



The Daily Dish

Slowing Labor Market Churn Hurts Young Workers

FRED ASHTON | DECEMBER 15, 2025

The labor market is stuck in a rut, and it has been for a while. Through September, total monthly job creation averaged 76,000 since the start of the year but just 38,500 since May—a sharp slowdown from the 168,000 monthly pace in 2024. Private-sector job gains have averaged 72,000 per month thus far in 2025, almost entirely driven by strong hiring in health care. Excluding health care, however, private firms have added an anemic 9,000 jobs per month, with sectors such as manufacturing and wholesale trade cutting payrolls this year.

The latest [Job Opening and Labor Turnover Survey](#) from the Bureau of Labor Statistics (BLS) reinforced the picture of a cooling labor market. The hiring rate slipped to 3.2 percent in October, matching the post-COVID low, while the layoff and discharge rate remained historically low at 1.2 percent. The quit rate dipped to 1.8 percent, the lowest since May 2020. In other words, companies are neither hiring nor firing, and workers are staying put.

The Federal Reserve has taken note as recent policy changes have shown a greater sensitivity to the downside risks in the labor market even as inflation remains above target. Slowing labor market churn reflects immediate concerns about the economy but also carries long-term consequences. A fluid job market enables workers to seek positions better suited to their skills and of greater interest – often with higher wages and better benefits. In turn, it helps firms acquire talent that best meets their needs, giving a boost to productivity, and ultimately economic growth.

For young labor-market entrants – the subject of many [recent job-related headlines](#) – the long-term ramifications of a stalled labor market are significant. A report from [JP Morgan Chase](#) explained that younger workers rely “on job switching to climb the career ladder” more than their older counterparts, and that the slowdown in real income growth has been more pronounced for workers aged 25–29. Early-career workers “tend to have lower levels

of income but relatively high growth,” and stalled labor-market dynamism could lead to permanently lower levels of lifetime earnings.

Restoring healthier labor-market dynamics will require the Fed to bring inflation back to target and the administration to reduce tariff-related uncertainty while avoiding unnecessarily restrictive immigration enforcement that reduces labor supply in critical sectors of the economy.

FREDDY’S FORECAST: OCTOBER AND NOVEMBER JOBS

It’s mid-December, and we still do not know how the employment situation has evolved since September. The government shutdown led to the cancellation of the October report, and the BLS will instead roll [some](#) of the October data into the November release.

Since the last employment report, the flow of official statistics has restarted but continues to play catch up. Initial jobless claims jumped 44,000 during the week ending December 6 to 236,000 after tumbling to 192,000 in the prior week – the lowest since September 24, 2022 (at 189,000), and the second-lowest since early September 1969.

Data from ADP showed that private employers shed 32,000 jobs in November, the third negative reading in four months. Job losses were concentrated among small establishments, which shed 120,000 jobs during the month, suggesting that firms most exposed to the effects of tariffs continued to struggle. Medium and large businesses added 51,000 and 39,000, respectively. The manufacturing (-18,000) and construction (-9,000) sectors cut headcounts during the month.

Data from the Institute for Supply Management showed that manufacturing slipped deeper into contraction in November as employers cut jobs at a quicker pace, and new orders slowed. The services sector improved modestly, but individual components of the overall index were mixed. Service-sector employment continued to contract, but at a slower pace than in the prior month, while inventories rose.

For the October/November report, expect combined topline payroll growth of 80,000. The unemployment rate is likely to tick up to 4.5 percent, a fresh cycle-high and more than a full percentage point higher than the low of 3.4 percent in April 2023. Growth in average hourly earnings increases 0.3 percent in both months.