



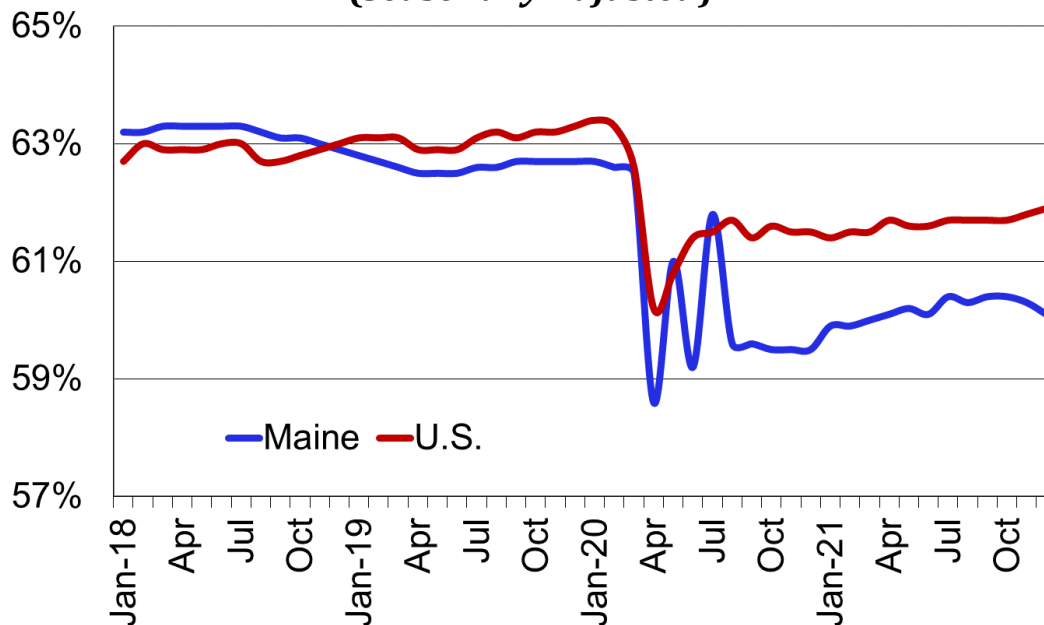
## Factors Contributing to Tight Labor Market Conditions

Soon after the COVID-19 pandemic first slowed a range of economic activities, leading to widespread job losses and soaring unemployment, a robust jobs recovery led to the reemergence of tight labor market conditions. These conditions are creating an environment in which employers must compete to attract and retain workers.

Job openings nationally and in Maine reached record high levels in the summer of 2021. As vaccines became widely available in the spring and many increased spending on travel, at restaurants and bars, at concerts and sporting events, employers sought to quickly increase their staffing levels. However, the speed at which the economic recovery has unfolded leading many employers to try to hire quickly, has not been met with a rebound in labor supply of equal magnitude.

While unemployment remains elevated, the primary factor preventing further jobs recovery has been lower labor force participation which decreased drastically when the pandemic first began to affect the labor market. The size of Maine's labor force has decreased by 3.1 percent compared to just before the pandemic.

## Labor Force Participation (Seasonally Adjusted)



*Maine Center for Workforce Research and Information Local Area Unemployment Statistics*

While labor force participation remains down, the decrease has been uneven across demographic groups. The reduction in labor force participation has been greater and persisted longer among those age 55 and older. Among the population between the age of 16 to 54, job loss and lower labor force participation have disproportionately impacted women, particularly those between the ages of 25-44 who are most likely to have young children and to be impacted by school and childcare disruptions.

The primary reasons for continued, lower participation among the older population are lower participation due to concerns about getting or spreading the coronavirus and retirement. Nationally, the labor force participation rate remains 4.5 percent lower among the population age 55 or older compared to before the pandemic. While an aging cohort of baby boomers was nearing retirement independent of the pandemic, accelerated retirement occurring during the pandemic could account for [2.4 million of the 4.2 million people who left the labor force](#) nationally (from the beginning of the pandemic to the second quarter of 2021).

These retirement decisions may not be permanent and may have been hastened by public health or economic circumstances. High asset prices, a hot housing market and economic stimulus may have enabled some to retire sooner than they planned. Improvements in public health may encourage some to re-enter the workforce in the near future.

