TWO YEARS IN

Maine's Labor Market Recovery from the Coronavirus Pandemic

The coronavirus pandemic was a once in a lifetime shock to society and the labor market. In the spring of 2020 millions of Americans were ordered to mostly stay home to slow the spread. Some began to work from home; many others were uncertain when or even if there would be a job for them to return to. The federal government and central bank met this disruption with unprecedented stimulus to keep millions on payrolls and to support those who lost their job.

Two full years after that shock, the labor market is near full recovery. In April, 2022 the number of jobs is about where it was before the pandemic, and unemployment is close to the lows from more than two years ago. Some sectors of the economy and areas of the state have recovered better than others. This brief examines the broad job, unemployment, and wage trends in the first 24 months of recovery after the pandemic first disrupted the labor market.

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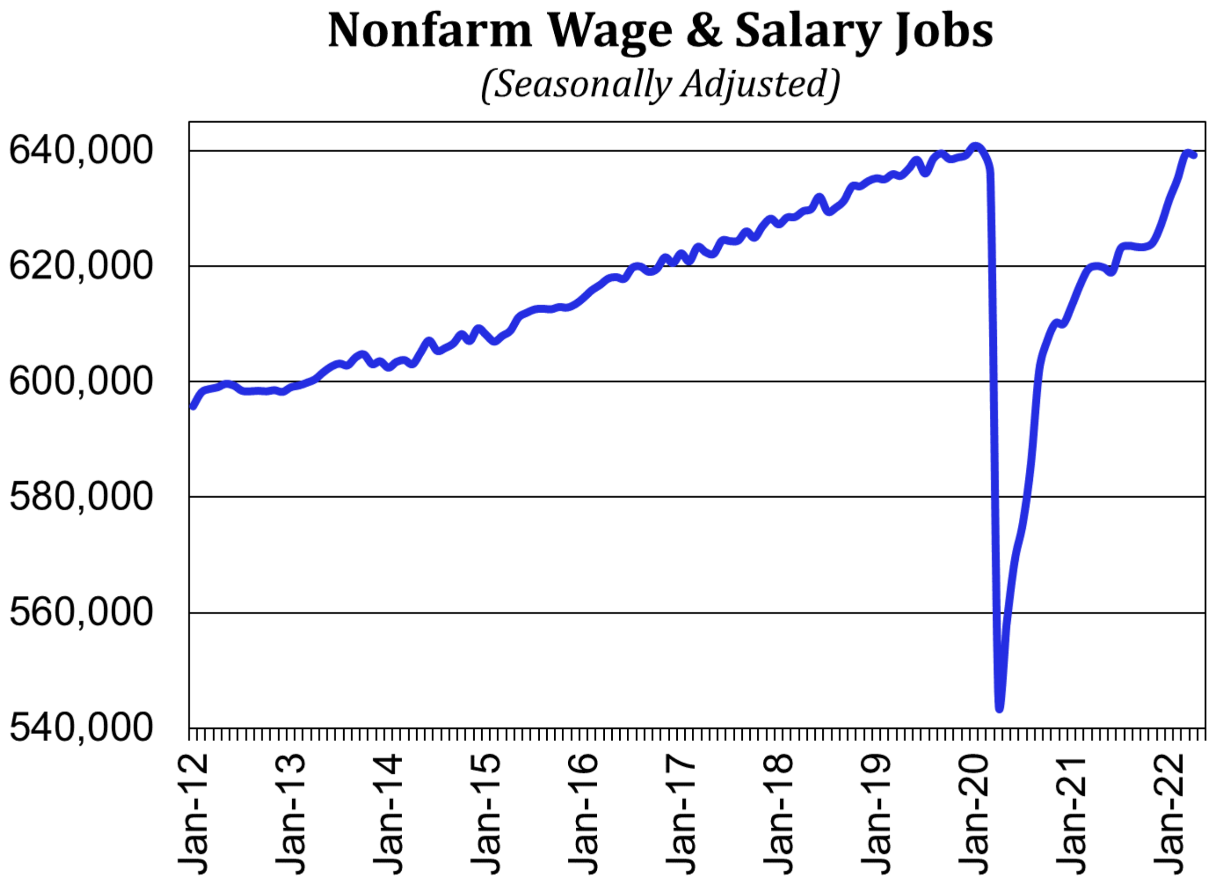
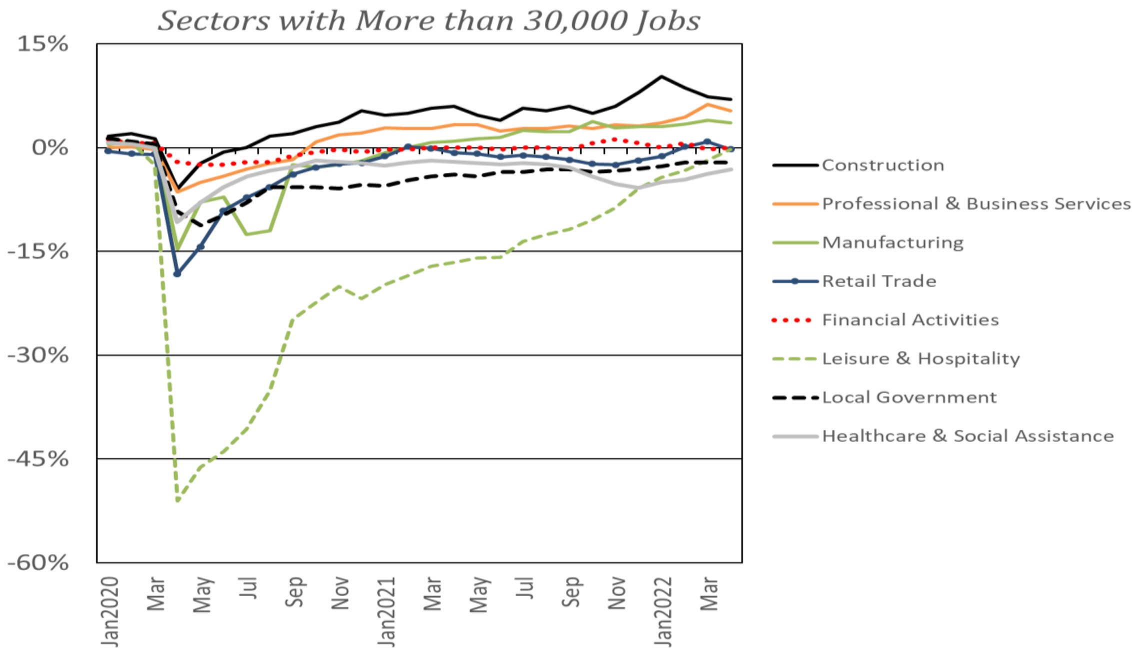
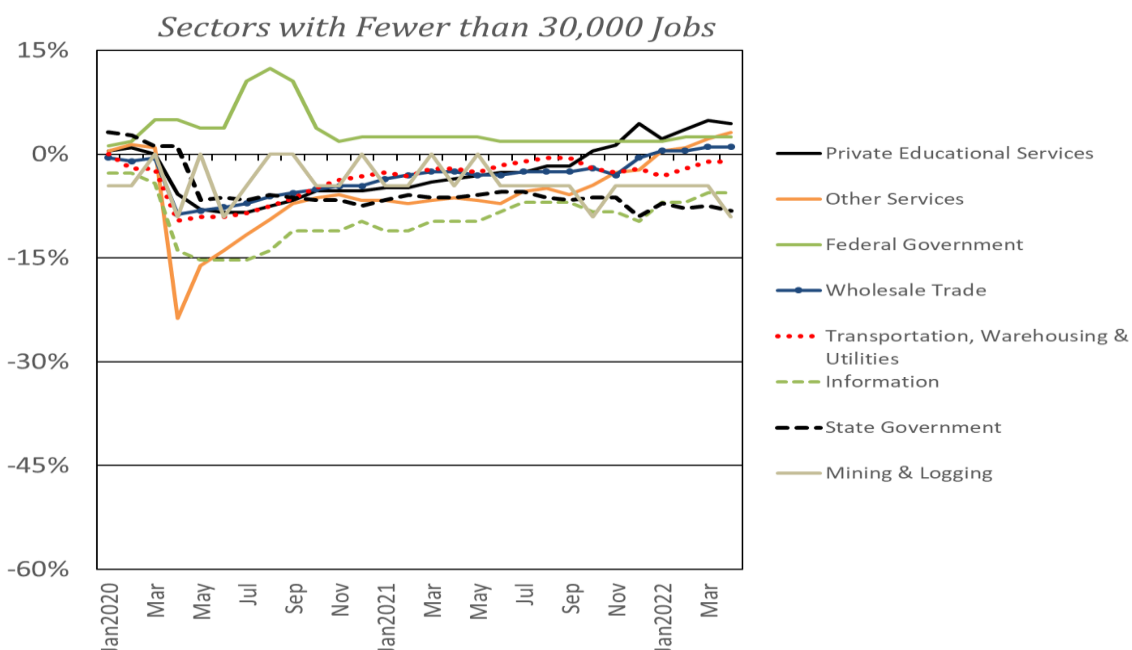


