

MassHire State Workforce Board Meeting

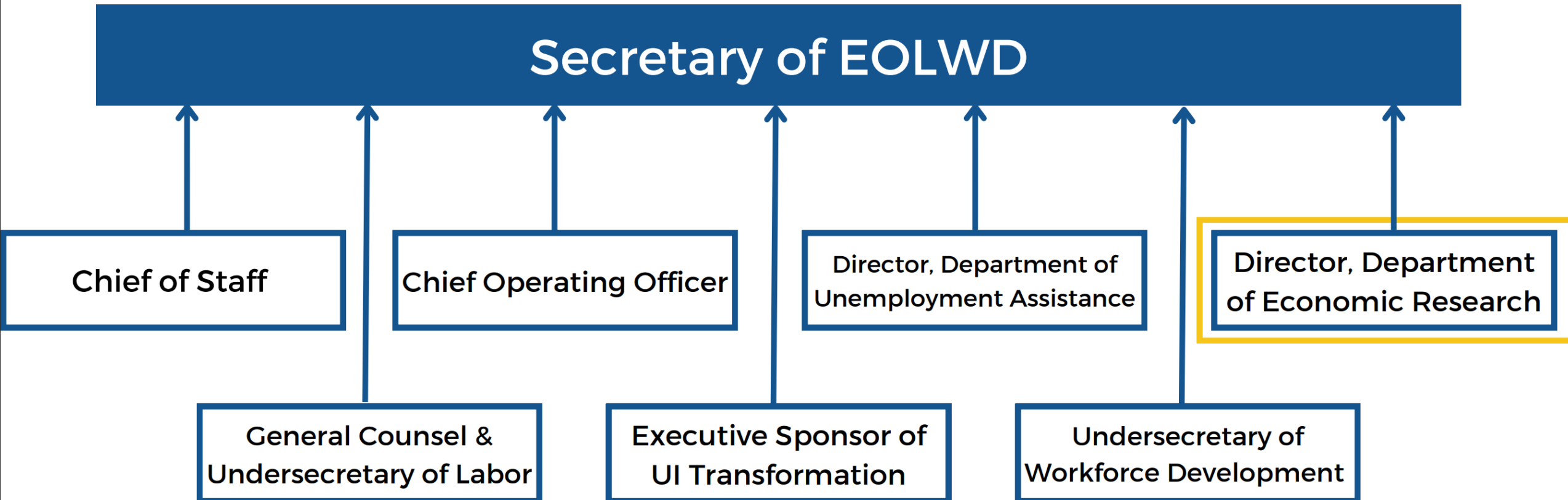
June 15, 2023



Executive Office of Labor and Workforce Development
Commonwealth of Massachusetts



EXECUTIVE OFFICE OF LABOR AND WORKFORCE DEVELOPMENT (EOLWD) SENIOR STAFF



The Department of Economic Research produces, analyzes, and distributes various data, labor market reports, and other resources related to employment, unemployment, occupations, industries, and other components of the Massachusetts labor market.

Our stakeholders include policy makers in state and local government, workforce development agencies, institutions within academia, employers, jobseekers, and others.



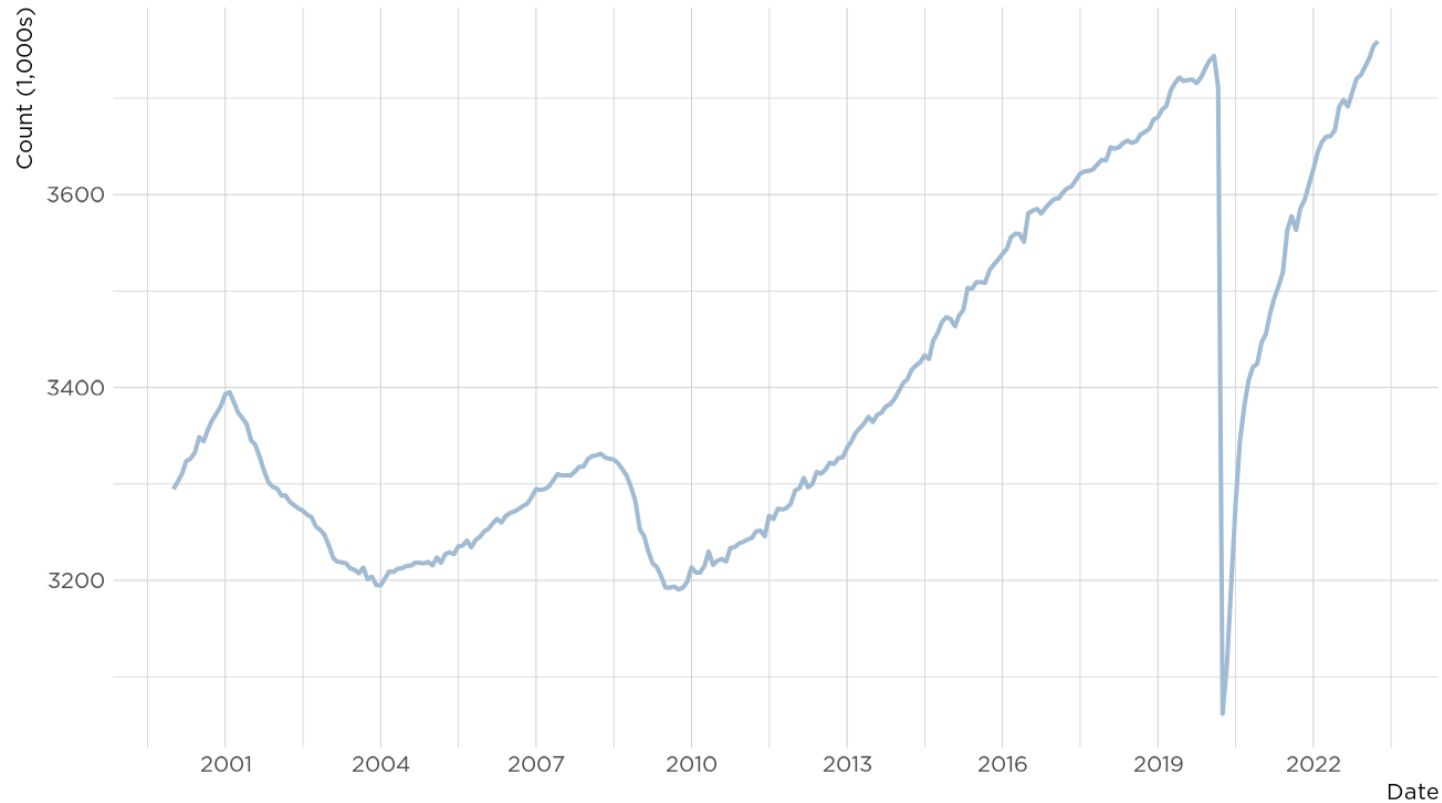
Overview

- Overall, the economy has recovered to pre-pandemic job levels, although the recovery has been uneven across industries.
- Labor force participation is down, and there are fewer Massachusetts residents employed and in the labor force today.
- The composition of the labor force has shifted, becoming more diverse and more educated, but with fewer early career workers.
- Coming out of the pandemic, employment has increased among occupations that require more education, although labor supply may have slowed down recovery among jobs that do not require credentials.
- Some industries are facing historically high labor market tightness, but most industries have returned to pre-pandemic levels.

