Milliman FRM Insight
ACTIONABLE PERSPECTIVES ON TOPICS THAT IMPACT WEALTH

The Pandemic Effect on the U.S. Labor Force

Labor Day is a yearly national tribute to the contributions American workers have made to the strength, prosperity, and well-being of our country.

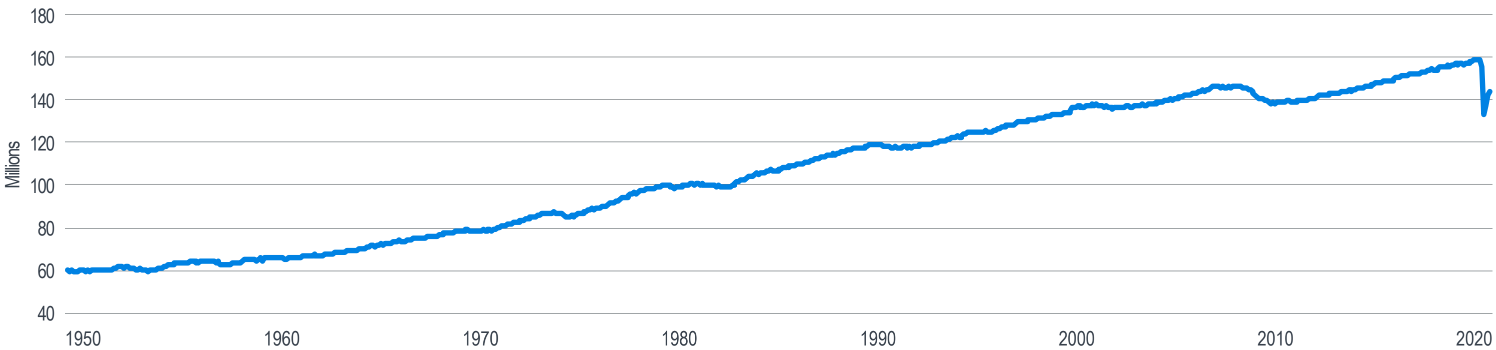
The first Labor Day holiday was celebrated on Tuesday, September 5, 1882, in New York City. On June 28, 1894, President Grover Cleveland signed a law making the first Monday in September of each year a national holiday.

The following page shows four charts that provide historical context around the condition of the U.S. labor market.

SIZE:

Prior to the onset of the coronavirus pandemic, the number of employed people (civilians ages 16 and over) peaked at 159 million,* approximately half of total U.S. population:

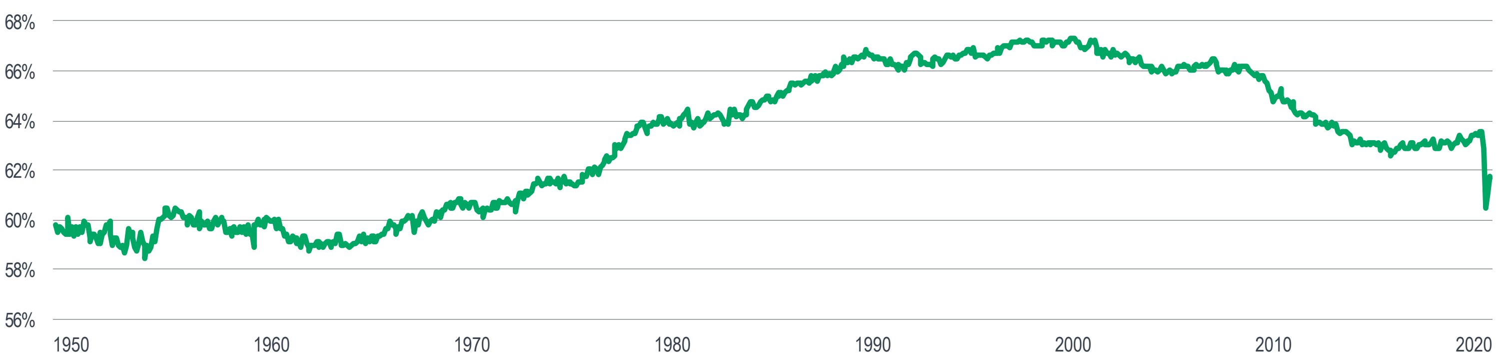
NUMBER OF EMPLOYED U.S. CIVILIANS



PARTICIPATION:

