

# 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

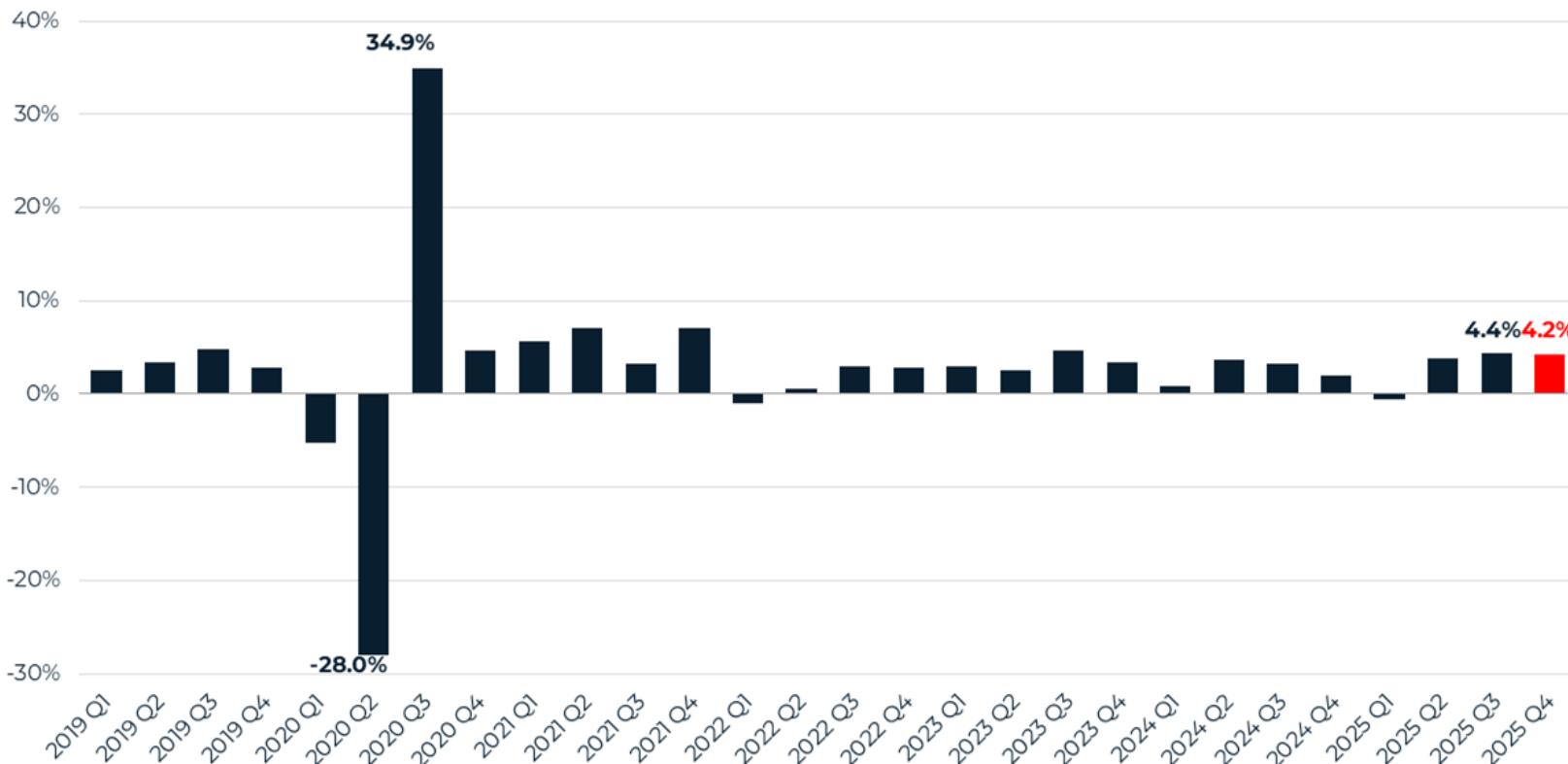
# STATUS OF LABOR MARKET

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- 1 MACRO & NATIONAL CONTEXT
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# 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

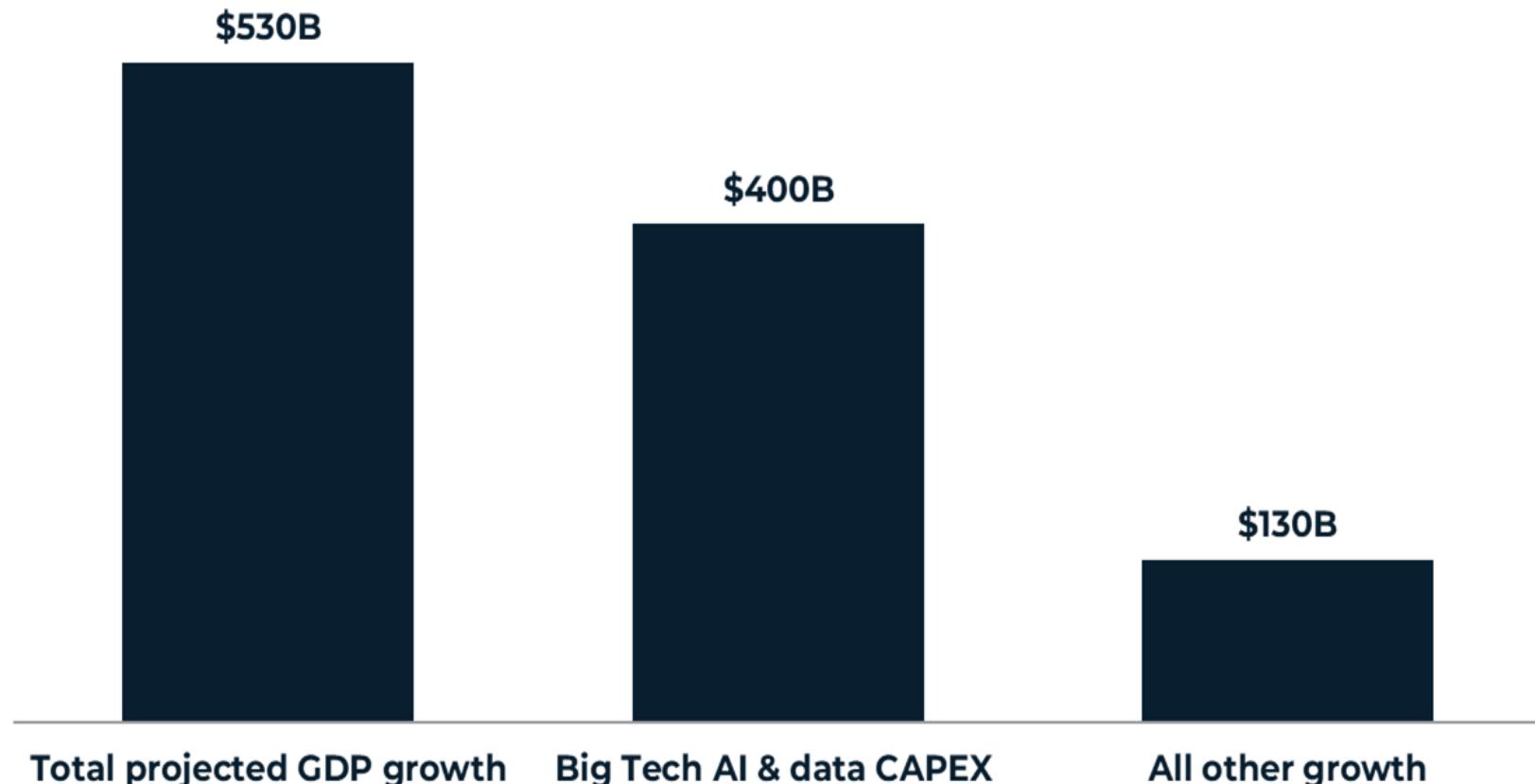


Source: U.S. Bureau of Economic Analysis (BEA), City of Boston Planning Department Research Division Analysis. Seasonally adjusted at annual rates. Note: \*Federal Reserve Bank of Atlanta GDPNow estimate as of January 30, 2026.

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

# 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



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.

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

# 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

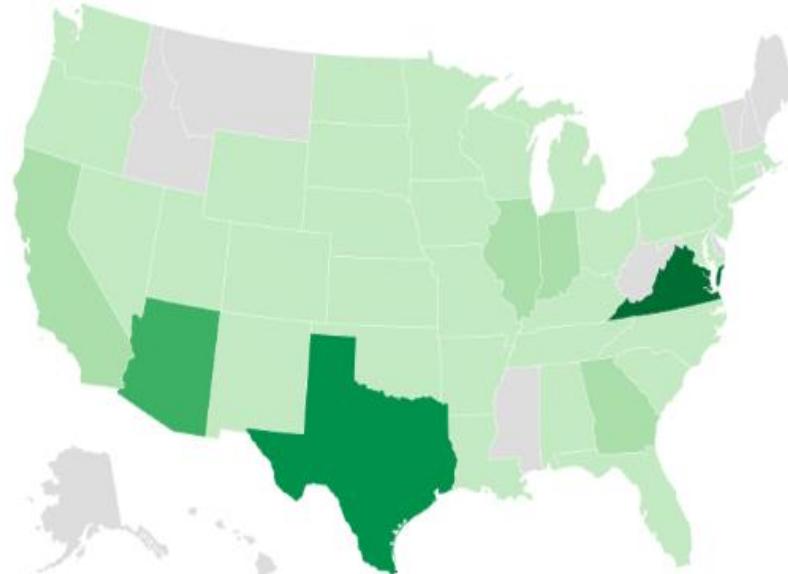
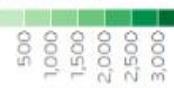
Source: Summary of earnings reports and press releases, City of Boston Planning Department Research Division Analysis.

