

Labor Market Conditions in Rhode Island

Donna Murray, Assistant Director
Department of Labor and Training
Labor Market Information Division
Submitted April 29, 2024

In March, the Rhode Island Department of Labor and Training's Labor Market Information Division in conjunction with the US Bureau of Labor Statistics (BLS) completed the annual benchmark revision of labor force statistics and job count estimates. This year labor force statistics for both the seasonally adjusted data and not seasonally adjusted data were revised back to January 2019. This process incorporates revised job estimates, claims data and population controls.

Also in March, job counts for the October 2022 through September 2023 period were benchmarked using UI Tax data submitted by all employers in the state. The unadjusted job counts for October, November and December 2023 were re-estimated based on the September 2023 benchmarked level. Seasonally adjusted job counts were then revised for January 2019 through December 2023.

Benchmark revisions to the state's 2023 unemployment rate indicate that the state ended the year with a 3.4 percent unemployment rate, up two-tenths of a percentage point from the rate initially reported for December 2023. Unemployment rates were revised downward seven months of the year, from January through July, and were revised upward from August through December. The largest downward revision occurred in March and May when the rate was revised down by four-tenths (-0.4) of a percentage point, the February, April, and June rates were revised down by three-tenths (-0.3) of a percentage point. The largest increases in the unemployment rate occurred in October, where the rate was revised upward by seven-tenths (+0.7) of a percentage point, and in September, where the rate was revised upward by six-tenths (+0.6) of a percentage point. The unemployment rate of 2.6 percent for May and June 2023, is now the lowest rate on record for Rhode Island.

Over the year, the December rate was up four-tenths (+0.4) of a percentage point from the revised December 2022 rate of 3.0 percent; pre-benchmarked data indicated no change in the unemployment rate from December 2022 to December 2023. Also of note, the April 2020 unemployment rate was revised down to 17.9 percent from 18.0 percent, the highest unemployment rate during the pandemic-related shutdown and the highest rate on record.

The benchmark process also revealed that the number of unemployed RI residents was overestimated for seven months in 2023. The largest downward revision occurred in June when the number of unemployed was revised down by 2,000. The year ended with 19,600 unemployed RI residents, 1,400 more than the previous December 2023 estimate indicated. Over the year, the number of unemployed RI residents increased 2,500 from the revised December 2022 estimate which was revised down 1,100; pre-benchmarked data showed no change. The seasonally adjusted employment level was understated for the first eight months of 2023 and overstated for the last four months of the year. The largest upward revisions occurred in April (+7,500) and March (+7,400). The largest downward revision occurred in November (-1,000). The year ended with 556,500 employed RI residents, 400 less than the previously reported December 2023 estimate indicated. Over the year, the number of employed RI residents was up 3,500 from the revised December 2022 level of 553,000. Pre-benchmarked estimates indicated a gain of 8,700. Labor force estimates were revised upward every month of 2023, with the largest upward revisions occurring in March (+5,700) and April (+5,700). Over the year (December 2022 to December 2023) the Rhode Island labor force increased by 6,000; pre-benchmarked data indicated an increase of 8,700.

In 2023, the RI-based seasonally adjusted job count was revised up by an average of 7,900 jobs or 1.6 percent. The published average annual job count of 496,700 now stands at 504,600. Total nonfarm employment was revised up in all twelve months of 2023. Twelve industry sectors reported upward revisions, three industry sectors reported downward revisions, while two industry sectors remained unchanged. The Accommodation & Food Services sector was revised up by an average of 2,700 jobs in 2023, the largest average upward revision among all industry sectors. The Educational Services (+1,700) and Administrative & Waste Services (+1,300) sectors also reported sizable revisions. An upward revision of 700 jobs was noted in the Other Services sector, while a positive revision of 500 jobs was reported in each of the Health Care & Social Assistance, Retail Trade and Transportation & Utilities sectors. Finally, average upward revisions in 2023 were noted in the Manufacturing (+300), Professional & Technical (+300), Wholesale Trade (+200), Information (+100) and Management of Companies (+100) sectors. The Construction sector was revised down by an average of 800 jobs in 2023, the largest downward revision reported. Downward revisions were also reported in the Government (-200) and Financial Activities (-100) sectors, while the average number of jobs in the Arts, Entertainment & Recreation and Mining & Logging sectors remained unchanged.

