

# RMF Economic Outlook

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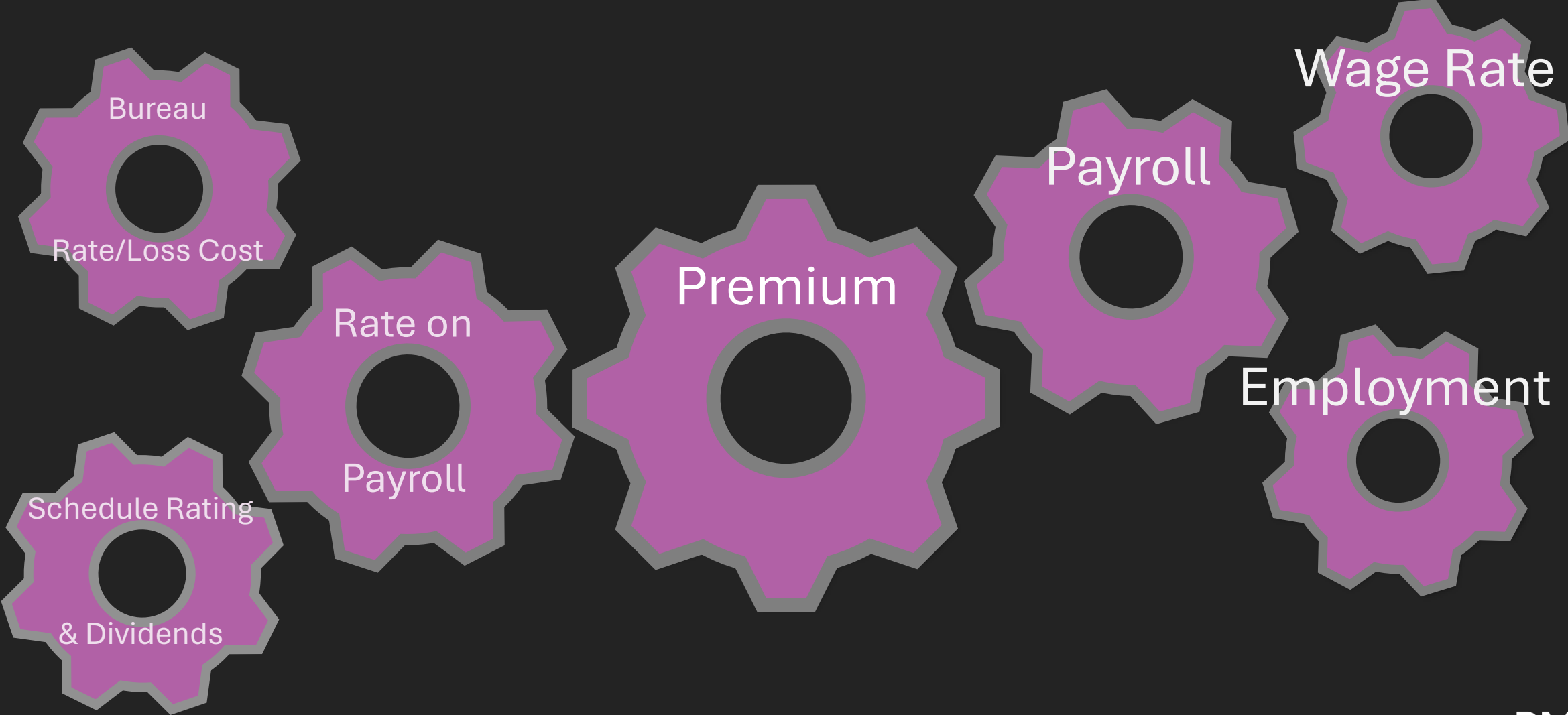
Executive Director and Senior Economist  
NCCI



A group of business professionals in a meeting, overlaid with a purple and blue gradient. The image shows several people in business attire engaged in conversation. The background is a blurred office setting. The text "Labor Market Outlook" is centered in white.

