STRATOS
INVESTMENT MANAGEMENT

JOLTS – BAD TIMING?

COMMENTARY

NOV 2026

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Tuesday's (Nov. 2, 2026), JOLTS release came on an interesting day... No, it's always released on a Tuesday, and usually the first Tuesday of each month. Rather, Tuesday's release was interesting because it is also election day and the data, good or bad, really comes too late to be helpful to either party from an election standpoint. All well and good, but how did the data look? In a word, good.

Job openings for September increased relative to August (up 333,000 from August to 7.523 million), and August's data was revised higher (up 111,000 to 7.19 million from 7.079 million). The number of net jobs (our definition: job openings less unemployed people) decreased to -414,000. In other words, for the month of September, there were 414,000 more jobs than unemployed people available to fill them. In theory, this should mean that the job landscape is pretty healthy, but like many economic statistics today, the numbers don't tell the entire story.

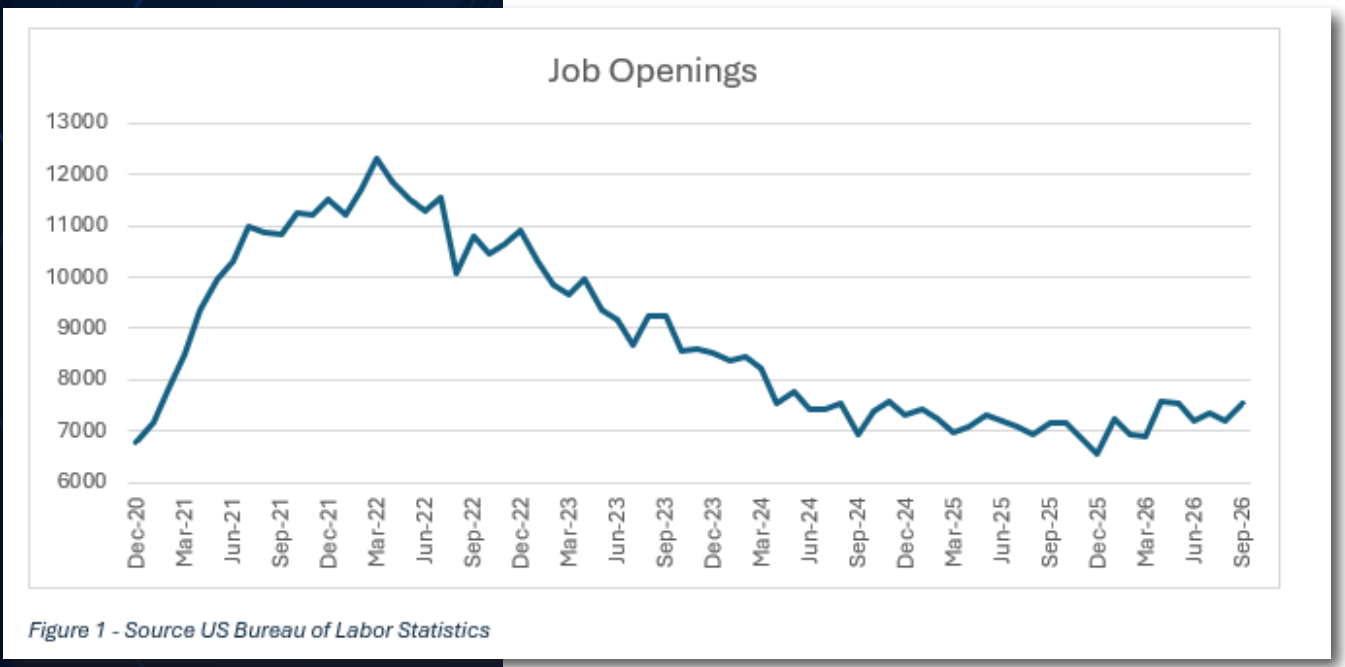


Figure 1 - Source US Bureau of Labor Statistics

While job openings are certainly well below pre-COVID levels, they appear to have bottomed near the end of last year. While the number of job openings seems to have trended higher since the beginning of this year, the growth rate hasn't been that robust. And yet, is the slowness of the job openings growth rate something about which we should worry? SIM doesn't believe so, for a number of reasons.

