

# Economic Watch

US

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Economic Analysis

US

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## Job Openings and Labor Turnover Private Net Job Creation Second-Slowest of 2011

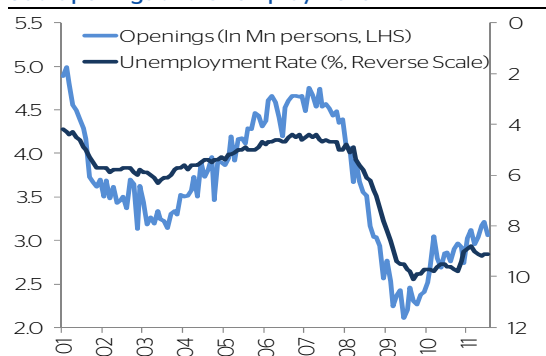
- Job openings declined slightly in August to 3.1mn while hires increased
- Shares of vacancies by industry gradually returning to pre-crisis trends
- Firms are likely focusing more on retention rather than recruitment

### Data indicate little improvement in labor market conditions

The August JOLTS data released today confirm the sluggish labor market growth suggested by months of weak employment reports. Job openings declined slightly to 3.1mn from 3.2mn in August, reflecting declines in both the private and government sectors. Much of the weakness in the private sector stemmed from manufacturing, trade, transportation, utilities, and professional and business services, while government employment was weakest at the federal level. Construction openings increased despite continued troubles in the housing market. The number of hires in August increased to 4.0mn from 3.9mn in July, representing a slight 11% increase since the end of the recession in 2009. Although the number of separations was unchanged for the month, the proportion of quits increased to 51% of the total while layoffs and discharges declined to 42%. This could indicate that businesses are feeling less pressure to cut costs via employment reduction while workers are becoming more comfortable with job availability prospects. The current job creation curve (JCC), representing the tightness of the labor market since 2009, suggests a non-accelerating inflation rate of unemployment (NAIRU) close to 8% when paired with a Beveridge Curve constructed from pre-recession labor market data. Using pre-recession data for both the Beveridge Curve and the JCC reveals the standard NAIRU assumption of around 5-6%. These three curves help triangulate what may be a future shifted Beveridge Curve and a higher NAIRU.

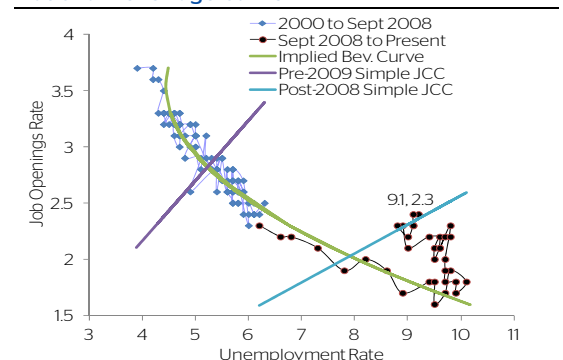
In Chart 7, we highlight what may be a trend emerging out of the recession: increased retention intensity. Recent labor market studies have highlighted decreased recruitment intensity as a result of high resource slack. Retention policy is the flipside of this research in that employers may be focusing on improving retention through higher benefits. Firms benefit from keeping workers which they have complete knowledge of their skills and training and exposes firms to less risk. As such, benefits have so far increased more quickly than wages, although part of the increase may be attributable to rising healthcare costs.

