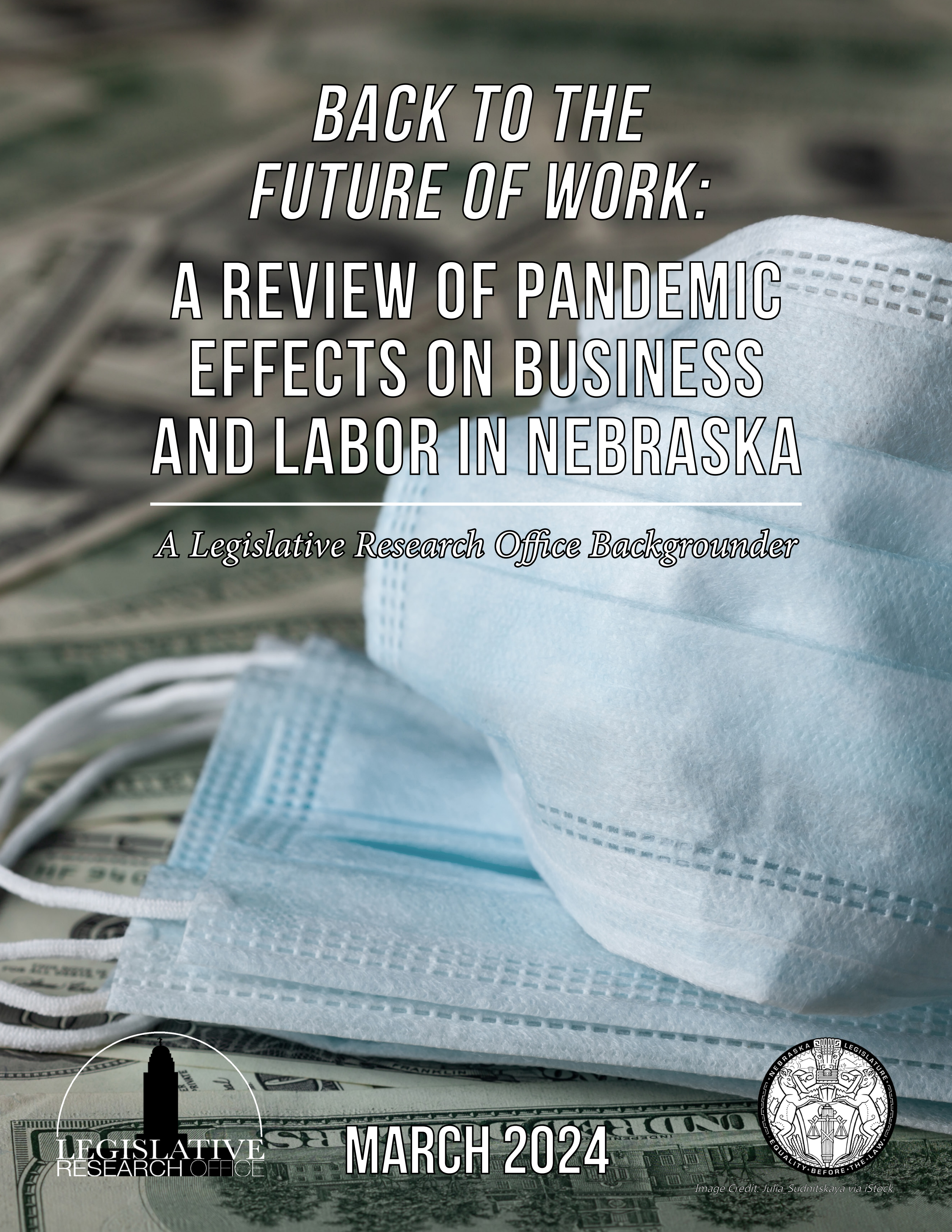

BACK TO THE FUTURE OF WORK:

A REVIEW OF PANDEMIC EFFECTS ON BUSINESS AND LABOR IN NEBRASKA

A Legislative Research Office Backgrounder

LEGISLATIVE RESEARCH OFFICE

MARCH 2024

NEBRASKA LEGISLATURE · EQUALITY BEFORE THE LAW

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March 2024

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LEGISLATIVE RESEARCH OFFICE

NEBRASKA LEGISLATURE
EQUALITY BEFORE THE LAW

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Introduction

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On March 13, 2020, a nationwide emergency was declared in the U.S. due to the coronavirus disease 2019 (COVID-19) outbreak. Ultimately, the national emergency lasted for more than three years – officially expiring in May 2023. Since the emergence of a novel coronavirus, and subsequent variants, the global effects from the resulting pandemic have caused widespread panic, disruptions, and lasting changes to countless facets of life, including the economy.

In the early days of the pandemic-induced economic recession (February 2020 to April 2020), many businesses saw a rapid decline in the demand for their goods and services while some industries faced government-mandated closures. Similarly, employees were either told to stop working (without pay in some cases), asked to work remotely, or classified as essential. The once-foreign concepts of mask-wearing and social distancing became habitual for some but were outright rejected by others. After vaccines were developed and America began to return to business as usual, national issues arose with regard to labor shortages, supply chains, and inflation.

Research into the effects of, and the response to, the COVID-19 pandemic in Nebraska (and the U.S. overall) is important so as to understand the changing landscape of today's business climate and labor market. Once an emergency was declared, the COVID-19 pandemic caused dramatic shifts in how – and where – people work and do business in Nebraska.

Directed Health Measures

In Nebraska, once a state of emergency is declared, the Emergency Management Act provides the Governor with the authority to assume control over state emergency management functions and to make, amend, or rescind any executive orders, rules, or regulations in response to the event (§ 81-829.40). Additionally, the Nebraska Department of Health and Human Services (DHHS) may exercise its authority to order a Directed Health Measure (DHM) to prevent the spread of a communicable disease (§§ 71-502 and 81-601 and Title 173 Neb. Admin. Code Ch. 6).

In Nebraska counties with a population of more than 200,000 people, a city-county health department is able to announce specific DHMs for their service area without DHHS approval (§ 71-1630). The Lincoln-Lancaster County Health Department is the only existing city-county health department in the state, and DHHS may reject any other local health department's requests for DHMs (§ 71-1631).

After a recent court fight regarding a Douglas County DHM, the Omaha city council adopted a new ordinance which requires state approval to issue DHMs in the Omaha area. In 2023, introduced legislation (LB421) would require approval of a city council, or a county board, and state officials before local health directors could enact DHMs.

Early government guidance limited gatherings to 50 people or less, suspended hauling and hours restrictions for truck drivers, and restricted restaurants and bars from offering in-person service in some regions of the state. In an effort to provide relief to businesses and encourage social distancing by executive order, various liquor license holders were permitted to sell alcohol on take-out or delivery orders and any late fees accumulated by excise tax payees were waived.

Additional executive orders eased licensing requirements to open and operate a temporary child care program, expedited the credentialing and licensure of medical professionals, expanded the practice of telemedicine, and suspended certain Open Meetings Act requirements to allow for virtual meetings for state and local government boards, commissions, and other public bodies.

The first DHM issued by DHHS in March 2020 imposed an enforceable limit on public gatherings of 10 people for certain spaces and businesses in four counties in the Omaha area (Cass, Douglas, Sarpy, and Washington). In cases of gatherings with fewer than 10 people, if social distancing could not be maintained, the gathering was prohibited.

Among the affected businesses and gathering places were movie theaters, houses of worship, gyms, social clubs, beauty salons, event halls, funeral parlors, concert venues, and athletic stadiums. Businesses that were not subjected to the limit included grocery stores, pharmacies, hospitals, nursing homes, correctional facilities, court houses, banks, car dealerships, auto repair shops, long-term care facilities, small shops, golf courses, big box stores, gas stations, manufacturing facilities, packing facilities, construction sites, and traditional office settings.

Image Credit: KFOR

Directed Health Measures

Shortly after, an order from the Douglas County Health Department clarified that businesses in the beauty service industry (e.g., tattoo and massage parlors, beauty and nail salons) must cease operations. Subsequent DHMs expanded the number of affected counties, imposed mandatory quarantines for the sick, and prohibited elective surgeries and procedures.

By April 5, 2020, all Nebraska counties were subject to a DHM imposing mandatory home-quarantines for anyone testing positive for COVID-19 or with specific illness symptoms. In addition, the DHM ordered that all elementary and secondary schools in the state, both public and private, cease in-person instruction and all extra-curricular activities through May 31, 2020. This order did not apply to remote learning, child care services, meal distribution, or residential services. Five days later, a superseding DHM closed all beauty salons, barber shops, massage therapy services, gentlemen's clubs, bottle clubs, indoor theatres, and tattoo parlors until the end of the month. Ultimately, many of these businesses were required to remain closed through May 31st.

Essential Workers

At the start of the outbreak in the U.S., stay-at-home orders around the country (and DHMs in Nebraska) were designed to slow the spread of the new disease, but federal and state officials recognized that some business functions had to be deemed essential. Nearly every state, other than Nebraska, issued guidance on which industries were considered essential and the U.S. Department of Homeland Security identified 16 critical infrastructure sectors including functions involving energy, agriculture, and defense.