Economic Conditions

Total Non-farm Employment

MA Statewide: January 2000 - April 2023

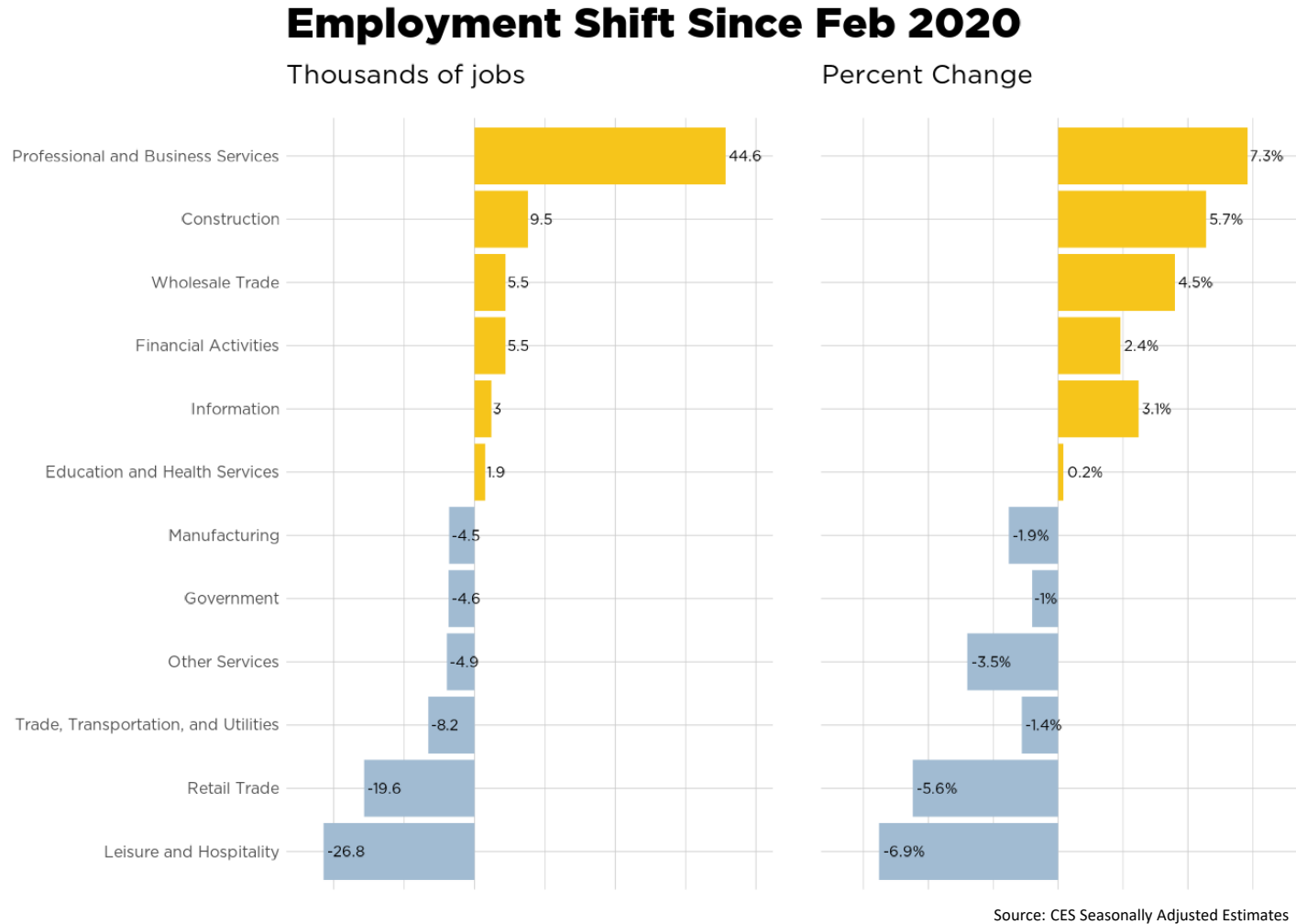


Source: CES Seasonally Adjusted Estimates

Full Job Recovery to Pre-Pandemic Employment Levels by February 2023

- By April 2023, Massachusetts recorded 3,759,000 jobs, exceeding pre-pandemic employment levels.

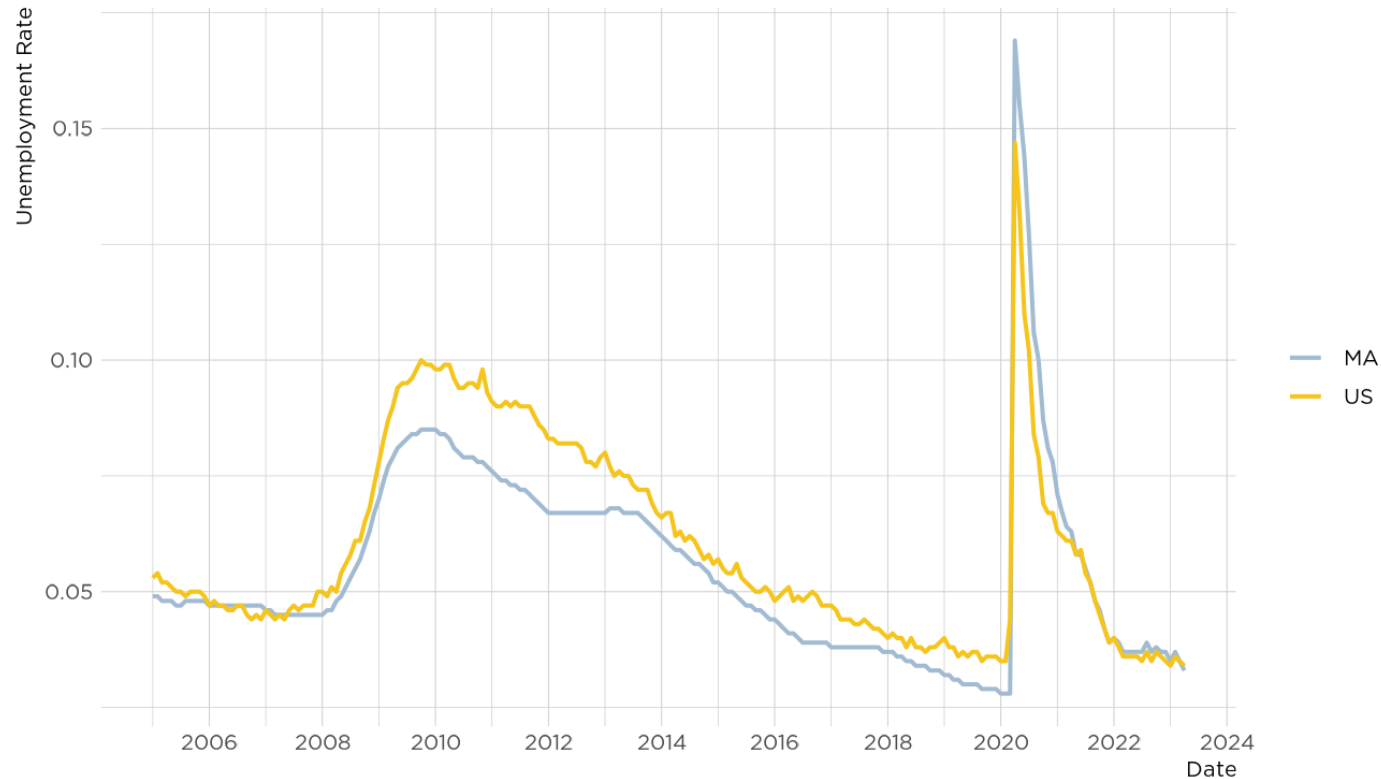
Recovery has been uneven across industries



- Professional and Business Services have experienced substantial growth, with employment increasing by over 7% since the pandemic.
- Conversely, the Retail and Leisure and Hospitality sectors lag, with employment still more than 5% below pre-pandemic levels.

Unemployment Rate in MA and US

January 2005 - April 2023



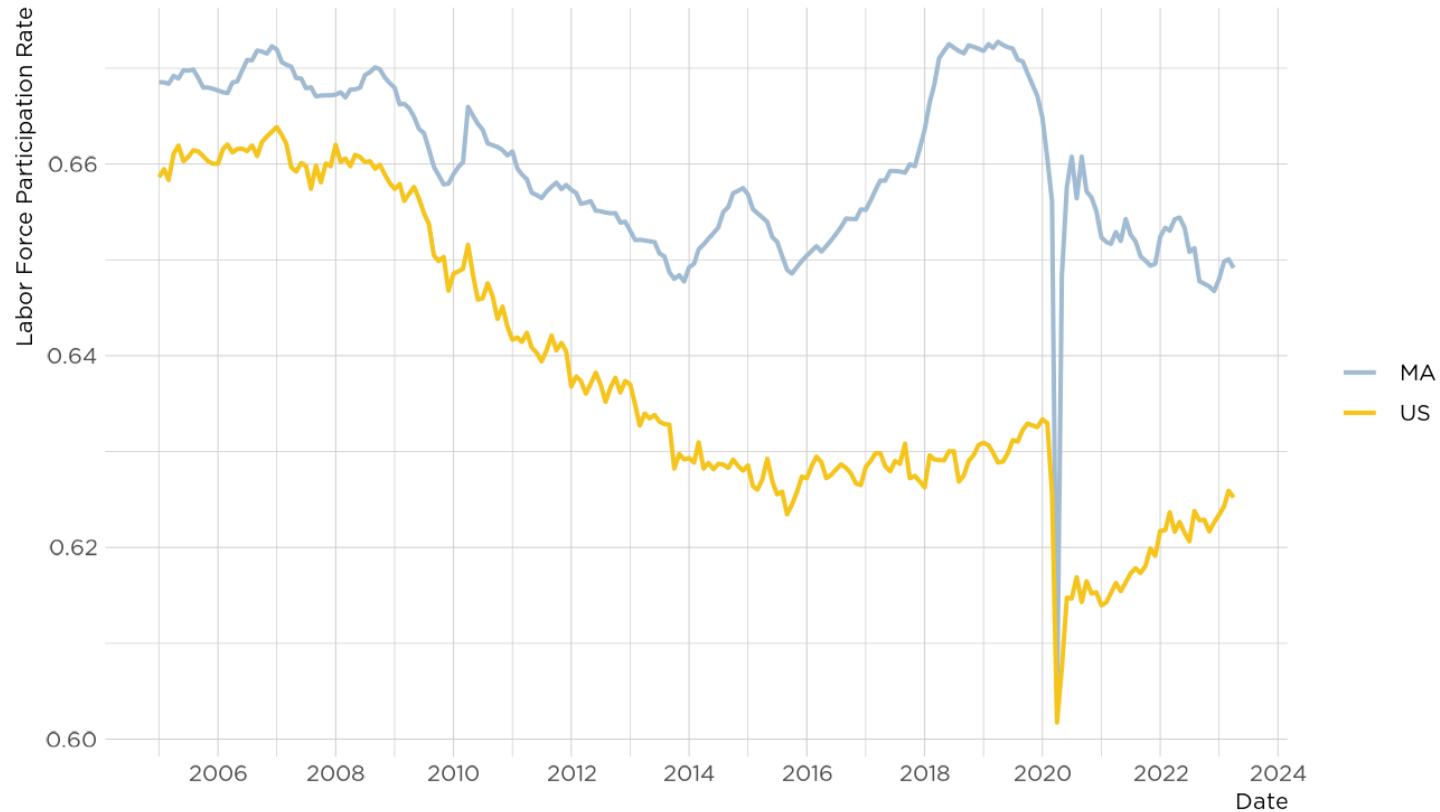
Source: Local Area Unemployment Statistics (MA), Current Population Survey (US)

