The Great Rebalance: What Today's U.S Labor Trends Really Signal

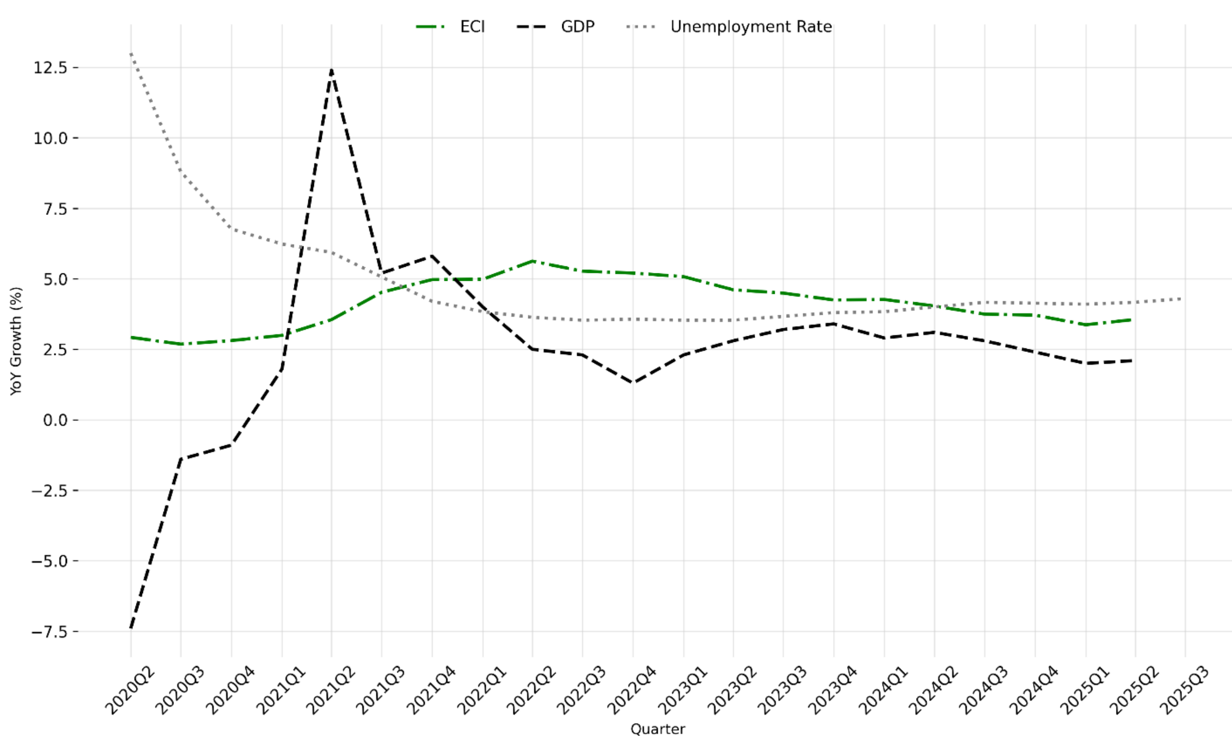
- Macroeconomic indicators now point to a cooler economic environment than during the 2021–2022 boom, with GDP growth settling into a moderate range, wage growth easing from its peak, and unemployment edging up from its lows.
- Job openings data confirms that labor markets are approaching a more balanced and normalized path.
- Sectors that fueled the post-pandemic expansion now show a steep contraction in hiring volumes.
- Job postings in the U.S. have fallen more quickly than those abroad, reflecting the unwinding of the unusually sharp domestic hiring surge of 2022.

The Macro Reset: Economic Conditions Are Cooling

The current labor market is best understood against the broader macroeconomic backdrop. A combination of slowing GDP growth, moderating wage inflation (as measured by the Employment Cost Index or ECI), and a gradual uptick in unemployment signals that the era of overheated labor demand is ending. This shift marks a clear departure from the rapid rebound of 2021, when post-pandemic reopening dynamics and expansive fiscal policy fueled one of the strongest hiring surges in decades. For example, GDP achieved an outstanding 12.5% growth rate in mid-2021.

