

# COVID and the missing workers

## Who stayed out and what that says about the shortage

By DAN ROBINSON

**A**laska had 30,000 job openings in January of this year — nearly triple the number from a decade ago. During the summer of 2021, the number climbed as high as 36,000.

It's tempting to attribute the record number of openings to COVID-19, but while the pandemic is partly to blame, demographics are also playing a powerful role.

The large number of openings confirms what employers have been saying for more than a year: They're struggling more than ever to recruit and retain workers.

National and state surveys have identified a mixture of likely reasons, mostly linked to COVID disruptions, related health concerns, and the lack of child care. But Alaska has the unique ability to examine the characteristics of the residents who have fallen out of the workforce, which sheds light on the worker shortage and how long it might last. (See the sidebar on page 10 for more on the data.)

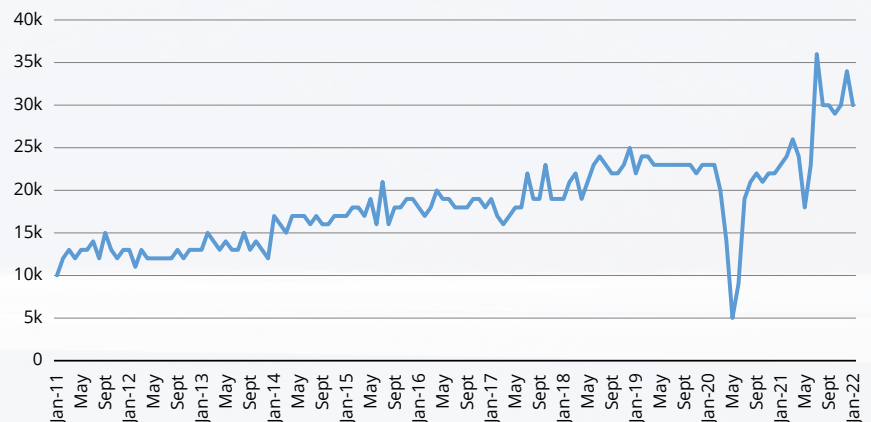
### How many people stopped working and haven't returned

To figure out how many pre-COVID workers dropped out of the workforce during the pandemic and didn't return, we first determined that 410,611 people were working in Alaska in the year before the pandemic, and 321,990 of those were residents.

Of the roughly 322,000 working residents, 216,000 continued working throughout the pandemic and were still working in the most recent quarter studied: the third quarter of 2021.

Another 31,000 fell out of the workforce for at least one full quarter during the pandemic but have since returned to an Alaska job.

### Alaska's number of job openings jumped in 2021



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

Finally, about 75,000 of the original 322,000 were not working for an Alaska employer as of late 2021.

### How unusual is the number of workers we lost during COVID?

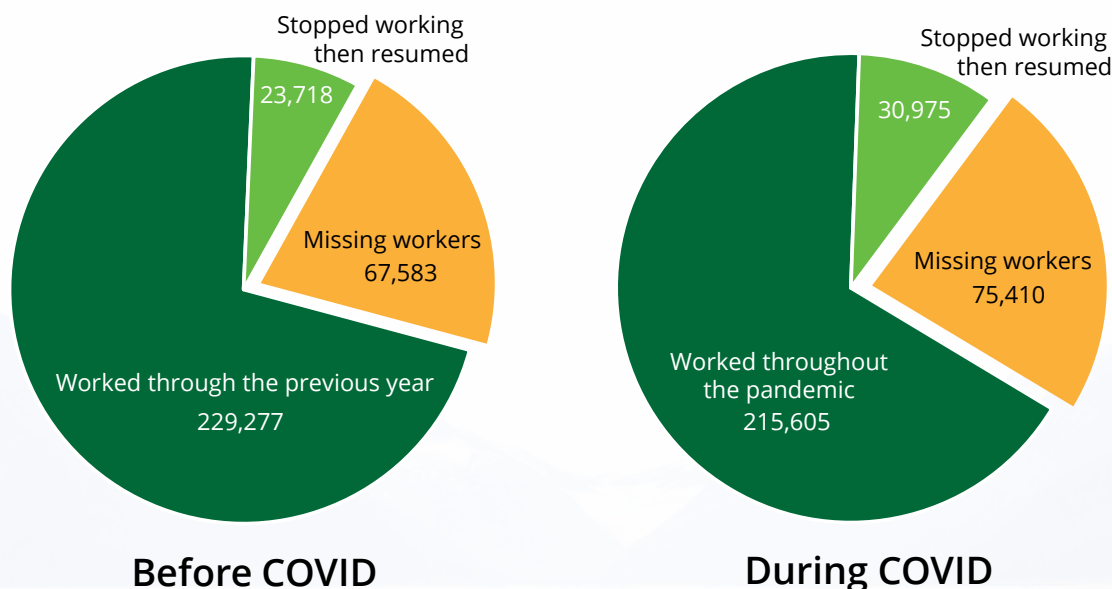
A certain number of people leave the workforce every year regardless of economic conditions, so after pinpointing that 75,000 people who were working before COVID were still missing, we assessed whether that number was unusually high. (See the two pie charts on the next page.)

Alaska has the most seasonal economy in the country as well as the largest migration flows in and out each year. In other words, a large percentage of our population turns over every year.