April Unemployment in Massachusetts at 3.3%

- Massachusetts' rate was below the national rate by .1 percentage point in April.
- Despite being higher than pre-pandemic levels, this rate is historically low. Excluding 2019, the unemployment rate has only dipped below the current level 28 times since 1976.

Labor Force Participation Rate

January 2005 - April 2023



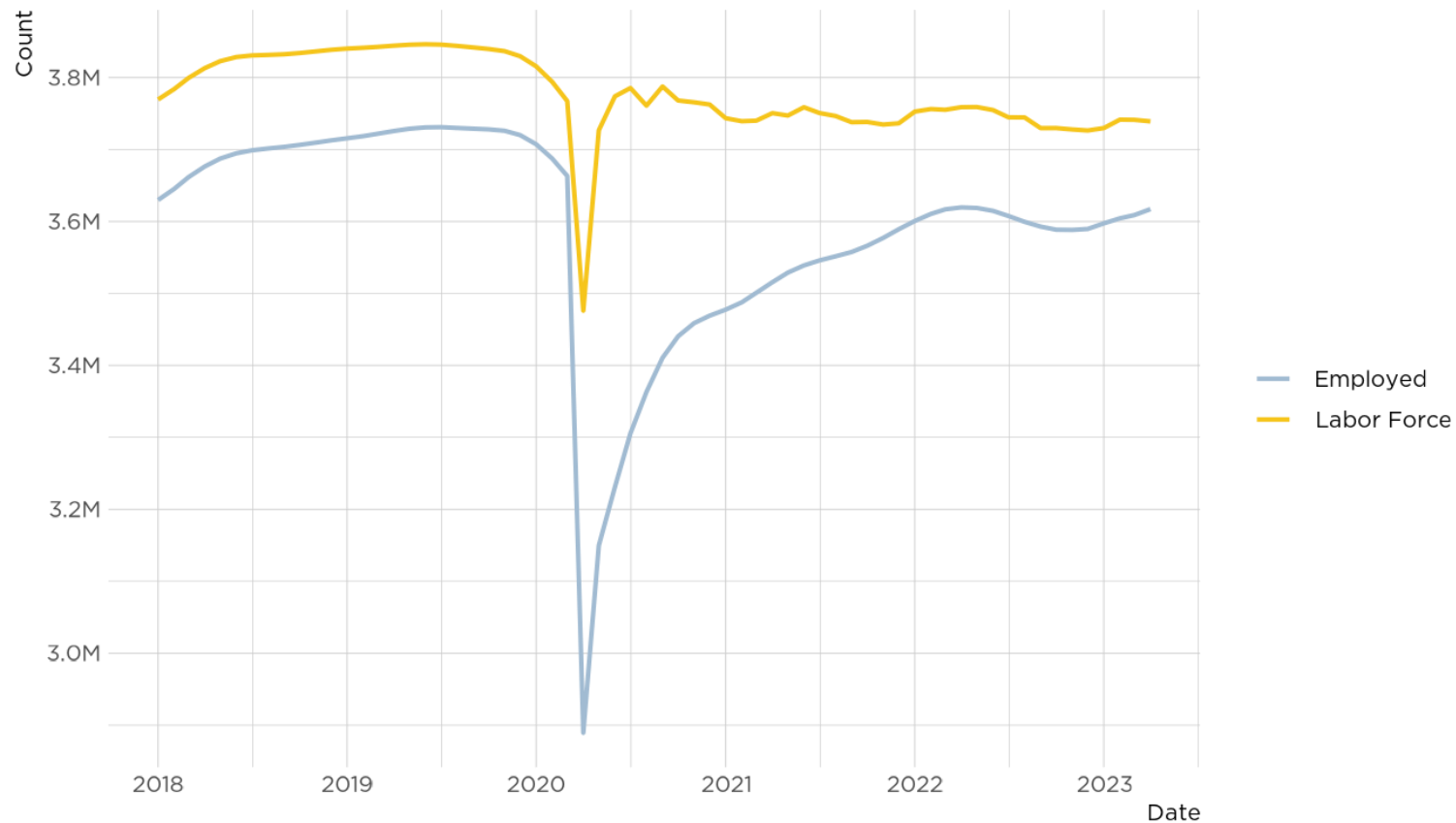
The labor force participation rate (LFPR) was 64.9% in April 2023.

- In April 2023, Massachusetts recorded a labor force participation rate (LFPR) of 64.9%, which was 2.4 percentage points higher than the national rate.
- However, this rate marks a 1.6 percentage point drop compared to January 2020.

How has the labor force
changed?

MA Employed & Labor Force

January 2018 - April 2023



Source: Local Area Unemployment Statistics

Decline in Labor Force and Employed Population Post-Pandemic

- Compared to December 2019, the labor force in April 2023 **shrank by 90,000 workers, marking a 2.4% decline.**
- Furthermore, the **number of people employed in Massachusetts dropped by 102,000** during this period.

Exploring Labor Force Evolution

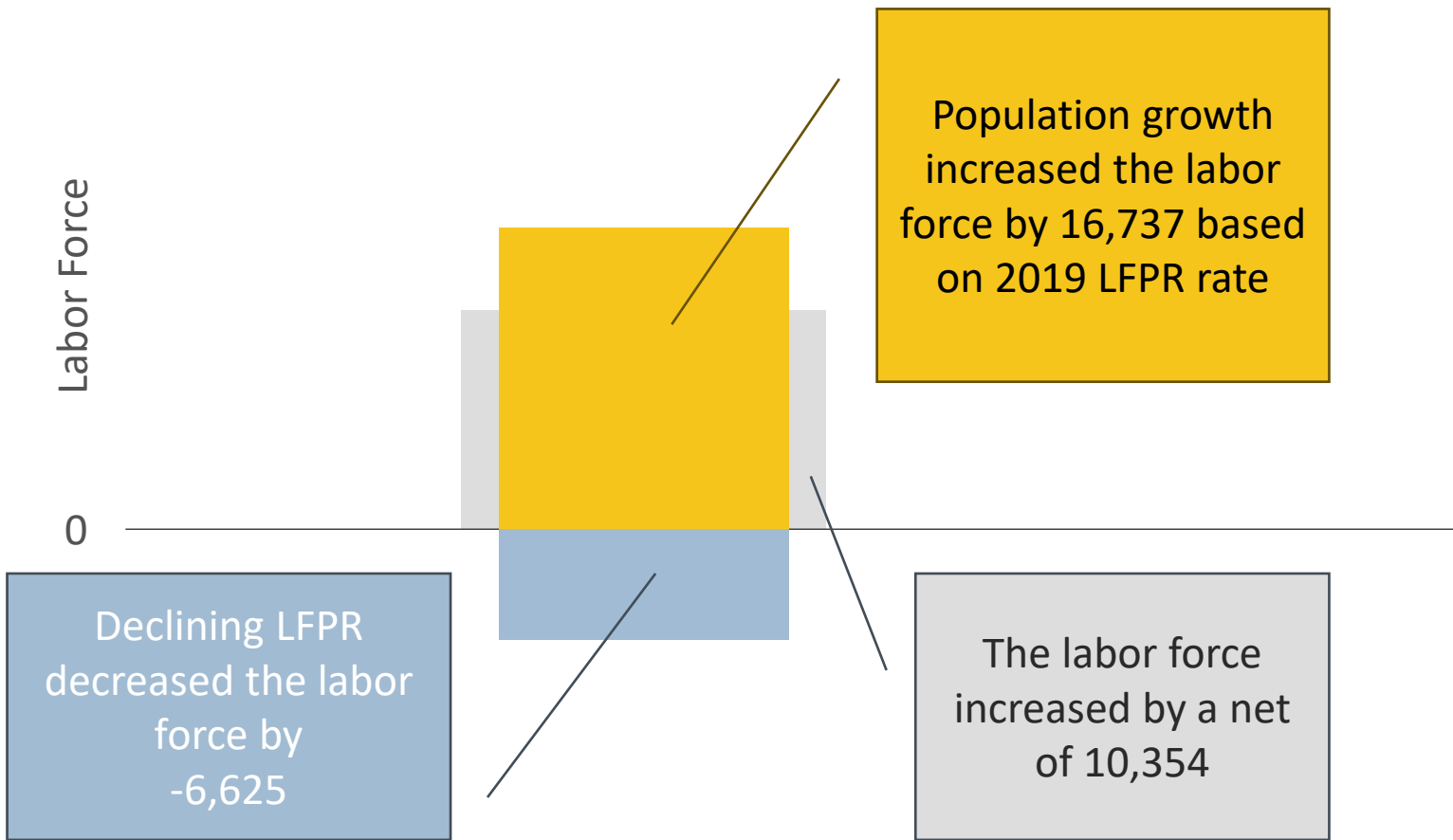
- Over the past three years, we've seen notable shifts in labor force size and composition due to factors like:
 - Fluctuations in immigration
 - Surge in domestic migration
 - Rising mortality rates from COVID-19
 - Evolving worker preferences and behaviors