At the onset of the pandemic, more than 95,000 nonfarm wage and salary jobs were lost between February and April 2020, when many employers closed or curtailed operations. The decrease was the sharpest on record. The recovery that began in May also was the sharpest on record through summer. Beginning in the fall of 2020, gains proceeded in a stairstep pattern, stalling with each surge in coronavirus case counts, and accelerating as cases eased.

In the first four months of 2022, job growth was the strongest since the initial stages of the recovery in the summer of 2020. The 639,300 nonfarm jobs in April 2022 was 0.3 percent higher than the average for 2019 – the same as the national recovery. Throughout the two years, the downturn and recovery in Maine closely tracked with the nation.

Change in Jobs From 2019 Average by Sector

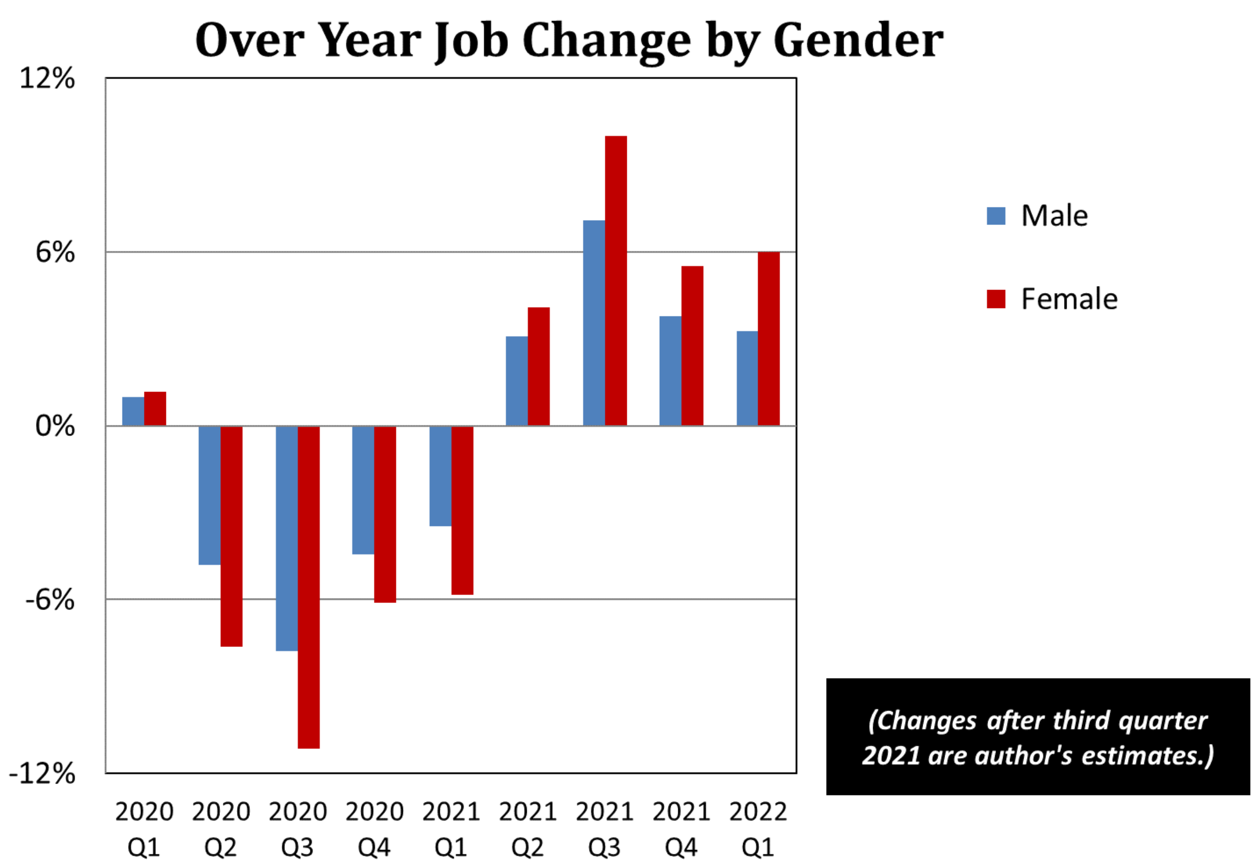




Initially, most sectors lost between five and ten percent of jobs. The primary exceptions were the federal government, which hired thousands of temporary workers to conduct the 2020 decennial Census of Population, and leisure and hospitality, as restaurants and bars, lodging places, ski resorts, casinos, and many other types of businesses temporarily closed.

By April 2022 most sectors had recovered to close to the number of jobs in 2019 or to new highs. Construction, professional and business services, and private educational services each had at least five percent more jobs than they averaged in 2019, and a strong recovery lifted leisure and hospitality to within three percent as many jobs. The exceptions in the recovery have been in healthcare and social assistance, almost entirely in nursing care facilities and social assistance programs, and in state and local governments, mostly in K-12 and higher education, all of which continued to have at least four percent fewer jobs.