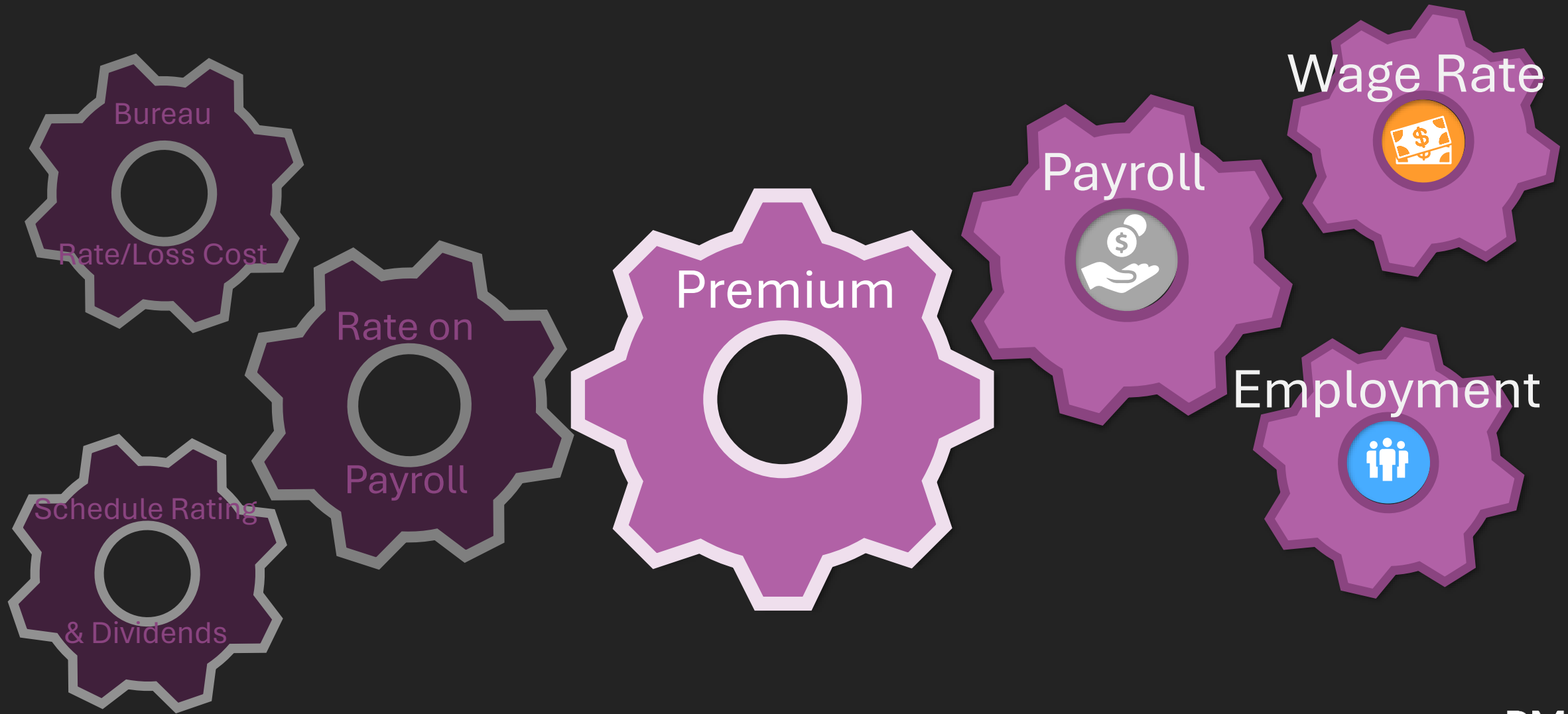
# Labor Market Outlook

# Components of Premium



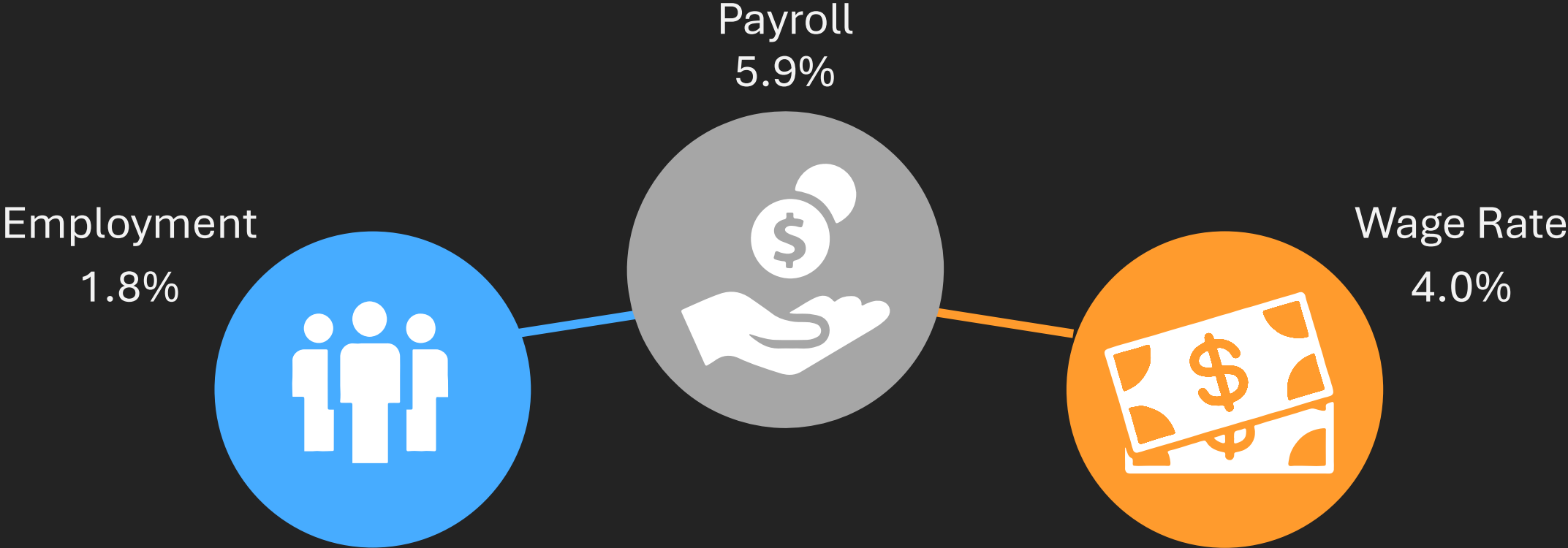
Source: US Bureau of Labor Statistics

# Components of Premium



Source: US Bureau of Labor Statistics

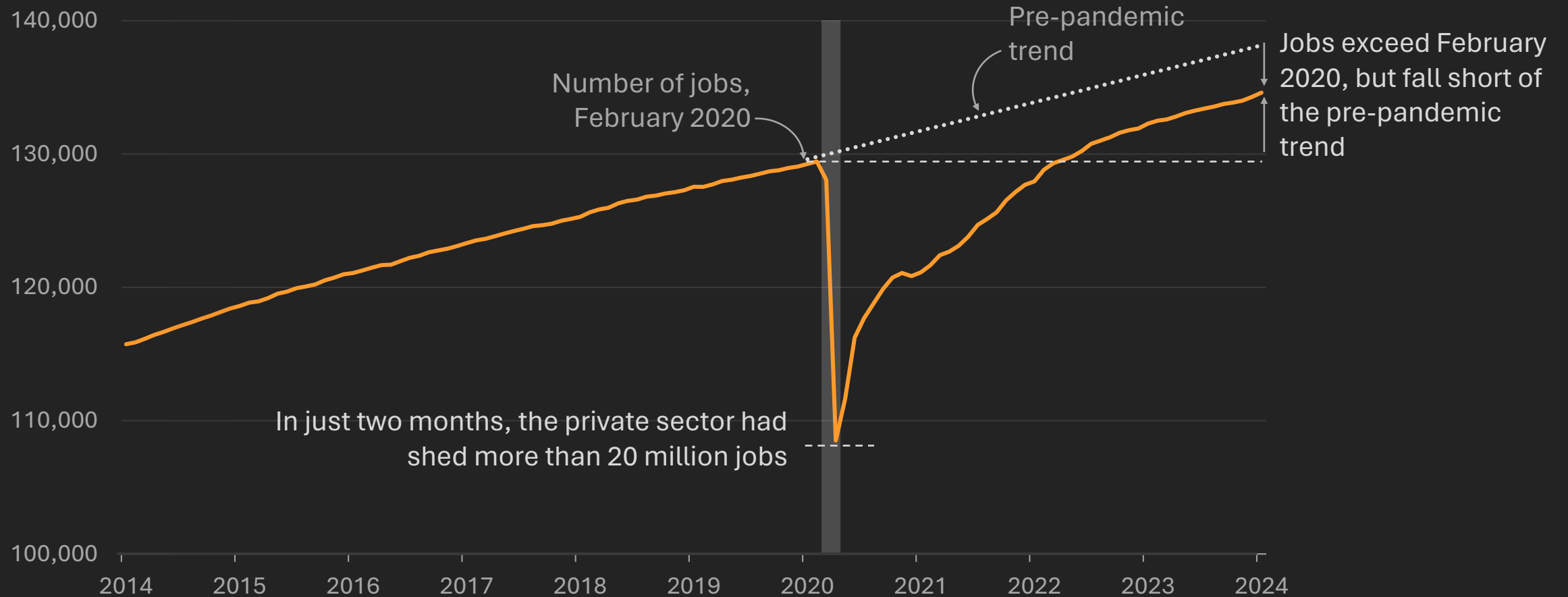
# Changes in Payroll by Component — 2022 to 2023



Source: US Bureau of Labor Statistics

# Jobs Exceed the Pandemic Start But Not the Pre-Pandemic Trend

Private Industry Employment, Thousands

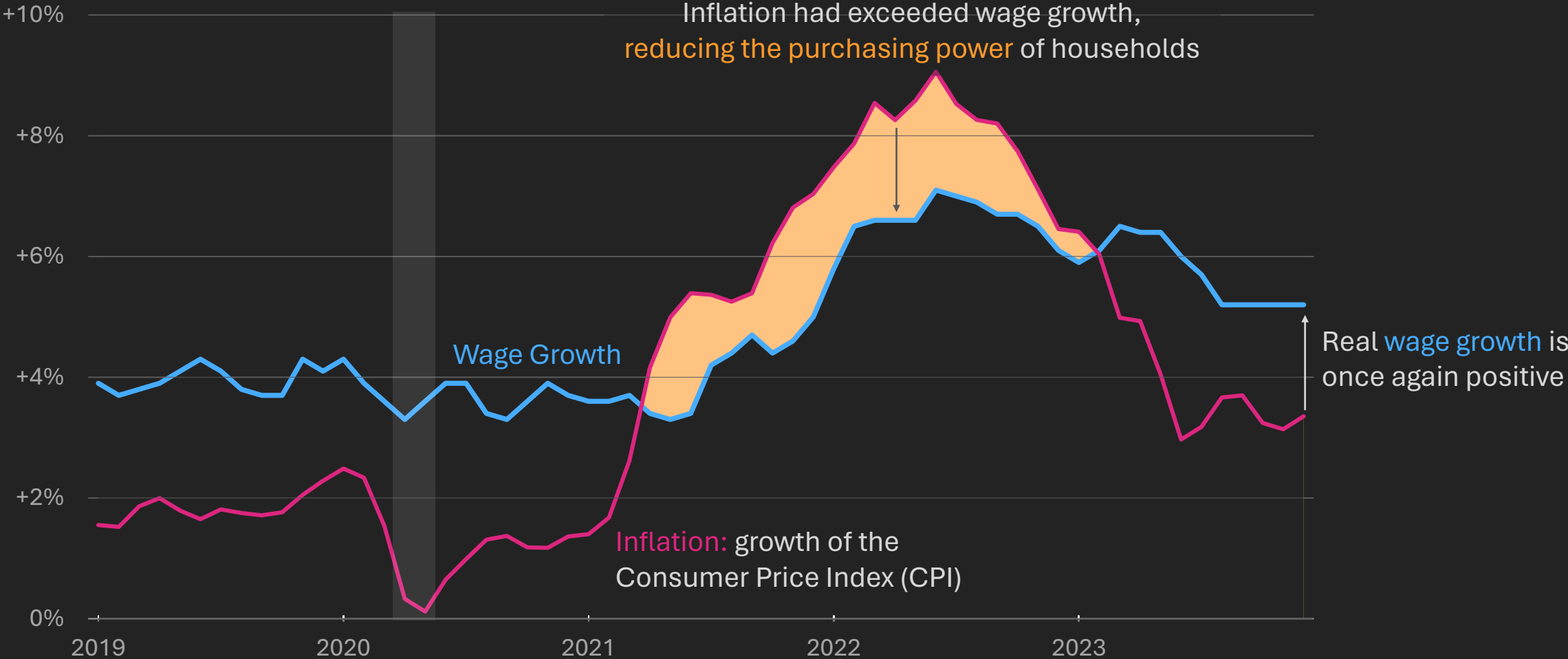


Pre-pandemic trend is the growth of private industry employment for the years 2015–2019  
Source: US Bureau of Labor Statistics

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# Falling Inflation Increases Real Wages

Average Hourly Earnings, Year-Over-Year % Change



Sources: US Bureau of Labor Statistics; Atlanta Fed's Wage Growth Tracker

# The Residual Market Is Not the Economy

	Payroll		Premium	
	Voluntary	Assigned Risk	Voluntary	Assigned Risk
Construction and Utilities	6%	17%	22%	45%
Upkeep and Maintenance	4%	8%	10%	12%
Transportation and Warehousing	3%	5%	12%	9%
Leisure and Hospitality	5%	8%	6%	7%
Natural Resources	1%	5%	4%	7%
Health Care	10%	10%	8%	6%
Manufacturing	8%	5%	17%	5%
Trade	9%	6%	13%	4%
Office	54%	36%	9%	4%

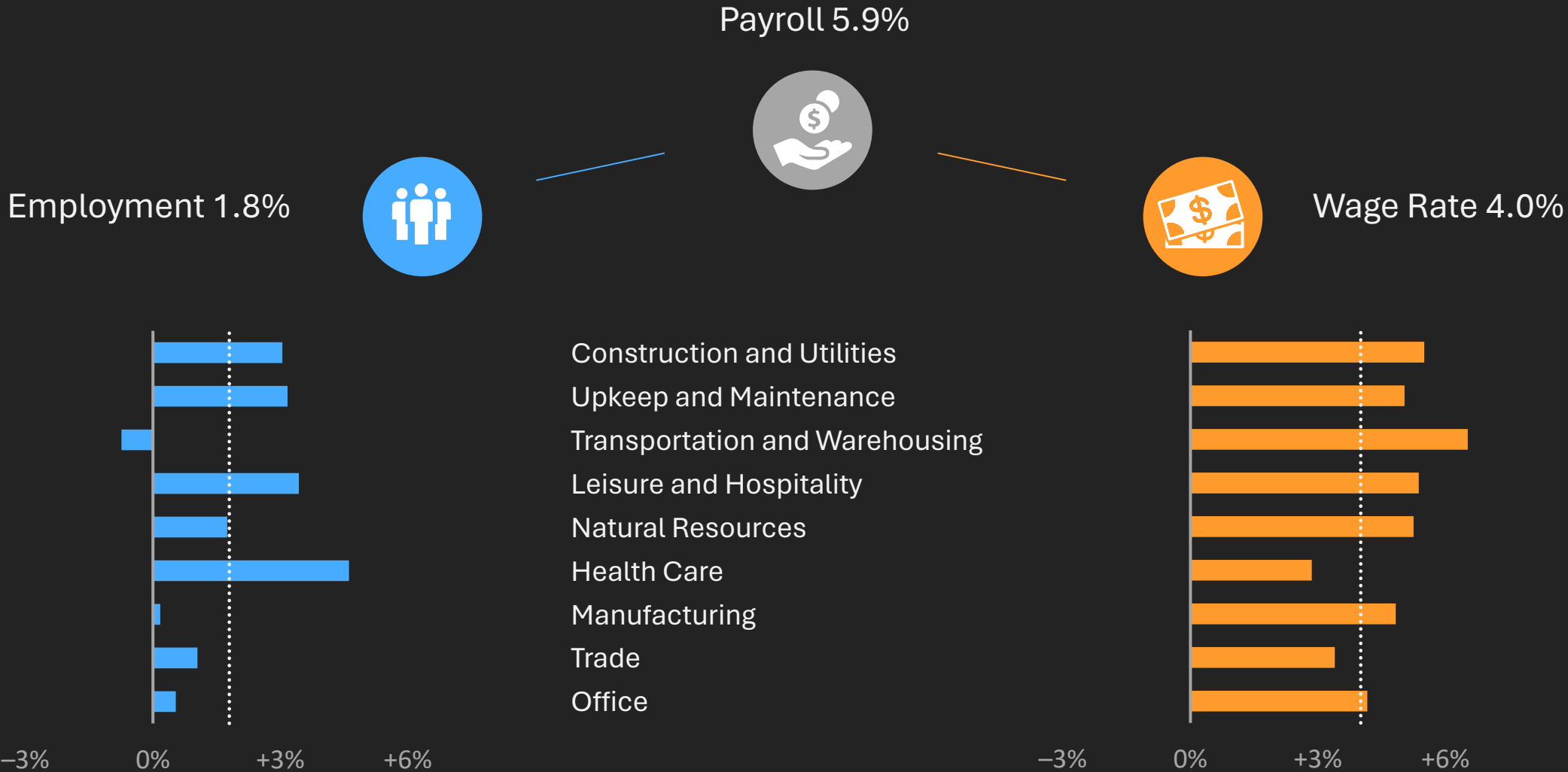
Policy Periods: 2018–2022; includes all states where NCCI provides Pool and Plan Administration services

