Job Openings Are Harder to Fill in the COVID Recovery
With workers quitting their jobs in record numbers, and despite higher unemployment than pre-COVID, employers today are struggling to fill open positions. California is in uncharted territory when it comes to job openings in an economic recovery, territory that may benefit workers in the short term but raises concerns about meeting workforce needs now and in the long term.

California job openings reached a record high of over 1.2 million in December 2021, about twice as high as the number one year before. During the end of 2021, openings as a share of the labor force hovered around 6.8%, much higher than the average rate from both 2019 and 2020 (4.4%).

Rising job openings, falling unemployment, and a smaller workforce mean fewer job seekers per opening than in typical recoveries—and fewer than in typical good economic times. The number of unemployed people per job opening spiked when COVID first hit, then consistently dropped through 2021. By the end of the year, there was roughly one unemployed person for every job opening, closer to the strong economy...
of 2019 than the 2010 recovery (6.5 persons). California does, however, have slightly more unemployed per opening than the US—roughly 1 unemployed person for every job opening in California versus 0.6 nationally.

The abundance of job openings is related to the “great resignation”: startling numbers of workers quitting jobs. Resignations remain high by historical standards and high as a share of the labor force.

The pandemic reflects a stunning shift in the relationship between the unemployment rate and the rate of job openings. Typically, when unemployment is elevated, job openings clear quickly as job seekers match with employers. But this relationship has changed: at every point during the pandemic, openings have been higher than expected based on unemployment. At no point since April 2020 has the longstanding pattern between unemployment and job openings held. This signals a marked shift in the labor market around matching employers and job seekers. Based on prior patterns, we’d expect a rate of openings around 3% in December 2021—but it was twice as high.

Hiring also stagnated in December at 3.7% of the labor force, dropping 11% from November to the lowest level since July. The omicron variant may have further tightened the labor market and contributed to slow hiring. Sector shifts, changing skill requirements, and geographical mismatch also likely contributed, signaling challenges ahead for meeting workforce needs. For instance, service sector workers may find their skills not as easily transferable to growing sectors like transportation. Furthermore, recovery varies across regions and
relocating is not always an option. Still, workers who can take time to find the best job match or to build skills may benefit in the long run.

Selectivity in a tight labor market also bodes well for wages, which have climbed during the pandemic. Yet wage pressure contributes to inflation, putting a crimp on purchasing power, especially for low-income households.

As the omicron surge wanes and the Federal Reserve contemplates actions to slow inflation, the tight labor market may subside. Similarly, pandemic-induced sector shifts as well as geographic mismatch between openings and workers may lessen over time.

To improve efficiency in the labor market, policymakers could support programs that strengthen worker skills and connect training with career opportunities that benefit both workers and firms. Indeed, resources for career-focused training, especially in sectors of acute need, feature prominently in Governor Newsom's budget proposal. Paired with funding directed to economic recovery and resilience, California's employers and workforce will be better equipped for the post-COVID economy.
BLOG POST · JANUARY 27, 2022

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