‘Labor Hoarding’ Might Save You From Layoffs

With the economy slowing down, you would think that layoffs would be ratcheting up. But that’s not the case. Despite high-profile layoffs at companies such as Netflix, Snap, and Better.com, the national average of layoffs hasn’t changed much in many months, according to the Bureau of Labor Statistics.

Economists are citing a phenomenon called “labor hoarding” as the reason.

Labor what? Most of us have heard of house hoarders, but how does one hoard labor, and why do it in the first place?

Labor hoarding describes companies hanging on to employees rather than letting them go during an economic downturn.

Economists say labor hoarding is one reason unemployment is down for the fifth straight week in the U.S. It also helps explain why employers find it so hard to find and hire new talent. They’re being squirreled away for a brighter day.

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To be clear—the reason companies are hoarding employees in bad times is not because of the goodness of their hearts. These companies realize it’s more costly to hire and train new

workers when the economy improves than just hanging on to the current staff.

“At least some of the employers seeing business slow right now remember how hard it was to recruit talent over the past two years and would rather just hang on to employees, even if it comes with carrying costs,” writes former Axios reporter Sam Ro in his newsletter TKer.

But despite the negative connotation of the word “hoarding,” some analysts say it’s ultimately a good thing.

“Labor hoarding will be a key driver of reversing the recession,” says Andrew Duffy, CEO and co-founder of SparkPlug, a management platform for frontline employees. “By keeping workers on the payroll, businesses are doing their part to keep income levels afloat, which ultimately translates into more spending by still-employed consumers, which means more revenue for businesses.”

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