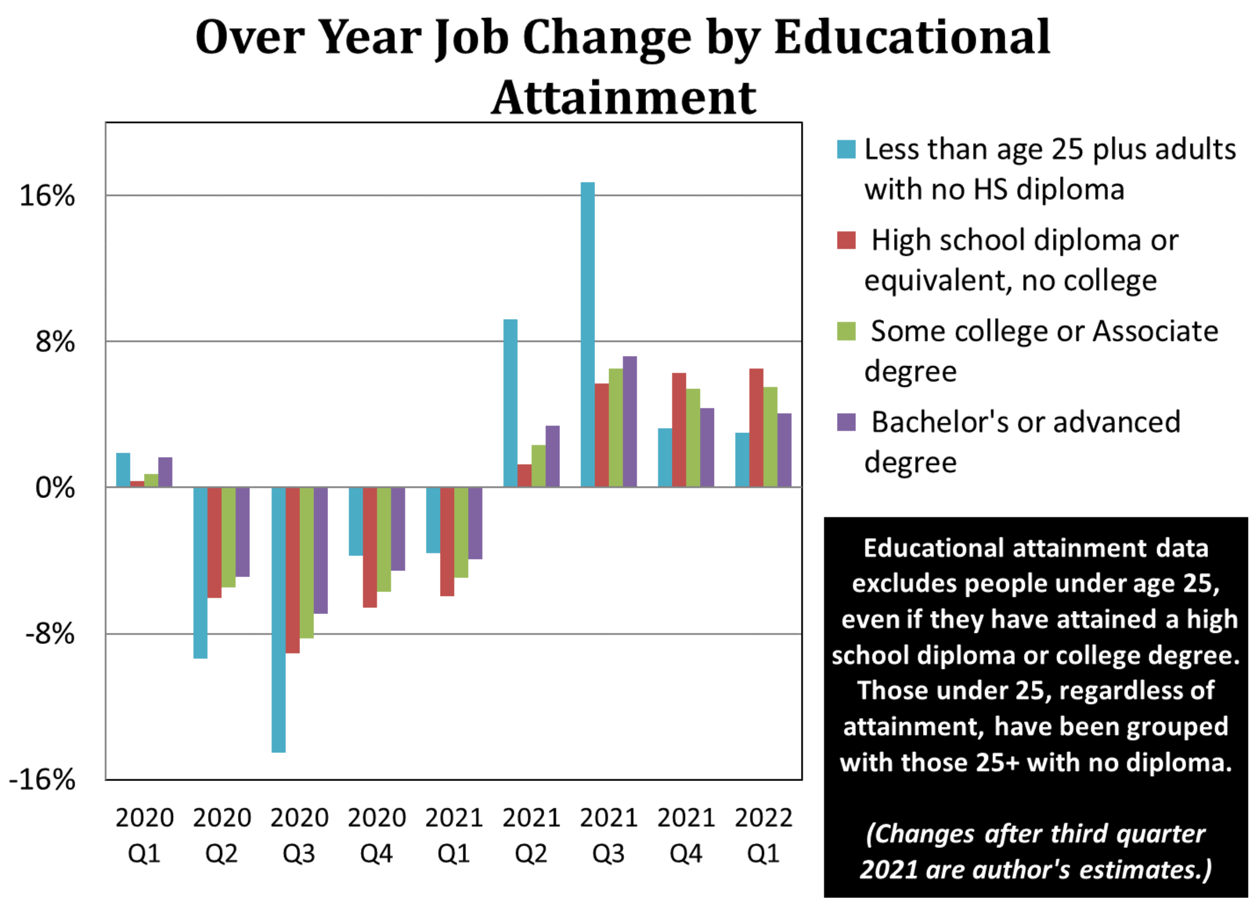
The characteristics of this downturn and recovery have been very different than previous cycles. Typically, downward and upward cycles are driven by changes in demand. Reductions in spending for homes, cars, and other big-ticket items caused the sharpest job losses in construction and manufacturing, with a much smaller impacts on healthcare, education, and other essential services. The downturn in jobs in early 2020 was caused by a sharp reduction in both demand for and the supply of labor, as efforts to minimize congregation of people curtailed many activities and caused many workplaces to temporarily close. Supported by federal stimulus to stabilize the economy, demand for many products and services remained high, exceeding the supply of labor available to meet that demand. Two years into the recovery, labor supply continues to lag demand, resulting in a very competitive environment to attract and retain staff.



The industries that experienced sharpest job losses at the onset of the pandemic generally had a high share of female staffing, especially leisure and hospitality and public education. In the first quarter of

2021, about a year into the pandemic, wage and salary jobs held by females were six percent lower than a year earlier; the number of jobs held by males was three percent lower.

Many of those sectors that experienced the sharpest job losses in the first year of the pandemic period had strong recoveries in the second year, leading to the strongest job gains among females. Data for early 2022 is not yet available by gender. Based on industry trends, we estimate that by spring both males and females held nearly the same number of jobs as two years earlier.