Moving Average

If we look at the moving average of job openings we see, what SIM believes to be, some green shoots. Looking at Figure 2 below, you should note that the absolute number of job openings has moved above its twelve-month moving average. While market watchers were likely correct to be concerned about the data subsequent to COVID, the economy never rolled over into a recession. Further, in periods where the job openings are above the moving average, the economy tends to stay in expansion mode.



Figure 2 - Source: US Bureau of Labor Statistics

Labor Force

Additionally, the labor force (which is defined as the sum of employed and unemployed individuals), is not static. It changes over time. Yet it is the rate of the change upon which we should focus our attention.

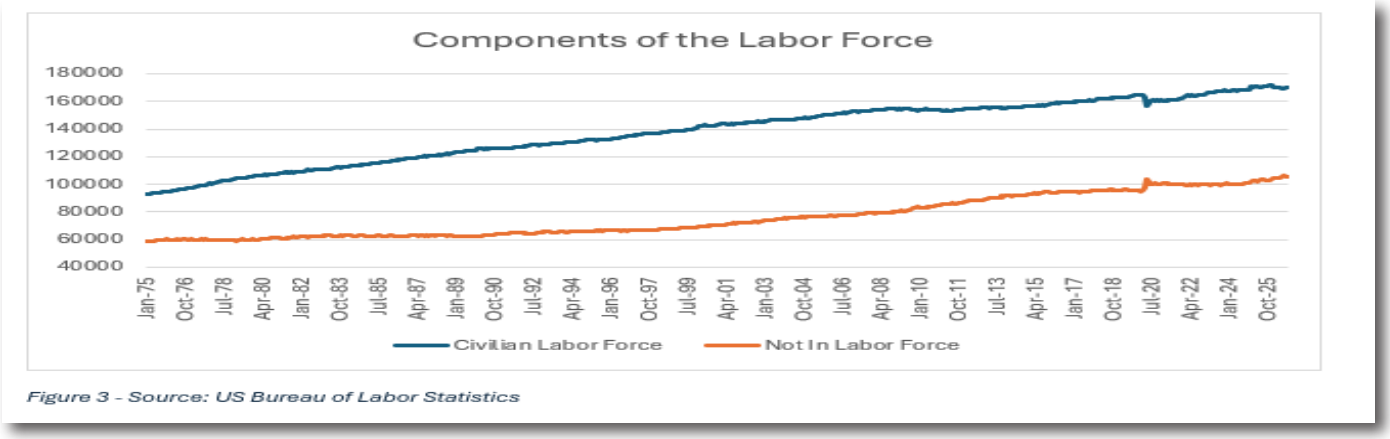


Figure 3 - Source: US Bureau of Labor Statistics

As we see from Figure 3 above, the US Civilian Labor Force has grown steadily over the years. This should make sense, as the growth of the labor force should be tied to the number of people within a country, and the US population has (in general) grown every year. What may be less apparent is that the growth rate seems to have slowed and, indeed, even looks as if it has recently begun to decline. Interestingly you may note that the numbers of people that are not in the labor force have also risen and that the growth rates of those not in the labor force seem to have accelerated. What gives?

SIM believe that it is tied to demographics.

The first member of the Baby Boom generation turned 55 right around the turn of the century. The first Boomer turned 65 in 2011. Those dates are important because to be considered part of the Non-Institutional Population, from which the labor force is derived, you only need to be at least 16 years of age. So, as Boomers retire, they are no longer part of the Labor Force, but they are still part of the non-institutional population. (For purposes of this paper, we will define the sum of those in the labor force and those not in the labor force as the Available Labor Pool which we will define as equivalent to the Non-Institutional Population.)

By itself, the Baby Boom generation's retirement shouldn't create an economic employment issue, except that they were the largest generation in history until fairly recently. This fact means that as Boomers retire(d) there weren't enough people coming into the labor pool to offset the Boomer retirements. Further, if this is truly the case, we would expect to see the growth rate of the labor force decline, perhaps even turning negative, while the Labor Pool continued to grow. Looking at Figure 4 below, we can see that has been the case.

