

# Navigating a Frozen Job Market

# FRAMEWORK

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- The labor market is currently in a period of **low growth** with both hirings and layoffs at historically low levels.
- Reasons for slow growth in the labor market include **federal policy uncertainty and the AI transition**.
- Young adults, especially men, and new graduates are impacted by the **lack of opportunity in the labor market**.
- In Massachusetts, the gender gap in young unemployment is particularly pronounced
- If graduates face limited job opportunities, future enrollment and local economic contributions could be affected

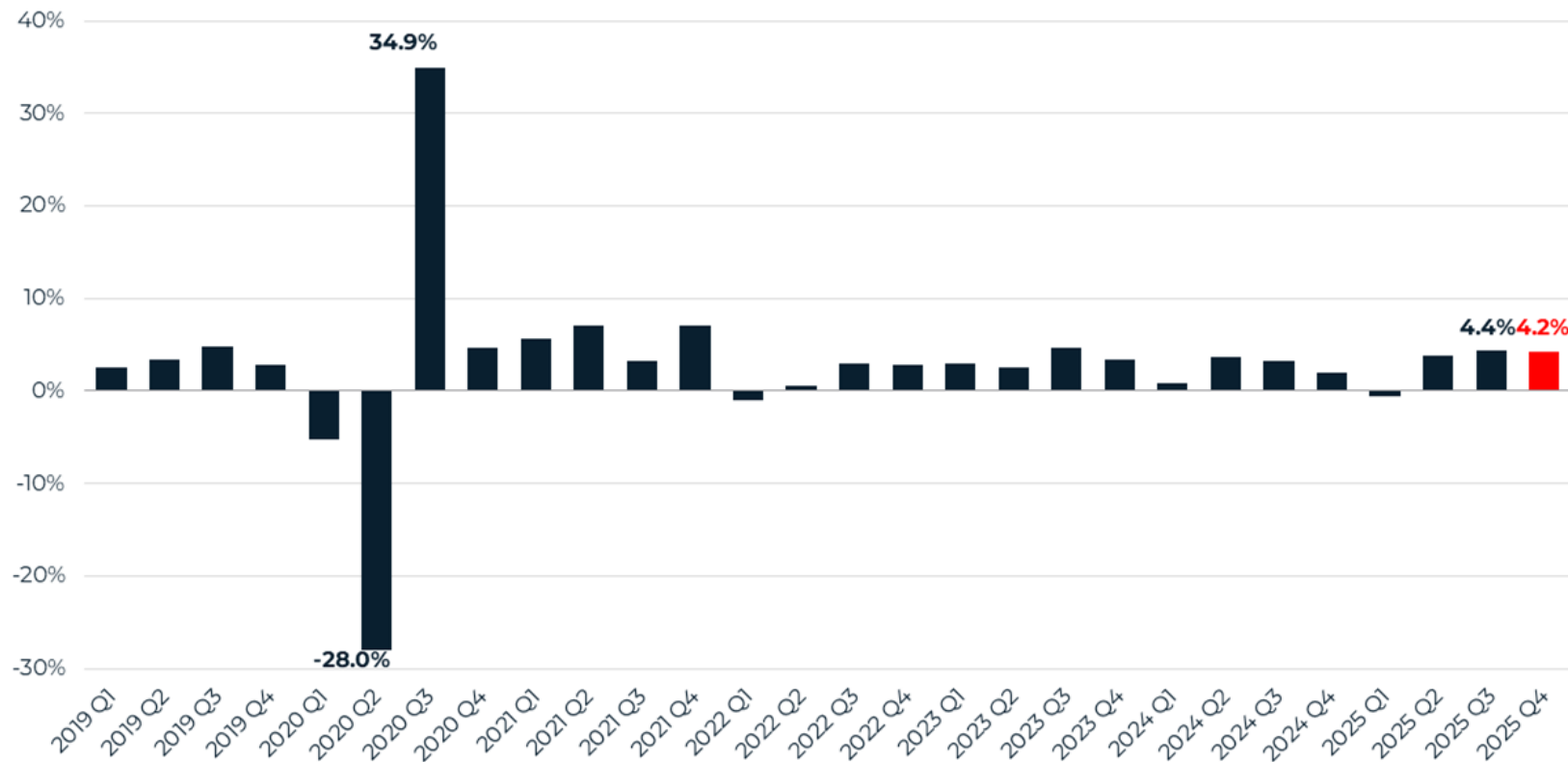
# STATUS OF LABOR MARKET

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- 1 **MACRO & NATIONAL CONTEXT**  
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- 2 **LABOR MARKET SNAPSHOT**  
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- 3 **LABOR MARKET FLOWS AND WAGES**  
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- 4 **IMPLICATIONS FOR YOUNG ADULTS**

# National economic growth remains positive but has **slowed** after post pandemic expansion

Percent Change From Preceding Period in Real Gross Domestic Product, Q1 2019 – Q4\* 2025

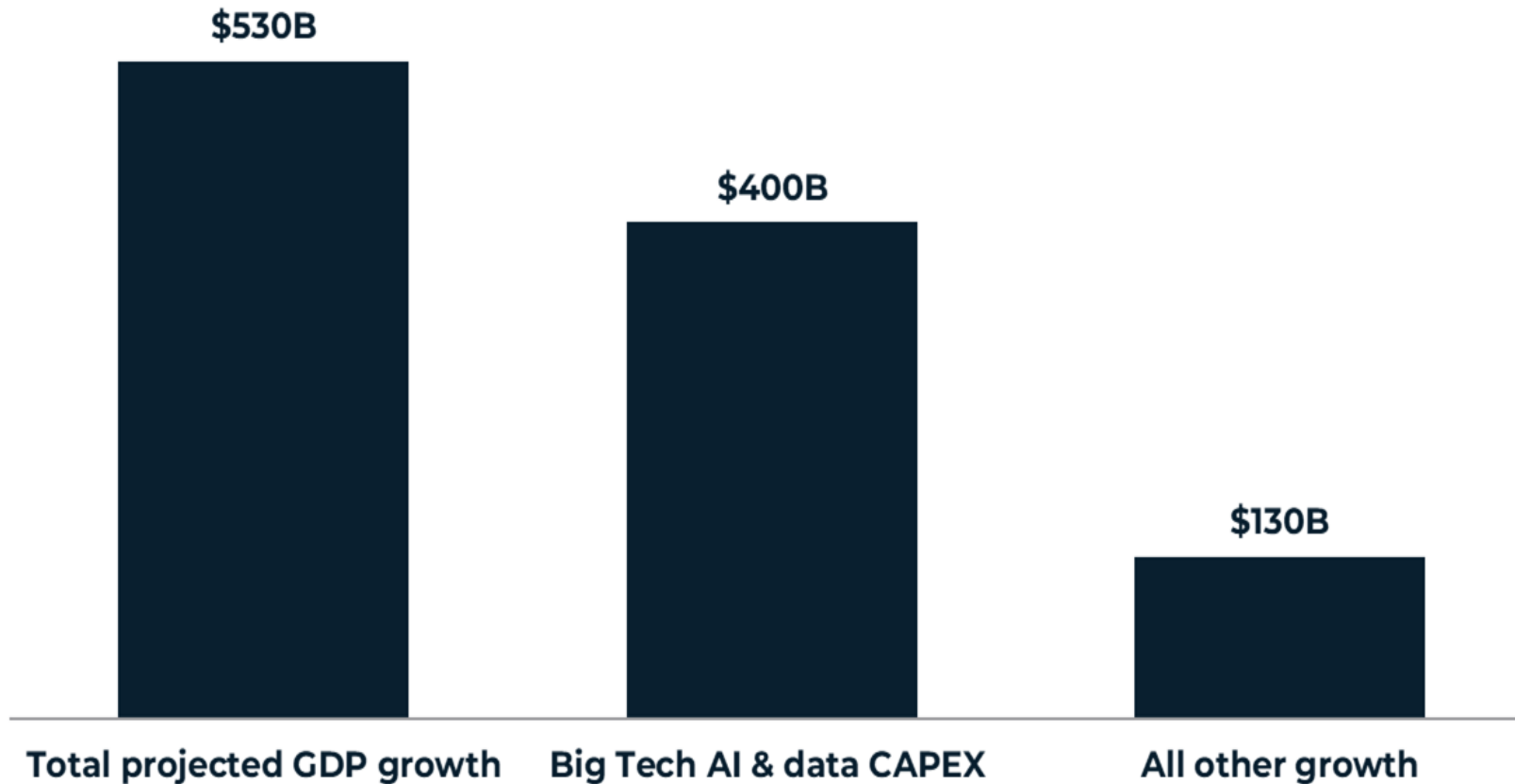


The sharp swings of 2020–2021 have given way to modest, uneven quarterly growth. This matters because **labor demand tends to follow GDP growth**

Source: U.S. Bureau of Economic Analysis (BEA), City of Boston Planning Department Research Division Analysis. Seasonally adjusted at annual rates. Note: \*Federal Reserve Bank of Atlanta GDPNow estimate as of January 30, 2026.

# Roughly 75% of U.S. GDP growth in 2025 is being driven by **AI-related** capital expenditure (CapEX)

## Projected Source of U.S. GDP Growth in 2025



What's especially notable about 2025 GDP growth is its **composition**.

**Highly capital intensive expansion boosts output and productivity quickly, but does not translate into broad-based hiring**, especially in the near term

Note: Based on the source CAPEX data, U.S. GDP growth of 1.8% in 2025 (approx. \$530 billion) was used to estimate that AI and data infrastructure investments constitute ~75% of total projected GDP growth.  
Source: The Wall Street Journal, 1 Aug. 2025, City of Boston Planning Department Research Division Analysis. Seasonally adjusted at annual rates.

# AI investment is large, but hiring is not

## Investment Spending, Capex

Company	2025 CapEx	2024 Revenue (annual)	Headcount	Revenue / employee	CapEx / employee
Meta	\$66–72B	\$164.5B	75,945	\$2,220,000	\$908,500
Microsoft	\$80B	\$281.7B	228,000	\$1,235,600	\$350,900
Alphabet	\$75-85B	\$350.0B	187,103	\$1,909,000	\$427,600
Amazon	\$100-118B	\$637.96B	1.6M	\$410,000	\$76,300

AI infrastructure spending is **concentrated** in a small number of firms and requires very high capital per worker.

