Rodney’s Take

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Men Leaving the Job

We’ve been talking about employment since late 2020, when the Fed changed its inflation model to allow prices to remain well above its 2% target so as to get more people back to work. The Fed’s miscalculation is now epic, but they’re not alone. While the Fed specifically wanted to get historically disadvantaged people back on the payroll, other groups now are calling attention to work-aged men without college degrees. This group has been losing ground in the labor force for decades without much of a respite and walked away from the workplace by the millions during COVID.

But here’s the thing: this group has lost 30% of its inflation-adjusted wages to men with college degrees since the early 1980s. A new study from the Boston Federal Reserve Bank estimates that wage declines are a big part of these workers not looking for a job, but so is their loss of status. The Fed report wants us to believe that these guys aren’t working because they feel bad about themselves. Really? I think it’s simpler than that. They aren’t working because their personal situation allows them not to. Regardless of how they feel, there’s a pretty easy way to persuade them to fill out an application. All we have to do is provide the one thing that we won’t cough up… more money.

From the 1950s to the 1980s, the labor force participation rate among those ages 25 to 54 steadily walked higher, from 65% to 83%. The participation rate moved up particularly fast in the 1970s as women joined the ranks, which gave employers more potential workers and arguably held down wages. In the 1990s, we signed the North American Free Trade Agreement, which moved millions of jobs offshore, and in 2001 we allowed China into the WTO, which sent even more manufacturing to foreign countries. It's not hard to see why people who steadily lose ground to other workers with more education and to inflation decide that staying at home is a decent choice. It might not help the greater economy, but capitalism is built on the premise of pursuing your own greatest good, not that of society.

I think workers in this group will take another look at formal employment in the next two or three years, but we won't like how it goes. The change will come when companies are "onshoring" and have to spend big bucks to get any workers, but then must pass on their costs to consumers and businesses. Cities and states will go through the same process as they try to find able-bodied men to work public construction on all of those projects funded during COVID. The end result will be that no one is left for service jobs, which will push labor costs for small vendors through the roof. If you see where I'm going with this, our pockets, then you get the picture: inflation.

We spent decades moving power from workers to owners of capital, first as women joined the workforce and then as we sent work to foreign lands. Workers who made more money or were tapped into equity made a killing, as their costs remained low while their overall assets grew. But all things end, and we're living through a sea change from capital to labor. As consumers spend down their savings from COVID and their equity accounts stop posting double digit gains, it will be interesting to hear what they think of rising prices as incomes move higher.

Rodney

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