



Actalent

# Labor Market & Economy Report

## December 2023 Trends

### Sharp insights for well-rounded people.

Actalent's monthly Labor Market and Economy Report connects important dots between data and trends in engineering and sciences. The report corresponds with the monthly release of the U.S. Bureau of Labor Statistics Employment Situation, though lends further insight into specific employment trends in engineering and sciences. Specifically, readers can expect to learn about:

- + Job growth in engineering and sciences by industry
- + Unemployment trends in engineering and sciences labor categories and industries
- + Labor force participation
- + Job quits and layoffs
- + Engineering and sciences employment trends by industry
- + Wages
- + Other important news stories impacting the labor market overall and engineering and sciences specifically



216K

### Jobs Gained in December

216,000 jobs were added in December, more than analysts anticipated. Job openings changed little at 8.8M in November.



62.5%

### Labor Force Participation Rate

The labor force participation rate fell 0.3 percentage point in December. Despite the "cooling" labor market, many companies are still struggling to find workers, so a decline in workforce participation is not a desired trend.



3.7%

### Unemployment Rate

The unemployment rate did not change from 3.7% between November and December.



1.5M

### November Layoffs

Layoffs declined from 1.6M in October to 1.5M in November. Despite continued economic uncertainty, layoffs are below the pre-pandemic norm. Quits declined to 3.5M, matching the pre-pandemic level.

# December 2023 Market Trends

A closer look at  
unemployment by industry  
and labor category



Overall Unemployment Rate

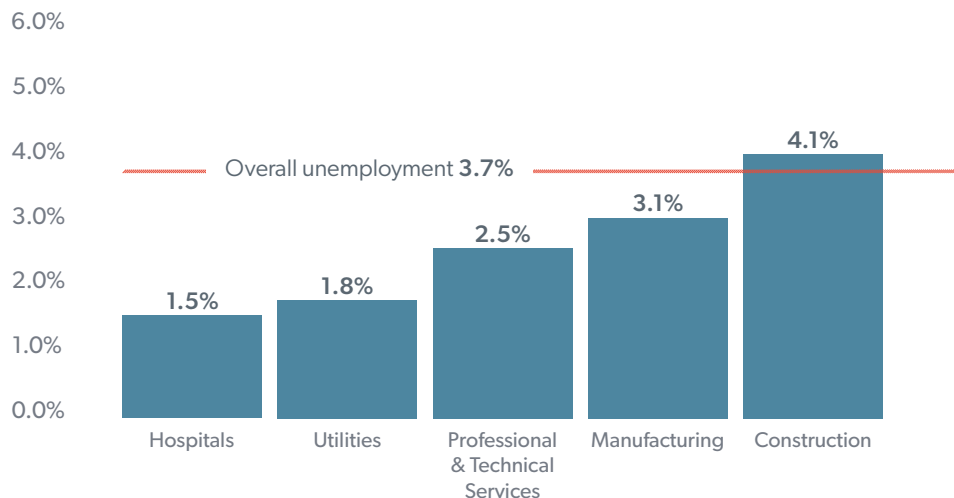


Unemployment Rate for Degreed  
Workers

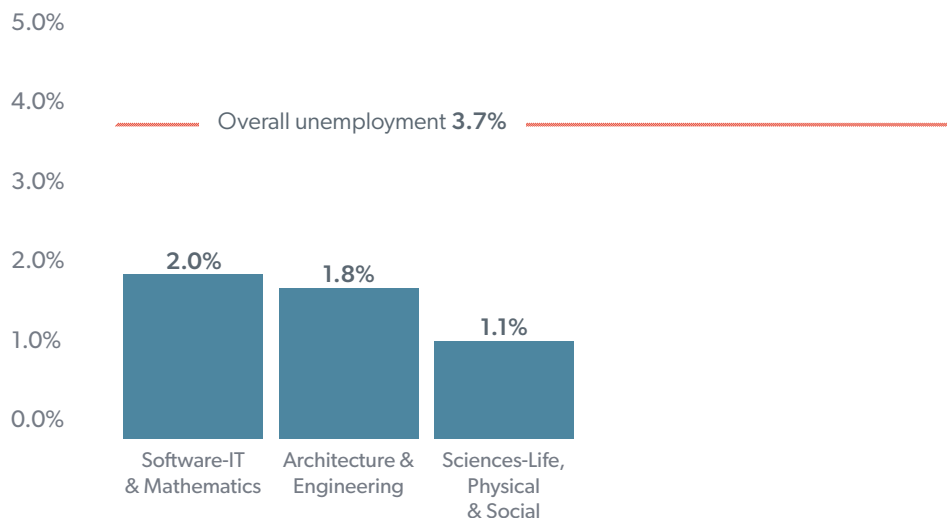


Ratio of unemployed workers  
(SW-HW-IT & Mathematics,  
Architecture & Engineering,  
Sciences) available per job  
opening.