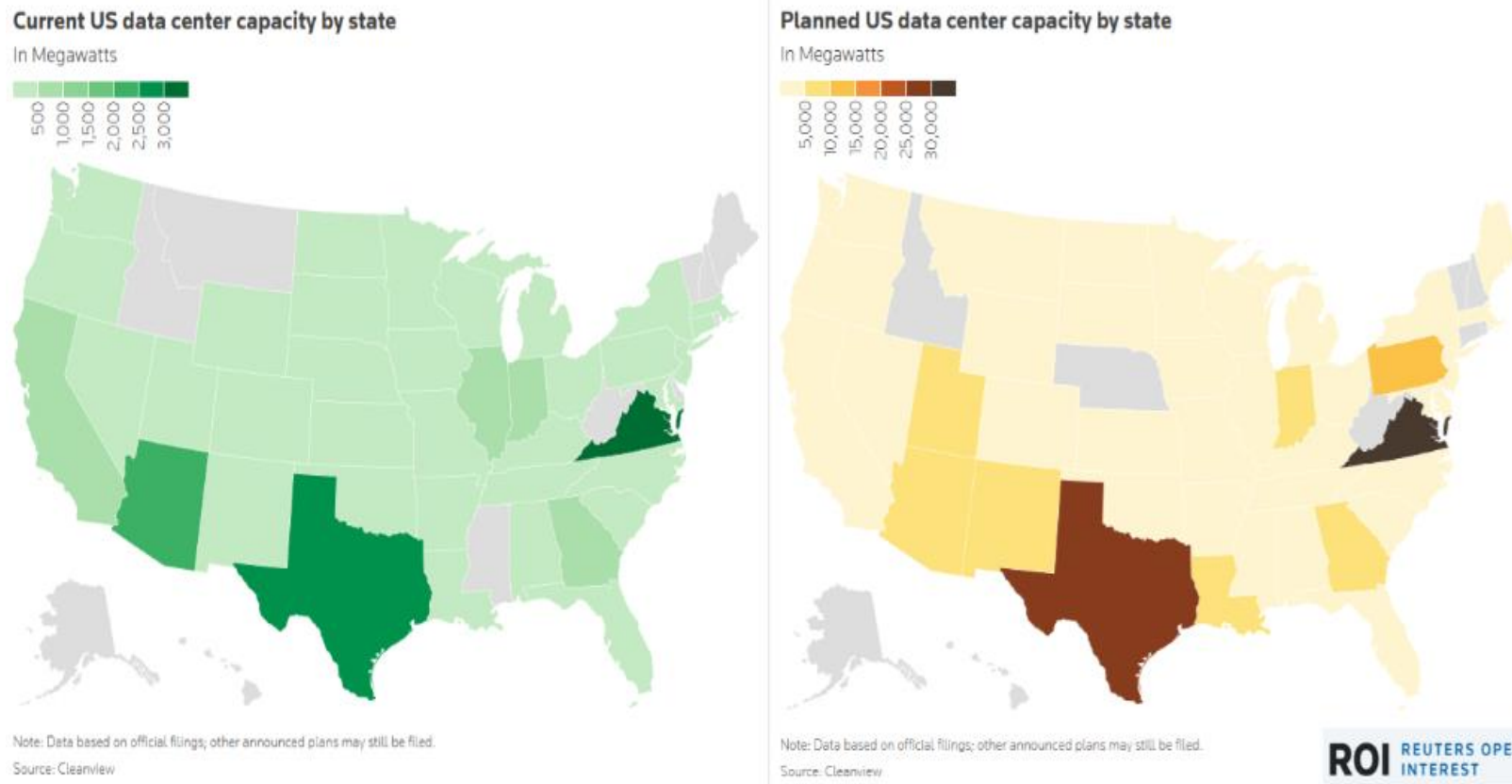
These investments raise revenue and productivity, but they **generate relatively few jobs**.

The result is rising inequality between capital-heavy firms and smaller employers, and a growing disconnect between output growth and employment growth

Source: Summary of earnings reports and press releases, City of Boston Planning Department Research Division Analysis.

# Massachusetts may capture less direct AI related capital expenditure impact

## Current and Planned Data Center Capacity Across Key US States



Massachusetts and Boston capture less of the direct economic impact of AI infrastructure build-out.

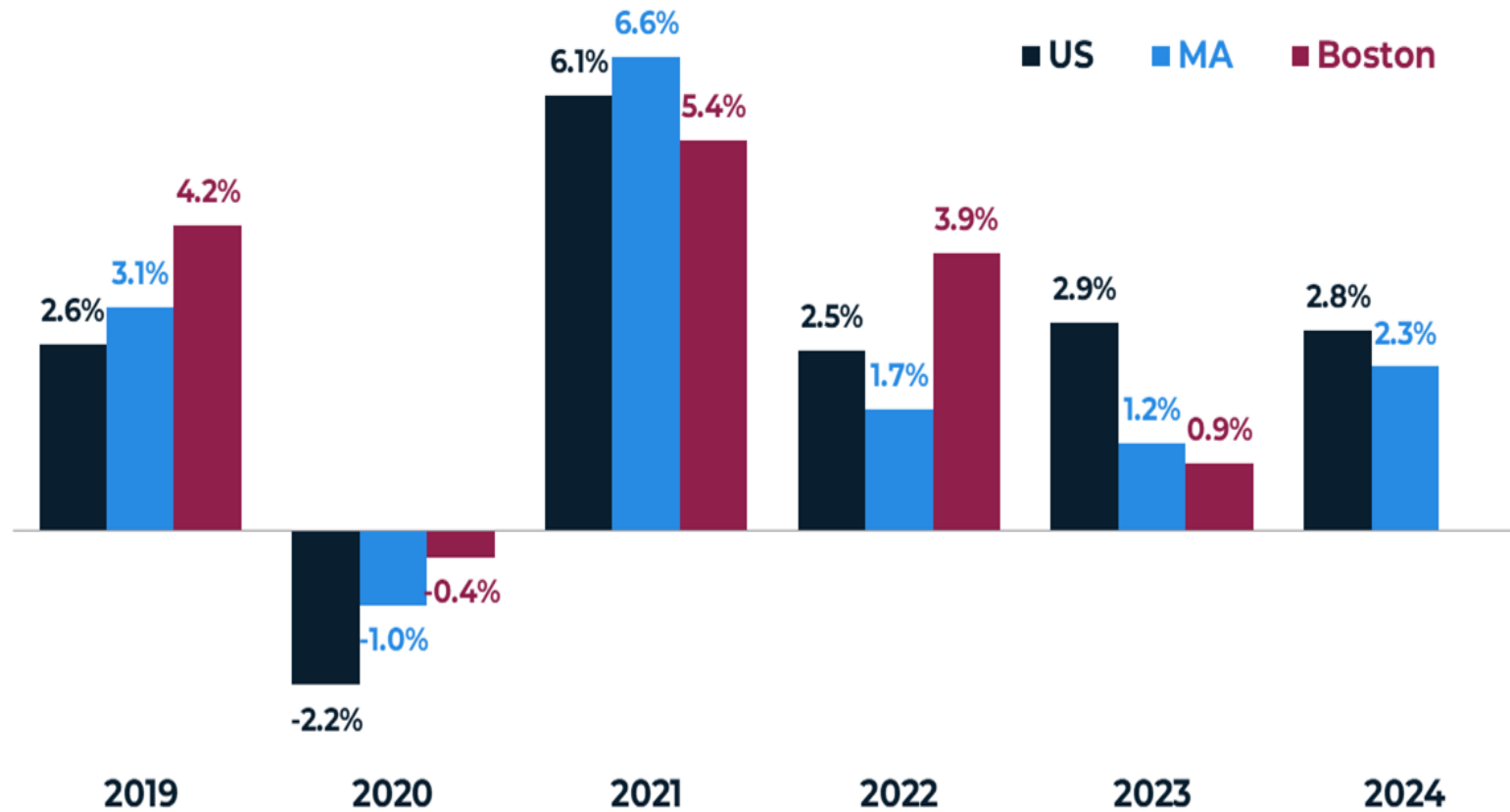
**Large data center construction is concentrated in other regions.**

That means fewer construction jobs and less local spillover from this investment boom

Source: Reuters, City of Boston Planning Department Research Division Analysis.

# In a break from earlier years, US GDP growth has **outpaced** that of Massachusetts **since 2022**

Percent Change From Preceding Period in Real Gross Domestic Product, 2019 – 2024\*



The **divergence** in GDP growth reinforces that Boston's labor market dynamics are shaped not just by local conditions, but by *how* national growth is being generated—and *where*.

Source: U.S. Bureau of Economic Analysis (BEA), City of Boston Planning Department Research Division Analysis. Seasonally adjusted at annual rates. Note: \* Gross Domestic Product by County and Personal Income by County, 2024 will be released on Feb. 5, 2026



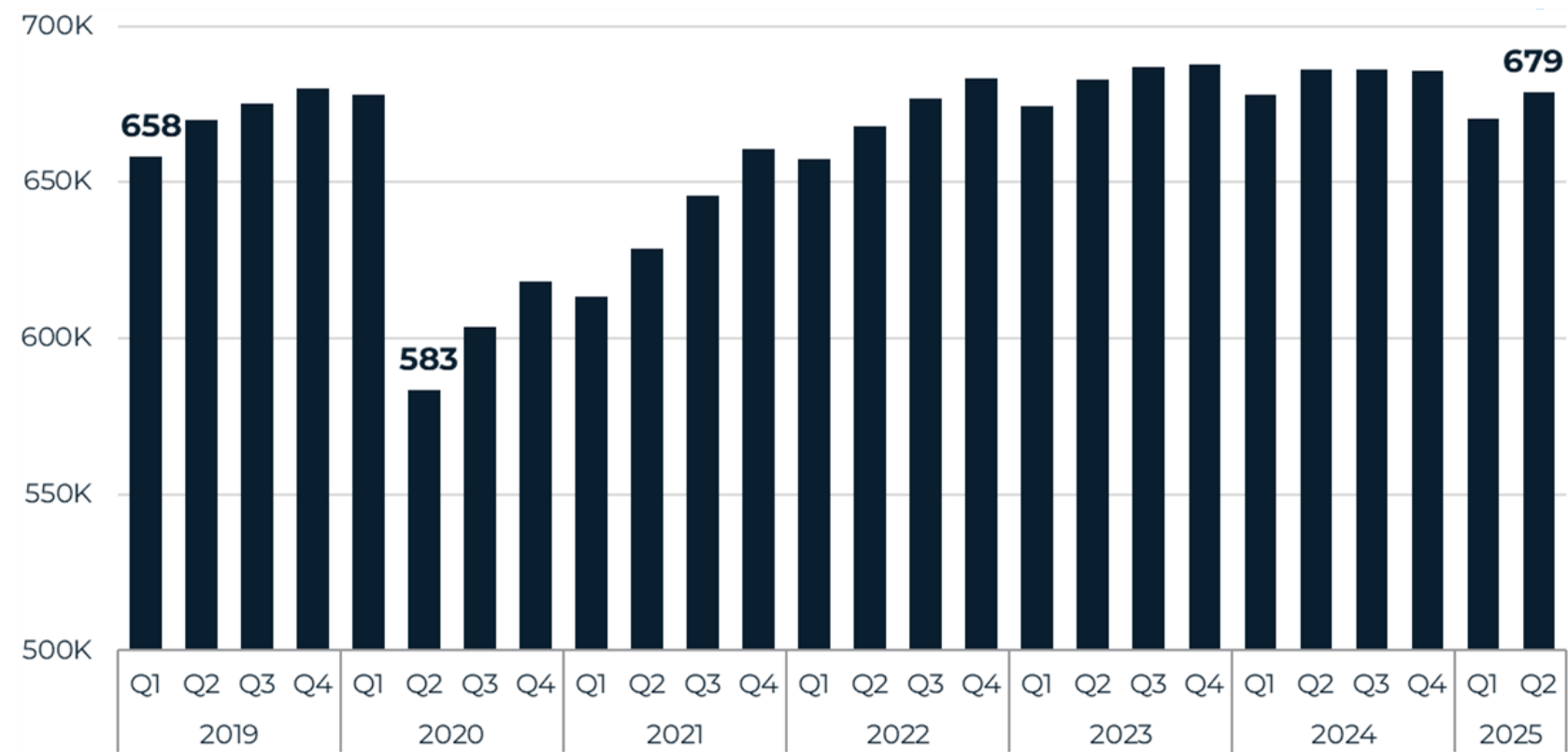
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# Over the past three years, payroll employment in Boston has largely plateaued

