Pennsylvania Has More Job Openings Than Workers to Fill Them
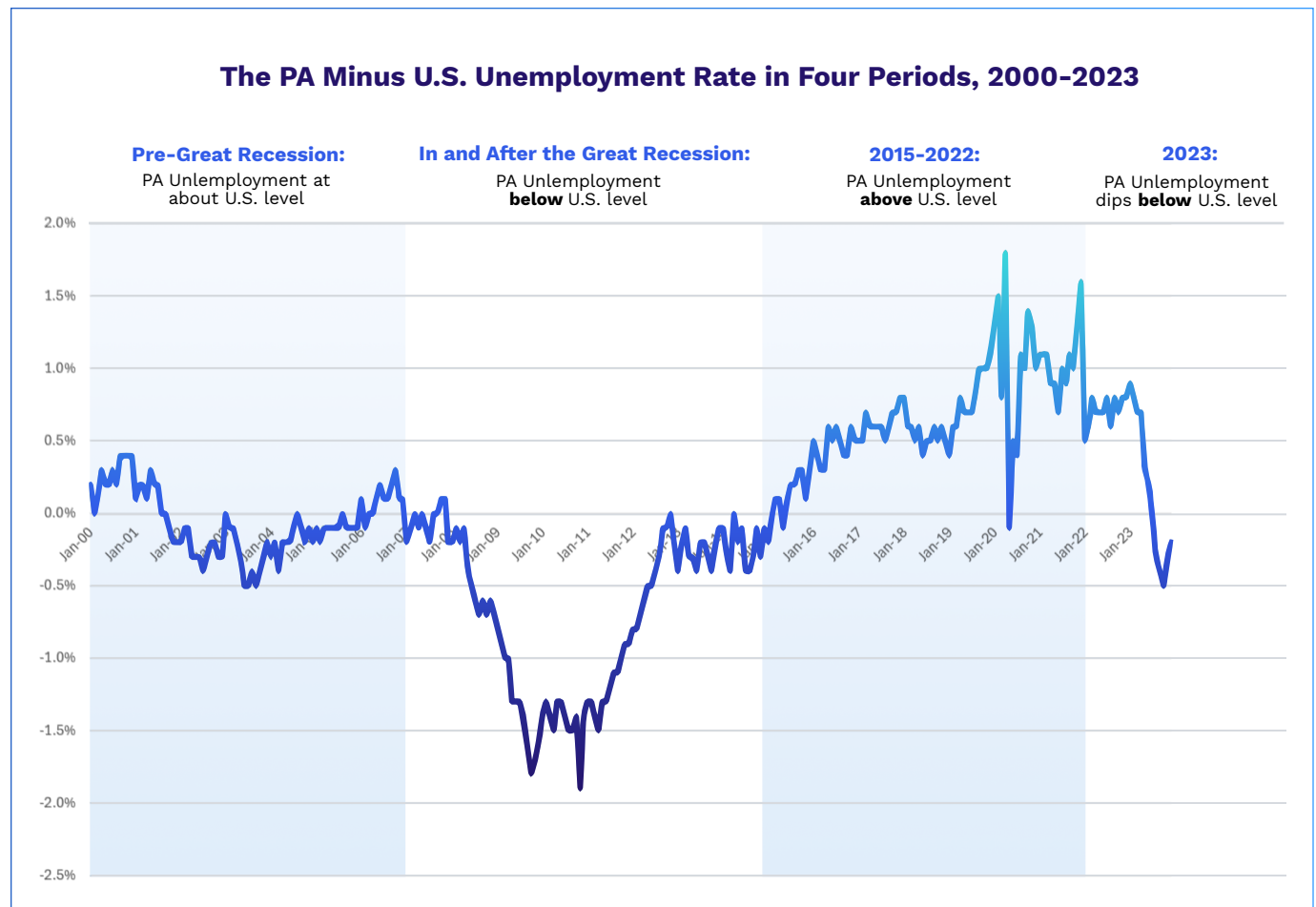
▶ Pennsylvania is observing record low unemployment rates. The unemployment rate in Pennsylvania in December 2023 was 3.5%, its second lowest since at least 1976 (the first year when the current monthly state unemployment rate data set started and its lowest rate being November 2023).

▶ In the last four months, the state's unemployment rate has dipped below the national unemployment rate thanks to unusually fast job growth compared to the state over the past three years (as discussed in the first "workforce trends" report).

▶ Since 2000, our unemployment rate compared to the U.S. shows three distinct periods.

IN THE 2000s
before the Great Recession our unemployment rate bounced around the national level.

IN AND AFTER
the Great Recession our unemployment rate dipped below the national rate.

