# Macro Signposts | As Older Workers Retire, Labor Costs Ease

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Recent trends are sending confusing signals about the health of the U.S. labor market. Since late 2025, the employment/population ratio has moved lower even as the unemployment rate has declined. This appears to be without precedent in modern history: Since 1949, for every comparable decline in the employment/population ratio, the unemployment rate rose, and typically by more than the employment/population ratio fell (according to the U.S. Census Bureau and the Bureau of Labor Statistics (BLS)).

This cycle has been different, largely due to an unusually rapid contraction in labor supply. Various structural changes in the labor market are likely contributing, including more retirements among older, potentially higher-income workers. Evidence suggests that overall labor demand remains tepid as well, and these structural forces may themselves be limiting labor costs.

Conflicting signals about U.S. labor markets complicate the Federal Reserve’s pursuit of its dual mandate (maximum employment and price stability). However, it does seem clear that labor markets are not a source of inflationary pressure; the net effects of the structural forces affecting labor markets include moderating wage inflation and subdued unit labor costs. This should help the Fed respond appropriately to broader inflationary pressures as needed.

Source: https://www.pimco.com/us/en/insights/as-older-workers-retire-labor-costs-ease