

April 2016:

Dr. Kamran Afshar, Chamber Chief Economist
The Chamber's Finance Committee
610-691-3272 • ka@kaa-inc.com

Lehigh Valley's labor pool is getting close to the range considered "tight"

The number of initial unemployment claims, which shows the size of the newly unemployed in the Lehigh Valley is trending at 14.5% below its last year's level as of January 2016. This indicator's long-term trend has been in the range, which is historically associated with tight labor market since November 2015. The last time this indicator dropped below its normal range was before the tight labor market of 2004. If this trend continues, this will be the fourth time in the last 30 years that initial unemployment claims has dropped and stayed below its normal range. The previous three were; 1987, 1998 and 2004. And in all these years when the number of initial unemployment claims dropped below its normal range, a tight labor market ensued.

During the worst days of the Great Recession the number of initial unemployment claims exceeded 8,000. It should be noted that the Valley's labor market went from tight in October 2006, to flooded by March 2009. This caused a rapid increase in the number of newly unemployed in a short period of time, by far the worst labor market in the last 30 years.

The continuing unemployment claims, shows the number of people who are receiving unemployment checks due to loss of job in the previous months. This is a very good indicator of the locally available labor pool.

Continuing unemployment claims also rose rapidly as the unemployment rate sky rocketed in the Valley during the Great Recession. This index rose to around 90,000 which roughly translates to 40,000 people receiving unemployment checks by March 2009.

The Index of continuing unemployment claims is also trending well below its last year's level. Roughly translating the index shows around 13,000 people receiving unemployment checks.

Adding those receiving unemployment checks to the rest of the unemployed, we estimate the total number of unemployed in the Valley in January 2016 at 20,000, a significant drop from the 37,000 active jobs seekers just three years ago.

During the most recent tight labor market of 2004 through 2006, the total number of unemployed hovered between 19 to 20 thousand, so at the current 20,000, the Valley's unemployment level just entered into the range that it was in during the last tight labor market.

From an individual point of view, one person unemployed is one too many, however, from the macro-economic point of view, and in terms of the economy of the Valley, 20,000 is a relatively small number. Tight labor market does not mean that everybody who wants a job can find one, it however, means that the employers will have a harder time filling their vacancies.

Being a job seeker is rarely fun, but as it so happens, this is one of the best times in the last 30 years to be looking for a job or asking for a raise.

If this trend continues, we expect to see new entrants to the labor market as well as more wage increases as the Valley enters its fourth tight labor market in 30 years.