Market values not summing to 100% are due to rounding

Source: NCCI's Policy Data

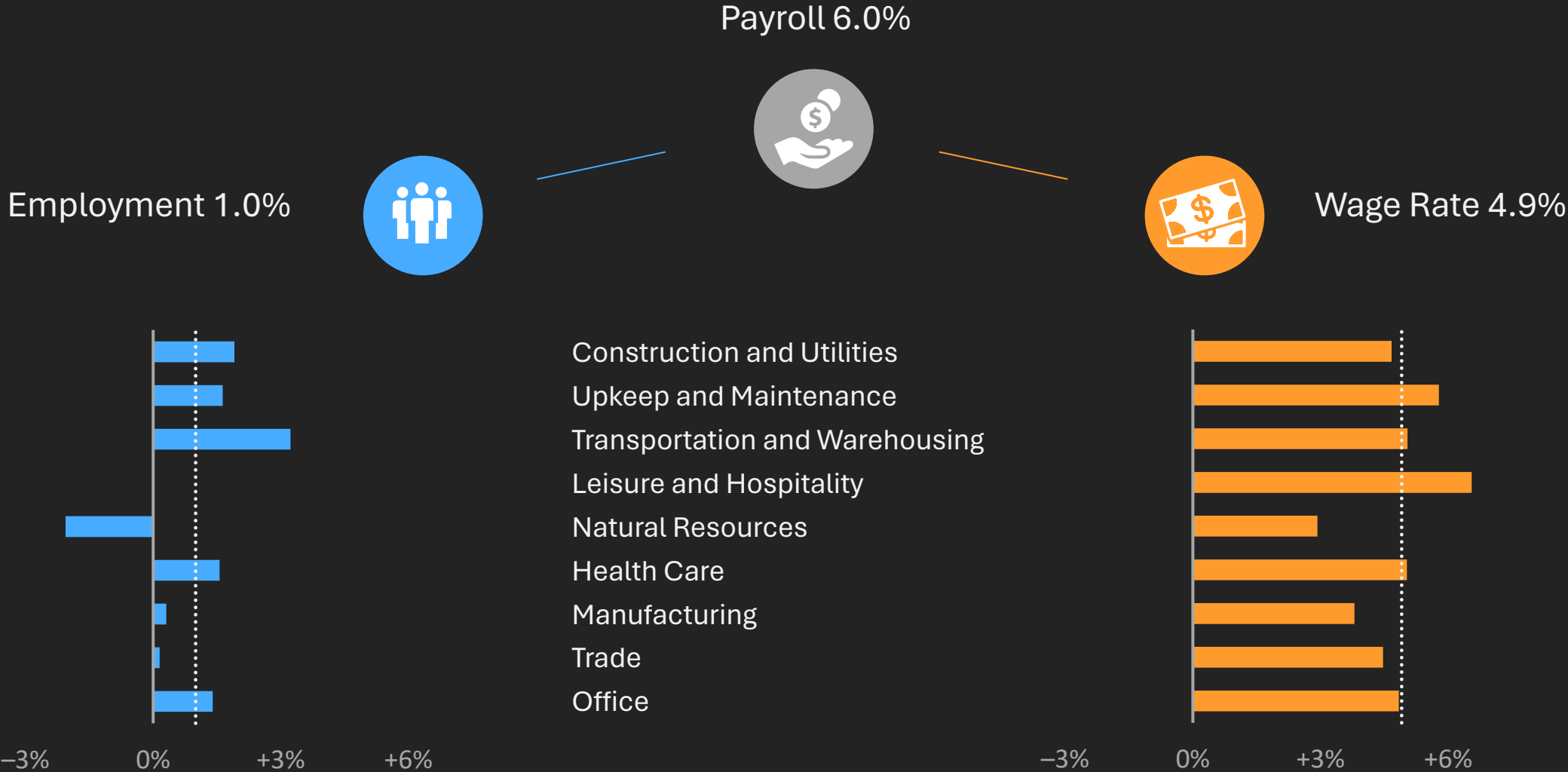


# Changes in Payroll by Component—2022 to 2023



Source: US Bureau of Labor Statistics

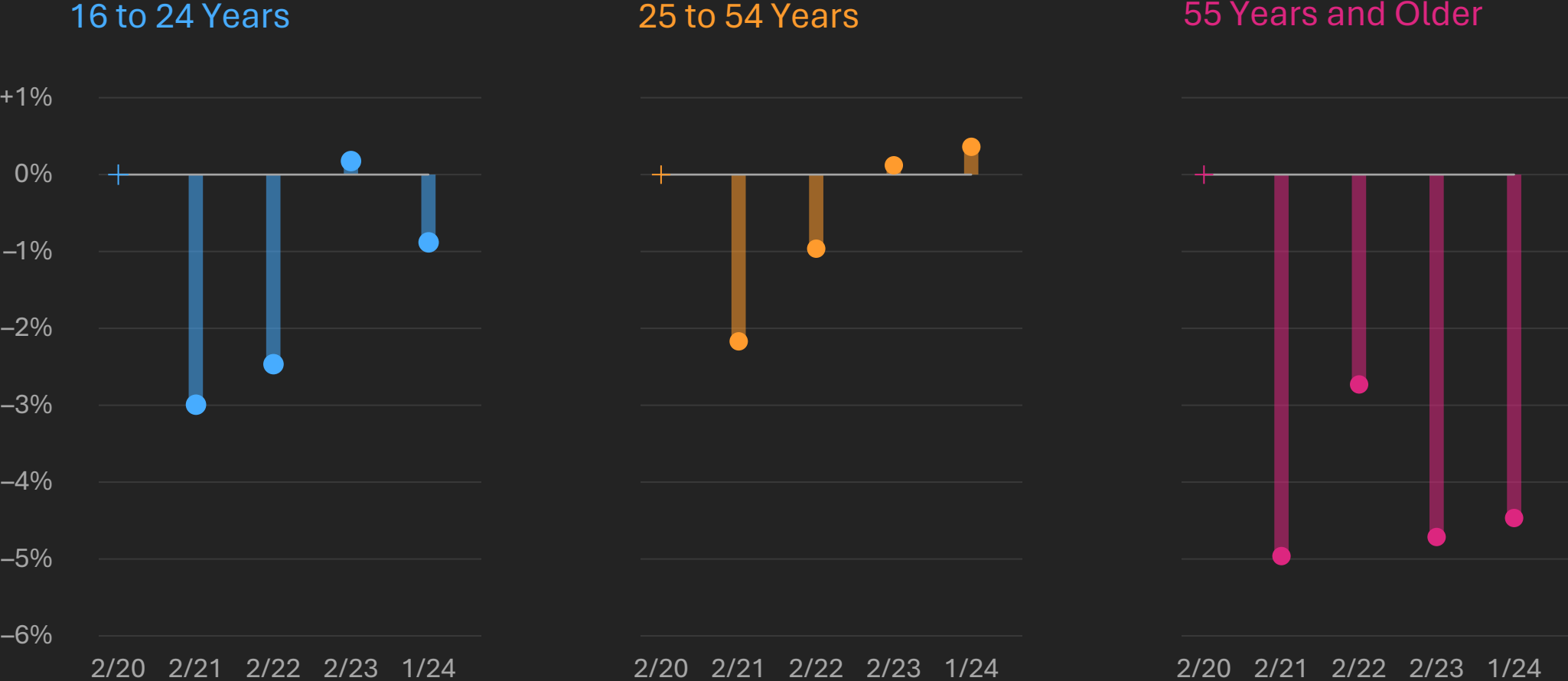
# Changes in Payroll by Component—2019 to 2023



