Economic Watch

US

13 March 2012
Economic Analysis

US
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Job Openings and Labor Turnover

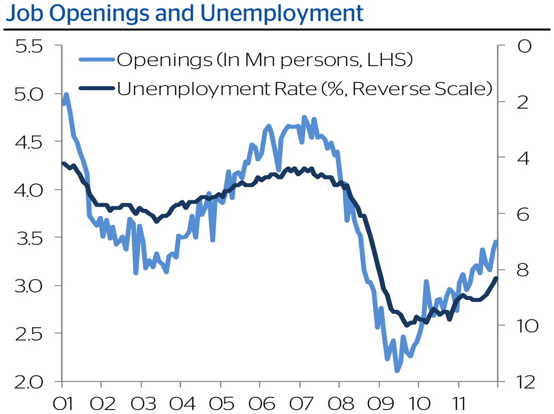
Data Revisions Confirm Mixed Employment Dynamics

- **A jump in manufacturing job openings offset losses in most other sectors**
- **Hires and separations stuck near historical lows, hurting potential job gains**
- **Beveridge Curve continues to suggest a less efficient labor market**

Are businesses hiring for the wrong reasons?

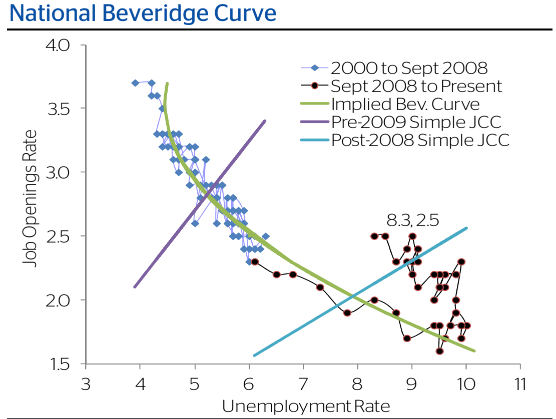
JOLTS data for January confirm suspicions of underlying weakness in the employment situation. Despite many months of healthy nonfarm payroll gains and a falling unemployment rate, the core data suggest a snag in the typical job cycle. Job openings, which have trended upwards since the recession ended in June 2009, declined slightly to 3459K in January from 3540K in December. Manufacturing vacancies jumped to the highest level of the recovery, only 99K less than the pre-recession peak, offsetting losses in most other sectors. This has also contributed to a reduced share of vacancies for all other industries. Construction openings also increased slightly, and since the low point of the recovery, manufacturing and construction job openings have increased 400% and 188%, respectively. However, hires and separations appear to be stuck near historical lows, suggesting that the job market is lacking the employment dynamism necessary to kick-start a sustainable recovery. In fact, levels are much lower compared to the end of the 2001 recession. Recent employment gains may be misleading, particularly when considering simultaneous weakness in productivity. Businesses appear to have maximized productivity with their employee base and therefore have added more workers merely to keep up with current production levels (rather than expansion). In addition, the current unemployed person per job opening ratio of 3.7% is much higher than the 2.4% at the end of 2001. Weakness in the JOLTS data suggest that the unemployment rate will likely remain high for the near term, in line with our baseline scenario for only modest declines throughout 2012. High unemployment duration and increased labor tightness in some areas have furthered concerns of structural unemployment. The outward shift in the Beveridge Curve appears more permanent, indicating greater inefficiency in the labor market.

