offset layoffs, minimizing losses

## Pessimistic Scenario

- Net loss of 620K jobs
- A recession with broad-based layoffs extending beyond just a few sectors
- Impacts felt in early 2023, reaching bottom midsummer, then returning to a positive job gain situation by the end of 2023





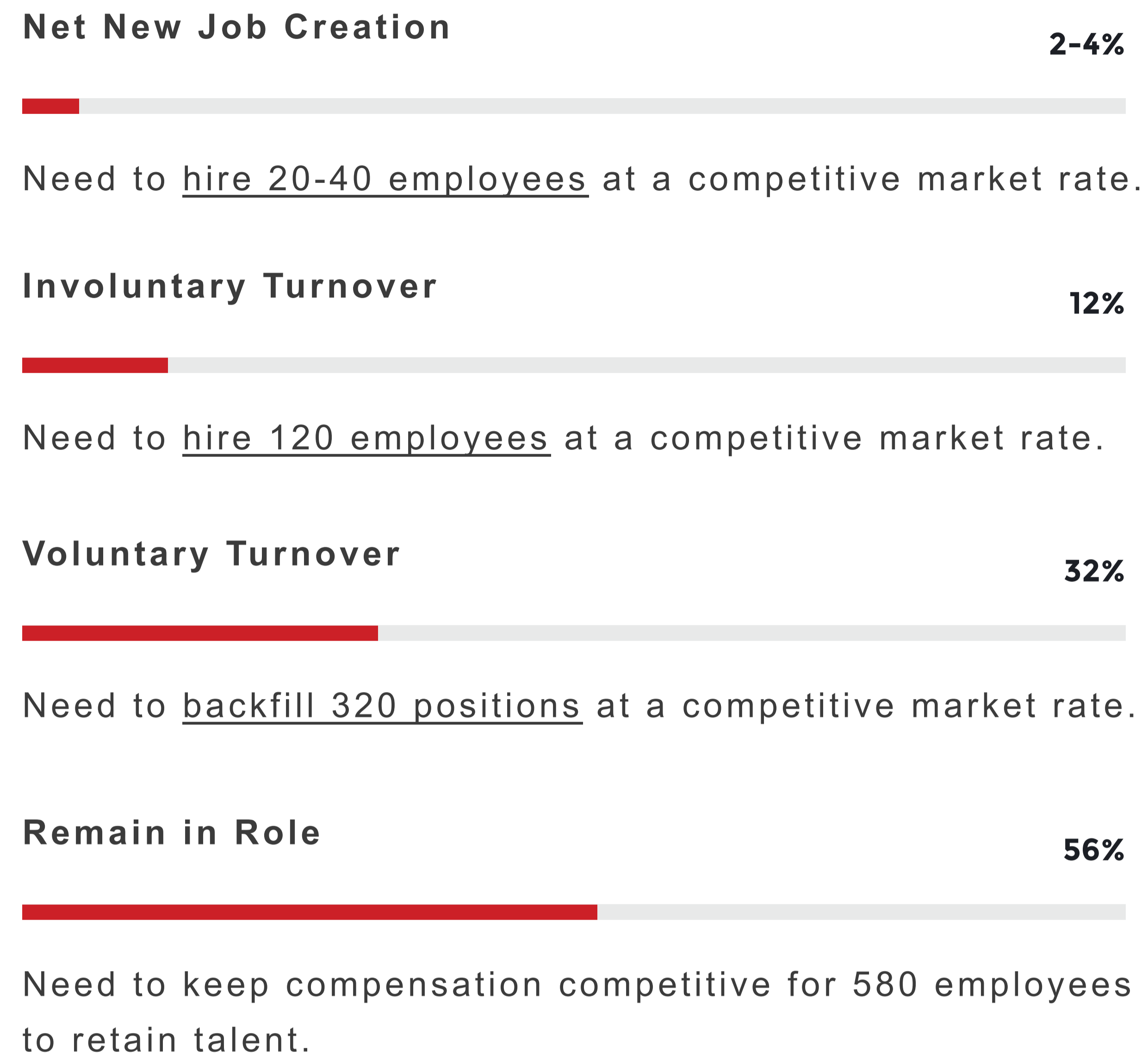
# 2023 Hiring Simulation

In terms of impacts for individual businesses, scaling the following 1,000-person company simulation up or down to fit your company size provides insights into how projections will likely unfold. If your company started the year with 1,000 employees, here is what you could expect this year, compared to last year.

