

Labor Market Conditions in Rhode Island

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Rhode Island's labor market has continued to show signs of improvement in the wake of Covid-19 and the temporary shutdown that plagued the state's economy.

RI experienced record-breaking employment in February 2020, with an estimated 507,800 RI-based jobs, nearly 551,000 RI residents were employed, 65 percent of the working age population participated in the labor force, several economic sectors were at all-time highs and the state's unemployment rate was at a thirty year low.

But, by March, the Coronavirus crisis was in Rhode Island resulting in the temporary closing of many businesses and the loss of over 108,000 jobs. The state lost 21.3 percent of its jobs, the highest percentage loss in New England and the fourth highest in the nation. Nationally jobs fell by 14.7 percent. RI's unemployment rate hit a record-high 18.4 percent in April 2020 and would remain in double digits for the next four months.

In May 2020, Rhode Island began the process of reopening the state's economy and by the end of 2020, the state had regained 64,200 jobs, 59.4% percent of the total lost.

In 2021, employment continued to increase steadily at an average monthly gain of 2,000 jobs. While employment has continued to grow in 2022, the rate of growth as begun to slow. During the first quarter jobs grew at an average of 1,700 per month, slowing down to 1,000 jobs per month in the second quarter and falling to 800 per month in third quarter. Through September, the state has recovered 98,900 jobs 91.5 percent of the 108,100 lost.

Rhode Island's 91.5 percent recovery rate is the 33rd highest in the nation and fourth highest in New England trailing Maine (98.7%), New Hampshire (97.0%) and Massachusetts (93.0%). Connecticut has recovered 89.2 percent of the jobs lost and Vermont has recovered just 79.5 percent.

Employment in the state is still down 9,200 or 1.8 percent since February 2020's all-time employment high of 507,800. All New England states are still below their February 2020 employment levels. In Vermont jobs are down 4.3 percent, Connecticut jobs are down 1.8 percent, Massachusetts jobs are down 1.3 percent, New Hampshire jobs are down 0.5 percent and Maine jobs are down 0.2 percent from February 2020.

Nationally, jobs are up 0.5 percent since February 2020. Twenty-three states reported more jobs in September 2022 than they did in February 2020

Lower wage industries were much more impacted by the pandemic than those with higher average wages. Low wage industries, industries with average annual wages less than \$50,000 accounted for less than one-third (31.7%) of the total jobs in the state but nearly sixty percent (58.0%) of the jobs lost during the shut down

High wage industries, industries with average annual wages above \$70,000 also accounted for less than a third (31.9%) of the total jobs but in contrast accounted for just 10 percent (10.2%) of

the jobs lost during the shutdown. Mid-wage industries, industries with average annual wages between \$50,000 and \$70,000 accounted for one-third of the jobs lost during the shutdown.

To date, high-wage and mid-wage industries have both recovered about 96 percent of the 45,400 jobs lost. Low-wage industries have recovered about 88 percent of the 62,700 jobs lost.

RI has regained over 90 percent of the jobs lost during the pandemic related shutdown with six economic sectors having more jobs now than they did prior to the pandemic related shutdown.

Employment in the high wage Professional & Technical Services sector is up 3,100 or 11.8 percent since February 2020. This sector had recovered all 2,400 jobs loss during the shutdown by the end of 2020 and has since added an average of 133 jobs a month.

The Construction sector employment is also above pre-pandemic levels. It took this sector a full two years to recover the 4,400 jobs it lost during the shutdown. Since February 2020, the Construction sector has experienced near steady growth adding an average of 275 jobs a month.

Employment in the Manufacturing and Wholesale Trade sectors is up 600 and 500, respectively since February 2020. In September 2022, Transportation & Utilities reported 200 jobs and Administrative & Waste Service reported 100 jobs above their February 2020 levels.

However, employment remains below pre-pandemic levels in ten economic sectors. Employment in four of the five low-wage sectors is significantly below pre-pandemic levels.

Other sectors in which employment is significantly below pre-pandemic levels includes Health Care & Social Assistance which is reporting the largest loss since February 2020 down 2,400 jobs. Private Educational Services and Government reported 1,600 and 1,700 fewer jobs, respectively in September 2022 than in February 2020. Other Services, down 1,400 jobs, Management of Companies, down 1,200 jobs, Financial Activities, down 1,000 jobs, and Information down 200 jobs are still struggling to get back to their pre-pandemic level.

RI's September unemployment rate was 3.1 percent, six-tenths of a percentage point below the pre-pandemic rate of 3.7 percent occurring in February 2020. Our rate was below three percent for four months this year – the June and July rate of 2.7 percent was the lowest rate on record tying April and May of 1988.

Across the country, unemployment rates ranged from a high of 4.5 percent in Illinois to a low of 2.0 percent in Minnesota. Rhode Island's unemployment rate was the eighteenth lowest in the nation in September 2022.

The US unemployment rate was 3.5 percent in September. Rhode Island's rate has been below the US rate for seven consecutive months.

