

Labor Market Conditions in Rhode Island

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The Department of Labor & Training's Labor Market Information Division recently completed its annual benchmark revisions to state labor force data and job count estimates. The seasonally adjusted estimates were revised back to January 2015 for labor force data and back to January 1990 for job estimates.

Benchmark revisions to the state's 2019 unemployment rate indicate that the state ended the year with a 3.5 percent unemployment rate, unchanged from the rate initially reported for December 2019. Unemployment rates were revised downward from January through April, and from August through October; they were revised up in July and unchanged in May, June, November and December.

The January unemployment rate was revised down by three-tenths (-0.3) of a percentage point, the largest downward revision. The February and March rates were both revised down by two-tenths (-0.2) of a percentage point. The July rate was revised up by one-tenth (+0.1) of a percentage point.

Over the year, the December rate was down two-tenths (-0.2) of a percentage point from the revised December 2018 rate of 3.7 percent; pre-benchmarked data had indicated a larger drop of one-half (-0.5) of a percentage point.

The benchmark process also revealed that the number of unemployed RI residents was overestimated for nine months in 2019, underestimated in June and July and unchanged for May. The year ended with 19,300 unemployed RI residents, 100 less than the pre-benchmark December 2019 estimate indicated. Over the year, the number of unemployed RI residents fell by 1,400 from the revised December 2018 estimate of 20,700. Pre-benchmarked data showed a drop of 2,800.

The number of employed RI residents was understated for the first ten months of 2019 and overstated for the last two months. The year ended with 537,600 employed RI residents; 1,500 fewer than the pre-benchmark December 2019 estimate indicated.

Over the year, the number of employed RI residents was up 3,400 from the revised December 2018 level of 534,200. Pre-benchmarked estimates indicated a larger gain of 5,000.

Labor force estimates were revised upward from March through October 2019, with the largest upward revisions occurring between May and July. Over the year (December 2018 to December 2019) the RI labor force grew by 2,100; pre-benchmarked data indicated an increase of 2,300.

Recently completed benchmark revisions to the 2019 job estimates indicated that the number of jobs in Rhode Island were understated by an average of 2,300 (0.5%) jobs. Employment estimates for January thru June were undercounted by an average of 5,400 jobs with the largest upward revisions being made to the January (+8,600) and February (+8,700) estimates.

The number of jobs were revised down beginning in July by an average of 800. The year ended with 600 fewer jobs than originally reported, but 3,900 more than December 2019.

Average employment was revised up in eight employment sectors and was revised down in nine employment sectors. The largest annual upward job revisions to the seasonally adjusted estimates were made to Government and the Accommodation & Food Services sector.

Government jobs were revised up by an average of 3,900 mainly due to better reporting by the state's colleges. This year, state colleges were able to provide actual counts of student workers which replaced long used estimates that had in recent years undercounted the number of these workers. As a result, seasonally adjusted job counts were revised back to January 1990.

The large increase in Accommodation & Food Services was due in part to a code change which moved employment that was previously included in the Arts, Entertainment & Recreation sector to Accommodation & Food Services. As a result, employment in Accommodation & Food Services was revised up by 2,400 jobs while employment in Arts, Entertainment & Recreation was revised down by 1,300.

Moderate seasonally adjusted upward job revisions were also reported in the Professional & Technical Services (+600), Manufacturing (+400), Construction (+300) and Educational Services (+300) sectors. Minor upward revision of 100 jobs was reported in the Management of Companies and the Mining sectors. In addition to the large downward revision noted in Arts, Entertainment & Recreation, the Health Care & Social Assistance sector also had a sizable revision.

Seasonally adjusted jobs were revised down by an average of 1,000 in Health Care & Social Assistance in 2019. Moderate downward revisions were also reported in the Financial Activities (-800), Transportation & Utilities (-800), Other Services (-700) and Wholesale Trade (-600) sectors. Smaller downward revisions were reported in the Administrative & Waste Services (-300), Retail Trade (-100) and Information (-100) sectors.

Between January 2019 and February 2020, the state's unemployment rate fluctuated between 3.4 and 3.7 percent. In 2006, the year prior to the start of the great recession in Rhode Island, the state's unemployment rate averaged 4.9 percent.

