

Economic Watch

US

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Economic Analysis

US

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Job Openings and Labor Turnover

Labor market health relatively unchanged in March

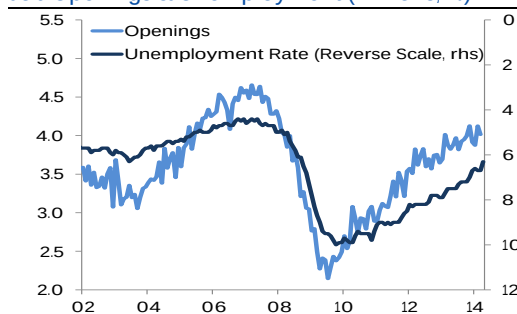
- Job openings dipped in all but one sector, with the rate down to 2.8%
- Hiring fell a modest 1.6% but continues to lag behind openings
- Quit rate continues trend upward, signaling boost in worker confidence

The Job Openings and Labor Turnover Survey (JOLTS) for March 2014 showed little change in the health of the labor market from February. Job openings slipped to 4014K in March after climbing near post-recession highs in the previous month. Despite the MoM drop, March marks only the fourth month that job openings have been over 4000K since the recession, which is a sign that conditions are at least following a gradual upward trend. Construction openings fell by 23K (-18.1%) to 104K, which falls in line with sluggish housing data thus far in 2014. As housing activity regains traction, we expect the component to provide an upward bias on the job openings figure. Overall, almost all other sectors saw a decline in openings apart from the leisure and hospitality component, which remains the only sector to have almost fully recovered from the recession. As baby boomers begin to retire over the next decade, we expect to see a sharp rise in the amount of health care openings and hiring.

On the same token, the hiring data was insignificantly changed from February, down 74K (-1.6%) to 4625K for the month. Construction hiring fell to 260K, the second-lowest monthly total since 2009, and is the only component which has trended consistently downward since the recession. Meanwhile, total separations for February declined a modest 28K (-0.6%), with 22K coming from layoff and discharges (i.e. not voluntary), a sign that firms may still be trimming payrolls to remain competitive. On a positive note, the quits rate for March was 1.8% and continues to inch closer to the 2.0%+ pre-recession levels. The gradual improvement in the quits rate points to strengthening confidence of workers regarding the health of the labor market, which has been reflected by consumer sentiment surveys in 1Q14.

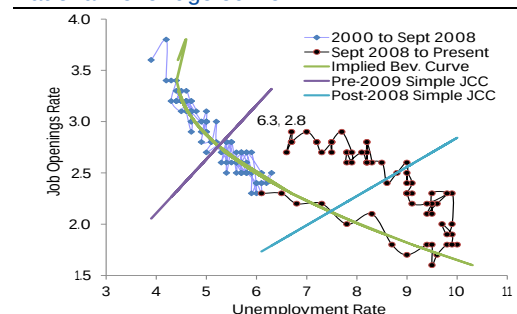
Though hirings and job openings did not show improvement from the previous report, broader labor market conditions remain stable. Furthermore, the relationship between job openings and unemployment has been steadily shifting back towards the Implied Beveridge Curve, tempering fears of structural unemployment (Chart 2). Looking at the bigger picture, data have consistently shown gradual improvement in the labor market over the last year, albeit at a modest pace. Our baseline scenario assumes that the labor market will slowly improve through the rest of the year.

Chart 1
Job Openings & Unemployment (Millions, %)



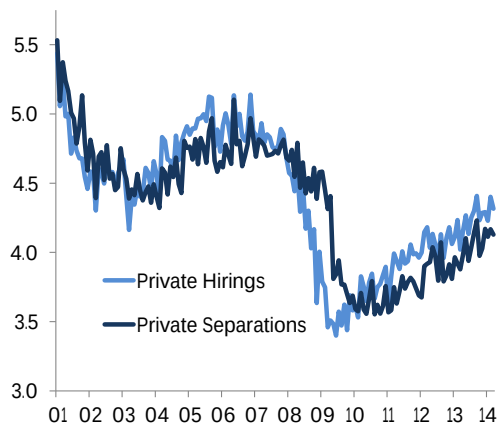
Source: Bureau of Labor Statistics and BBVA Research