# Massachusetts may capture less direct AI related capital expenditure impact

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

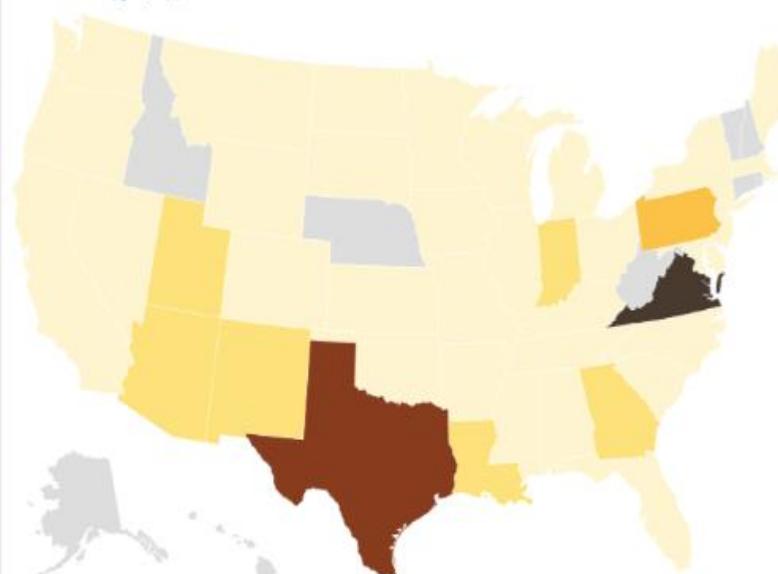
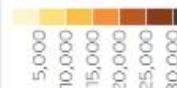
Current US data center capacity by state

In Megawatts



Planned US data center capacity by state

In Megawatts



ROI  
REUTERS OPEN  
INTEREST

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

RESEARCH DIVISION

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

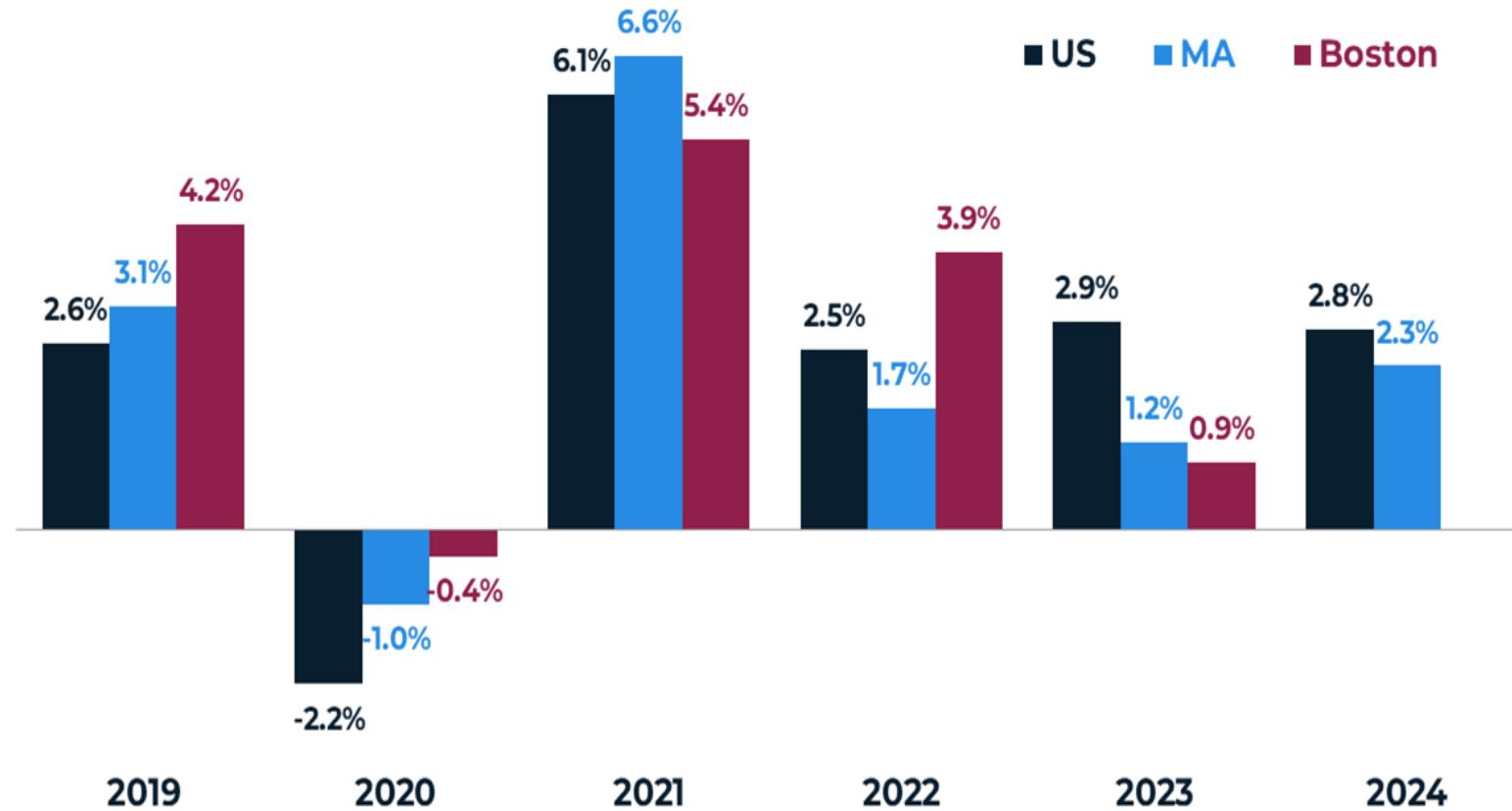
**Large data center construction is concentrated in other regions.**

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

City of Boston

# 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

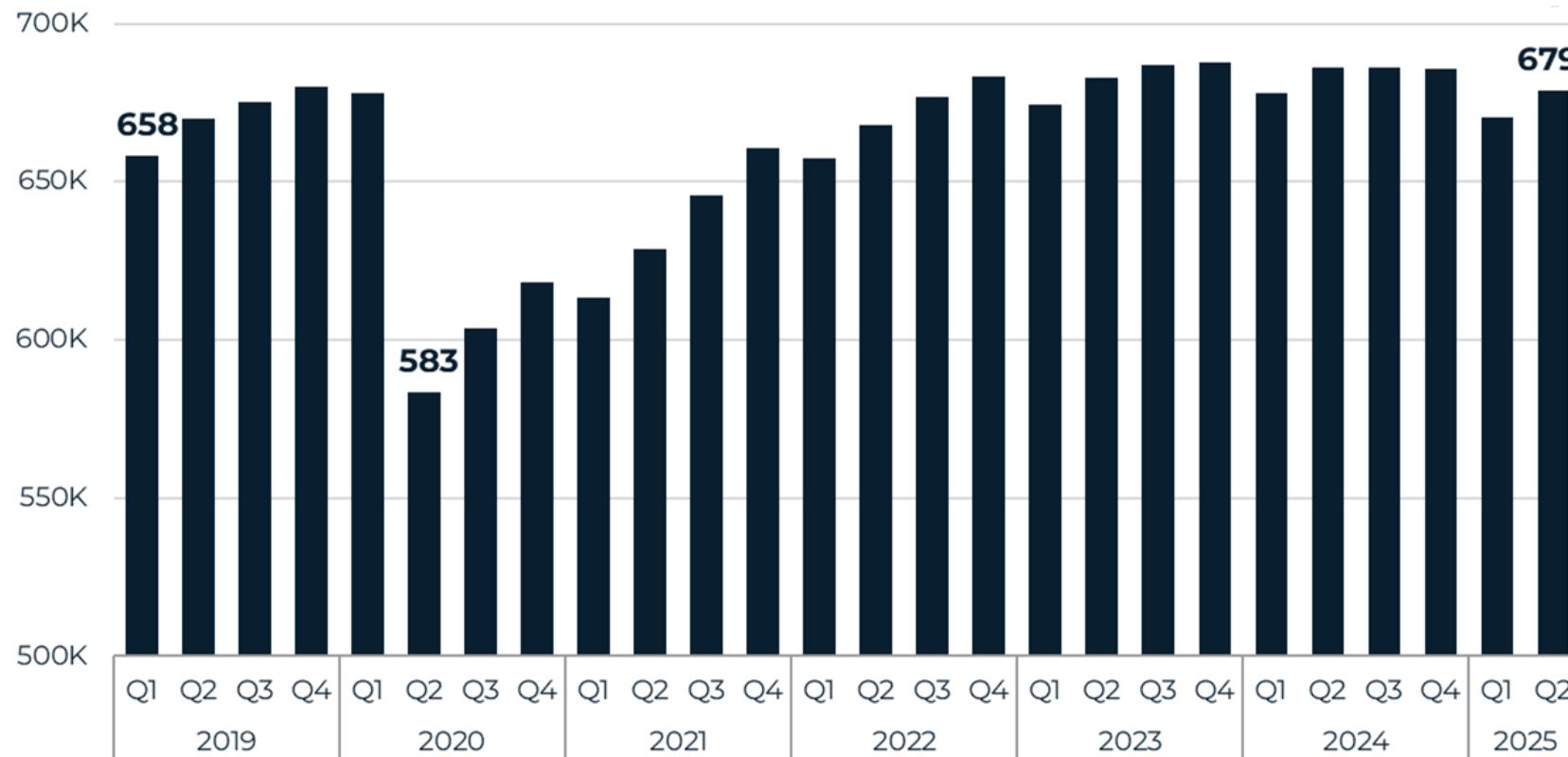
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# Over the past three years, payroll employment in Boston has largely plateaued

## Boston Total Nonfarm Employment, Q1 2019 - Q2 2025



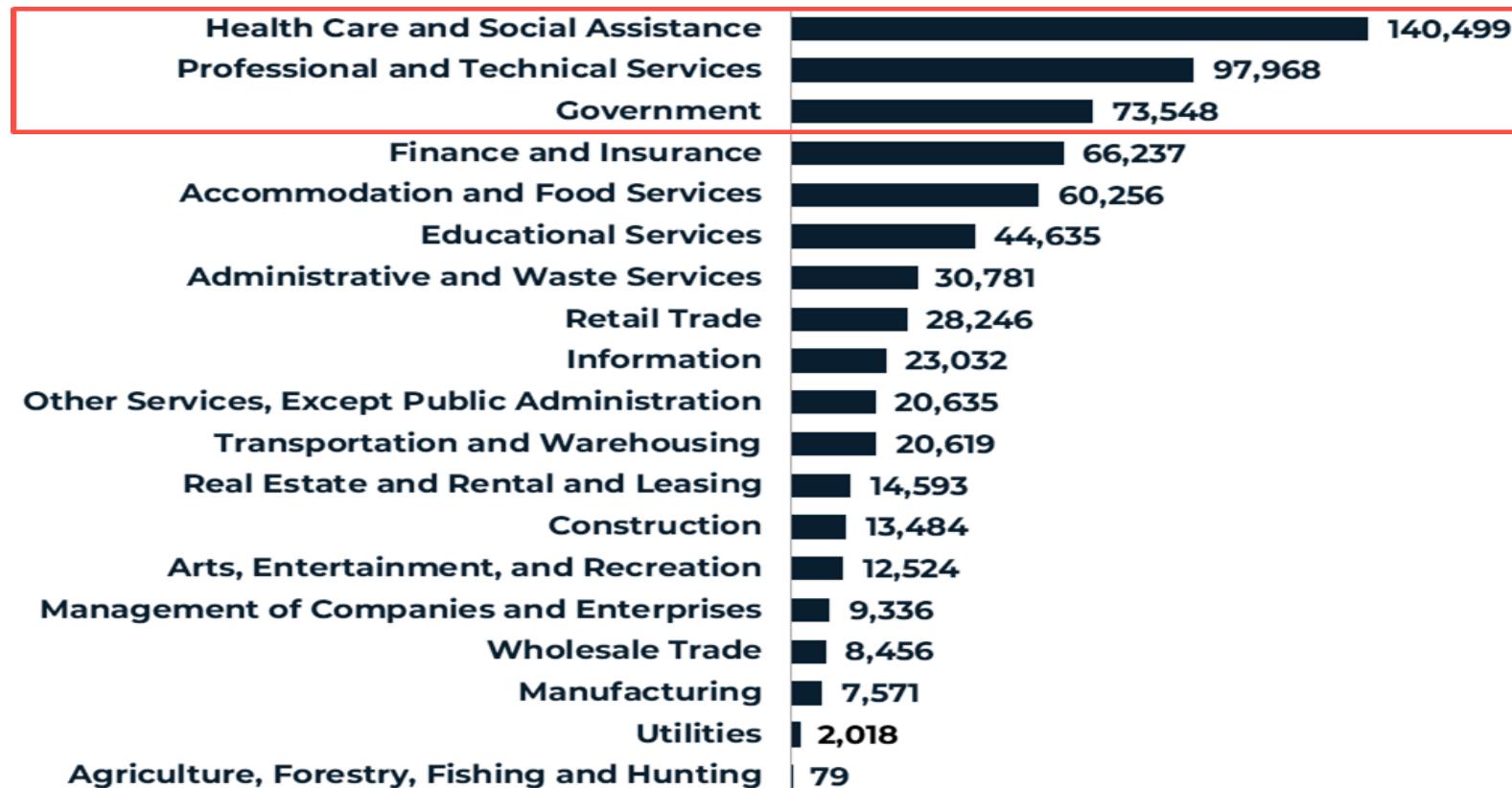
This leveling off marks a **shift from recovery to stabilization**.