Source: US Bureau of Labor Statistics

# Older Workers Are Slowest to Return to the Labor Force

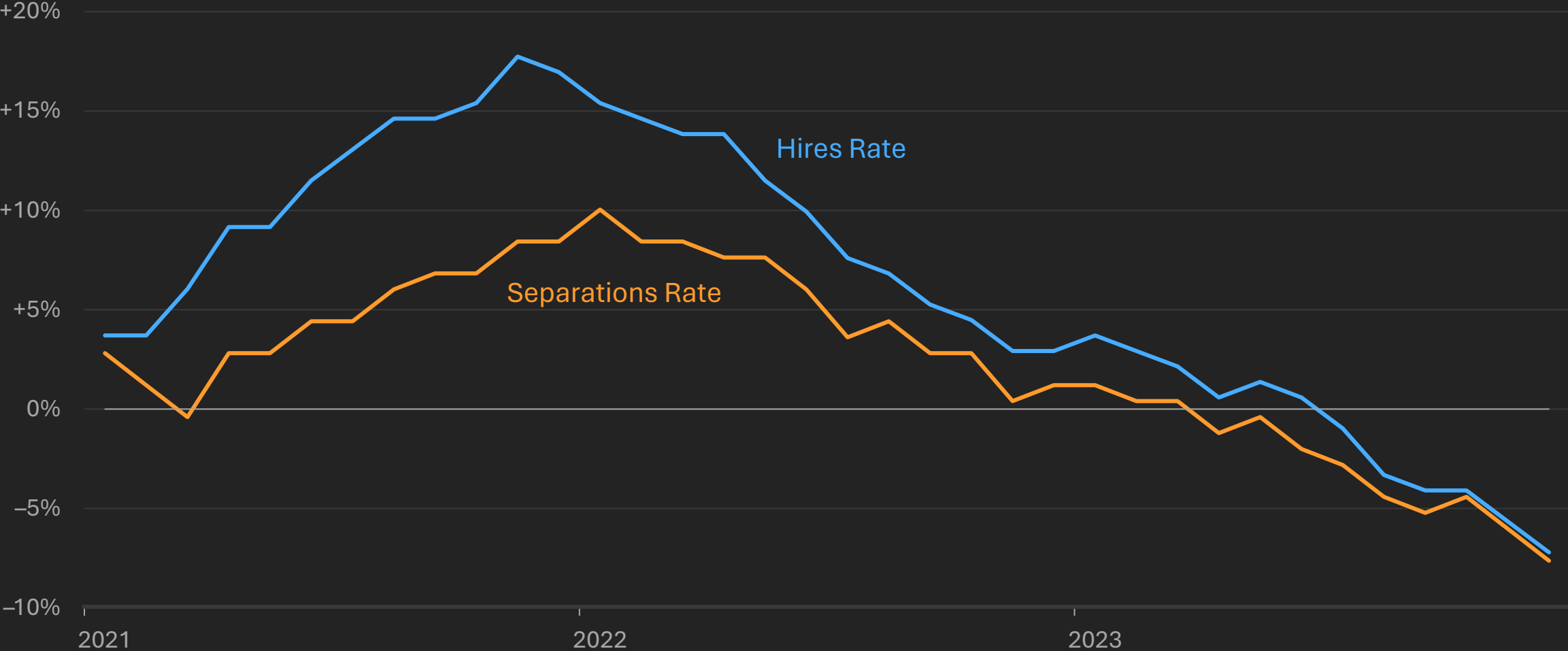
Change in the Labor Force Participation Rate Since February 2020



Source: US Bureau of Labor Statistics

# Hires and Separations Are Both Below Pre-Pandemic Rates

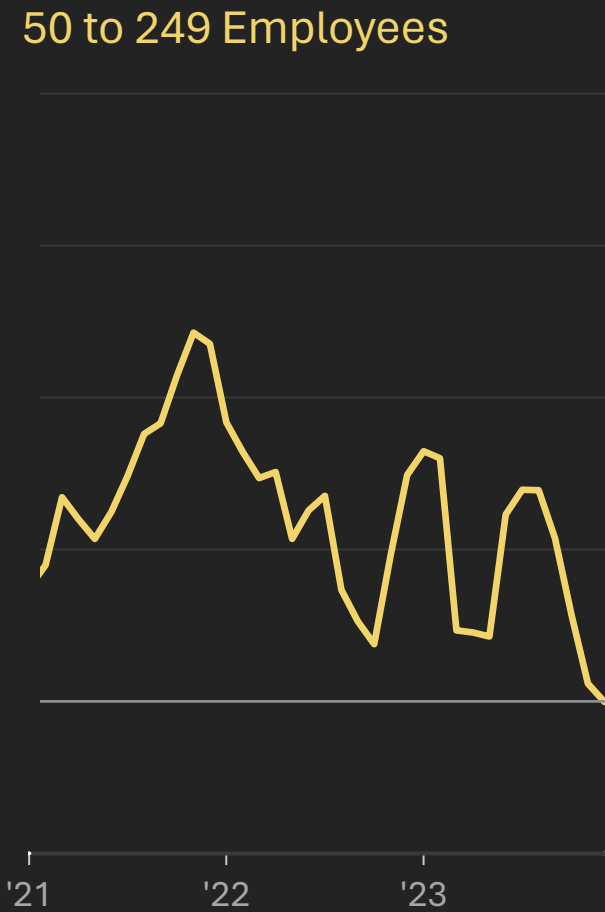
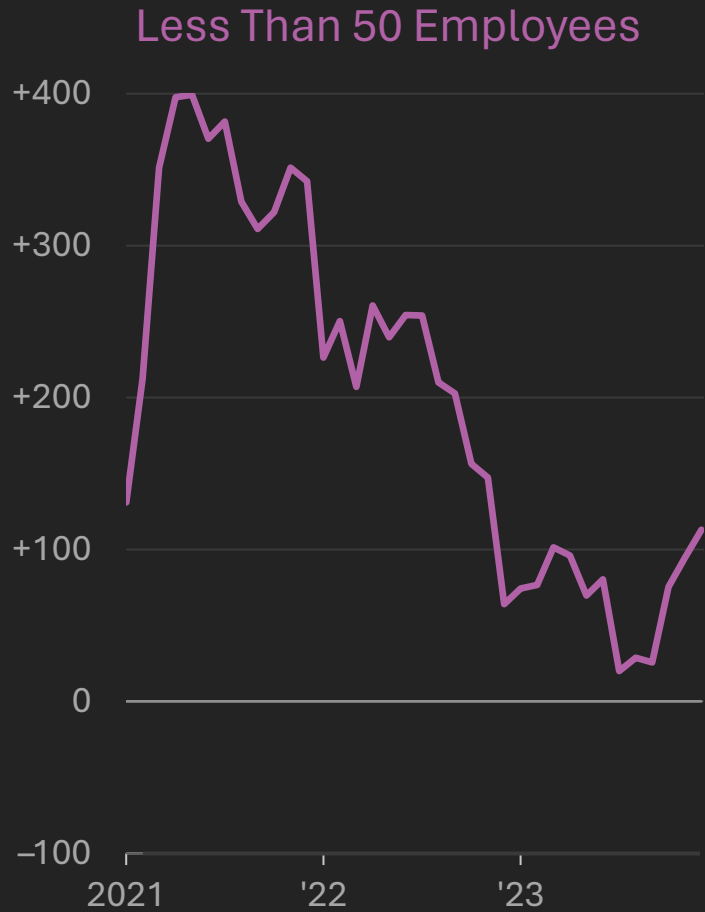
Total Private Industry, Relative to 12 Months Before the Pandemic



Source: US Bureau of Labor Statistics

# Employment Growth by Size of Business

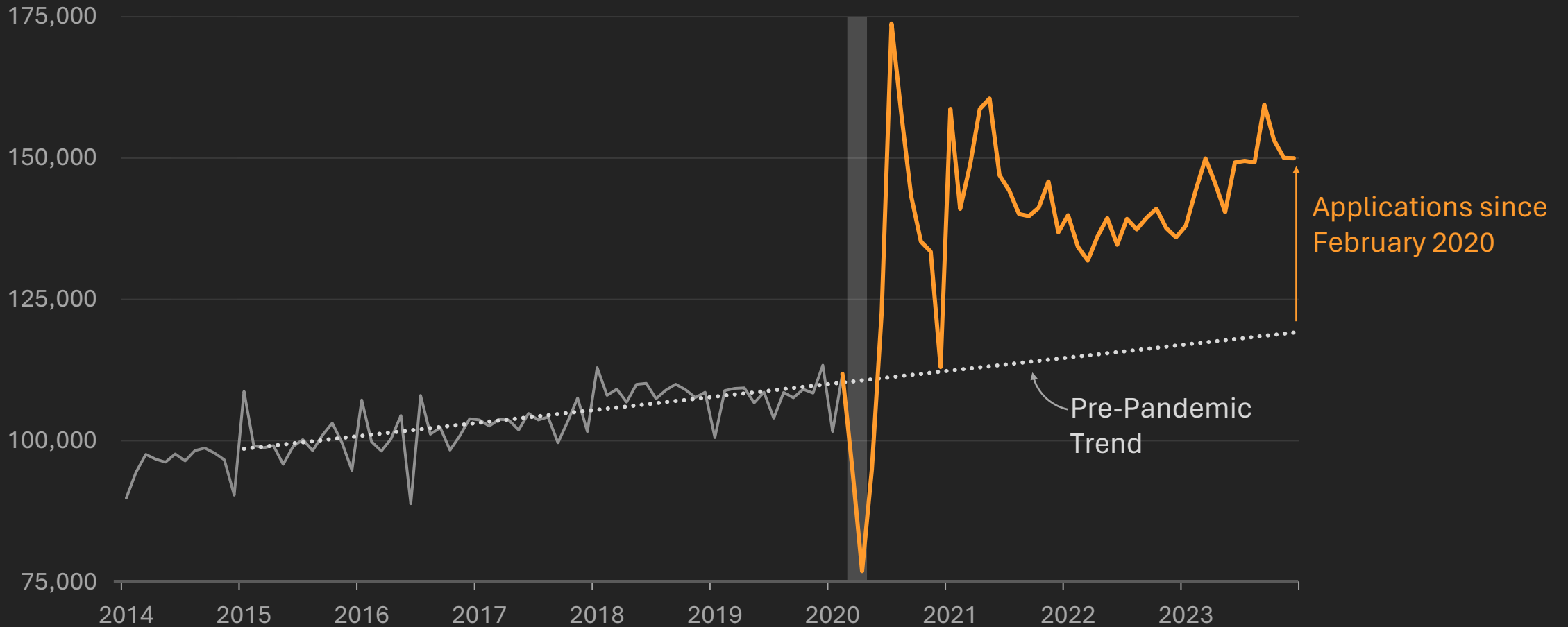
Hires Minus Separations, 3-Month Average, Thousands



