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# Macro Alert

## Don't Mistake Rapid Jobs Gains for a Strong Labor Market

From the Office of the  
Global Chief Investment Officer,  
Scott Miner

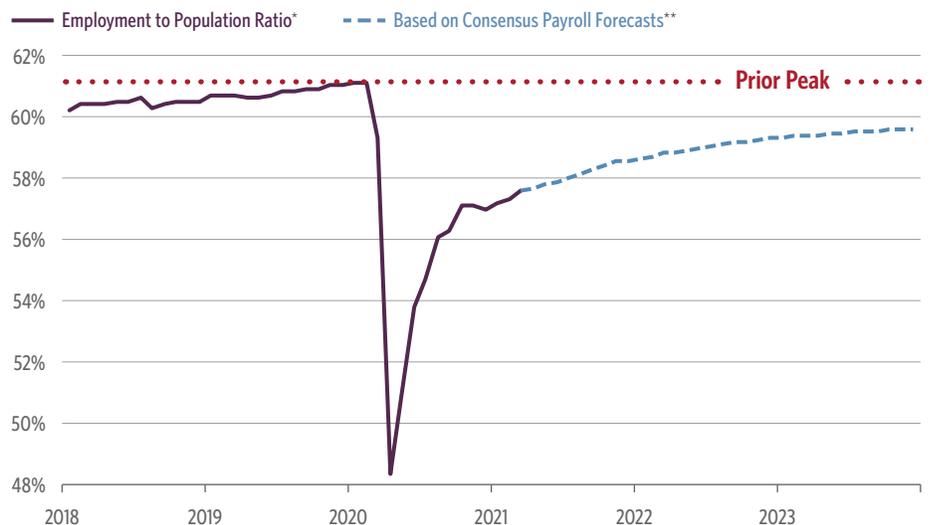
By the Macroeconomic and  
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Despite the encouraging March jobs report, full employment remains far away. A simple way to see the depth of the jobs hole is the employment to population ratio, which accounts for both job loss and labor force dropouts. At 57.6 percent, it sits over 3 percentage points (representing over 9 million jobs) below the pre-pandemic level, which the Federal Reserve (Fed) has identified as a key marker on the path toward full employment. But consensus forecasts imply the ratio will struggle to return to 2019 levels despite strong gross domestic product (GDP) growth, reflecting industry shifts and the adoption of labor-saving technologies accelerated by COVID.

### Still a Long Way to Go to Reach Full Employment

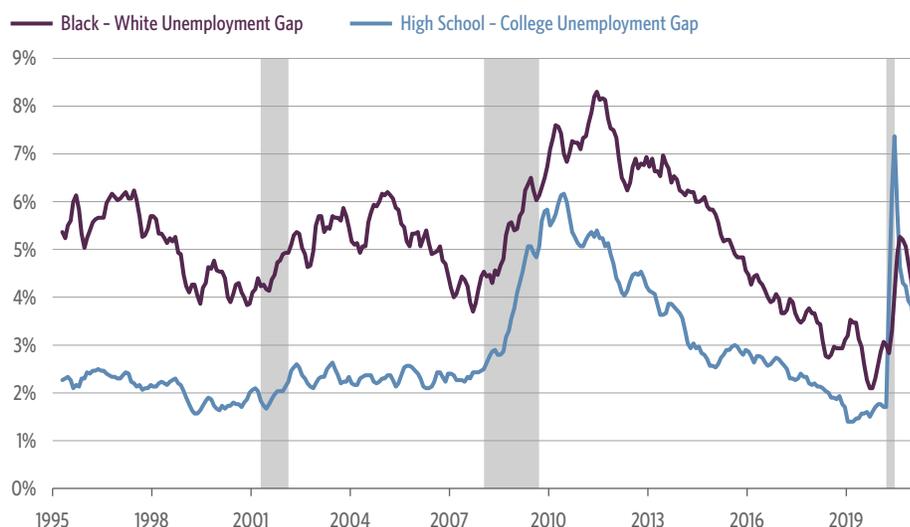


Source: Guggenheim Investments, Haver Analytics, Bloomberg. Data as of 3.31.2021. \*Employment to population adjusted for misclassification of workers. \*\*Change in payrolls converted to household employment at a ratio of 0.9.

Additionally, full employment has taken on a new definition under the Fed's new framework, with aggregate measures like the unemployment rate no longer sufficient in gauging labor market progress. Some Fed officials now say that full employment was not achieved even when the unemployment rate was 3.5 percent.

Closing labor market disparities is now an explicit objective of monetary policy, and these disparities often do not start to shrink until well into an expansion. With employment gaps between racial groups, wage levels, and educational attainment at relatively wide levels, it will take several years before the Fed is satisfied the "maximum employment" objective has been reached. With inflation also set to remain subdued, we believe Fed rate hikes are further off than the market expects.

### More Progress Needed for "Broad-Based and Inclusive" Full Employment



Source: Guggenheim Investments, Haver Analytics. Data as of 3.31.2021. Three-month moving averages shown. Shaded areas represent recession.

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