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



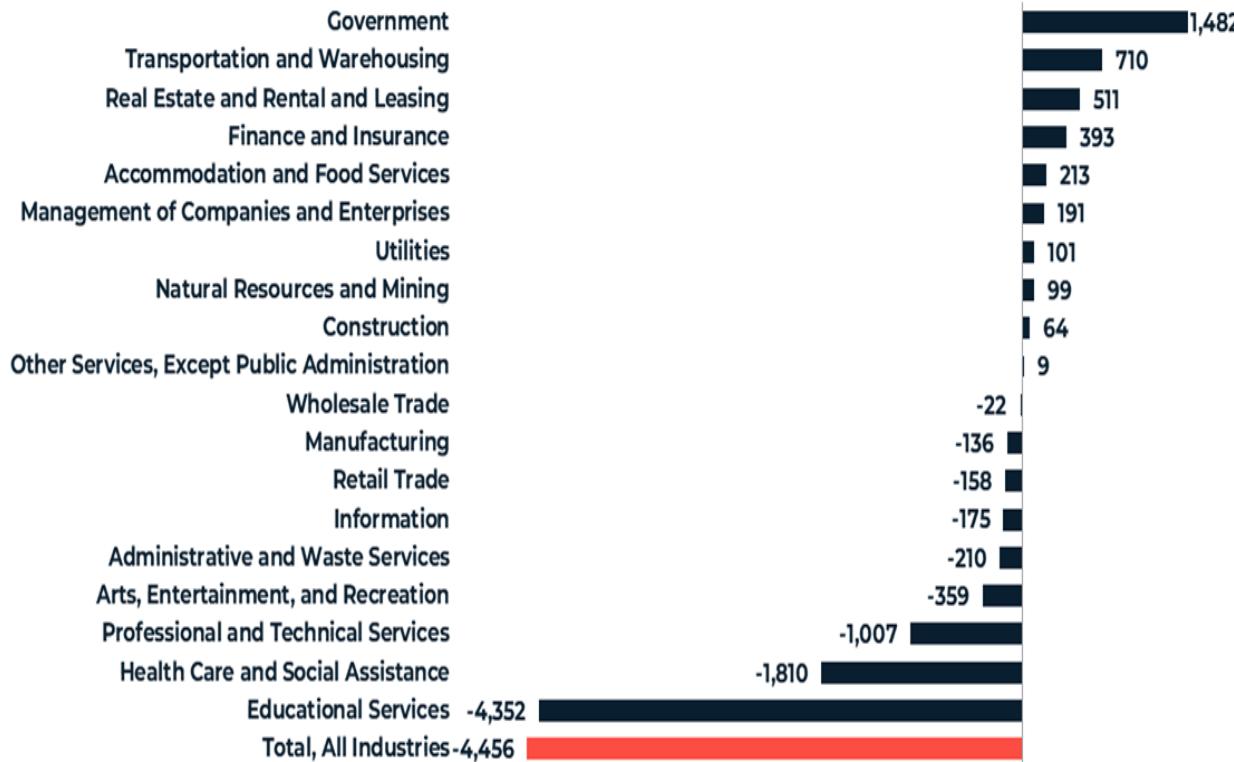
Healthcare, Professional Services, and Education anchor Boston's economy, yet each faces **distinct pressures**:

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

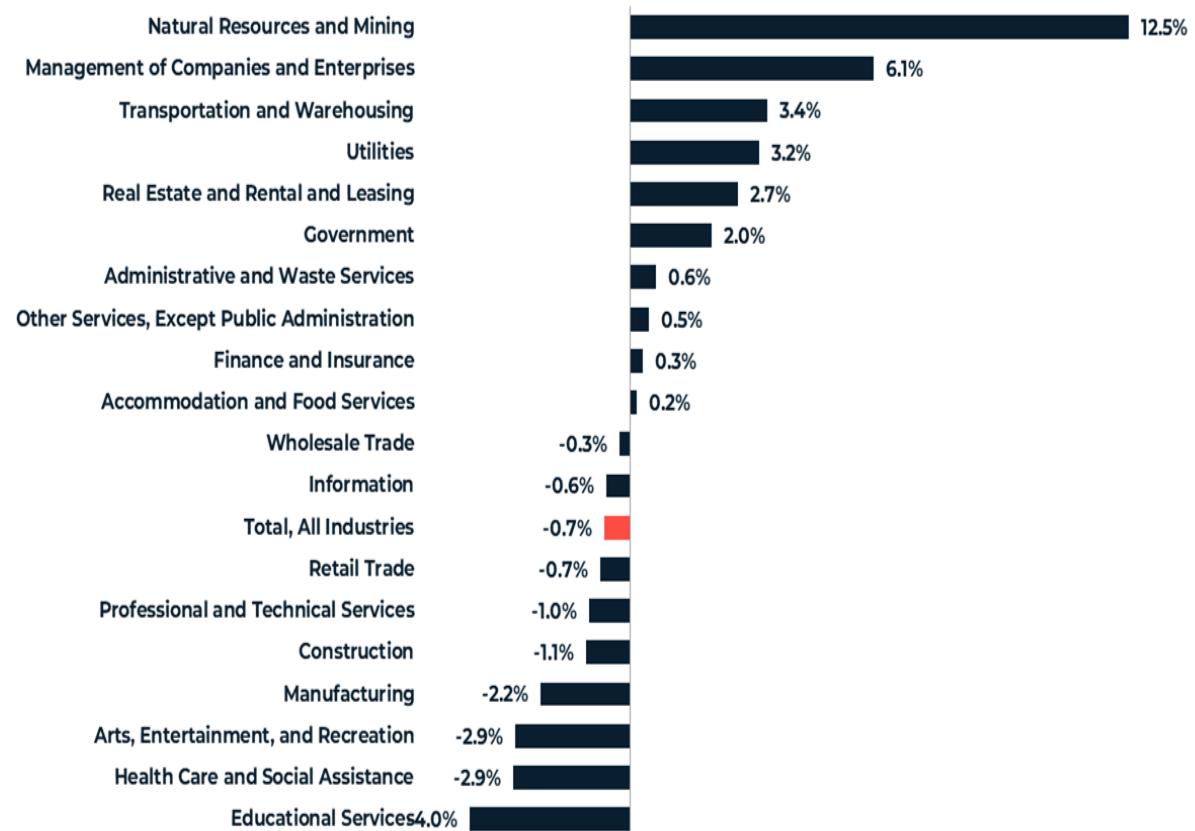
Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWD), City of Boston Planning Department Research Division Analysis.

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

Employment Lost By Industry, 2024-2025\*



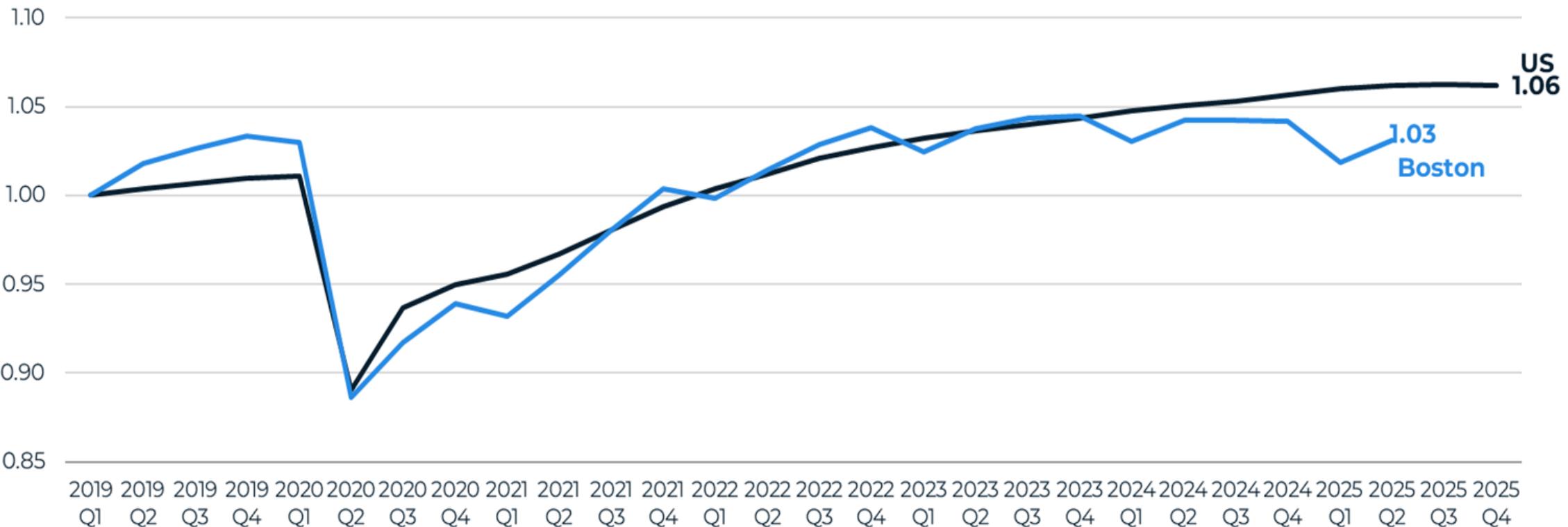
Employment Lost by Industry (percent change), 2024-2025\*



