

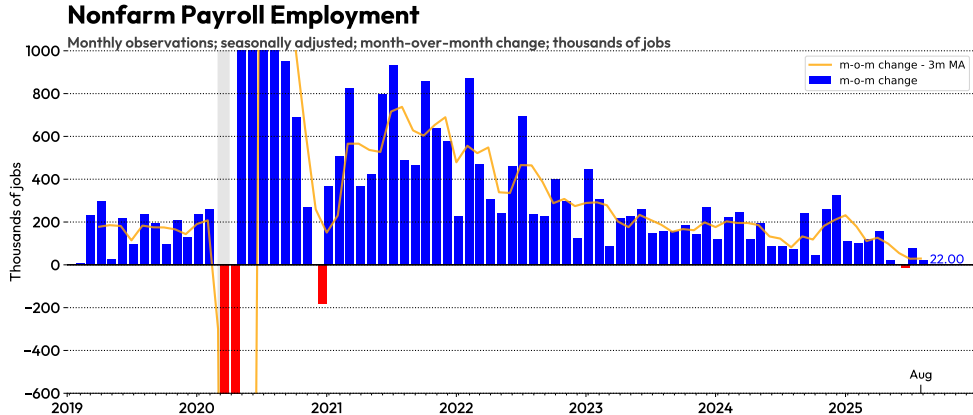
STATE OF THE US LABOR MARKET

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NY Fed EAP

Based on analysis available at www.LaborMarketUpdate.net

PAYROLL EMPLOYMENT GROWTH



Source: Bureau of Labor Statistics

www.labormarketupdate.net

SLOW GROWTH OF LABOR SUPPLY TRANSLATES INTO SLOW JOB GROWTH

Trend payroll job growth is very low without immigration

- ▶ Latest CBO projection is roughly 1% growth in civilian noninstitutionalized population in 2025
- ▶ Implies about 50K jobs a month in 2025

Soft landing+declining population growth imply substantial slowdown in job growth

- ▶ Even in the absence of a recession, expect substantial slowdown in job creation
- ▶ Slow job creation could co-exist with stable unemployment rate
- ▶ Weakness mostly in lagging indicators not leading ones

ACCOUNTING IDENTITY THAT LINKS JOBS AND WORKERS

“Missing” jobs (payroll jobs) related to “Missing” workers

$$\underbrace{J_t}_{\text{Payroll jobs}} = \underbrace{\left(\frac{J_t}{J_t^H} \right)}_{\text{Survey difference}} \underbrace{\left(\frac{J_t^H}{E_t} \right)}_{\text{Scope difference}} \underbrace{(1 - u_t)}_{\text{(Un-)employment rate}} \underbrace{LFPR_t}_{\text{Participation rate}} \underbrace{POP_t}_{\text{Population}}$$

- ▶ J_t^H is CPS-based proxy of nonfarm payroll employment.

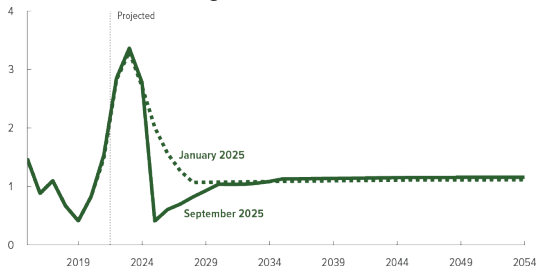
RULES OF THUMB ABOUT JOB GROWTH, UNEMPLOYMENT, AND PARTICIPATION

$$\underbrace{\Delta \ln J_t}_{\text{Payroll growth}} \approx \underbrace{\Delta \ln \left(\frac{J_t}{J_t^H} \right)}_{\text{Change in survey difference}} + \underbrace{\Delta \ln \left(\frac{J_t^H}{E_t} \right)}_{\text{Change in scope difference}} - \underbrace{\Delta u_t}_{\text{Unemployment change}} + \underbrace{\Delta \ln LFPR_t}_{\text{Participation change}} + \underbrace{\Delta \ln POP_t}_{\text{Population growth}}$$

