

Labor Market Conditions in Rhode Island

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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. During March and April 2020, the state lost 104,100 jobs (-20.5%) as all sectors reported job losses during the Covid-related shutdowns.

The recent benchmark revisions showed that as of December 2023, jobs in the state surpassed the 507,800 high as all jobs lost during the shutdowns were recovered. Jobs continued to increase over the next four months reaching a new all-time high job count in April 2024 with 513,700 jobs. Since reaching this high point in April, the state experienced three months of consecutive job declines as jobs fell 1,800 in May; 1,200 in June and 2,200 in July resulting in the loss of 5,200 jobs during these three months.

Jobs rebounded in August with the addition of 1,100 jobs and another 3,300 were added in September. The state regained 4,400 of the 5,200 jobs lost in May, June & July with the RI-based job count now standing only 800 less than the all-time high job level in April.

The Accommodation & Food Services industry sector reported a job loss of 3,800 jobs between May and July accounting for nearly three-quarter (73.1%) of the jobs loss during that period. While the sector has regained 1,200 of the jobs lost, employment is still down 2,600 jobs from April 2024. Since April 2024, the Arts, Entertainment & Recreation sector is down 800 and Private Educational Services sector is down 500.

Industries posting gains since April include Health Care & Social Assistance, which is at an all-time high job level for this industry, Government, Retail Trade and Financial Activities. Overall, total jobs are down 800 since April.

The Accommodation & Food Services sector has also posted the largest job losses over the year, dropping 2,300 jobs since September 2023. The Other Services and Arts, Entertainment & Recreation sectors have posted smaller losses of 600 and 500 jobs, respectively, over the year.

Overall, total jobs are up 6,500 from September 2023. Industries posting gains since September 2023 include Health Care & Social Assistance adding 4,200 positions over the year, Government added 2,200 jobs and Administrative & Waste Services added 1,700 jobs..

The increases in the Health Care & Social Assistance sector span all four of its subsectors: Ambulatory Health Care Services (+1,700), Hospitals (+900), Nursing & Residential Care Facilities (+1,100) and Social Assistance (+1,000).

Most of the increase in Government employment can be contributed to increases in both State and Local Government Educational Services.

Since March, the RI unemployment rate has been greater than the US rate. While the RI rate has increased steadily over the past year, it remains below 5.0 percent, the level most economists consider full employment, the level of unemployment is enough to minimize inflation and allow workers to move between jobs, but those wanting full-time work should be able to find a full-time job even if it is not in their preferred occupation.

The labor force and employment levels are still above last year's levels, while the number of unemployed are up 9,000 and the unemployment rate is up 1.4 percentage points from September 2023. The data appears to show that the increase in the number of unemployed is due to workers coming from outside of the labor force, either as new entrants or reentrants and not from people who were previously employed becoming unemployed, as employment has also increased over the year.

Across the country, unemployment rates ranged from a high of 5.6 percent in Nevada to a low of 2.0 percent in South Dakota. Rhode Island (4.6%), along with Alaska (4.6%), had the seventh highest unemployment rate among all states in September and the highest in New England.

Around New England, Vermont (2.2%), New Hampshire (2.5%) and Maine (2.8%) all had unemployment rates below 3.0 percent, and Connecticut (3.2%) and Massachusetts (3.8%) had unemployment rates below 4.0 percent.

The most recent twelve-month average unemployment rate for the October 2023 to September 2024 period was 4.5 percent, up from 3.1 percent during the same period last year, but down from 6.4 percent from this period in 2021. As in past years, unemployment was higher for men than women. Unemployment averaged 5.4 percent for men compared to 3.4 percent for women during the October 2023 to September 2024 period, up from 3.5 percent and 2.7 percent, respectively during the October 2022 to September 2023 period.

The unemployment rate for minorities, specifically Black and Hispanic workers, has historically been higher than the unemployment rate for White workers. The unemployment rates for these minority populations have been declining over the last three years, with the unemployment rate for Black workers currently at 3.5 percent and the rate for Hispanic workers at 6.3 percent for the October 2023-September 2024 12-month average.

The over-the-year increase in the total unemployment rate is driven by the increase in the unemployment rate for White workers, as the rates for both the Black and Hispanic workers decreased over the year, with the Black worker unemployment rate being lower than the White worker unemployment rate.

The labor force participation rate has increased steadily over the past three years, reaching 64.9 percent for the working age population aged 16 and older for the most recent 12-month period. The most recent twelve-month average labor force participation rates are 36.8 percent for teenagers (16-19), 74.9 percent for young adults (20-24), 85.6 percent for the prime working age (25-54) and 42.6 percent for older workers (55+). Labor force participation rates for both the 25-54 and 55 plus age groups are up over the last three years, with the 25-54 age group labor force participation up 2.7 percentage points and the 55 plus participation rate up 2.4 percentage points from the October 2020-September 2021 twelve-month average. However, labor force participation for the younger working aged population has been trending downward over the last three years, with the 16-19 age group

participation down 2.2 percentage points and the 20-24 age group participation down 2.5 percentage points from the October 2020-September 2021 12-month average.

The labor force participation rate is greatest for the 25-54 age group, averaging 85.6 percent for the most recent 12-month period. Men aged 25-54 had a labor force participation rate of 89.6 percent, higher than the women's rate for the same age group of 81.6 percent. For the younger age groups, the 16-19 and 20-24 age ranges, women had a higher labor force participation rate than men, while men had higher participation rates in the 25-54 and 55 plus age groups.

Through the first 40 weeks of 2024, data shows that the number of initial claims processed are running 3.4 percent above last year but are slightly below the two years prior to the pandemic. The number of benefit weeks claimed are running 12.4 percent above last year, and 17 percent above pre-pandemic levels. To date, the number of final payments is running 25 percent above last year.

Overall, while initial claims are up compared to the record lows recorded in 2022, fewer people are filing for unemployment insurance benefits in comparison to the years before the pandemic, however they tend to be collecting longer and are more likely to exhaust their benefits.

An article released in August of this year indicated that during the next benchmark, first quarter 2024 jobs will be revised down by more than 800,000 on the national level.

It appears that this trend will hold true for RI-based jobs as well. A comparison of 2024 job estimates with actual Unemployment Insurance Tax data received through June indicates that:

- First quarter job estimates, which showed an average increase of 9,400 jobs compared to first quarter 2023, will be revised down to a more reasonable average gain of 5,200 compared to first quarter 2023.
- Second quarter estimates which showed an average increase of 8,500 compared to second quarter 2023 will be revised down slightly to an over-the -year gain of 7,800 jobs.
- Overall, job estimates for the first six months of 2024 showed an increase of 8,900 jobs compared to the first six months of 2023, while UI tax data shows an average gain of 6,500 for the first six months of 2024 compared to 2023.

Despite the likely downward revisions, we still expect that the benchmark jobs will show that the state has recovered all the jobs lost during the 2020 Covid-related Shutdowns.

Wages have continued to climb. Last year, Rhode Island employers paid \$32.3 billion in wages up 4.2 percent from the \$31.0 billion paid in 2022. This year wages are on track to reach nearly \$34 billion.

Through the first six months of 2024, Rhode Island-based jobs averaged 507,900 up 1.6 percent from the 499,700 average recorded during the first six months of 2023. UI Tax data, the data that is used to benchmark job estimates, available for the first six months of 2024 indicates that jobs increased by 1.3 percent compared to the first six months of 2023. Based on this information we expect that jobs will be revised down during the annual benchmark averaging 506,200 for the January to June 2024 period compared to the estimated average of 507,900. If this trend continues, RI-based jobs will average 510,700 in 2024.