### Unemployment rates by industry



### Unemployment rates by labor category



Due to frequent data revisions and statistical noise on a month-to-month basis, Actalent employs a rolling 3-month average to best represent unemployment by labor category or industry.

# Industry Trends

## OVERALL ECONOMY

The U.S. labor market was stronger than anticipated throughout 2023, and December's data was no different. More jobs were added than expected, and the unemployment rate held steady at 3.7%. Despite a year of uncertainty and various economic headwinds, 2023 ended with a still-tight labor force, especially for the engineering and sciences skill sets that Actalent focuses on. While the labor market certainly showed signs of "cooling" this past year, many companies are entering 2024 with mixed levels of confidence vs. apprehension and hiring patterns will likely reflect that imbalance in the months to come.



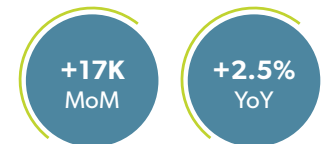
## UTILITIES

The EPA announced the proposed Lead and Copper Rule Improvements (LCRI) on Nov. 30, 2023, which they expect to finalize before Oct. 16, 2024. Water systems are currently required to submit initial inventories of their lead service lines by Oct. 16, and further requirements will be clarified when the LCRI is finalized later this year. PwC, Deloitte, and Fidelity outlooks anticipate that the IRA/other clean energy policies, grid modernization, and battery supply chain development will continue to drive activity within the utilities industry in 2024. Still, high interest rates and inflation have caused some utilities to sell nonregulated or noncore assets to keep customer bills affordable.



## CONSTRUCTION

Private construction spending increased in November (latest data available), with notable increases in residential, manufacturing, and power, oil, and gas construction, while public construction spending weakened in most segments. Contrastingly, the AGC's 2024 Construction Hiring Outlook revealed that respondents are most optimistic about public-sector segments, especially water and sewer projects. Expectations for federally-funded projects have moderated due to delays caused by the federal review and permitting process. Interest rates, rising costs, the U.S. economy, and talent supply remain top-of-mind for firms entering 2024. Construction added a net 197,000 jobs over the last year, and the AGC states that most contractors "expect to hire more employees in 2024 but are struggling to find enough qualified workers."



## ARCHITECTURE & ENGINEERING

Architectural business conditions remained soft in November (latest data available); however, inquiries rebounded after declining in October, and fewer firms reported a decline in newly-signed design contracts compared to October. Going into 2024, firms surveyed by the AIA reported that they are most concerned about increasing profitability, managing rising operational costs, and negotiating appropriate project fees. In response to the proposed LCRI (see Utilities), engineering services companies like Jacobs and Black & Veatch are supporting water systems as they prepare for new regulations.



## Industry Trends, continued

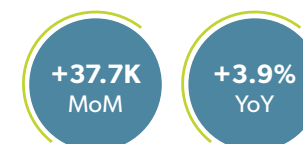
### AEROSPACE & DEFENSE

The National Defense Authorization Act (NDAA) for Fiscal Year 2024 was signed into law by President Biden in December. The fiscal 2024 NDAA authorizes a record \$886B in annual military spending and includes a 5.2% pay raise for service members, an extension of aid to Ukraine, and other policies intended to strengthen the DOD and national security. Another quality incident involving an aircraft has reinforced the need for higher quality engineering practices within the aerospace industry.



### HEALTHCARE

Kaufman Hall's latest National Hospital Flash Report points to stabilization, growth, and signs of financial recovery within hospital systems at the end of 2023. Kaufman Hall emphasizes that healthcare organizations "must reinvest in strategic growth to sustain their mission" of financial viability in 2024 and beyond. Several healthcare outlooks anticipate the following trends to dominate the healthcare sector in 2024: digital transformation, increased M&A/consolidation activity, outsourcing, data analytics and artificial intelligence (AI), and navigation of high costs. According to Deloitte, 86% of surveyed health system execs expect M&A to have a moderate-to-great impact on their 2024 strategies.



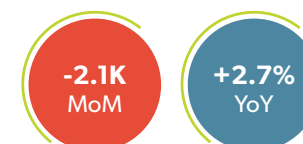
### SCIENTIFIC R&D

The Inflation Reduction Act mandates pricing negotiations between Medicare and the federal government for certain drugs, which has many pharmaceutical manufacturers and middle market life sciences companies concerned about future revenue and research collaboration. Meanwhile, 169 drugs from the 18 largest pharma companies will undergo patent expiration by 2030, which presents opportunities for middle market companies to bring generics or biosimilars to market. Fujifilm has announced a \$200M investment for its new headquarters of Fujifilm Cellular Dynamics in Madison, WI and its Fujifilm Diosynth Biotechnologies' Thousand Oaks, CA site, funding R&D and expansion of laboratory and GMP facilities. Fujifilm anticipates the cell therapy market will "grow by more than 30% per year up from USD 3.3 billion in FY2022."