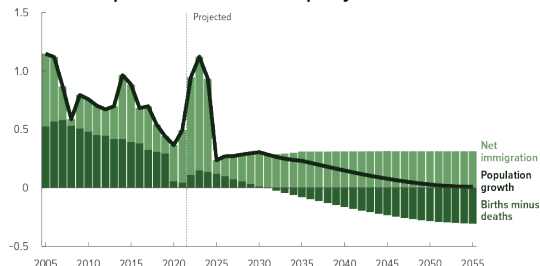
Change in u_t , $LFPR_t$ or POP_t	Percent change in Nonfarm payrolls	Change in nonfarm payroll jobs
0.1 pct point decrease in the <i>unemployment rate</i>	0.1 pct increase in nonfarm payrolls	150K more nonfarm payroll jobs
0.1 pct point increase in the <i>participation rate</i>	0.16 pct increase in nonfarm payrolls	250K more nonfarm payroll jobs
1% increase in <i>population</i>	1% increase in nonfarm payrolls	1.6 million more nonfarm payroll jobs

CBO'S NEW IMMIGRATION AND POPULATION GROWTH ESTIMATES

Net Immigration Estimates



Population Growth projections



Reference: <https://www.cbo.gov/publication/61390>

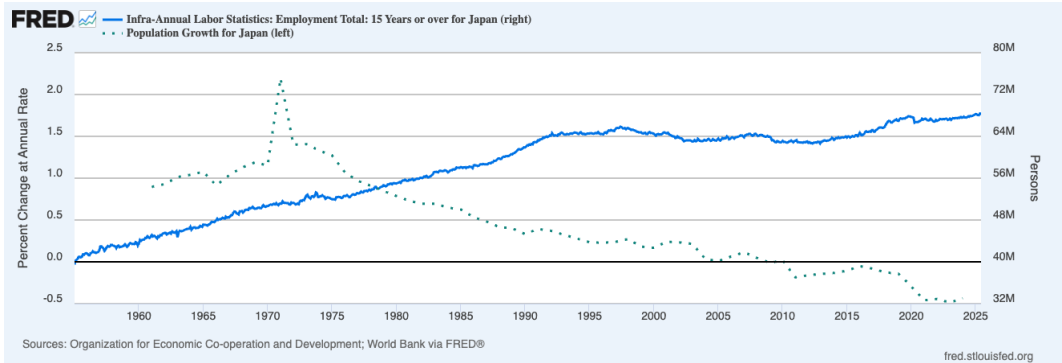
LABOR MARKET IN 2025: SOME (UN)-PLEASANT ARITHMETIC

Change in u_t or $LFPR_t$	Percent change in Nonfarm payrolls	Change in nonfarm payroll jobs
0.2 pct point increase in the <i>unemployment rate</i>	0.2 pct decrease in nonfarm payrolls	300K less nonfarm payroll jobs
0.3 pct point decrease in the <i>participation rate</i>	0.48 pct decrease in nonfarm payrolls	750K less nonfarm payroll jobs

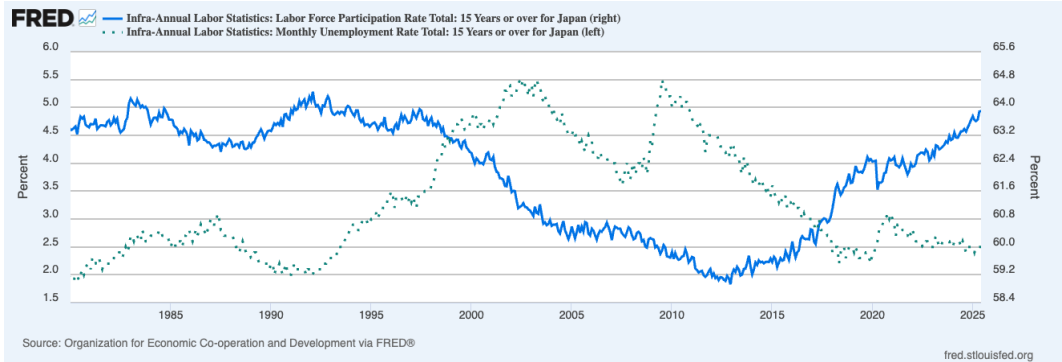
Need 1.6 million increase in population for employment to remain steady in 2025

