NEVADA STATE BANK PRESENTS

# A Positive Outlook

## More Workers are Quitting, and That's a Good Thing

Jeremy Aguero, Consultant

APPLIED ANALYSIS

Perhaps no other indicator of economic health is more important than employment. The balance of jobs and workers is critical, and this balance tells us a lot about the state and direction of our economy. During the recession, there were far more workers than jobs, and the unemployment rate climbed in response. Today, that balance has tipped in favor of workers as the national unemployment rate has fallen below 5 percent and employers are competing for a limited supply of labor.

These trends are illustrated through a little-known set of national economic statistics known as Job Openings and Labor Turnover, or JOLTS. The figures include job openings, hires, layoffs and voluntary quits. These numbers, published by the U.S. Bureau of Labor Statistics, can tell us a lot about the state of the American worker and the national jobs market. Like most other markets, the labor market is influenced by supply and demand. Workers provide the supply of labor, while employers provide the demand.

When jobs are scarce, employers have the advantage of choosing from a larger pool of potential workers who are forced to compete with each other for limited job opportunities. In early 2009, when the U.S. unemployment rate was climbing past 9 percent, the national layoff rate peaked at 1.9 percent while the voluntary quits rate hovered near 1.3 percent. Stated otherwise, significantly more workers were being laid off as opposed to those quitting on their own.

This was very good for employers, but not so good for workers.

Today, that trend has reversed. Employment is growing throughout the nation, and the labor market is the healthiest it has been in years. The layoff rate has fallen to 1.1 percent, tied for the lowest mark in the past 15 years, while the quits rate has risen to 2.1 percent. In simple terms, this means about twice as many workers are voluntarily quitting their jobs rather than being laid off. When it comes to labor, it's now a seller's market. Employers must compete with each other to hire and retain the best employees, and with 5.9 million job openings nationally compared to 5.2 million hires in July, it appears that the competition to hire qualified employees will continue into the foreseeable future. As it does, workers will continue to reap the benefits of better job opportunities, stable employment and higher pay.

In Nevada, we don't have the benefit of detailed JOLTS statistics. However, the rising trend in weekly wages suggests we are seeing the national trends playing out here. Wages in the Silver State grew by an annual rate of 3.5 percent in July, the 21st-consecutive month of 3 percent annual growth or higher. Nevada's wage growth has also outperformed the national average for 24 straight months, including a period last winter when wages grew twice as much as the rest of the country. These wage growth trends suggest that Nevada employers are increasing pay to attract and retain employees in an increasingly competitive labor market. That's good news not only for the workers of Nevada, but for the state economy as a whole.