Understanding Labor Force Changes

To examine these changes, we can break them down into two main areas:

- Population Growth/Decline Impact: How the changing size of a specific group influences the number of labor force participants within it.
- Labor Participation Rate Shifts: How the increase or decrease in labor force participation rates within a group affects the total number of participants.

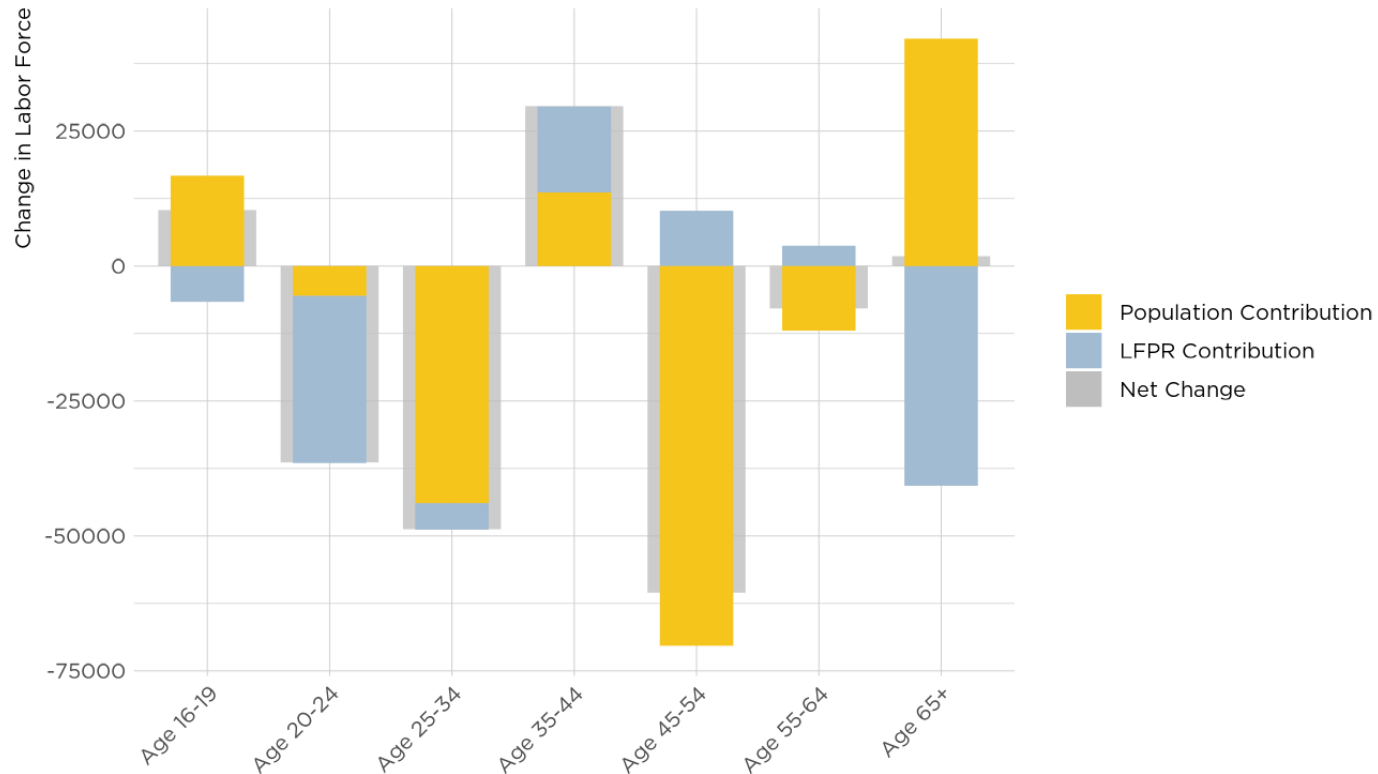
Decomposing labor force for those aged 16-19



16-19 year old	Dec 2019	Apr 2023
Population	324,021	368,067
Labor Force Participation Rate	38.0%	36.2%
Labor Force	123,003	133,357

Decomposing Change in Labor Force by Age

April 2023 compared to 2019 pre-pandemic levels



Source: Current Population Statistics, 12 month rolling average.

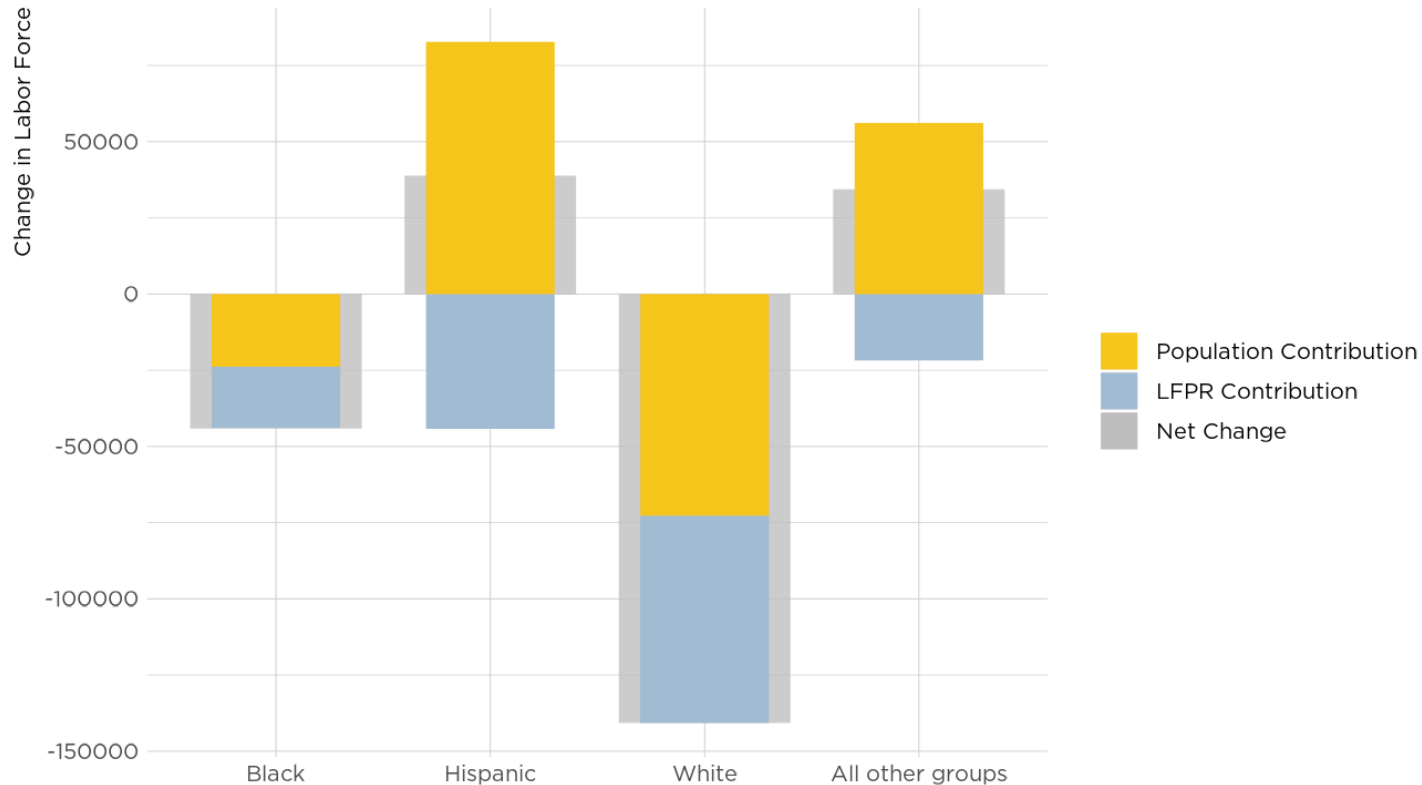
Early career workers have declined compared to pre-pandemic levels

- For those aged 20–24, reduced labor force participation has significantly driven down their average labor force over the past 12 months.
- Among those aged 25–34, a decrease in population size is the main contributor to their reduced average labor force in the last year.
- In contrast, the 35-44 age group saw an increase in the labor force, driven by population growth and increased participation rates.

