

Research Briefing | US

Which state labor market recoveries are the strongest?

Economist

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The Midwest and South are leading regional labor market recoveries

- **Midwestern and Southern state labor market recoveries are still outpacing the rest of the country.** Labor demand has strengthened most strongly in these regions since our last assessment, and labor supply constraints are posing less of a drag on job growth. A robust summer recovery should support the ongoing recoveries of these regions, as well as the rest of the country.
- **Labor market recoveries remain the weakest in Hawaii and Nevada, partly because their labor force participation rates have risen more slowly.** Labor market recoveries are also relatively slow in east and west coast states, including New York and California. We see Covid variants as the main downside risk for the economy as it advances through the summer boom.

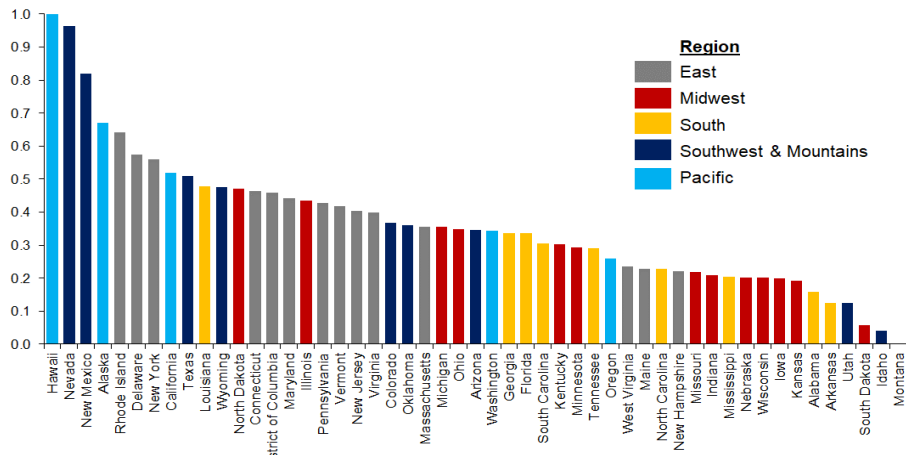
Our updated labor market [scorecard](#) for the 50 US states and the District of Columbia indicates that Midwestern and Southern states are currently recovering at the strongest pace, with eight of the 10 most robust recoveries occurring in these regions (**Figure 1**). Our scorecard assesses current local labor dynamics (**Figure 2**), and we examine how rankings have shifted since late-2020.

Greater declines in unemployment rates, stronger wage growth, and sharper increases in job openings relative to other regions are underpinning strong labor demand dynamics in the Midwest and South. Also, labor supply [constraints](#) are less restrictive, since labor force participation rates have made the most progress toward returning to pre-Covid levels in these two regions. Quicker reopenings and robust demand are underpinning faster recoveries relative to other regions.

Figure 1: Mapping regional labor market damage from the Covid pandemic

US: State labor market scorecard - July 2021

Normalized z-scores (1= most damaged; 0=least damaged - relative to pre-Covid)



Source: Oxford Economics/Haver Analytics/US Treasury/US Department of Labor/Census Bureau/Burning Glass

Energy-producing states bear monitoring

Coastal states recoveries are still the weakest

Leisure and hospitality-dependent states are in the deepest holes

Figure 2: US state labor market heatmap

Labor market recoveries of states with a reliance on energy activity – including Texas, Louisiana, and Ohio – lost some positive momentum since our last assessment. This is because energy sector activity firmed slowly in H1 2021 as domestic producers cautiously ramped up oil & gas output. However, we expect that sturdier oil & gas demand and higher commodity prices will boost the sector’s recovery moving forward.

Labor market recoveries are still slow among east and west coast states, though there are some encouraging developments. Among the large states, New York improved three spots to the seventh-weakest position and New Jersey improved nine spots to the 19th weakest position (**Figure 1**). Declines in the share of businesses negatively affected by Covid and more job postings and hirings indicate that labor demand is picking up in both states. However, modest rebounds in labor force participation signal that labor supply constraints pose headwinds. California improved one spot to the 8th weakest position, with firming wage growth slightly outweighing a softer pace of hiring. A relatively weak recovery in labor force participation signals that California’s labor supply constraints aren’t easing quickly.

Hawaii and Nevada are still experiencing the weakest recoveries. Their unemployment rates have far to fall before returning to pre-Covid levels, wage growth is fairly soft, and the number of people getting jobless benefits is high. Also, labor supply relative to pre-Covid levels remains low as labor force participation has rebounded slower than in other states. We believe that deep scars in the leisure and hospitality industry mean it will take these states relatively longer to recoup their job losses.

