Rodney's Take

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Employers and the Marginal Retiree

Recently, I spoke to a group of restaurateurs and hoteliers in Charleston, South Carolina, via Zoom. It's hard giving presentations online, because you can't judge the interest of the crowd. A camera was pointed at the audience, but most attendees sat so far away that I couldn't see them. It was probably for the best. I wasn't delivering a message they wanted to hear. The business owners and managers desperately need workers in hospitality and leisure, and I can't offer what's not available. There are no silver bullets for finding replacement workers to clean rooms and serve food.

Many of those workers moved on during COVID. They found higher paying work with warehouse and delivery companies, and many found that they could control their schedules. As a result of flexible work requirements, workers suddenly are in control, not employers. This is a tectonic shift from 2019 and one that managers will have to get comfortable with over time. Business owners in these areas need to raise pay and improve working conditions, which usually means raising prices as well and dealing with wage compression. It's not fun, but they might get a bit of a reprieve in the months ahead.

While I didn't go into detail about the Federal Reserve and GDP growth with the Charleston group, a couple of things are on the horizon that might give employers looking for frontline workers a little hope. With federal pandemic aid fading and the Federal Reserve now tightening monetary policy, GDP growth likely will slow as consumers spend less. This could cool the red-hot consumer goods market, which would reduce opportunities in warehouses and delivery. Weaker economic growth and tighter monetary policy are likely to drive the markets lower, which could push some recent retirees back into the labor force.

I mentioned in a previous *Rodney's Take* that Miguel Faria-e-Castro at the St. Louis Federal Reserve Bank estimates that an extra 2.4 million people retired during the pandemic. He suggests that they were motivated in part by fear of the pandemic but were given the extra push to retire by their rising portfolio values. From the bottom in March 2020 to the top in early January of this year, the S&P 500 more than doubled. We've had a wild ride in the markets since then, dropping 10% and then bouncing back to near the highs before fading a bit. I think the volatility will continue with a decidedly negative tone. Unless recent retirees have taken most of their chips off of the table, they'll be giving up some of their recent gains as fiscal and monetary policy, not to mention the effects of the Russian war on Ukraine, weigh on equities.

For some of those retirees, the ones who were barely over the line of being able to retire, the portfolio losses will drive them back into the workforce. I think of them as "marginal retirees," who need the stock market to keep climbing to solidify their retirement status and are just one or two bad quarters away from looking for a job.

If quantitative tightening and higher energy prices take a bite out of the markets like I think they will, then employers will be able to draw from a new class of potential workers, the previously retired. They will have a lifetime of experience, which is great, but don't expect them to have a great attitude.

Rodney

Got a question or comment? You can contact us at info@hsdent.com.