Economic Shifts Are Putting The Brakes On Hiring

Annual Variation in Macroeconomic Indicators (%)



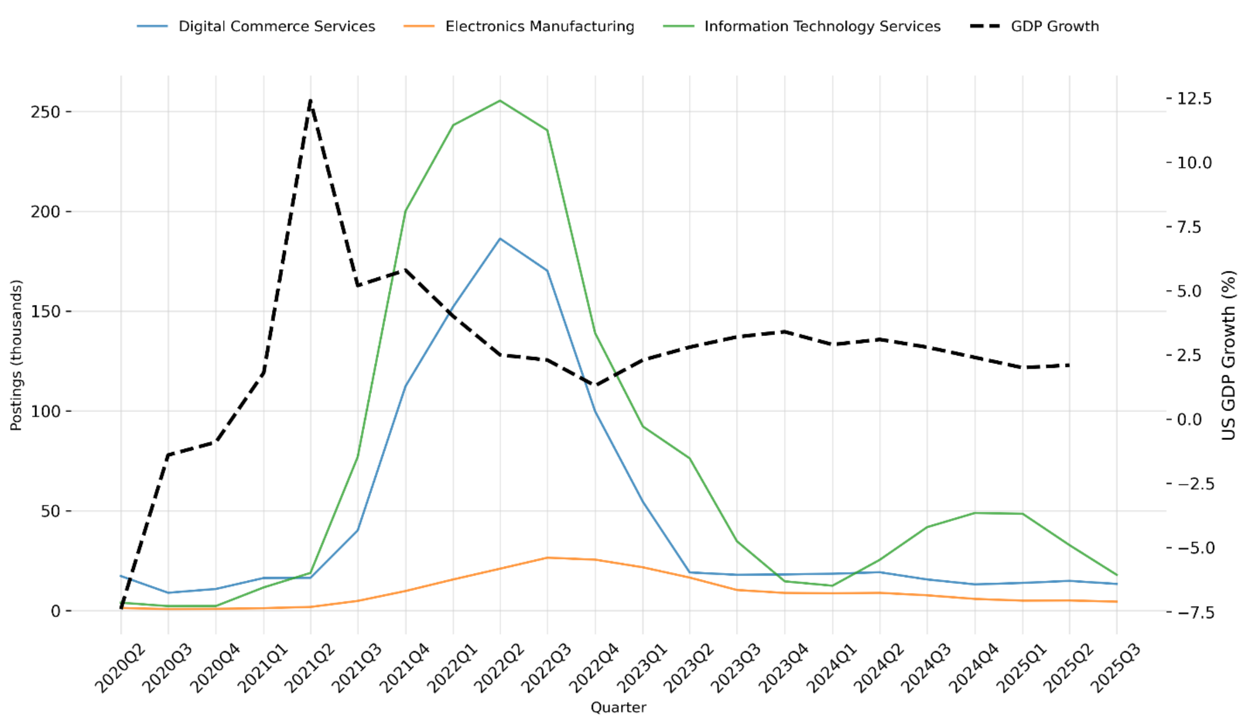
By 2023–2024, however, the economic environment cooled meaningfully. Hiring costs growth, which accelerated to more than 5% during the 2021-2022 period in response to unprecedented competition for talent, began to slow as labor market tightness eased. Meanwhile, GDP growth has fallen and remained steady at around 2.5% since 2023. Unemployment, while still low by historical standards, has risen slightly, indicating that labor supply and demand are beginning to rebalance. Together, these trends signal a labor market entering a new phase, one that is pushing employers to rethink their workforce plans.

Digital Commerce, IT Services & Manufacturing: From Boom to Reset

As the broader labor market continues to cool, the sectors that once drove the strongest post-pandemic expansion are now showing some of the most pronounced adjustments. Job postings data shows that Digital Commerce, whose e-commerce infrastructure scaled in 2021 to meet the surge of workers and consumers moving online during the pandemic, has returned to early-2020 levels. Despite a brief rebound in early 2025, IT Services is now facing a steep downturn after its aggressive expansion in 2022, when job postings climbed to nearly 250k. Electronics Manufacturing shows a modest peak of about 25k postings and a smoother decline, indicating that employers in this sector are adjusting as well, though at a more gradual pace.

Postings Have Fallen Sharply

Quarterly Job Postings by Sector and GDP Growth



Note: Job postings by sector are smoothed by calculating a four-quarter moving average.

