17 States Where Unemployment Is at Record Lows -- WSJ

Publication info: Dow Jones Institutional News ; New York [New York]. 29 May 2022.

FULL TEXT

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The unemployment rate in 17 states concentrated in the Midwest, South and Mountain West reached a record low in April, a sign of an unusually tight labor market.

The milestone in those states marks a sharp reversal from the spring of 2020, when the Covid-19 pandemic drove unemployment to record highs in 15 of those states, according to Labor Department data tracing back to 1976.

Two additional states -- Oklahoma and Arkansas -- hit record low unemployment rates earlier this year.

In Nebraska, where jobs in pandemic-resilient industries such as agriculture and food-processing abound, the jobless rate clocked in at 1.9% in April. The state tied Utah for having the lowest unemployment rate in the nation.

Other Midwest and Mountain West areas reached record low jobless rates, as did Southern states such as Alabama, Georgia and Tennessee.

Unemployment has fallen across the U.S. after the national unemployment rate skyrocketed to 14.7% in April 2020, the highest for data going back to 1948. Businesses temporarily closed their doors and Americans stayed at home when Covid-19 hit, but reopenings that summer spurred a rapid jobs recovery.

In many states that are more rural and less densely populated, different factors have driven unemployment to record lows since the onset of Covid-19. Those factors include looser restrictions and industry-job mixes more resilient to the pandemic, economists say.

Low joblessness suggests the labor market, a pillar of the economy, is still running strong, despite volatility in stocks, bonds and other assets reflecting investor fears that the U.S. is headed toward an economic downturn.

Employers continue to cling to their employees, and many workers who want a job can easily find one.

Low unemployment is also symptomatic of an unbalanced economy in which there are too few job seekers to keep pace with a surge in consumer spending and employer demand for workers.

"Any time you have trillions of extra dollars sloshing around in the economy chasing more goods and services that are being produced by fewer people, you're going to have this very, very tight labor market," said Julia Pollak, chief economist at jobs site ZipRecruiter.

Mismatches between job openings and available workers are particularly acute in some states, creating more-extreme ratios than the national average of two openings for every out-of-work job seeker. In Nebraska, there were about 3.5 job openings for every unemployed person seeking work in March.

Employers across the nation are ramping up wages to attract workers in a tight labor market. In April, average hourly earnings rose 5.5% from a year earlier, well above the roughly 3% increase at the end of 2019, before the pandemic hit.

Workers who reap wage increases are able to save, or spend money on airplane tickets, meals out and hotels. But employers who have to pay workers more might pass along price increases to stay profitable, threatening to keep inflation elevated when it is already near a four-decade high.

States including Arizona and Georgia have record-low jobless rates and solid wage growth. But major cities in

those states are also confronting inflation that exceeds the national rate of 8.3%. The Phoenix and Atlanta metropolitan areas saw consumer prices rise by 11% and 10.8%, respectively, in April compared with a year ago.
The Federal Reserve is increasing interest rates to help tame inflation. That will likely be particularly beneficial to states with very low unemployment rates that would otherwise "have a harder time getting inflation under control" than less-tight labor markets, said Daniel Zhao, senior economist at Glassdoor.
Labor-force participation rates -- which represent the share of the population working or seeking a job -- tend to be higher in states with record low unemployment rates. For instance, Nebraska, with a 1.9% unemployment rate, saw the highest labor-force participation of any state in April. Other states -- including Utah, South Dakota and Minnesota -- also had low joblessness accompanied by relatively high labor-force participation.
Some of the factors that have triggered low jobless rates in states are specific to the pandemic. For instance, looser government restrictions on businesses helped keep unemployment rates in many states lower throughout the pandemic, economists say. That included many states in the South. Others that restricted activity for longer periods -- including Northeastern states such as New York, Massachusetts and Connecticut -- still have more ground to recover before reaching prepandemic rates of unemployment.
Places with a higher concentration of goods-producing jobs in manufacturing and warehousing have been better able to endure the pandemic's effects, Ms. Pollak said, pointing to Elkhart, Ind., an RV manufacturing center, as an example.
In contrast, states with a large presence of customer-facing jobs at restaurants, bars and hotels cut jobs at a rapid rate amid pandemic shutdowns and consumer pullback in early 2020. More than two years after Covid-19 struck, job-market recoveries in those states are still lagging behind others, though they are making progress as the pandemic's grip eases.
For example, unemployment rates in Hawaii and Nevada surged to respective highs of 22.4% and 28.5% in April 2020, as the tourism-heavy states suffered from the lack of visitors. By April of this year, their unemployment rates were still above the national rate of 3.6% but had declined to 4.2% and 5%.
"When you disrupt employment that much, it can take a long time for it to recover," Ms. Pollak said. "The tourist numbers will return faster than the businesses that employ the service workers."
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May 29, 2022 05:30 ET (09:30 GMT)

DETAILS

Subject:	Unemployment; Economic conditions; Labor market; COVID-19
Business indexing term:	Subject: Unemployment Economic conditions Labor market
Location:	United States--US; Nebraska; Utah; Georgia
Publication title:	Dow Jones Institutional News; New York
Publication year:	2022
Publication date:	May 29, 2022
Publisher:	Dow Jones &Company Inc

Place of publication:	New York
Country of publication:	United States, New York
Publication subject:	Business And Economics
Source type:	Wire Feed
Language of publication:	English
Document type:	News
ProQuest document ID:	2671117125
Document URL:	https://www.proquest.com/wire-feeds/17-states-where-unemployment-is-at-record-lows/docview/2671117125/se-2?accountid=44910
Copyright:	Copyright Dow Jones &Company Inc May 29, 2022
Last updated:	2022-05-30
Database:	ABI/INFORM Collection