The growth rate of civilian noninstitutionalized population estimated to be 1% (\approx 2.6 million) by the CBO

CASE STUDY: JAPAN



CASE STUDY: JAPAN



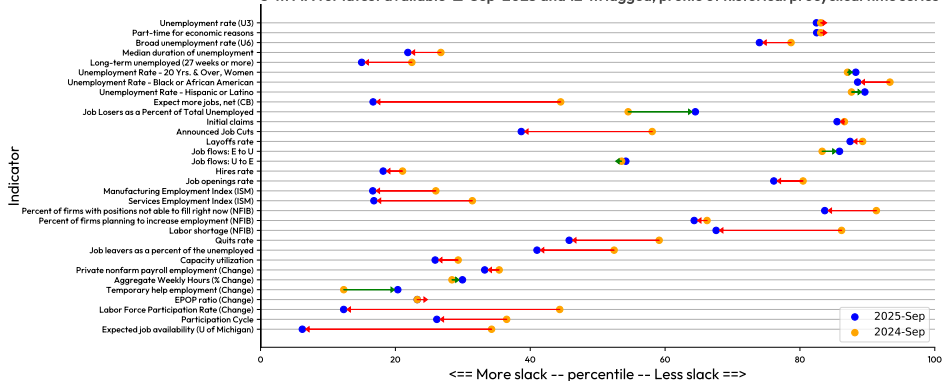
Which indicators would provide a reliable assessment of recessionary risks?

A WIDE RANGE OF INDICATORS: SLACK-DASH

Indicator	Source	Procyclical	First month
Unemployment rate (U3)	Bureau of Labor Statistics	False	1960-01
Part-time for economic reasons	Bureau of Labor Statistics	False	1960-01
Broad unemployment rate (U6)	Bureau of Labor Statistics	False	1994-01
Median duration of unemployment	Bureau of Labor Statistics	False	1967-07
Long-term unemployed (27 weeks or more)	Bureau of Labor Statistics	False	1960-01
Unemployment Rate - 20+ yrs, Women	Bureau of Labor Statistics	False	1960-01
Unemployment Rate - Black or African American	Bureau of Labor Statistics	False	1972-01
Unemployment Rate - Hispanic or Latino	Bureau of Labor Statistics	False	1973-03
Participation Cycle	BLS / Hobijn and Sahin (2022)	True	1978-12
Expect more jobs, net (CB)	Conference Board	True	1967-02
Expected job availability (U of Michigan)	University of Michigan	True	1978-01
Job Losers as a Percent of Total Unemployed	Bureau of Labor Statistics	False	1967-01
Initial claims	Department of Labor Employment and Training Administration	False	1967-01
Announced Job Cuts	Challenger, Gray, and Christmas	False	1989-03
Layoffs rate	Bureau of Labor Statistics	False	2000-12
Job flows: E to U	Bureau of Labor Statistics	False	1990-02
Job flows: U to E	Bureau of Labor Statistics	True	1990-02
Hires rate	Bureau of Labor Statistics	True	2000-12
Job openings rate	Bureau of Labor Statistics	True	2000-12
Manufacturing Employment Index (ISM)	Institute for Supply Management	True	1960-01
Services Employment Index (ISM)	Institute for Supply Management	True	1997-07
Percent of firms with positions not able to fill right now (NFIB)	National Federation of Independent Businesses	True	1973-10
Percent of firms planning to increase employment (NFIB)	National Federation of Independent Businesses	True	1973-10
Labor shortage (NFIB)	National Federation of Independent Businesses	True	1993-04
Quits rate	Bureau of Labor Statistics	True	2000-12
Job leavers as a percent of the unemployed	Bureau of Labor Statistics	True	1967-01
Capacity utilization	Federal Reserve Board of Governors	True	1967-01
Private nonfarm payroll employment (Change)	Bureau of Labor Statistics	True	1961-01
Aggregate Weekly Hours (pct. Change)	Bureau of Labor Statistics	True	1965-01
Temporary help employment (Change)	Bureau of Labor Statistics	True	1991-01
EPOP ratio (Change)	Bureau of Labor Statistics	True	1961-01
Labor Force Participation Rate (Change)	Bureau of Labor Statistics	True	1961-01