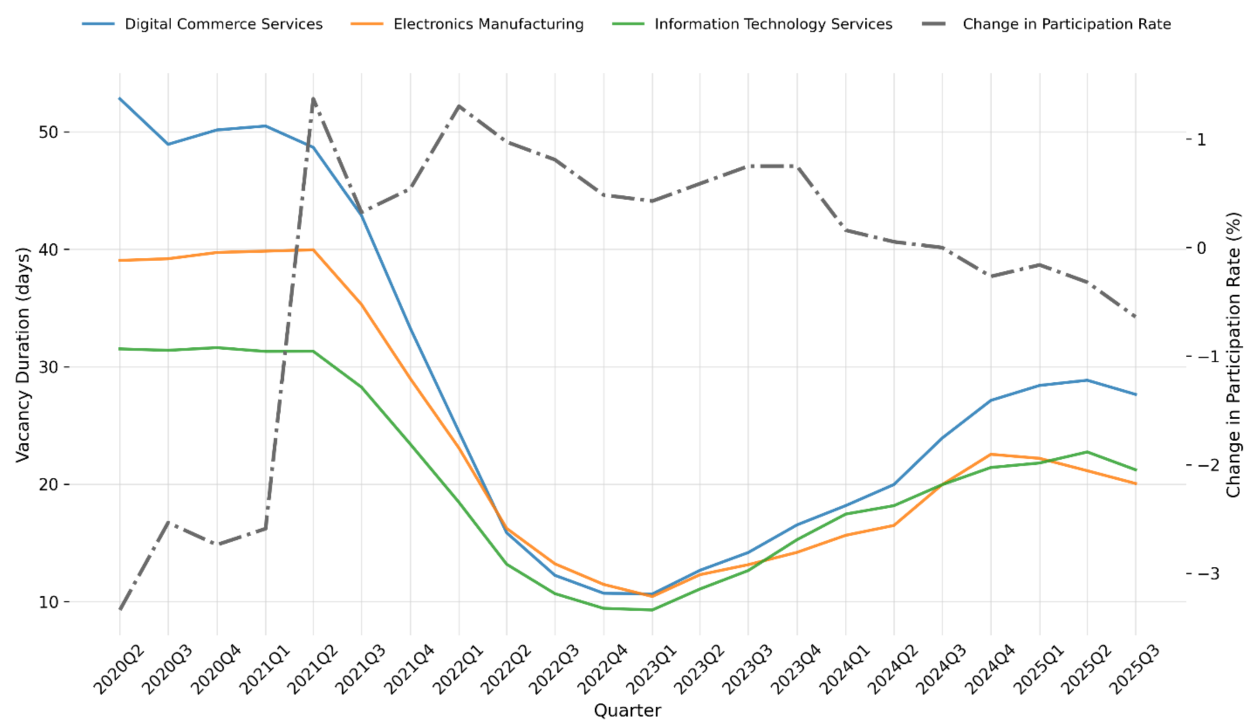
Taken together, these three sectors provide a clear view of the broader labor market cycle: a rapid acceleration driven by extraordinary conditions, followed by a swift normalization as those conditions fade. This pattern closely mirrors the broader macro cycle, where hiring typically rises when GDP growth strengthens and cools as it slows. The recent pullback in openings suggests that employers are already responding to weaker economic growth.

Roles Are Staying Open Longer

Job posting duration provides additional evidence of the labor market swings. During the peak of the hiring surge in 2022, vacancy durations in Digital Commerce, IT Services, and Electronics Manufacturing fell abruptly. In fact, during this time period, job posting duration shortened to just over 10 days per role on average, reflecting employers' competition for talent and their willingness to move quickly.

Hiring Urgency Has Dropped

Job Vacancy Duration (days) and Change in Participation Rate



Note: Average job vacancy duration by sector is smoothed by calculating a four-quarter moving average.

