

Job Openings Outnumber Unemployed, Delivering Opportunities

Unemployment stays flat as hiring activity trends down. Employers created 130,000 jobs in August, the lowest monthly total since May. Year to date, approximately 1.3 million people have been added to payrolls, compared with 1.9 million during the same time period in 2018. While employment growth slowed, the total number of unemployed remained about the same month to month, maintaining a jobless rate of 3.7 percent.

Labor shortage changing economic landscape for many.

The ongoing surplus of job openings compared with available workers has prompted many companies to expand their hiring criteria. Individuals who have traditionally found it difficult to find employment, including those with less education, are now obtaining jobs. Unemployment among high-school graduates with no college experience dropped to its lowest level so far this cycle in May at 3.5 percent and remains at 3.6 percent in August. Joblessness has declined by the widest margin for people without a high-school diploma, down 360 basis points from its long-term average to a near all-time low of 5.4 percent last month.

New hiring patterns unlocking apartment, retail demand.

Historically low unemployment is having a notable impact on commercial real estate. A steady income has enabled many individuals to change their living situations, increasing housing demand, especially for less costly rentals. Class C apartments are outperforming the rest of the multifamily sector as vacancy fell to 3.5 percent in the second quarter, its lowest level this millennium, pushing the average effective rent up 5 percent year over year. First-time financial security for many people is boosting consumption on a national level. Core retail sales improved 4.2 percent annually in August, which was the highest rate since October of 2018 and surpassed the trailing 20-year average of 3.9 percent. Greater discretionary spending is in turn maintaining demand for retail space, keeping the national vacancy rate under 5 percent for the seventh consecutive quarter in June, a threshold not broken since 2000.

Developing Trends

Education, healthcare hiring defies national trend. August's employment figures, although inflated by the hiring of 25,000 temporary 2020 Census workers, continues 2019's downward trend in job growth. This is true for every professional sector except education and health services. Year to date, these industries have added 415,000 new personnel to staffs, about 41,000 more than during the first eight months of 2018.

A note on the BLS Preliminary Benchmark. The Bureau of Labor Statistics (BLS) recently predicted it may reduce the 2018 employment total by 0.3 percent, or 501,000 people. That statement was interpreted by some outlets as implying that 501,000 fewer people were hired in the preceding 12 months. However, this benchmark could change a broader range of historical data and not drastically affect recent job creation. While it may prove to be true that 501,000 fewer people were working than previously thought, the economy remains at full employment.

