

Lancaster County's Labor Market in 2021

Ongoing pandemic impacts are clear

Current headlines on the labor market emphasize that unemployment rates have fallen to levels that signal full employment. The US unemployment rate hit 3.7% (seasonally unadjusted) in December. In Lancaster County, the unemployment rate had returned to pre-pandemic territory in October. Despite low unemployment, labor force and total employment data indicate that the County's labor market still has much ground to regain. It continues to be a pinch point as employers struggle with tightening labor conditions.

Two Years of Labor Force Tightening

With one month of data for 2021 yet to be released, it looks like Lancaster County's labor force will register a second year of losses.

The labor force reflects two pools of people: those currently working and people actively looking for work. Ideally, the size of the labor force grows in strong economic times and holds through business cycle downturns (indicating the unemployed people are not discouraged from continuing to seek employment). In 2019, the County had an average of 285,560 people making up its labor force. In 2020, it contracted by 3,800, representing a 1.3% loss of people. In 2021, monthly data points to further erosion. The labor force averaged 278,100 over the year (January through November), suggesting an additional 3,600 people exited. The net effect is a labor force that lost 7,450 participants over the course of two years.

LABOR FORCE UNITED STATES & LANCASTER CO



Sticky Employment Growth

While labor force data reflects the total supply of workers, employment data provides information on the workforce – or more specifically, the number of people with a job.

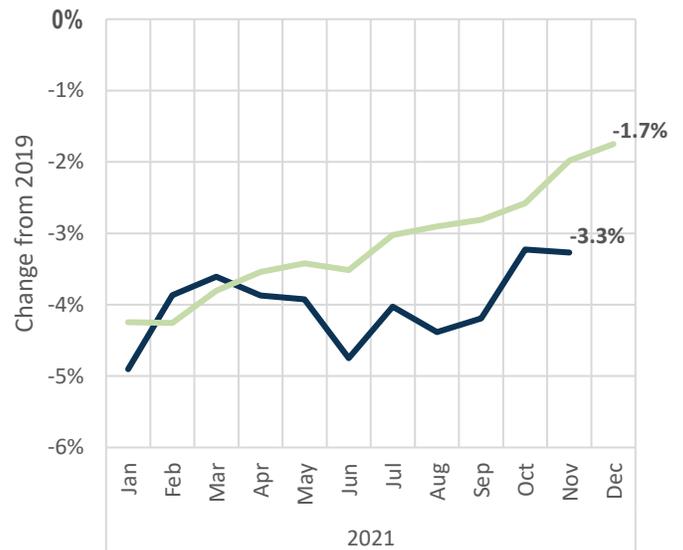
Lancaster County's employment loss (ie, the number of people filling local jobs) is larger than the national trend. In 2020, total employment in the County was 260,620. Around 14,890 fewer people held jobs in 2020 compared to 2019.

In 2021, the situation improved a little. Rebuilding the workforce hit several setbacks over the first eight months of the year before steadily improving through the fall and winter months. The County started the year with 257,450 employed persons; employment was down 5% against 2019 levels. As of November 2021, the County had 266,700 employed persons.

This suggests Lancaster County businesses were operating with 3% fewer workers than in 2019.

The lower level of employment in Lancaster County is caused by many factors. The ongoing disruptions and uncertainty to the workplace caused by COVID-19 conditions cannot be understated. Through the last two years, employers have had to reassess their labor needs – not only in response to changing consumer demand but also in how they operate (making investments in technology, reducing hours, offering different services). This process means County employers are still working through how to normalize their need for employees. Charting employment levels for the County shows it has been a choppy and sometimes stalled path toward recovery.

