

# The desperate hunt for US workers continues

Job openings are outpacing hirings by more than 3.2mn as the hunt for potential workers intensifies. Labour supply should gradually improve, but with demand looking so strong the upward pressure on worker compensation is set to continue, thereby adding to inflation pressures in the economy

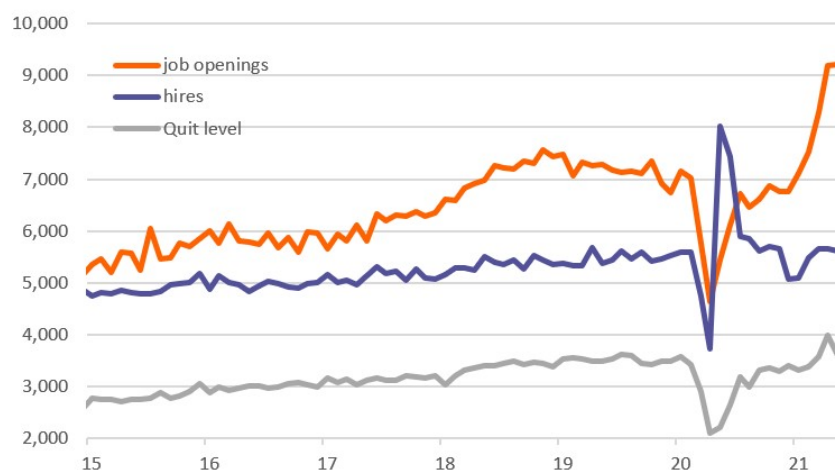


Source: Shutterstock

## New record for job openings

US job openings have hit a new all-time high of 9.21mn in May, up from a revised 9.19mn level in April, with hirings continuing to lag well behind at just 5.93mn. The reinforces the point that there is huge excess demand for workers as labour supply constraints linger. Unless this changes soon, the risk is this leads to more upward pressure on pay and more persistent inflation in the US economy.

## Openings outstrip hirings by more than 3.2mn



Source: Macrobond, ING

## Labour supply holding back the recovery

The struggle to find staff has been highlighted by the June ISM manufacturing and services reports with employment components both moving into contraction territory despite booming orders and production. Meanwhile, the National Federation of Independent Businesses reports that 46% of small business owners had vacancies they could not fill – down slightly from the previous month’s all-time high reading, but more than double the 48-year historical average of 22%. The obvious implication is that if firms can’t expand as planned, the outlook for growth will be weaker.

## A better balance is needed

The general view amongst analysts and the Federal Reserve is that the labour market will be in better balance from September as childcare issues ease as schools return to in person tuition and expanded unemployment benefits cease. The latter should in theory improve the relative financial attractiveness of work and draw people back to employment.

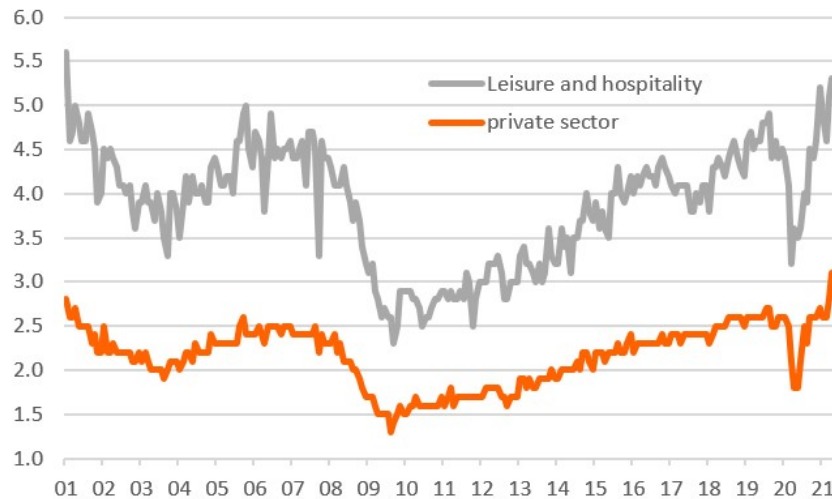
We agree that it should become somewhat easier to find staff, but depending on how long people have been out of work could mean that there might be issues about skill sets – are the workers available what employers actually want? Moreover, evidence suggests there has been a significant increase in the number of people retiring over and above what would be expected from demographics. Some estimates suggest a figure of nearly 2 million more people. Surging equity markets have boosted the value of 401k plans and after not having to commute to work for 16 months the desire to return to the office may not be what it once was. With so many people potentially having permanently left the labour force, this could mean the struggle to find workers could be more persistent.

## Pay pressures build

With companies desperate to recruit and expand to take advantage of the reopening and the stimulus-fuelled growth environment, companies are increasingly taking the decision to pay more to attract staff. This was reflected in a new all-time high for the proportion of companies raising compensation as measured by the NFIB. Today’s report shows the “quit rate” – the proportion of workers quitting their job to move to a new employer actually dipped modestly, but remains high

by historical standards.

## The US quit rate - proportion of workers quitting their jobs to move to a new employer



Source: Macrobond, ING

This is further bad news for US companies with the implication being that companies not only have to pay more to recruit new staff, but also perhaps raise pay more broadly in order to retain staff. If this is the case then this will be a key story that keeps inflation higher for longer and could be trigger for earlier Federal Reserve interest rate increases.

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