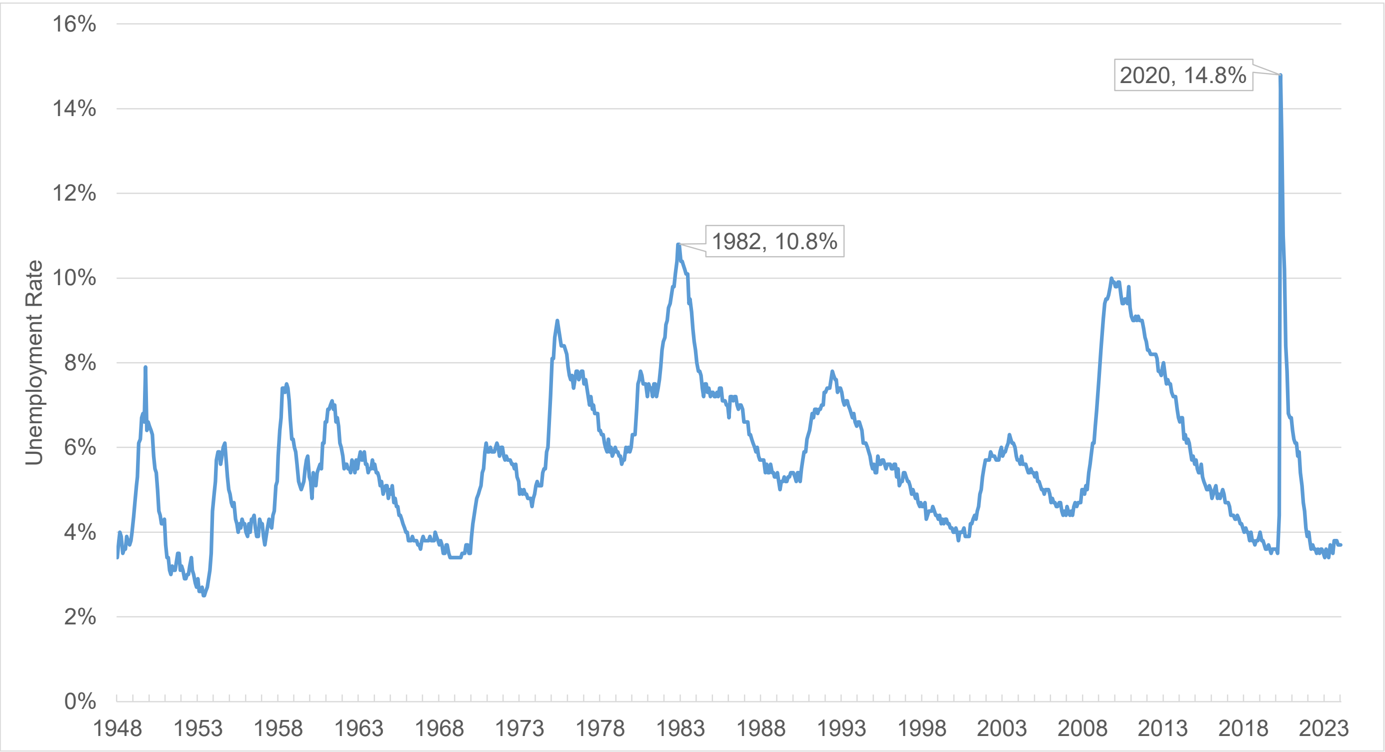
An executive order issued in Nebraska enabled healthcare facilities to expand capacity, including workforce capacity. Training and testing requirements were modified for nurse and medication aides such that workers with sufficient training and supervision were able to serve temporarily in those roles.

Image Credit: Blue Planet Studio via iStock

Unemployment Crisis

Job loss, and the government's response to rising unemployment, became a hallmark of the pandemic. In the first four months of 2020, over 22 million nonfarm jobs in the U.S. economy were lost. In April 2020, the U.S. unemployment rate reached 14.8 percent – a 72-year high. At the peak of the crisis, nearly 33 million workers were collecting unemployment benefits. During one particular week in April, more than 6.2 million workers applied for unemployment insurance (UI) benefits. The previous high-mark of claims filed was 695,000 during early October 1982.

U.S. Unemployment Rate (1948 – 2023)



Source: U.S. Bureau of Labor Statistics

Over a year after initial lockdowns, in July 2021, the national unemployment rate still remained higher (5.4 percent) than it was prior to the pandemic (3.5 percent).

The Federal Response

Congress initially responded to the unemployment crisis by passing the Families First Coronavirus Response Act, which was signed by the President on March 18, 2020. In total, the bill provided $3.4 billion dollars of funding (Nebraska received over $146 million). The states were allocated nearly a billion dollars to bolster their UI claim trust funds. The federal government also offered loans to states to help bolster their UI budgets and process the swell of unemployment claims.

Nine days later, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed, and a sum of over $13.1 billion dollars was allocated to Nebraska. The bill expanded unemployment benefits to include furloughed workers, gig workers, and freelancers until the end of 2020. The CARES Act also allowed funds to be directed towards workers who had exhausted all other unemployment benefits.

For example, an additional $600 dollars in benefits per week were appropriated, and the duration of benefits were extended an additional 13 weeks, after traditional benefits were exhausted. Subsequent legislation ultimately extended benefit duration to a maximum of 53 weeks through September, 2021.

Also included in CARES Act appropriations was a $500 billion dollar government lending program for companies affected by the pandemic. Additionally, $349 billion dollars were allocated for loans and grants to small businesses through the Paycheck Protection Program (PPP) and the expanded Economic Injury Disaster Loan (EIDL) program.

One month later, in April 2020, the Paycheck Protection Program and Health Care Enhancement Act was signed. The law appropriated $484 billion dollars (Nebraska received more than $81 million dollars) aimed towards replenishing the PPP and EIDL programs, and towards hospitals and additional COVID-19 testing.

In June, a further supplementary measure was passed, which modified several aspects of the PPP program. The new legislation allowed businesses 24 weeks to spend the disbursed funds instead of the initial eight-week period. Additionally, to receive loan forgiveness, businesses would only be required to spend 60 percent of their funds on payroll costs (instead of the original 75 percent). Businesses that received PPP funds were also allowed to delay paying payroll taxes, and firms were given until the end of 2020 to restore their payroll to pre-crisis levels. The measure also provided loan forgiveness to companies in cases where they were unable to restore operations to pre-pandemic levels or if they did not rehire workers who refused good-faith offers of reemployment.

Beginning in late June, the U.S. Department of Labor (USDOL) UI Extended Benefits program was activated in Nebraska, until its expiration in early September 2020. During periods of high unemployment, workers who have exhausted normal UI benefits may receive up to 13 additional weeks of UI payments. The ability to claim up to 20 weeks of extended benefits was legislated in some states.

Shortly after, under direction from a federal executive order, the Nebraska Department of Labor (NDOL) implemented a new program called Lost Wages Assistance (LWA). The program provided workers, who were unemployed due to the pandemic, an additional $300 in weekly retroactive payments for a limited number of weeks. NDOL provided workers nearly $55 million dollars in LWA benefits during the pandemic.

In the last month of 2020, Congress passed an appropriation (allocating more than $1.8 billion to Nebraska) that extended benefits 11 weeks for unemployed workers and provided an additional $300 dollars per week in UI benefits. Small businesses also saw another cash infusion with $325 billion dollars in loans: $284 billion dollars in forgivable PPP loans, $20 billion for EIDL grants for businesses operating in low-income areas, and $15 billion for live cultural venues.

Finally, in March 2021, the American Rescue Plan Act (ARPA) was signed, which allocated $1.9 trillion dollars toward a multitude of programs. Nebraska's allocation of ARPA dollars amounted to nearly $5.9 billion dollars. Among the many initiatives in the bill, ARPA increased unemployment insurance benefits by $300 per week through September 2021.

Unemployment Crisis

The Situation in Nebraska

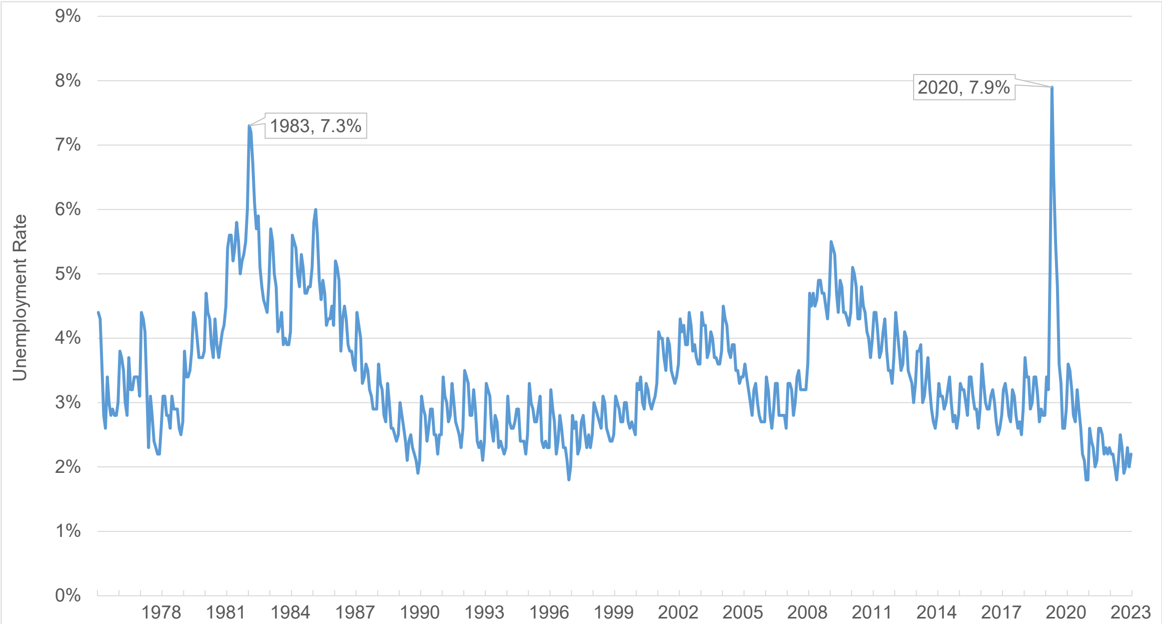
Due to growing concerns in March 2020, an executive order was issued by the Governor which was aimed at providing relief to a workforce struggling with unexpected job loss. Workers filing for UI benefits are normally required to search for work and undergo a one-week waiting period prior to receiving benefits, but both obligations were waived through July 12, 2020. The NDOL was also directed to temporarily wave charges incurred by employers whose employees were filing pandemic-related UI claims.

Key Unemployment Terms

- **Unemployment Rate** - a ratio of the number of unemployed people compared to the total labor force (which includes the number of people working and those who are jobless but actively looking for work).
- **Claimant** – a person applying for unemployment insurance benefits.
- **Initial Claim** – the new claim for unemployment benefits filed by a worker for the first time following the loss of their job. In Nebraska, the NDOL determines the worker's eligibility for UI benefits. Subsequent requests to begin additional periods of eligibility are also included in this definition. Initial claim data provides an early indicator of claiming trends.
- **Continued Weeks Claimed** – the number of weeks of benefits claimed by workers, but not a count of individuals or approved claims. Continued weeks claimed data provides a reference for claiming in a particular time period.
- **Weeks Paid** – the number of benefit weeks claimed for which UI benefits are paid. Weeks paid data also does not specify the number of claimants, as multiple weeks can be paid to one claimant during a single week.