FROM 2014
to early 2023, our unemployment rate rose above the national level.

An intriguing question: will the recent dip in our unemployment rate below the national level be sustained?

▶ Regionally, every single one of Pennsylvania's Local Workforce Development Areas has an unemployment rate in the past 12 months lower than in the 12 months before the pandemic.

▶ Pennsylvania's rate of job openings remains higher than pre-pandemic levels.

▶ There are now more job openings than unemployed workers in Pennsylvania – one job opening for every 0.6 unemployed workers.

▶ Pennsylvania is aging. Workers 55 years or older have been the only part of the state population to grow in the last decade and to increase their share of the workforce.

▶ Prime-aged workers (aged 25 to 54) have decreased by nearly five percentage points as a share of the workforce during the last decade.

▶ In sum, an aging workforce – which increases retirement rates – and employment practices that contribute to high turnover (a topic we'll address in a future trends report), are more responsible for the challenges employers face finding enough employees than a permanent withdrawal of workers from the workforce (aka the "Great Resignation").

Pennsylvania's Unemployment Rate Falls to a Historic Low – And Below the U.S. Rate

The unemployment rate in Pennsylvania is now (from September to December 2023) 3.5%, the second lowest level since this data series began in 1976 (with the lowest level being just the month before at 3.4%). Pennsylvania's unemployment rate also dipped below the U.S. level in August 2023 for only the second time since May 2015. One likely driver of the improvement in the Pennsylvania unemployment rate relative to the United States is the healthy recent Pennsylvania job growth we documented in the first workforce trends report.

Looking at our unemployment rate compared to the U.S. since 2000 (see the next chart) shows three distinct periods. In the George W. Bush presidency before the Great Recession our unemployment rate bounced around the national level. In and after the Great Recession our unemployment rate dipped below the national rate, partly because we had less of a housing bubble than many states and our economy suffered less in the Great Recession when that bubble burst. From about 2014 to early 2023, our unemployment rate rose above the national level before dipping below it recently. A question now: is the last four months in which our unemployment rate was 0.5 percentage points below the national rate the beginning of a fourth distinct period or an aberration? Let's hope that it's the latter and that our workforce system and state lawmakers can partner to sustain this progress!

The PA Minus U.S. Unemployment Rate in Four Periods, 2000-2023

Pre-Great Recession:
PA Unlemployment at about U.S. level

In and After the Great Recession:
PA Unlemployment **below** U.S. level

2015-2022:
PA Unlemployment **above** U.S. level

2023:
PA Unlemployment dips **below** U.S. level

Unemployment Is Also Low in Most Workforce Development Areas

The unemployment rate is also low in most of Pennsylvania's 67 counties and 22 Local Workforce Development Areas (LWDAs). As the table below shows, every single LWDA has a lower unemployment rate in the past 12 months (ending November 2023) than in the 12 months ending right before the pandemic (in February 2020). The decrease in LWDA unemployment rates in the last 12 months compared to the 12 months right before the pandemic ranges from four tenths of a percentage point to nine tenths of a percentage point. Comparing recent unemployment rates to before the pandemic over a shorter period than a year – three-months – 20 of the 22 LWDA's had an average unemployment rate from September-November 2023 that was one to three percentage points below the average unemployment rate from December 2019 to February 2020.

Pennsylvania Workforce Development Area Unemployment Rates Most Recent and Compared to Pre-Pandemic