Labor Market - Slack Dash

3-m MA for latest available ≤ Sep-2025 and 12-m lagged; prctile of historical procyclical time series



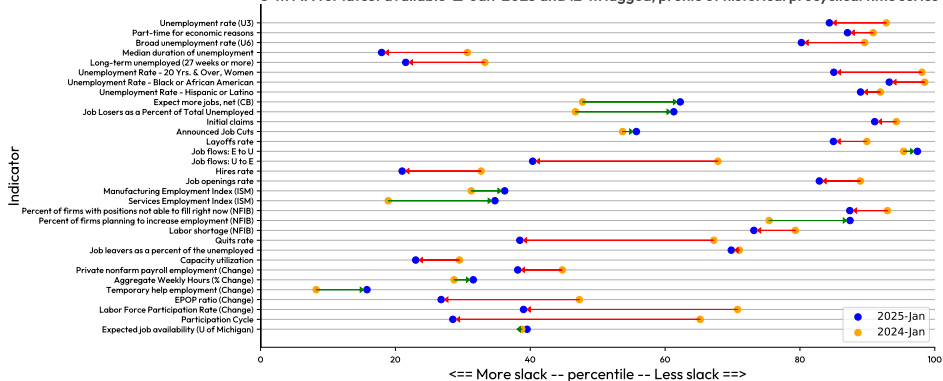
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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JANUARY 2025

Labor Market - Slack Dash

3-m MA for latest available \leq Jan-2025 and 12-m lagged; prctile of historical procyclical time series



Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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WHY DO WE THINK THE LABOR MARKET IS NOT DOING WELL?

Often cited statistics

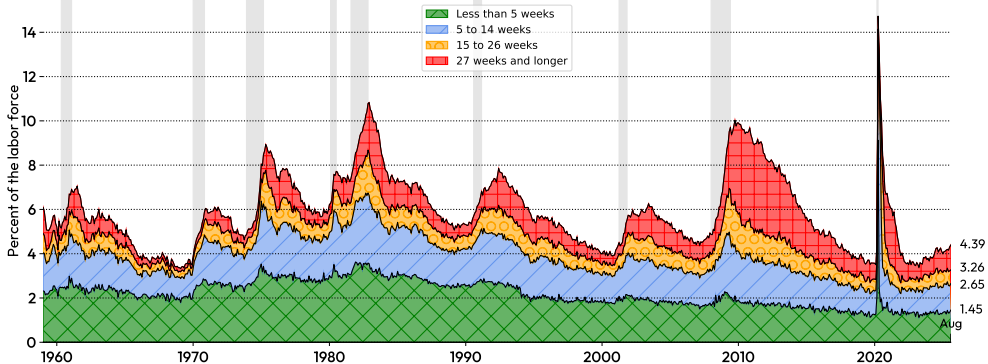
- ▶ Payroll growth → influenced by fluctuations in population growth
- ▶ Unemployment rate → all the rise due to job-finding margin
- ▶ Labor force participation rate → delayed soft landing effect+downward trend
- ▶ Job openings/hires rates → lower due to declining turnover not employment growth
- ▶ Duration of unemployment/Job-finding rate → lagging indicators