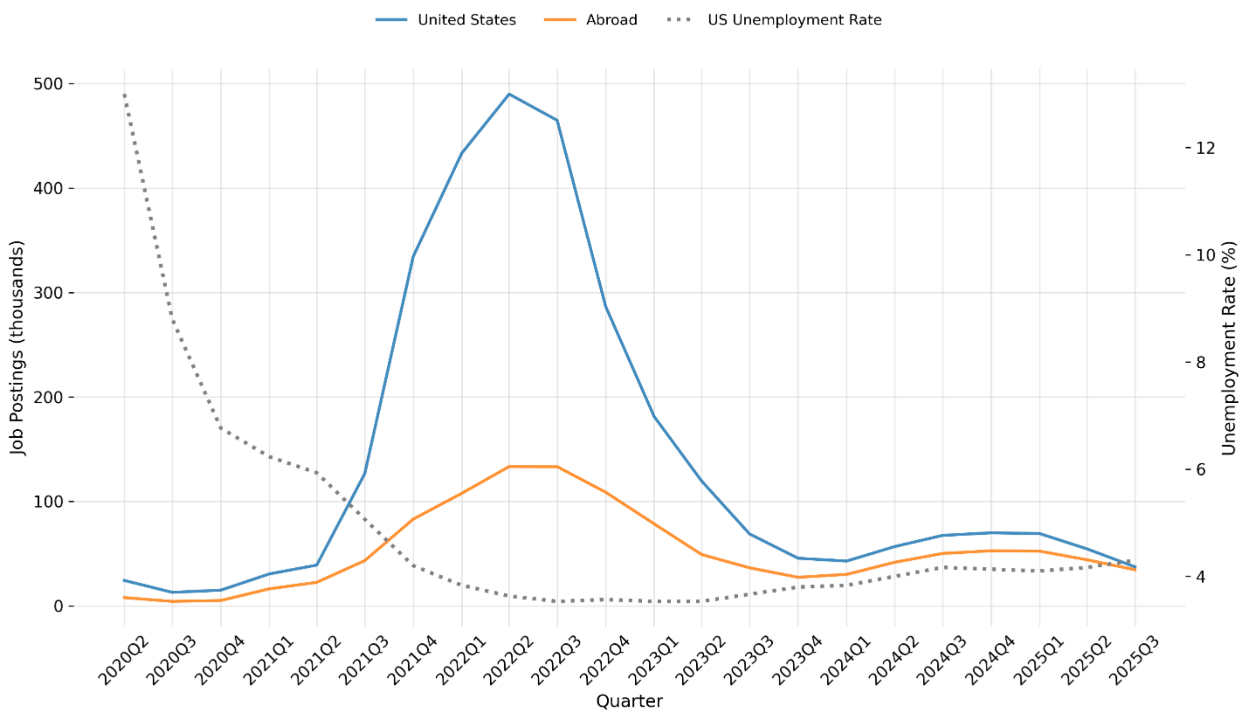
Recently, those same lines have bent back up. Roles in these sectors now stay open materially longer than they did during the hiring peak, with vacancy durations reversing to an average of 20 to 30 days to fill per role. Although this metric remains lower than its early-pandemic levels, this pattern is consistent with a market in which employers have the upper hand in hiring and exhibit less urgency to fill roles. This shift is reflected in the broader labor data. Even though unemployment has held steady near 4%, it's striking that labor force participation has slowed and declined since late 2024. This suggests that the labor market is cooling, and these softer hiring conditions are discouraging some workers from continuing their job search.

U.S. Labor Markets Are Coming Back To Earth

The strong hiring pickup of 2022 ultimately proved to be a temporary phase, with U.S. labor demand now settling into a more sustainable level. A comparison of U.S. job postings with those abroad reveals notable differences. Domestic postings show a pronounced boom-and-bust cycle, with a sharp increase during the post-pandemic recovery in 2022, reaching nearly 500k postings, followed by an equally sharp decline to about 45k (approximately a 91% decrease) in 2023. Recent quarters show U.S. demand is well below its peak, though it still stands above early-pandemic levels.

The U.S. Hiring Gap With The World is Shrinking

Quarterly Job Postings by Region and the U.S. Unemployment Rate



Note: Job postings by region are smoothed by calculating a four-quarter moving average.

Abroad, the cycle is more subdued. Postings outside the U.S. rise and then ease off, but the swings are smaller, and the latest levels are closer to the mid-cycle range than to a trough. In the U.S., the relationship between unemployment and postings appears to have weakened. Postings soared when unemployment plunged between 2021 and 2022, showing a close relationship. Yet, when unemployment inched up in 2023, postings tumbled abruptly and have remained low even though the latter has held steady since, showing a deviation from previous dynamics.

This divergence suggests a shift in how U.S. employers respond to labor-market signals. Firms reacted aggressively to falling unemployment in 2021 and 2022, but that response has weakened on the downside: postings dropped notably when unemployment nudged up and have stayed low despite its stability. Moreover, there is limited evidence of roles being shifted abroad, as international postings show lower variation in response to this fall. Overall, the data point to U.S employers adopting a more cautious approach to restructuring their headcount after a temporary period of rapid expansion.

A Labor Market That Is Cooling Rather Than Crashing

The U.S labor market is undergoing a significant normalization. Sectors that surged most aggressively during the post-pandemic rebound have rolled back much of that growth. During this current period, even those industries with a steadier long-term trajectory show corrections, however, at a milder degree. The decline in postings and the lengthening of job vacancy duration point toward a market moving back into balance. This shift is also reflected in the steeper cooling of domestic job demand compared with trends abroad, signaling a faster adjustment on the home front.

Rather than signaling an imminent downturn, these trends suggest the labor market is transitioning toward a more sustainable equilibrium. Employers appear to be shifting from rapid expansion to strategic reshaping, with slower hiring, more deliberate selection, and greater emphasis on efficiency. Comparisons with other major economies point in the same direction, as U.S. job demand is now treading more closely with global labor market patterns. How far this normalization extends will depend on the broader macroeconomic environment in the months ahead, but for now, the evidence points to the U.S labor market settling at a more structurally sound level. The market is cooling and rebalancing, not collapsing.