Boston Total Nonfarm Employment, Q1 2019 - Q2 2025



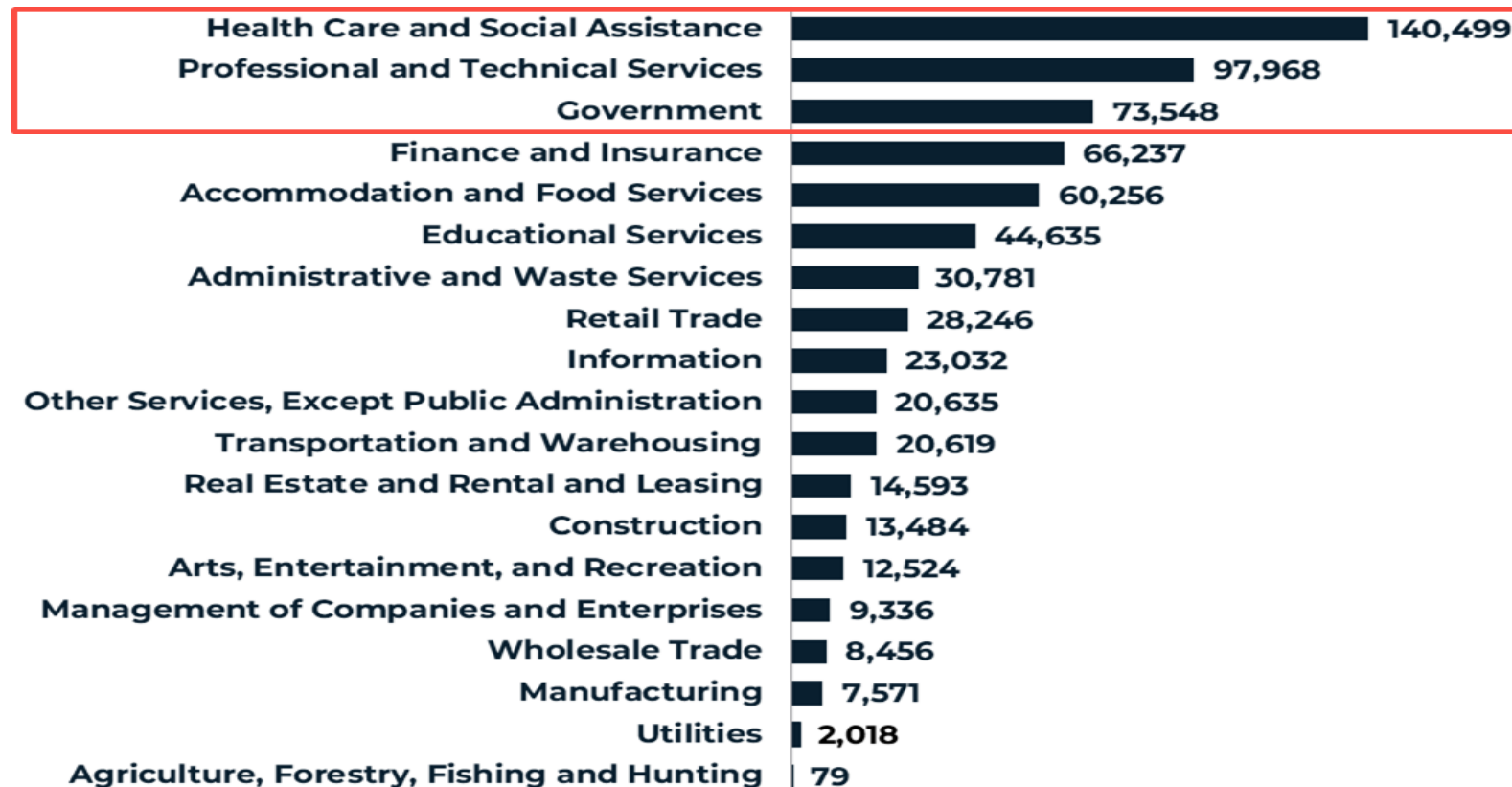
This leveling off marks a **shift from recovery to stabilization.**

Employment peaked in 2024 and has edged down slightly since.

Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWD), City of Boston Planning Department Research Division Analysis.

# The **top three** sectors account for **nearly half** of Boston's payroll employment

## Payroll Employment by Industry, Average Monthly Employment in H1 2025



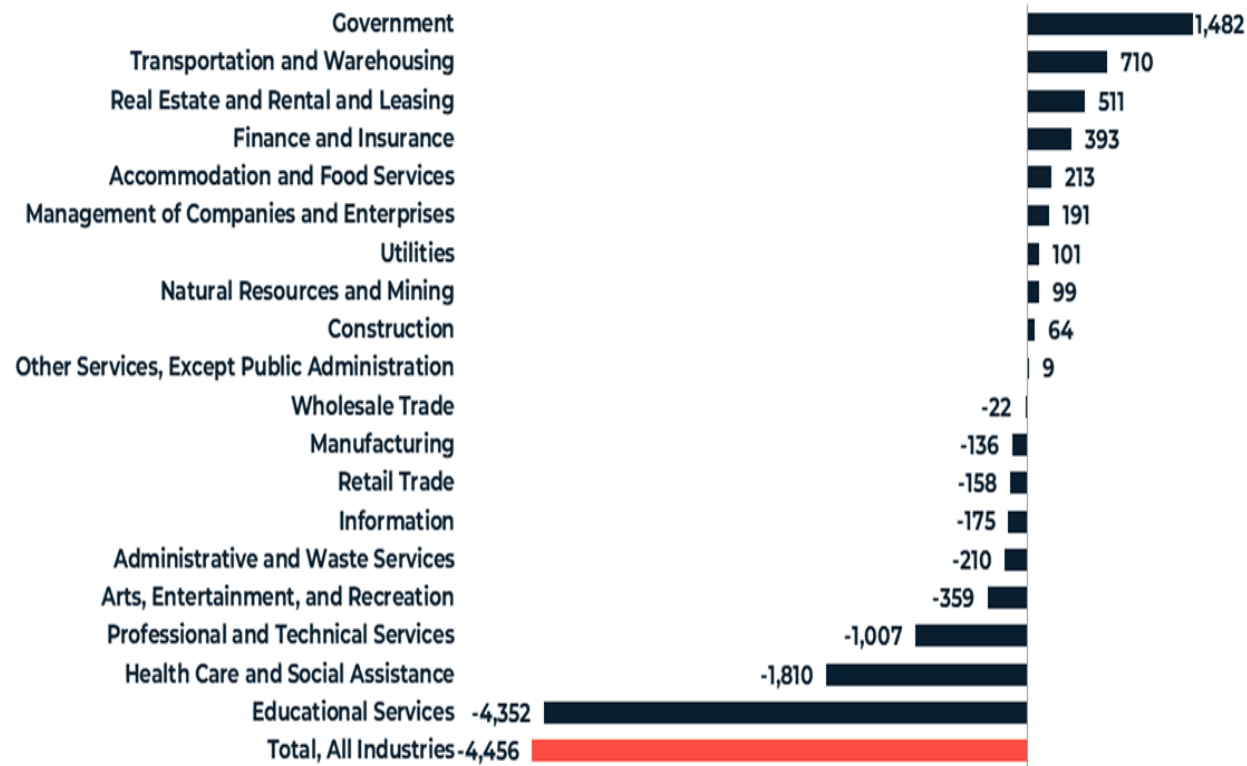
Healthcare, Professional Services, and Education anchor Boston's economy, yet each faces **distinct pressures**:

- **Federal policies:** funding reductions, immigration policy changes, and tariff uncertainty
- **Industry specific challenges** like consolidation and AI transition

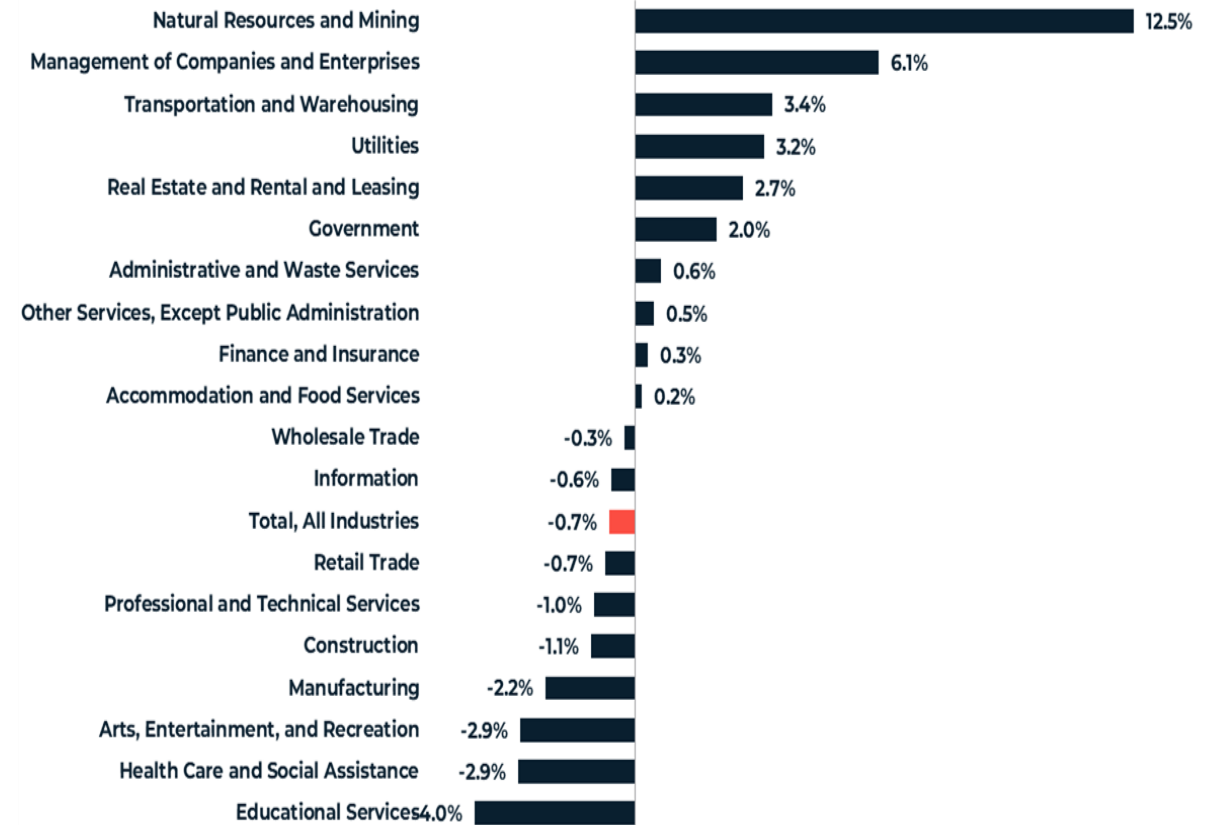
Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWD), City of Boston Planning Department Research Division Analysis.

# Between Jan–Dec 2024 and Jan–Dec 2025, Boston lost about **4,400 payroll jobs (0.7%)**

*Employment Lost By Industry, 2024-2025\**



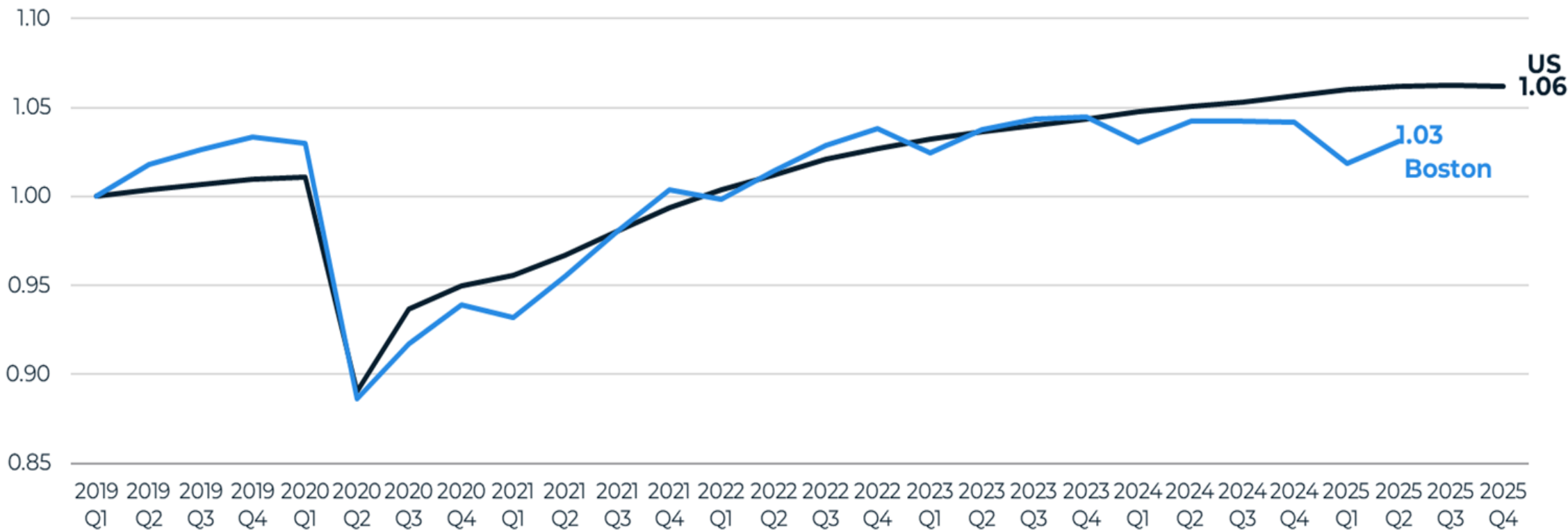
*Employment Lost by Industry (percent change), 2024-2025\**



Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWD), City of Boston Planning Department Research Division Analysis. \*Note: July–Dec 2025 payroll employment estimated by Boston Planning Dept. using CES metro data.