- **Net new roles (new hires):** Adding roles to grow key teams
- **Layoffs & involuntary turnover:** Cutting positions due to budget or performance
- **Quits & voluntary turnover:** Employees leaving for new positions
- **Retention:** Employees stay, but retention risks persist

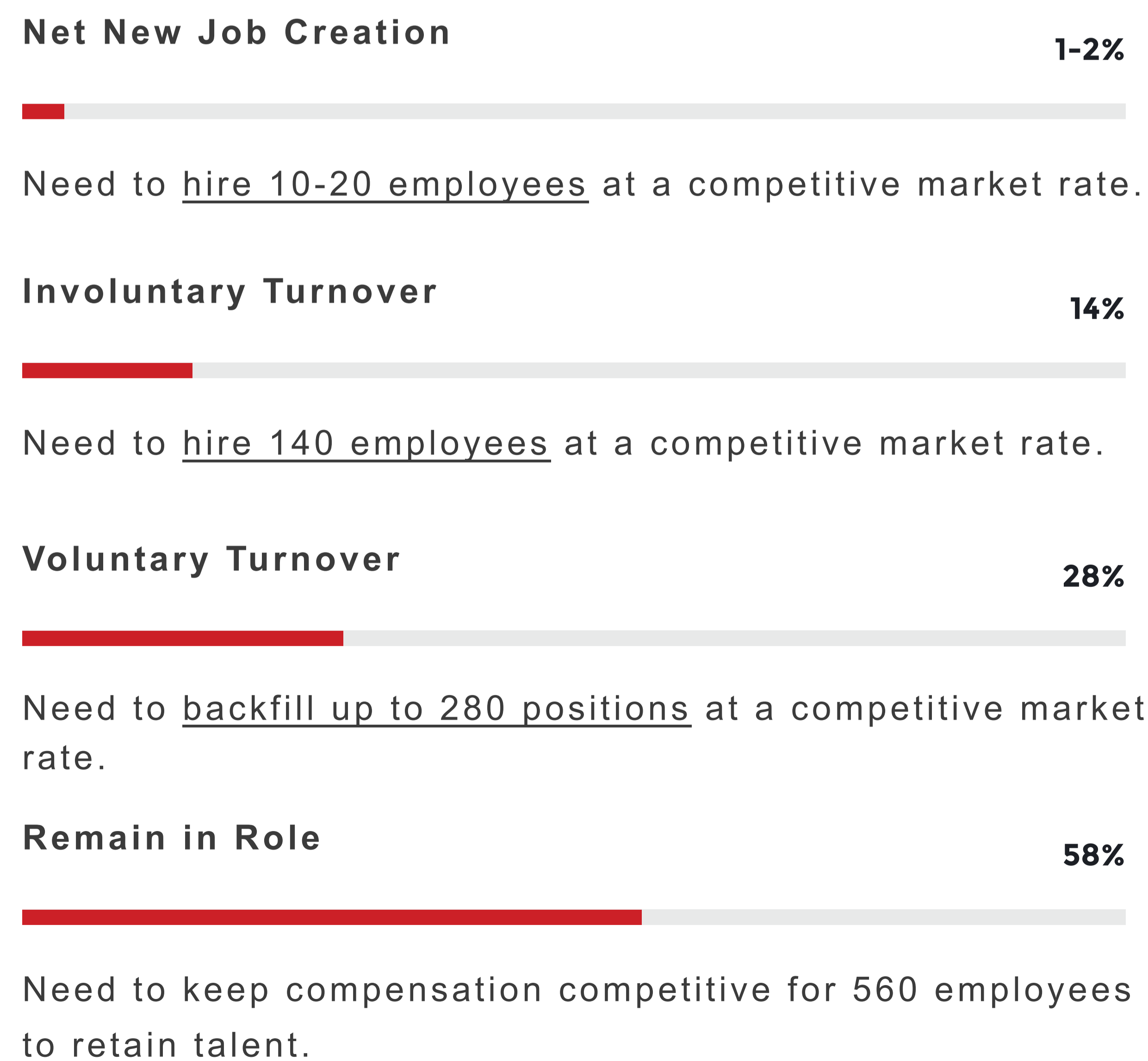
## 2022

More new positions. **Replace open roles.**



## 2023

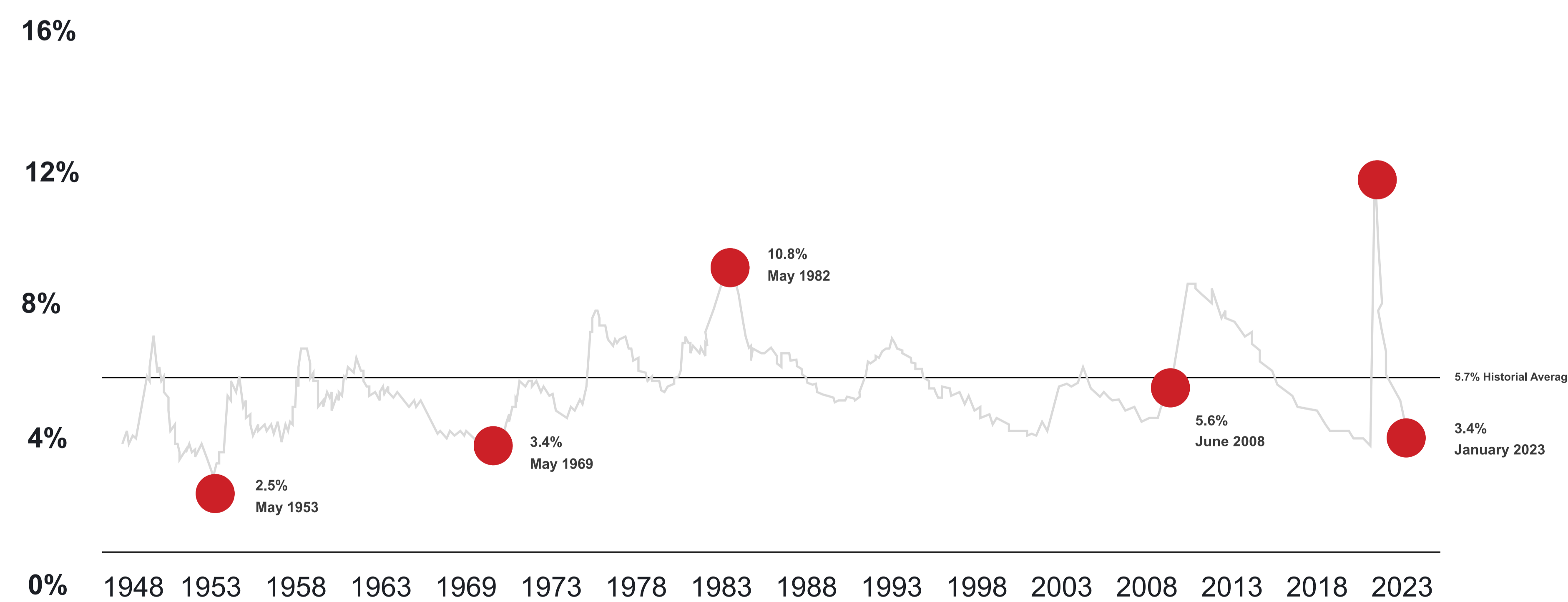
Fewer new positions. **Rethink replacement.**



# Talent Availability

With a 3.4% national unemployment rate, the labor market remains tight. While the unemployment rate fluctuates across different industries, the current environment makes it difficult to find talent.

## National Unemployment Rate



Source: LaborIQ®; U.S. Bureau of Labor Statistics

## Unemployment Rate by Industry

- 2.3% BUSINESS AND FINANCE
- 2.3% LEGAL
- 1.8% MANAGEMENT
- 1.7% ARCHITECTURE AND ENGINEERING
- 1.5% HEALTHCARE PRACTITIONERS
- 1.3% TECH

“Companies in industries such as tech, construction or real estate started out the pandemic very strong in hiring, but the market dynamics have changed. These are the ones that are seeing jobs being impacted.”

Jay Denton, Chief Analytics Officer  
LaborIQ®

## Workforce Planning

Understanding market trends is critical for effective workforce planning. Unfortunately, we saw a lot of over-hiring last year, which has led to layoffs. Organizations tied to real estate or housing are experiencing a lot of pain, as are companies in tech that benefited from low interest rates for capital. On the flip side of the equation, some of the businesses that took a long time to get back on track after the pandemic are now some of the ones that are really thriving.