Source: US Bureau of Labor Statistics

# New Business Applications Remain High

High-Propensity Business Applications by Month



Pre-pandemic trend is the growth of business applications for the years 2015–2019

Sources: Federal Reserve Bank of St. Louis; US Census Bureau

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# Conclusion

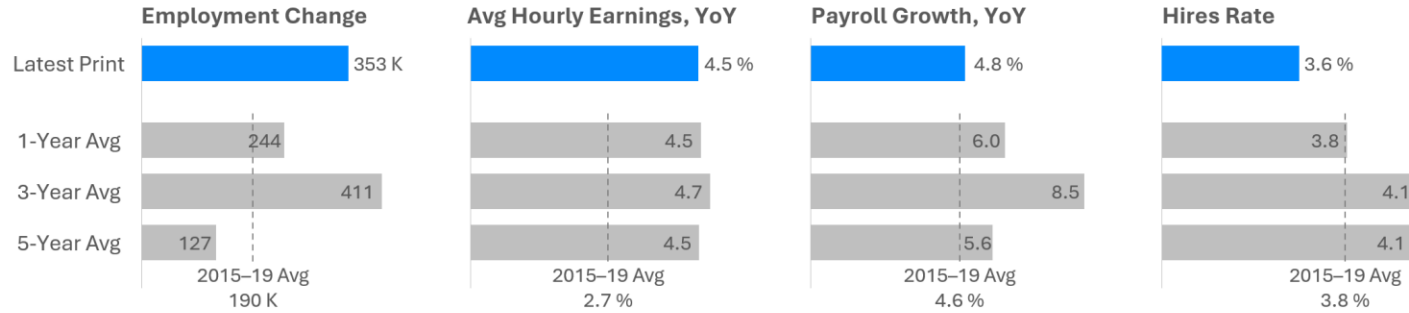
- Employment and wage growth slowed in 2023 but remain high by historical standards
- Over the last few years, the largest sectors in the residual market have experienced above-average payroll growth
- Growth in small business employment, including many new businesses, has been the major driver of the post-pandemic employment recovery





# NCCI LABOR MARKET INSIGHTS

February 2, 2024



Drivers of Premium	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Net Employment Change (Thous.)	184	210	246	165	182	333	353
Net Private Employment Change (Thous.)	148	150	196	98	152	278	317
Average Hourly Earnings (y/y %)	4.7	4.5	4.5	4.3	4.3	4.3	4.5
Average Hours Worked (Hours)	34.3	34.4	34.4	34.3	34.4	34.3	34.1
Payroll (Calculated)* Growth (y/y %)	5.9	6.3	5.9	5.2	5.7	5.9	4.8

\*Calculated Payroll = Total Private Employment \* Average Hourly Earnings \* Average Hours Worked

Averages	1-Year	3-Year	5-Year	2015-19
Net Employment Change (Thous.)	244	411	127	190
Net Private Employment Change (Thous.)	194	374	118	177
Average Hourly Earnings (y/y %)	4.5	4.7	4.5	2.7
Average Hours Worked (Hours)	34.4	34.6	34.5	34.4
Payroll (Calculated)* Growth (y/y %)	6.0	8.5	5.6	4.6

Drivers of Frequency	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Unemployment Rate (%)	3.5	3.8	3.8	3.8	3.7	3.7	3.7
Labor Force Participation Rate (%)	62.6	62.8	62.8	62.7	62.8	62.5	62.5
Prime Age Participation Rate (25-54, %)	83.4	83.5	83.5	83.3	83.3	83.2	83.3
Job Openings (Thous.)	8,920	9,497	9,350	8,852	8,925	9,026	-
Hires Rate (%)	3.7	3.7	3.8	3.7	3.5	3.6	-
Quits Rate (%)	2.3	2.3	2.3	2.3	2.2	2.2	-
Layoffs Rate (%)	1.1	1.1	1.0	1.0	1.0	1.0	-

Averages	1-Year	3-Year	5-Year	2015-19
Unemployment Rate (%)	3.7	4.1	4.9	4.4
Labor Force Participation Rate (%)	62.6	62.2	62.3	62.9
Prime Age Participation Rate (25-54, %)	83.3	82.5	82.3	81.7
Job Openings (Thous.)	9,496	10,216	8,833	6,361
Hires Rate (%)	3.8	4.1	4.1	3.8
Quits Rate (%)	2.4	2.6	2.5	2.2
Layoffs Rate (%)	1.0	1.0	1.3	1.2

Source: Bureau of Labor Statistics; 1-, 3-, and 5-year averages are rolling 12-, 36-, and 60-month averages from the latest data point

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**1** As we suggested in last month's **Labor Market Insights**, January saw much better than expected employment growth, with fewer seasonal layoffs likely playing a role.

In the Bureau of Labor Statistics' benchmark revisions for 2023, employment gains increased from 225,000 jobs per month to 255,000, and employment grew more broadly at the industry level than initial estimates suggested.

Along with upward revisions to employment, the benchmark revisions also increased average hourly earnings growth in 2023.

**2** Despite strong employment and wage growth in January 2024, payroll growth slowed materially. A decline in average hours worked per week and a large base effect from January 2023 contributed. Average weekly earnings grew at a pace of just 3.0% from the previous January, while average hourly earnings grew at a rate of 4.5%.

Poor weather conditions across most of the country in January could have impacted this result, so we will be closely watching hours worked in next month's data release.

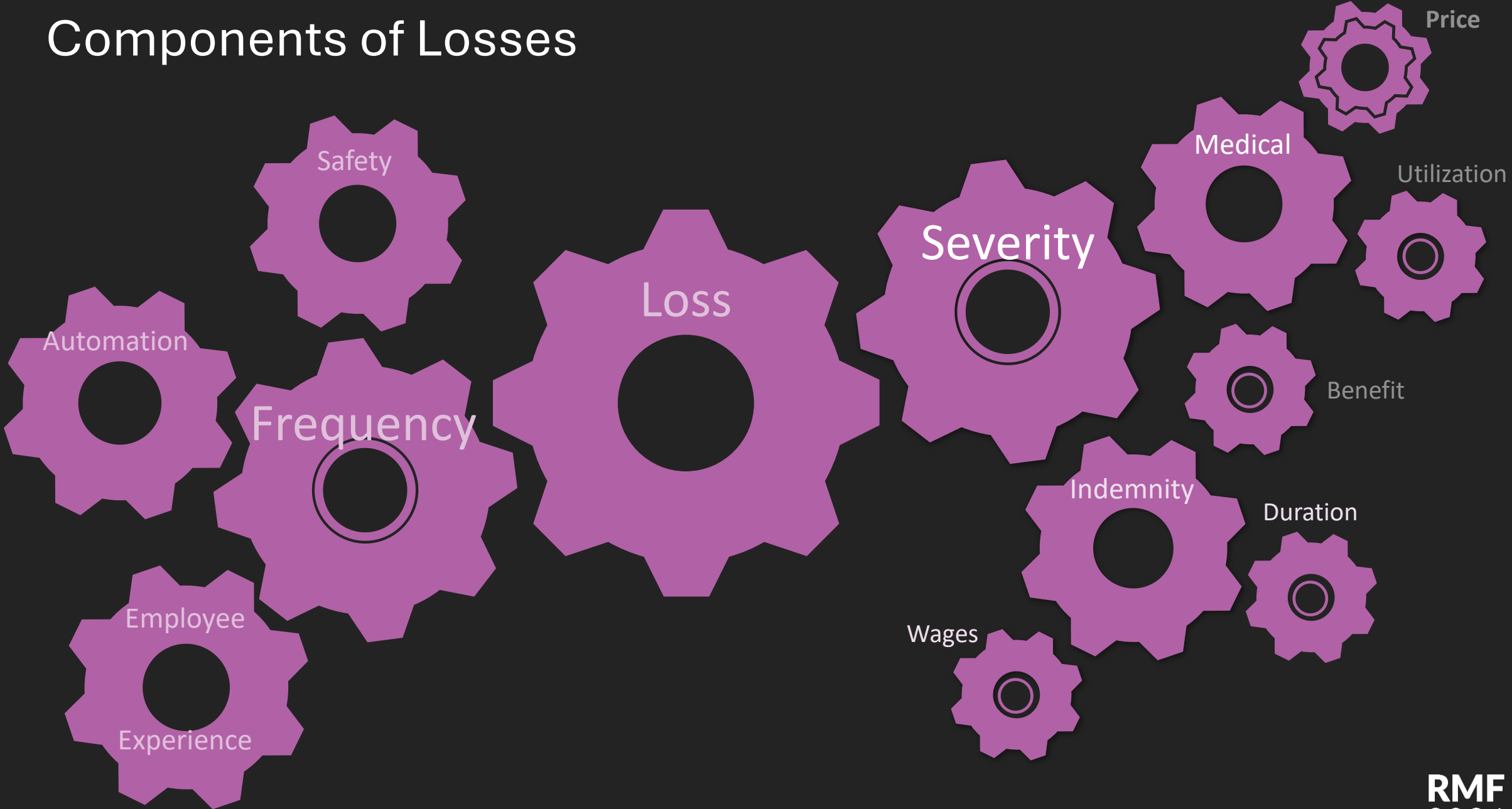
**3** At the end of 2023, hiring and quitting rates slowed, which could indicate that workers had less confidence in the strength of the labor market. However, that same slowing of turnover reduces the share of low-tenured workers in jobs, which can contribute to declines in workers compensation frequency.