### AUTOMOTIVE

Auto manufacturing lost 2,000 jobs in December, partly due to the ongoing impacts of the UAW strike. The end of the strike at Mack Trucks helped mitigate the industry's losses, as the striking union members were back at work in December. The EV market is a complex one: on the one hand, 25 new EV models are planned to go on sale in 2024, several of which will be the first EV of their brand. On the other hand, the auto industry is "recalibrating the timeline for the EV transition," leading many battery companies to lay off workers in recent months. U.S. auto sales jumped 16% in December and finished the year up 13% at \$15.6M, the highest annual sales total since 2019. Many automakers are expecting slow growth and high competition in 2024, given growing inventories, increased incentives, and high interest rates.



### C&IP *Manufacturing of Durable Goods, Technology, Chemicals, Food Products, etc.*

Manufacturing indices pointed to yet another month of contraction in December, although outlooks are beginning to shift, with more survey respondents anticipating increases in future demand and capital expenditures. Honeywell will acquire Carrier's Global Access Solutions business for \$4.95B, an acquisition which includes software and hardware solutions and supports Honeywell's automation and digitalization goals. Japan's largest steelmaker, Nippon Steel, has announced it will acquire U.S. Steel for ~\$14.1B. Manufacturing construction spending hit a record high in 2023, but analysts are concerned that the manufacturing boom could intensify the shortage of qualified workers. In cities with an already-low supply of manufacturing workers, smaller manufacturers will have to compete with new megafactories for talent.



# Wages in the United States

How they've changed.

+3.4%



## Consumer Price Index

Inflation increased 3.4% for the 12 months ending December, higher than November's 3.1%. The "core" CPI (all items minus volatile food and energy) was 3.9%, which is higher than preferred but slightly lower than November's 4.0%. For the Federal Reserve to cut interest rates this year, they need to be confident that inflation will keep declining toward their goal of 2%.

+4.1%



## Wage Increases

Average hourly earnings increased 4.1% over the last 12 months, slightly higher than the annual increase recorded in November. Annual wage growth has stayed within the 4.0%-4.4% range since March 2023, which is down from 2022 levels but still higher than the pre-pandemic norm.

+0.8%



## "Real" Earnings

"Real," inflation-adjusted average hourly earnings increased 0.8% over the last 12 months, the same annual increase that was recorded in November.

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# References

## Read more about trends in Engineering & Sciences

**UTILITIES:** [Proposed Lead and Copper Rule Improvements](#); [Power and utilities: US Deals 2024 outlook](#); [Deloitte 2024 power and utilities industry outlook](#); [Fidelity – Utilities: A bright long-term outlook](#)

**CONSTRUCTION:** [Monthly Construction Spending, November 2023](#); [Construction Industry Adds 17,000 Workers In December But Association Survey Finds Contractors Are Struggling To Find Skilled Employees](#); [Construction Firms Have Mixed Outlook For 2024...](#)

**ARCHITECTURE & ENGINEERING:** [ABI November 2023: Business conditions remain soft at architecture firms](#); [Supporting Water Systems with the Lead and Copper Rule Improvements](#); [Preparing for Proposed Lead and Copper Rule Improvements](#)

**AEROSPACE & DEFENSE:** [Biden signs \\$886 billion US defense policy bill into law](#); [H.R.2670 - National Defense Authorization Act for Fiscal Year 2024](#); [Statement from President Joe Biden on H.R. 2670...](#); [Updates on Grounding of Boeing 737 MAX 9 Aircraft](#)

**HEALTHCARE:** [National Hospital Flash Report: December 2023](#); [West Monroe - 2024 Outlook: The Future of the Healthcare Industry](#); [Deloitte - 2024 Outlook for Health Care...](#); [McKinsey & Co. - 2024 healthcare services outlook...](#); [McKinsey & Co. - What to expect in US healthcare in 2024 and beyond](#)

**SCIENTIFIC R&D:** [Medicare Drug Price Negotiation Program: Manufacturer Agreements for Selected Drugs for Initial Price Applicability Year 2026](#); [Life sciences eyes give-and-take with IRA and upcoming 'patent cliff'](#); [Fujifilm to Invest USD 200 Million to Expand Cell Therapy Development and Manufacturing Capabilities](#)

**AUTOMOTIVE:** [December employment: Still chugging, but losing some steam](#); [Big December finish gives automakers fresh hope for 2024, despite headwinds](#); [What to expect from automakers in 2024. Hint: It's EVs](#); [Job losses at battery companies mark cost of slowing EV transition](#)

**C&IP:** [S&P Global US Manufacturing PMI](#); [December 2023 Manufacturing ISM Report on Business](#); [Honeywell To Strengthen Building Automation Business With Acquisition Of Carrier's Global Access Solutions](#); [Storied US Steel to be acquired for more than \\$14 billion by Nippon Steel](#); [The Megafactories Are Coming. Now the Hustle Is On to Find Workers.](#)