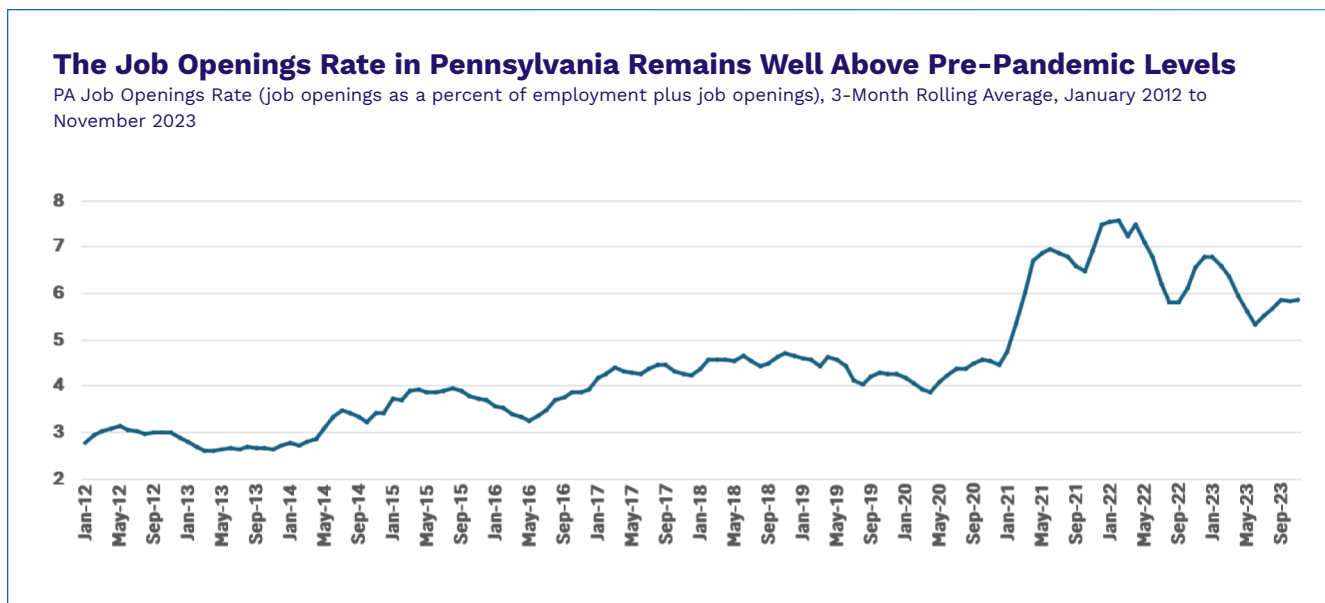Percent Change in Employment, February 2020 - November 2023

Workforce Development Area	Most Recent Unemployment Rate			Change in Unemployment Rate Since Before the Pandemic		
	1-Month Nov. 2023	3-Month Average Sept. 2023- Nov. 2023	12-Month Average Dec. 2022-Nov. 2023	1-Month Nov. 2023 Minus Feb. 2020	3-Month Avg. Sept.-Nov. 2023 Minus Dec. 2019-Feb. 2020	12-Month Average Dec. 2022-Nov. 2023 Minus March 2019-Feb. 2020
North Central	3.3%	3.3%	4.4%	-3.2%	-3.1%	-0.8%
Central	2.8%	2.8%	3.7%	-2.1%	-2.1%	-0.8%
Northern Tier	2.8%	2.9%	3.8%	-2.9%	-2.6%	-0.8%
Lackawanna	3.2%	3.3%	4.1%	-2.0%	-1.7%	-0.8%
Pocono Counties	3.7%	3.8%	4.7%	-2.1%	-1.9%	-0.6%
Luzerne-Schuylkill	3.7%	3.8%	4.6%	-2.3%	-2.0%	-0.9%
Lehigh Valley	3.3%	3.4%	3.9%	-1.3%	-1.1%	-0.6%
Berks County	3.1%	3.2%	3.8%	-1.6%	-1.2%	-0.6%
Bucks County	2.6%	2.8%	3.2%	-1.5%	-1.2%	-0.6%
Montgomery County	2.4%	2.6%	3.0%	-1.1%	-0.8%	-0.5%
Philadelphia County	3.9%	4.1%	4.6%	-1.5%	-1.2%	-0.9%
Delaware County	2.8%	2.9%	3.4%	-1.3%	-1.0%	-0.6%
Chester County	2.2%	2.3%	2.8%	-1.0%	-0.7%	-0.4%
Lancaster County	2.3%	2.4%	2.9%	-1.3%	-1.1%	-0.5%
South Central	2.5%	2.6%	3.2%	-1.6%	-1.2%	-0.6%
Southern Alleghenies	3.1%	3.1%	4.2%	-2.9%	-2.8%	-0.9%
Westmoreland/Fayette	3.0%	3.1%	4.1%	-2.7%	-2.4%	-0.7%
Southwest Corner	3.0%	3.2%	4.1%	-2.3%	-1.9%	-0.5%
Allegheny County	2.8%	3.0%	3.6%	-1.6%	-1.2%	-0.5%
Tri County	2.8%	2.9%	3.8%	-2.4%	-2.2%	-0.5%
West Central	3.4%	3.4%	4.4%	-2.8%	-2.5%	-0.6%
Northwest	3.2%	3.2%	4.3%	-2.3%	-2.0%	-0.4%

Pennsylvania Has a High Rate of Job Openings

Another indicator of the tightness of the labor market – less well known than the unemployment rate but a more direct measure of employers' challenges finding workers – is the "job openings rate." This rate equals the number job openings employers report as a share of total employment plus the number of job openings. The Bureau of Labor Statistics has published these rates monthly since December 2000 as part of the "Job Openings and Labor Turnover Survey" – JOLTS. (Unfortunately, JOLTS data are not available at the substate county or Local Workforce Area.)

