VIEWPOINT

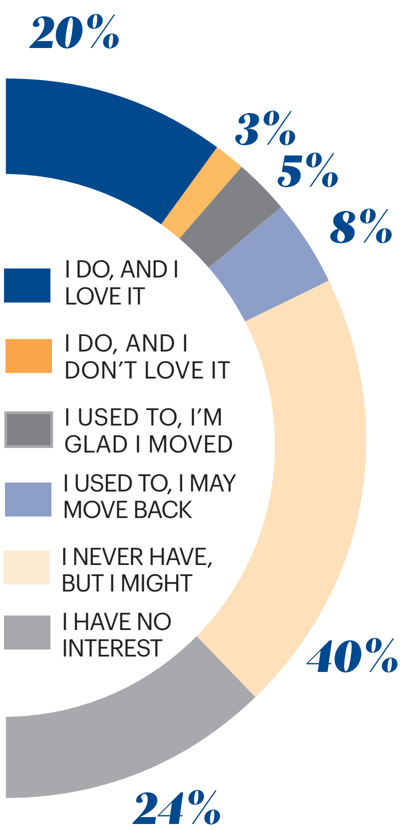
Triad Business Journal welcomes letters to the editor

Send letters to Triad Business Journal
100 S. Elm St. Suite 400, Greensboro, NC 27401
rtroyer@bizjournals.com

▸ BUSINESS PULSE SURVEY

WE ASKED

HAVE YOU EVER LIVED IN ONE OF THE TRIAD'S DOWNTOWNS? WOULD YOU AGAIN?



THIS WEEK'S QUESTION

SHOULD THE TOWN OF SUMMERFIELD ADJUST ITS ZONING ORDINANCE TO ALLOW FOR MORE LARGE-TRACT DEVELOPMENT?

POINT OF VIEW

U.S. labor markets are returning to (almost) normal

We often hear that labor markets are still dysfunctional, seven years after they hit bottom in early 2010. This was one of President Trump's recurring themes on the campaign trail last year, which he supported with bizarrely inaccurate numbers, such as his claim that the "real" unemployment rate was actually 42 percent.

More recently, Trump's new treasury secretary, Steven Mnuchin, told senators during his confirmation hearing that the published unemployment rate isn't real; the real rate is higher.

But it's not just Trump and his people. A recent article in Bloomberg Businessweek claimed that in spite of our "so-called full employment," many people are being left behind as the economy improves.

These claims have the ring of truth. The jobs situation doesn't feel as strong as it did before the Great Recession. However, the reality is that U.S. labor markets are closer to normal than many of us realize. And perhaps that's the real problem – the new normal isn't great.

To what degree are labor markets actually leaving people behind? The so-called headline unemployment rate, designated U3 by the federal government, is the one reported in the news. The government also publishes a more inclusive measure called U6, which adds in "marginally attached workers" and those in part-time jobs "for economic reasons." Contrary to what some critics claim, U6 isn't the "real unemployment rate." Both U3 and U6 are real and valid; they measure different things.

Andrew Brod is a senior research fellow in UNCG's Center for Business and Economic Research and a member of The Business Journal's Editorial Board of Contributors. Reach him at 336-707-6439 or AndrewBrod@uncg.edu. An archive of his columns is available at http://cber.uncg.edu.

Workers with a part-time job for economic reasons would prefer a full-time job and hence are underemployed. Marginally attached workers aren't actively looking for work and hence aren't considered unemployed. But they've looked for a job in the last 12 months and would take a job if one were offered. They're ready to work.

Therefore, the gap between U6 and U3 is a reasonable measure of the share of our work force that's been left behind. (It's an imperfect measure, for mathematical reasons, but it'll do the job here.)

At the worst point of the economic downturn, U6 rose to more than 17 percent, while U3 was itself quite high, at 10 percent. That 7-point gap was the biggest in recent business cycles. The gap is now around 4.5 points, which isn't good. But it hovered around 4 points throughout the 2001-07 expansion. We're close to normal.

The situation looks slightly better in North Carolina, where the U6/U3 gap is also about 4.5 points. But that's about the same as during the last expansion.

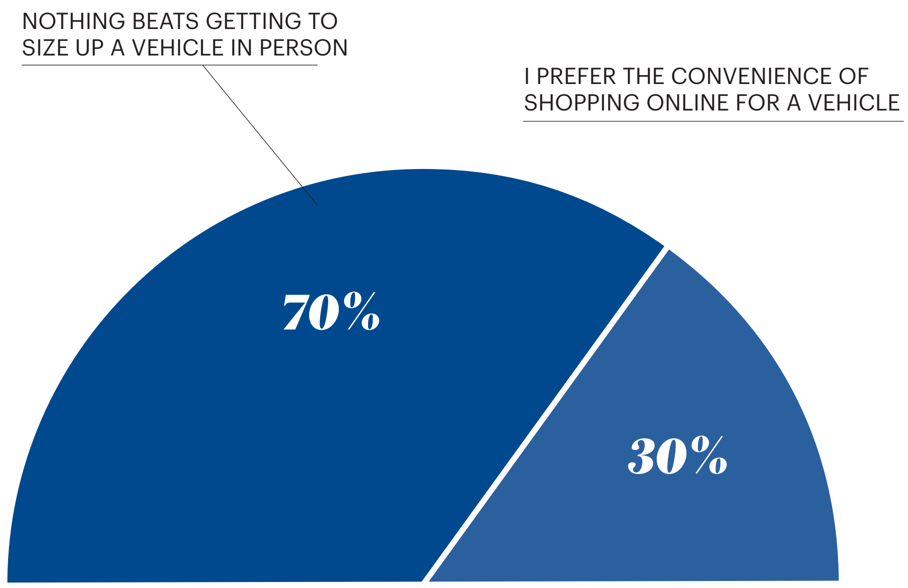
Wage increases provide another important indicator. For a few years, the historically large number of marginally attached and underemployed part-time workers helped employers keep wage gains to a minimum. But in the last year, we've started seeing increases of around 3 percent per year. That's not great, but it implies that our workforce-in-waiting is shrinking.

There are other signs of a return to normalcy in labor markets. The quit rate is still rising, which is encouraging because workers tend not to quit jobs in large numbers unless other prospects are available. The employment-population ratio for the prime working-age population (people aged 25-54) is 78 percent and closing in on the peak of 80 percent that was reached in the last expansion.

I'm not saying that happy days are here again, just that the labor side of the economy is finally looking up. Yes, workers are being left behind, though at about the same rate as in recent expansions. That's not a ringing endorsement, but right now it's all we've got.

▸ SURVEY SAYS

WOULD YOU RATHER ORDER A VEHICLE ONLINE OR BUY IT IN PERSON?



DO THE POLITICAL AFFILIATIONS OF A BRAND'S LEADERS AFFECT WHETHER YOU WILL BUY THAT BRAND?