Across New England, unemployment rates ranged from a high of 4.0 percent in Connecticut to a low of 2.1 percent in Vermont. Massachusetts (3.4%) and Maine (3.3%) both had unemployment rates above three percent while unemployment rates in New Hampshire (2.2%) and Vermont (2.1%) are among the five lowest in the country.

RI had the third lowest rate in New England last month. The state's rate has been below Massachusetts' rate for 11 straight months and below Connecticut's rate since October 2020.

The state's unemployment rate averaged 9.3 percent during the year of the shutdown. The unemployment rate was 9.1 percent for men, while the unemployment rate for women was half percent higher at 9.6 percent.

In 2021 the unemployment rate fell to 6.0 percent for men and 4.9 percent for women. Through the first nine months of 2022 the unemployment rate for men at 4.1 percent remains above that of women at 3.4 percent.

During the pandemic, Unemployment was significantly higher for the Hispanic population than it was for the white and black populations. In the year that followed, the unemployment rates dropped for the white and Hispanic population but remained at the pandemic level for the black population.

Through the first nine months of 2022, unemployment averaged 3.7 percent. Unemployment for the white population at 3.3 percent is on par with its 2019 rate, while the rate for the black population is a full percentage point higher than in 2019. The unemployment rate for the Hispanic population now at 5.4 percent is below that of the black population and also below its 2019 level.

While Unemployment rates have decreased for all age groups since the 2020, they have remained above the 2019 level for most groups with the exception of 55 and older workers for whom unemployment is averaging 2.4 percent down from 3.2 in 2019.

The low 3.3 percent unemployment rate for the 25-54 prime working population is four-tenths of a percentage point than its 2019 rate. Unemployment averaged 6.1 percent for the 20-24-year-olds, a full percentage point higher than in 2019 and unemployment rate for the teenage population is nearly 4 percentage points higher than it was in 2019.

There is a belief among many that unemployment rates are low and employers cannot find workers because individuals are dropping out of the labor force. However, labor force participation rates tell a different story.

Overall, 64.8 percent of the working age population (16 and older) participated in the labor force this year, up six-tenths of a percentage point from pre-pandemic levels. Participation is noticeably higher for teenagers and the 25 to 54 prime working age group.

At 38.7 percent, participation is noticeably higher for teenagers compared to 35.9 percent in 2019 and participation for the prime working age group has increased from 84.7 percent in 2019 to 86.5 percent in 2022. Just the 55 plus group is showing a significant drop in labor force participation from before the pandemic.

Currently, 64.1 percent of the white population is participating in the labor force, up from 63.5 percent in 2019. The labor force participation rate of 64.7 percent for the Hispanic population is on par with its 2019 rate. Only the black population has a lower participation rate this year than in 2019. However, at 64.8 percent labor force participation for the black group is the highest of the three groups.

Over the last 12 months unemployment rates were highest for teenagers, with teenage girls (13.2%) having a slightly higher unemployment rate than teenage boys (12.9%).

Data shows that 20- to 24-year-old men (8.0%) were much more likely to be unemployed than their female (3.2%) counterparts .

Unemployment rates for 20- to 24-year-old women and for prime working age and older men and women were all below four percent an indication of full employment.

Labor force participation rates for the most recent 12-month period show that overall men are more likely to be participating in the labor force than women. This is especially true for both prime working age and older men. Nearly 90 percent of prime working age men (89.2%) are currently participating in the labor force compared to 82.5 percent of prime working age women. About 77 percent of both 20- to 24-year-old men and women are participating in the labor force. While 47.2 percent of teenage girls are participating in the labor force just 32.5 percent of teenage boys are participating.

Year-to-date Data shows that the number of initial claims processed during the first 40 weeks of 2022 are running over 20 percent below last year and are 11 percent below the two years prior to the pandemic. The number of weeks of benefits claimed are also below pre-pandemic levels. Last year final payments for unemployment insurance accounted for 28.5 percent of the of the initial claims filed, this year final payments accounted for 12.4 percent of the initial claims filed. In 2018 and 2019, final payments accounted for 14 percent of the initial claims filed. Overall, fewer people are filing for unemployment insurance, they are collecting for shorter durations and are less likely to collect their full entitlement than in past years.

Total wages paid to Rhode Island workers are continuing to climb. Last year RI employers paid \$28.9 billion in wages up 7.4 percent from the 26.9 billion paid in 2021. Through the first six months of 2022 a total of \$15.3 billion in wages have been paid up 10.9 percent from the \$13.8 billion paid during the same period last year.

The average wage paid to workers in 2021 was \$62,272 an increase of \$1,801 (3.%) from the 2020 average of \$60,471. Through the first six months of this year the average wage paid to workers in Rhode Island is up 5.8 percent from the 2021 six-month average.

This year wages are on track to exceed \$30 billion. Through the first six months of 2022, RI jobs are averaging 3.7 percent above last year for the same period.

Based on current data and anticipated benchmark revisions we estimate the number of jobs in 2022 will average approximately 492,000 and total wages will be approximately \$31 billion. The year will end with approximately 505,000 jobs and the unemployment rate will remain below 4 percent.