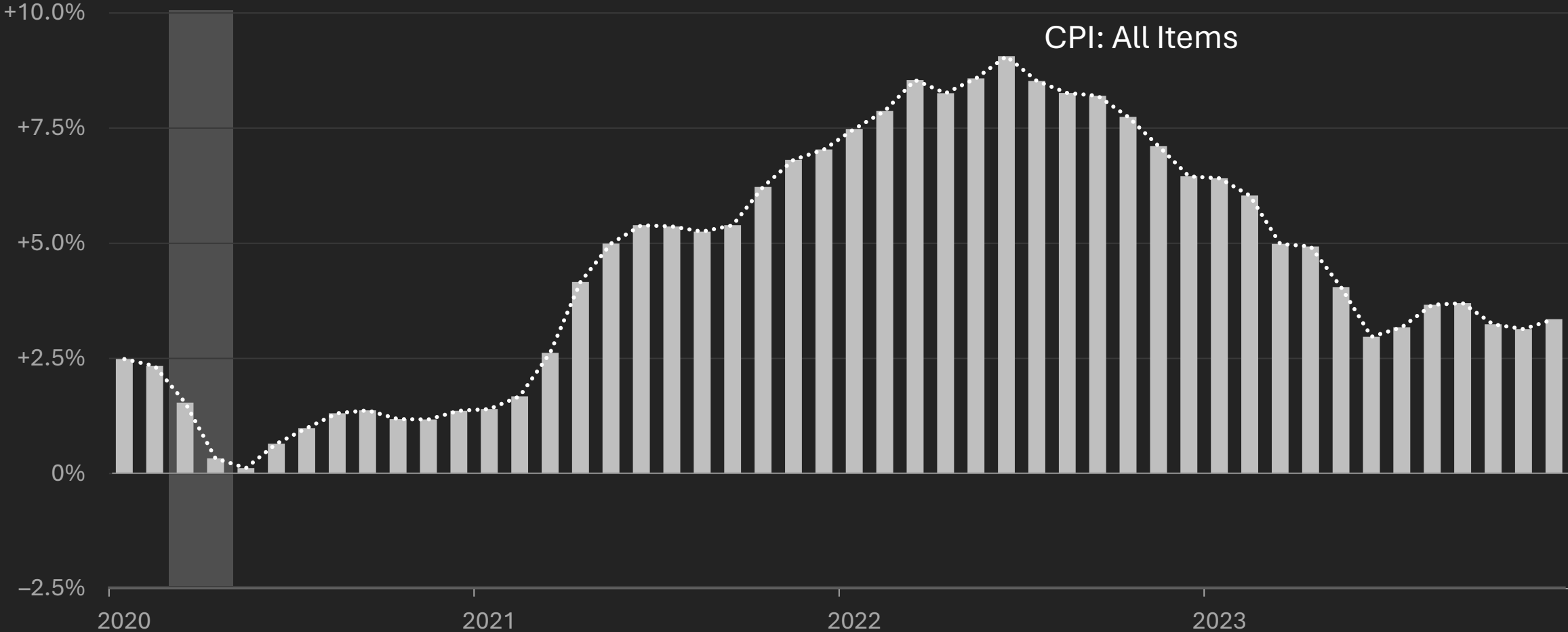
# Inflation and Interest Rate Outlook

# Components of Losses



# Inflation Slowed in 2023 Following ~40-Year High

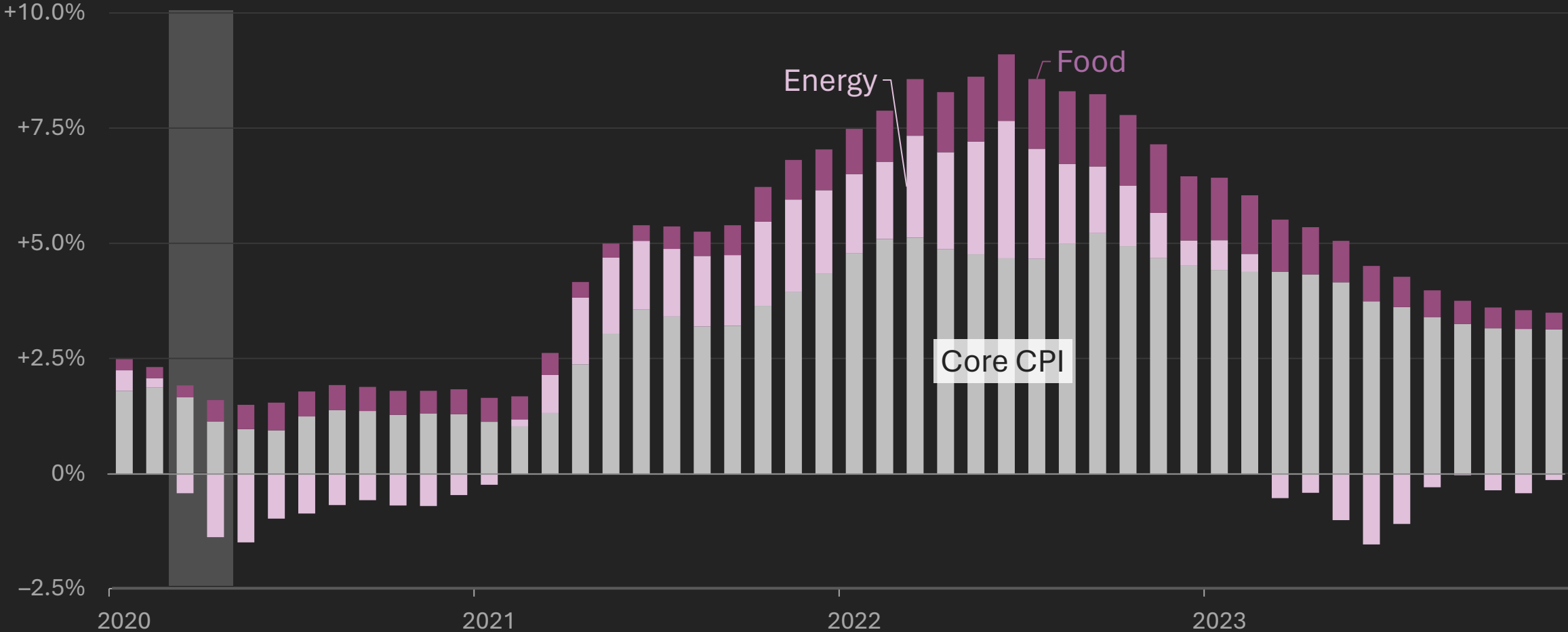
Year-Over-Year % Change



Source: US Bureau of Labor Statistics

# Inflation Slowed in 2023 Following ~40-Year High

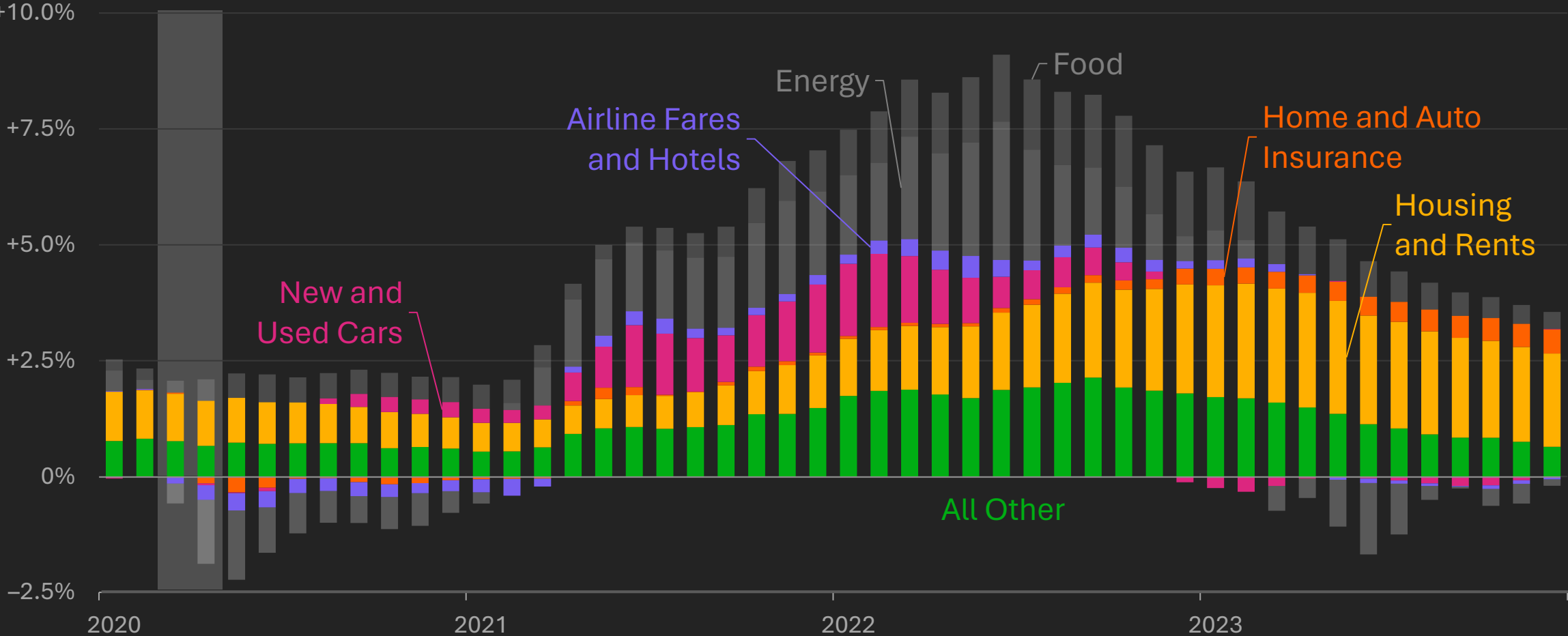
Year-Over-Year % Change



Source: US Bureau of Labor Statistics

# Core Inflation Has Been More Stubborn

Contributions to Year-Over-Year % Change

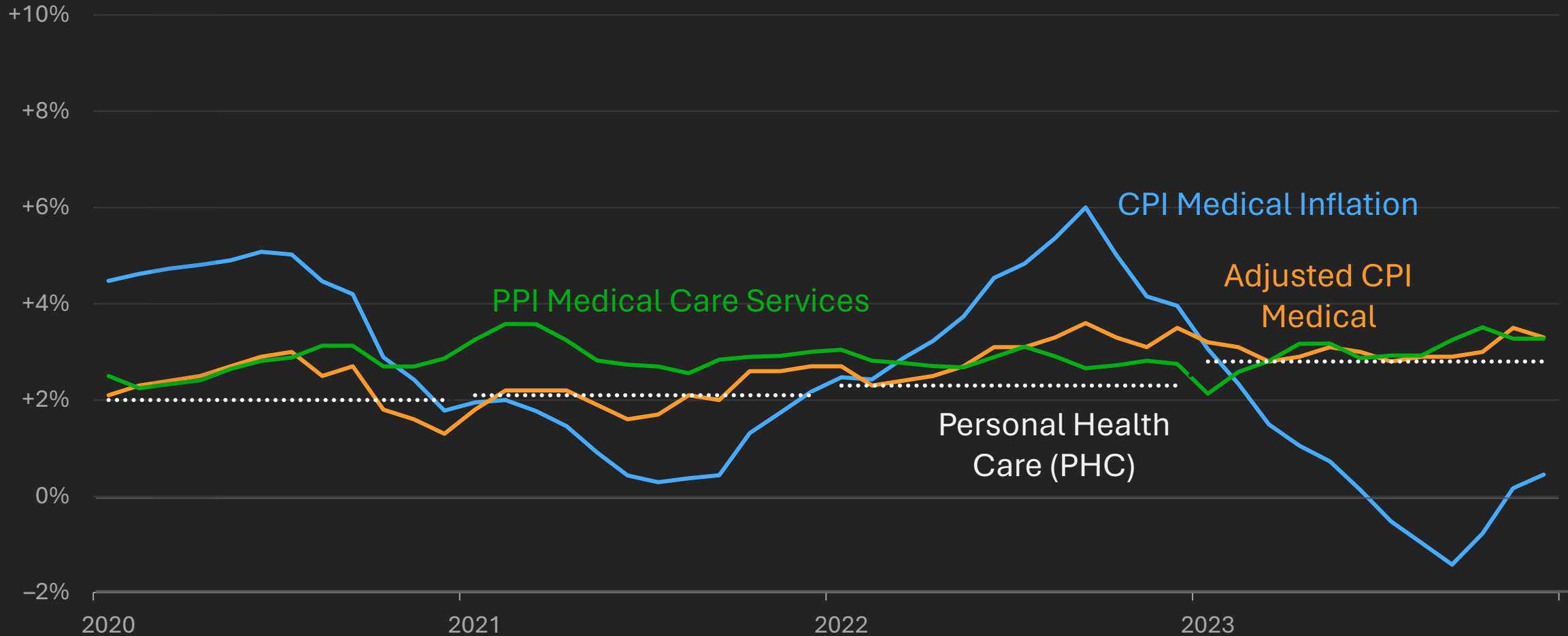