"Don't be afraid of hiring, just because companies that over-hired are now letting go. Make sure you focus on your business metrics and let that be your guide."

Mallory Vachon, PhD, Senior Economist  
LaborIQ®



## 5 Tips for Data-Driven Recruiting & Retention

How can you put market data to work for you, to make data-driven decisions? Follow these five tips:

- 1** Begin by looking at historical data. Data is always the key to workforce planning. Previous years will give you a benchmark of where the market is, and how to align forecasts to your organizational goals.
- 2** Examine what your business is trying to achieve, and your key areas of growth.
- 3** Involve key stakeholders across individual business units.
- 4** Determine your true hiring needs. Rather than basing requirements off of the person who is vacating the role, ask yourself, "Do we need this same level of experience and education? Is there someone we can promote internally? What skills are really needed to make this hire successful?"
- 5** Plan compensation according to market data, and be careful to incorporate all applicable pay transparency laws. Salary ranges can have significant spreads across different locations and attributes. Working with an expert will help you to right-size your hiring and your budget.



### Fine-Tune Your Hiring & Compensation Strategies

Data is everything. With data, you gain a competitive edge, and ensure you recruit and retain the right people at the right price.

For advice on how to get started assessing your team and hiring needs, contact Hudson RPO at [salesupport@hudsonrpo.com](mailto:salesupport@hudsonrpo.com)

For fast, reliable answers for today's compensation requirements, salary analysis and hiring forecasts, contact LaborIQ at 972-961-4400 or email [info@LaborIQ.co](mailto:info@LaborIQ.co).