Since 1976, the record high unemployment rate in Nebraska was recorded at 7.9 percent in April 2020. In the first week of April 2020, NDOL received over 26,000 new unemployment claims – an enormous increase from just two weeks prior (934).

Nebraska Unemployment Rate (1976 - 2023)



Source: Nebraska Department of Labor

Unemployment Crisis

In all of 2019, NDOL received nearly 42,000 initial claims for unemployment benefits. A year later in 2020, the number of requests NDOL processed exploded to nearly 300,000 as unemployment spiked and additional types of employees became eligible for benefits, including self-employed and gig workers.

In Nebraska, the industry most affected by job loss in the first year of the pandemic was accommodation and food services. More than 36,000 initial claims were submitted by workers from this industry between March 2020 and March 2021. Others decimated by unemployment in the first year of the pandemic were workers in the industries of health care and social assistance (28,012 initial claims) and retail trade (26,478).

Helping to prevent layoffs, the Short-Time Compensation (STC) program in Nebraska included over 400 approved employers as of 2021. The STC program allows employers to uniformly reduce affected employees' work hours by 10 to 60 percent while the employees receive a proportional unemployment benefit. During the pandemic response, the STC program paid workers more than $16 million dollars in benefits and averted nearly 10,000 layoffs in the state.

By late April 2020, over 106,000 weeks of benefits were claimed by unemployed Nebraskans. A year prior, only 3,600 continued weeks were claimed – nearly a 3,000 percent year-over-year increase. Eventually, over 150,000 of the approximately one million workers in Nebraska claimed unemployment benefits in 2020, a level of unemployment in Nebraska comparable only with the Great Depression.

To handle the new workload, NDOL hired (or contracted with) 425 new workers and shifted nearly all employees' work duties in response to the unemployment crisis. Other executive branch agencies allowed a total of 76 employees to assist NDOL in their efforts. In the weeks after historic spikes in initial claims and continued weeks claimed, UI benefit processing began to decline significantly, and unemployment plummeted.

Unemployment Aftermath

In an effort to encourage workers to find jobs, the NDOL reinstated the requirement for weekly job searches for unemployment claimants on July 12, 2020. Additionally, in the second-half of 2020, several CARES Act programs, among others, expired. Later, when unemployment rates appeared to stabilize, Nebraska notified the USDOL of its intent to withdraw from federal pandemic unemployment programs on June 19, 2021.

Conceptually, when employment increases faster than the number of people joining the labor force, the unemployment rate decreases. After Nebraska's recent historical low monthly unemployment rate in June 2023 (1.9 percent), December 2023 preliminary data from BLS revealed that merely 2.3 percent of willing and able workers in the state are searching but unable to find a job.

Similarly, other states saw record low unemployment rates in 2023 while the national unemployment rate held at 3.7 percent in December 2023, a rate slightly higher than a year prior in 2022 (3.5 percent). In the years since the initial pandemic spike, unemployment has steadily decreased and now many states have turned their focus to updating their claims processes and identifying fraudulent payments.

Unemployment Crisis

Across the country, as in Nebraska, the vast amount of money rapidly flowing through UI programs amplified the opportunity for fraudulent claims and benefit overpayments. Nationally, UI benefit spending exploded in fiscal year 2020 to $502 billion dollars compared to the $33.1 billion dollars of benefits paid out in the prior year.

In total, federal pandemic unemployment programs issued nearly $655 billion dollars of benefits. Although the total amount of fraud remains unknown, 23 states have estimated that $60.4 billion dollars were improperly paid since April 2021.

Over $1.2 billion dollars were paid out by NDOL for unemployment claims in 2020. Most of the benefit dollars paid in 2020 - $845 million - were federally funded (70 percent). Nebraska's share, $350 million, was still vastly greater than the previous peak year for claims in 2010 when $85 million dollars were paid to unemployed workers.

In a proactive attempt to thwart potential fraud, NDOL implemented proof of identification protocols, which blocked a potential $16 million dollars in fraudulent payments. Despite the best efforts of staff under historically difficult circumstances, NDOL estimated that over $36 million dollars in 2020 had been either mistakenly overpaid by the agency or fraudulently collected by claimants. Overpayment issues often originate with claimants who did not disclose all revenue streams, did not fulfill work search requirements, or who made simple mistakes during the UI claim process.

In the years that followed, the state estimated that overpayments amounted to $28 million dollars in 2021 and more than $9 million dollars in 2022. In these years, some residual pandemic effects can be seen, as overpayments in 2023 ($2.5 million) resemble pre-pandemic levels ($1.8 million dollars were overpaid in 2019).

After amending an initial oversight in the CARES Act legislation, states were allowed to waive repayment of overpaid UI benefits from federal unemployment programs. Some states have updated their unemployment systems to permit repayment waivers, including Virginia and Kentucky.

Even as economic demand began to return to normal, fissures in the supply of labor began to appear.

Image Credit: doble-d via iStock

Labor Shortage

In a labor shortage, the demand for labor outpaces the supply of workers, and as a result, employees are more likely to enjoy higher wages and increased bargaining power. Currently, labor force participation levels have still yet to recover to pre-pandemic levels. Adding to the shortage, after the pandemic recession abated, economists noted rising rates of voluntary quitting. Furthermore, several industries in Nebraska were particularly affected by pandemic-related shortages, and labor supply in those sectors continues to lag behind the demand for workers.

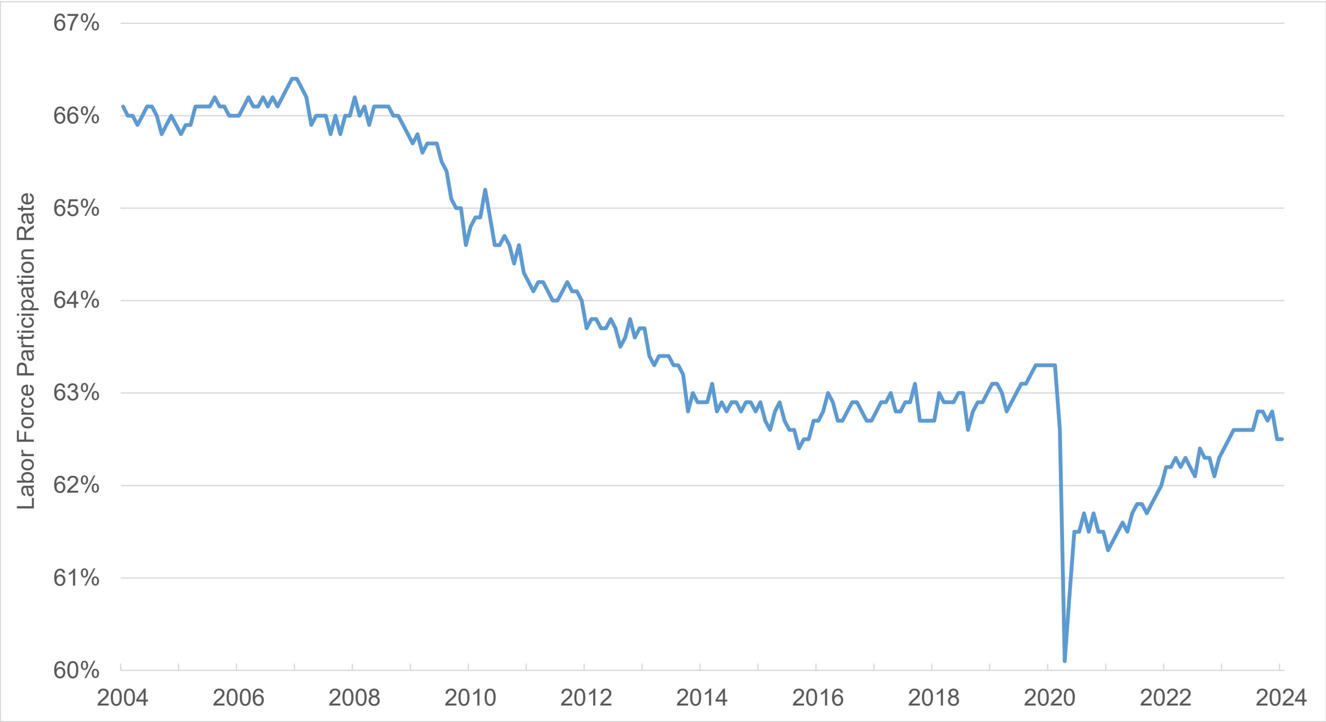
Labor Force Participation

Conceptually, the labor force includes all people age 16 and older who are either working or actively searching, and available, for a job. Excluded from the count of individuals in the civilian labor force are active-duty military personnel and people who are incarcerated. When additional workers in the labor force become employed or when unemployed workers stop looking for a job (exiting the labor force), the unemployment rate decreases.

Nationally, the lag of a rebound in the labor force participation rate since the start of the pandemic suggests that some workers who quit their jobs have now exited the labor force entirely. Initially, some may have decided to seek increased protection from the new virus while others faced challenges with providing childcare or schooling.

More than 63 percent of eligible individuals were participating in the labor force in the U.S. in February 2020. Two months later, the U.S. rate dropped to 60.1 percent and has since trended upward, but it remains below pre-pandemic levels as of January 2024 (62.5 percent). Due to an aging population and falling birth rates in the U.S., BLS projects that the labor force participation rate will drop to 60 percent by the year 2030.