The Labor Force has Become More Diverse

Change in Labor Force by Race

April 2023 compared to 2019 pre-pandemic levels

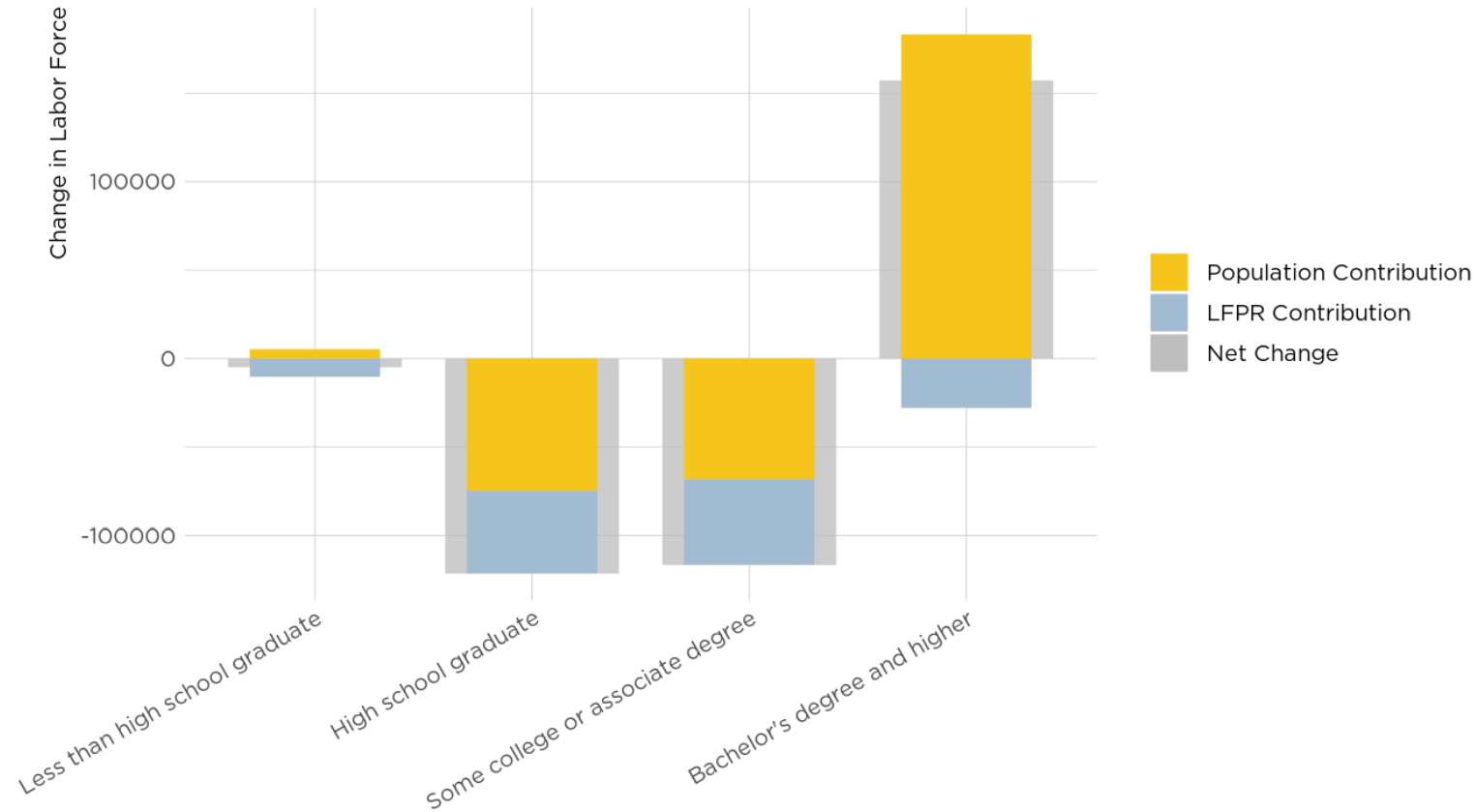


Source: Current Population Statistics. 12 month rolling average. All other groups includes people who identify as Asian, Native Hawaiian and Pacific Islander, American Indian & Alaska Native, and people who identify as more than one race.

- Despite a drop in participation rates since 2019, the labor force saw net increases among Asian, Hispanic, and multi-racial groups.
- Specifically, the average Hispanic labor force over the past 12 months rose by approximately 40,000.
- Conversely, both the Black and White labor forces experienced decreases due to population decline and falling labor force participation rates, compared to pre-pandemic levels.

Change in Labor Force by Education

April 2023 compared to 2019 pre-pandemic levels



Source: Current Population Statistics. 12 month rolling average.

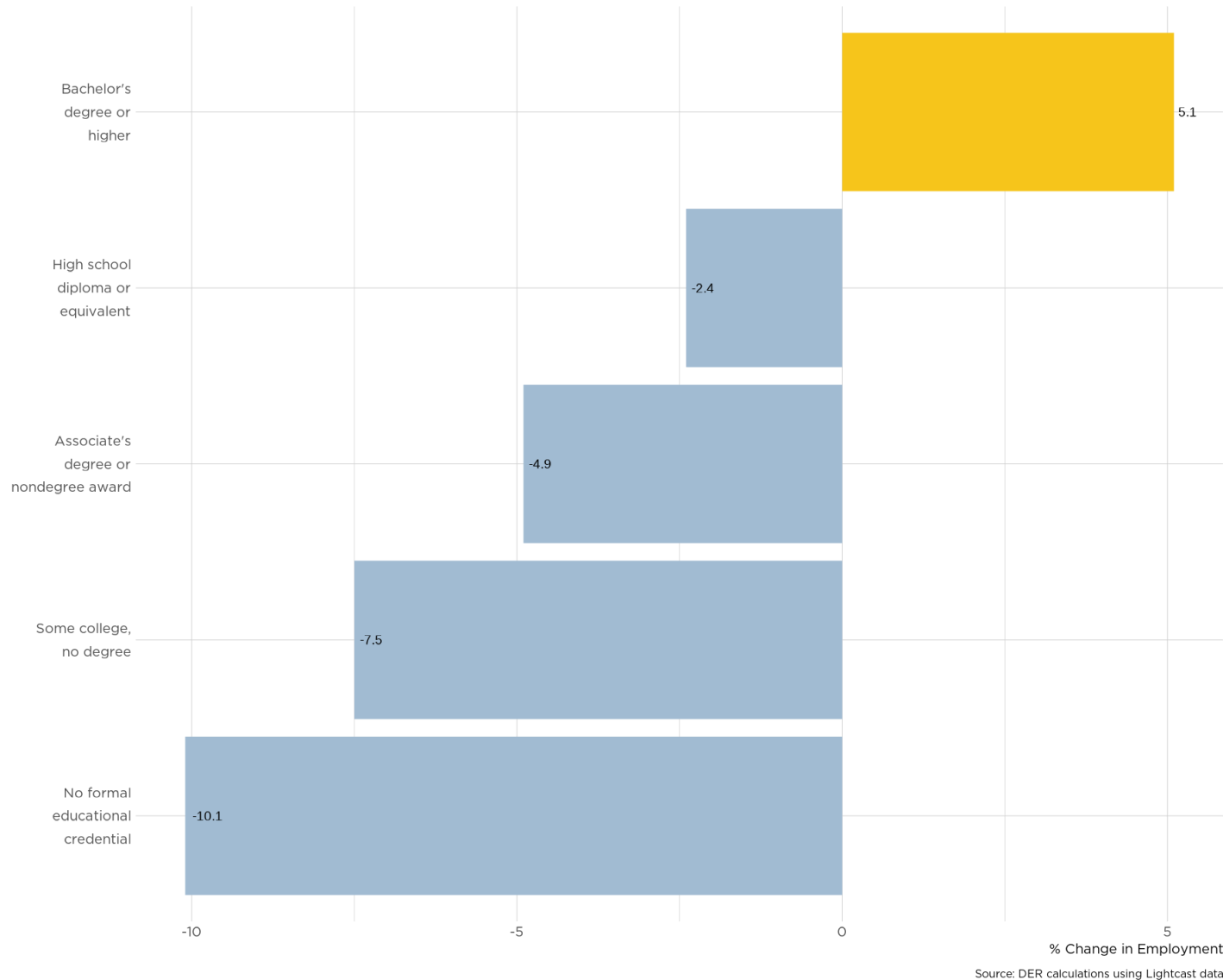
More Labor Force Participants Have a Bachelor's Degree

- The labor force has seen a decrease in participants without a bachelor's degree, while the population of those with a bachelor's degree has grown.
- This decline in the average labor force over the past 12 months among those with a **high school degree** or **some college of associate degree** is due to both shrinking populations and reduced participation rates.