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



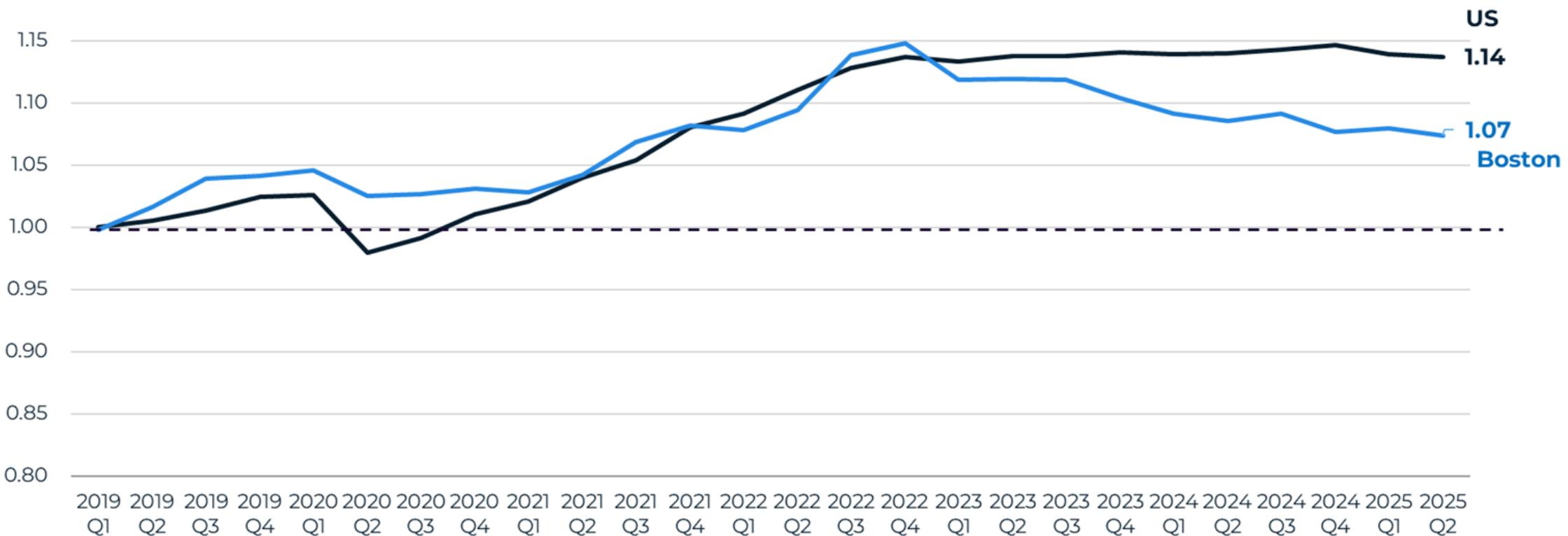
Source: U.S. Bureau of Labor Statistics (BLS), City of Boston Planning Department Research Division Analysis.

RESEARCH DIVISION

City of Boston

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

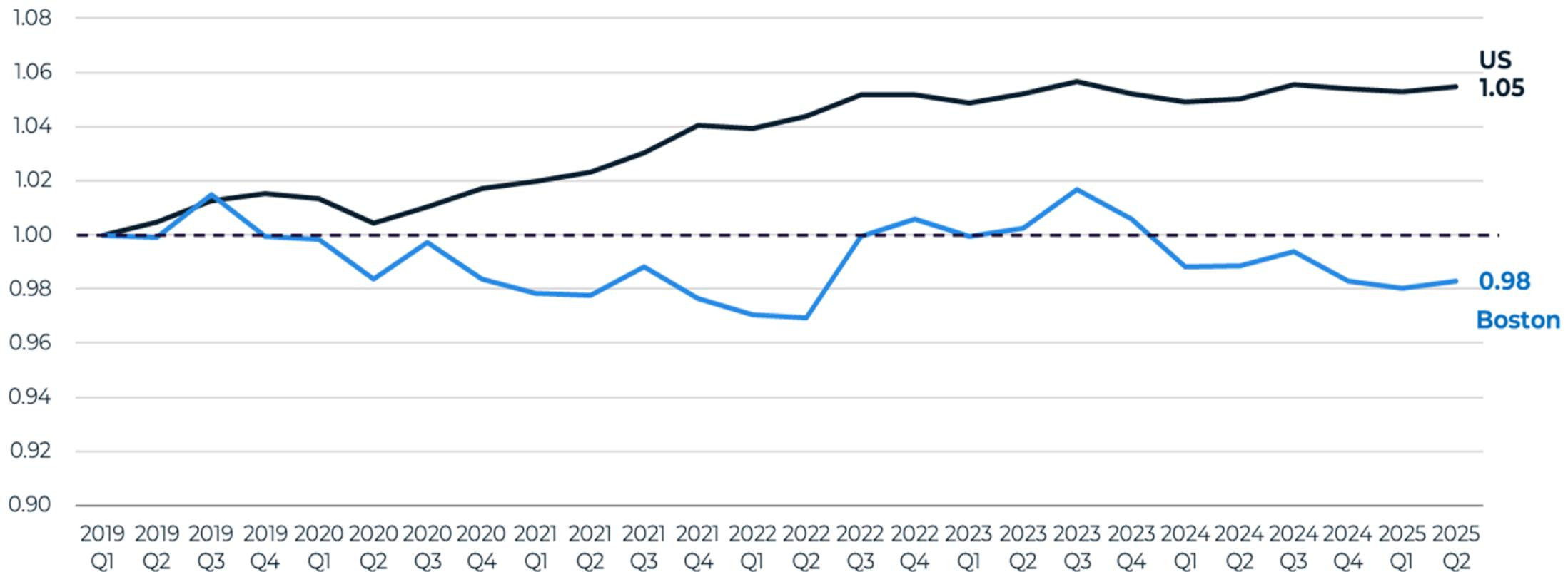
Average Payroll Employment (Professional, Scientific, and Technical Services), indexed to 2019 Q1



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

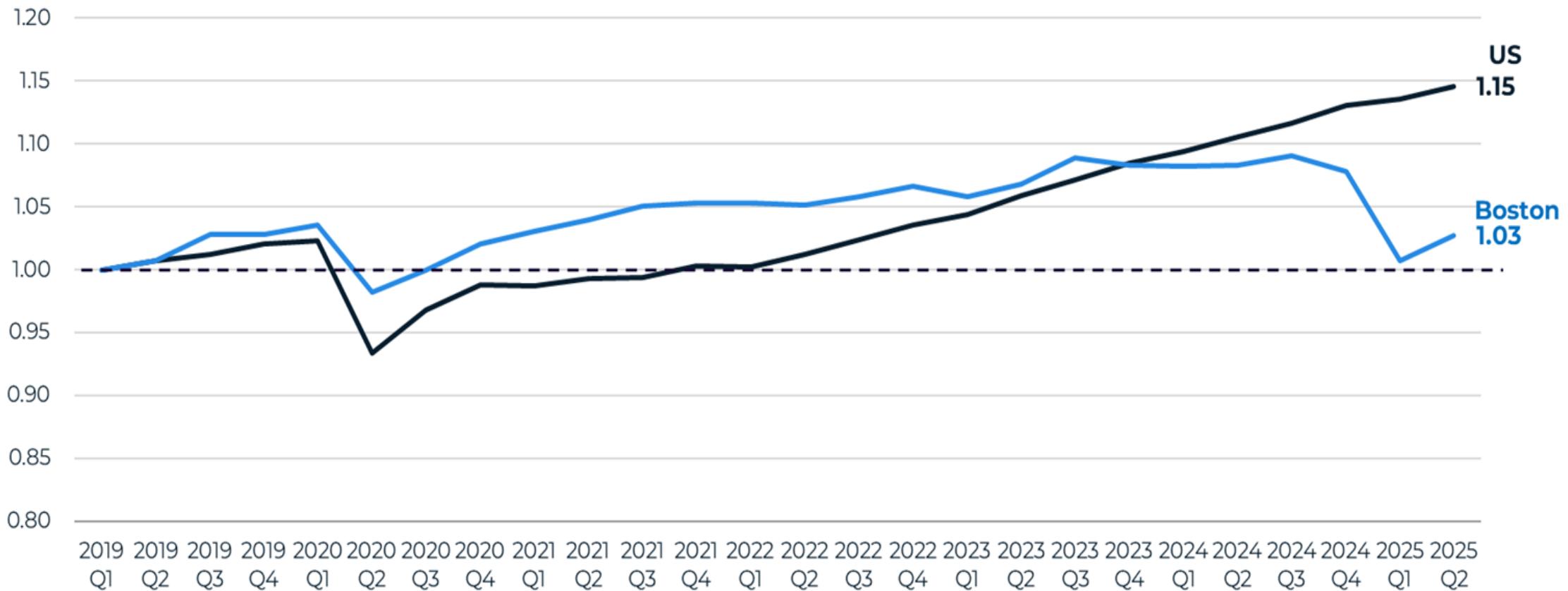
Average Payroll Employment (Finance and Insurance), indexed to 2019 Q1



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

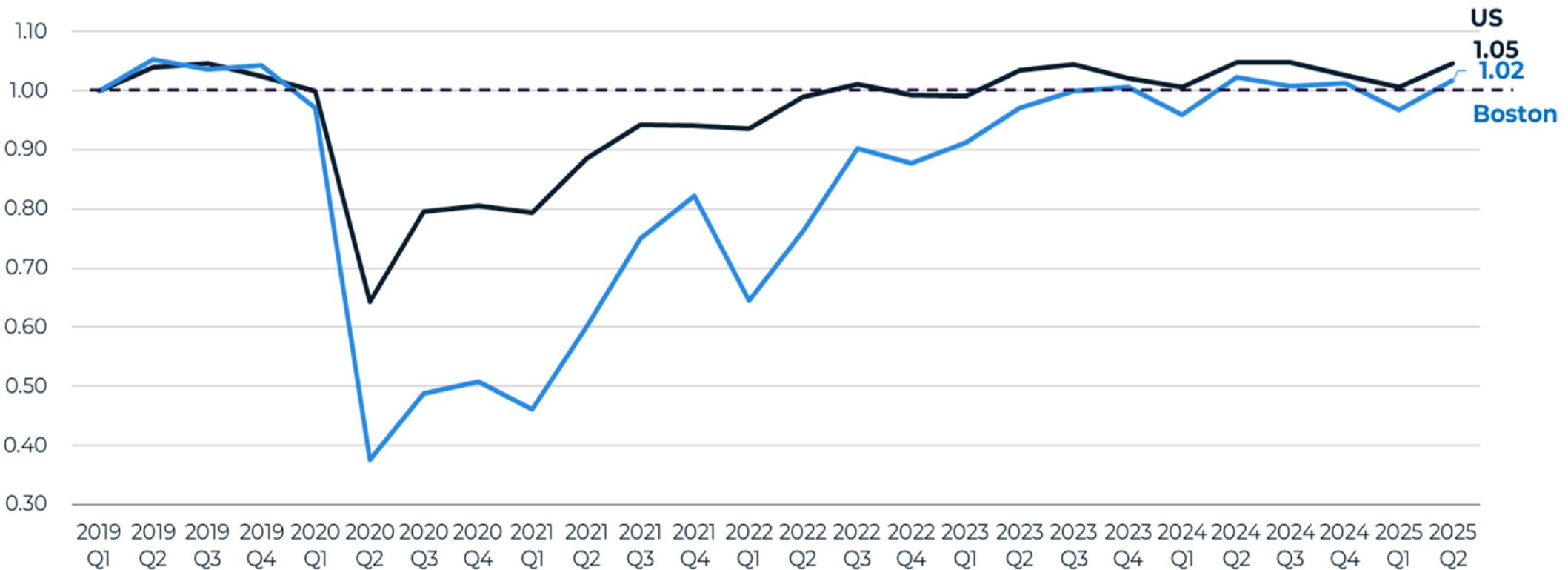
## Average Payroll Employment (Health Care and Social Assistance), indexed to 2019 Q1