Oxford Economics US State Labor Market Heatmap									
State	Job postings relative to pre-pandemic level	Share of businesses negatively impacted by the pandemic	State unemployment rate relative to pre-pandemic level	Labor force participation rate relative to pre-pandemic level*	Wages and salaries growth relative to pre-pandemic trend	Insured unemployment rate relative to pre-pandemic level	Share of low wage workers	Share of workers who can telework	Average (normalized)
Hawaii	0.81	1.00	1.00	0.38	1.00	0.65	0.46	0.53	1.00
Nevada	0.73	0.68	0.80	0.36	0.74	1.00	0.16	0.62	0.82
New Mexico	0.50	0.66	0.63	0.31	0.78	0.64	0.27	0.66	0.66
Alaska	0.54	0.71	0.24	0.03	0.52	0.35	0.96	0.96	0.62
Rhode Island	0.67	0.64	0.49	0.47	0.21	0.83	0.61	0.35	0.61
Delaware	0.62	0.80	0.44	0.47	0.51	0.73	0.56	0.00	0.58
New York	0.73	0.89	0.78	0.19	0.61	0.66	0.01	0.11	0.54
California	0.78	0.72	0.76	0.42	0.37	0.65	0.00	0.29	0.54
Texas	0.68	0.69	0.59	0.43	0.55	0.35	0.00	0.66	0.53
Louisiana	0.56	0.76	0.41	0.32	0.40	0.72	0.10	0.67	0.53
Wyoming	0.22	0.15	0.37	0.22	0.86	0.15	0.96	1.00	0.53
North Dakota	0.35	0.53	0.39	0.22	0.88	0.01	0.66	0.85	0.52
Connecticut	0.26	0.56	0.75	1.00	0.34	0.53	0.16	0.25	0.51
District of Columbia	1.00	0.43	0.42	0.38	0.30	0.60	0.51	0.23	0.51
Maryland	0.86	0.48	0.56	0.64	0.44	0.44	0.09	0.33	0.51
Illinois	0.56	0.78	0.71	0.44	0.36	0.55	0.03	0.38	0.50
Pennsylvania	0.83	0.69	0.46	0.49	0.44	0.40	0.02	0.42	0.49
Vermont	0.08	0.31	0.12	0.89	0.39	0.35	1.00	0.52	0.46
New Jersey	0.67	0.78	0.66	0.44	0.41	0.32	0.05	0.33	0.46
Virginia	0.88	0.53	0.41	0.71	0.35	0.38	0.05	0.31	0.45
Colorado	0.64	0.45	0.71	0.28	0.55	0.39	0.09	0.43	0.43
Oklahoma	0.57	0.54	0.22	0.15	0.48	0.52	0.13	0.83	0.41
Massachusetts	0.70	0.65	0.64	0.38	0.42	0.25	0.07	0.23	0.38
Michigan	0.57	0.62	0.32	0.57	0.30	0.37	0.04	0.48	0.36
Ohio	0.76	0.54	0.24	0.60	0.31	0.29	0.03	0.48	0.35
Arizona	0.65	0.40	0.46	0.43	0.28	0.47	0.09	0.44	0.35
Washington	0.55	0.58	0.34	0.50	0.53	0.25	0.08	0.36	0.34
Georgia	0.49	0.47	0.25	0.26	0.39	0.86	0.03	0.37	0.33
Florida	0.51	0.56	0.44	0.39	0.38	0.42	0.01	0.42	0.33
South Carolina	0.53	0.42	0.44	0.33	0.33	0.44	0.09	0.52	0.32
Kentucky	0.65	0.45	0.14	0.58	0.32	0.24	0.11	0.60	0.32
Minnesota	0.70	0.49	0.24	0.49	0.39	0.24	0.09	0.44	0.32
Tennessee	0.64	0.45	0.36	0.36	0.19	0.47	0.06	0.53	0.31
Oregon	0.39	0.47	0.53	0.00	0.58	0.51	0.15	0.42	0.31
West Virginia	0.68	0.64	0.19	0.25	0.00	0.13	0.34	0.78	0.30
Maine	0.22	0.31	0.34	0.49	0.34	0.30	0.47	0.50	0.29
North Carolina	0.64	0.42	0.29	0.50	0.31	0.35	0.04	0.41	0.29
New Hampshire	0.48	0.36	0.07	0.56	0.08	0.56	0.39	0.38	0.27
Missouri	0.64	0.44	0.20	0.32	0.30	0.47	0.07	0.43	0.27
Indiana	0.56	0.30	0.24	0.33	0.25	0.48	0.06	0.57	0.25
Mississippi	0.18	0.41	0.20	0.14	0.25	0.71	0.18	0.65	0.23
Nebraska	0.62	0.25	0.03	0.42	0.30	0.23	0.26	0.54	0.21
Wisconsin	0.62	0.45	0.15	0.28	0.25	0.32	0.07	0.47	0.20
Iowa	0.31	0.24	0.27	0.79	0.29	0.09	0.15	0.47	0.20
Kansas	0.64	0.35	0.15	0.11	0.38	0.20	0.16	0.50	0.17
Alabama	0.53	0.33	0.20	0.29	0.32	0.17	0.10	0.55	0.17
Arkansas	0.12	0.34	0.24	0.29	0.24	0.38	0.18	0.58	0.14
Utah	0.44	0.19	0.12	0.33	0.14	0.18	0.15	0.42	0.04
South Dakota	0.19	0.14	0.00	0.22	0.10	0.15	0.60	0.53	0.03
Idaho	0.29	0.05	0.14	0.38	0.10	0.03	0.32	0.58	0.02
Montana	0.00	0.00	0.10	0.35	0.19	0.00	0.52	0.65	0.00

Note: Rankings are normalized between 0 and 1, with 1 meaning most damaged relative to pre-Covid
Source: Oxford Economics/Haver Analytics/US Treasury/US Department of Labor/Census Bureau/Burning Glass