# While Boston employment has declined slightly, US job growth has slowed

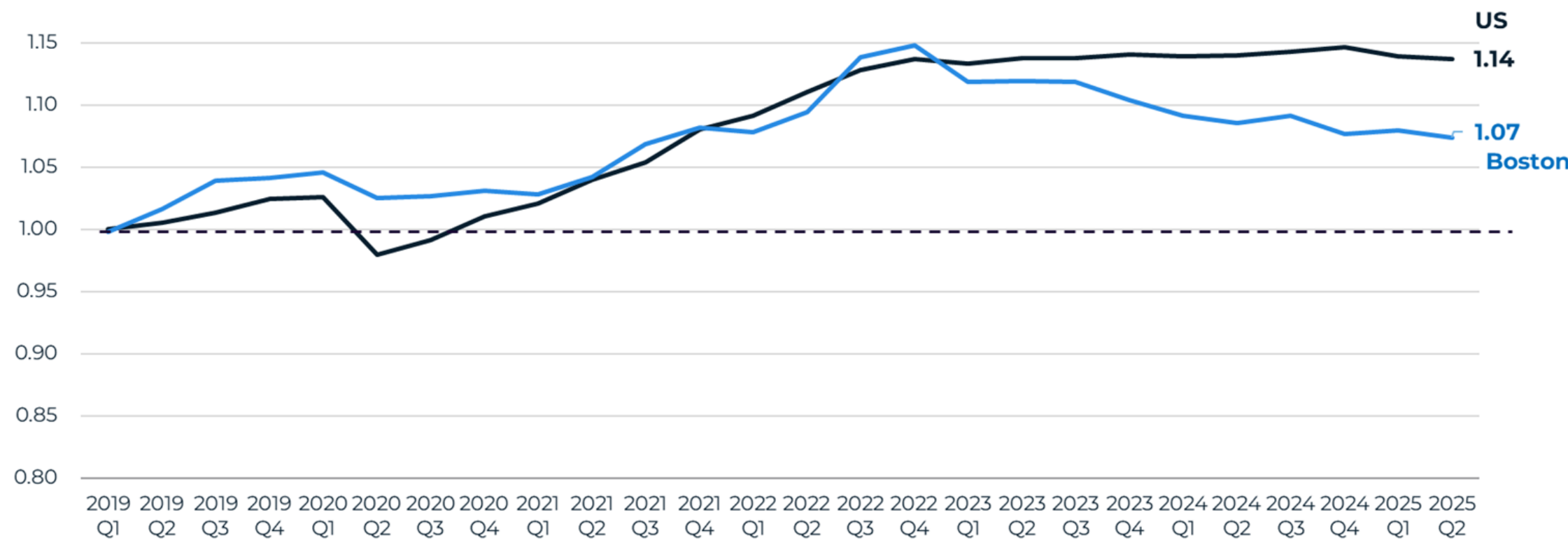
Average Payroll Employment in U.S and Boston, indexed to 2019 Q1



Source: U.S. Bureau of Labor Statistics (BLS), City of Boston Planning Department Research Division Analysis.

# Declining payroll employment in Boston’s Professional, Scientific, and Technical services sector after post-pandemic recovery

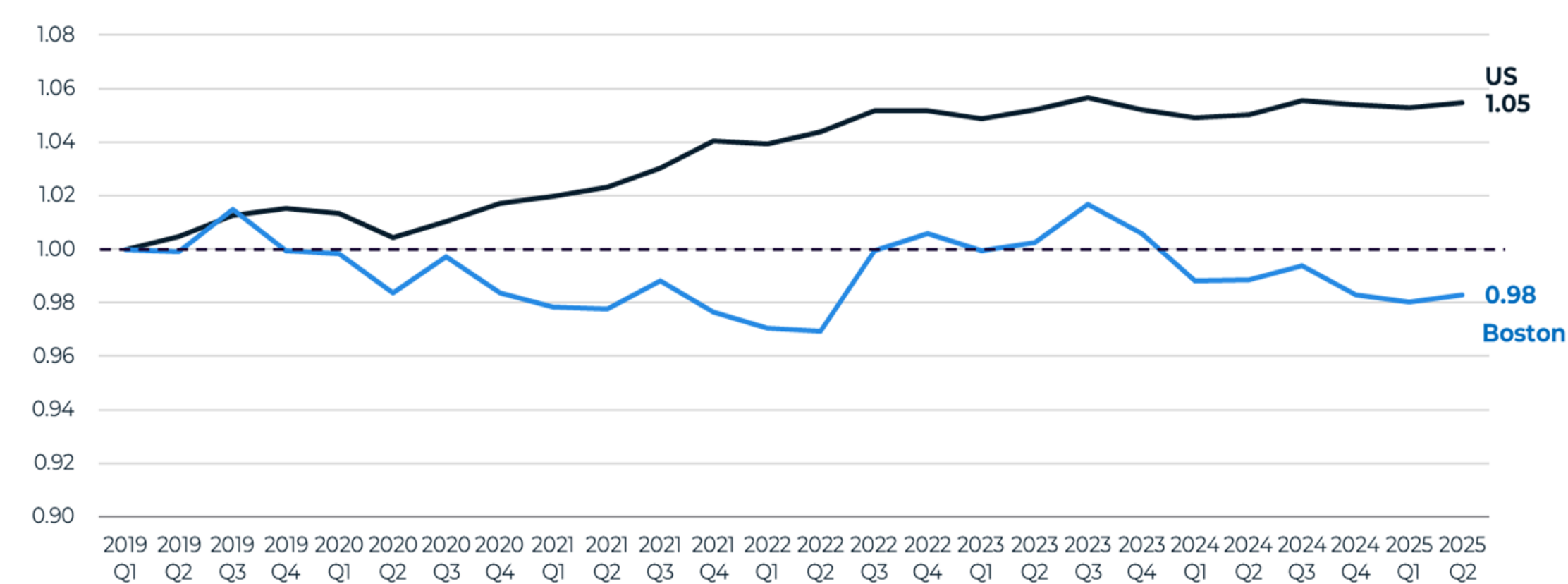
Average Payroll Employment (Professional, Scientific, and Technical Services), indexed to 2019 Q1



Source: U.S Bureau of Labor Statistics (BLS) City of Boston Planning Department Research Division Analysis. Note: 2025 employment numbers are preliminary.  
**RESEARCH DIVISION** All Employees in Private NAICS 54 Professional, scientific, and technical services for All establishment sizes in Boston and U.S. (Total)

# Finance and insurance employment in Boston has dipped below 2019 levels

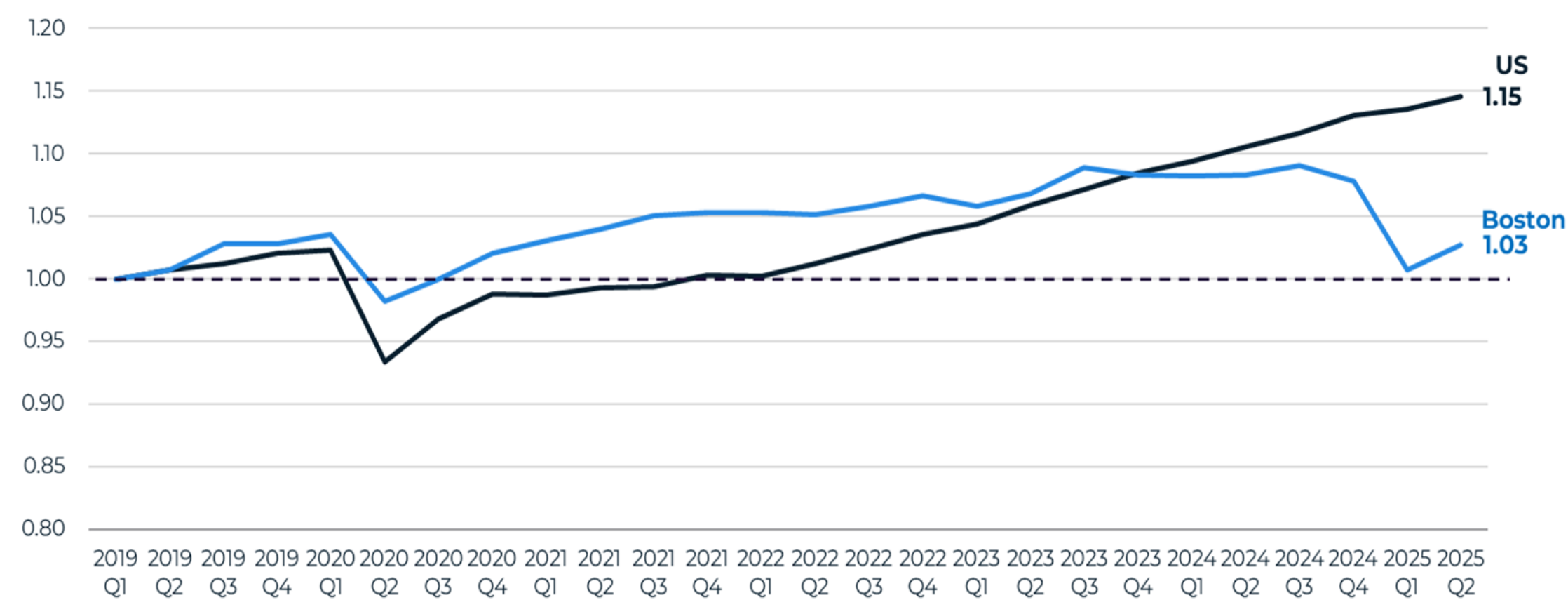
Average Payroll Employment (Finance and Insurance), indexed to 2019 Q1



Source: U.S Bureau of Labor Statistics (BLS) City of Boston Planning Department Research Division Analysis. Note: 2025 employment numbers are preliminary.  
**RESEARCH DIVISION** All Employees in Private NAICS 52 Finance and insurance for All establishment sizes in Boston and U.S. (Total)

# Signs of **softening** in Health Care and Social Assistance employment in Boston **after** a period of **robust growth**

Average Payroll Employment (Health Care and Social Assistance), indexed to 2019 Q1

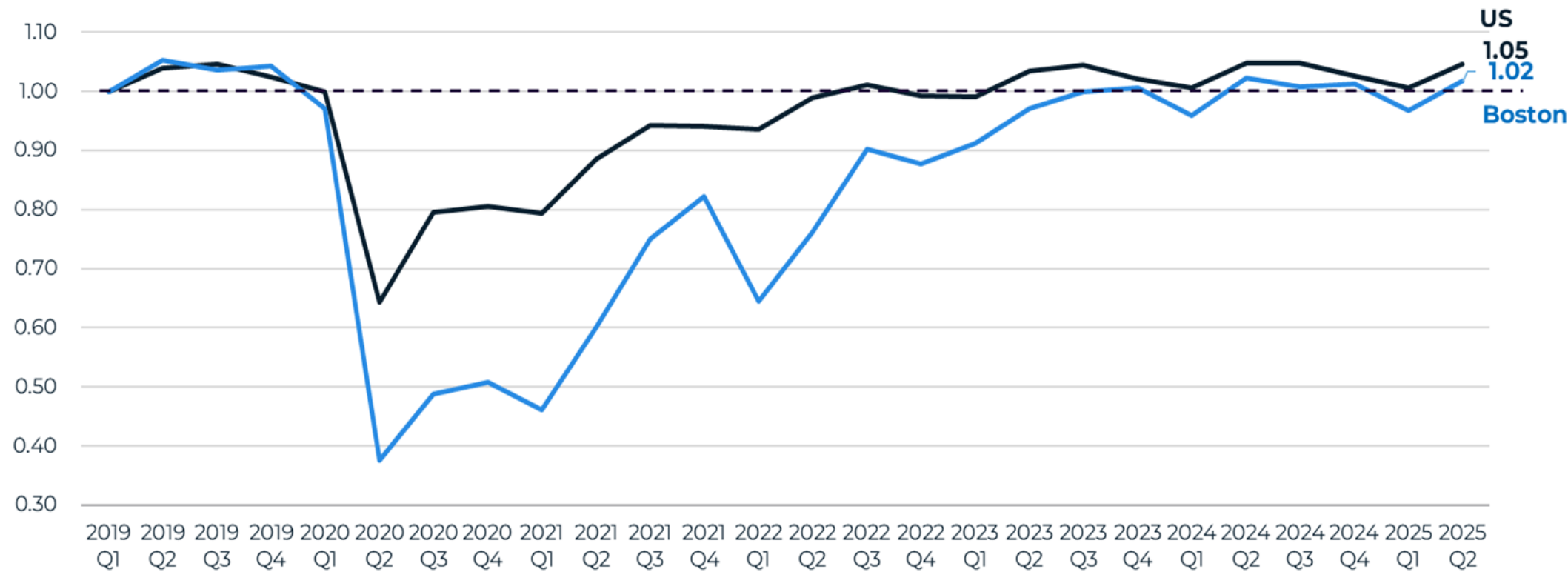


Source: U.S Bureau of Labor Statistics (BLS) City of Boston Planning Department Research Division Analysis. Note: 2025 employment numbers are preliminary.  
**RESEARCH DIVISION** All Employees in Private NAICS 62 Health care and social assistance for All establishment sizes in Boston and U.S. (Total)



