

Trucking Roadblock May be a Bigger Threat than Clogged Ports

The American Trucking Association (ATA), in an update issued earlier this week, estimates that the nationwide truck driver shortage will reach a record 80,000 in 2021, and if the current trend continues the ATA predicts the shortfall could double by 2030. There are a multitude of contributing factors including an aging workforce, widespread industry vaccine aversion, a dwindling labor pool due to age restrictions (drivers must be at least 21 years old), difficulty hiring and retaining woman (only 7% of drivers are female) and unwillingness or inability of applicants to take or pass required drug tests. The pool of potential workers was squeezed further during the pandemic as fewer new drivers were trained and certified.

Compounding the problem is the impending White House mandate requiring employees of businesses with 100 or more workers to be vaccinated, or tested weekly. Last week, ATA President Chris Spear sent a letter to the Office of Management and Budget (OMB) warning that the mandate could cause 37% of drivers to quit or retire. Earlier this month, industry leaders asked President Biden to delay the order until early 2022. It had been expected to take effect in November, although specifics were vague.

The severe worker shortage was already on track to upend what might otherwise have been a bounce-back holiday shopping season. A mass exodus of truck drivers could prove devastating to an already splintered supply chain.

The trucking story has made recent headlines, but the mandate pushback is widespread and the missing worker narrative runs deep. A Kaiser Family Foundation poll taken in September showed 30% of unvaccinated workers would quit their jobs rather than comply with the mandate or be subject to regular testing.

A record 4.3 million Americans quit their jobs in August, after four million quit in both June and July. Headlines proclaim the U.S. is in the midst of "the Great Resignation." Workers suddenly have the upper hand, which isn't necessarily a bad thing ... unless the leverage comes during a global pandemic and extends to millions of workers as the holiday season fast approaches.

In early October, 14,000 Kellogg employees in Nebraska, Tennessee, Michigan and Pennsylvania began a strike demanding improved wages and benefits, and reduced hours. Two weeks ago, operations at 11 John Deere factories and three distribution centers closed as 10,000 employees walked off the job. Deere production workers reportedly rejected a deal that included a 20% wage increase, and better retirement benefits along with a one-time bonus. Yesterday, Amazon warned, "In the fourth quarter, we expect to incur several billion dollars of additional costs in our consumer business as we manage through labor supply shortages, increased wage costs, global supply chain issues, and increased freight and shipping costs."

This morning, the Labor Department released the Employment Cost Index (ECI)

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showing a record +1.3% increase for the third quarter. Company wages and salaries rose +1.6% during the quarter, also a record.

Sharp increases in labor costs will initially be passed along in the form of higher prices to consumers, and/or reduce company profits. Over time, automation will fill the gaps and expedite lay-offs when the next recession hits.

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Market Indications as of 9:19 A.M. Central Time

DOW	Down 28 to 35,702 (HIGH: 35,757)
NASDAQ	Down 85 to 15,363 (HIGH: 15,448)
S&P 500	Down 12 to 4,584 (HIGH: 4,596)
1-Yr T-bill	current yield 0.12%; opening yield 0.10%
2-Yr T-note	current yield 0.52; opening yield 0.47%
3-Yr T-note	current yield 0.80%; opening yield 0.75%
5-Yr T-note	current yield 1.23%; opening yield 1.17%
10-Yr T-note	current yield 1.58%; opening yield 1.56%
30-Yr T-bond	current yield 1.96%; opening yield 1.97%

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