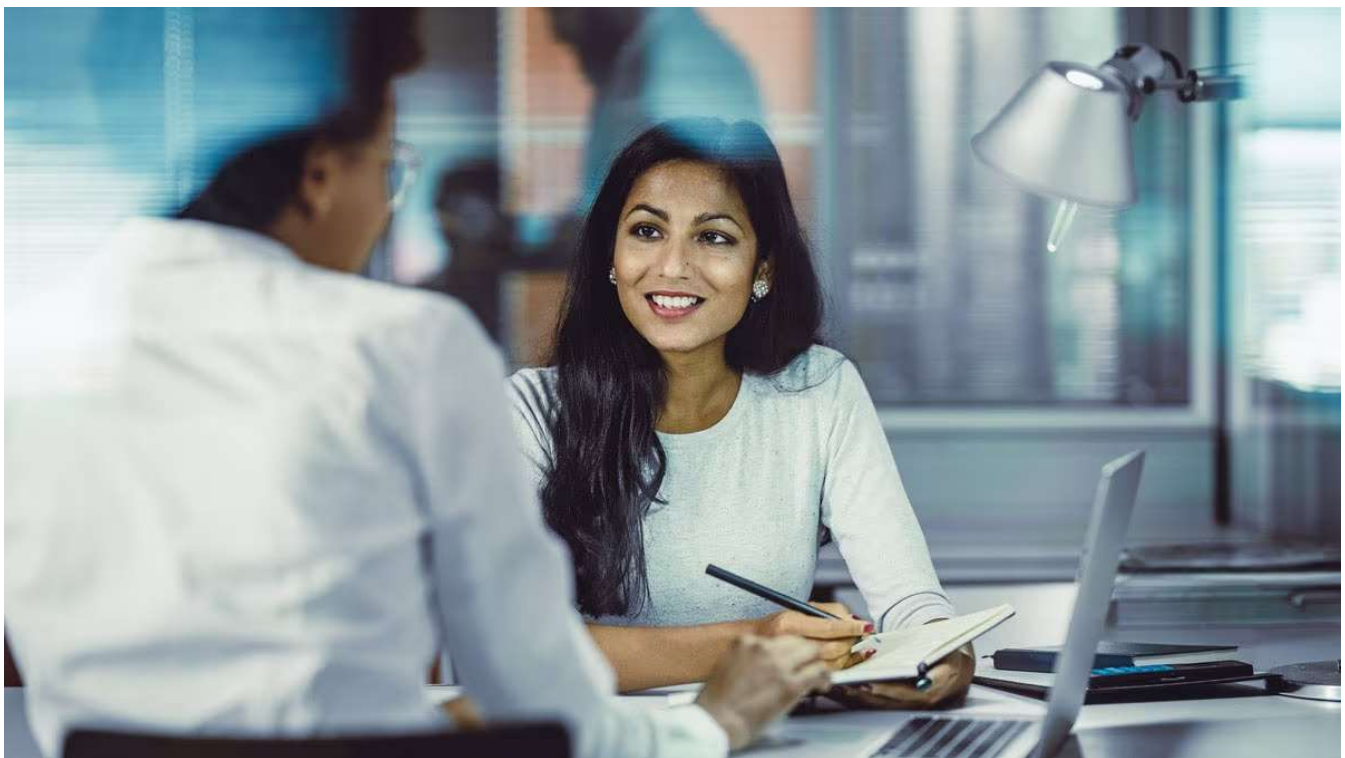


MARCH 10, 2023

Are Job Openings Overstated?

Elevated job openings may not give an accurate view of labor market conditions.



We are now engaged in the difficult exercise of determining how quickly inflation will recede. The endeavor has forced us to delve deeply into the details.

A good example is our analysis of the U.S. labor market. As we [wrote recently](#), it is difficult to reconcile all of the data: we have strong job growth, a plethora of job openings and yet wage gains have weakened over the past few months.



Some suggest, though, that demand for labor isn't what it appears on the surface. Updated readings from the Bureau of Labor Statistics this week showed 10.8 million available posts, which compares to just over five and a half million people who are looking for work. The ratio of 1.9 between the two remains very high by historical standards.

The near-record number of job openings may be somewhat misleading.

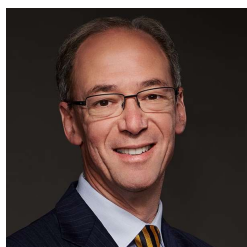
Alternative measures of job openings, however, are not showing the same number and breadth of vacancies. Indexes kept by job sites like Indeed and LinkUp show much slower growth in postings. These series are based on actual counts, while the Labor Department's job opening series is based on a survey. Response rates to that survey have been running at 32%, half the level seen prior to the pandemic. That diminishes the value of the series.

It is also hard from the aggregates to determine the intensity of demand. Some listings are opportunistic; matches will be made only under the right terms. Situations like these are less likely to add to wage inflation.

As further illustration of the contradictory data we have been getting, more than 300,000 new jobs were created in February, but average hourly earnings increased a scant 0.2%. These are hardly the signs of a weak labor market, but neither are they indicative of one that is overheating. As the Federal Reserve considers what to do next, it would be advised to look closely at the want ads.

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Carl Tannenbaum is the Chief Economist for Northern Trust. In this role, he briefs clients and colleagues on the economy and business conditions, prepares the bank's official economic outlook and participates in forecast surveys. He is a member of Northern Trust's investment policy committee, its capital committee, and its asset/liability management committee.

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