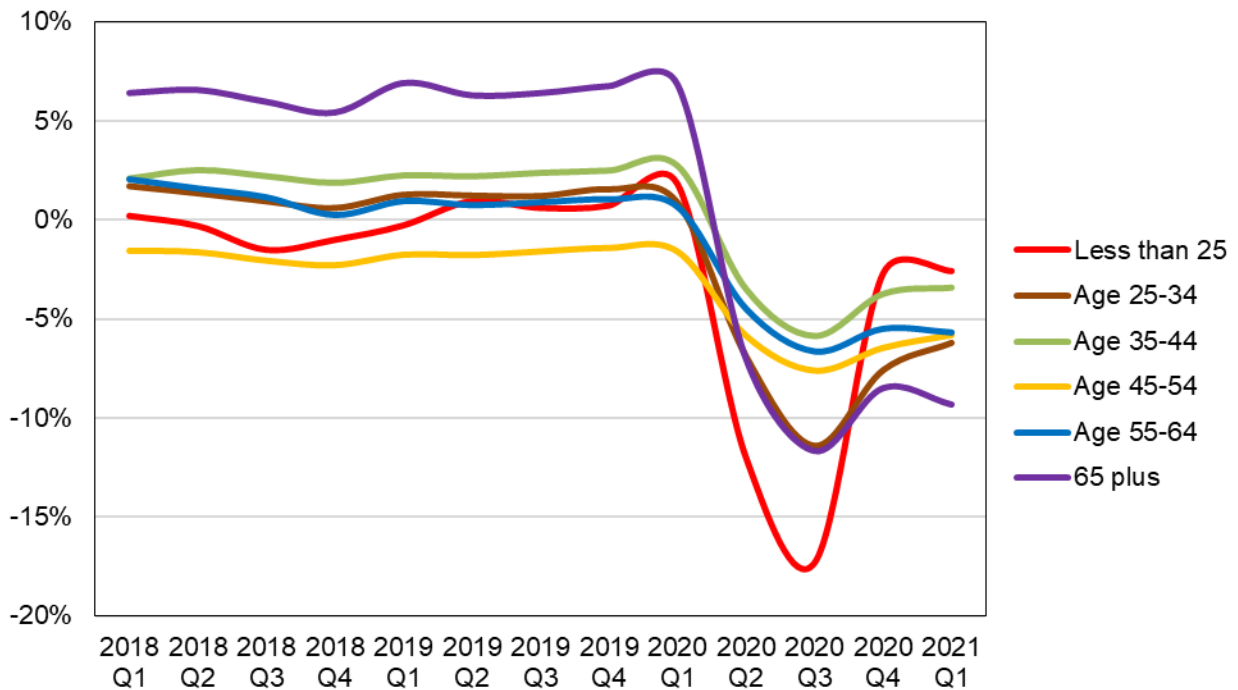
The primary reasons for continued, lower participation among the younger working age population (ages 16-54) are lower participation due concerns about getting or spreading the coronavirus and an increased care burden which has disproportionately fallen on

women. This increased care burden is due to disruptions in schools and to the availability or cost of childcare. Through mid-2021, the population reporting that they are [not in the labor force and care giving has increased by 0.7 percent](#).

While younger workers in Maine experienced more significant rates of job loss at the beginning of the pandemic, the reduction in jobs among older workers has persisted longer. This could suggest that older workers who lost a job or voluntarily left their position in 2020 have been less likely to return to employment due to concerns for personal safety or because retirement was the reason for leaving employment.

From the first quarter of 2020 (before the pandemic began to affect the labor market) compared to the first quarter of 2021, jobs held among workers age 65 or older remained down by 4,400 (9.3 percent). Jobs held among workers age 55-64 remained down by 6,900 (5.7 percent). Prior to the pandemic, jobs held among workers age 65 or older had steadily grown because of the large size of the population aging into the age 65 plus age cohort and still working.

**Percent Change in Jobs by Age Group over the year in Maine**



*U.S. Census Bureau, Quarterly Workforce Indicators*

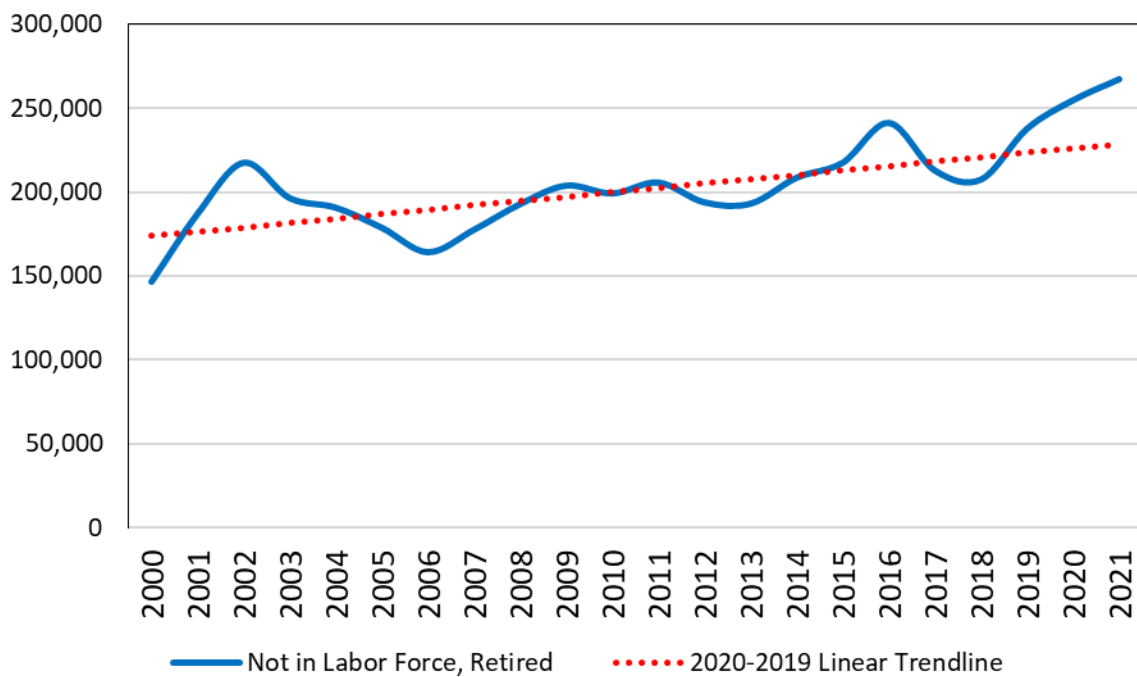
The reduction in jobs among younger workers has disproportionately affected and persisted among women. Jobs remained down most among women between the ages of 25-34, for whom there were 4,675 fewer jobs (7.6 percent).