So far, we are seeing lagged effects of soft landing+low population growth

DURATION DISTRIBUTION

Unemployment by Duration

Monthly observations; seasonally adjusted; share of the labor force



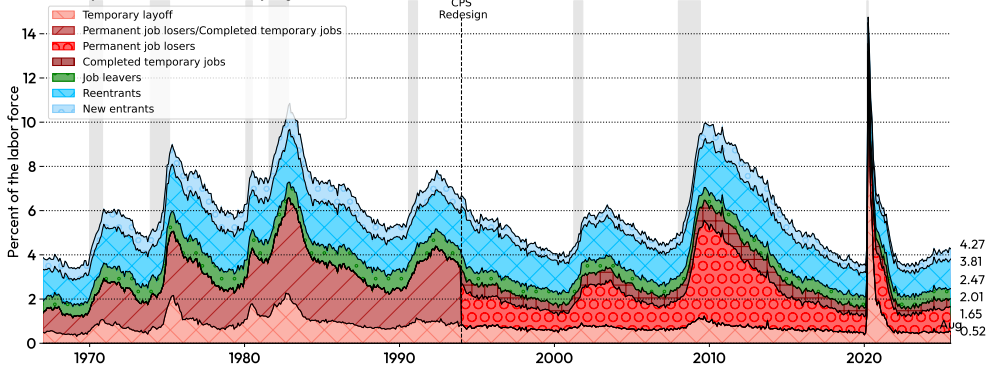
Source: Bureau of Labor Statistics and authors' calculations

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REASON DISTRIBUTION

Unemployment by Reason

Monthly observations; seasonally adjusted; share of the labor force

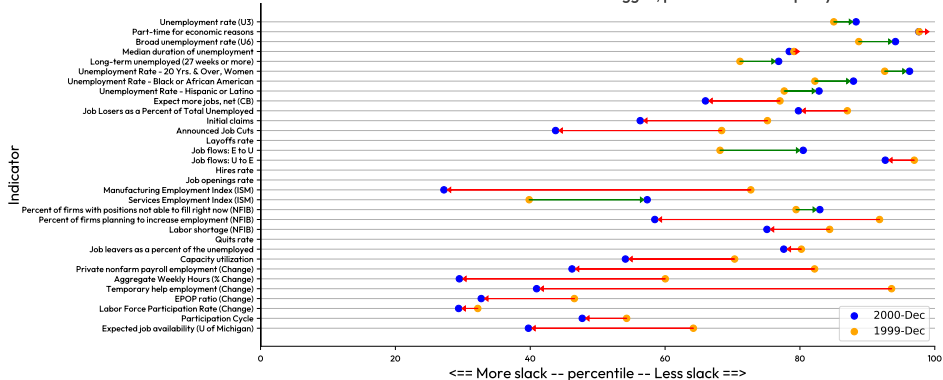


Source: Bureau of Labor Statistics and authors' calculations

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Labor Market - Slack Dash

3-m MA for latest available ≤ Dec-2000 and 12-m lagged; prctile of historical procyclical time series



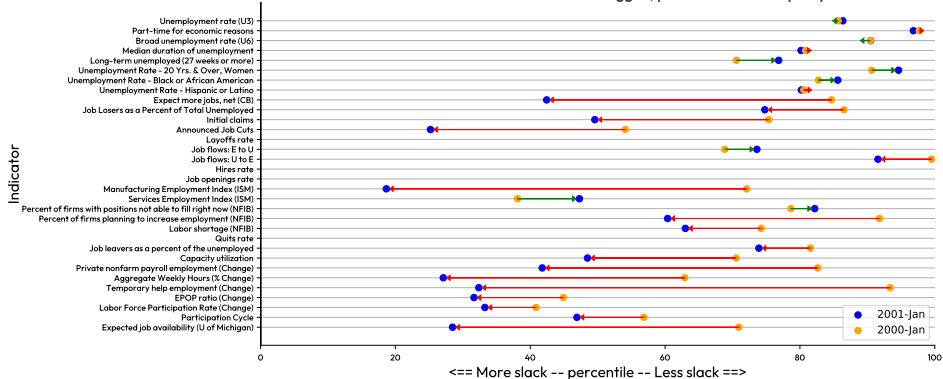
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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JANUARY 2001

Labor Market - Slack Dash

3-m MA for latest available \leq Jan-2001 and 12-m lagged; prctile of historical procyclical time series



