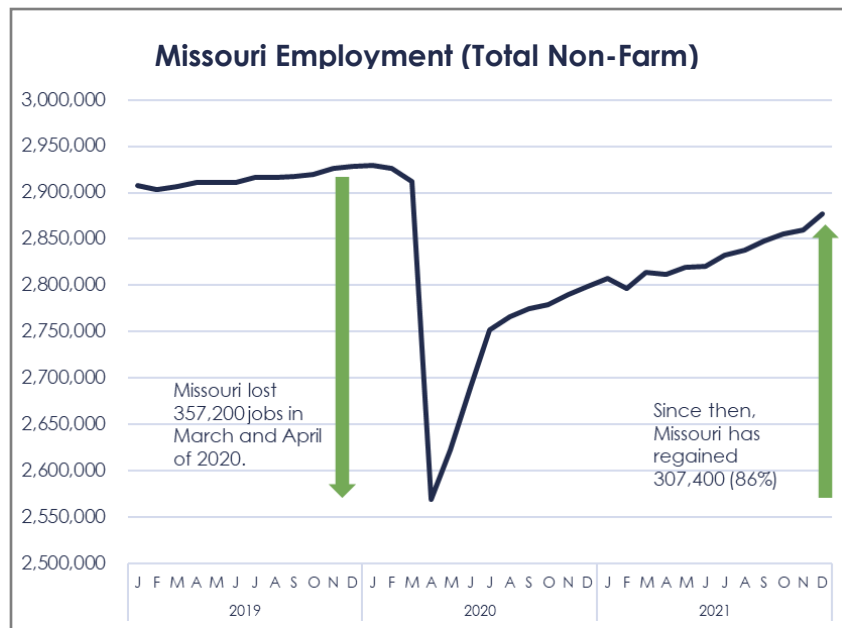


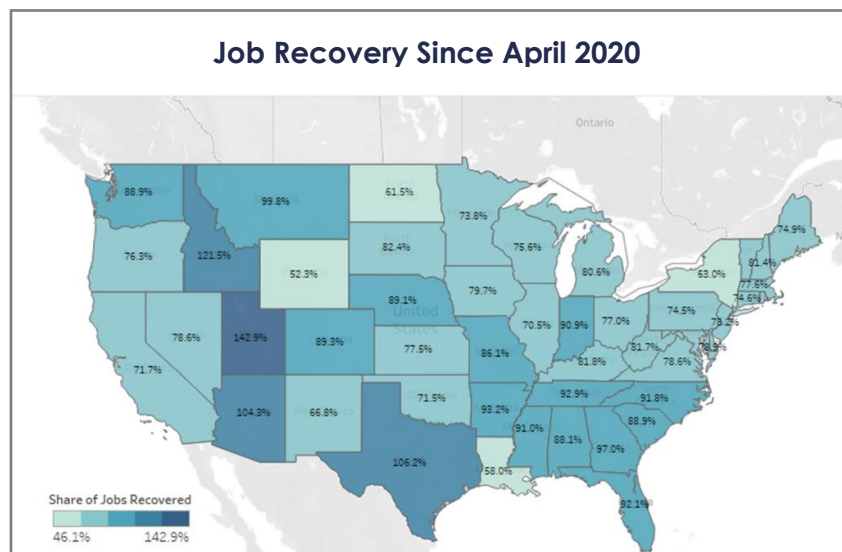


## Job Growth, Labor Shortages and Growing Wages

**Latest numbers** – Missouri added 16,700 jobs in December making it the second-best month for employment growth in 2021. This increase is particularly strong when you consider that nationally, December was a down month with just 199,000 new jobs added. Job gains were greatest in the leisure/hospitality (4,200 jobs), retail (4,000 jobs)



Source: MERIC, Bureau of Labor Statistics



Source: Bureau of Labor Statistics

and construction (3,700) industries. Leisure and hospitality was the hardest hit sector during the shutdown and even with these gains, employment in the sector is still down by 23,000 jobs relative to February 2020. Missouri's unemployment rate fell to 3.3%, below the national rate of 3.9%.