Chart 2
National Beveridge Curve



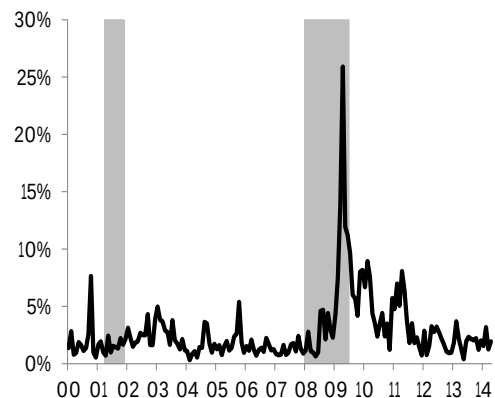
Source: Bureau of Labor Statistics and BBVA Research

Chart 3
Private Hirings & Separations (Millions)



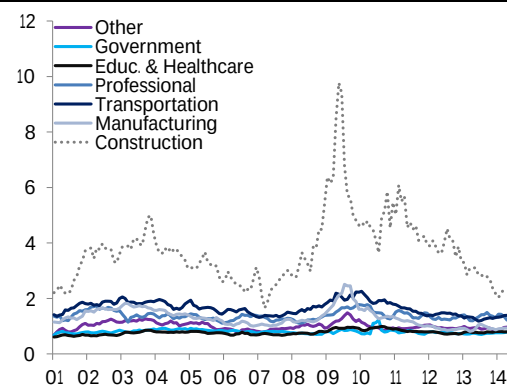
Source: Bureau of Labor Statistics and BBVA Research

Chart 4
Industry Relative Unemployment Variance



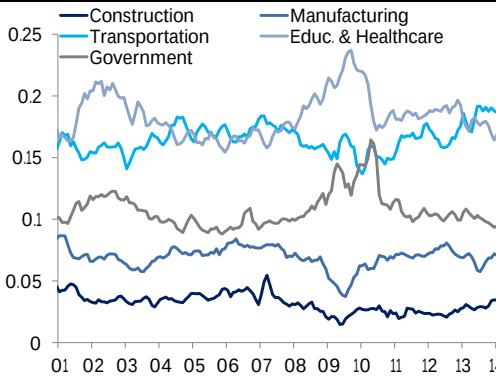
Source: Bureau of Labor Statistics and BBVA Research

Chart 5
Vacancy Yield by Industry (3MMA)



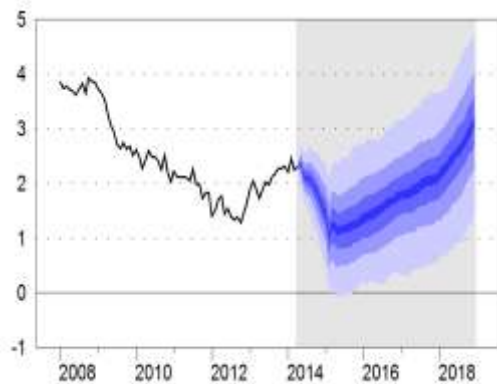
Source: Bureau of Labor Statistics and BBVA Research

Chart 6
Share of Vacancies by Industry (3MMA)



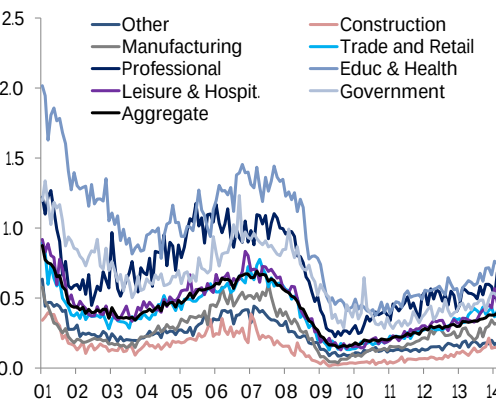
Source: Bureau of Labor Statistics and BBVA Research

Chart 7
Nominal Average Hourly Earnings (YoY %)



Source: BBVA Research

Chart 8
Labor Tightness by Industry (higher=tight)



Source: Bureau of Labor Statistics and BBVA Research

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