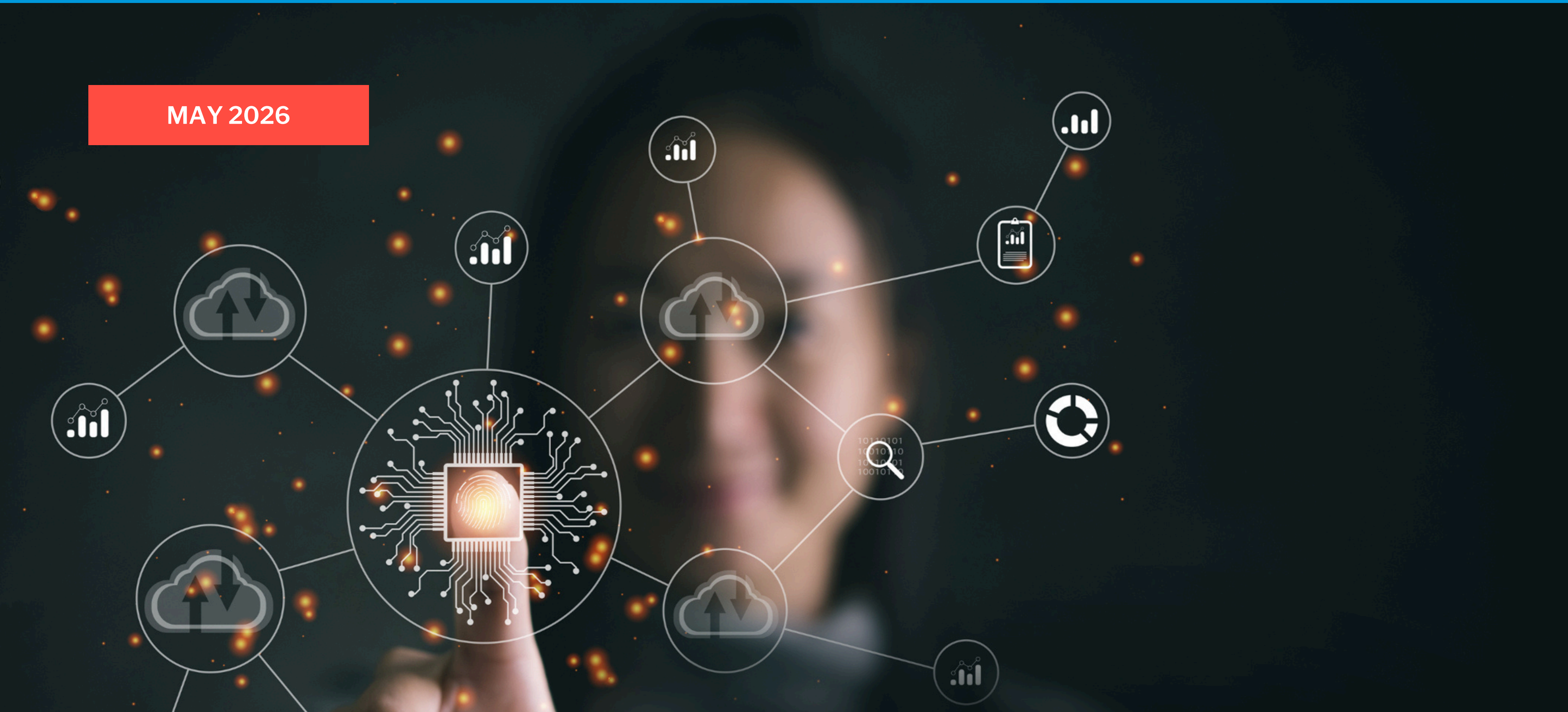
MAY 2026



Workforce Optics

INSIGHTS, NUMBERS & KNOWLEDGE FOR A COMPETITIVE WORKFORCE

Welcome! In this issue of Workforce Optics, hiring is slowing, wage pressures are easing, and employers are shifting focus from aggressive expansion to productivity, efficiency, and retention as AI adoption, economic uncertainty, and demographic constraints reshape the workforce. We also examine why manufacturing growth is becoming more fragile and why workers are prioritizing stability over salary growth.

