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What is Going on With Jobs?

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How many times did President Biden say "jobs" in the first half of his address to the nation? By the sound of things, one would think it near impossible to find work during these times.

The Fed, too, is not only focused on inflation, but also employment and still sees slack in the system. Just this past week, Fed governor Lael Brainard called for patience before removing monetary accommodation. "The outlook is bright, but risks remain, and we are far from our goals," she explained. "It will be important to remain patiently focused on achieving the maximum-employment and inflation outcomes in our guidance."

The Nonfarm Payrolls number disappointed this past week, up only 266,000 jobs over the month, a slowing pace of improvement compared to the forecast for 975,000. With additional fiscal stimulus just passed and many parts of the economy re-opening, it seemed counterintuitive. A Wall Street Journal editorial offered several explanations, including fear of COVID, issues with childcare, and the fact that enhanced unemployment benefits significantly reduce the need/desire to get back to low paying jobs.

The below chart shows the job openings data from the JOLTS report. Job openings are at the highest level ever. There are currently over 8 million jobs that are not filled in America! Businesses cannot find workers. Hotels cannot find people to clean rooms. Restaurants cannot find waitstaff and kitchen help. Small businesses that somehow managed to survive a year-long closure of the global economy are simply unable get people to return to work.

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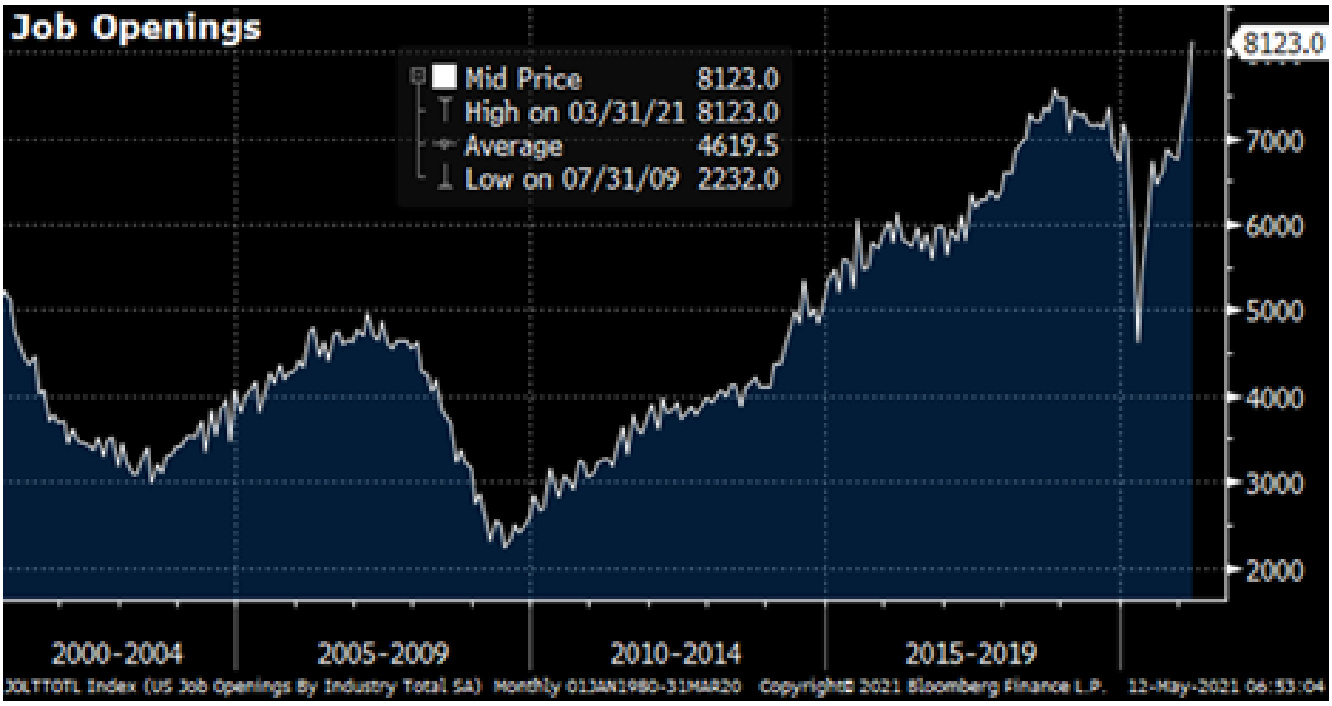

Current Job Openings in the United States (thousands)
Source: Bloomberg

Big corporations are paying up for new workers and will likely pass the cost on to consumers. Amazon and McDonalds are paying $1,000 signing bonuses to entry-level help to entice them to come back to work. Chipotle has increased wages to $15 per hour (which they would probably have to do soon anyway, due to pending new legislation).

Many people needed immediate and substantial help in the wake of COVID-19, as the economy shut down and jobs evaporated amid life-threatening health risks. But, now there are vaccines readily available and more job openings than at any time in history. The fiscal stimulus has managed to keep demand elevated, but has also restricted the supply of labor. Once again, rising prices are how markets correct a supply / demand imbalance.

The bottom line is simply that the more you pay people not to work, the less likely they are to look for a job. Since the boost to unemployment benefits ends in September, vaccines will be available for those in risky jobs, and the remaining restricted parts of the economy can return to normal levels, this should be a "transitory" issue, and we can get people back to work, filling the record number of open positions.

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