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## Where Is Everyone Going?

Four and a half million workers quit their jobs in November, another all-time high. The “Great Resignation” has reached a point where even the television news show *60 Minutes* ran a segment on the subject last Sunday.

### Americans Are Quitting Jobs At Record pace



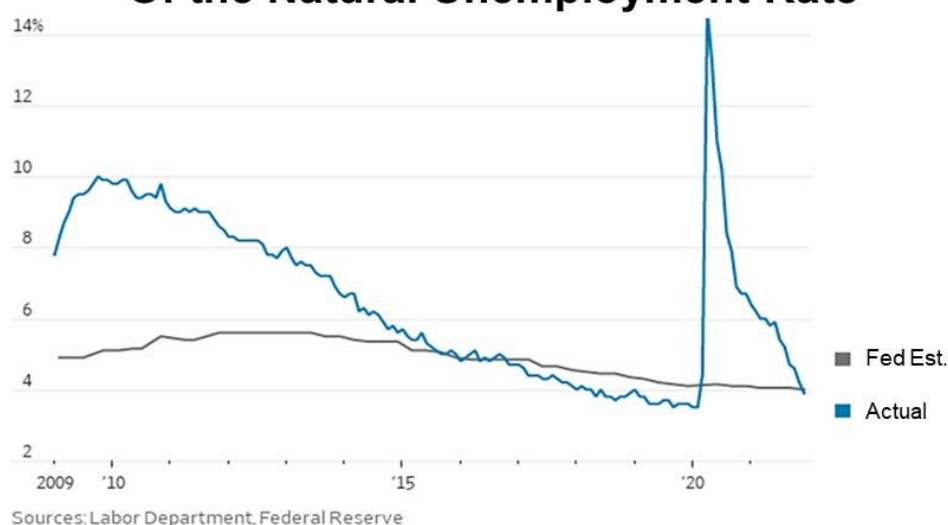
The strength of wage inflation highlights growing labor scarcity, partly caused by people quitting. Average hourly earnings were up 0.6% month-to-month in December and up 4.1% year-over-year. The ratio of the number of unemployed to the number of job openings fell to a record-low 0.65 in November.

Although millions of people seem to be quitting their jobs, not all of them are looking for a new job from an established employer. Where are the going?

Each month, the Bureau of Labor Statistics (BLS) conducts two, independent employment surveys. One survey is called the **Establishment Survey** (measuring nonfarm payroll employment). This survey estimates the nation's employment based on responses from a sample of about 144,000 businesses and government agencies. For December, the survey indicated 199,000 jobs were added which was well below the consensus estimate of 450,000. This was the fourth time in the past five months the Establishment Survey was below estimates.

The other survey is called the **Household Survey** which estimates the nation's employment based on responses from interviews with approximately 60,000 households. The Household Survey is where the unemployment rate (most recently 3.9%) comes from. The 3.9% rate is well ahead of Federal Reserve expectations and is a key reason why the Federal Reserve is talking about raising rates and reducing the size of their balance sheet.

## Unemployment Rate and Fed's Estimate Of the Natural Unemployment Rate



The better-than-expected Household Survey results versus the disappointing Establishment Survey results may indicate a surge in small-business start-ups and entrepreneurship.

The Establishment Survey only counts wage and salary workers on non-farm payrolls from major employers. The Household Survey covers individuals and agricultural workers, self-employed people in private households, unpaid family workers and workers on unpaid leave.

The design of the Household Survey makes it better able to capture small-business start-ups. Start-ups may help explain both the low unemployment percentage rate and

the below-expectations new employment growth in the Establishment Survey: entrepreneurs are leaving established businesses (many of whom fill out the Establishment Survey) and setting up their own shops which do not complete the Establishment Survey because the Labor Department does not know enough about them yet. On the other hand, the Household Survey that contacts individuals directly would pick up this activity and if significant enough, produce a very low unemployment reading of 3.9%.

Covid is a reason why many employees have been working from home. Rather than return to work as Covid winds down, many of these individuals may decide to remain independent and start their own business. More small-business start-ups is a good sign for future job and GDP growth. Coincidentally this week, the NFIB Small Business Optimism Index for December increased to 98.9 from 98.4 in November.

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## **Delta Stock Market Dashboard**

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