How has demand changed since the pandemic?

Change in Employment by Educational Requirement

Massachusetts | Typical entry level education required | 2019 - 2022

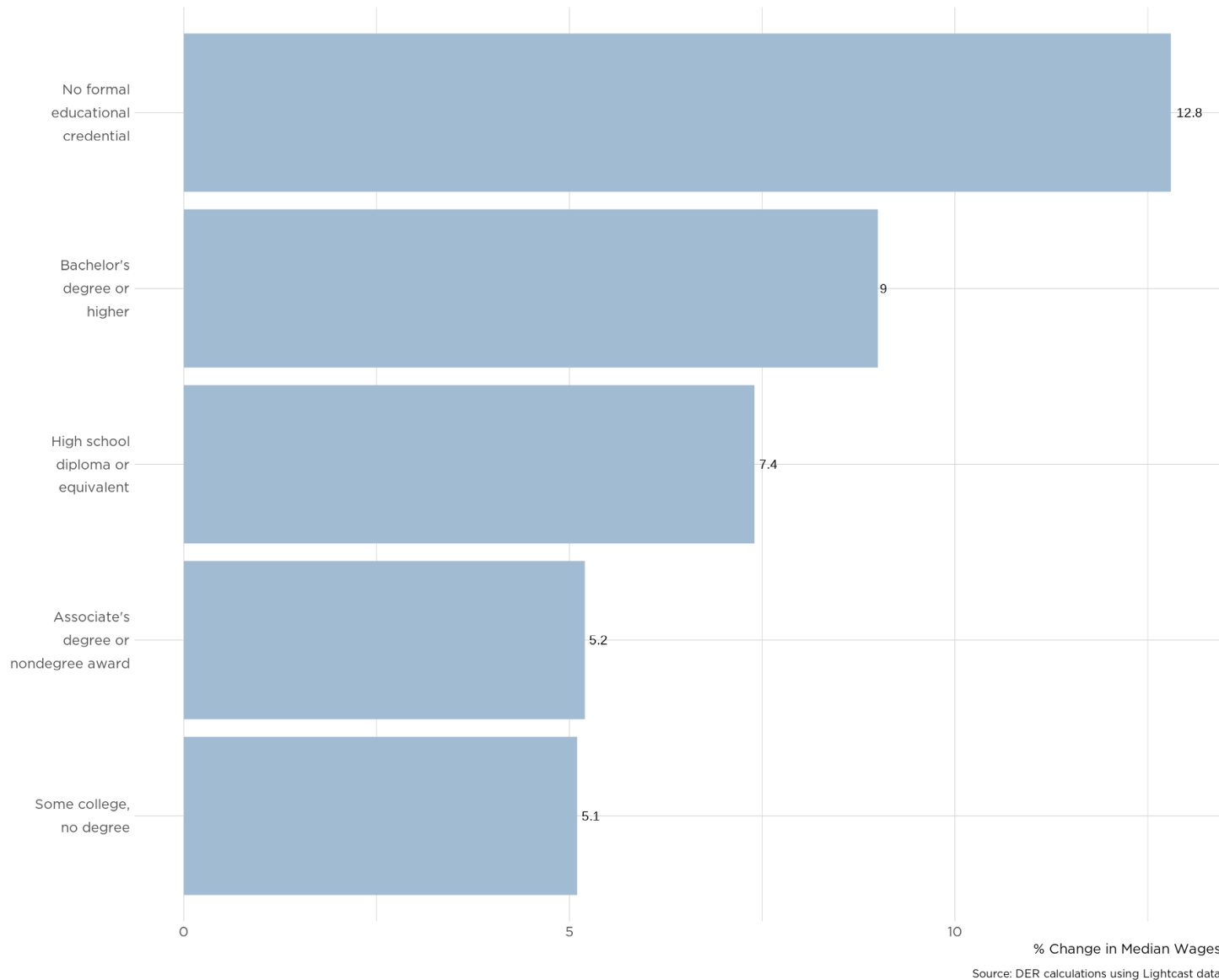


Changes in Employment Based on Occupation Education Requirements

- Jobs typically requiring a bachelor's degree saw a 5.1% increase in employment from 2019 to 2022.
- Conversely, occupations with no formal credential requirements experienced a 10.1% drop in employment during the same period.

Change in Median Wages by Educational Requirement

Massachusetts | Typical entry level education required | 2019 - 2021



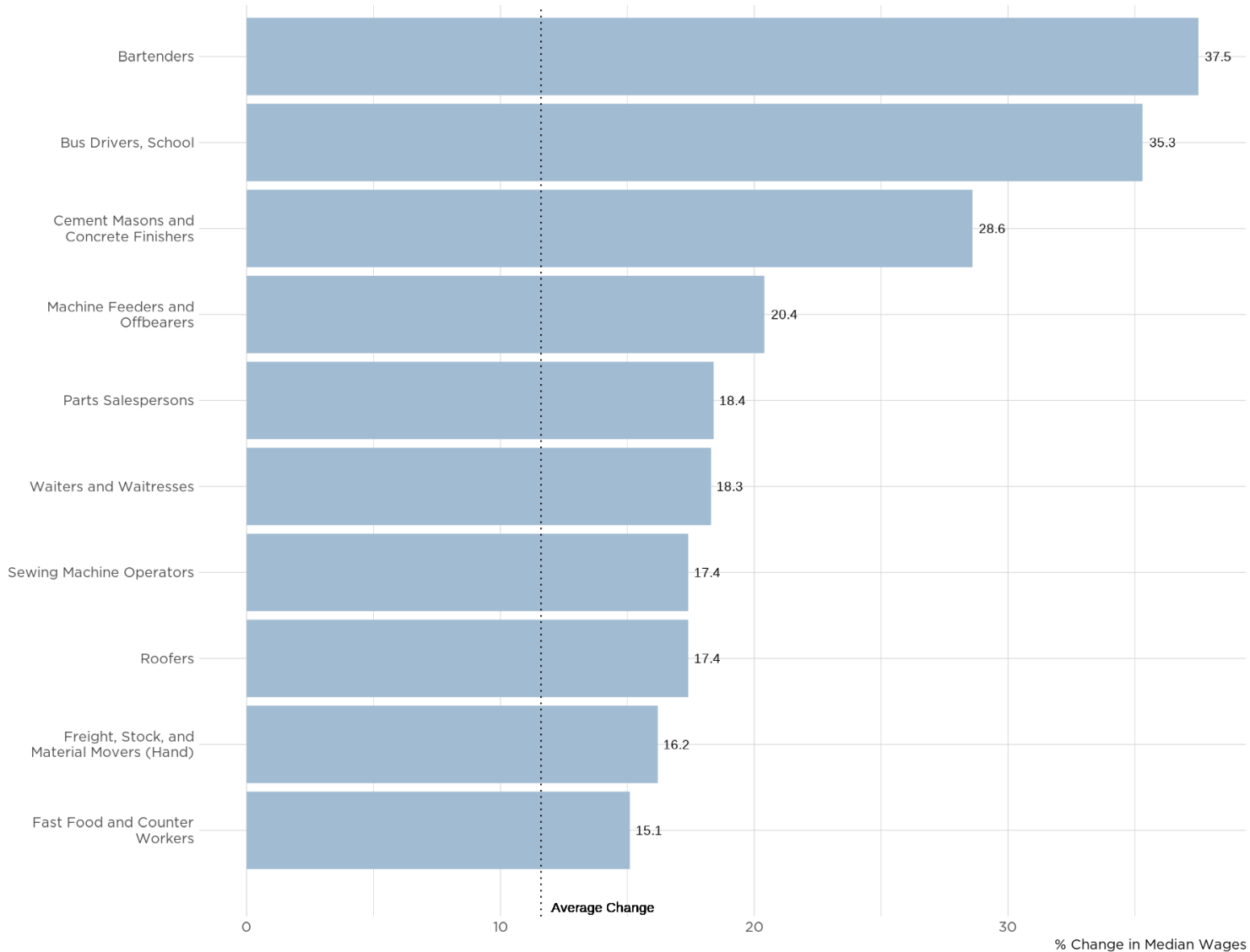
Wage Trends Suggest Limited Workforce Supply

- Median wages for **occupations without formal educational requirements** saw a **12.8% increase** between 2019 and 2021, suggesting slow employment growth might be due to limited labor supply.
- Conversely, **wage growth was lowest** among jobs usually requiring an associate's degree, non-degree awards, or some college education without a degree.

