Missouri Economy Indicators

Hiring Challenges and Earnings

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The state's seasonally adjusted unemployment rate dropped below 4% in September, providing one indicator that Missouri businesses are experiencing hiring challenges. Tight labor markets are not new to Missouri or the U.S., however, as pre-pandemic job analysis shows, and are expected to continue into next year. This increased competition for workers will likely continue to boost hourly earnings.

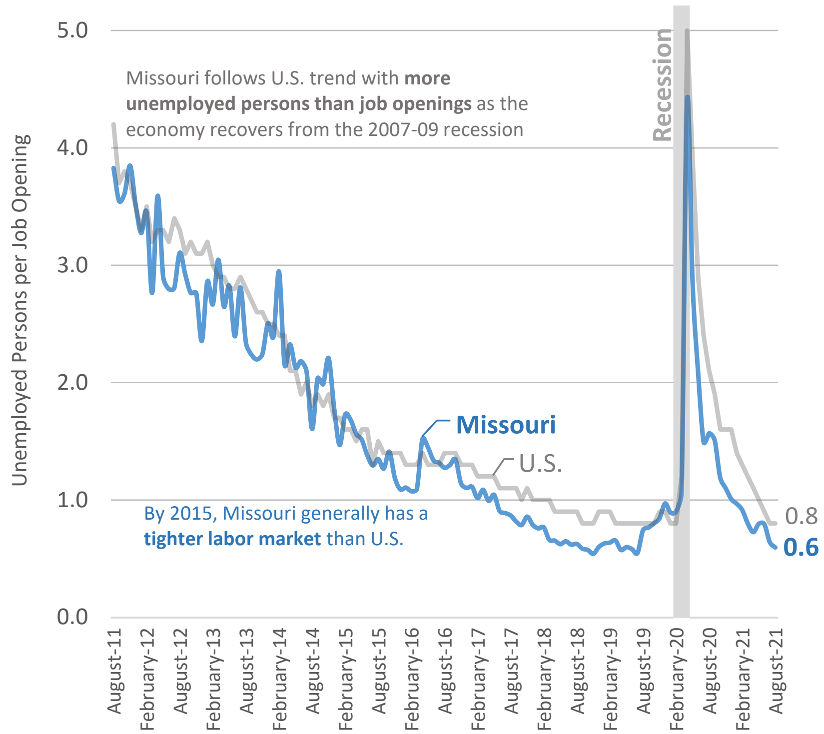
Tight Labor Market

In August 2021, Missouri had an estimated 207,000 job openings and 123,0000 unemployed persons looking for work. For every 10 job openings, six job-seekers were available — a 0.6 ratio (see chart).

The 0.6 ratio suggests a tight labor market, and it mirrors the situation Missouri's economy experienced just a few years earlier. Although it generally follows U.S. trends, Missouri has experienced a tighter labor market than the nation since 2015.

The tightening labor supply has been a long-term trend in Missouri and the U.S. Reasons for this tightening include an aging workforce, slow population growth, and lower labor force participation rates, so this trend will likely continue.

Unemployed Persons per Job Opening in Missouri and the U.S., 2011-21



Source: MU Extension graphic using seasonally adjusted data from U.S. Bureau of Labor Statistics (BLS).

1 in 3 Missouri Small Businesses Indicate Hiring Challenges

The weekly U.S. Census Small Business Pulse Survey provides additional context related to the challenges businesses face in finding workers. From mid-August to mid-October, 36% of Missouri small businesses (less than 500 employees) indicated having difficulties hiring employees compared with a U.S. average of 34%. The survey data for the St. Louis and Kansas City metropolitan areas indicated firms had slightly more difficulty hiring employees in St. Louis (37%) than in Kansas City (34%). Available at the national level, industry sector data show that 65% of *Accommodations & Food Service* businesses had hiring challenges — the most of any sector. Just over four in 10 *Manufacturing* and *Health Care & Social Assistance* businesses indicated that they experienced hiring difficulties during the two-month period.

Payroll Earnings Increase with Tight Labor Market

Tighter labor markets can lead employers to raise wages. Average hourly earnings, therefore, provide one timely measure to gauge trends in private-sector worker pay.

Missouri private-sector hourly earnings for third-quarter 2021 were 4.2% higher than a year earlier and similar to the U.S. average increase (4.3%). *Professional & Business Services* earnings were up by nearly 5% for Missouri and U.S. workers. By contrast, state *Manufacturing* earnings increased by only 1.1% from the previous year compared with 3.6% for the U.S. Missouri's *Leisure & Hospitality* sector, which includes restaurants, had the largest earnings increase at 12.7% — higher than the U.S. average increase of 10.5% over the year. Missouri has a lower cost of living than most states, which is reflected in hourly earnings that are generally lower than those for the U.S.

Hourly Earnings & Percent Change

Hourly Earnings (Jul-Sep 2021 Avg.) and Year-over-Year Percent Change

	Missouri		U.S.	
Sector	Hourly Earnings	YoY % Chg.	Hourly Earnings	YoY % Chg.
All Private Sector	$27.59	4.2%	$30.65	4.3%
Manufacturing	$28.30	1.1%	$29.87	3.6%
Professional & Business Serv.	$33.66	4.8%	$36.93	4.9%
Leisure & Hospitality	$16.41	12.7%	$18.63	10.5%

Source and notes: MU Extension exhibit using non-seasonally adjusted data from the U.S. Bureau of Labor Statistics and MERIC. Earnings for all private-sector, manufacturing production and nonsupervisory service workers.

Increased earnings benefit workers but are tempered by overall price increases that can reduce purchasing power. Depending on the measure, 2021 annualized inflation estimates range from 3% to 6%, which would largely offset earnings increases this year. Inflationary pressures are expected to lessen in 2022, but wage increases are likely to continue as employers seek to hold on to a tight supply of skilled workers.

Additional Resources

- Recent St. Louis Federal Reserve analysis predicts — with caveats — that only half of workers still unemployed or out of the labor force in June 2021 will return to work by mid-2022.
- A September Conference Board report, Why Wages are Growing Rapidly Now–And Will Continue to in the Future, provides additional insights into long-term demographic factors putting upward pressure on wages, especially for blue-collar and manual services workers.
- The Chief Financial Officer survey, conducted by Duke University in partnership with two federal reserve banks, from third-quarter 2021 indicates that three out of four companies are having difficulty finding new employees. Eight in 10 firms are raising wages, and a third are implementing or exploring automation to respond to hiring difficulties.

All Missouri Economy Indicators briefs in this series are available at tinyurl.com/ExceedEconomyIndicators

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