**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)

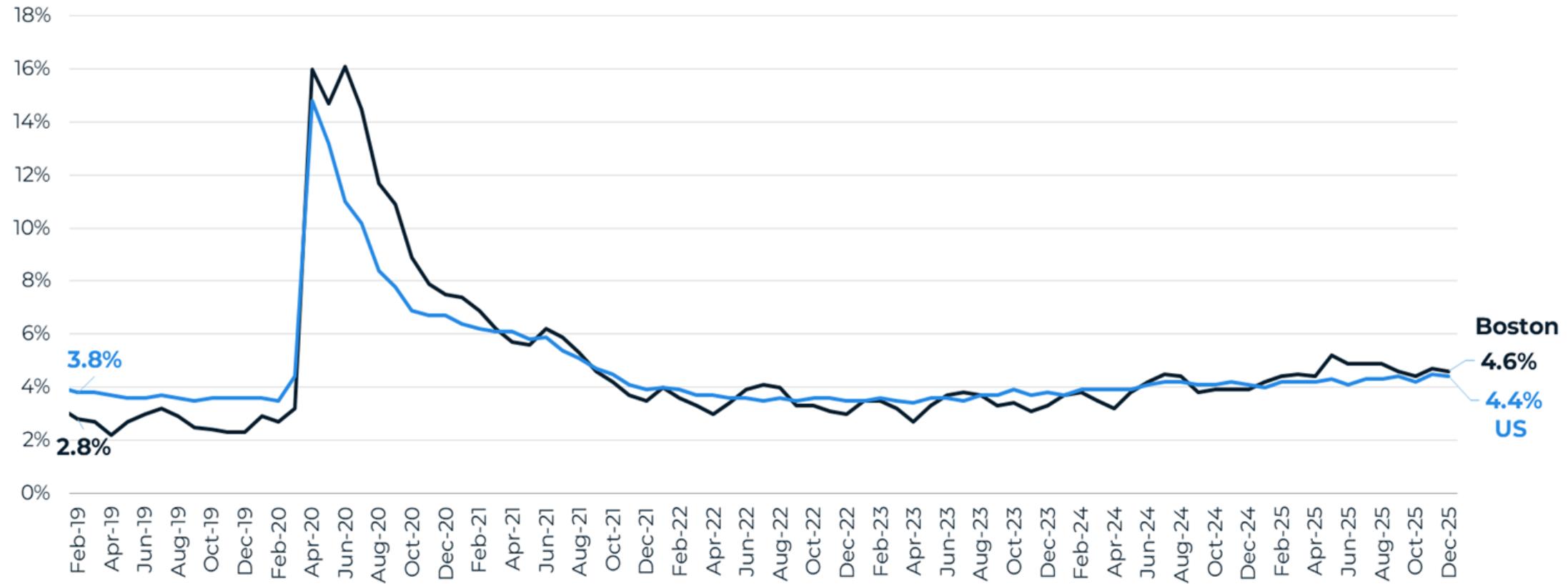
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# Boston's **unemployment** began creeping up in 2024 and remained **above 4.4%** through 2025

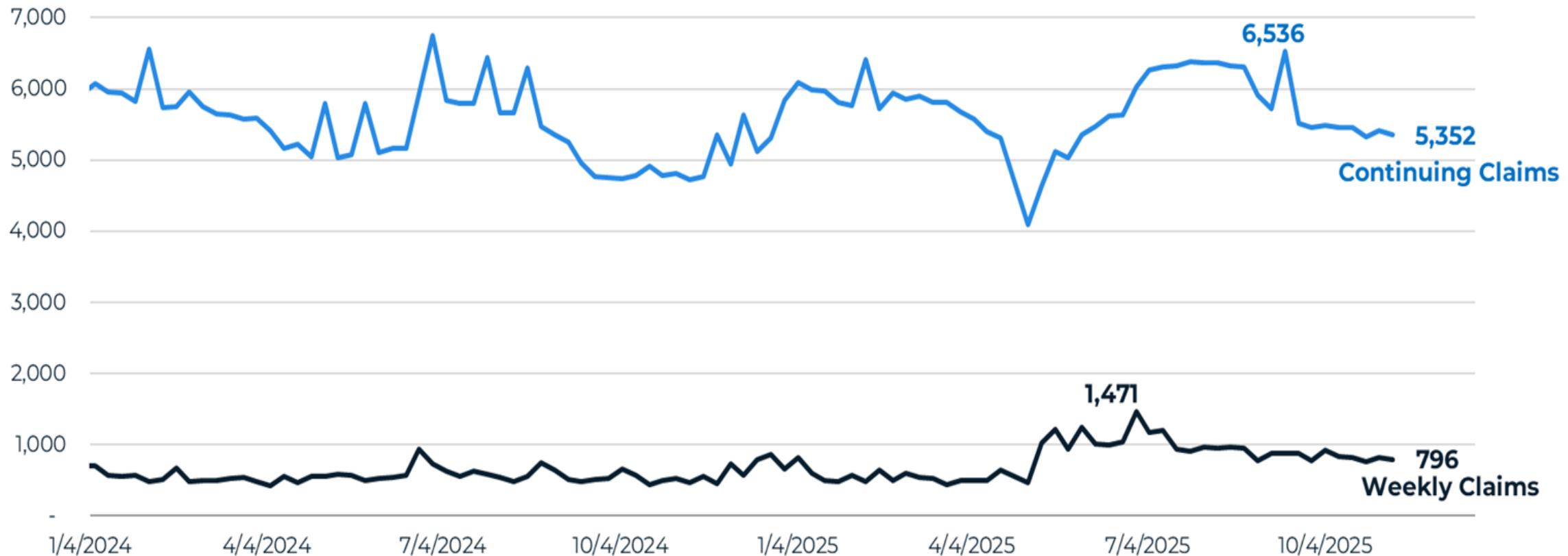
Unemployment Rate in U.S. and Boston\* (Monthly), 2019-2025



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

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

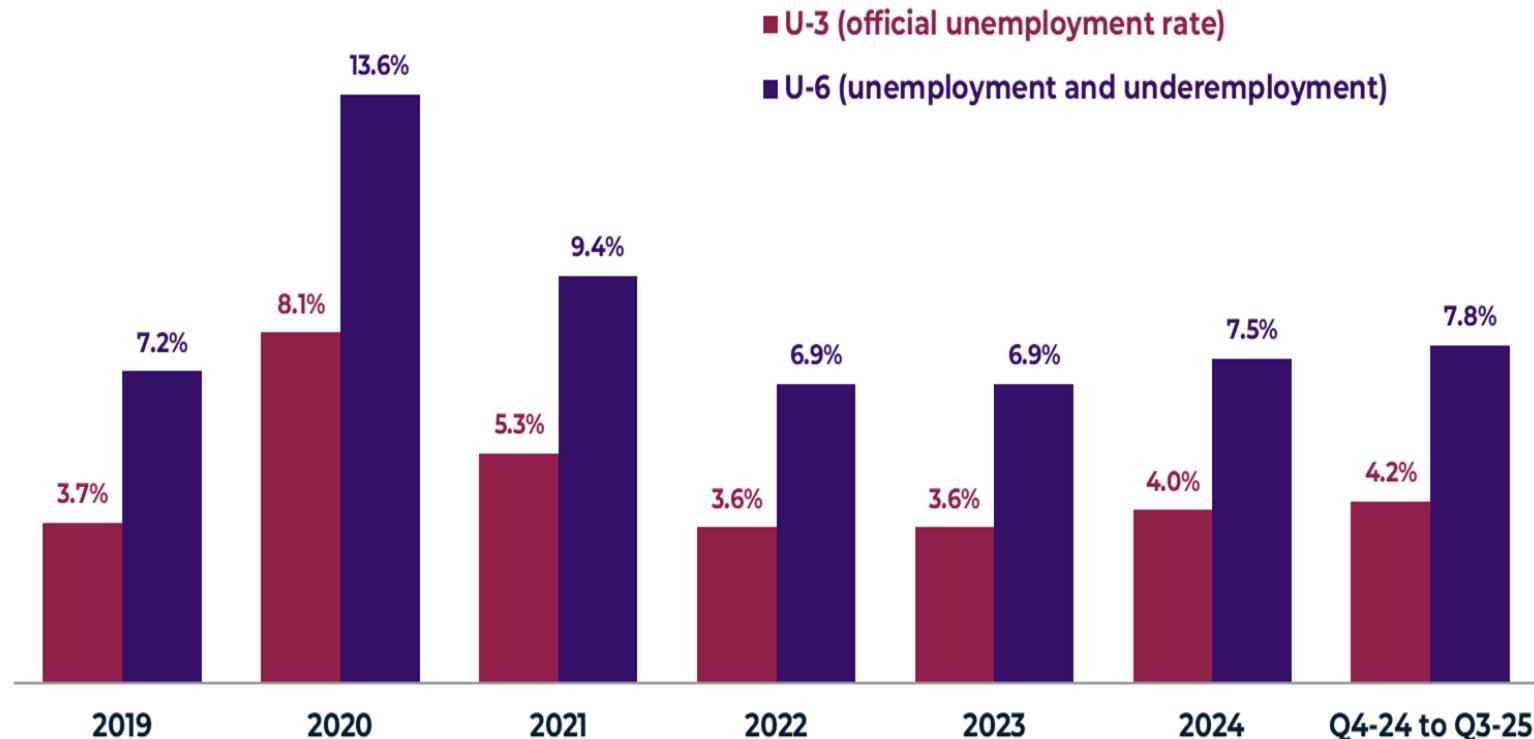
## Weekly and Continuing Jobless Claims in Boston, 2024 - 2025



