JUNE 2026

Workforce Optics

INSIGHTS, NUMBERS & KNOWLEDGE FOR A COMPETITIVE WORKFORCE

Welcome! In this issue of Workforce Optics, the labor market continues to defy expectations, with stronger-than-expected job growth and signs that hiring activity may finally be stabilizing. Yet beneath the encouraging headlines, employers face a new set of challenges. We also explore why manufacturing is gaining momentum, why job openings aren't translating into hires, and how workplace design may be having an unexpected impact on employee experience and engagement.

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Jobs Update

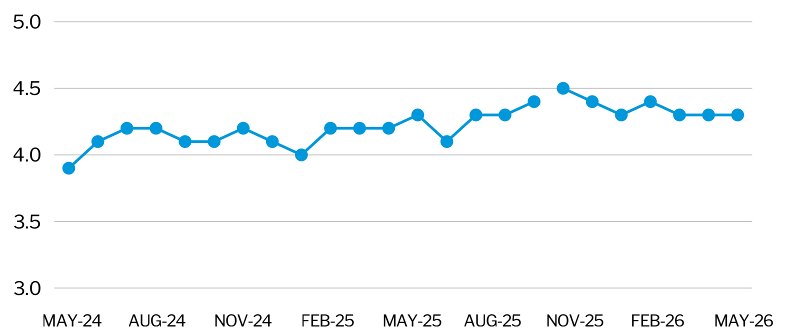
The U.S. labor market delivered a stronger-than-expected performance in May, adding 172,000 nonfarm payroll jobs, well above economist forecasts of roughly 80,000–85,000. The unemployment rate held steady at 4.3% for the third consecutive month, indicating that hiring remains resilient despite ongoing economic uncertainty, elevated inflation, and geopolitical concerns.

Hiring was led by leisure and hospitality, local government, and healthcare, while financial activities experienced job losses. Average hourly earnings increased 0.3% over the month and 3.4% year over year, suggesting wage growth remains moderate and is no longer accelerating. The report points to a labor market that is still creating jobs at a healthy pace but not generating the type of wage pressures that would normally signal overheating.

For employers, this month's report reinforces the theme of a labor market that remains surprisingly durable despite signs of economic cooling in other areas. While hiring demand has moderated from the post-pandemic boom, job growth continues to outpace the level needed to keep up with population growth. The stronger-than-expected employment data is likely to reduce concerns about an imminent labor market downturn and may strengthen expectations that the Federal Reserve will keep interest rates higher for longer as it continues to monitor inflation trends.

UNEMPLOYMENT RATE

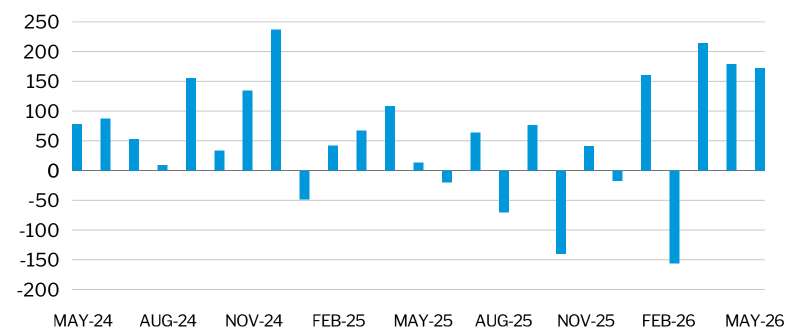
(Seasonally Adjusted, May 2024 - May 2026)



Source: Bureau of Labor Statistics

NONFARM PAYROLL EMPLOYMENT OVER-THE-MONTH CHANGE

(Seasonally Adjusted, May 2024 - May 2026)



Source: Bureau of Labor Statistics

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

4.3%

National Unemployment Rate

MAY 2026

0% MoM Change

7.3 MILLION

Unemployed Persons

MAY 2026

0.1% MoM Change

Forget AI: Demographics May Be the Bigger Workforce Story

Labor economists Daniel Zhao of Glassdoor and Svenja Gudell of Indeed recently discussed how long-term demographic shifts may have a greater impact on the labor market than many of today's headlines. While artificial intelligence continues to dominate conversations about the future of work, Gudell notes that aging populations and workforce participation trends could prove even more influential in shaping hiring challenges over the next decade. As millions of workers retire, industries such as manufacturing, healthcare, education, government, and the skilled trades are expected to face increasing labor shortages.

At the same time, many new entrants to the workforce possess skills concentrated in technology and professional services, creating a growing mismatch between available talent and employer demand. To address these gaps, organizations may need to place greater emphasis on skills-based hiring, workforce development, reskilling, and internal mobility programs. Employers that invest in developing talent from within may be better positioned to navigate these workforce challenges as demographic pressures continue to build.

Despite ongoing economic uncertainty, both economists see signs that hiring activity may be stabilizing after several years of slower growth. Zhao notes that job postings have largely leveled off, with sectors including technology and temporary staffing beginning to show modest improvement. Demand for software developers and AI-related positions has also increased, suggesting that artificial intelligence is currently creating new opportunities rather than broadly replacing workers.

The discussion also highlighted a growing disconnect between employees and organizational leadership. According to Zhao, declining trust has become a meaningful business challenge, contributing to lower engagement and making it more difficult for organizations to execute strategy effectively. Employees continue to navigate return-to-office mandates, layoffs, job security concerns, and uncertainty around AI. Both economists point to communication and transparency as critical tools for rebuilding trust, noting that emotional intelligence, clear communication, and a commitment to employee well-being are becoming increasingly important indicators of effective leadership.