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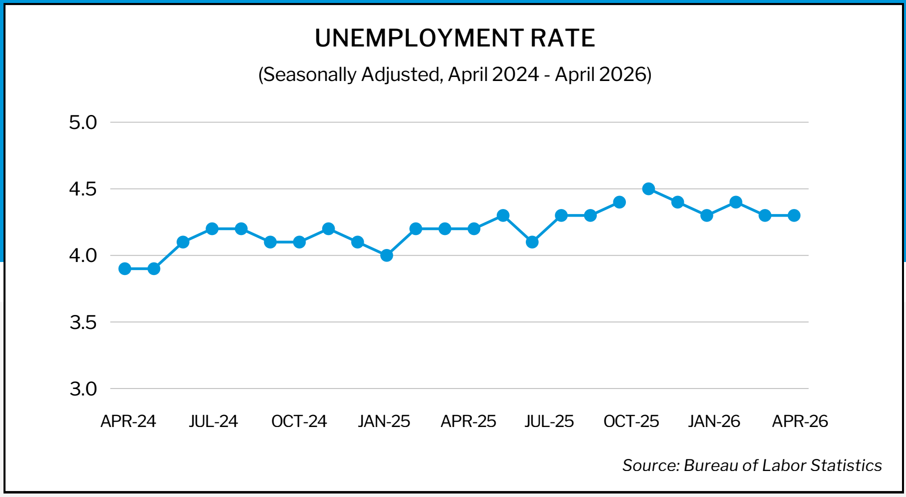
Jobs Update

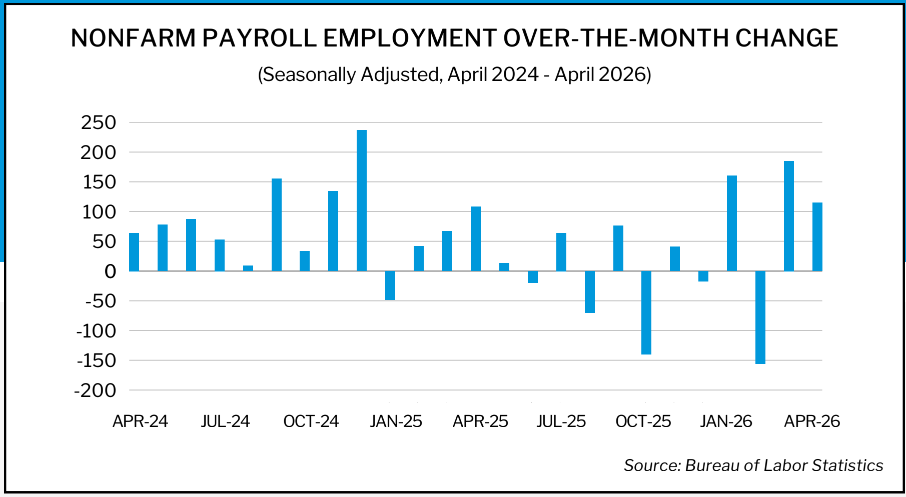
The U.S. economy added 115,000 jobs in April, well above expectations and enough to keep the unemployment rate steady at 4.3%, reinforcing the "slow hire, slow fire" dynamic that has defined much of the past year. Hiring remains concentrated in a narrow group of sectors, with healthcare, transportation and warehousing, retail, and social assistance accounting for the bulk of job gains, while white-collar and government-related sectors continue to weaken.

Employers remain highly cautious about labor costs and workforce expansion. Wage growth continued to cool, with average hourly earnings rising just 0.2% month over month and 3.6% year over year, signaling easing compensation pressure even as inflation concerns persist.

