Unemployment Ticks Up Ever So Slightly - Labor Market Overview

The Department of Labor tracks and compiles data on U.S. workers and employment trends. Identifying what portion of the working population is not employed is measured as the unemployment rate, which is a critical factor that the Fed closely watches. Low unemployment can sometimes trigger inflationary pressures, with wages increasing as employers compete for qualified workers. Higher wages tend to invigorate consumers to spend more, which eventually can lead to inflation.

The unemployment rate ticked up from 3.9% in April to 4%. It was the first time in more than two years that the jobless rate hit 4%. It also marked the extension of a steady climb higher, when the rate was as low as 3.4% last year.

Despite a slightly higher unemployment rate, companies continue to hire, but seem to also be letting some workers go.

Workers are seeing slowing wage gains and are less likely to quit than there were a year ago, as evidenced by the quits rate, which has fallen to 2.2% in April, down from 3.0% in April 2020. The U.S. Bureau of Labor Statistics monitors the number of workers that have voluntary quit their current job in pursuit of another position.

Sources: U.S. Bureau of Labor Statistics, Federal Reserve