TOTAL EMPLOYMENT – UNITED STATE & LANCASTER CO

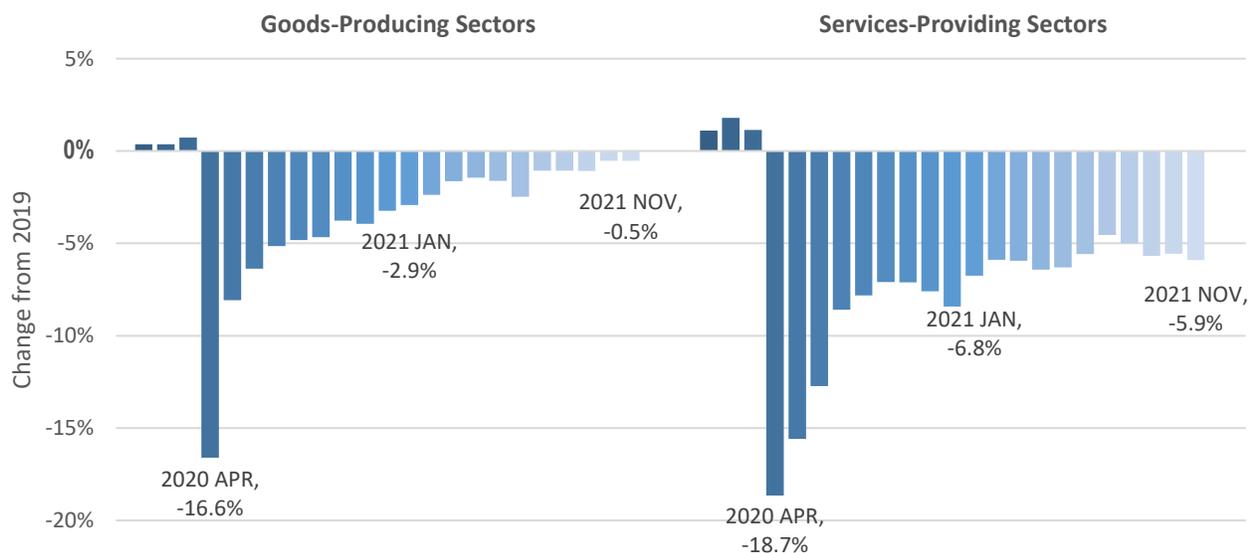


Uneven Workforce Recovery Across the County's Industries

Industries fall into two broad categories – goods-producing and service-providing. Goods-producing sectors, which include manufacturing and construction, experienced strong demand as household spending patterns adjusted to COVID-related conditions. In contrast, service-providing

sectors have had a bumpy road since the start of the pandemic. They faced multiple setbacks as COVID variants emerged and COVID cases and hospitalizations spiked every couple of months.

SECTOR EMPLOYMENT IN LANCASTER COUNTY



Employment trends for these two broad categories reveal that the steadiness of demand through changing COVID conditions may have affected the industry's workforce recovery. The goods-producing sectors, responsible for roughly 21% of nonfarm employment, have been able to maintain strong and stable employment conditions over the last 18 months. Their employment numbers show steady improvement through most of 2021. Employment grew from 53,200 workers in January to 55,400 in November. As a result, its workforce was only a couple hundred workers short of 2019 levels (or down 0.5%).

The service sector (including hospitality and health care) has been more severely disrupted, signaling uncertainty and highly variable labor demand. As a result, rebuilding its workforce has been stalled for most of 2021. It started 2021 with 6.8% fewer workers compared to 2019. But some of the gains built through the first half of the year were lost starting in August. By the end of 2021, the service sector workforce had only marginally closed the gap. Employment was down 6% in November compared to 2019. It spent most of the year operating with 192,000 employees, roughly 11,800 fewer employees than in 2019.

Looking Ahead to 2022

Economic forecasts are continuously changing as new data emerges. Despite darkened consumer sentiment and worry over inflation, the outlook for 2022 remains positive with expectations of robust economic growth. This means employers and their employees are likely facing another busy year.

Many hope 2022 is the beginning of a new normal, however this new normal is not likely to bring significant relief to labor shortages without significant progress on managing COVID conditions. The challenge for this year will feel much like last year as employers and employees find new ways to enhance efficiencies and flexibility while adapting to growing productivity demands and tight labor supply.

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