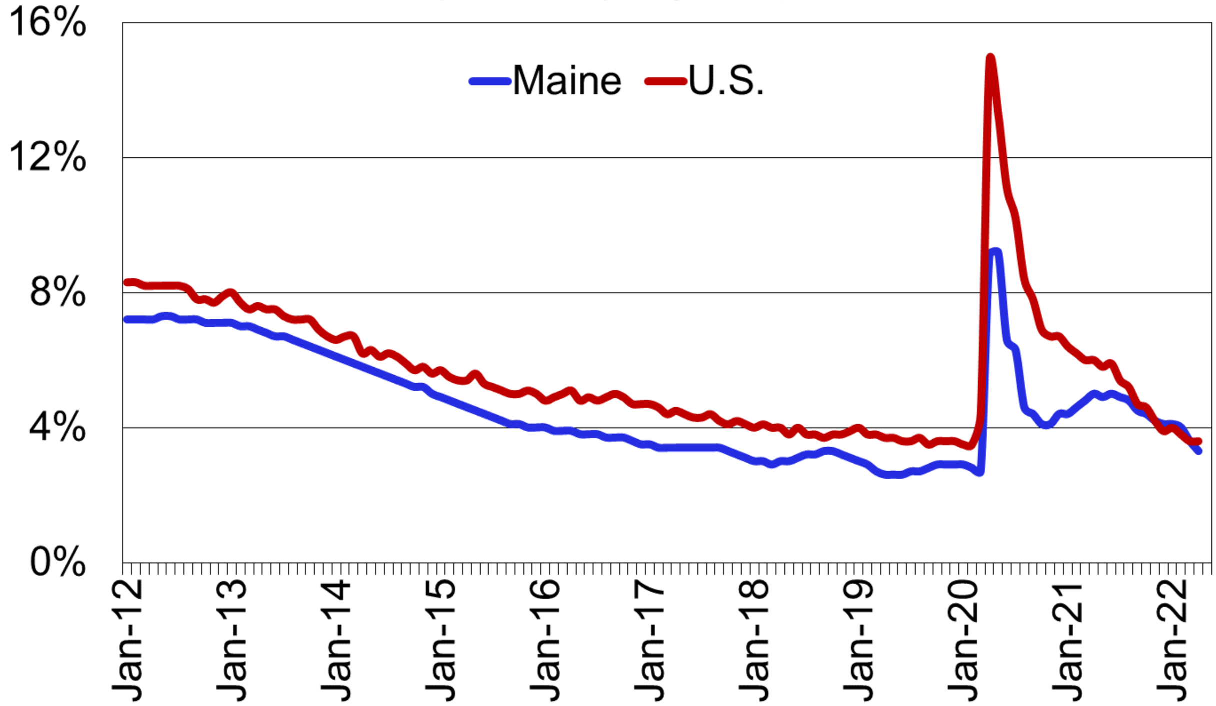


The situation by educational attainment was similar. The sharpest rates of job loss were in industries with higher-than-average shares of young people and people without a college degree. In the first quarter of 2021, wage and salary jobs held by those with a high school diploma or less, or who were under age 25 (regardless of whether they had a college degree) was five percent lower than a year earlier, compared to three percent for those with a bachelor's or advanced degree.

Similar to the situation by gender, in the second year the recovery was strongest among groups that experienced the sharpest rates of job loss in the first year. Based on industry trends, we estimate that by spring of 2022, the number of jobs held by those with a bachelor's degree or higher was about one percent higher, was about the same for those with a high school diploma, an associate's degree or some college, and was about one percent lower for those under age 25 or with no diploma than two years earlier. These trends reflect both the job recovery among industries and by education, but also general population trends in which the number of young people is gradually decreasing and educational attainment of the population is gradually rising.

Unemployment Rates

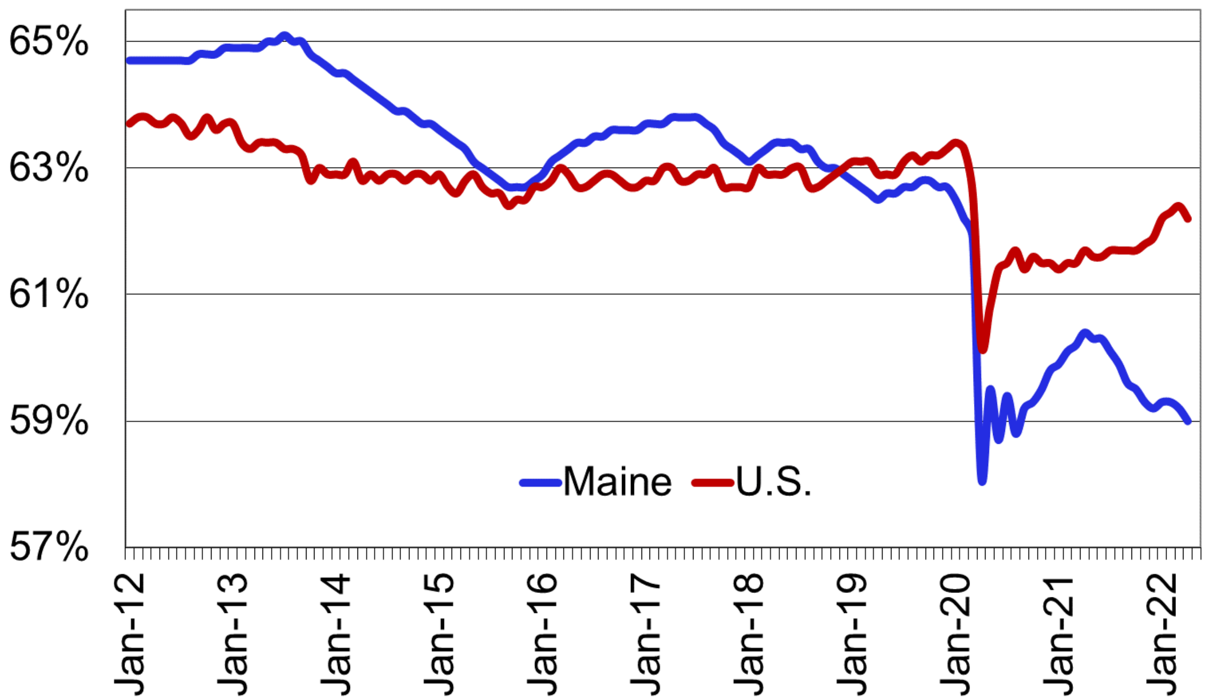
(Seasonally Adjusted)



The sharp job loss at the onset of the pandemic spiked the unemployment rate to as high as 9.2 percent in the spring of 2020. Though historically high, Maine's unemployment rate remained below the 14.8 percent national high. By April 2022 the rate had dwindled to 3.3 percent. Unemployment in the state remains somewhat higher than preceding the pandemic, though it is two percentage points lower than the average for the last 70 years.

