

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

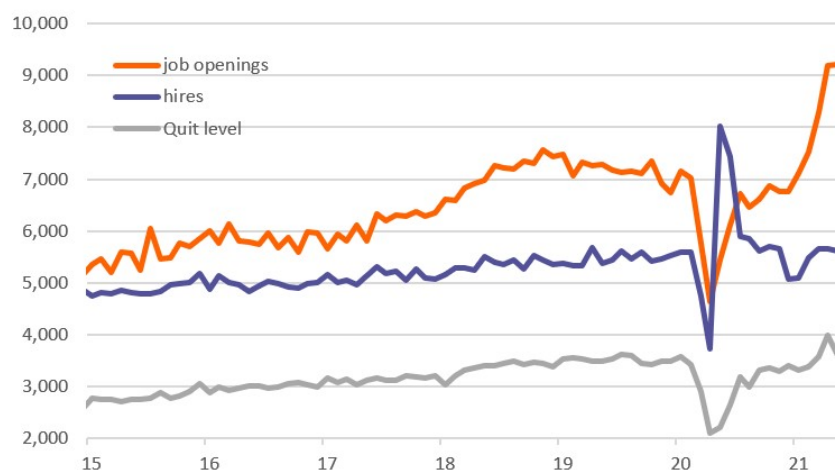


Source: Shutterstock

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.

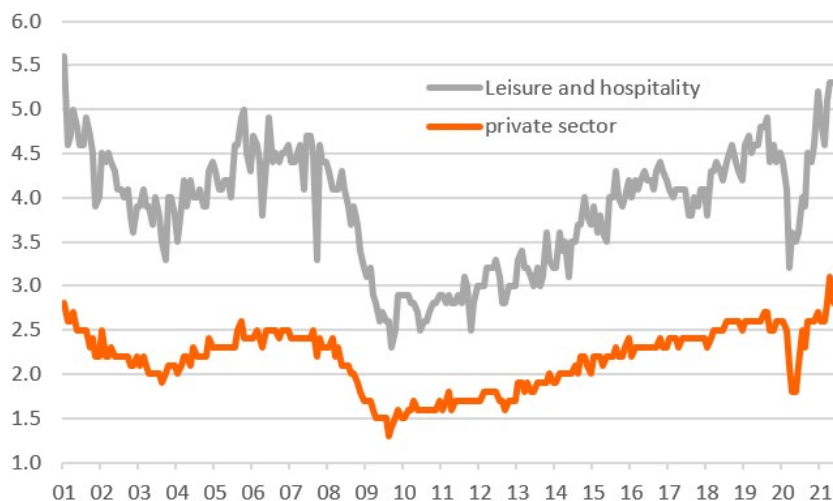
We agree that it should become somewhat easier to find staff, but depending on how long people have been out of work could mean that there might be issues about skill sets – are the workers available what employers actually want? Moreover, evidence suggests there has been a significant increase in the 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.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by

the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.