As the next chart shows, the Pennsylvania job openings rate climbed to between 4% and 5% in the years before the pandemic and then jumped to over 7% in the pandemic recovery. The job openings rate remains over 5%. The over-7% peak job openings rate likely reflected, in part, the withdrawal of workers from the job market during the pandemic – because of increased family responsibilities, concerns about infection (and bringing infection back home) and some workers' decisions, after separating from low-wage jobs, that returning to the job wasn't worth it. Dubbed the "Great Resignation," large-scale withdrawal from the job market does not appear to be driving the continued high job openings rate today. Indicative of this, the Pennsylvania employment-to-population ratio (also called the "employment rate") is now slightly above its level before the pandemic.[1] (We'll say more about employment rates and labor force participation in a future workforce trends report.)

The Job Openings Rate in Pennsylvania Remains Well Above Pre-Pandemic Levels
PA Job Openings Rate (job openings as a percent of employment plus job openings), 3-Month Rolling Average, January 2012 to November 2023

Source: Keystone Research Center based on Job Openings and Labor Turnover Survey data accessed from Bureau Labor Statistics data releases, https://data.bls.gov/cgi-bin/dsrv?jt

Pennsylvania Has More Job Openings Than Unemployed People

The next chart shows that the number of job openings in Pennsylvania today substantially exceeds the number of unemployed workers. In November 2023 there were only 0.6 unemployed workers for each job opening in Pennsylvania.

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[1]We estimate the employment-to-population ratio as the number of Pennsylvanian jobs as a share of the non-institutional civilian population 16 and over. Source for population estimates: Economic Policy Institute based on Bureau of Labor Statistics data: https://www.bls.gov/web/laus/ststdsadata.txt; https://www.bls.gov/lau/rdscnp16.htm. Source for job numbers, Current Establishment Survey Table 5; http://www.bls.gov/news.release/laus.t05.htm.

Since August 2021, There Are Fewer Unemployed Workers Than Job Openings in PA

Pennsylvania Total Nonfarm Unemployed Workers to Job Openings Ratio Three-Month Rolling Average, January 2012 to November 2023
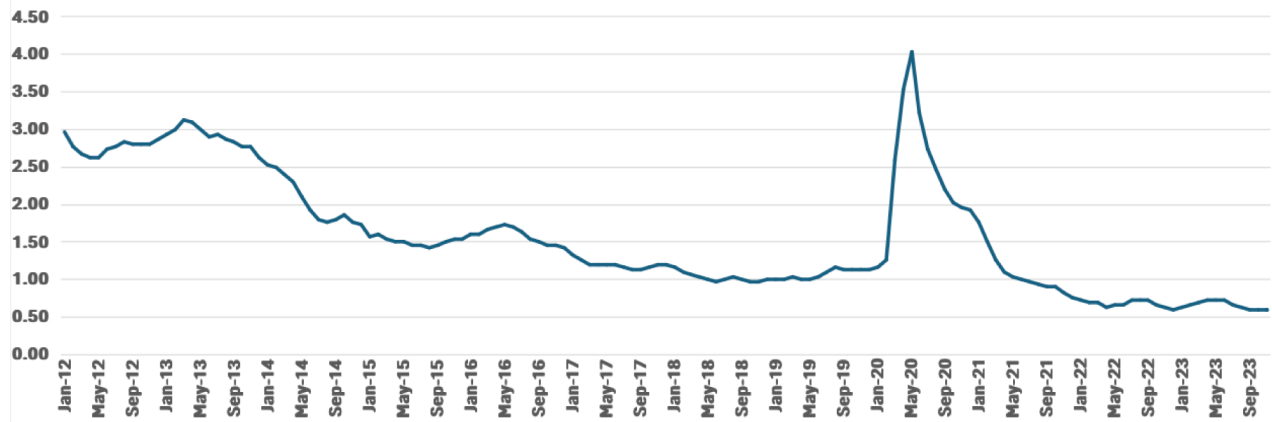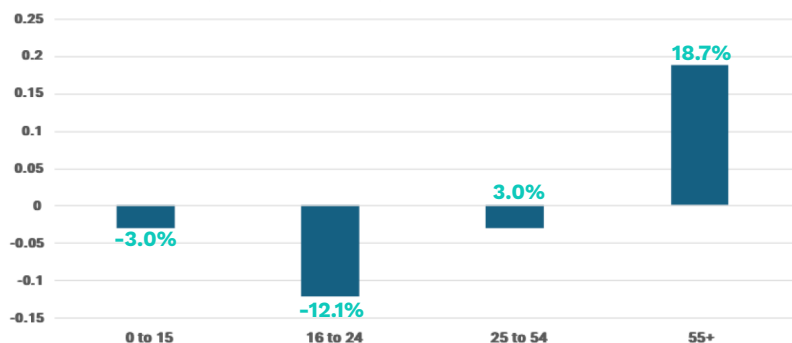