Labor Force Participation Rates

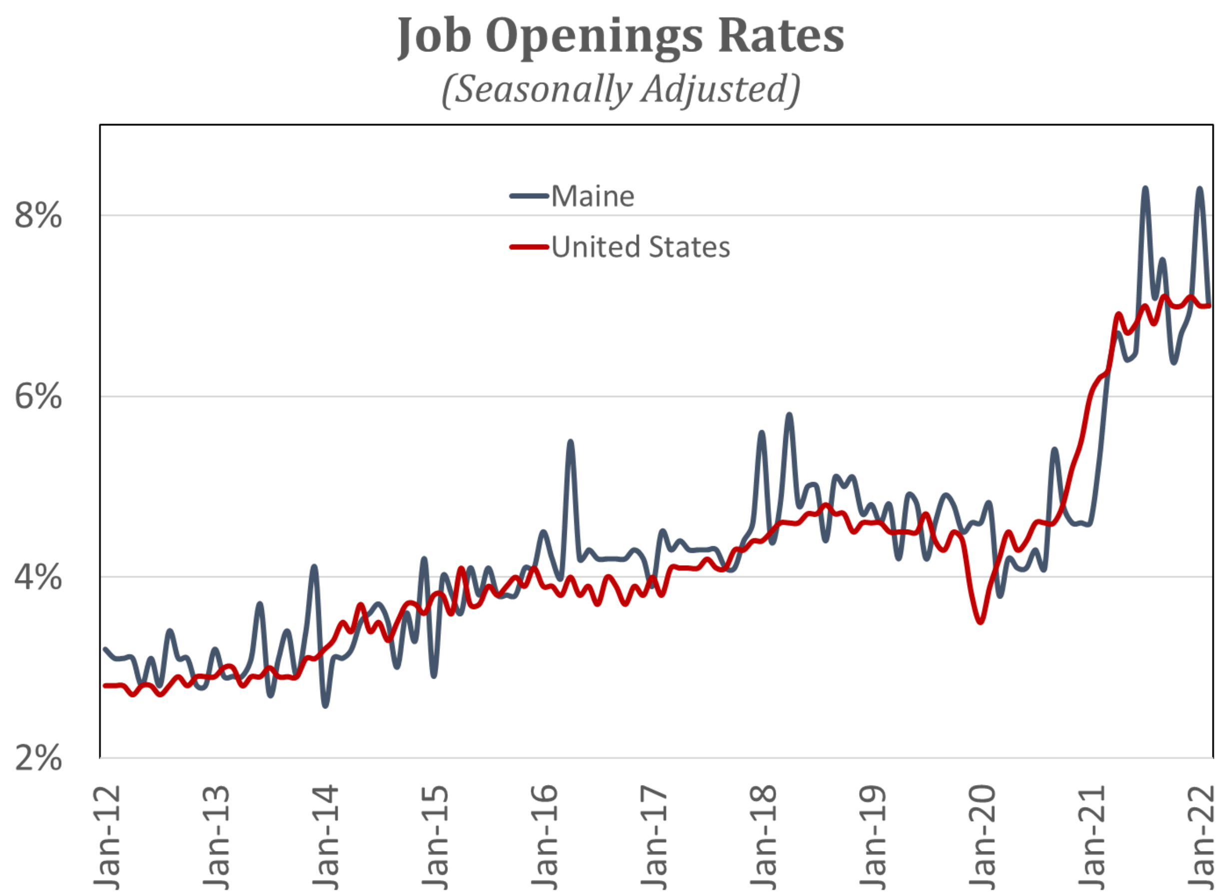
(Seasonally Adjusted)



The sharp job loss at the beginning of the pandemic was not fully reflected in unemployment data because thousands left the labor force. Since then, participation has partially recovered, but it remains much lower than before the pandemic and has not recovered nearly as much as jobs.

Labor force participation has trended lower over the last 20 years, reflecting the rising share of retirement age people in the state. The decrease that occurred over the last two years was greater than expected from aging trends. Though reliable detail on the demographic characteristics of those who remain out of the labor force is not yet available for Maine, national data indicates that a very large share of those who left the labor force were close to or at retirement age. Covid prompted some to retire for personal reasons. Record high real estate and financial asset valuations allowed many to retire at a point when they were a few years younger than their predecessors at retirement. This is likely a larger factor in Maine than the nation because of the state's higher share of people in their 60s and 70s.