# Accommodation and Food Services employment in Boston has returned to 2019 levels

Average Nonfarm Employment (Accommodation and Food Services), indexed to 2019 Q1



Source: U.S. Bureau of Labor Statistics (BLS) City of Boston Planning Department Research Division Analysis. Note: 2025 employment numbers are preliminary.  
**RESEARCH DIVISION** All Employees in Private NAICS 72 Accommodation and food services for All establishment sizes in Boston and U.S. (Total)

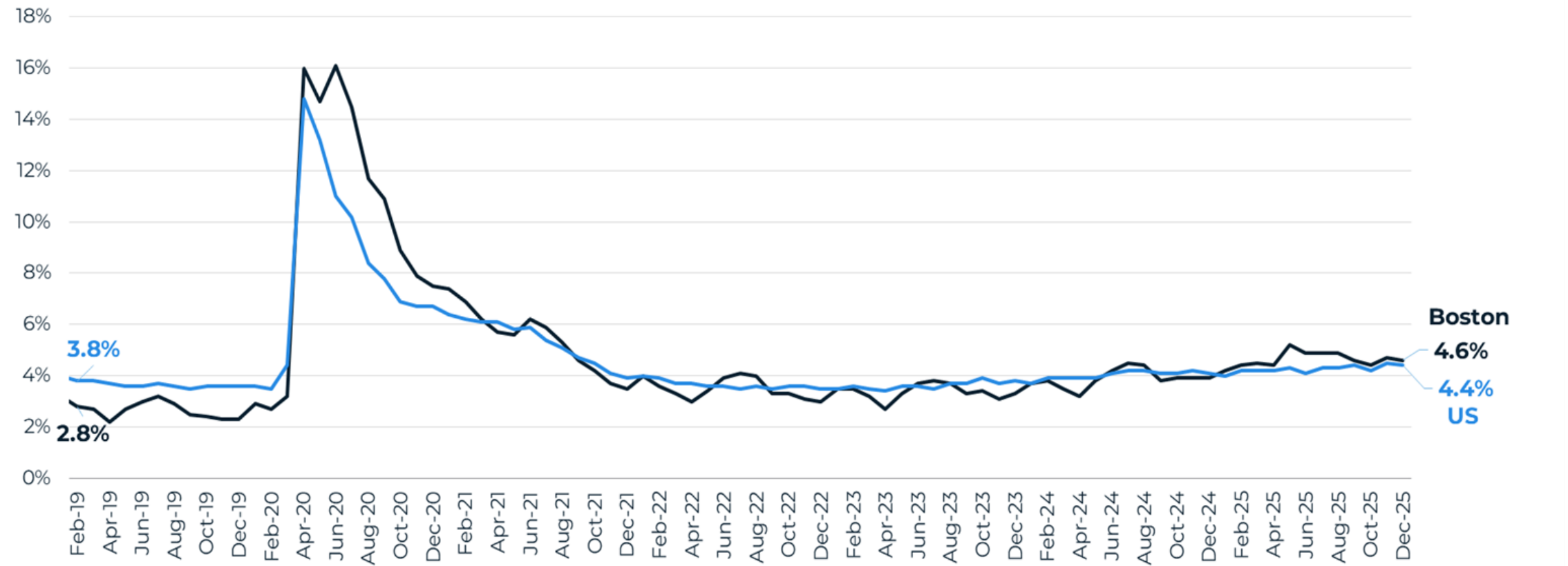
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# Boston's unemployment began creeping up in 2024 and remained above 4.4% through 2025

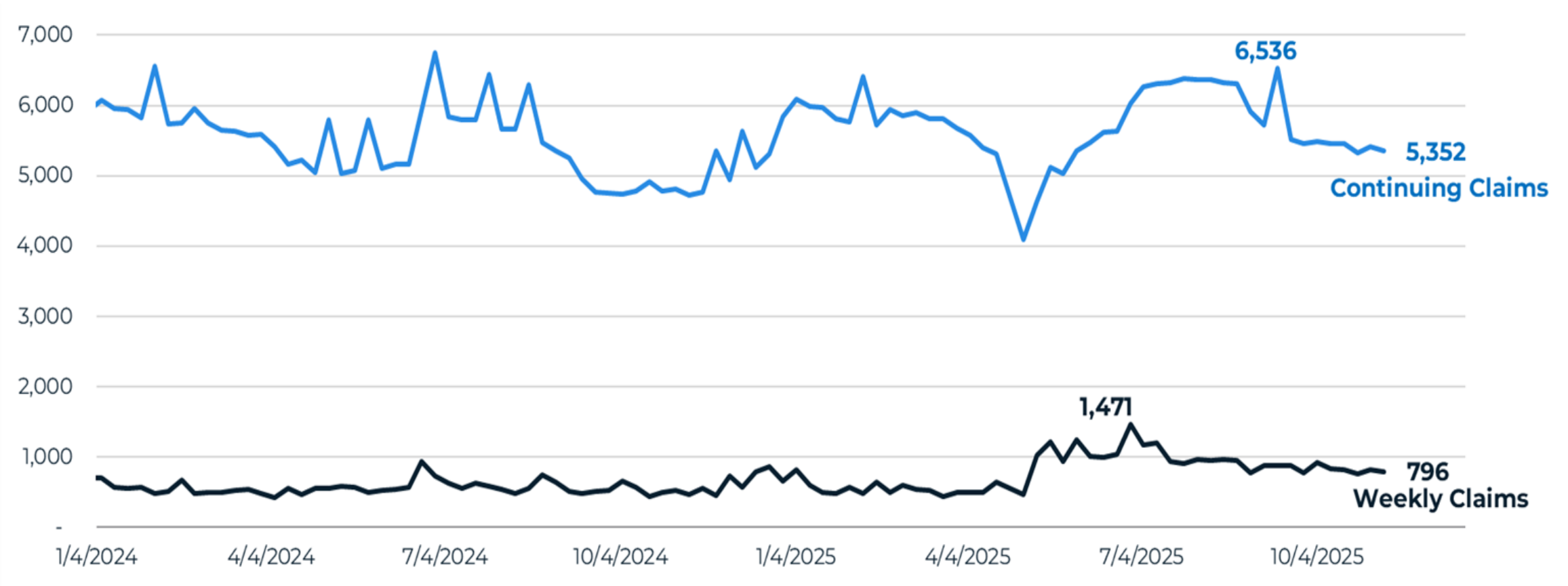
Unemployment Rate in U.S. and Boston\* (Monthly), 2019-2025



Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWD), City of Boston Planning Department Research Division Analysis. \*Not seasonally adjusted.  
**RESEARCH DIVISION** City of Boston

# Boston **jobless claims** rose modestly in mid-2025, peaking in Q3 before declining in Q4

## Weekly and Continuing Jobless Claims in Boston, 2024 - 2025

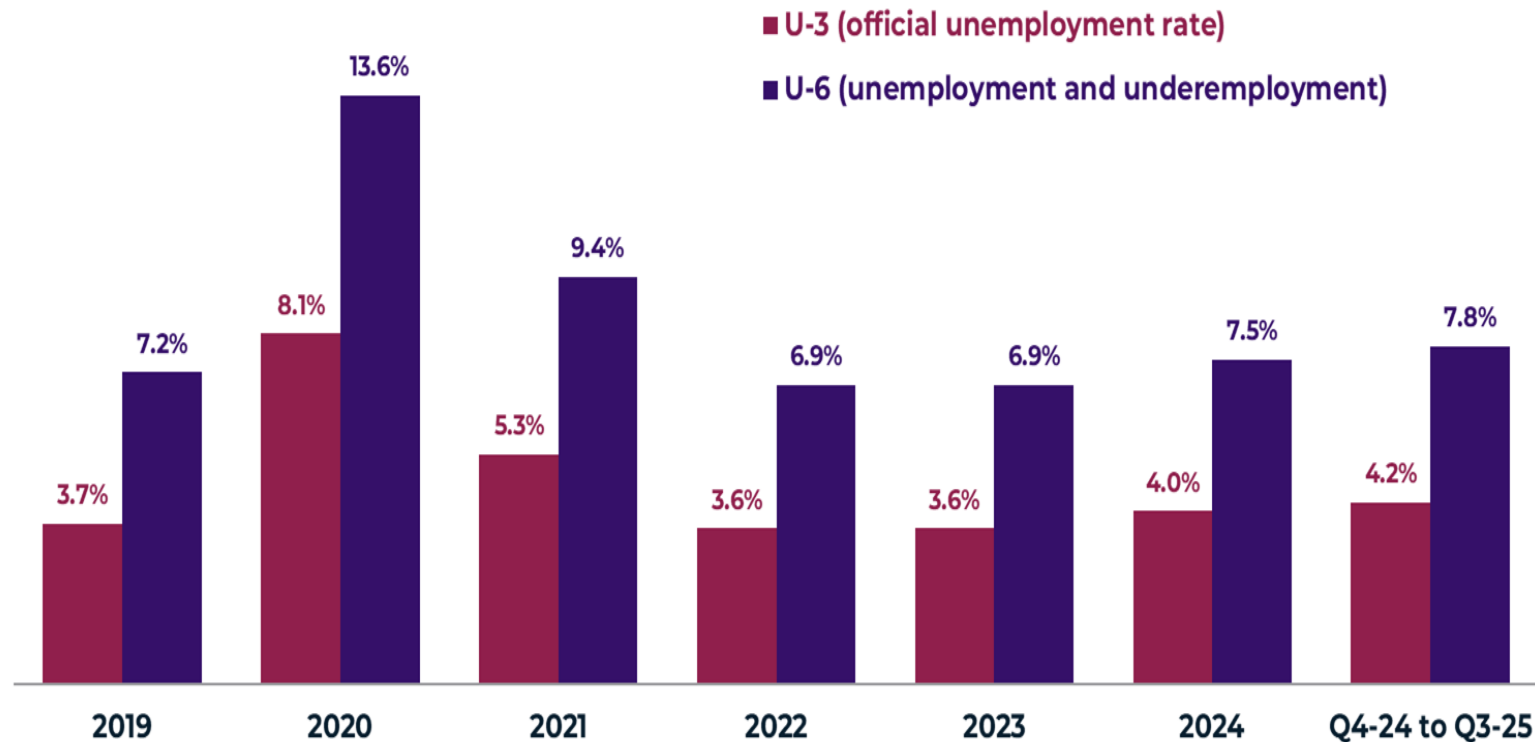


Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWD), City of Boston Planning Department Research Division Analysis.  
**RESEARCH DIVISION**