Change in Median Wages by Occupation

Massachusetts | 2019-2021

No formal educational credential | Occupations with at least 1,000 jobs



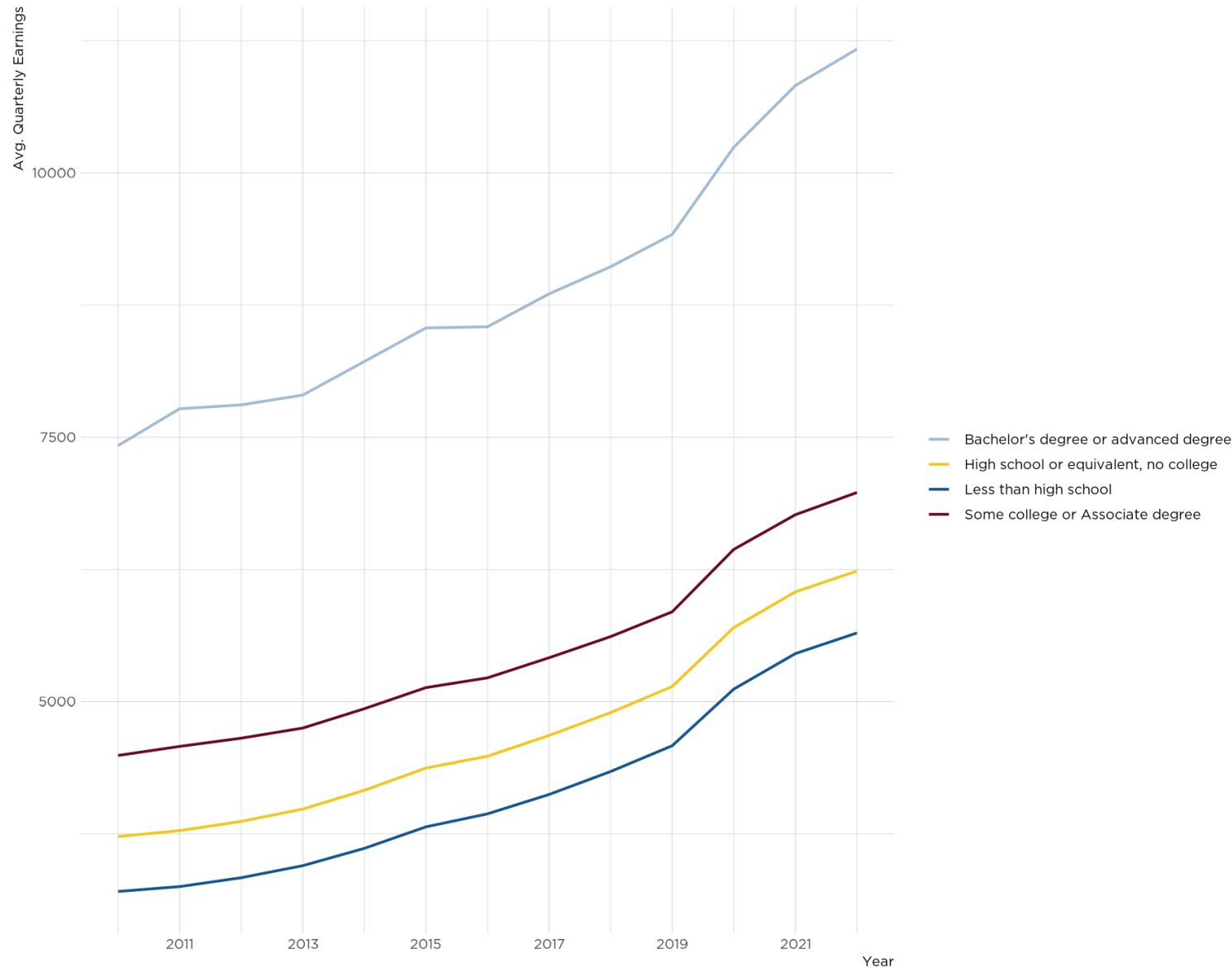
Source: DER calculations using Lightcast data

Exceptional Wage Growth in Jobs Without Educational Requirements

- Jobs across various industries, not typically requiring formal education, have witnessed median wage increases surpassing the average growth rate.

Avg. Monthly Earnings by Educational Attainment

Massachusetts | 2010 - 2022



Source: Quarterly Workforce Indicators. Calculations for 2010 and 2022 are based on partial years.

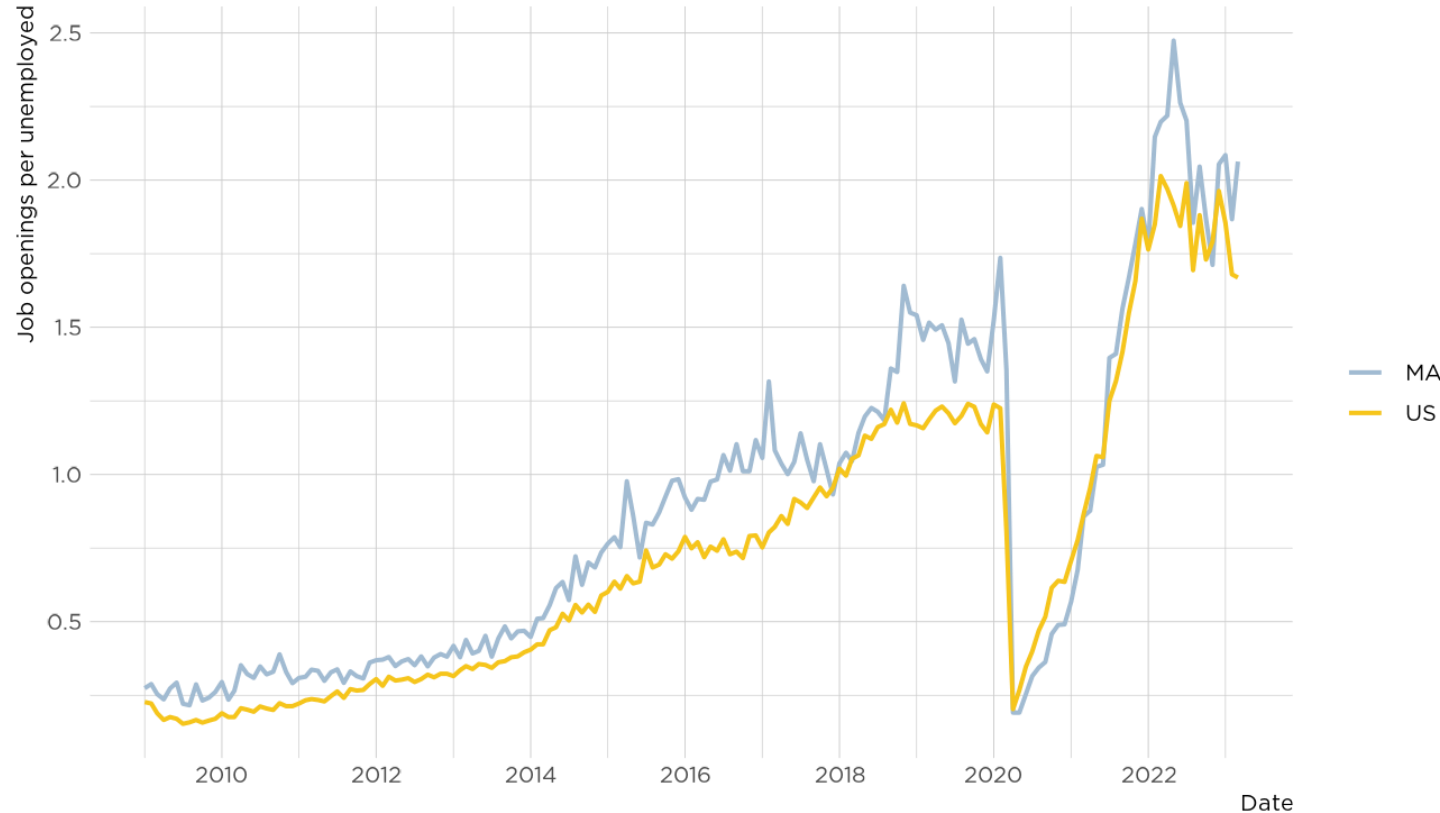
Earnings Gap Widens Based on Degree Level

- While average earnings have risen for all workers, the earnings gap between those with a bachelor's degree and those with an associate degree or some college has expanded from \$3,567 in 2019 to \$4,192 in 2022.

How tight is the labor market?