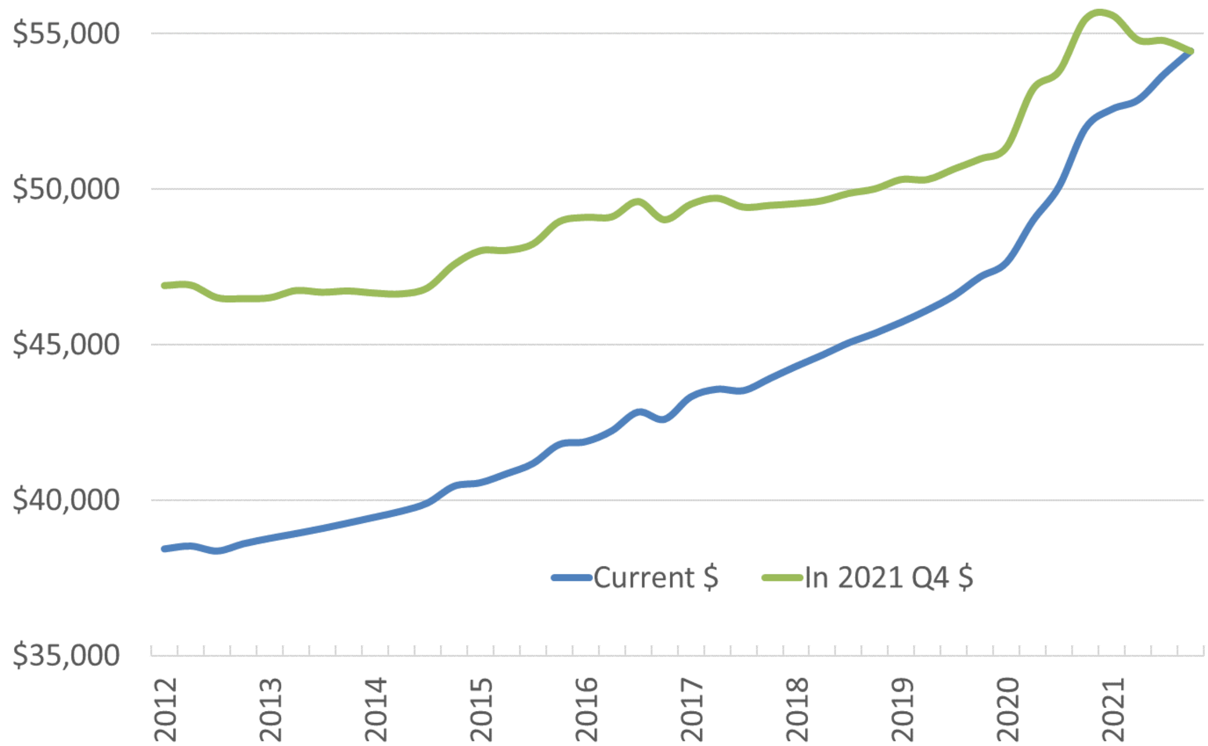
(The labor force is comprised of those who are employed or unemployed. The unemployed are those jobless people who are seeking and available for work; retired people, homemakers, full-time students, and others not seeking or not available for work are not counted as unemployed and are not in the labor force.)



The pandemic initially caused a reduction in job openings when many businesses closed or curtailed operations. That situation was short-lived. Job openings began to rise in the fall of 2020 as reopening and expanding businesses looked to staff-up. The convergence of rising employer needs for staff at a time when fewer people were in the labor force caused the job openings rate to surge to more than seven percent in the latter part of 2021, the highest on record. Early in 2022 openings remain historically high.