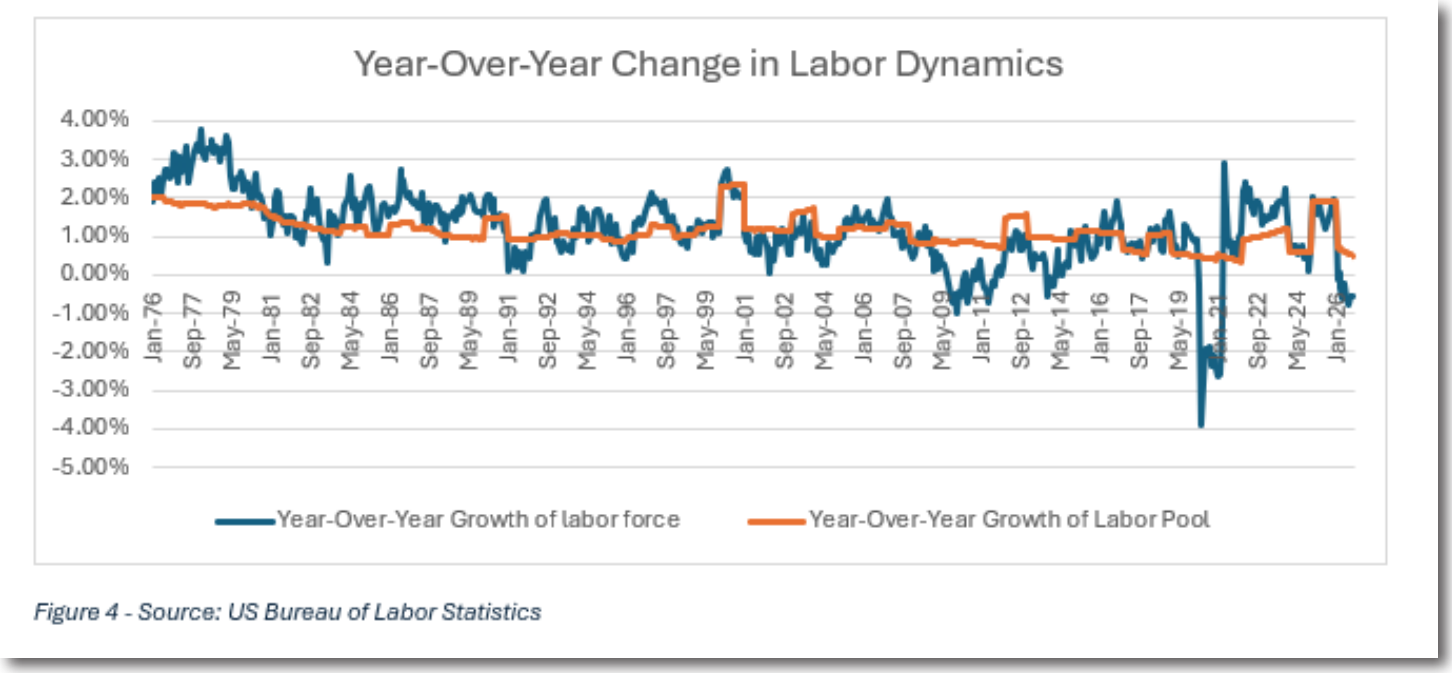


Figure 4 - Source: US Bureau of Labor Statistics

We can see that around the time the first Boomer turned 65 (2011), the growth rate of the Labor Force turned negative, bounced higher and turned negative again in 2014. The average Baby Boomer is now 71 years of age (the oldest is 80 and the youngest is 62), and the growth rate of the labor pool has again fallen into negative territory.

As we have spoken to employers over the last few years, we continue to ask the same question, "Are you able to find qualified employees?" The answer has remained the same, "no." As noted in several publications over the past few years, SIM does not believe the growth rate in Job Openings has been sub-par because there are no jobs. Rather, we don't believe that employers want to add to an already poor situation. If they currently can't find qualified employees, why would they add to the problem by adding more job openings they already can't fill?

In a nutshell, SIM believes the current relationship between job openings and unemployed people should not be enough to push the economy into recession. While the growth rate in Job Openings might not be that robust, we do not believe that it is because employers don't want to hire. This may not change until we can either increase the supply of labor or we find ways of wringing efficiencies out of processes to better utilize the employees we do have. Unfortunately, the positive news on jobs likely wasn't enough to change the outcome of this week's elections.

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