Rhode Island experienced record-breaking employment in February 2020, with an estimated 507,800 RI-based jobs, the highest job count on record. Several economic sectors were at all-time highs and the state's unemployment rate was hovering at a thirty-year low. But, in March, the Coronavirus crisis had come to Rhode Island and many businesses were ordered to shut down, elective surgeries were cancelled, and medical appointments were limited to telephone and video interviews.

During March and April of 2020, the state lost a staggering 108,700 jobs: 21.4 percent of its total employment and 105,600 Rhode Island residents were suddenly unemployed as all economic sectors reported job losses during the shutdown. The largest losses were reported in the Accommodation & Food Services (-32,900), Health Care & Social Assistance (-17,400) and Retail Trade (-11,100) sectors. Together these three sectors lost a total of 61,400 jobs or 56.5 percent of the total jobs lost during the shutdown.

Benchmark revisions indicated that as of December 2023, the state had regained all 108,700 jobs lost during the shutdown setting a new RI-based employment level of 509,100 jobs. In addition, by January 2023, the number of employed Rhode Island residents surpassed the February 2020 level as well. During the first quarter of 2024, Rhode Island businesses have added 4,300 jobs establishing new all-time high employment levels in January and again in March.

Although the number of jobs in the state has exceeded its pre-pandemic level, not all industries affected by the pandemic have fully recovered. While the mid- and high wage industry groups have fully recovered the jobs lost during the shutdown, the lower wage industries which were more impacted by the shutdown and the social distancing concerns that followed are still falling short of their pre-pandemic job count. As of March, sectors in the low wage industry group have recovered 95.3 percent of the 57,000 jobs loss during the shut-down while the mid- and high- wage industry groups have exceeded their February 2020 employment levels.

As of March 2024, employment in nine sectors has surpassed their pre-pandemic levels while employment in eight sectors has not yet fully recovered. The Arts, Entertainment & Recreation sector is the only low wage sector that has fully recovered all jobs lost during the pandemic. Accommodations & Food Services and Retail Trade which were among the sectors most affected by the shutdown have recovered 95 and 97 percent of the jobs lost, respectively. Within the mid-wage industry group, Educational Services and Real Estate, Rental & Leasing are still about 1.5 percent shy of their pre-pandemic job counts. Within the high wage industry group, jobs added in the Professional & Technical Services, Wholesale Trade, Government and Information sectors have negated the continued losses that have occurred in the Finance & Insurance and Management of Companies sectors. Neither of these two sectors experienced large losses during the shutdown, however both

sectors have lost additional jobs since the recovery began. In particular, the Management of Companies sector which lost just 600 jobs during the shutdown has lost an additional 2,500 since April 2020.

A total of 5,600 jobs have been added since February 2020 with the largest gain occurring in the Professional & Technical Services which has added 4,900 jobs, followed by the Health Care & Social Assistance (+1,900), Administrative & Waste Services (1,700), Manufacturing (1,500), Wholesale Trade (1,300) and Construction (+1,000) sectors each of which has added over 1,000 jobs.

The US and the New England region have regained all the jobs lost between March and April 2020 (pandemic shutdown). Through March 2024, forty-three states have fully recovered all jobs lost during the pandemic-related shutdown. Regionally, in addition to Rhode Island, New Hampshire, Maine, and Connecticut have recovered all jobs lost during their shutdown periods. Job counts in Massachusetts and Vermont are below their February 2020 levels.

Rhode Island and Vermont are the only two New England states to have more employed residents in March 2024, compared to February 2020. Rhode Island was the first New England state to fully recover both jobs and employment loss occurring during the shutdown and to date is the only New England state to do so.