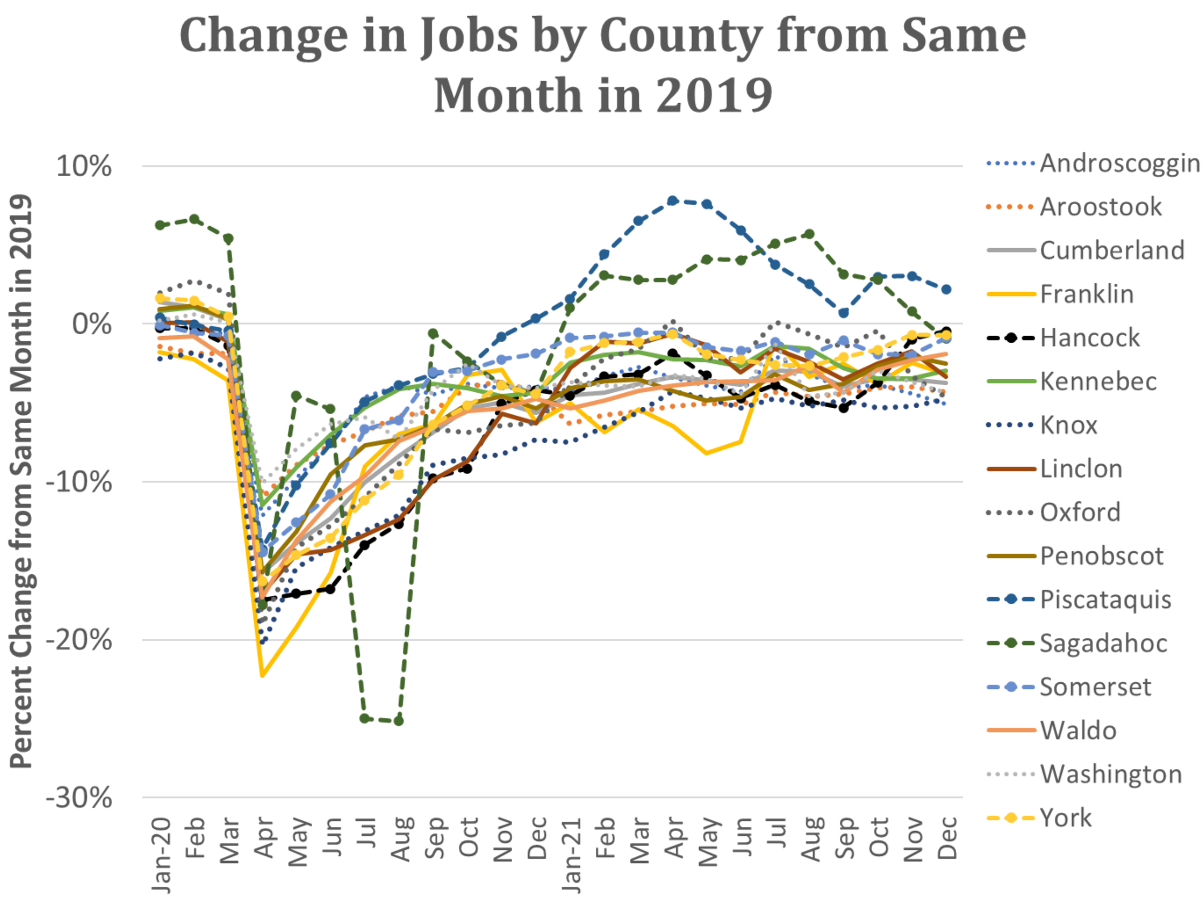
Average Wage Per Job

(4-Quarter Moving Average)



The competitive environment for attracting and retaining staff in the few years preceding the pandemic drove the strongest wage gains in decades. The initial phase of the pandemic caused average wages to surge even more. This was partly due to hazard pay, increased overtime, raises, or bonuses for some workers. It was also due to job loss being concentrated in low-wage industries, which skewed the average to a higher share of middle- and high-wage jobs, which experienced lower rates of job loss.

As 2021 progressed, the mix of jobs moved closer to what it was two years earlier. Two-thirds of job gains in the year were in the hospitality sector. The challenge finding staff led to sharply rising wages in that sector, though it's average pay remains on the low-end of the spectrum of industries. At the same time, inflation was reaching 40-year highs. Wage gains continued at a brisk rate throughout 2021, but adjusted for inflation, receded somewhat throughout the year.



The downturn and recovery played out unevenly across the state. In the first two months of 2020, just before the pandemic disrupted the labor market, nine counties had more, and seven had fewer jobs than in the same two months in 2019. By April all counties had fewer jobs than 12 months earlier, ranging from ten percent fewer in Washington to 22 percent fewer in Franklin. In the succeeding months the recovery took hold througout the state. By August, rural Aroostook and Piscataquis counties had just four percent fewer jobs than 12 months earlier, while coastal tourism desinations Hancock, Knox, Lincoln, and York counties had nine to 13 percent fewer. (The larger decrease in Sagadahoc County was due to a strike, which was resolved in the fall.)

As the recovery progressed, job gains were uneven across the state. At the county level, the latest available data is through the end of 2021. In December the state had 1.5 percent fewer jobs than in the same month two years earlier. Among the 16 counties, four had a net job loss of less than one percent (Hancock, Sagadahoc, Somerset, and York), and four had a net job loss of more than four percent (Androscoggin, Aroostook, Knox, and Oxford) compared to December 2019. Job loss was between one and four percent in seven of the other eight counties, while Piscataquis had two percent more jobs. A surge in production of covid testing supplies boosted the least populous county to a small gain in jobs from the same month immediately before the pandemic. There are no apparent commonalities between counties that performed better or worse than others in the two years.

Wrapping It Up

The coronavirus pandemic set off a tumultuous period for people and businesses. Workers and workplaces were suddenly forced to adapt to conditions they had not anticipated. Remote work has become normalized for thousands and many workplaces and ways of interacting have been rearranged and reimagined.

Through adversity, the labor market has proven to be quite resiliant. Two years after the dramatic effects of closures and social distancing, jobs in Maine and the nation have recovered to about the level that prevailed before the pandemic and unemployment is nearly as low. There are still certain challenges, particularly for employers in finding the staff they need to meet demand from their customers. Over time, these issues will be resolved through productivity enhancements and continued shifts in the way that work is structured.

Inflation has reached historic levels in 2022 and uncertainty about the path forward in an environment of rising interest rates and less stimulus prevails. For now, though, we can look back at period of recovery that has unfolded at an unprecedented pace from a once in a century shock to society and to the economy.