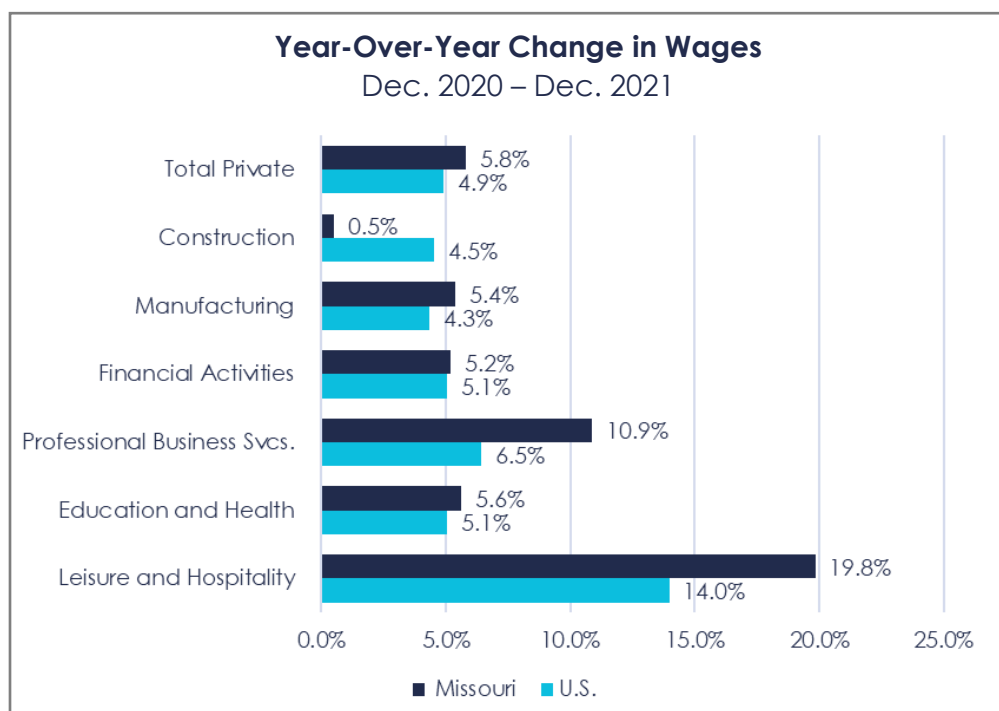
**Job Growth, but still a tight labor market.** With these strong employment gains, Missouri has recovered 86% of the jobs lost during the Covid-19 shutdown in March and April of 2020. This makes Missouri's recovery one of the strongest in the Midwest.

This strong recovery is certainly good news. It is due in part to the head start the state received by reopening the economy sooner than many other states. The strong recovery also can be attributed to the

state's diverse economy and specialization in key sectors that have shown growth in recent years. While overall employment is still down, several Missouri industries have already surged past pre-pandemic levels, including transportation/warehousing (which we highlighted last month), retail and professional/business services.

This good employment news belies a challenge Missouri businesses are facing: the tight labor market. Even though employment in Missouri is rising, businesses throughout the state are seeking even more workers, which are in short supply. According to the Census Bureau's most recent Small Business Pulse Survey, a third of Missouri businesses said they had trouble finding workers in the last week. Difficulty hiring was also the biggest challenge for small businesses according to the recent [Show Me Strong Recovery Task Force Report](#).

Missouri's labor force (which includes all employed workers and those who are actively looking for work) has 39,000 fewer workers compared to pre-pandemic levels. There are many reasons for the shrinking labor force. Early retirements certainly play a factor. [Research from the St. Louis Federal Reserve Bank](#) suggests that the U.S. saw 2.4 million excess retirements. If Missouri had its fair share of them, that would translate into over 40,000 workers leaving the workforce. These were often workers who opted not to return to work because of Covid concerns and/or saw their retirement portfolios rise enough that early retirement was a viable option. On top of this, some two-income households decided to cut back to one income as a way to weather the significant childcare disruptions wrought by the pandemic. Many of these households found that they could make ends meet, especially if the foregone job was lower paying.



Source: Bureau of Labor Statistics

Missouri businesses have responded to the tight labor market with higher wages to attract workers. Overall, private sector wages in the state increased 5.8% in 2021. Nationally, wages increased by 4.9%.

The increases were even higher in some typically lower paying sectors: leisure and hospitality wages were up nearly 20% in Missouri in 2021 (from \$15.12 to \$18.12 an hour). This significantly exceeds the 14% increase in leisure and hospitality wages seen nationally.

**In summary.** Missouri can boast a strong jobs recovery, but we still have a ways to go. The higher wages businesses are paying, especially at the low end of the pay scale will help encourage some sidelined workers to re-enter the workforce. However, we are seeing to see some signs that economic road might be bumpy in 2022. We are still dealing with inflation, and relatedly, the Federal Reserve is looking to raise interest rates during the year. [Supply chain concerns appear to be easing](#), but they are still significant. And there are concerns that the [economy cannot rely as heavily on consumer spending](#) as it has over the past year and a half. It is fair to say that economic forecast is as cloudy now as it has been since the recovery started. Unfortunately for Missouri businesses, the tight labor market will be a reality for a while.

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