

Macro Roundup Article

Headline: [Labor Inelasticity](#)

Article Link: <https://fedguy.com/labor-inelasticity/>

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Summary: The pandemic was a significant negative labor supply shock because it led to a wave of early retirements. This sudden labor shortage led to a spike in wages, which appeared to draw in people who were otherwise not looking for a job. The prime-age labor force participation rate has risen to multi-year highs and is not too far from all-time highs last seen in the 1990s. This suggests that there is very little slack in the labor market and additional workers will be increasingly difficult and expensive to find. While that shock has been digested, workers continue to retire and place increasing demand on a stagnant worker pool. In this scenario, moderating employment growth reflects labor scarcity and would be accompanied by reacceleration of wages similar to that seen in the most recent non-farm payroll report.

Related Articles: “The Great Retirement Boom”: The Pandemic-Era Surge in Retirements and Implications for Future Labor Force Participation and Unions’ Inflation Warning?

Primary Topic: Business Cycle

Topics: Business Cycle, Database, GDP, Monetary Policy, Op-Ed/Blog Post, Unemployment/Participation, Weekly, Workforce

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