The population not in the labor force due to retirement increased to over 250,000, representing about 23 percent of working age population (age 16 plus). These

estimates are derived from the Current Population Survey, often referred to as the “household survey.” The household survey is the primary source of national and statewide labor force and unemployment estimates. For Maine the sample of households is relatively small, resulting in significant variability in the data that do not always provide a good indication of an underlying trend, especially when looking at subsets of the population. That said, it does parallel the national trend and does appear to indicate many people have retired during the pandemic.

In the last decade the retired population steadily increased as the large baby boom generation, age 58 to 76 in 2022, advanced in age. During the pandemic the estimated number of retired people increased more sharply as many people appear to have retired earlier than their predecessors.

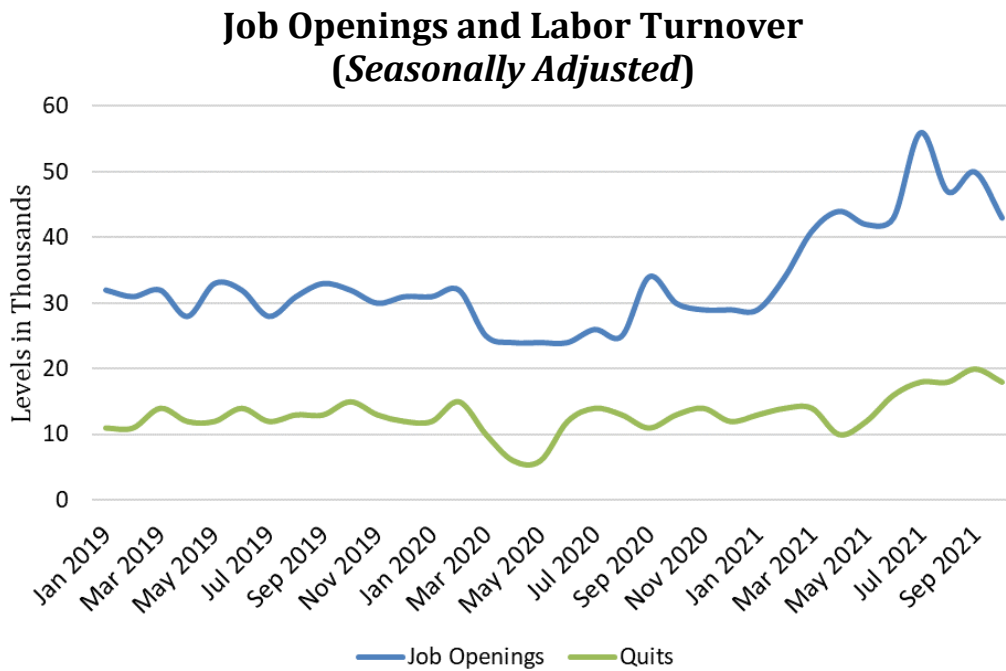
### Population Not in the Labor Force due to Retirement in Maine



*U.S. Census Bureau Integrated Public Use Microdata Series (IPUMS), Current Population Survey Annual Social and Economic Supplement*

Job openings were historically high in 2019 and early 2020 due to the strong economic conditions that prevailed. The pandemic initially sent the number of openings lower, but as the recovery has unfolded the openings situation has been exacerbated. The 43,000 job openings today are about one-third more than before the virus impacted the labor market. The rapid recovery in labor demand has outstripped the recovery in labor supply.

As the recovery unfolded through the end of 2021, most sectors have similar numbers of jobs as before the pandemic. The industries in which the number of jobs remains much lower – hospitality, public education, nursing care facilities, and social assistance – often involve close contact or specialized training. A portion of the current labor market tightness is a function of the reallocation of labor as these workers transition to new job functions they may be less well-prepared for.



*U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, State Estimates*

In 2021 the number of people quitting their job increased as the number of job openings rose. This situation has been dubbed “the great resignation” by much of the media, conflating it with the lower rate of labor force participation that has prevailed. The reality is that the higher quits rate reflects the rising opportunity in what has become an extremely competitive attraction and retention environment for employers. The vast majority of quits have been from workers moving to another job, often for better compensation, better work conditions, or both. In fact, the number of hires per month has not changed much over the last three years as the number of layoffs has declined slightly.

## Job Openings and Labor Turnover (Seasonally Adjusted)



U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, State Estimates