U.S. Labor Force Participation Rate (2004 - 2024)

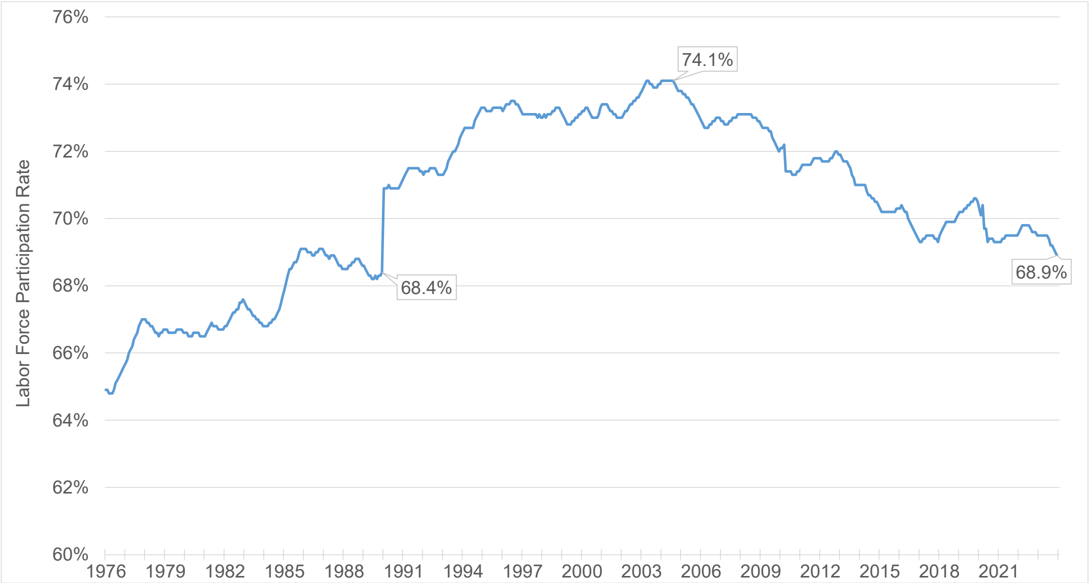


Source: U.S. Bureau of Labor Statistics

Labor Shortage

The rate of participation in the labor force fared better in Nebraska compared to the national labor market. In February 2020, the labor force participation rate in Nebraska stood at 70.1 percent and eventually dropped to 69.3 percent in June 2020. However, labor force participation has remained below pre-pandemic levels and even fell to 68.9 percent in December 2023 - a level not seen in 34 years, since December 1989 (68.4 percent).

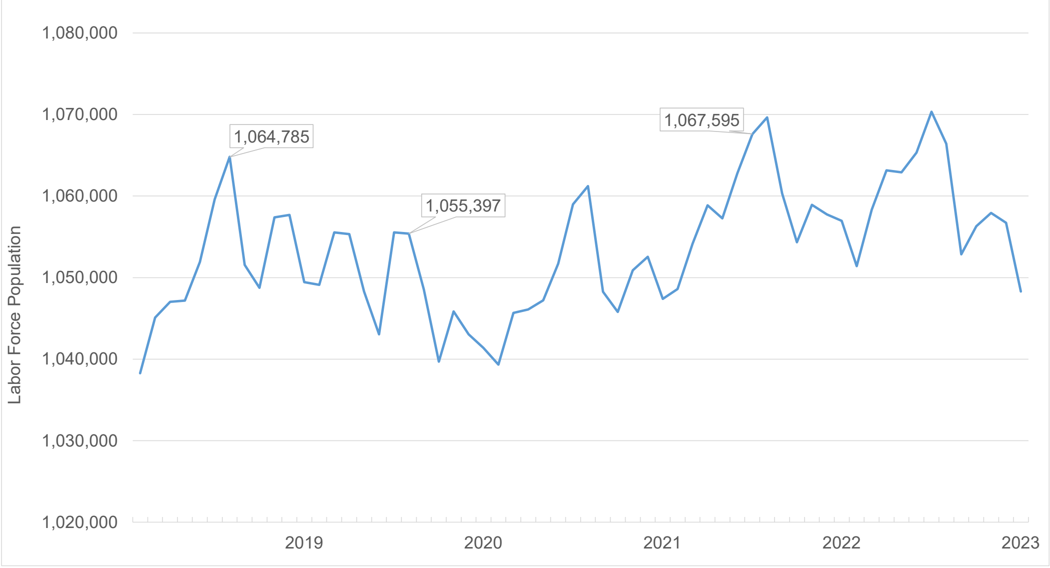
Nebraska Labor Force Participation Rate (1976 - 2023)



Source: U.S. Bureau of Labor Statistics

Although the rate of participation in the labor force has trended downward since the pandemic, the total number of Nebraskans in the labor force has recovered. Historically, labor force data displays seasonal shifts with more workers employed in the summer season compared to winter months. Almost a year before the pandemic nearly 1.065 million workers were included in the civilian labor force in July 2019. Over the course of the next year, more than 9,000 individuals would leave the labor force outright. The pre-pandemic labor force seasonal high would not be reached again until three years later in June 2022 when more than 1.067 million workers were counted in the labor force.

Monthly Civilian Labor Force in Nebraska (2019 - 2023)



Source: U.S. Bureau of Labor Statistics

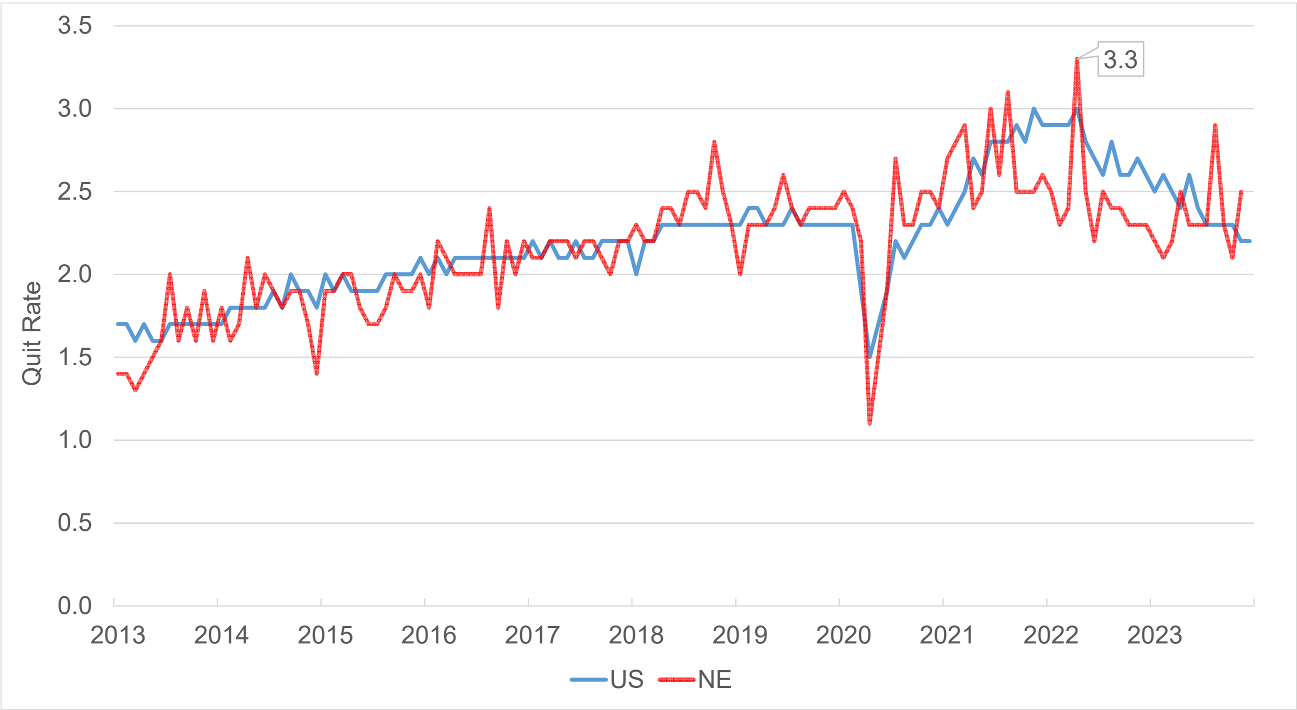
Labor Shortage

The Great Resignation

Soon after the unemployment crisis had abated, economists took note of the rising numbers of workers voluntarily leaving their jobs. The Job Openings and Labor Turnover Survey program, administered by the BLS, produces data related to available positions and job quitting. The quit rate is defined as the quotient of the number of jobs that were left voluntarily by the total number of employed workers. The highest ever recorded U.S. quit rate (2.5 percent) was first observed in March 2021. Since then, the quit rate remained at, or above, record levels until spring 2023.

More volatile in Nebraska than the national rate, the quit rate recently spiked to 2.9 percent in August 2023, after a state record-high of 3.3 percent in April 2022. The Cornhusker state quit rate in November (2.5) was above the national average (2.2) which may indicate that Nebraskans were more willing or able to leave their jobs voluntarily than Americans overall.

Rate of Voluntary Quitting (2013-2023)



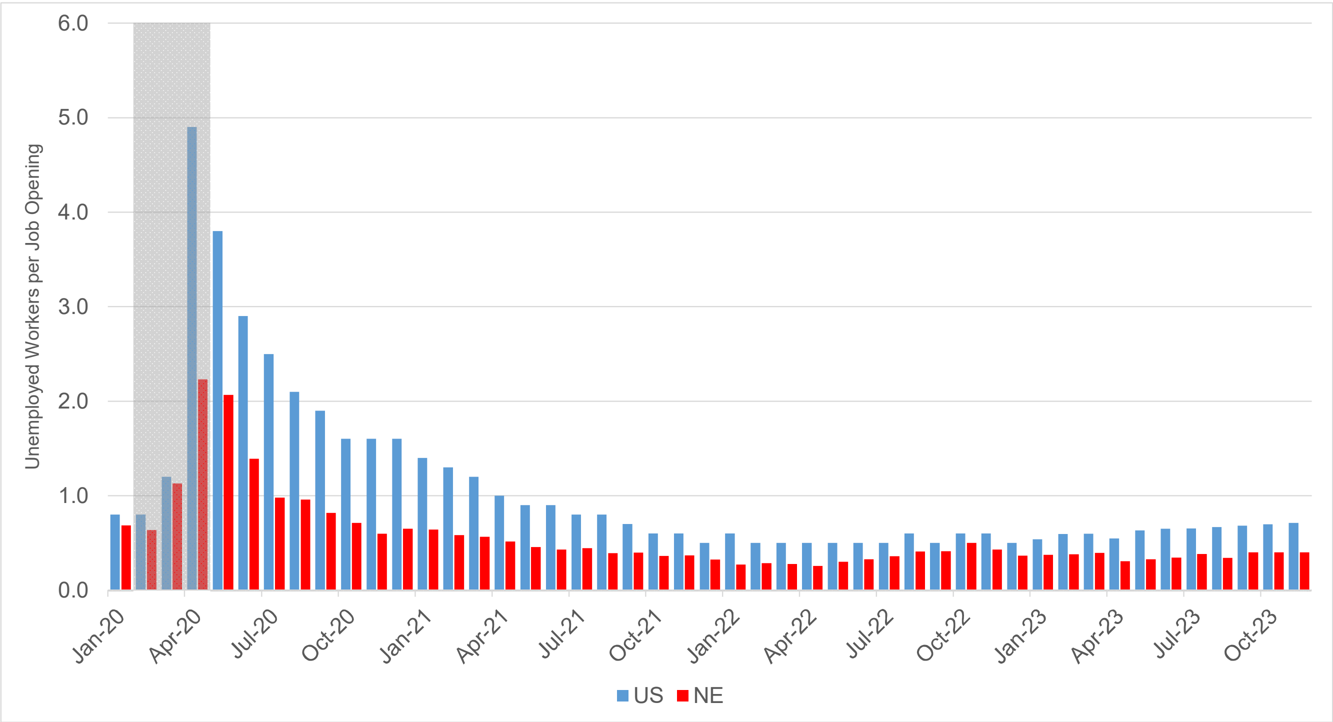
Source: U.S. Bureau of Labor Statistics

The end of pandemic lockdowns, enhanced unemployment benefits, stimulus checks, and increased food assistance most likely contributed to the tightening of the labor market. These circumstances, among others, may have also led to historically high rates of quitting.

