



Rodney's Take

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Not Your Father's Job Market

Either many of the people who write about the economy and financial markets are bad at math, or they're just in it for the headlines.

Last week, initial jobless claims rose by 13,000, to 231,000. Any number between 200,000 and 250,000 is considered normal variation. But the report on continued jobless claims, or the people who stayed on benefits after the first week, caught some attention. The number of people in this category rose by 32,000, to 1.865 million, after bottoming out at 1.289 million in September 2022. Adding an additional 600,000 people to the continuing unemployment rolls sounds ominous, but it ignores two things. Historically, the average number of people in this category has been much higher, and the total labor force is the largest it has ever been.

In the late 1960s and early 1970s, continuing claims sat around one million people and then crept higher. After breaking the two-million-person mark in 1974 (except an odd month here and there in the late 1980s and early 2000s), continuing claims didn't fall that low again until 2014, or 40 years later. From January 1967 through December 2019, continued claims averaged 2.65 million. We're not even close—and remember, that's just the average. There were long spells when more than three million people were on continuing claims.

And it gets better (or rather, worse).

No one is talking about continuing claims as a percentage of the work force.

In 1967, the non-farm payroll included 65 million people. Last month, we had 156 million, or 2.4 times the number of workers we had 55 years ago. If we considered continuing claims as a percentage of non-farm payrolls, then in 1967 roughly 1.6% of workers were on continuing claims, when only 1.2% are on the rolls today.

Eyeballing the non-farm payroll numbers from 1967 until now shows that the average number of workers has been about 120 million. Until the pandemic, the average number of people on continuing claims was 2.65 million, or 2.2%. That would be 3.4 million people today, or nearly double the number of workers on continuing claims right now.

A little common sense confirms this. Unemployment remains less than 4%, and there are 1.5 openings for every unemployed person. The labor market is cooling, but it's still robust. The problem is that the older workers who checked out of the job market left a Boomer-sized hole in the economy. Remaining workers could step up another rung on the ladder, but that left the bottom rung empty. We've yet to fill it with either people or technology, which is made obvious by the poor customer service we get in many restaurants and retail stores. Continuing claims might be nearing two million people, but it's going to take a lot more than that to make a dent in our labor market and to make Fed Chair Powell take his foot off the brake.

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