The February 2020 unemployment rate was 3.4 percent, unchanged from January and down three-tenths of a percentage point over the year. The state's unemployment rate had not been as low as 3.4 percent since February 1989.

February's unemployment rate of 3.4 percent was one-tenth of a percentage point below the national rate and has been less than or equal to the US rate since December 2018.

Across the nation unemployment rates ranged from a high of 5.8 percent in Alaska to a low of 2.2 percent in North Dakota. In New England, Connecticut at 3.8 percent had the highest unemployment rate and Vermont (2.4%) had the lowest.

Rhode Island experienced record breaking employment in February, with an estimated 508,400 RI-based jobs, the highest job count on record. Employment had increased for five straight months and jobs were up 4,500 (0.9%) from February 2019. Ten economic sectors showed over-the-year growth led by a gain of 2,100 in Health Care & Social Assistance.

Accommodation & Food Services employment established an all-time high in January, Health Care & Social Assistance and Transportation & Utilities matched previous highs and Construction employment was at its highest level since September 2008.

Overall, the RI labor market was in excellent shape! Jobs were at an all-time high and unemployment was at a 30 year low. But, in March, the Coronavirus crisis had come to Rhode Island.

On March 13th, RI casinos closed; a few days later, day care centers were ordered closed, restaurants were closed to take-out orders only, and social gatherings were limited to no more than ten people. As the month continued, fitness centers, hair & nail salons, recreation & entertainment facilities, and all non-essential retail were all ordered to close.

In March, Rhode Island began to feel these early effects of COVID-19. Survey data which predated many of these business and school closings reported a loss of 5,600 jobs and an unemployment rate of 4.6 percent. The national rate had climbed to 4.4 percent, up nine-tenths of a percentage point over the month. The State's rate had increased by 1.2 percentage points over the month, the largest one-month increase on record.

Large loses in the Accommodation & Food Services (-2000) Professional & Business Services (-1,400), Health Care & Social Assistance (-1,000), and Arts, Entertainment & Recreation (-900) were mainly responsible for the over-the-month job loss.

Between March 12 and April 17, 2020 over 135,000 initial claims for Unemployment Insurance Benefits were filed by employees of Rhode Island businesses accounting for nearly 30 percent of the workers eligible for unemployment insurance. Another 42,000 claims were filed by self-employed individuals and others not eligible for unemployment insurance .

The Accommodation and Foods Services sector with 29,710 initial claims recorded the most initial claims during the period accounting for 22 percent of the total initial claims filed. Over half the workers (53.3%) employed in this sector's workforce filed a claim in the last five weeks. Industries in this sector with workforces that were the most severely impacted by the social distancing orders include Full Service Restaurants, Bars, Hotels, Casino Hotels & Motels and Food service Contractors.

Health Care & Social Assistance with 19,920 initial claims accounted for nearly 15 percent of the total initial claims filed and approximately 24 percent of the sector's total workforce. Several industries within this sector were totally or partially impacted by the social distancing guidelines

as Day Cares were order closed, medical appointments were limited to telephone and video interviews, and elective surgeries were cancelled.

The Retail Trade sector recorded 14,700 initial claims, the third largest number of initial claims filed accounting for 11 percent of the total initial claims filed. Non-essential retail establishments were ordered to close on March 30 affecting many industries within this economic sector

A total of 7,310 initial claims were filed by workers in the Other Services sector accounting for 5 percent of the total initial claims filed and 39 percent of the sector's workforce. The hardest hit industry was Personal and Laundry services which includes Salons and Barbershops. Over total of 2,100 initial claims were filed by employees of Hair and Nail Salons and Barbershops, the hardest hit industry group in the sector accounting for 2 percent of the total initial claims filed and 86 percent of the industry's workforce. (These claims were filed by employees of the establishments; owners, and those who rent chairs would be counted among the self- employed.)

Schools were closed on March 13th resulting in over 4,100 initial claims being filed by employees in the Educational Services (Public and Private) sector accounting for 3.5 percent of the total initial claims. Just 9 percent of the sector's workforce has filed claims due to virtual learning. Also affected by the closing of schools were employees in School and Bus Transportation industry. Initial claims were received from over 2,300 of the industry's employees accounting for 92 percent of the industry's workforce which is included in the Transportation and Utilities sector of the economy.