Chart 1  
**Job Openings and Unemployment**



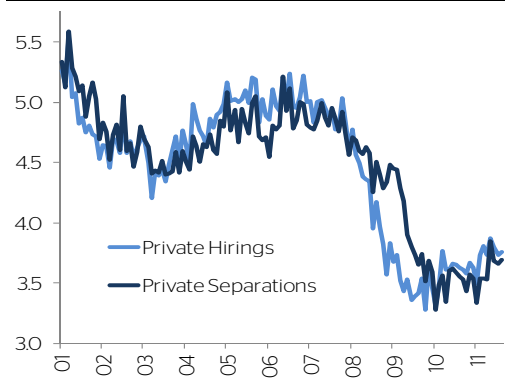
Source: BBVA Research and BLS

Chart 2  
**National Beveridge Curve**



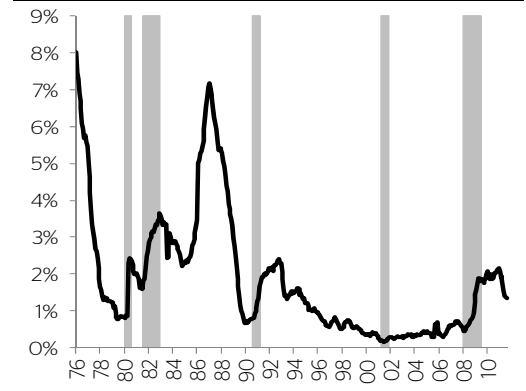
Source: BBVA Research

Chart 3  
**Private Hirings and Separations, In Mn**



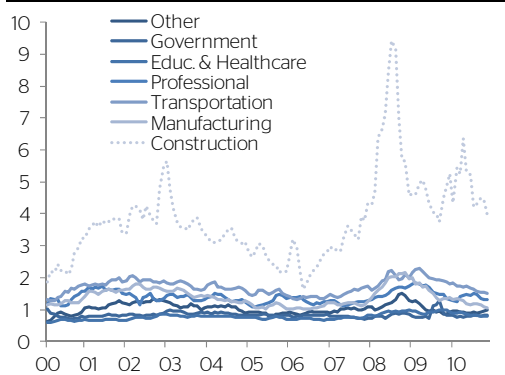
Source: BBVA Research and BLS

Chart 4  
**Regional Relative Unemployment Variance**



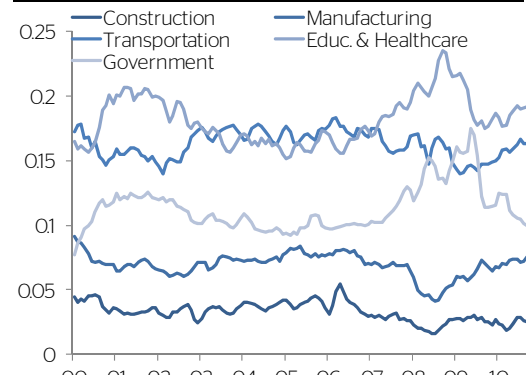
Source: BBVA Research and BLS

Chart 5  
**Vacancy Yield by Industry, 3MMA**



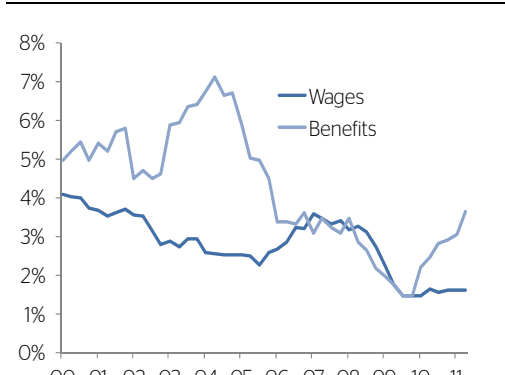
Source: BBVA Research and BLS

Chart 6  
**Share of Vacancies by Industry, 3MMA**



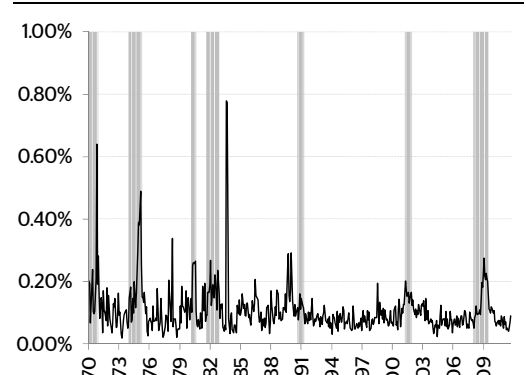
Source: BBVA Research and BLS

Chart 7  
**Employment Costs Indices, YoY%**



Source: BBVA Research and BLS

Chart 8  
**Industry Turbulence Index**



Source: BBVA Research

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