City of Boston

# Nationally, labor underutilization has risen to close to the historical\* average

Alternative Measures of Labor Underutilization in US, 2019 - Q3 2025



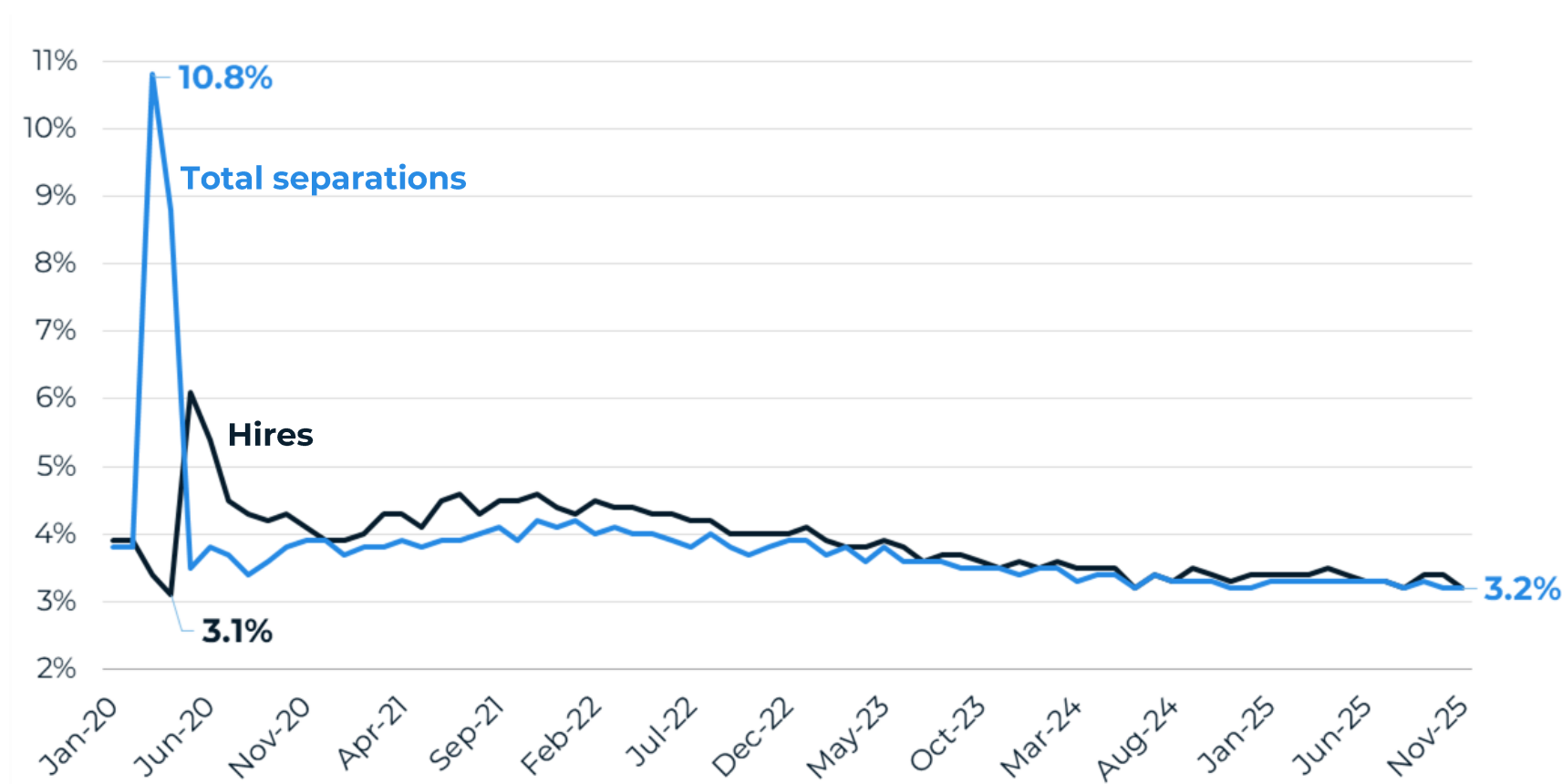
The more expansive definition of labor underutilization includes **unemployed workers, workers who are underemployed** (part time for economic reasons), and **discouraged and marginally attached workers** who want to work but are not currently looking for work.

Source: U.S. Bureau of Labor Statistics LAUS, City of Boston Planning Department Research Division Analysis.

\*Historical: (1995–present, excluding recessions)

# Nationally, the labor market is in “no-hire, no-fire” mode, with separations roughly matching hires

Total Nonfarm Hires and Separations Rates in U.S., Seasonally Adjusted 2020 - 2025



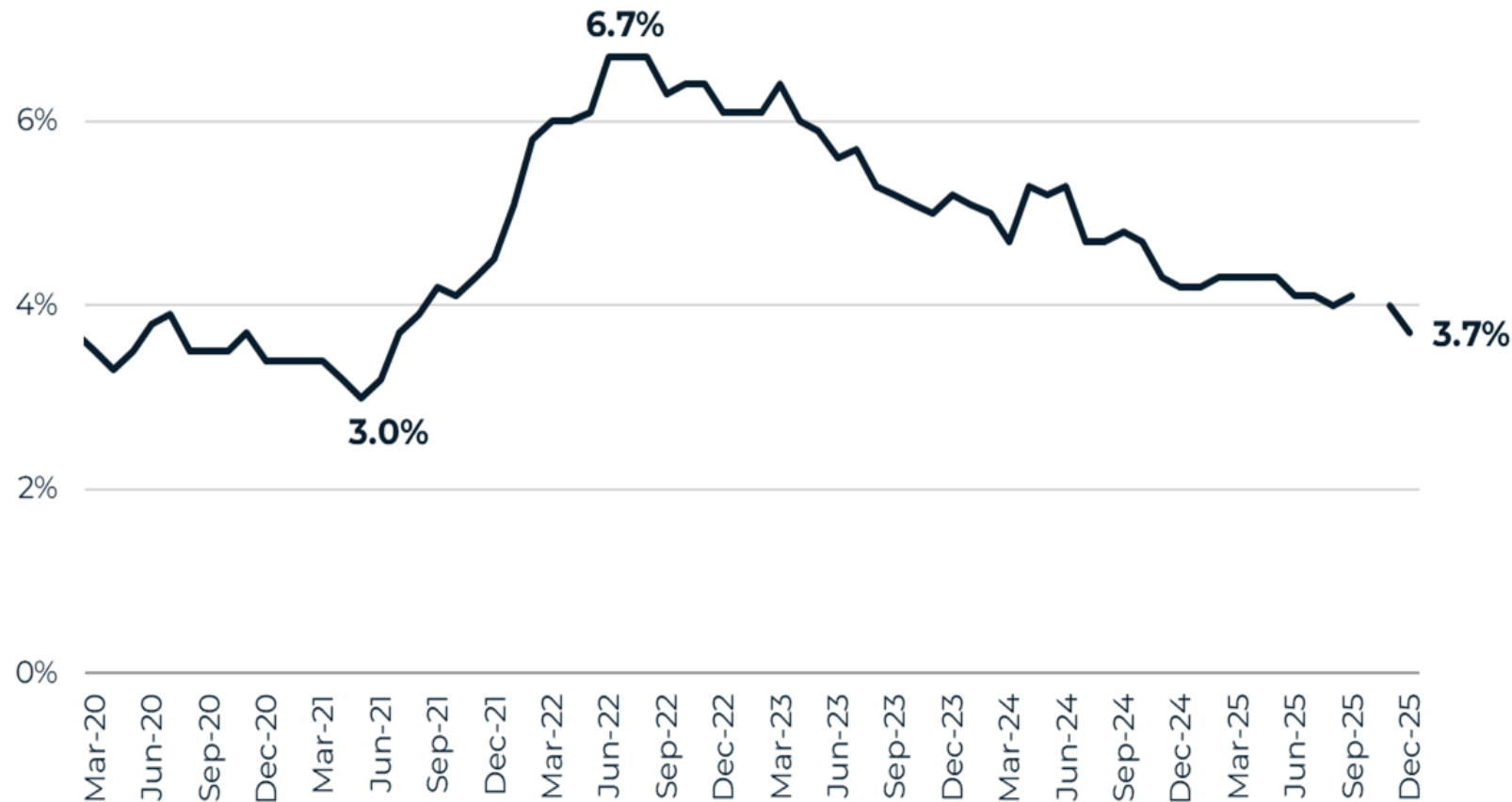
**Hiring** and **separations** have both **slowed**.

Firms are holding onto workers, but they are **hesitant to expand**.

Source: U.S. Bureau of Labor Statistics (BLS). City of Boston Planning Department Research Division Analysis.

# Nominal **wage growth** has **slowed** from its 2022 peak, indicating a cooling labor market

Wage Growth Tracker: Three-month Moving Average of Median growth (2020-2025), Hourly data



- Wage growth was 3.7% in December 2025
  - This means the typical worker earned 3.7% more per hour than they did one year earlier
- Moderating wage growth **reduces incentives** for workers **to change jobs**

Source: Federal Reserve Bank of Atlanta, City of Boston Planning Department Research Division Analysis.

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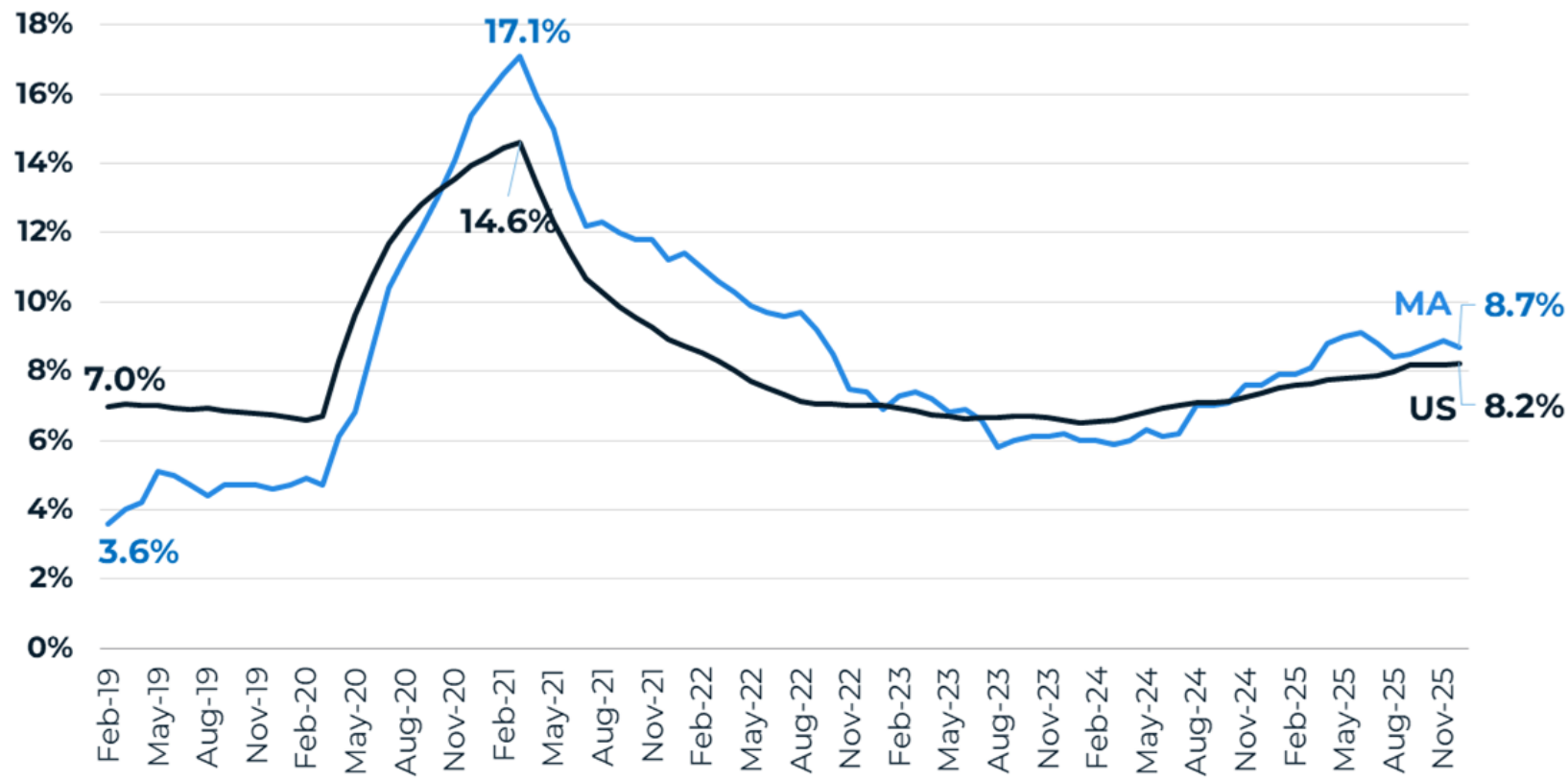
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# Rising youth unemployment indicates labor market cooling is hitting entry-level workers hardest