Source: US Bureau of Labor Statistics

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# What About Medical Inflation?

Year-Over-Year % Change



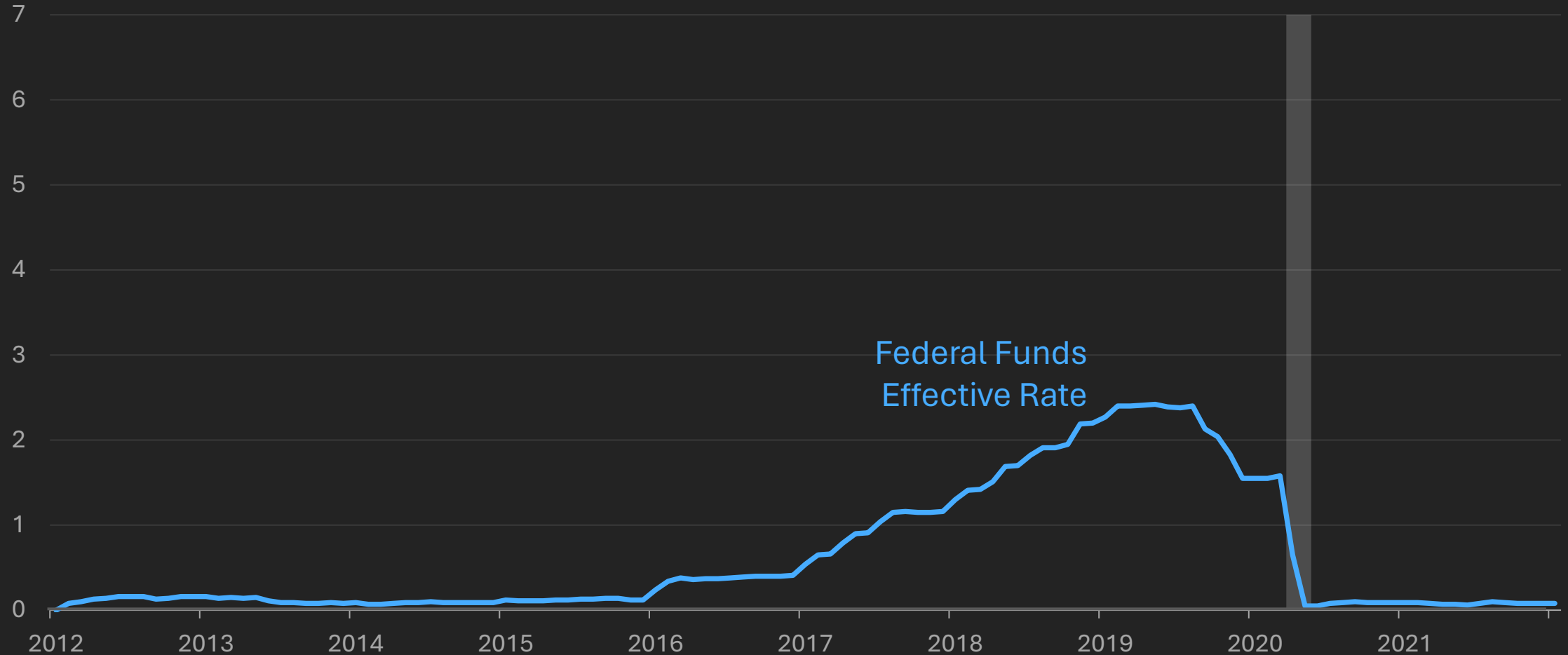
Sources: US Bureau of Labor Statistics; Centers for Medicare & Medicaid Services



# Interest Rates

# The Zero Interest Rate Policy (ZIRP) Era

Year-Over-Year % Change



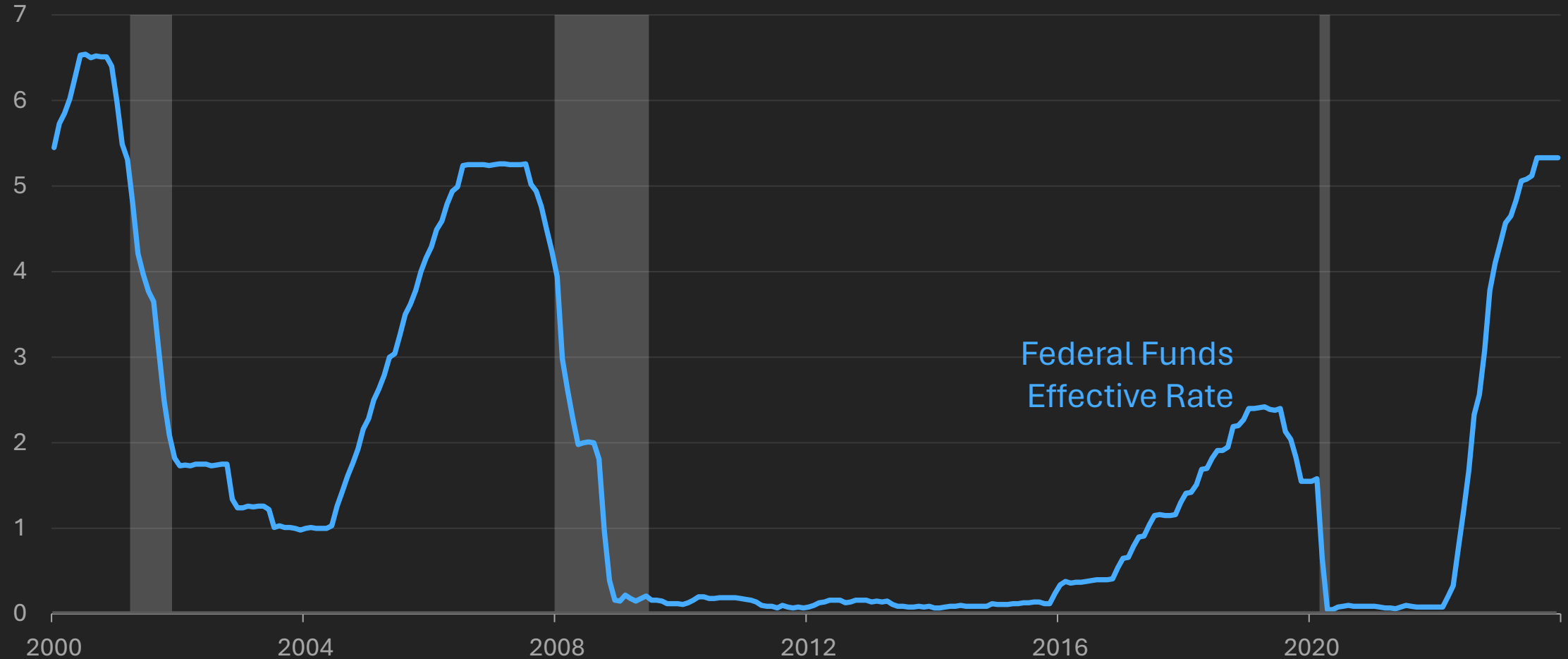
Source: Board of Governors of the Federal Reserve System

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# ZIRP Is Dead, Long Live ZIRP