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

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

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



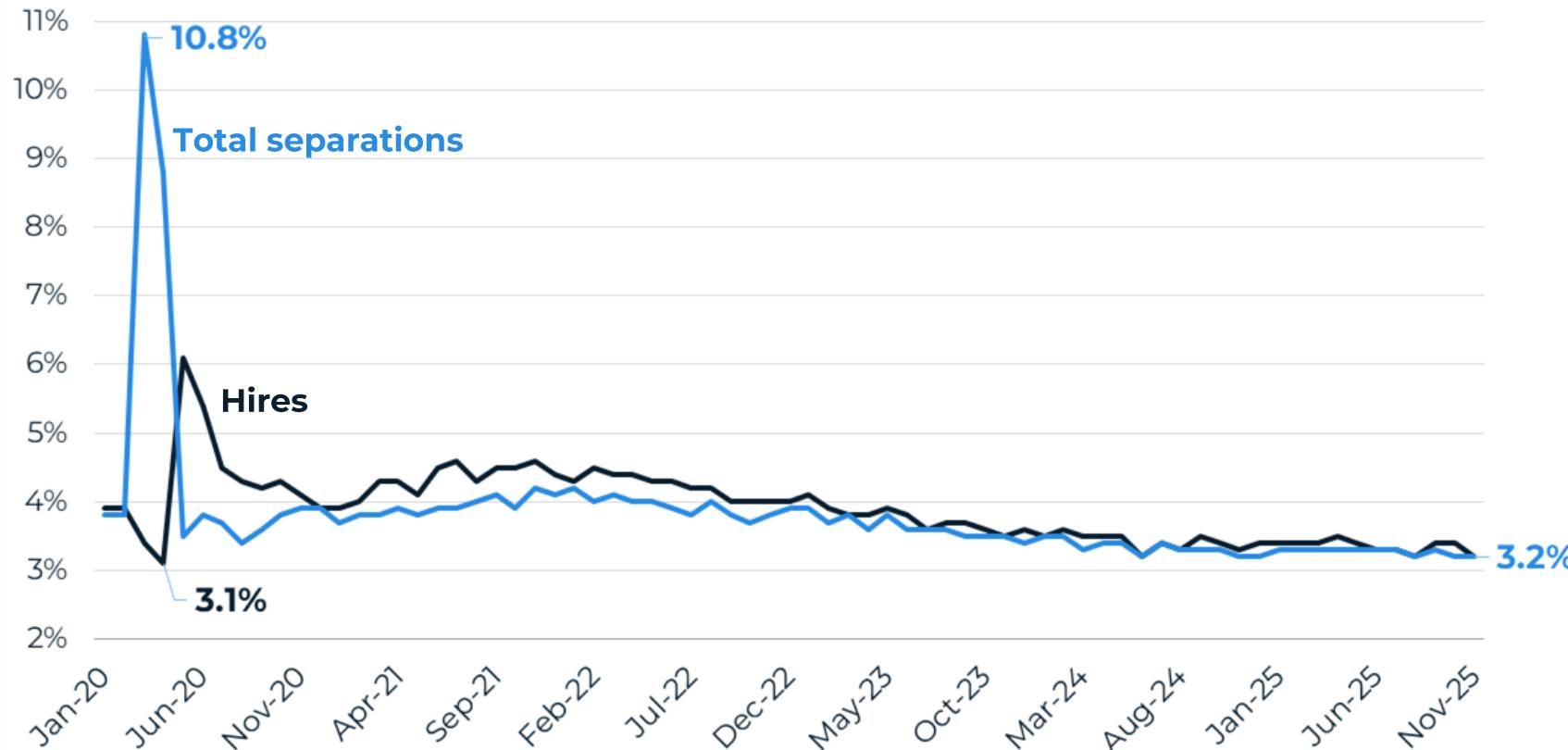
The more expansive definition of labor underutilization includes **unemployed workers, workers who are underemployed** (part time for economic reasons), and **discouraged and marginally attached workers** who want to work but are not currently looking for work.

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



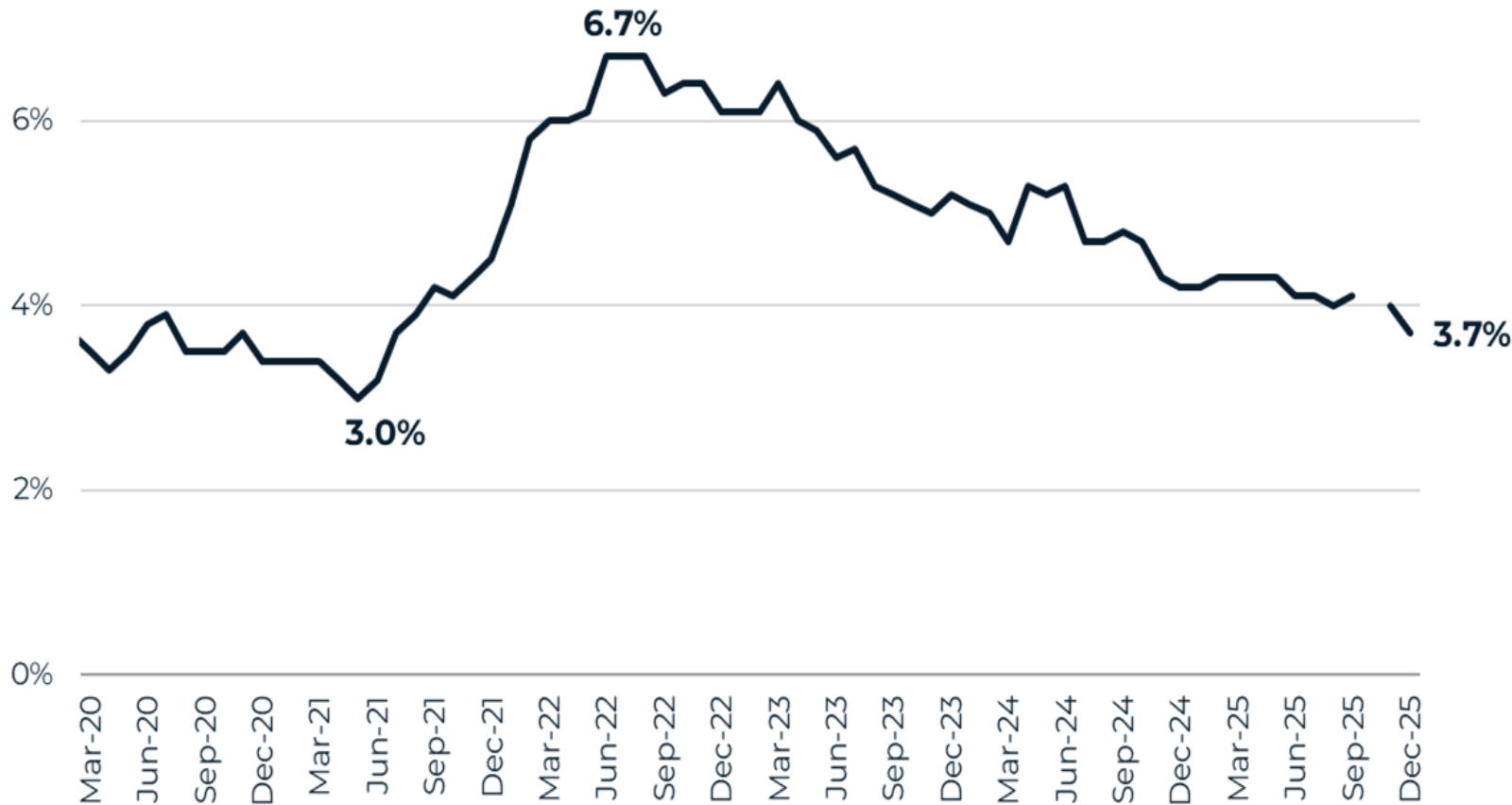
**Hiring** and **separations** have both **slowed**.

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.

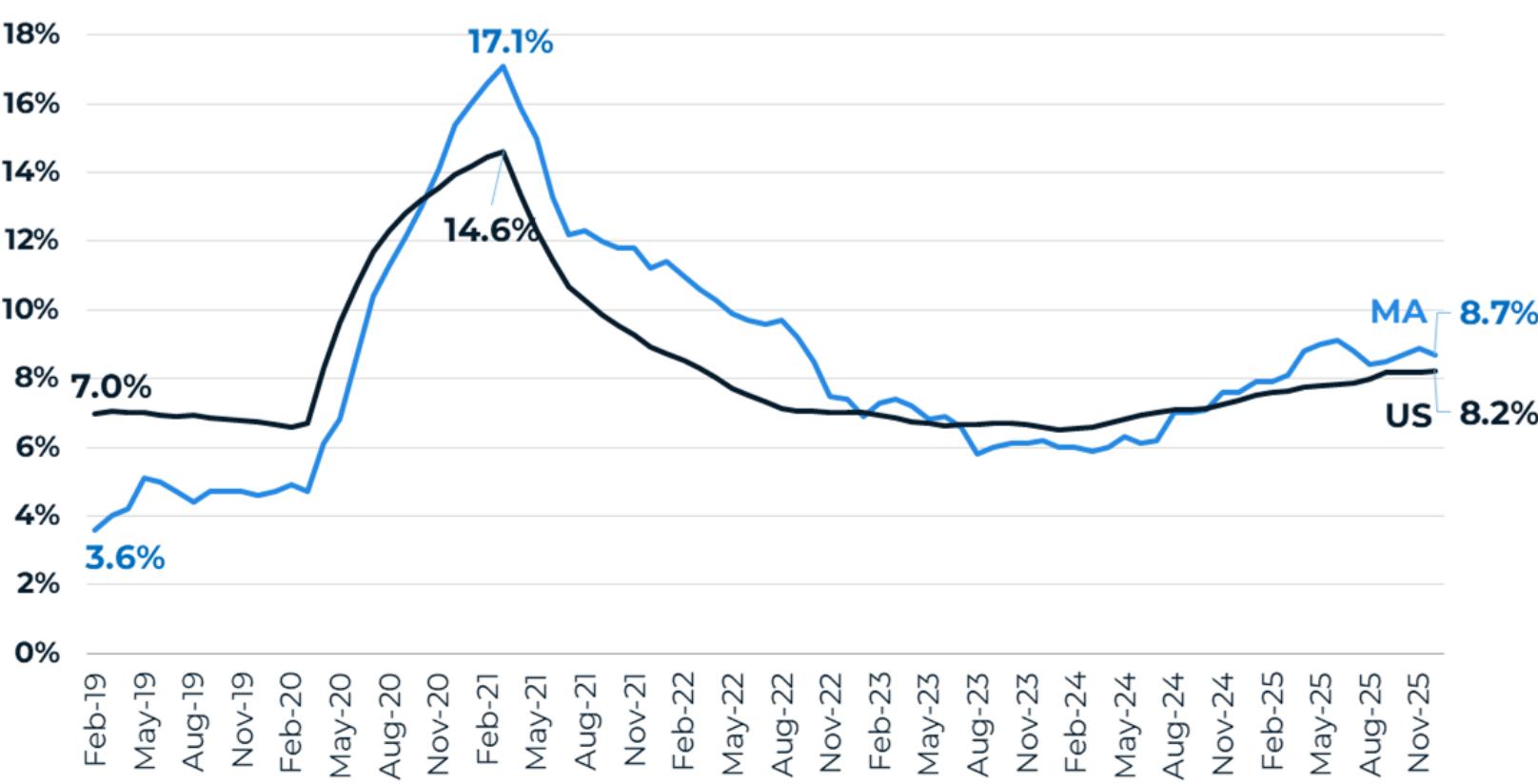
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# Rising youth unemployment indicates labor market cooling is hitting entry-level workers hardest