Source: Keystone Research Center based on Job Openings and Labor Turnover Survey data accessed from Bureau Labor Statistics data releases, https://data.bls.gov/cgi-bin/dsrv?jt

Misconceptions About the Pennsylvania's "Tight" Labor Market

The data clearly indicate that individual workers have a lot of opportunities in the current market, and some ability to pick and choose among jobs and employers. The next chart suggests that this is driven less by a permanent withdrawal of workers from the job market and more by the aging of our workforce which gradually increases the rate of retirement and the number of new workers that must be hired each year to replace retiring workers. The chart shows that, in the last 11 years, the only age group in Pennsylvania that has grown is the oldest one close to retirement – those aged 55 and over increased by nearly a fifth! The number of Pennsylvanians of prime working age (25 years to 54) declined by 3% from 2010 to 2021. And the group 16 to 24 years old plummeted by 12.1%!

Pennsylvania's Prime Age Group Decreased in Sze Over the Last Ten Years

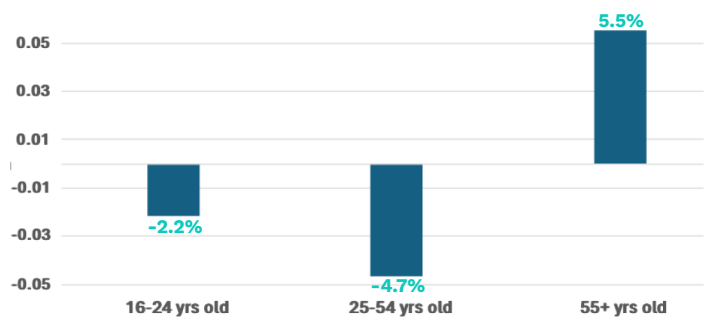Percent Change in Population by Age Group in Pennsylvania, 2010-2021

Source: Keystone Research Center analysis based on American Community Survey 5-year estimates data.

These population changes lead to shifts in each age group's share of the labor force over time. From 2011 to 2022, the age group nearing retirement has seen a nearly six percentage point increase in its share of the labor force. Prime aged workers have seen a roughly five percentage point decrease during that same period.

The Bigger Shift is the Aging of Pennsylvania's Population and Workforce

Change in the Share of Pennsylvania's Labor Force by Age Group, 2011-2022

	16-24 yrs old	25-54 yrs old	55+ yrs old
	-2.2%	-4.7%	5.5%

A Time of Opportunity for Pennsylvania Workers and Its Workforce System

Our tight labor market today gives Pennsylvania workers more choices, and chances to get a higher paid and higher quality job. A tight labor market also creates opportunities for Pennsylvania's workforce system. With employers hungry for workers, the workforce system has a better shot at helping job seekers, including people with barriers, get jobs.

Another opportunity for the workforce system is to provide guidance to employers about how to reduce turnover, including by improving job quality. This can mean improving pay and benefits. It can also mean providing training and development opportunities for workers, supportive supervision, and organizational leadership that respects workers and instills a larger sense of purpose on the job. Given the high cost of employee recruitment, especially, in a labor market with more job openings than workers seeking jobs, improving employee retention is common sense.[2]

Workforce Wonderings

Let's recap questions to think about raised by this "Workforce Trends" report.

➤ Will the recent dip in the Pennsylvania unemployment rate below the national level be sustained?

➤ Will the recent healthy growth of Pennsylvania jobs relative to national job growth continue?

➤ How can the workforce system and Local Workforce Development Areas capitalize on a tight labor market to help more job seekers, including people with barriers, secure and keep a job?

➤ Can the workforce system and LWDAs play a bigger role supporting employers to adopt good management practices that reduce turnover and the cost of recruitment?

[2]Benchmarking data from the Society for Human Resource Management but the cost of recruitment new workers at $4,700. This estimate, however, includes direct expenses (placing ads, the salaries of human resource staff, etc.) but does not include productivity impacts and the stress for managers of interviewing new candidates and juggling recruitment with ongoing responsibilities. See Katie Navarra, "The Real Costs of Recruitment," SHRM,April 11, 2022; https://www.shrm.org/topics-tools/news/talent-acquisition/real-costs-recruitment.