Other sectors of the economy not directly affected by social distancing have also seen increases in initial claims filings as availability issues associated with collecting benefits have been relaxed allowing workers who must quarantine, care for out-of-school children or feel at risk due to age or medical conditions, to collect benefits.

In terms of Occupations, workers employed in lower wage occupations have been more impacted by the social distancing guidelines than those whose jobs pay average and higher wages. Nearly two-thirds of the initial claims filed have been by workers employed in occupations paying less than \$20 an hour.

Food Preparation & Serving workers employed mainly in the Food Services & Restaurant industry accounted for more initial claims than any other occupational group. A total of 22,200 initial claims have been filed by workers in these occupations accounting for 18 percent of the total initial claims filed and 45 percent of the occupation's workforce. Workers in this occupational group earned an average of \$11.98 per hour, a weekly average of \$479 for a worker employed full-time. The average weekly benefit amount for workers employed in these occupations is estimated to be \$240 per week. The federal weekly stimulus payment of \$600 per week will raise this amount to \$840 through July.

Office & Administrative Support Occupations which are found in many sectors of the economy accounted for 12 percent of the initial claims filed. Workers employed full-time in these occupations earn an average of \$18.89 an hour, a weekly average of \$756 per week for a full-

time worker. These workers will collect an average of \$378 a week plus the \$600 federal stimulus.

Nearly one-third of the businesses located in Rhode Island have had at least one worker file an initial claim against their company between March 12th and April 10th. The number of initial claims filed by company workers ranged from one initial claim by employees of more than 4,800 companies to over 600 initial claims filed by employees of four companies.

Over 8,300(23%) of the state's small employers, those with one to ten workers had at least one worker file an initial claim accounting for nearly 25,000 initial claims, nearly half (48.3%) of the group's total workforce.

Nearly 2,500 (88%) of the state's mid-size employers, those with 20 to 99 workers had at least one worker file an initial claim accounting for over 28,000 initial claims, over one-quarter (28%) of the group's total workforce.

Nearly all of the state's large employers, those with 100 to 499 workers had had at least one worker file an initial claim accounting for over 110,000 initial claims, approximately 16 percent of the of the group's workforce.

Nearly all of the state's largest employers, those with 500 or more workers had had at least one worker file an initial claim accounting for over 12,000 initial claims, nearly 10 percent of the of the group's total workforce.

Last month the federal government passed the Coronavirus Aid, Relief and Economic Security (CARES) Act which provided for additional unemployment insurance benefits beyond the standard 26 week program.

- Pandemic Unemployment Assistance (PUA) will provide up to 39 weeks of benefits for individuals who are self-employed or ineligible for regular unemployment benefits.
- Pandemic Emergency Unemployment Compensation (PEUC) provides an additional 13 weeks of benefits to individuals who have exhausted their regular unemployment insurance benefits.
- RI triggered onto the Extended Benefits (EB) program this week which will provide an additional 13 weeks of benefits payable after individuals collect PEUC.
- Federal Pandemic Unemployment Compensation (FPUC) will provide all individuals collecting benefits an additional \$600 a week in addition to their regular entitlement.

We estimated that job losses relating to Covid-19 will reduce second quarter 2020 wages by 20 percent, a loss of \$1.1 billion dollars. Eligible workers who lost their jobs will collect an estimated \$274 million in unemployment insurance benefits during the second quarter. In addition, self-employed individuals and those who are not eligible for unemployment insurance

will collect an estimated \$50 million and individuals who collected their full entitlement to unemployment insurance benefits and were not able to find employment prior to the Covid crisis will collect an estimated \$16 million.

In addition, the \$600 federal stimulus payment will provide another \$640 million to all individuals collecting benefits.

At present time, it is expected that businesses will begin to reopen May 8th. However, social distancing guidelines will remain in effect, bans on large gatherings will likely continue adversely affecting caterers, photographers DJ's, florists, limousine services, hotel function rooms and rentals as weddings, showers, banquets, fundraisers and conferences are postponed or canceled and many individuals may be reluctant to frequent restaurants, large entertainment venues or even retail stores until a vaccine is found which will continue to impact employment and wages through the remainder of the year.

We anticipate that wages for July thru December 2020 will be down about 8 percent or \$890 million from the same six months in 2019.

We do not anticipate that employment will get back to its pre-Covid level this year.