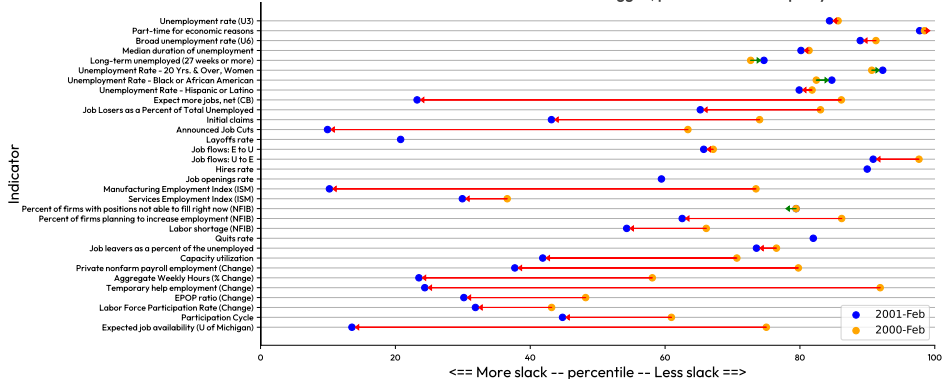
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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FEBRUARY 2001

Labor Market - Slack Dash

3-m MA for latest available \leq Feb-2001 and 12-m lagged; prctile of historical procyclical time series



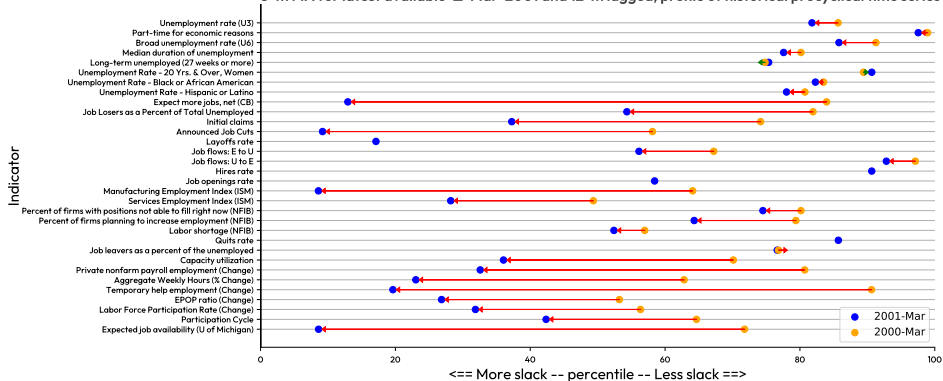
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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MARCH 2001

Labor Market - Slack Dash

3-m MA for latest available \leq Mar-2001 and 12-m lagged; prctile of historical procyclical time series



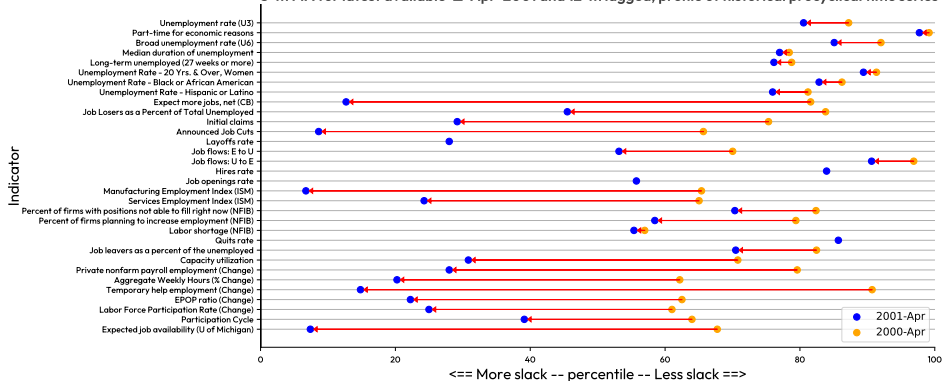
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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APRIL 2001

Labor Market - Slack Dash

3-m MA for latest available \leq Apr-2001 and 12-m lagged; prctile of historical procyclical time series