To describe a tight or slack labor market, BLS utilizes the ratio of unemployed people to job openings. In perfect equilibrium, a proportion of 1.0 means there is one unemployed worker for each available job. However, when the ratio is greater than 1.0, there are more unemployed people than open positions in the labor market, indicating slack. If the ratio is less than 1.0, that indicates a tight labor market where fewer unemployed workers are present than available jobs. Tight labor markets have historically indicated impending price inflation.

Labor Shortage

Rate of Unemployed Workers per Job Opening (2020-2023)



Source: U.S. Bureau of Labor Statistics

After reaching a high of 4.9 in April 2020, the ratio of unemployed workers to jobs nationally was 0.7 or lower from September 2021 to December 2023 (the most recent data is available). Consistently below the national ratio, a similar trend has been seen in Nebraska with a high of 2.2 in April 2020 and a ratio of 0.4 or lower for every month, except one, from June 2021 to November 2023.

Industries and Occupations Affected by Labor Shortages

Various reasons exist for pandemic-related labor shortages across the labor market. Survey research has pointed to an aging workforce, low pay, burnout, and the lack of an opportunity for advancement in certain jobs.

Industry and occupation employment levels are tracked by NDOL as snapshots in time, and staff also collect survey responses from employers about their hiring needs. Nearly all types of businesses have had workforce issues since the pandemic, but labor shortages and other hiring challenges were particularly pronounced in the health care, transportation, and the accommodation and food service industries.

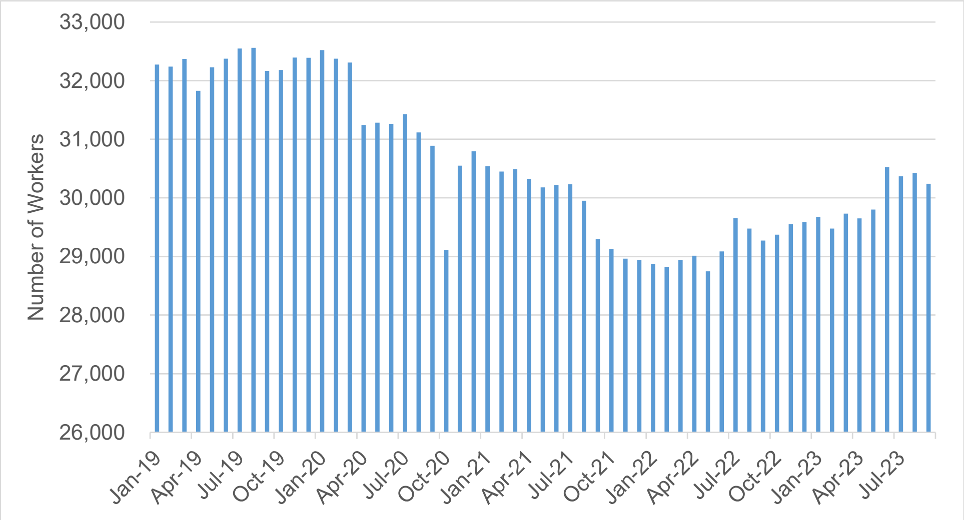
In a pandemic impact report from NDOL, businesses responded to hiring difficulties between March 2020 and January 2021. Regarding their most frequently hired occupations, 71 percent of businesses statewide had difficulty hiring workers. Nearly 57 percent of businesses also found that hard-to-hire occupations became even more difficult to fill during the pandemic. Larger businesses, and companies in rural areas, had greater difficulty with hiring than smaller or urban area employers. For all types of occupations reported, nearly 65 percent of jobs were difficult for employers to fill. However, over 75 percent of occupations in the transportation and warehousing industry were classified as difficult to hire. Additionally, over 81 percent of occupations in the accommodation and food services industry were reported as more difficult to hire since the start of the pandemic.

Labor Shortage

The Nebraska Legislature's Health and Human Services Committee held an interim study hearing for LR234 in November 2023 to examine the state's response to the pandemic, including responses to staffing shortages in the health care industry. Testimony from the president of the Nebraska Nurses Association indicated that the total number of nurses working in the state dropped 9.5 percent between the 2018-2019 and 2020-2021 fiscal years.

Data from the NDOL confirms that employment in the healthcare industry was dramatically impacted by the COVID-19 pandemic. Regarding the specific occupation of registered nursing, NDOL data shows that 17 percent fewer people were working in the occupation in 2022 (19,870) than in 2020 (24,060). For example, in the nursing and residential care facilities industry, the amount of individuals employed prior to the pandemic (over 32,000) has not been reached again since.

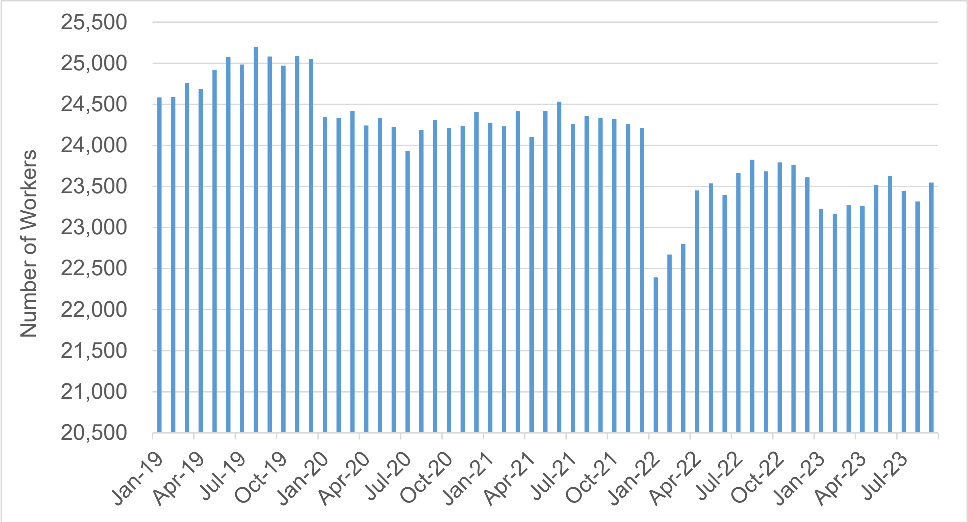
Nursing and Residential Care Facilities (NAICS Code 623)



Source: Nebraska Department of Labor

A 2021 report from a national trucking association noted that the industry was facing an immediate shortage of 80,000 truck drivers and predicted a shortage 160,000 workers by 2030. In Nebraska, the trucking industry suffered a reduction of employees in the beginning of 2022 and the industry has not yet regained 2021 employment levels. Despite average hourly wages rising nearly $9 in four years, two thousand fewer heavy and tractor-trailer truck drivers were working in Nebraska in 2023 (23,000) than in 2019 (25,000).

Trucking Industry (NAICS Code 484)

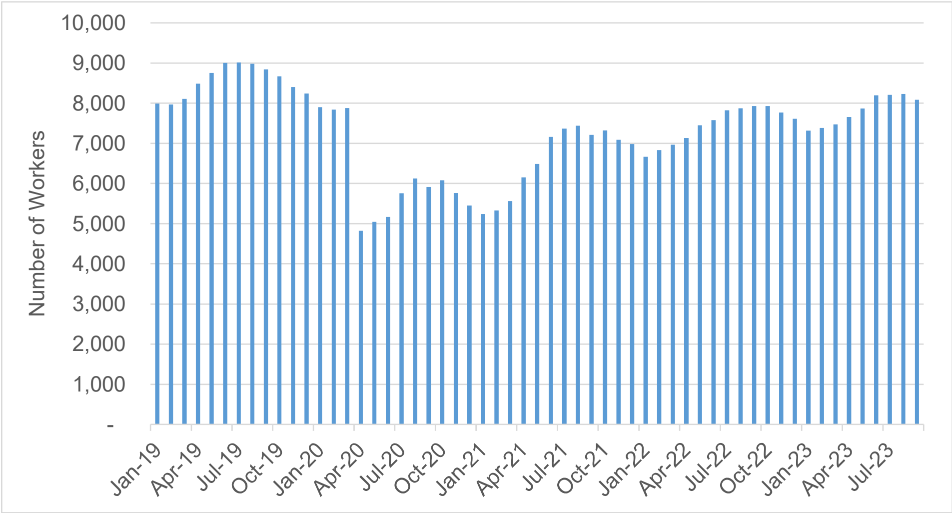


Source: Nebraska Department of Labor

Labor Shortage

The number of workers employed in the accommodation industry shifts seasonally, but jobs are typically added in the spring season. Examples of occupations included in this industry include hotel desk clerks, maids and housekeeping cleaners, and waiters/waitresses. In a pronounced reaction to the pandemic, employment in the accommodation industry fell nearly 40% between March and April in 2020. Failing to recover completely, industry employment in September 2023 (8,000) remained lower than the recorded employment in the same month four years prior (8,800).