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

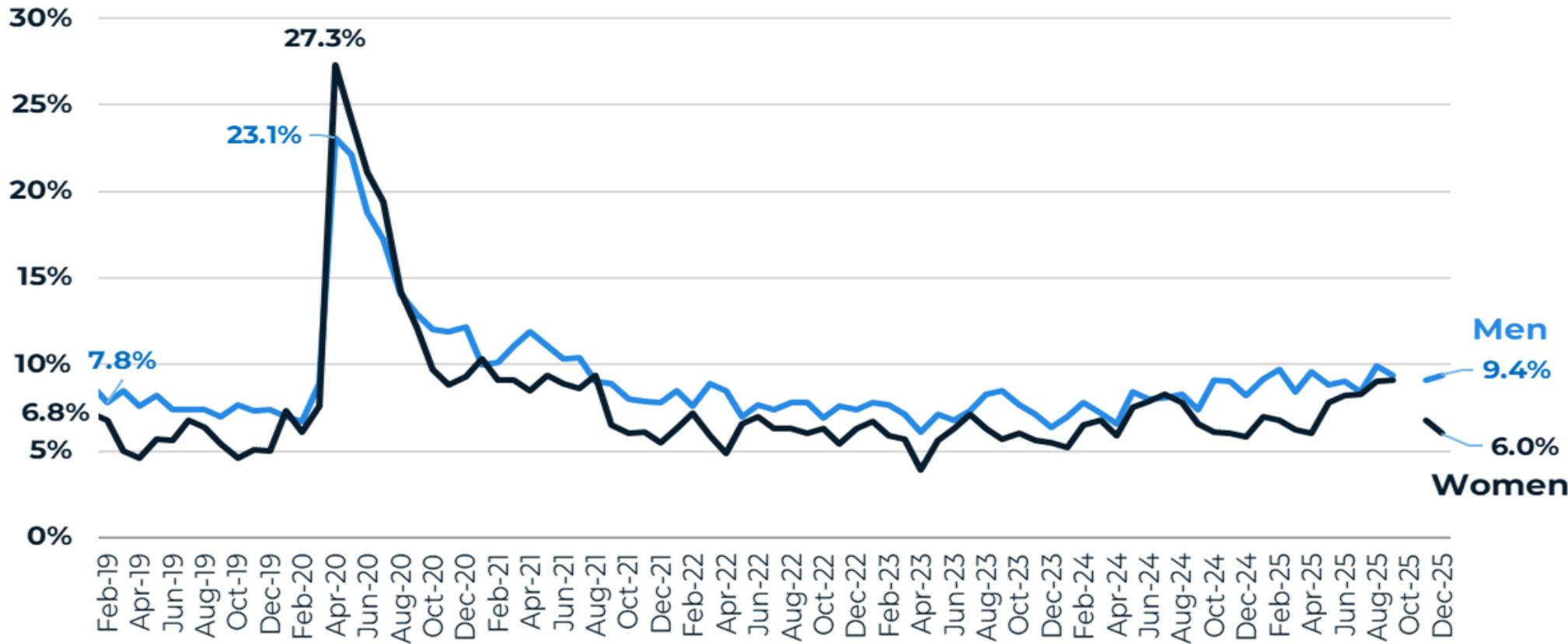


- Unemployment for young adults in Massachusetts has **risen** from 3.6% in 2019 to nearly 9% in 2025
- National rates **increased** from 7% to 8.2%

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

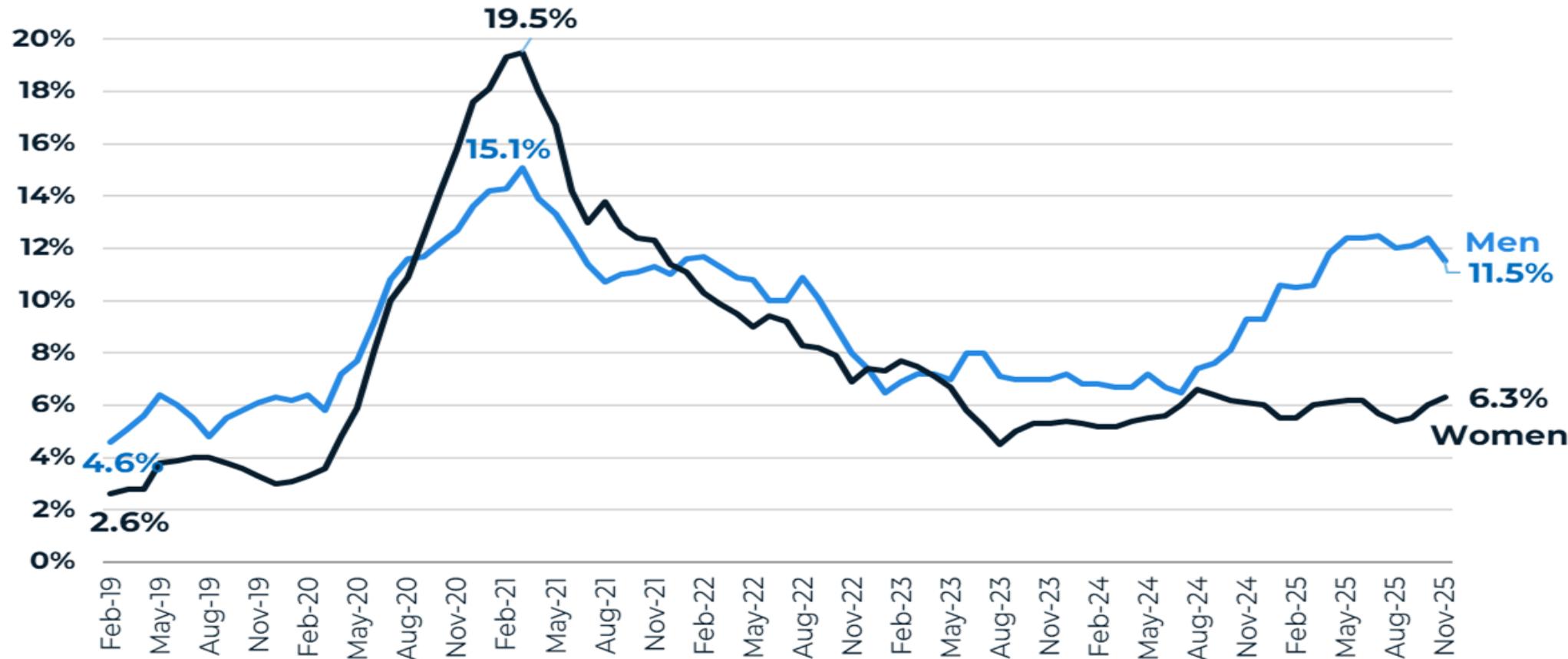
## Monthly Unemployment Rate by Sex (Age 20-24) in U.S., 2019-2025



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

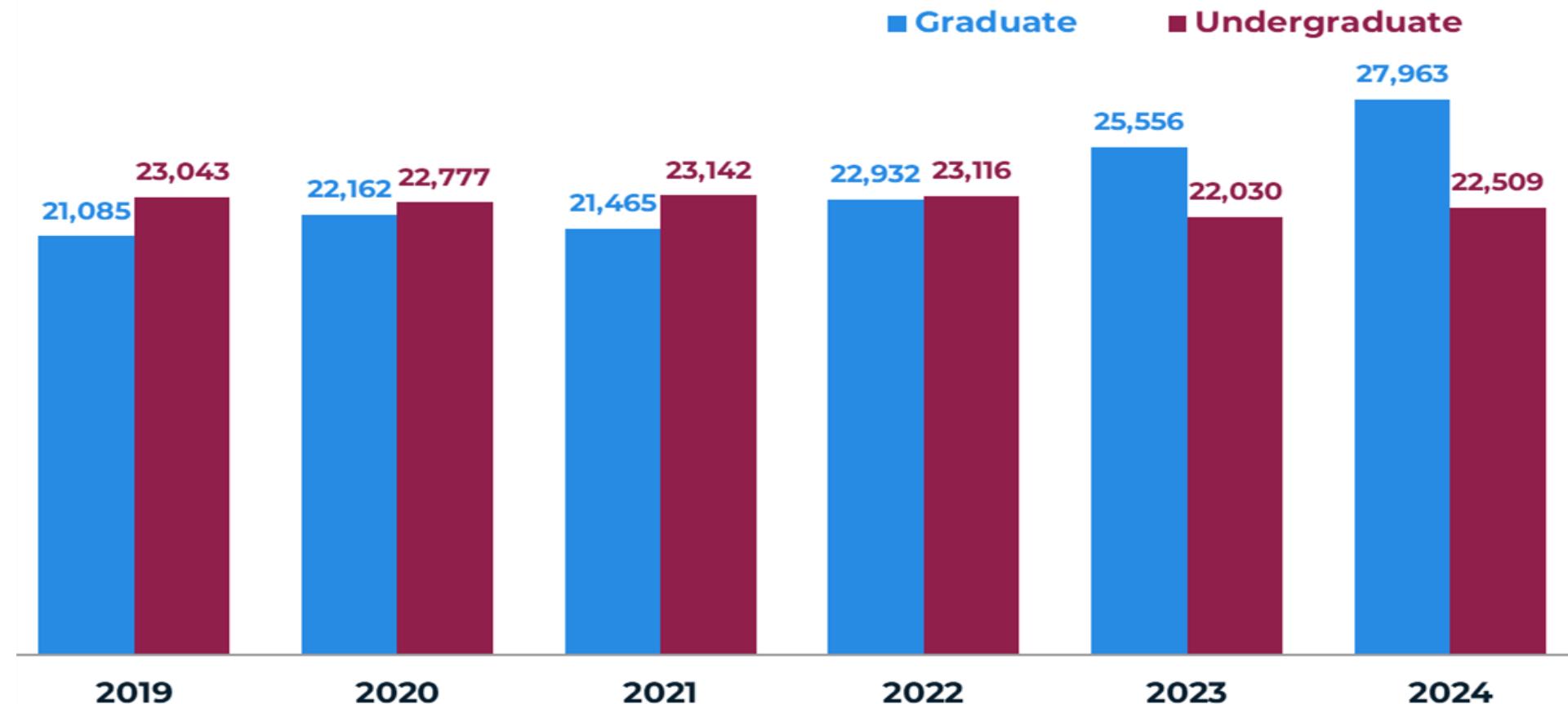
Monthly Unemployment Rate by Sex (Age 20-24) in U.S., 2019-2025