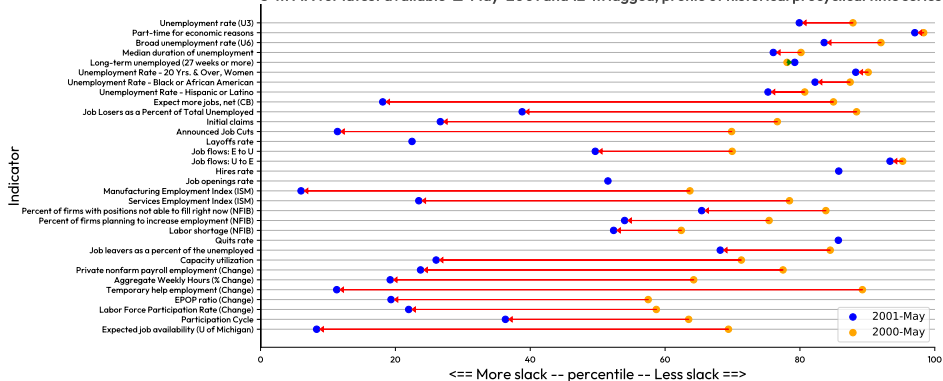
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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MAY 2001

Labor Market - Slack Dash

3-m MA for latest available \leq May-2001 and 12-m lagged; prctile of historical procyclical time series



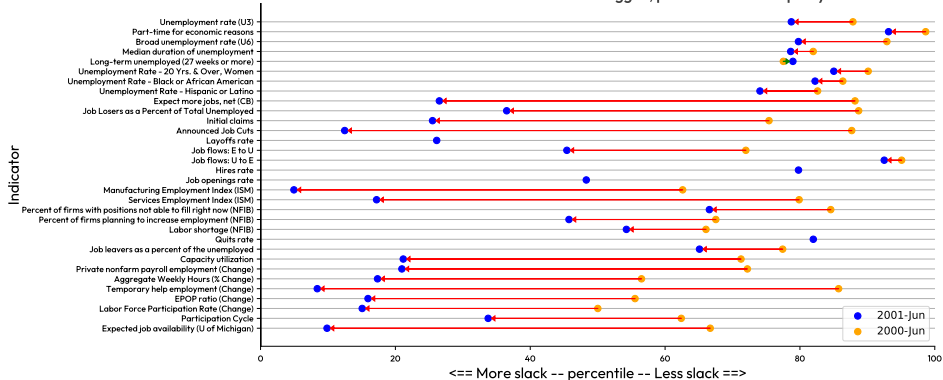
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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JUNE 2001

Labor Market - Slack Dash

3-m MA for latest available \leq Jun-2001 and 12-m lagged; prctile of historical procyclical time series



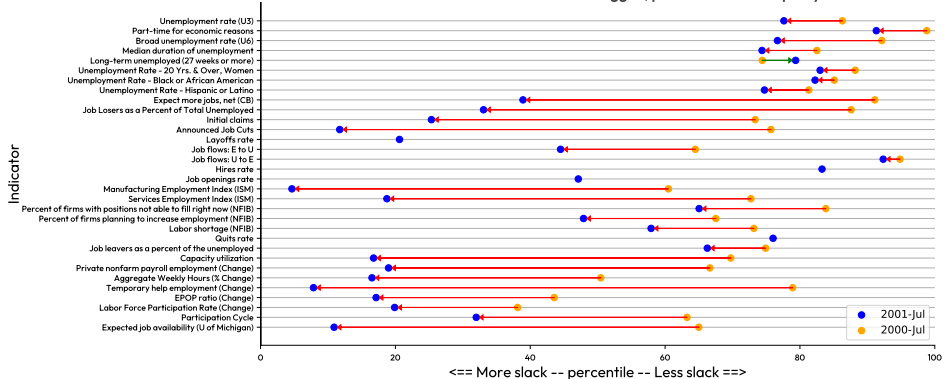
Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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JULY 2001

Labor Market - Slack Dash

3-m MA for latest available \leq Jul-2001 and 12-m lagged; prctile of historical procyclical time series



Source: BLS, BEA, NFIB, CB, UMich, CGC, ISM, DOLETA - Authors' calculations

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Labor market developments in line with soft landing+lower population growth

- ▶ Even in the absence of a recession, expect substantial slowdown in job creation
- ▶ Slow job creation could co-exist with stable unemployment rate
- ▶ Weakness mostly in lagging indicators not leading ones

Need to watch leading indicators

- ▶ Various measures of job destruction