Accommodation (NAICS Code 721)



Source: Nebraska Department of Labor

From the beginning of the pandemic until Nebraska ended state participation in federal unemployment programs, waiters and waitresses were hit hardest by job-loss in the accommodation and food services industry. Compared to bartenders (3,100) and cooks (2,800), NDOL saw food servers file over twice as many initial claims (6,700). Similarly, in terms of continued weeks claimed, servers claimed twice as many weeks of unemployment benefits (63,000) than bartenders (29,600) or cooks (24,200).

According to data collected by the Bureau of Labor Statistics (BLS), during the pandemic in 2020 only 32 percent of establishments in the accommodation and food services industry continued to pay employees - who were told not to work - compared to 76 percent of businesses in the finance and insurance industry.

Unfilled Jobs

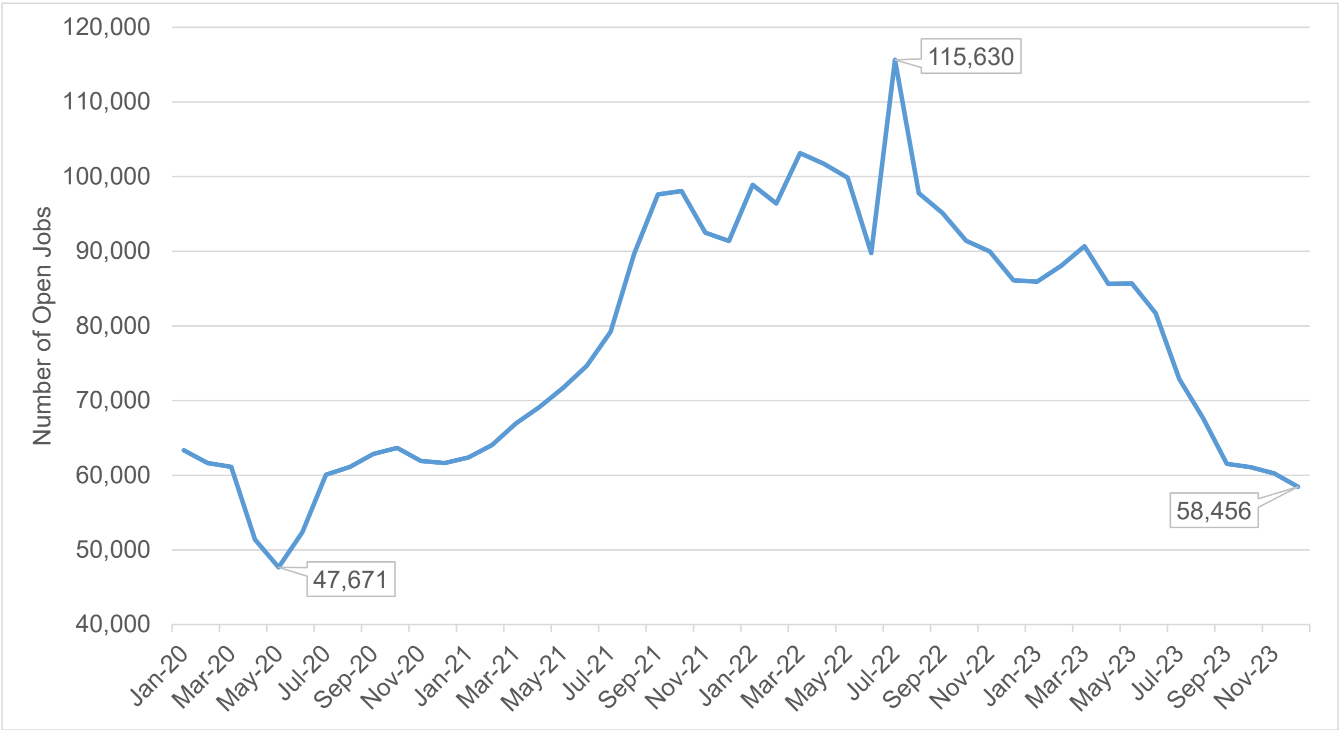
Job openings data on NDOL's NEworks website reveals that the demand for workers appears to have stabilized, but labor demand remains greater than the number of available job-seekers.

Over the month of January 2020, there were over 63,000 open positions in Nebraska that were advertised on NEworks and other job-search websites. Many top-level management positions are not advertised online and some duplication or erroneous jobs may be captured. Nevertheless, the dataset from NDOL is most likely the best available source to describe labor demand in the state.

As of May 2020, fewer than 48,000 jobs were available in Nebraska. After a steady increase, the number of open jobs peaked in July 2022 when over 115,000 open positions were advertised in the state. In the month of December 2023, nearly 59,000 open jobs were advertised in Nebraska yet only 22,000 individuals were unemployed and looking for work.

Labor Shortage

Job Openings in Nebraska (2020 - 2023)



Source: Nebraska Department of Labor

The group of occupations with the highest demand for workers is the healthcare practitioners and technical jobs grouping at more than 4,800 openings. The most-needed workers by specific occupation are registered nurses (over 1,700 openings), nursing assistants (620), retail salespersons (530), licensed practical and licensed vocational nurses (520), and teaching assistants (450).

Adding to the number of total job-seekers, a certain amount of currently employed workers would always take a new job under the right circumstances. Candidate data on NEworks includes unemployment benefit claimants but also consists of those who created an account on the site for job search purposes. As of January 30, 2024, there were 32,000 candidates (including 22,000 unemployed individuals), but, at the same time, there were 35,000 available and unfilled jobs in Nebraska.

Image Credit: HABesen via iStock

Broken Supply Chains

The unexpected contraction of the demand for goods and services in 2020 was followed by a world-wide eruption of wants and needs once business returned to (a new) normal. During lockdowns and quarantines, buying habits shifted from purchasing services to buying goods (as evidenced by the run on at-home-gym equipment, for example).

In addition, businesses in large economies often rely on a system of "just-in-time" inventory in order to decrease warehousing and distribution costs. In today's market, businesses often receive their goods mere hours before they need them – not days - eliminating the need for extensive warehousing.

Another factor exacerbating supply chain issues was federal monetary policy during the pandemic. New funding was aimed at lifting business and consumer demand higher than it would have been naturally, which increased pressure on logistics, material moving, and management companies.

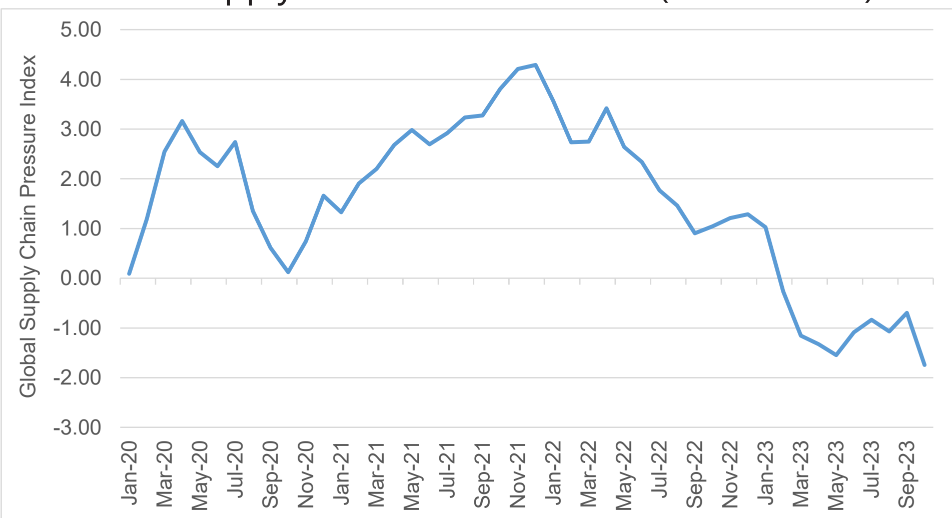
Russia's invasion of Ukraine in early 2022 additionally strained global supply chains. After warfare commenced in Europe, the price of crude oil increased from less than $70 dollars per barrel in the summer of 2021 to more than $100 per barrel for most of the period between March and July of 2022.

These factors converged to create bottlenecks such that the normal flow of goods was interrupted and supply chains began to break down. At one point in 2021, Long Beach Port in California held 60 percent more tonnage than what was in their ability to process. Goldman Sachs estimated in 2021 that, at only two U.S. ports, $24 billion dollars of goods were floating offshore - abnormally awaiting offloading.

The White House released a report card in 2023 which detailed the scope of the supply chain issues and the actions taken to address breakdowns. Illustrating the amount of consumer demand, U.S. ports processed a record level of goods in 2021 (25.8 million units) and slightly less cargo in 2022 (25.5 million units). At the worst point of the crisis, more than 150 vessels were anchored outside U.S. ports and workers were unable to unload their freight. As of May 2023, only a dozen vessels were anchored off port, and shipping costs had dropped 90 percent since peaking in 2021.

To study the issue, the Federal Reserve Bank of New York created the Global Supply Chain Pressure Index. The index integrates various metrics including transportation costs and purchasing manager surveys dating back to 1997. The index saw record highs at the beginning of 2020 and again in 2021, but since has returned to pre-pandemic levels. Research has indicated that a rise in supply chain pressure eventually leads to goods (and producer) price inflation.

Global Supply Chain Pressure Index (2020 - 2023)



Source: Federal Reserve Bank of New York

Pandemic-era Inflation

The combined pressures of a tight labor market and supply chain bottlenecks led to historic increases in the cost of goods and services. The BLS Consumer Price Index (CPI) program measures inflation by producing data on price changes for particular goods and services in urban areas.

Historically, prices have tended to increase at a rate of 2 percent per year. In February 2021, inflation sat at 1.7 percent annually, but four months later the annual inflation rate jumped to more than 5 percent. Inflation continued to rise for 12 months, peaking at approximately 9 percent in June 2022. Between the beginning of 1991 and the end of 2019, year-over-year inflation averaged 2.3 percent per month and only reached 5 percent inflation in four instances over those 28 years. The annual rate of inflation in 2022 stood at 8 percent, the highest annual rate of inflation since 1981 (10.3 percent), which occurred during an economic period termed "The Great Inflation" (1965-1982).