Year-Over-Year % Change

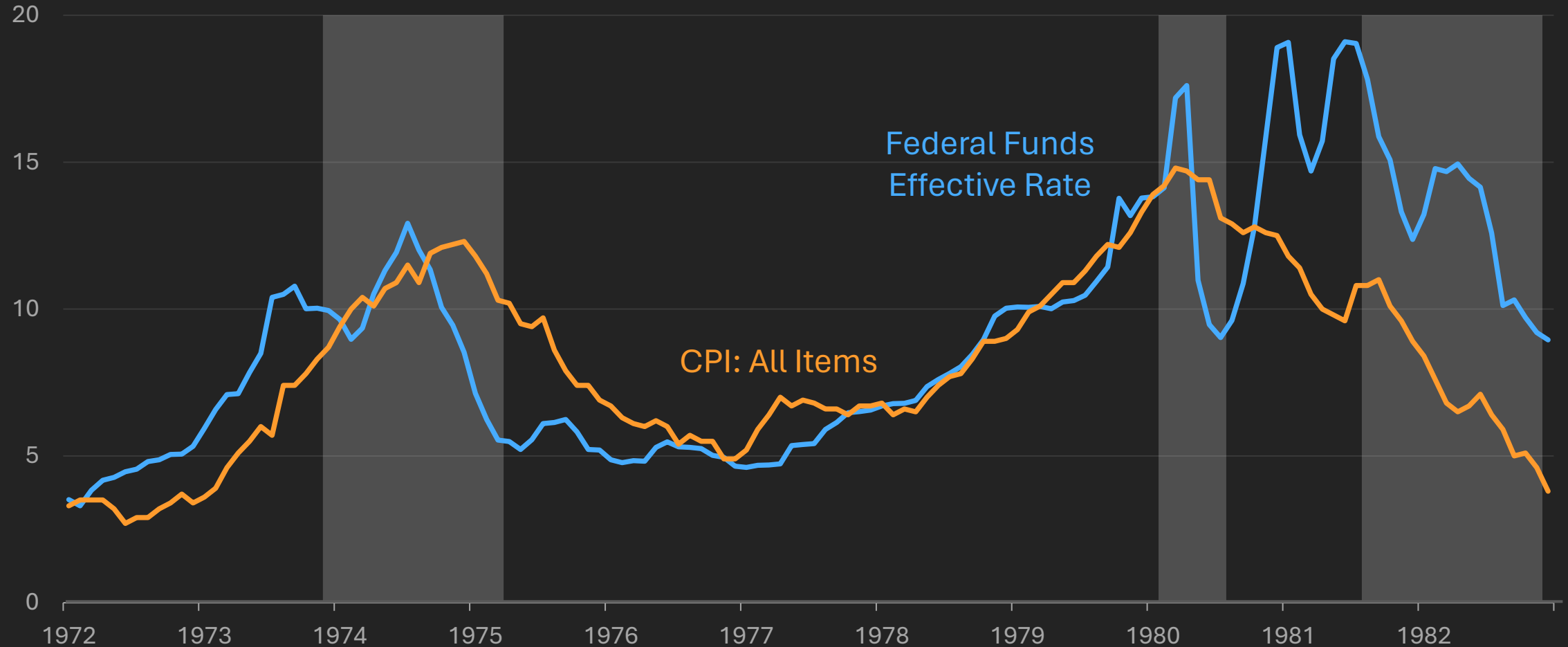


Source: Board of Governors of the Federal Reserve System

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# Where Do We Go Next? Case For Higher Rates

Year-Over-Year % Change

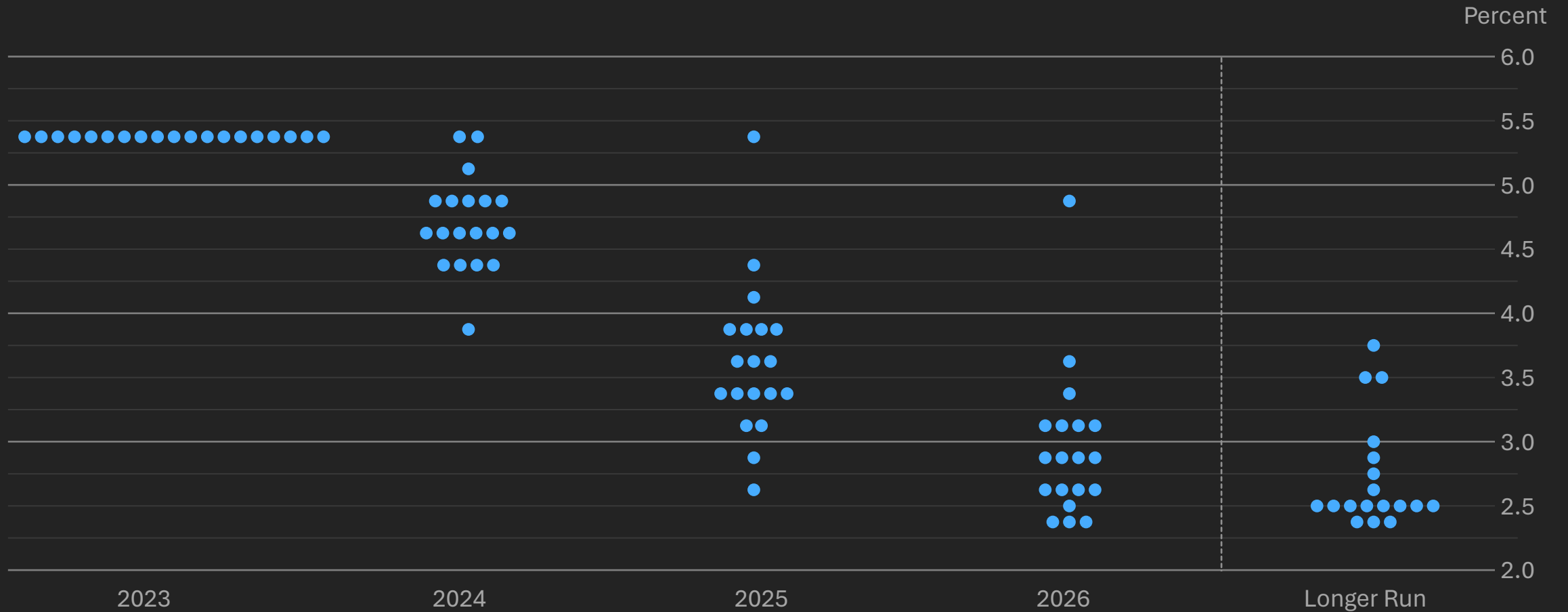


Sources: Board of Governors of the Federal Reserve System; US Bureau of Labor Statistics

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# Where Do We Go Next? Case for Lower Rates

FOMC Participants' Assessments of Appropriate Monetary Policy



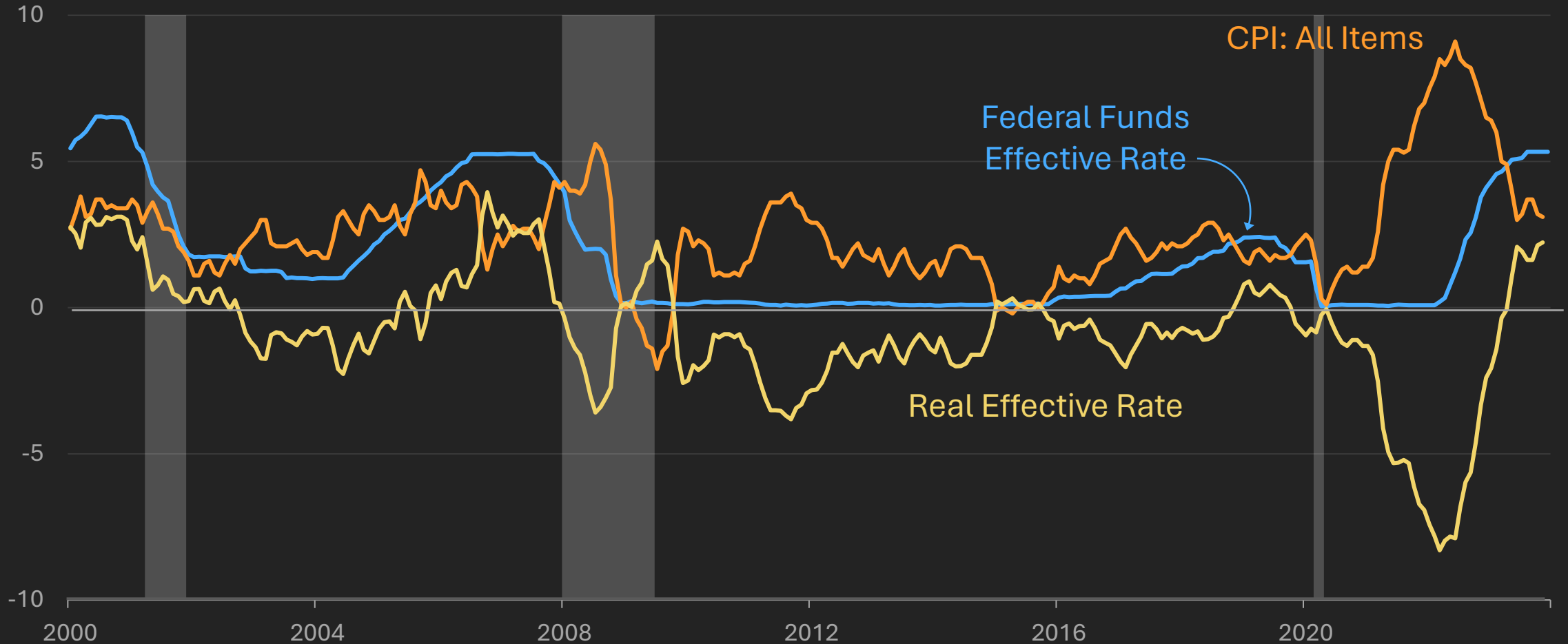
Source: Federal Open Market Committee

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# Where Do We Go Next? Case for Lower Rates

Year-Over-Year % Change



Sources: Board of Governors of the Federal Reserve System; US Bureau of Labor Statistics

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# Conclusion

- Inflation slowed materially in 2023 and is likely to continue to slow based on subcategory trends
- Medical inflation bucked the broader inflation trend but remains a key watch item
- The zero interest rate era is over, and interest rates are likely to remain elevated relative to recent history

# CONTACT US



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