## 12-Month Average Unemployment Rate (Age 20-24) in Massachusetts, 2019-2025

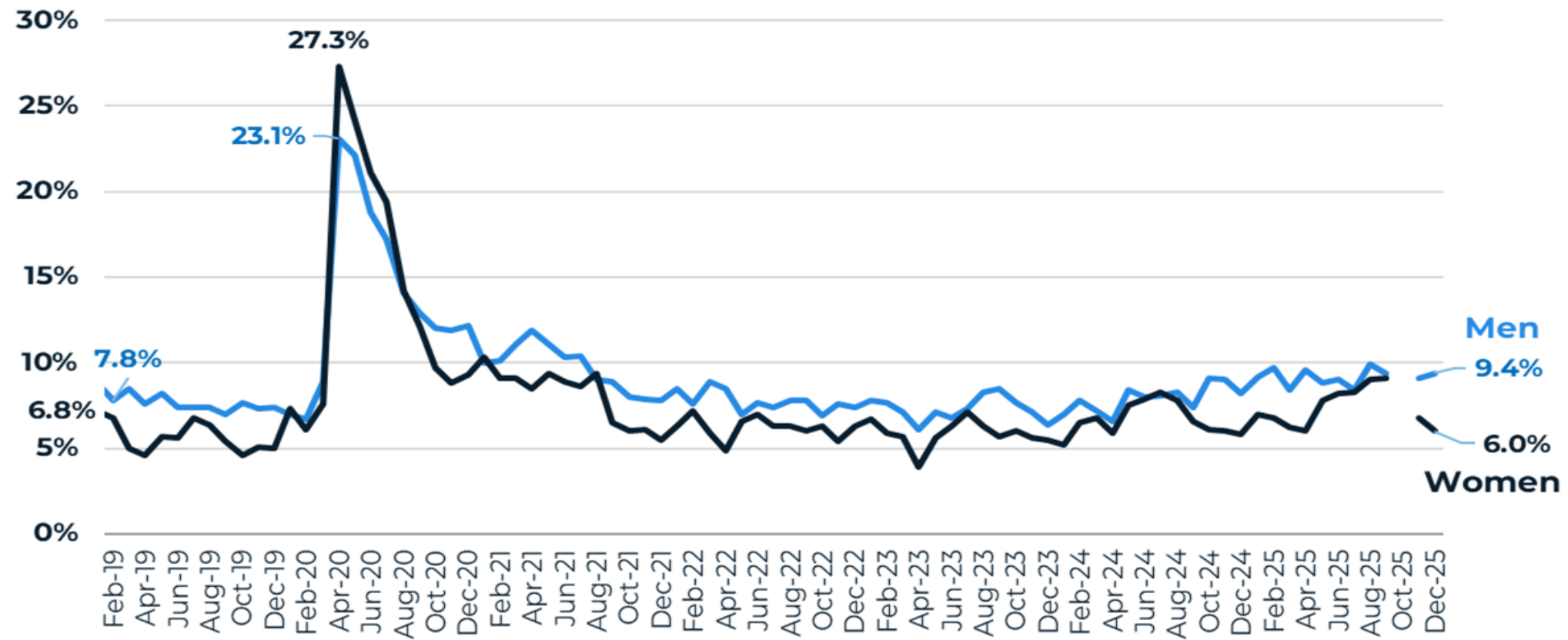


- Unemployment for young adults in Massachusetts has **risen** from 3.6% in 2019 to nearly 9% in 2025
- National rates **increased** from 7% to 8.2%

Source: Massachusetts Department of Economic Research Equity Dashboards (CPS data) & BLS, City of Boston Planning Department Research Division Analysis.

# Nationally, **young men** aged 20–24 face persistently **higher unemployment** than women

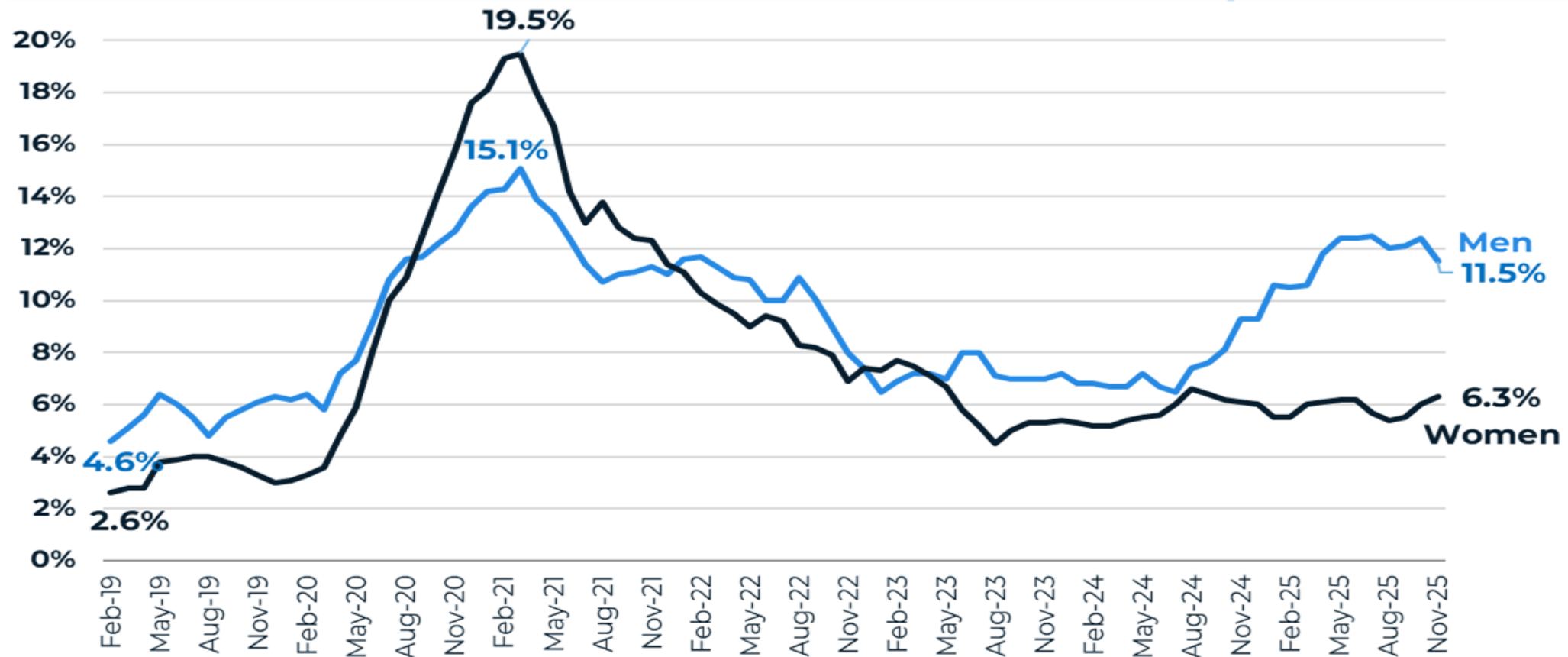
Monthly Unemployment Rate by Sex (Age 20–24) in U.S., 2019–2025



Source: BLS Labor Force Statistics (CPS data), City of Boston Planning Department Research Division Analysis.

# Massachusetts' young men's unemployment far outpaces women's, showing an **even sharper barrier** to entry-level jobs than the nation

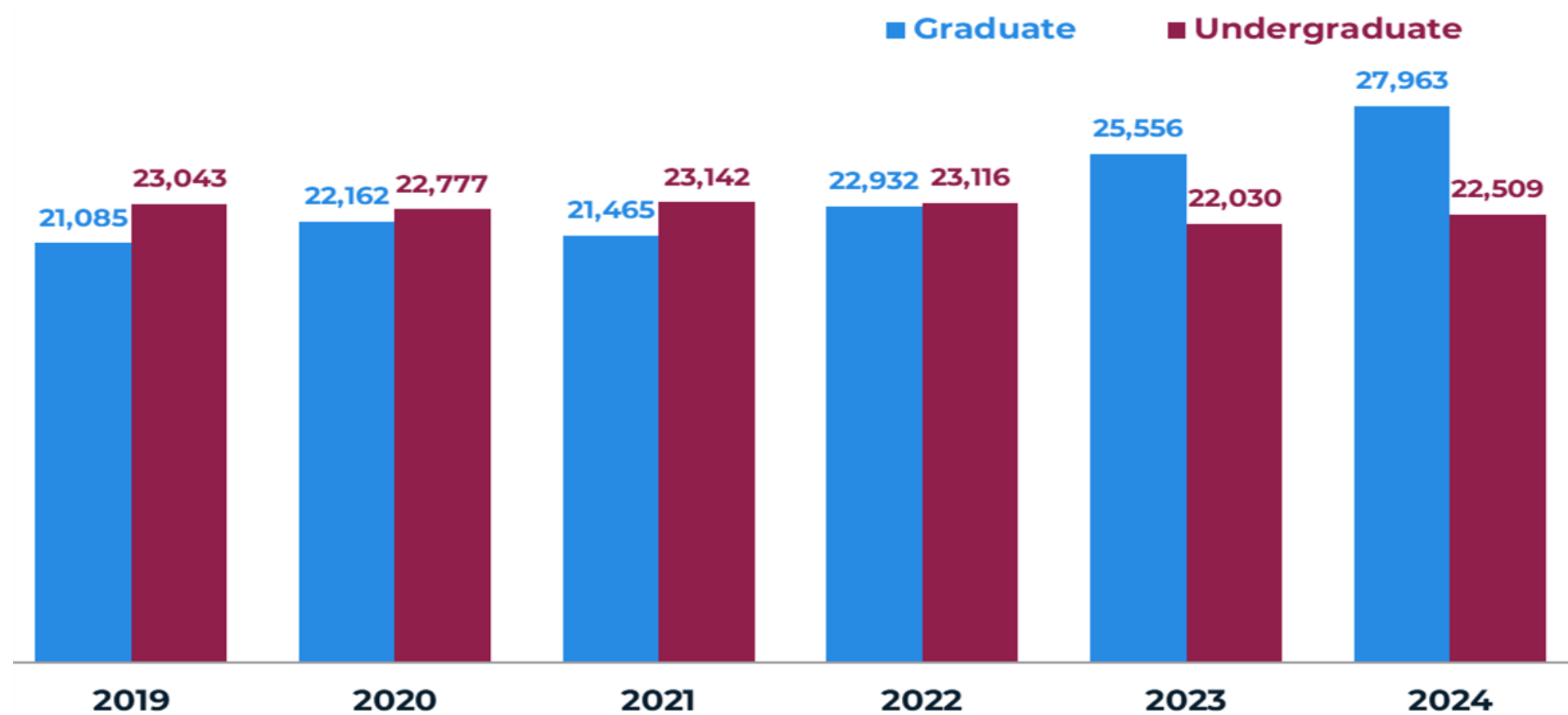
Monthly Unemployment Rate by Sex (Age 20-24) in U.S., 2019-2025



Source: BLS Labor Force Statistics (CPS data), City of Boston Planning Department Research Division Analysis.