12-Month Percentage Change in the Consumer Price Index (2003 - 2023)

Source: U.S. Bureau of Labor Statistics, not seasonally adjusted

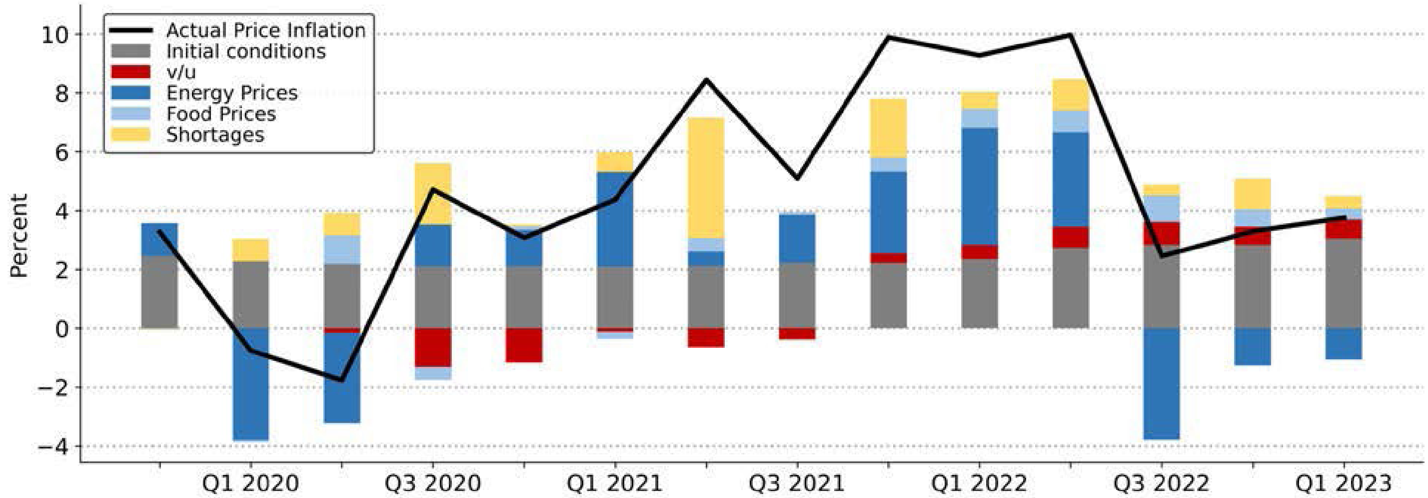
Recent data released in December 2023 revealed that the national CPI increased to 3.4 percent, slightly higher than the month before (3.1 percent). Overall, year-over-year inflation rates decreased sharply in 2023 after near historic-highs the year prior.

Reasons for the pandemic-era rise in the inflation rate are many, as discussed in a recent National Bureau of Economic Research working paper. To bolster consumer and business demand in the face of lockdowns and quarantines, the federal government authorized approximately $5 trillion dollars in spending through the CARES and ARPA legislative packages. These appropriations encouraged greater business and consumer demand, which led to tighter labor markets and pressured employers to increase wages (and prices).

Exacerbating the situation, supply chain disruptions in 2021 and 2022 led to additional upward pressure on the cost of everything, particularly durable goods like new and pre-owned vehicles (mostly due to a computer chip shortage). Finally, the Russian invasion of Ukraine caused a major disruption in oil prices, leading to an increase in cost for industrial inputs and thus increased volatility of prices at the pump.

Pandemic-era Inflation

Sources of Price Inflation (2020 – 2023)



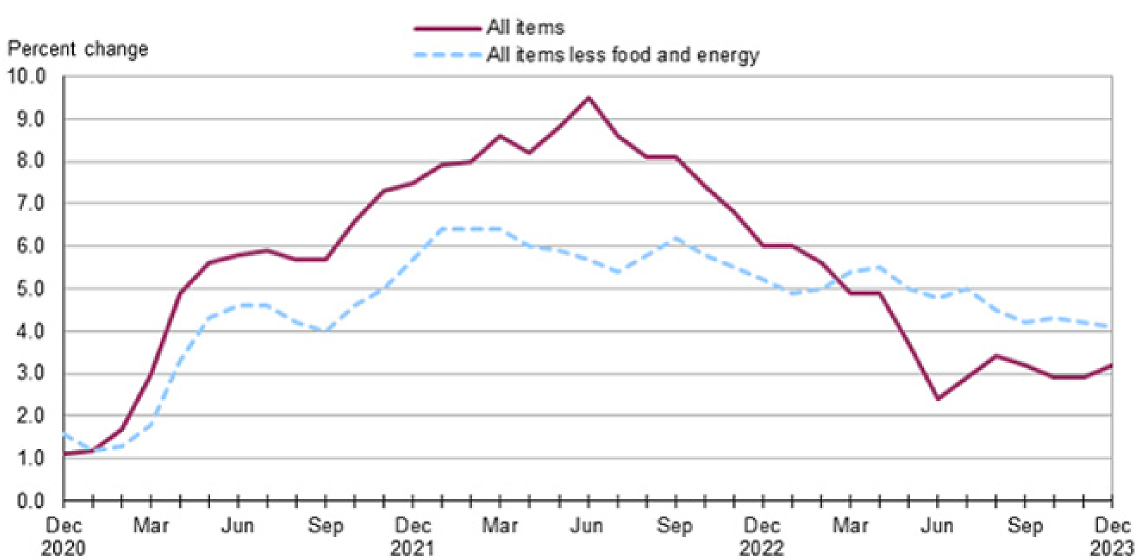
Source: National Bureau of Economic Research

In the BLS Midwest region, which includes Nebraska, the CPI year-over-year percent change was slightly lower in December 2023 (3.2 percent) than the nation overall (3.4 percent). The change in prices for food and energy is more unpredictable than other items and often researchers strip them out from the total CPI to determine "core inflation."

In the Midwest region, December data revealed that prices for all items except food and energy increased 4.1 percent over the year. Contributing factors to higher prices overall include increases in shelter prices for owners (6.6 percent) and renters (6.4 percent) and other goods and services (6 percent).

In the year since December 2022, energy prices decreased 5.7 percent in the Midwest region due to lower prices for natural gas service (20 percent decline) and a 4.7 percent decrease in the cost of gasoline. However, food prices rose nearly 2.5 percent over the year with prices for food away from home (4.2 percent) increasing far more than the cost of eating at home (1.4 percent).

Over-the-year Percent Change in CPI for the Midwest Region (2020-2023)

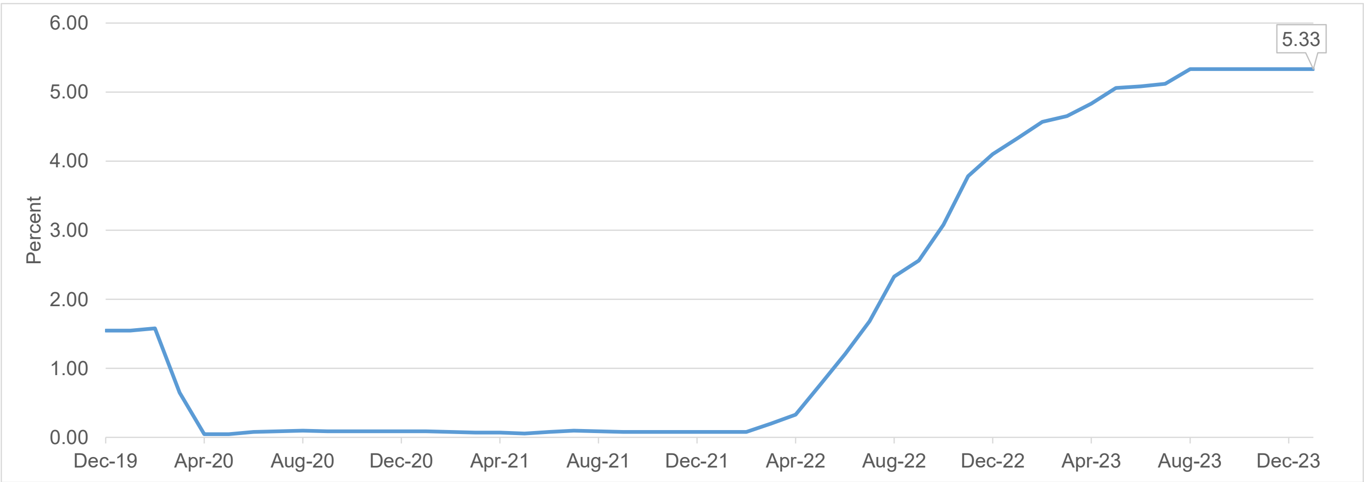


Source: U.S. Bureau of Labor Statistics

Pandemic-era Inflation

Tight labor markets normally force businesses to raise wages to attract and retain employees, and subsequently, force businesses to raise prices. To combat inflation, the Federal Reserve (FED) raised interest rates to 5.33 percent in August 2023 (where the rate remained as of January 2024), up from 0.08 percent as recently as February 2022. Still, current rates are much lower than the federal funds effective rate peak in 1981, when interest rates were over 19 percent.

Federal Funds Effective Rate (2020-2024)



Source: Federal Reserve Bank of St. Louis

Recent price data revealed an easing of inflationary pressures. For example, monetary policy and external factors have led to a 30 percent drop in gas prices since their summer 2022 peak. Moreover, annual core goods inflation has fallen more than 65 percent since its peak in February 2022.

Although the rate of price increases has slowed, the cost of goods and services remains expensive compared to pre-pandemic levels. Illustrating extreme pandemic-era inflation, according to the BLS CPI Inflation Calculator, $100 dollars in October 2019 had the same buying power as $119.56 four years later. For comparison, the buying power of a $100 dollar bill in 2008 would have been equivalent to $118.83 in 2019, 11 years later.

Image Credit: NeonShot via iStock

The Future of Work

Business owners and workers have both experienced pandemic-era unemployment, labor shortages, supply chain breakdowns, and historic inflation. How will these new shared experiences affect the relationship between employers and employees? One of the prime examples of how the pandemic had an effect on business and labor is the rise of remote work.