After a 15-year downward trend, the U.S. labor force participation rate (the total labor force as a percent of the working-age population) had been trending upward, reaching a post-financial crisis high of 63.4% in February 2020:

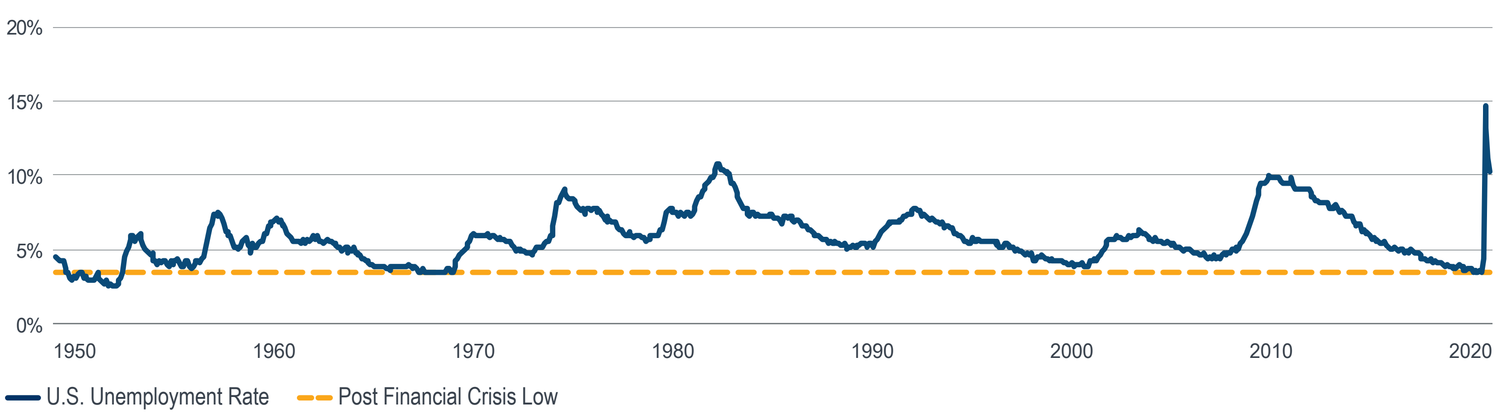
U.S. LABOR FORCE PARTICIPATION RATE



UNEMPLOYED:

The unemployment rate was at a 50-year low of 3.5% before rising sharply in response to the economic shutdown at the onset of the coronavirus pandemic:

U.S. UNEMPLOYMENT RATE



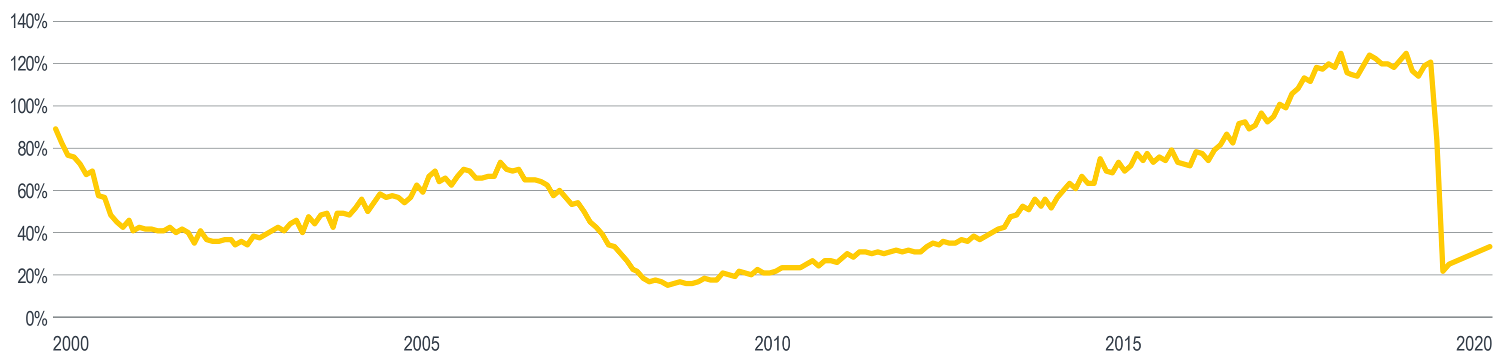
* As measured by the Bureau of Labor Statistics household labor force survey.