To get a sense of what's typical, we looked at comparable numbers before COVID hit. As the first pie chart shows, about 68,000 working residents during the pre-COVID period dropped out of Alaska's workforce. Another 24,000 stopped working but then resumed.

Each of the three slices in the two pie charts — one pre-COVID and one during COVID — is telling. First,

## How the number of workers we lost compares to the period before COVID



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### About the data

The Alaska Permanent Fund Dividend and detailed reporting by Alaska employers under state unemployment insurance laws provide rich information for labor market research. For this project, we were able to determine Alaska residency as well as workers' occupations, information not available in other states.

We defined the pre-COVID period as the four quarters immediately preceding the large-scale pandemic disruptions and shutdowns: the second quarter of 2019 through the first quarter of 2020. We then followed those workers for the subsequent six quarters: the second quarter of 2020 through the third quarter of 2021, the most recent quarter available.

To approximate a typical amount of workforce churn, we looked at the Alaska resident workforce in the two pre-pandemic periods: from the second quarter of 2017 through the first quarter of 2018 and how they fared over the subsequent six quarters, and then from the second quarter of 2016 through the first quarter of 2017 and how they fared over the subsequent six quarters.

almost 15,000 fewer residents than usual worked consistently during the pandemic. Second, 7,000 more Alaskans than usual had interrupted employment during COVID. And finally, nearly 8,000 additional workers were missing from the workforce about a year and a half after COVID hit.

As mentioned before, it's clear something substantial has changed in employers' ability to fill open positions. The missing workers can help us understand what has changed to the extent their characteristics differ from who we would typically see leaving the workforce each year.

### The workers who didn't return were older

Far more of the missing workers were 60 or older; in other words, an unusual number of older workers left their jobs during the pandemic. Attrition for those workers rose from around 20 percent pre-pandemic to nearly 30 percent.

One likely reason is concern about COVID in a particularly vulnerable age group. Another is financial stability after years of strong stock market gains. Some retired, and many likely retired earlier than they otherwise would have. Other factors included care for their even more vulnerable elderly parents and the changing, challenging work environments (such as telework, mandated closures, and disputes over vaccines and masks).

The second-largest increase in missing workers was in the 30-39 age group. Those reasons are murkier, but the fact that more people in this age range have been leaving Alaska than

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## How states' benefit durations differ

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Thirty-six states consider only wage patterns when setting benefit duration, and six factor in wage patterns *and* the unemployment rate. Eleven states set a uniform duration that disregards both of these.

While states' minimum durations for regular benefits vary significantly, 42 states and territories set the same maximum of 26 weeks. That's because the federal government makes extended benefits available if economic conditions allow, and under a 1970 federal law, a maximum of 26 weeks ensures a state can maximize its potential duration of extended benefits when they become available.

Ten of the 11 states with a uniform duration use 26 weeks. Among the states with a range, the most common minimum duration is 10 weeks. For maximum durations, the second-most frequent maximum after 26 weeks is 20 weeks, used by six states.

On average, states provide a minimum of 15.5 weeks of benefits.

**Note:** Average duration for this article uses claimant microdata, so the duration is calculated at the claimant level. This method differs from the one the U.S. Department of Labor's Employment Training Administration uses for comparisons across states.

The Employment Training Administration's method uses a 12-month moving average of weeks compensated divided by the same 12-month moving average of first pays. While these administrative data are publicly available and a fair comparison from one state to another, this is not the most accurate measure of actual duration paid on a per-claimant basis.

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## MISSING WORKERS

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moving here in recent years is one clue. Another is the child care availability problem discussed in the article on page 4.

Women were slightly overrepresented among the missing workers, at 51.4 percent (49.4 percent before COVID). On average, women shoulder more of the burden for child care and senior care. Women are also a disproportionate share of some of the hardest-hit industries (restaurants, bars, hotels, schools, and nonemergency health care facilities).

An interesting side note on the missing workers is that only a third filed for unemployment insurance benefits at any point during the pandemic. Among those who stopped working and then resumed, about half collected benefits.

The share of missing workers who filed for benefits during the pandemic was nearly twice as high as normal — the \$600 weekly federal supplement and the temporary suspension of work search requirements both played a role. But what's illuminating is that even though more missing workers filed, two-thirds of them were unaffected by the availability of unemployment benefits. Also, the higher percentage of people who drew benefits and then returned to work confirms the system worked as designed: to temporarily boost those looking to go back to work when market conditions allowed.

## Demographics suggest shortage will persist

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Interest in the missing workers is more than academic. Employers need to know whether their trouble finding workers will dissipate as the pandemic wanes, and the short answer is no. They will face smaller applicant pools well beyond the pandemic, for two reasons.

First, most older workers who left the workforce retired and are unlikely to return. While some people over 60 start working again, they are far less likely than younger workers to resume. Those who do start working again tend not to return full-time to the same types of jobs they left.

Second, Alaska's working-age population was shrinking well before the pandemic hit. In the decade before COVID, the number of Alaskans ages 15 to 64 peaked in 2013 at about 509,000, then fell by nearly 30,000 over the next seven years as the large baby boomer cohort aged out of their typical working years.

We will publish more details from this study on our website in late spring or early summer. In the meantime, what the initial numbers make clear is the balance has shifted between the number of positions employers want to fill and the supply of available, interested applicants. Employers who adapt fastest to the changing labor market — one that favors job seekers and those currently working — will have the advantage in the competition to recruit and retain workers.

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