Labor force participation edged slightly lower to 61.8%, another sign that hiring momentum is softening beneath the headline numbers. Economists increasingly note that the labor market no longer needs massive monthly job gains to remain stable because slower population growth and reduced immigration have lowered the threshold needed to keep unemployment steady.



Note: Data for October 2025 were not collected due to the federal government shutdown.



4.3%

National Unemployment Rate

APRIL 2026

0% MoM Change

7.4 **MILLION**

Unemployed Persons

APRIL 2026

0.1% MoM Change

A Market in Transition: Slower, Smarter, and More Selective

In their latest outlook, labor economists Daniel Zhao and Svenja Gudell describe a labor market where many of the loudest narratives—AI disruption, remote work reversals, and skills-based hiring—are real but often misunderstood or overstated in their immediate impact. The underlying reality is more gradual and shaped as much by the business cycle as by structural change.

On remote and hybrid work, Glassdoor economist Zhao emphasizes that flexibility is no longer a temporary perk but a durable feature of the labor market. Despite return-to-office headlines, actual work-from-home patterns have remained relatively stable. The real challenge for employers isn't whether to offer remote work, but where it works best. Some roles, such as customer service, can even perform better remotely, though success depends on intentional design around productivity, engagement, and culture rather than defaulting to in-office norms.

On skills-first hiring, Indeed economist Gudell notes that the clearest shift occurred during the pandemic, when employers loosened degree and experience requirements out of necessity. Job postings increasingly prioritized demonstrated skills over formal credentials as competition for talent intensified. While recent data continues to evolve, the broader signal remains: skills-based approaches gained traction in a tight labor market, though their staying power is still uncertain as conditions cool.

When it comes to AI, both economists push back on the idea that it is already eliminating large numbers of jobs. Gudell argues that declines in entry-level roles are primarily cyclical, driven by a broader hiring slowdown rather than technology alone. AI's impact has been more concentrated, particularly in tech, where tools can handle routine tasks and shift demand toward more experienced workers. Even there, roles are evolving rather than disappearing.

Zhao adds a generational lens: younger workers may feel more immediate disruption but are often better positioned to adapt over time, while more experienced workers may face greater challenges adjusting. The result is a labor market that appears fast-changing on the surface, but remains shaped by familiar dynamics such as cyclical hiring patterns and evolving skill requirements.

ABOUT THE EXPERTS

Svenja Gudell is the Chief Economist at Indeed, where she leads economic research and analysis on global labor market trends. Her work focuses on workforce dynamics, hiring demand, and the intersection of technology and employment.

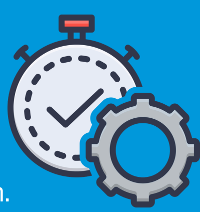
Daniel Zhao is the Chief Economist at Glassdoor, where he oversees labor market research and workplace analytics. He specializes in employee sentiment, job search behavior, and economic forces shaping the modern workplace.

EMPLOYMENT NEWS OF NOTE

Why More Workers Are Taking Salary Cuts to Switch

A new article from Korn Ferry highlights how dramatically the labor market has shifted in favor of employers. According to new research, two out of five white-collar workers who changed jobs in late 2025 accepted pay cuts of more than 10%, a sharp reversal from the pandemic-era hiring frenzy when switching jobs often meant double-digit salary increases. Employers are now re-evaluating compensation levels, slowing hiring, and in many cases actively lowering salary ranges for open positions in an effort to regain control over labor costs, a practice some HR leaders are calling "salary recovery." Workers themselves are recalibrating—rather than prioritizing rapid salary growth, many employees are increasingly valuing job security, long-term career stability, flexibility, and stronger benefits packages, even if it means accepting lower pay upfront.

More Output, Fewer Workers: The Productivity Surge Reshaping Hiring



A new analysis from Indeed Hiring Lab suggests the U.S. economy is experiencing a productivity boom, but one that may not be sustainable indefinitely. According to preliminary data from the Bureau of Labor Statistics, nonfarm business labor productivity rose 2.9% year over year in Q1 2026, marking the 13th consecutive quarter of productivity growth.