Labor Market Tightness

January 2009 - March 2023



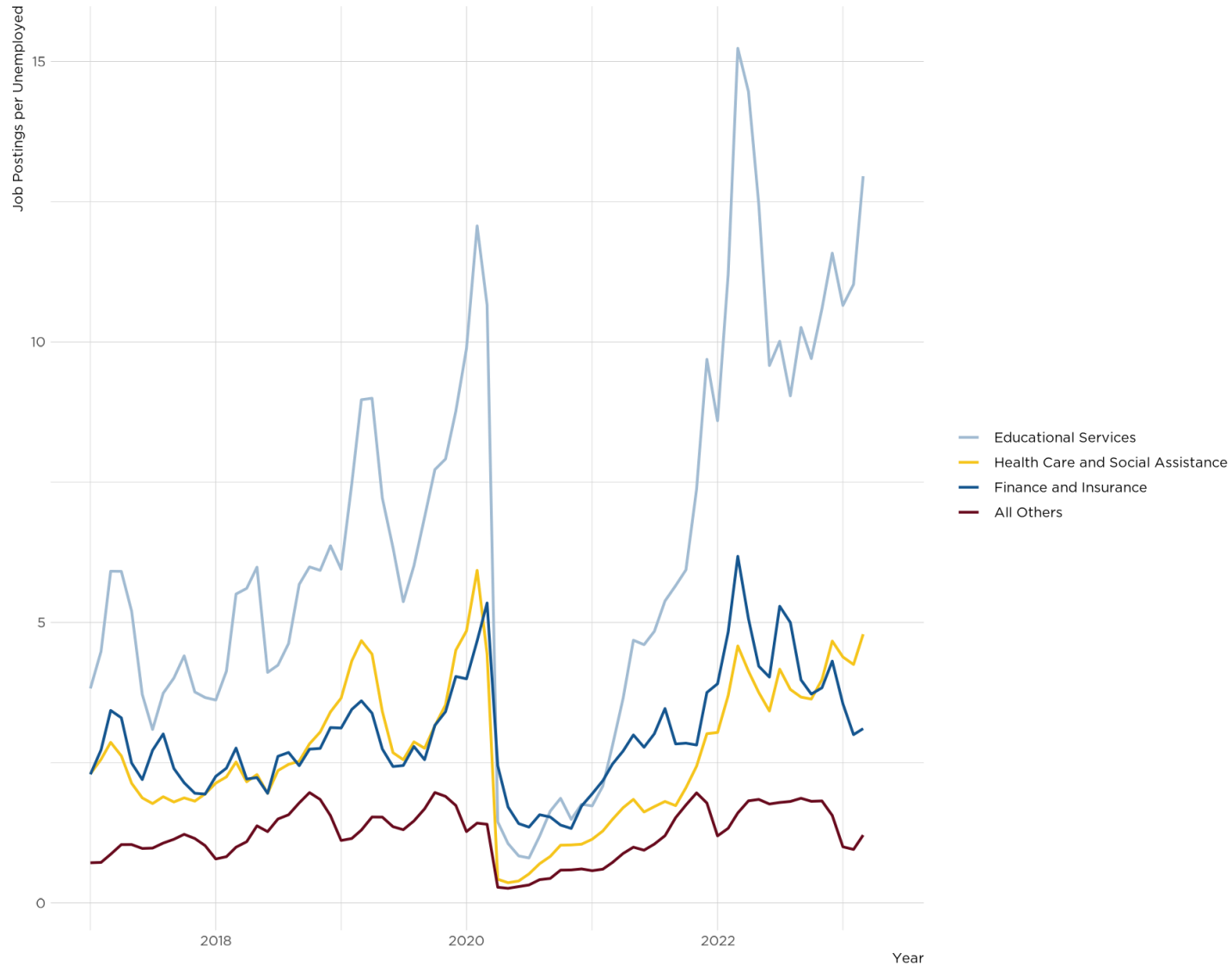
Source: BLS and DER calculations

Unprecedented Labor Market Tightness in Massachusetts

- In May 2022, the labor market tightness reached its peak with 2.5 job openings per unemployed worker.
- As of March 2023, Massachusetts recorded 2 job openings per unemployed worker, surpassing the national average of 1.7.

Job Postings per Unemployed Person

Massachusetts | 2017 - 2023



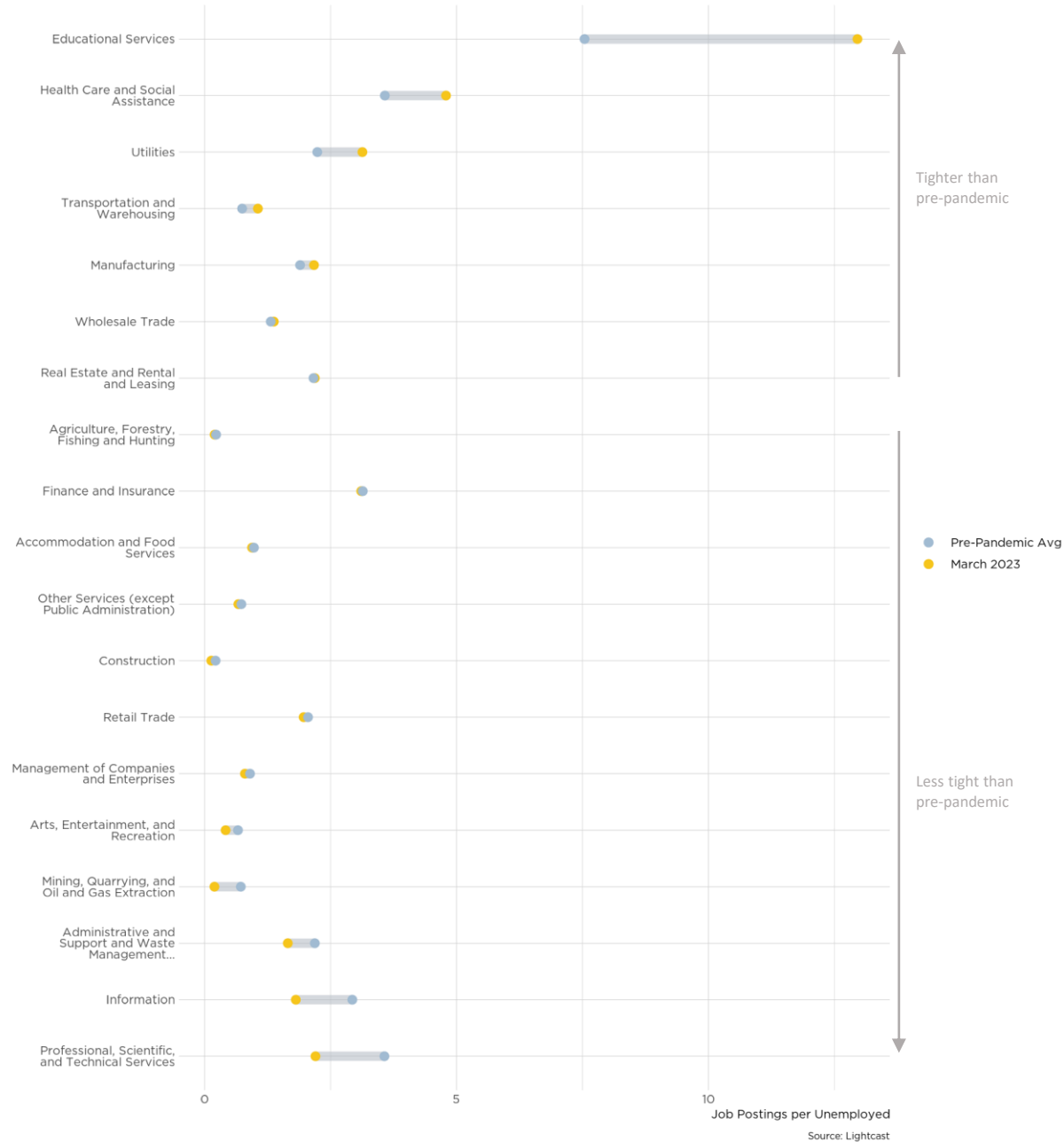
Source: Lightcast

Certain Industries Drive Labor Market Tightness

- Key sectors such as Educational Services, Healthcare, and Finance and Insurance have intensified the labor market tightness, with job postings per unemployed worker rising over time, reaching over 3 in March 2023.
- However, when considering other sectors, long-term data does not indicate a similar increase in labor market tightness.

Job Postings per Unemployed Person

Massachusetts



Return to Pre-Pandemic Labor Market Tightness Across Most Industries

- Most industries have seen their labor markets return to the tightness levels observed pre-pandemic.
- Certain sectors, such as Information and Professional, Scientific, and Technical Services, currently exhibit less labor market tightness compared to their pre-pandemic states.

What to watch out for

What to watch out for

- Will the population and participation rates among early career workers rebound?
 - Metric: Labor force/LFPR by age
- As wage growth slows, what will be the impact on employment and labor force participation rates among different types of workers?
 - Metric: LFPR/earnings by education level
- Will we see a stronger recovery of retail and leisure and hospitality employment this summer?
 - Metric: Employment in Retail, Leisure, and Hospitality
- Will remote work practices shift to more in-person work? If so, what will be the impact of those shifts on the labor force and for employment among businesses that provide services in districts?
 - Metric: Share of workers working remotely; employment in retail, accommodation, and food services in business districts

Thank you