How COVID has changed the Labor Market

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Now that three years have passed since the emergence of COVID-19 it is possible to begin to distinguish between the short-term and long-term effects of the pandemic. To provide additional measures of the effects of the COVID-19 pandemic on the labor market, the Bureau of Labor Statistics (BLS) conducted a series of Business Response Surveys. The initial survey was conducted in July through September 2020. Additional surveys were conducted in July to September 2021 and August to September 2022. The results of these surveys give some insights into the effects of the pandemic on the labor market nationally and here in Connecticut. In addition, the Job Openings and Labor Turnover Survey (JOLTS) from BLS and the Job-to-Job Flows from the U.S. Census show one unexpected effect of the pandemic – the greater willingness of workers to voluntarily leave their jobs and the resulting increase the number of job openings.

The 2020 Business Response Survey showed that Connecticut’s business response to the pandemic was similar to businesses in the nation as a whole. For example, 51.9% of establishments nation-wide told employees not to work and 51.3% of these continued to pay employees some or all of their pay while not working. In Connecticut, it was 52.8% and 48.1% respectively. Nationally, 55.6% of establishments experienced a decrease in demand for their products or services and 18.7% experienced a government-mandated closure. Connecticut’s portion with decreased demand was 56.3% while the portion with a mandated closure was 17.3% in Connecticut. Only 17.8% of establishments nationally and 17.1% in Connecticut reported that they experienced no impact from the pandemic on their business operations.

One change brought about by the pandemic which may have lasting effects on at least some business establishments is increased telework. Nationally, 30.9% of establishments employing 54.3% of American workers increased teleworking opportunities as did 33.9% of establishments in Connecticut employing 55.9% of Connecticut workers. In the country, 52.3% of establishments and 49.9% in Connecticut had no telework either before or after the start of the pandemic according to the 2020 survey.

The 2021 Business Response Survey asked additional questions about changes made as a result of the pandemic. Nationally 34.5% of establishments (34.7% in Connecticut) reported some additional workplace flexibilities since the start of the pandemic such as flexible or staggered work hours, compressed or alternative work schedules, or voluntary reductions in hours worked. In addition, 24.2% of establishments employing 45.8% of total employment made some changes in pay directly because of the coronavirus pandemic, either by increasing base wages or paying a bonus or other financial incentive. Again, Connecticut’s results were similar to the nation’s with 23.8% of establishments employing 48.0% of total employment changing pay as a result of the pandemic.

The 2021 survey showed 34.5% of establishments had increased telework for some or all employees since the start of the pandemic. These establishments employ 50.8% of total private sector employment. In Connecticut, 39.4% of establishments had increased telework for some or all employees in establishments employing 56.9% of private sector workers. 67.0% of the Connecticut establishments expected the increase in telework to continue after the pandemic is over compared to 60.2% for the nation.

The 2022 survey showed that 27.5% of private-sector establishments had employees teleworking some or all of the time. Connecticut’s 27.8% was nearly identical to the nation’s. Connecticut establishments with employees teleworking employ 41.6% of the private sector workforce compared to 35.2% for the nation as a whole. The Connecticut level is roughly consistent with the expectations expressed in the 2021 survey although the pandemic was not really “over” when the survey was conducted in August and September of 2022. Fully 95.5% of Connecticut establishments expected the amount of telework to remain the same over the next six months, with only 1.5% expecting it to increase and 3.0% expecting a decrease, suggesting the amount of telework has reached an equilibrium. The survey does not have results by industry by state, but nationally the industries with the highest percentage of establishments with employees teleworking some or all of the time were Information, Professional & Business Services, Educational Services, Wholesale Trade, and Financial Activities.

The 2022 Business Response Survey also asked about hiring and vacancies. 22.4% of establishments nationally reported hiring at least one new employee in July 2022 as did 20.4% of Connecticut establishments. Vacancies were reported by 21.3% of Connecticut establishments and 20.9% of establishments nationally.

The large number of vacancies in July is consistent with the large number of job openings reported by the monthly Job Openings and Labor Turnover Survey (JOLTS) published by BLS. The persistently high level of openings is perhaps the most surprising result of the pandemic. As of March 2023, there were 9.6 million job openings in the United States. While this is down from the 12.0 million in March 2022 it is still 2 million openings higher than the highest level ever recorded before the pandemic. Connecticut openings tell a similar story with 104,000 openings reported for March 2023, tens of thousands more than the 86,000 pre-pandemic high and the 65,000 average for 2019, the last year before COVID-19.

One cause of the large number of vacancies is the willingness of workers to quit their jobs. This has been called (inaccurately in my view) “the great resignation” when in fact most workers are quitting to take other jobs. This is in sharp contrast to worker behavior following the “great recession” of 2007-2009 when quit rates were depressed for years. Indeed the Job-to-Job flows show that the number of workers switching jobs was on an upward trend even before the pandemic. The Job-to-Job flows measure the number of workers who leave one job and start another with little or no unemployment in between.

The COVID-19 pandemic caused a severe contraction of the economy with a spike in unemployment and unprecedented job loss. The economy rebounded quickly with jobs and unemployment now at or near pre-pandemic levels. The pandemic has led to some changes that will likely be with us for the long-term, such as an increase in telework. In contrast to previous recessions, the aftermath of the COVID recession is an increased willingness of workers to quit their jobs for new opportunities – a trend that had begun before the pandemic but accelerated after the end of the COVID lockdown.n