Employers are continuing to generate more output without significantly expanding their workforce, squeezing greater efficiency out of existing employees while increasing investment in technology and AI. At the same time, the report notes that many of these gains appear to be driven more by capital investment than by true efficiency improvements, raising questions about how long companies can continue boosting productivity without eventually needing to hire more workers.

Sources: Perspectives on Psychological Science, March 20, 2026 and Source: Indeed Hiring Lab, May 7, 2026

The Workplace Is Getting Quieter–and Leaders Are Starting to Feel the Impact

A recent academic study, *Perspectives on Psychological Science*, notes that the average person now speaks roughly 28% fewer words per day than in 2005, with the sharpest decline among workers under 25. Experts point to the rise of texting, messaging, social media, and increasingly digital work environments as major contributors to the drop in verbal interaction. As workplaces become quieter and more digitally mediated, leaders risk losing the nuance, context, and emotional intelligence that come through face-to-face communication. The structure of modern work, from tightly scheduled meetings to hybrid and remote environments, has also reduced the spontaneous conversations that once helped build trust, culture, and clarity.

Source: Perspectives on Psychological Science, March 20, 2026

MANUFACTURING UPDATE

Growth Holds Steady as Cost Pressures and Caution Mount

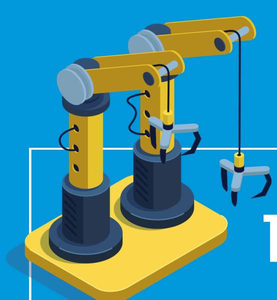
The latest ISM Manufacturing PMI Report shows a U.S. manufacturing sector that continues to expand, but with growing signs of strain beneath the surface. The Manufacturing PMI held steady at 52.7 in April, marking the fourth consecutive month of expansion and signaling that factory activity remains resilient despite mounting economic uncertainty. New orders improved modestly, suggesting demand is still holding up, particularly in industries like transportation equipment, machinery, and computer and electronic products.

At the same time, the report highlights intensifying cost pressures that are becoming increasingly difficult for manufacturers to ignore. The Prices Index surged again in April, reaching its highest level since 2022 as companies faced rising raw material, energy, and transportation costs. Supply chains also showed renewed stress, with slower supplier deliveries and persistent shortages contributing to higher operating expenses. Many manufacturers cited geopolitical instability and tariff-related uncertainty as key drivers behind rising costs and procurement challenges.

Employment remains one of the weakest spots in the manufacturing landscape. While production and new orders continue to expand, hiring activity contracted again in April as companies stayed cautious about adding headcount. Manufacturers appear focused on maintaining productivity and managing costs rather than aggressively expanding their workforce, a sign that many businesses still lack confidence in the durability of demand.

ISM'S EMPLOYMENT INDEX

EMPLOYMENT	% HIGHER	% SAME	% LOWER	NET	INDEX
Apr 2026	17.5	62.3	20.2	-2.7	46.4
Mar 2026	14.2	70.8	15.0	-0.8	48.7
Feb 2026	18.8	60.8	20.4	-1.6	48.8
Jan 2026	13.7	68.0	18.3	-4.6	48.1



THE TAKEAWAY

The April ISM Manufacturing PMI signals continued expansion, but the momentum is increasingly fragile as rising costs and supply chain pressures weigh on confidence. Manufacturers are growing, but cautiously, prioritizing efficiency over hiring amid ongoing economic uncertainty.

Manufacturing ISM® Report On Business® & Institute of Supply Management 05/05/2026 Newswire Release

About Staffmark Group

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From the bustling floors of manufacturing facilities to the dynamic environments of technical and professional firms, we offer the widest range of specialized workforce solutions. The expertise of our specialty brands, Advantage Technical, Digital People, Hunter Hamilton, Employee Management Services and Staffmark, ensures the talent and customized solutions to propel your business forward.