Chart 1
Job Openings and Unemployment



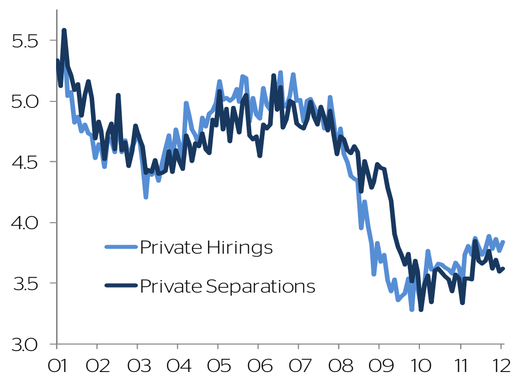
Source: BBVA Research and BLS

Chart 2
National Beveridge Curve



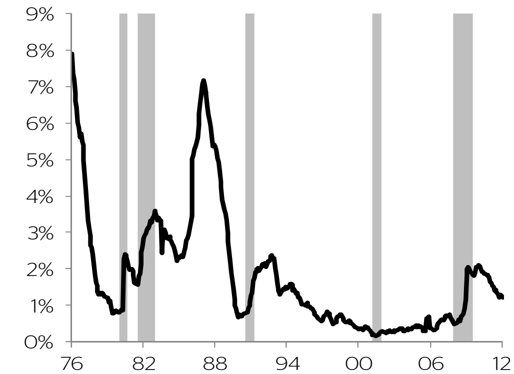
Source: BBVA Research and BLS

Chart 3
Private Hirings and Separations, In Mn



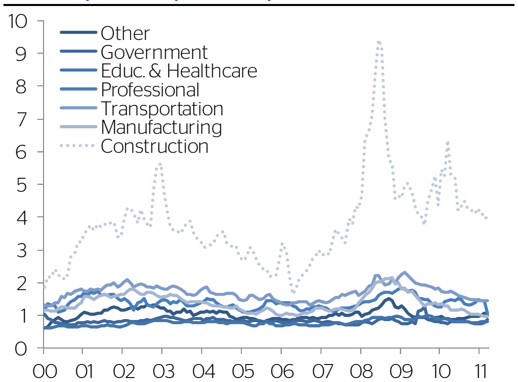
Source: BBVA Research and BLS

Chart 4
Regional Relative Unemployment Variance



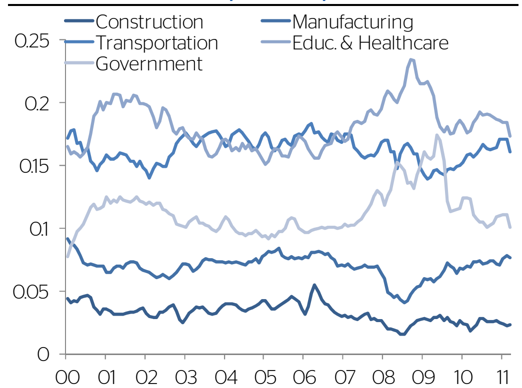
Source: BBVA Research and BLS

Chart 5
Vacancy Yield by Industry. 3MMA



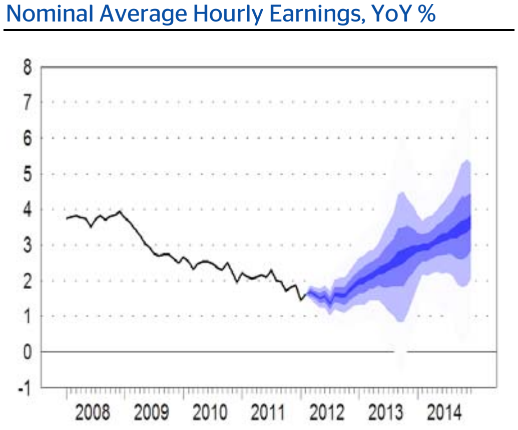
Source: BBVA Research and BLS

Chart 6
Share of Vacancies by Industry, 3MMA



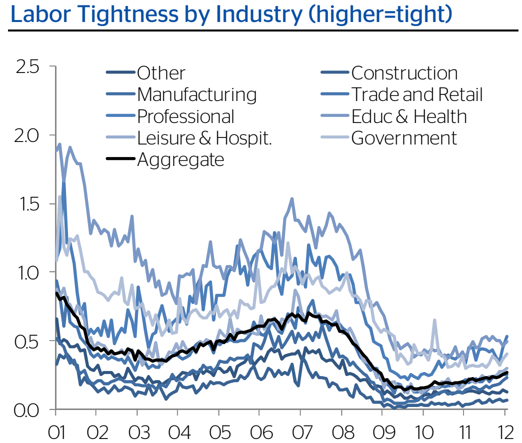
Source: BBVA Research and BLS

Chart 7
Nominal Average Hourly Earnings, YoY %



Source: BBVA Research

Chart 8
Labor Tightness by Industry (higher=tight)



Source: BBVA Research and BLS