# Boston colleges and universities are producing a growing number of new graduates each year

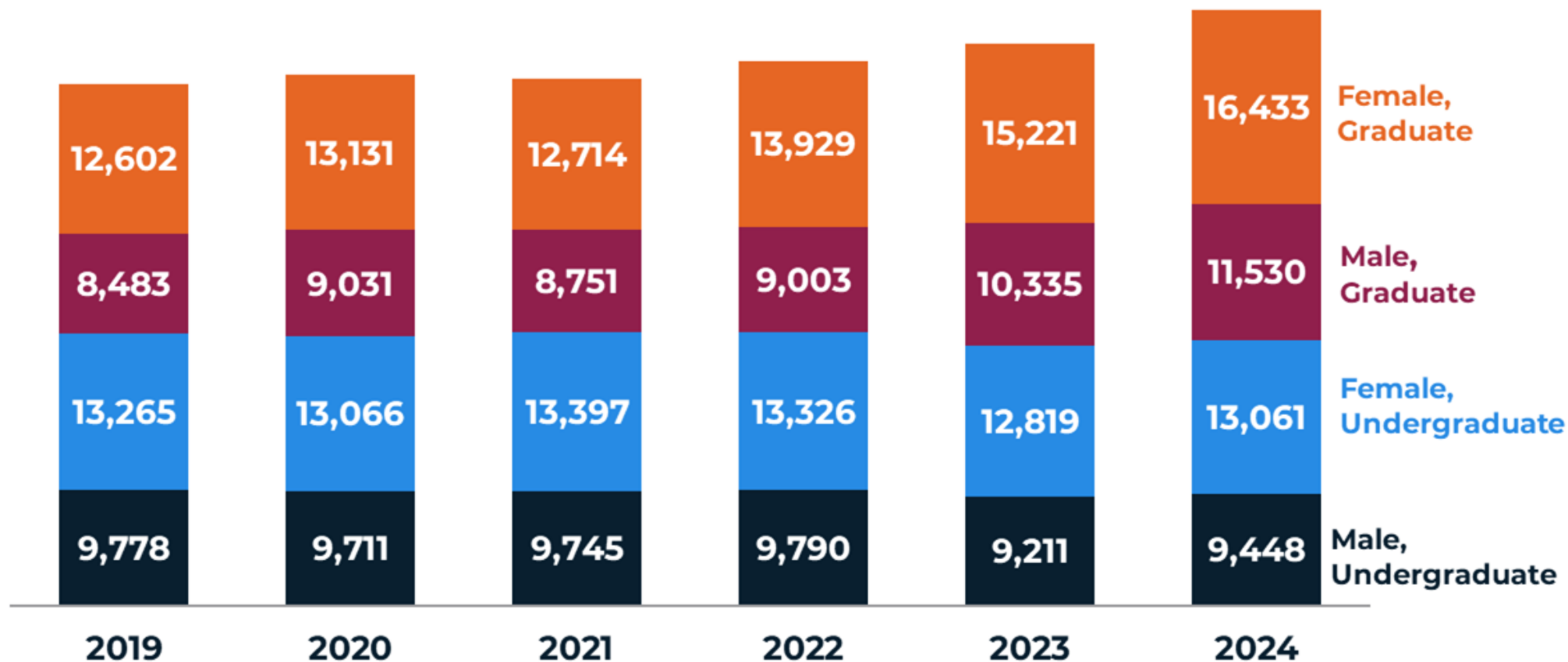
Boston College and University Completion, Undergraduate & Graduate (Total), 2019–2024



Source: Integrated Postsecondary Education Data System (IPEDS), City of Boston Planning Department Research Division Analysis.

# In Boston, female graduates outnumber male graduates across degree levels

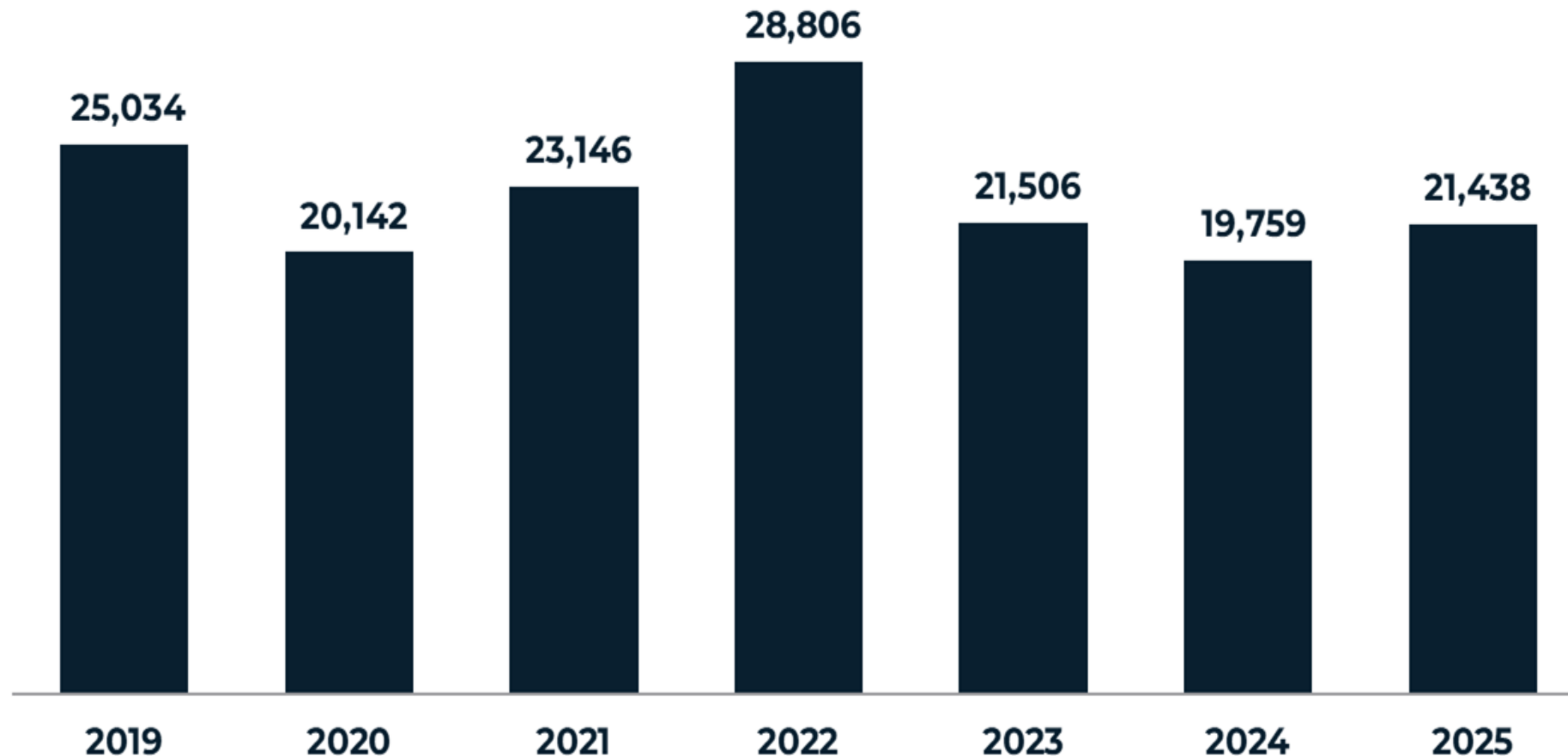
Boston College and University Completion, Undergraduate & Graduate by Sex, 2019–2024



Source: Integrated Postsecondary Education Data System (IPEDS), City of Boston Planning Department Research Division Analysis.

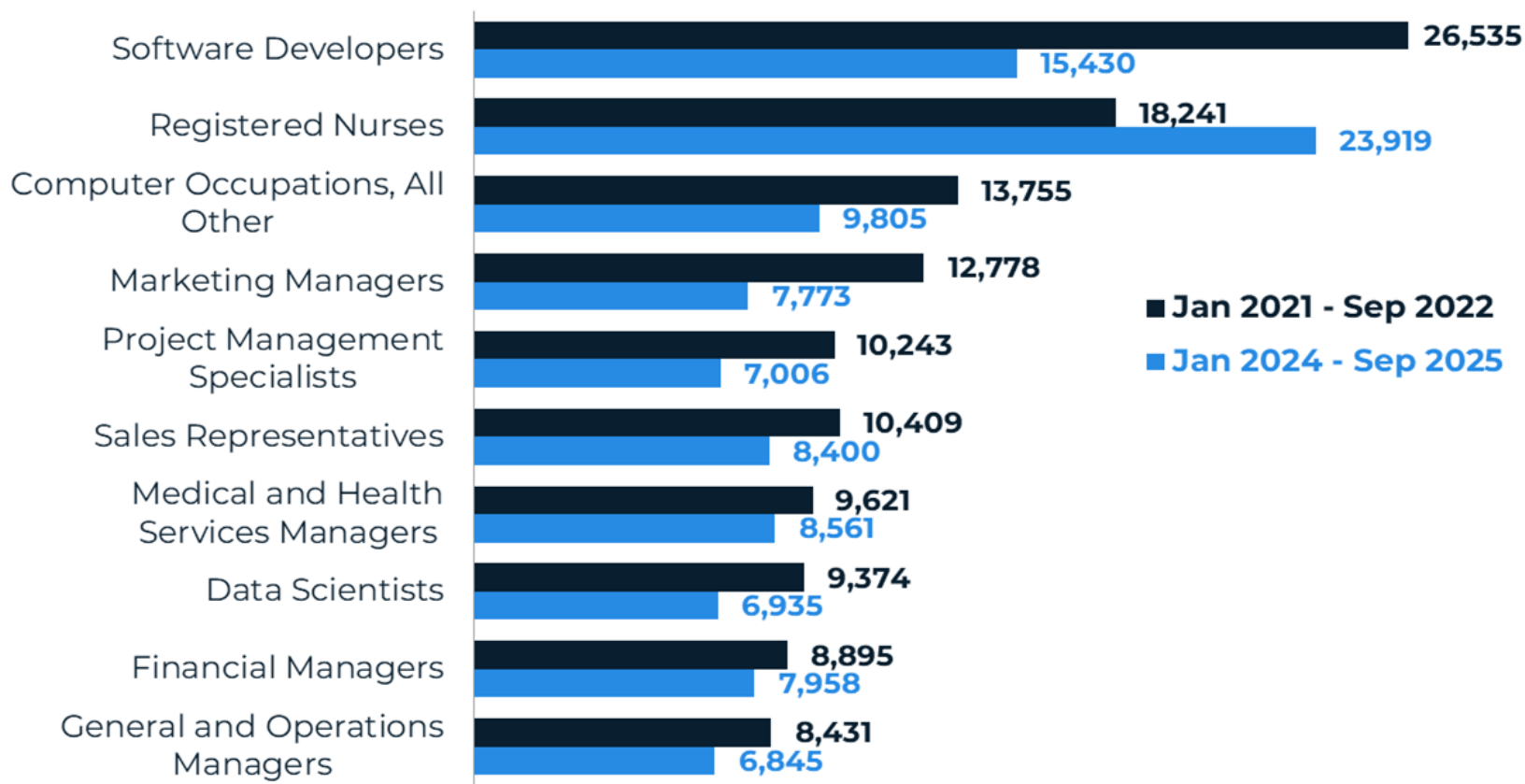
# Job postings in Boston have declined from their 2022 peak. Fewer openings means fewer options.

Job Postings in Boston, Average Annual Unique Postings 2010 - 2025



# Hiring needs are shifting from tech and business services toward healthcare

Top Posted Occupations in Boston, Comparing 2021/2022 to 2024/2025



Firms are **reducing new hires** in Professional Services, including Technical services, Marketing, and Management, as some of these functions are being **automated** or **replaced**.

Source: LightCast.io, City of Boston Planning Department Research Division Analysis.

# CONCLUSION

## Boston Labor Market Update 2026



### FROZEN MARKET

- The labor market is currently in a period of low growth with both hirings and layoffs at historically low levels.



### CAUSES

- Reasons for slow growth in the labor market include federal policy uncertainty and the AI transition.



### YOUNG ADULTS

- Boston's young adults and new graduates are impacted by the lack of opportunity in the labor market.



### FUTURE CHALLENGES

- Rising youth unemployment presents a headwind for students and universities, signaling potential challenges for career outcomes and the broader higher education sector