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Economics Group

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JOLTS Shows No Sign of Cooling Labor Market

Job openings rebounded in December to 5.6 million, bringing the opening rate back to a series high of 3.8 percent. Turnover improved, with the quit rate rising to the highest point in the current cycle.

Job Opening Rate Recovers to Series High

The December Job Opening and Labor Turnover Survey (JOLTS) report gave little indication of the labor market cooling heading into 2016. Job openings rose to 5.6 million at the end of December, an increase of 261,000 after November's openings were revised lower. The rise brings the job opening rate back up to a series high of 3.8 percent.

Leading the increase in the number of job openings in December was a rebound in openings for construction and manufacturing jobs. Retailers and government also posted more job openings, while openings in professional & business services, education & health and leisure & hospitality moved lower over the month. Not surprising given the headwinds to the energy sector, the only industry to see fewer job openings over the past year is natural resources & mining.

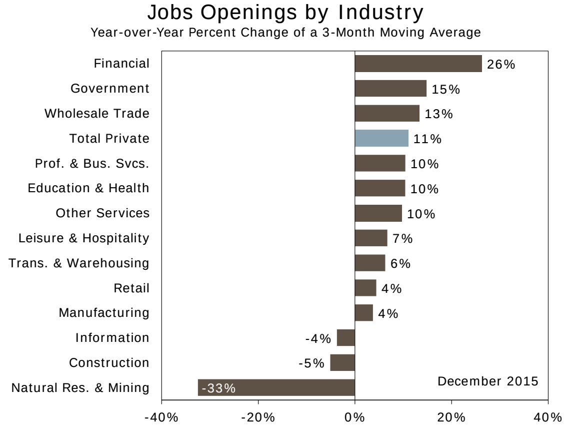
Rising Turnover: Good for Wages, Productivity

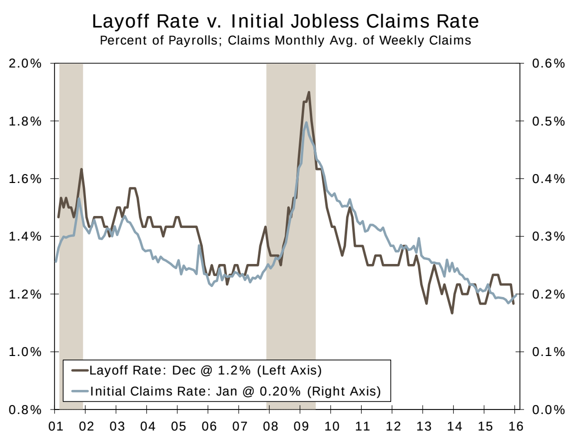
After moving sideways for the better part of 2015, turnover showed some encouraging signs of picking up in the final month of the year. Total separations increased by 110,000 in December, with a more favorable mix toward voluntary separations.

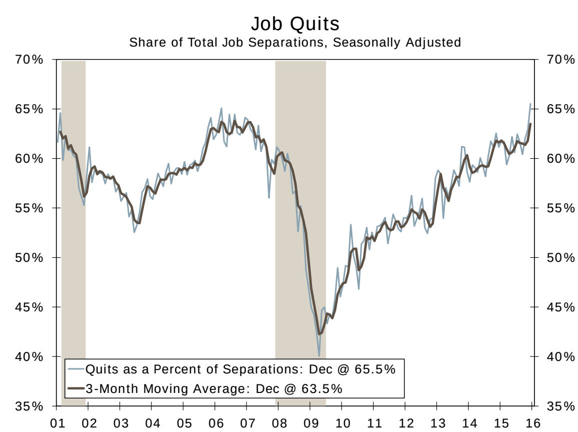
Layoffs and discharges edged down in December and are 2.3 percent lower than a year earlier. The drop brings the JOLTS measure of involuntary separations more closely in line with initial jobless claims and should temper some concern about the more recent uptick in claims.

Quits jumped by 196,000, bringing the quit rate up to 2.1 percent—the highest rate of the current expansion. The number of workers quitting their job has now surpassed the level of December 2007, when the recession first started. The pickup in quits reflects workers feeling additional job opportunities are more widely available. The rise should offer some support to the paltry pace of wage growth registered in the current expansion, as job switching is an important source of an individual's wage growth. In addition to firms having to compete more heavily via wages as the labor market tightens, the bump in wages reflects the presumed productivity enhancements of better matching workers with available jobs. Thus, the increased rate of turnover could also help with the anemic rate of productivity growth in recent years.

Despite the recent improvement, quits have yet to retake their previous cycle; the quit rate averaged 2.2 percent in 2005 and 2006. Although the December increase is encouraging, we see limited gains in the quit rate ahead due to the ageing workforce. Older workers are less likely than younger ones to switch employers, while retirements are categorized into "other separations." Over the past year, "other separations" have been unchanged at 0.3 percent of the employment base.







Source: U.S. Department of Labor and Wells Fargo Securities, LLC

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