Sources: Labor market data is from the Bureau of Labor Statistics. Sector returns are from Bloomberg, as of August 26, 2020.

OPPORTUNITIES:

Earlier in 2020 there were 1.2 job openings for every 1 job seeker. In the wake of the economic shutdowns, the number of job openings fell 30% while the number of job seekers climbed 400%. This altered the ratio so that now there is only 1 job opening for every 3 job seekers:

NUMBER OF JOB OPENINGS AS % OF NUMBER OF JOB SEEKERS

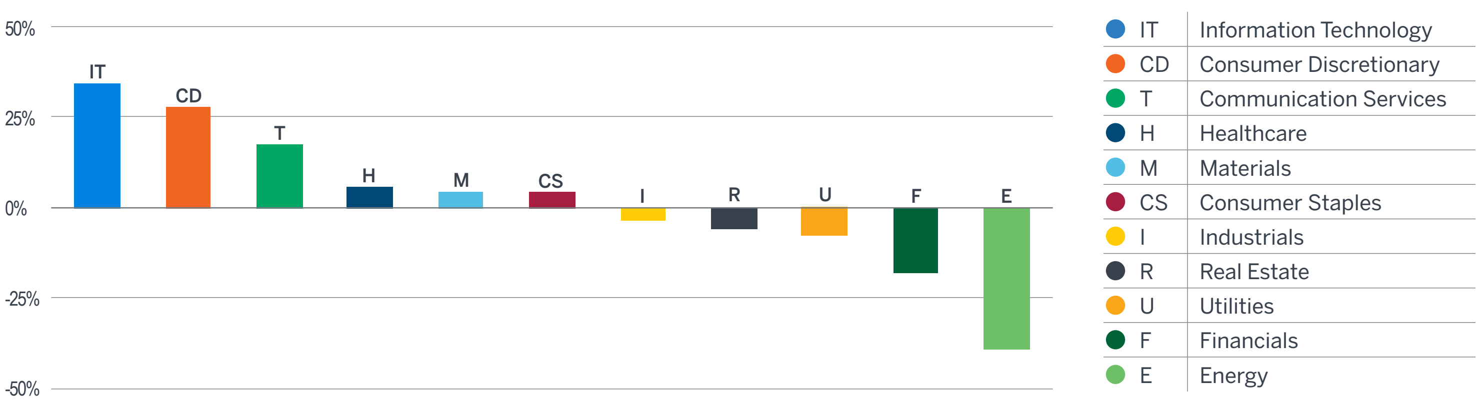


SECTORS:

A high level view of the recent downturn in the labor market hides the fact that the pain has not been experienced equally across sectors of the economy. Year-to-date sector equity returns highlight the significant disparity.

While sectors like information technology and communication services have benefited from the growing 'work from home' trend, the financial and energy sectors have been hit hard by rock bottom interest rates and plummeting oil prices:

2020 YTD SECTOR RETURNS (08/26/2020)



This isn't the first time the U.S. has faced difficult circumstances, and it won't be the last. As in previous downturns, Americans' self-reliance and strong work ethic will play a pivotal role as the country works its way down the road to recovery.

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Sources: Labor market data is from the Bureau of Labor Statistics. Sector returns are from Bloomberg, as of August 26, 2020.

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Chicago
71 S. Wacker Drive
31st Floor
Chicago, IL 60606
United States
Tel: +1 312 726 0677

London
11 Old Jewry
Third Floor
London, EC2R 8DU
United Kingdom
Tel: +44 207 847 1500

Sydney
Level 5
32 Walker Street
Sydney, NSW 2060
Australia
Tel: +61 2 8090 9100

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