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

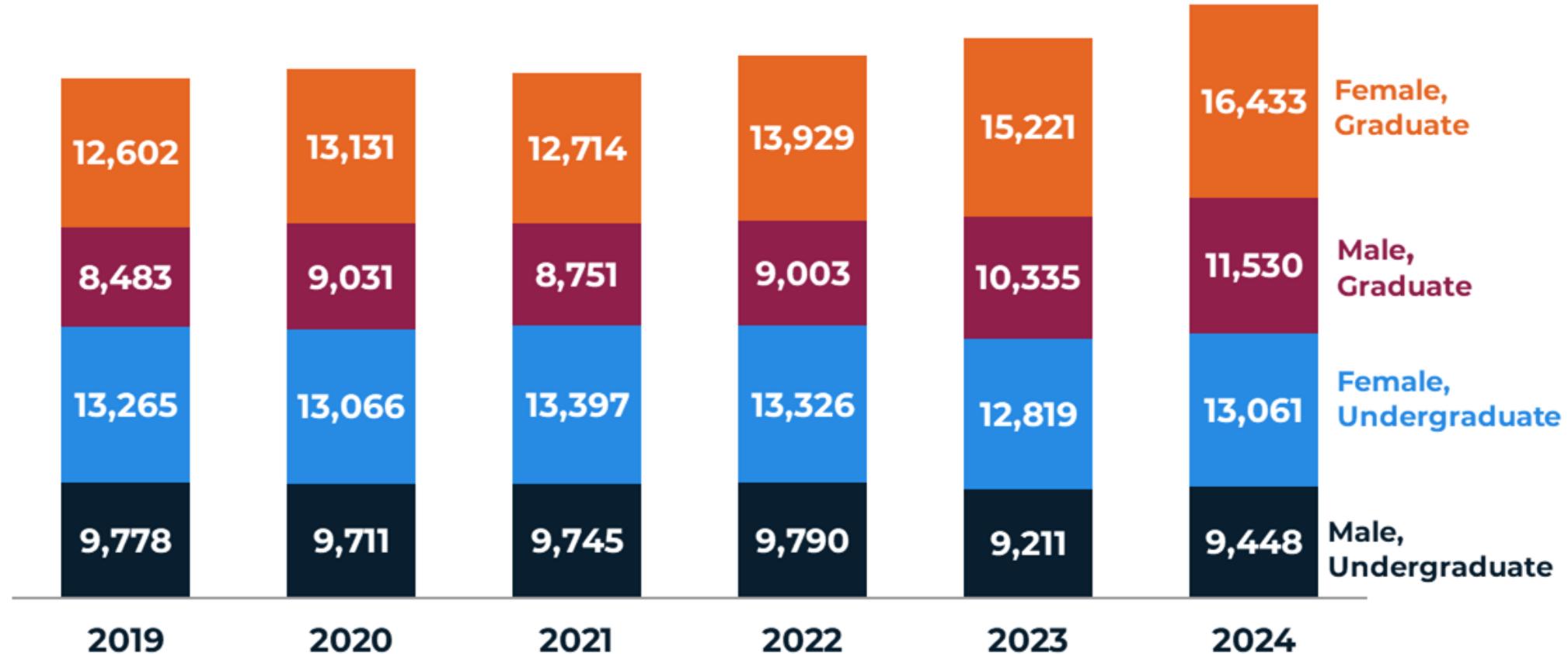
Boston College and University Completion, Undergraduate & Graduate (Total), 2019–2024



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

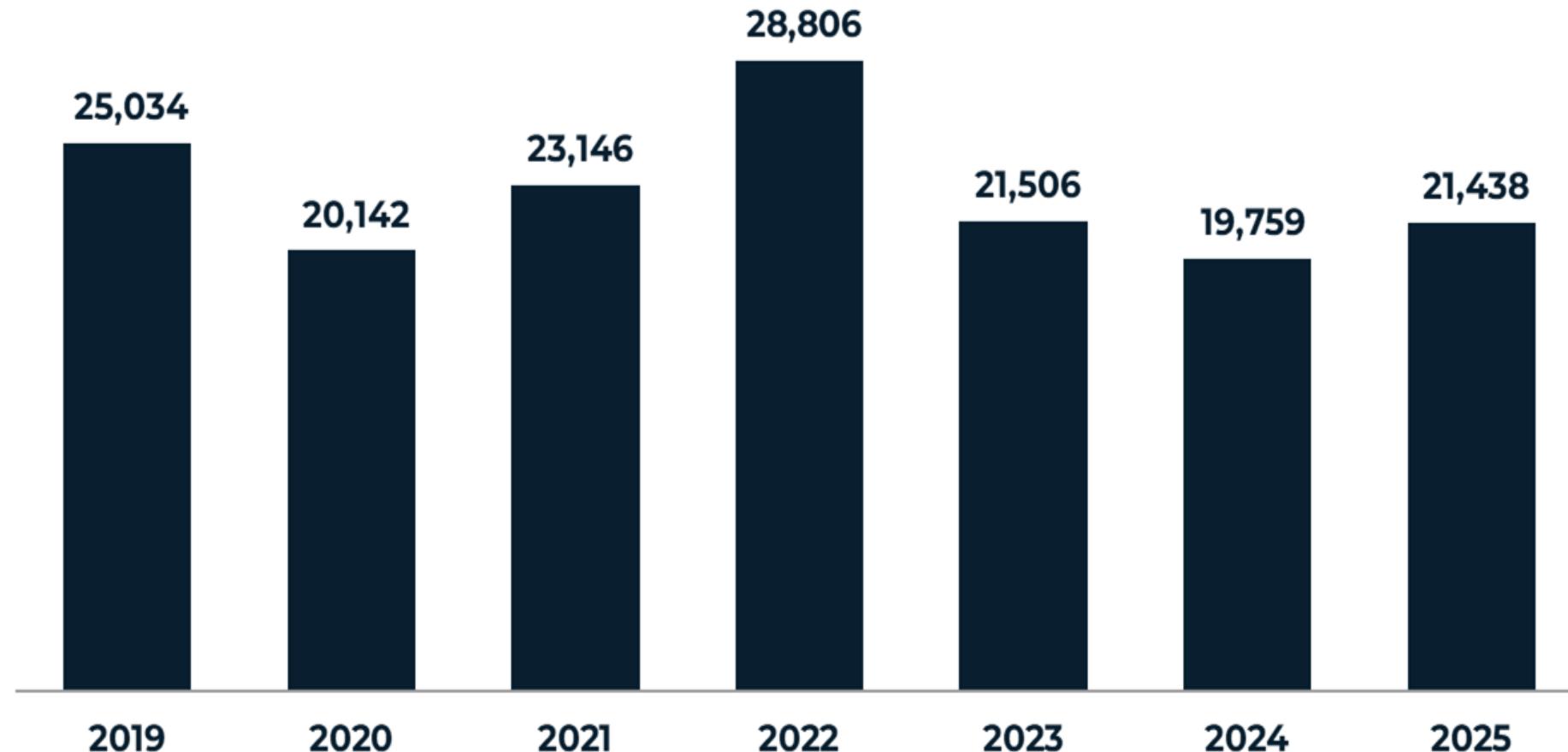
Boston College and University Completion, Undergraduate & Graduate by Sex, 2019–2024



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

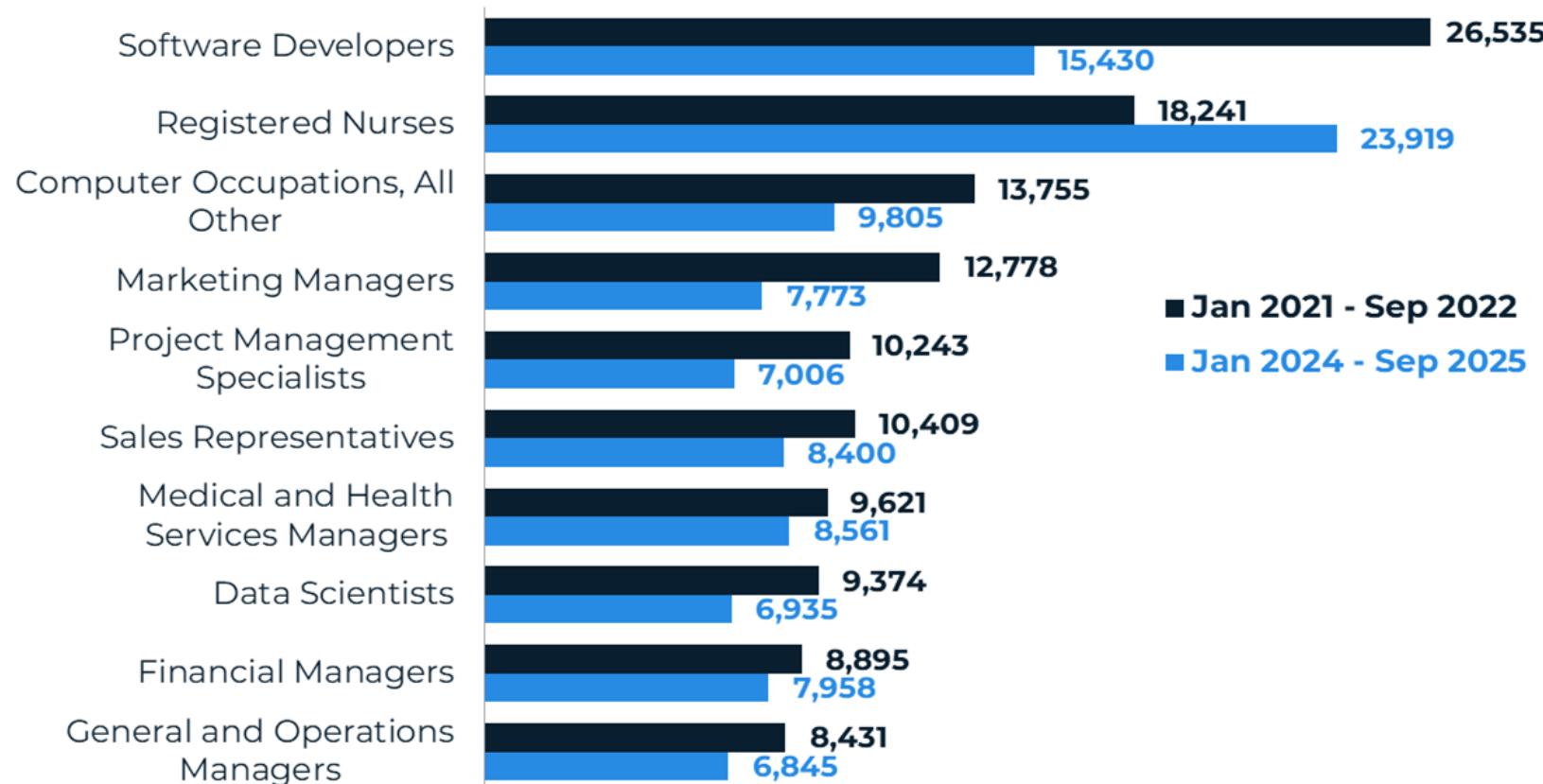
# Job postings in Boston have declined from their 2022 peak. Fewer openings means fewer options.

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



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

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

# 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.