Remote Work

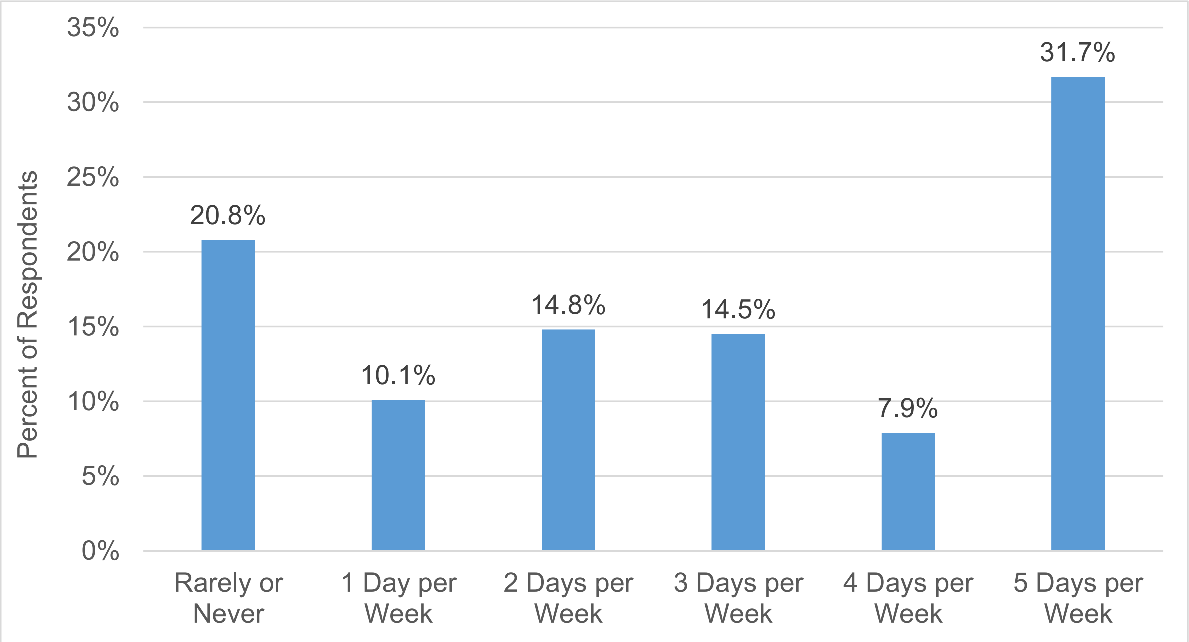
Popular among workers, and less so among employers, proponents of remote work arrangements posit that the related cost savings, flexibility, and job satisfaction outweigh potential detriments stemming from physical separation and the lack of face-to-face interactions.

Existing since the 1970s on a small scale, the remote work or work-from-home employment model has become vastly more common since the onset of the pandemic. According to the Census Bureau, the percent of people primarily working from home tripled from 2019 (5.7 percent) to 2021 (17.9 percent). In August of 2023, nearly 30 million U.S. employees (19.5 percent) teleworked or worked at home for pay.

Remote work arrangements are often associated with cost savings for both employers and workers. In 2020, nearly half of all federal government employees worked remotely, which saved agencies (and taxpayers) more than $180 million dollars. Commonly reported savings included eliminating transit or commuting costs, reducing absences, and spending fewer dollars on rent, utilities, and office space.

However, not all employees prefer remote or hybrid work arrangements. Studies have shown that individuals vary on their preference for when - and where - they work. In a Stanford University survey of over 35,000 Americans, 21 percent reported that they never want to work from home again. At the other end of the spectrum however, 32 percent of employees said they never want to return to the office. Nearly half of individuals surveyed prefer a hybrid work schedule – one to four days working at home and the remaining workdays being in the office.

How often would you like to have paid work-days at home?



Source: Stanford Institute for Economic Policy Research

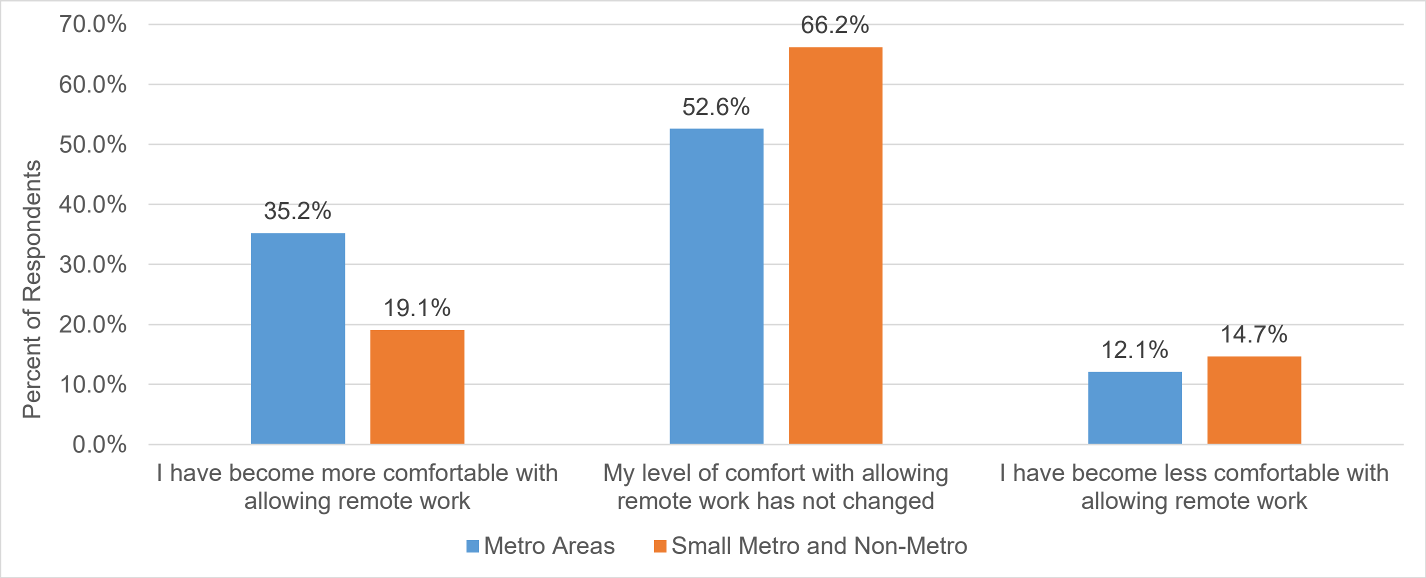
The Future of Work

The University of Nebraska-Omaha's Center for Public Affairs Research (CPAR) produced a report in 2021 discussing how the workforce in Nebraska compares to other states regarding Census Bureau data on remote workers. At the time, the rate at which Nebraska employees worked from home (12 percent) ranked in the bottom-half (37th) compared to other states. However, the Census Bureau only included employees who worked remotely full-time and not those who adopted a hybrid work arrangement.

In Nebraska, the Bureau of Business Research (BBR) at the University of Nebraska-Lincoln conducted a survey examining remote work in the state and the effect that the pandemic had on commercial real estate usage. Notably, almost 90 percent of responding businesses had not changed the amount of office space they used, while 7 percent increased and 4 percent reduced their office space.

From the BBR survey, most employers' comfort level with allowing remote work had not changed since the pandemic began. However, 28 percent of employers did become more comfortable while 13 percent became less comfortable with work-from-home arrangements. For businesses in Omaha and Lincoln, a greater percent of employers became more comfortable with remote work (35 percent) than employers in small metropolitan areas (Grand Island and South Sioux City areas) and non-metropolitan areas (19 percent).

Change in Comfort with Remote Work Since COVID-19 Pandemic Began by Population



Source: Nebraska Commercial Real Estate Survey

In surveys conducted by NDOL, employers were asked how many days per week their teleworking employees typically worked remotely. Over 37 percent of businesses reported that their employees teleworked occasionally and nearly 43 percent of employers had workers who teleworked at least once a week. Employers provided reasons for utilizing remote work, and the most common motives included accommodating family needs of employees (81%), responding to the pandemic (81%), and increasing business flexibility (76%).

The Future of Work

The Projected Workforce

The aging workforce, the need for retraining, and attracting high-paying jobs are common refrains regarding the workforce in Nebraska.

In a Pew Research Center analysis, compared to 1987 (11 percent), a greater share of workers age 65 and older were employed and working across the country in 2023 (19 percent). Similarly, workers age 65 and older in Nebraska have become a larger share of the workforce between 2019 (6.4 percent) and 2023 (7.2 percent).

The Workforce Retraining Initiative, administered by the Department of Economic Development in partnership with NDOL, was a scholarship program to help those impacted by the pandemic to obtain new skills and find higher paying jobs. Funded with $16 million in CARES Act funds, Nebraska community colleges provided job training for skills required in high-demand careers. In addition, LB1014 passed in 2022 (which appropriated ARPA funds) included $10 million sent to NDOL to administer grants for the retention of teachers and nurses, as well as workforce development projects (Section 15).

Peering into the future, NDOL produces data on which industries and occupations are expected to grow their employment levels in Nebraska between 2020 and 2030. Due to pandemic cancellations and restrictions (and newly approved casino gambling), the leisure and hospitality industry is expected to grow fastest. However, over 65 percent of the jobs expected to be added to the industry are likely to be due to pandemic recovery rather than economic growth.

Following the trend in industry projections, the food preparation and serving and the personal care and service occupations are expected to grow fastest. Additionally, six occupations expected to rapidly grow in Nebraska (by percent change) are related to gambling, such as gaming dealers and cage workers.

Young workers have been clear in surveys about their desire for flexibility, equitable pay, and a work-life balance in their employment.

Image Credit: goc via iStock

Current Climate

Today's economy remains strong overall in the U.S., having avoided a recession thus far since the onset of a global pandemic (as of February 2024). Unfortunately, due to extreme inflation, workers remain pessimistic about their spending power. Ideally for the labor market overall, unemployment remains low, jobs continue to be added, and the rate of inflation declines.

Many pandemic customs and relics, like plexiglass dividers, have been discarded. Still, others remain such as ready-to-drink cocktails and virtual meetings. Although pandemic lockdowns are beginning to fade from memory, emergent technologies and new worker preferences are driving us back to the future of work.

The Legislative Research Office continues to monitor the business climate and labor market in Nebraska. We stand at the ready to answer all research requests, including those regarding commerce and workforce policy.

Image Credit: Unicameral Information Office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