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

Job Openings Rise, but Hiring Remains Stuck in Neutral

A new analysis from the Indeed Hiring Lab finds that while U.S. job openings rebounded sharply in April, hiring activity remains subdued, highlighting a labor market that is still struggling to regain momentum.

According to the latest JOLTS data, job openings rose to 7.6 million, the highest evel in nearly two years, but actual hiring fell. Employers appear increasingly willing to post jobs, but many remain hesitant to convert openings into hires amid ongoing economic uncertainty.

The report also notes that larger employers are facing greater hiring challenges than smaller businesses, contributing to the disconnect between job openings and hiring activity. At the same time, workers remain cautious, with quits falling to their lowest level since 2020, suggesting that confidence in finding new opportunities remains limited.

The Hidden Cost of Open Offices

A new Korn Ferry analysis highlights an unintended consequence of the growing return to office movement: workplace bullying may be more common in open office environments. Citing research of more than 3,300 workers, the article found that employees in open floor plans face a 67% higher risk of being bullied than those in other office configurations. While open offices are designed to encourage collaboration and communication, they can also amplify interpersonal tensions, make social exclusion more visible, and leave employees with little opportunity to escape uncomfortable situations.

Experts say the issue extends beyond overt bullying. Constant visibility, distractions, personality clashes, and workplace hierarchies can create frustration and stress that negatively impact employee well-being and engagement.

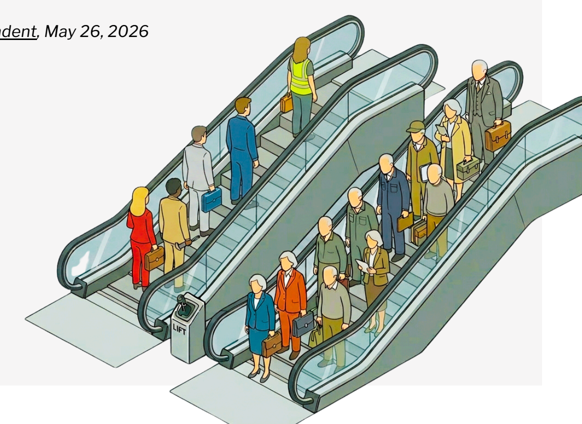
Sources: The Independent, May 26, 2026 and Source: Korn Ferry, June 1, 2026

Retirements Outpace New Workers

The aging U.S. workforce is becoming a growing economic challenge as millions of baby boomers retire and fewer younger workers are available to replace them. Some 23.2 percent of U.S. workers are older than 55, increasing by 17.3 percent over the last decade, according to an analysis by online careers development platform *MyPerfectResume*. This growth outpaced the total workforce's 11.3 percent increase.

Labor force participation has been steadily declining as older workers exit the workforce, creating talent shortages across industries and reducing the overall supply of labor. Economists warn that these demographic shifts could slow economic growth, limit productivity gains, and make it more difficult for employers to fill critical roles, particularly in sectors already facing persistent labor shortages.

Source: The Independent, May 26, 2026



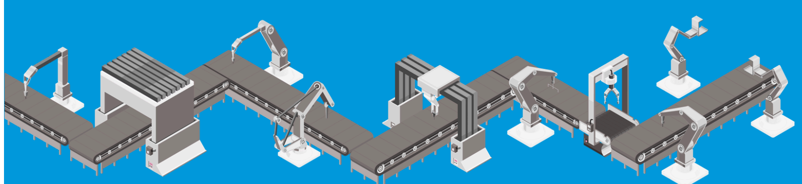
MANUFACTURING UPDATE

Factory Activity Hits 3-Year High Amid Lingering Uncertainty

The U.S. manufacturing sector continued its recovery in May, with the Institute for Supply Management's (ISM) Manufacturing PMI rising to 54.0, up from 53.2 in April and marking the fifth consecutive month of expansion. The reading was the strongest since May 2022 and exceeded economists' expectations, signaling that factory activity is gaining momentum after a prolonged period of weakness.

Beneath the headline strength, however, manufacturers remain cautious about the outlook. Survey respondents cited ongoing supply chain disruptions, elevated energy costs, and geopolitical uncertainty as challenges affecting operations and purchasing decisions. While demand has improved, some economists note that a portion of the recent manufacturing strength may be driven by inventory building and precautionary stockpiling rather than a sustained acceleration in end-market demand. At the same time, the Prices Index remained elevated, indicating that cost pressures continue to flow through the supply chain, although fewer companies reported higher prices than in April.

Production activity, new orders, and overall business sentiment continue to trend upward, providing a positive signal for hiring and workforce demand in manufacturing-related industries. However, persistent inflationary pressures, supply chain uncertainty, and concerns about the durability of demand mean that many manufacturers are likely to remain measured in their hiring and investment decisions as they navigate the second half of 2026.



ISM'S EMPLOYMENT INDEX

EMPLOYMENT	% HIGHER	% SAME	% LOWER	NET	INDEX
May 2026	17.0	67.6	15.4	+1.6	48.6
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

THE TAKEAWAY ▶ U.S. manufacturing continues to gain momentum, with the ISM PMI reaching its highest level in three years, signaling expansion in production and new orders. However, cost pressures, supply chain challenges, and demand uncertainty are prompting manufacturers to remain cautious on hiring and investment.

Sources: Manufacturing ISM® Report On Business® & Institute of Supply Management, May 2026

About Staffmark Group

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Staffmark Group (SMG) is one of the largest staffing companies in the United States and is a portfolio company of RGF Staffing and Recruit Group, renowned for pioneering brands like Indeed and Glassdoor. Harnessing our global strength and innovation, we power your business with the people, flexibility, and data insights you need to succeed in your market.

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.

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