

# Historic Inflation and Labor Shortage Forcing Businesses to Raise Prices

*Additional Impacts Include Automation, Cost Absorption and Staff Reductions*

*Latest Results from The Harris Poll*

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**OKLAHOMA CITY, Feb. 22, 2023**—Record low unemployment may mean good news for American job seekers but coupled with stubbornly high inflation, companies are being forced to make difficult choices to stay afloat, including continuing to pass on increased operating costs to consumers.

This is according to a survey from The Harris Poll commissioned by Express Employment Professionals.

Over the past few years, companies have had firsthand experience with a variety of obstacles—a global pandemic, inflation, labor shortages and even the fear of a recession. Unfortunately, they still may be witnessing the effects of some of these challenges in the years to come, one of which is the labor shortage.

Apart from having an impact on hiring, companies say that if the labor shortage continues, they will have to raise prices (30%). Around 3 in 10 also report their company plans to absorb some of the additional costs (29%), adopt new technology to automate tasks/processes (27%) and/or outsource a portion of their work (27%) as a result.



Another challenge that may impact companies in the future is inflation. In the first half of 2022, nearly all hiring managers (92%) said their company had been impacted by the rise in inflation, with nearly two-thirds (65%) reporting it had a major/moderate impact on their company.

As a result, companies said they had to raise prices (40%) and/or absorb some of the additional costs (39%). In line with these sentiments, hiring managers report that if inflation continues, their company is planning to raise prices (43%), absorb some of the additional costs (31%), adopt new technology to automate tasks/processes (23%), reduce staff (19%) and/or outsource a portion of their work (19%).

### **Inflation Impacts**

“If high inflation continues, my clients will have to find ways to cut costs in other areas,” said Mike Nolfo, Express franchise owner in New Jersey. “Something has to give. Normally, labor is one of the larger operating expenses, which may translate to price pressure on services and goods.”

In Texas, Express franchise owner Nancy Reed agrees that companies will have to re-evaluate their business strategies if inflation doesn’t ease up soon.

“All costs are going up, and they may have to evaluate their structure and payroll budgets,” she said. “We are having to pay higher wages which means some employers will have to work with fewer employees.”

The high prices aren’t showing many signs of budging in the near future, and Reed says it seems like her clients are just trying to push through it.

“Everyone is ready to get our market back to normal after all the challenges during and after

COVID-19,” she said. “They are trying to adjust for the increase in their material costs, labor expenses and trying to get products to market as quickly as possible.”

Businesses may have to wait awhile for commodity prices to return to more manageable levels, as Nolfo says he doesn’t expect any relief in the next 12 months.

“It seems like everyone is getting used to paying higher prices,” he said. “They may not be happy about it, but they’ve made adjustments in other areas to deal with the changes.”

### **Staffing Challenges**

In addition to inflation struggles, Reed says her staffing business is seeing the effects of the labor shortage like many of the companies she serves.

“If the labor shortage continues, my clients will be forced to find creative ways to get their product to market, such as using automation or being selective with the business they take on,” she said. “Even in our business, we are finding ourselves having to pay higher wages or work with less staff.”

Nolfo sees automation as one solution to the labor shortage but also encourages training employees to create a desirable workforce.

“If you are going to stay in business, you need to adapt,” he said. “The best way to combat the labor shortage is to either automate or train your entry-level workers to fill in the gaps.”

The good news, Nolfo says, is that the labor market seems to be improving, especially in the light industrial sector, as applicants increased 20% year-over-year in January.

“Candidates seem like they are motivated to find work, and our referrals have also increased,” he said. “I think some job seekers are tired of sitting on the sidelines and actually need work right now.”

The latest jobs report shows openings are numerous, which means despite layoffs in certain sectors, many companies are still desperate for workers, according to Express Employment International CEO Bill Stoller.

“The employment landscape right now is an anomaly as employers struggle to find workers but also face exorbitant costs for talent,” he said. “Let’s hope as the year goes on, more candidates continue to come off the sidelines, ultimately tamping down inflation and market uncertainty.”

### **Survey Methodology**

The Job Insights survey was conducted online within the United States by The Harris Poll on behalf of Express Employment Professionals between Dec. 1 and Dec. 15, 2022, among 1,002

U.S. hiring decision-makers (defined as adults ages 18+ in the U.S. who are employed full-time or self-employed, work at companies with more than one employee, and have full/significant involvement in hiring decisions at their company). Data were weighted where necessary by company size to bring them into line with their actual proportions in the population. Respondents for this survey were selected from among those who have agreed to participate in our surveys. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within + 3.2 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest.

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If you would like to arrange for an interview with Bill Stoller to discuss this topic, please contact Sheena Hollander, Director of Corporate Communications and PR, at (405) 717-5966.

#### **About Bill Stoller**

William H. "Bill" Stoller is chairman and chief executive officer of Express Employment International. Founded in Oklahoma City, Oklahoma, the international staffing franchisor supports the Express Employment Professionals franchise and related brands. The Express franchise brand is an industry-leading, international staffing company with franchise locations in the U.S., Canada, South Africa, Australia, and New Zealand.

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