The state's unemployment rate has increased steadily since July 2023 hitting 4.0 percent in March, its highest rate since November 2021 (4.1%). Increases in the state's unemployment rate is attributed to more residents entering and re-entering the labor market. Since July, growth in the number of unemployed residents (+8,800) has outpaced growth in the number employed residents (2,000) by a margin of four to one.

Across the country, unemployment rates ranged from a high of 5.3 percent in California to a low of 2.0 percent in North Dakota. Rhode Island had the thirteen highest unemployment rate among all states in March. Around New England, Connecticut at 4.5 percent had the highest unemployment rate while Vermont at 2.2 percent had the lowest. Both Massachusetts (2.9%) and New Hampshire (2.6%) had unemployment rates below 3 percent in March. Maine's rate was 3.3 percent. March marked the first time Rhode Island's unemployment rate had surpassed the US rate (3.8%) in 27 months. Rhode Island's unemployment rate has been below the Connecticut rate since October 2020.

In March, there were 23,600 unemployed Rhode Island residents. The number of unemployed residents has increased in eight of the last nine months and is at its highest level since October 2021. In February 2020, the month prior to the shut-down there were 21,100 unemployed Rhode Island residents.

There were 559,900 employed Rhode Island residents in March up 2,000 over the month and 3,700 over the year. Resident employment is at its highest level on record. The state's Labor Force (583,500) is up 1,600 over the year increasing in 14 of the last 15 months and it too is at its highest level on record.

The labor force participation rate was 64.4 percent for Rhode Island residents, up nine-tenths of a percentage point over the year and at its highest rate since September 2020. The US LFP rate was 62.7 percent in March.

In 2023, labor force participation averaged 64.1 percent, on par with the 64.2 percent participation rate experienced in the year prior to the pandemic. While men are more likely to participate in the labor force than women, participation among men was down slightly from 2019, falling from 70.4 percent to 68.7 percent while participation for women increased slightly from 58.4 percent in 2019 to 57.5 percent in 2023.

In terms of age, participation among those in the 16 to 24 age group increased from 56.6 percent to 57.5 percent and participation for the 25 to 54 age group increased from 84.6 percent to 85.6 percent, which overshadowed a slight decrease in the 55 and older age group for which participation declined from 41.6 percent in 2019 to 40.5 percent in 2023.

The most significant changes in labor force participation occur among the Black and Hispanic populations with participation among the Black population falling from 65.8 percent in 2019 to 58.2 percent in 2023 while participation among the Hispanic population increased from 64.6 percent to 70.4 percent. Participation among the White population increased slightly from 63.5 percent in 2019 to 64.6 percent in 2023.

Through the first 16 weeks of 2024, data shows that the number of initial claims processed are running 2.2 percent above last year but 9.3 percent below the two years prior to the pandemic. The number of weeks for benefits claimed are running 10 percent above last year, and slightly (1.5%) above pre-pandemic levels. To date, the number of final payments is running 26 percent above last year but is on par with pre-pandemic levels. Overall, while initial claims are up compared to last year, fewer people are filing for unemployment insurance in comparison to the years before the pandemic.

Total wages paid to Rhode Island workers are continuing to climb. In 2023, Rhode Island employers paid \$32.3 billion in wages up 4.2 percent from the \$31.0 billion paid in 2022. The average wage paid to workers in 2023 was \$66,133 an increase of \$1,631 (+2.5%) from the 2022 average of \$64,502.

At present, labor market conditions in Rhode Island continue to show improvement. Wages are continuing to climb and initial claims filings, benefit payments and final payments remain at low levels.

Recently released benchmark data showed that the job market was much stronger in 2023 than the originally published data indicated. As of December, the state had recovered all jobs lost during the Covid-related shutdowns that occurred in 2020 and the number of jobs reported for March 2024 was at an all-time high.

While the state's unemployment rate now at 4.0 percent has been increasing, it is still low, and the increases appear to be the result of residents entering and reentering the labor market. This increase in the number of unemployed coupled with increases in the number of employed residents has propelled the state's labor force to its highest level on record.