Employment Development Department
State of California

A Labor Day Briefing for California

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State of California
Labor and Workforce Development Agency
Employment Development Department
Labor Market Information Division

This briefing highlights California's labor markets as the nation commemorates Labor Day on September 7, 2020.

The report presents significant labor market trends and current statistics relating to the California economy.

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Highlights for 2020

California's unemployment rate rose from a record low in February to a record high in April during the COVID-19 public health stay-at-home order, but began to fall during the reopening.

- California's unemployment rate surged from a record low to a record high over just a two-month period from February to April 2020, during which time the state lost more than 2.6 million jobs.
- The number of unemployed Californians fell by 533,000 persons to 2,510,000 persons from April through July 2020 as the economy reopened.

California lost 2.6 million nonfarm jobs during the COVID-19 public health stay-at-home order but added more than 800,000 jobs after reopening.

- The state added 3,417,700 nonfarm jobs over the 10-year period of nearly continuous job growth from February 2010 through February 2020.
- The state added an additional 140,400 jobs in July while public health restrictions were reinstated, resulting in a total gain of 817,100 jobs from April through July 2020.
- California had regained a little less than one-third (31.1 percent) of the jobs that it lost during the public health stay-at-home order as of July 2020.

All of California's major industry sectors suffered large job losses during the public health stay-at-home order, but most began to recover as the economy reopened.

- All of California's 11 major industry sectors lost jobs during the public health stay-at-home order from February through April 2020, but the hardest hit sector was leisure and hospitality, which lost nearly one million jobs, or nearly half of its total jobs.
- Every major industry sector except government added jobs with the reopening of the economy from April through July. The largest job gain was in leisure and hospitality (339,200).
- Construction was the industry sector that was furthest along in its recovery as of July 2020. Its 86,200-job gain during the reopening offset nearly-three fifths (57.5 percent) of the 150,000 jobs it lost during the stay-at-home order.

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The COVID-19 Pandemic Has Disrupted California's Labor Market

As the nation commemorates this Labor Day in 2020, California, the nation, and the world continue to grapple with the highly communicable and often deadly COVID-19 virus. The pandemic has had a profound impact on California's labor market by necessitating an emergency public health response in March 2020 that included stay-at-home orders, physical distancing restrictions, strict limits on the size of public gatherings, and the curtailing of all but essential economic activity in order to mitigate the spread of the virus. California's unemployment rate surged from a record low to a record high in just over a two-month period from February to April 2020, during which time the state lost more than 2.6 million jobs.

The state experienced rapid job growth and falling unemployment from April through July as public health restrictions were eased and the economy reopened. However, a surge in the number of COVID-19 cases in California accompanied the economy's reopening, resulting in the re-imposition of public health restrictions on economic activity in early and mid-July. Although the timing of the July labor force data was such that they said little about how these new restrictions may have affected the labor market, the consensus among many economists was that California's recovery likely stalled.[1]

The global experience with the COVID-19 pandemic to date suggests that there is a delicate balancing act in trying to reopen the economy while at the same time ensuring the public's health safety. This balancing act will likely continue for the duration of the COVID-19 pandemic.

UNEMPLOYMENT

California's unemployment rose from a record low in February to a record high in April during the shutdown, but began to fall during the reopening.

- In February 2020, after California had enjoyed 10 years of nearly uninterrupted job growth, California's unemployment stood at 3.9 percent. This was a record low rate in an official data series extending back to the beginning of 1976. Everything changed suddenly with the COVID-19 outbreak and the subsequent public health stay-at-home order which closed all but essential services. California's unemployment rate shot up to 16.4 percent in April and remained there in May. This was a record high unemployment rate in the

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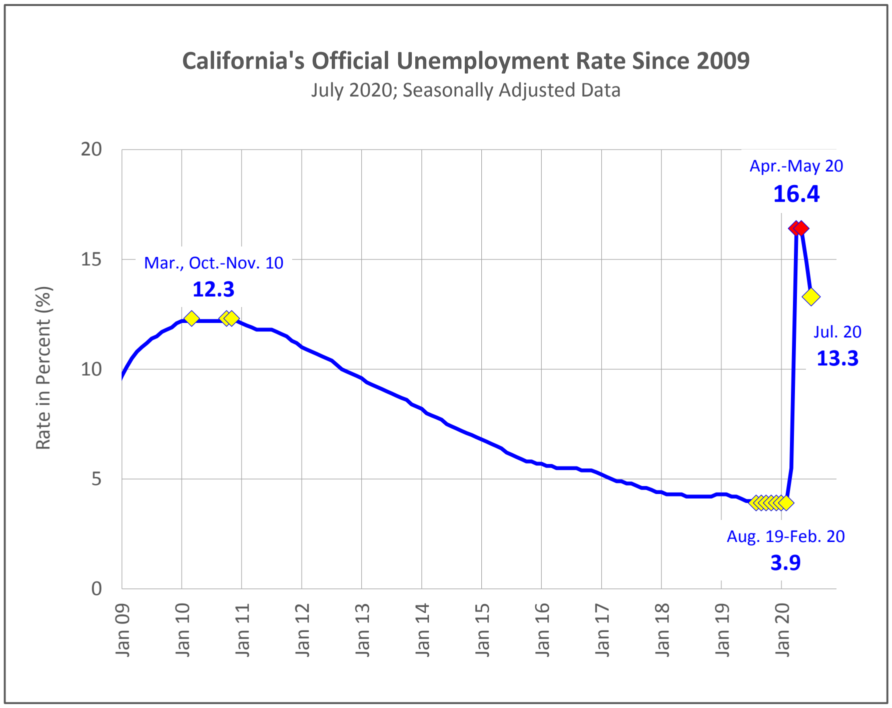
[1] Monthly employment and unemployment estimates reflect what was happening in the survey reference week, which is the week that contains the 12th day of each month. The state announced restrictions on some economic activities in 19 counties on July 1, 2020 and expanded the number of affected counties to 26 on July 7, 2020. As a group, these 26 counties accounted for about three-quarters of the 1.4 million statewide jobs in the industries covered by these orders. The state announced deeper and more widespread restrictions on economic activity on July 13, 2020. Because these restrictions occurred during the July survey reference week, their full impacts would only be realized after the survey reference week, or in yet-to-be released August 2020 estimates. The July 2020 estimates themselves suggested that the momentum from the economic reopening outweighed any dampening that the early July restrictions may have had.

official data series that extends back to 1976, far exceeding the previous record of 12.3 percent in March, October, and November 2010. The 12.5 percentage point increase in California's unemployment rate from February through April 2020 by itself was larger than the peak unemployment rate during the Great Recession.

Figure 1



Source: Employment Development Department

- California's unemployment rate began to fall with the reopening of the economy, and by July 2020, had decreased 3.1 percentage points to 13.3 percent. Even with this improvement, the rate remained 9.4 percentage points higher in July 2020 than it was in February 2020, before the pandemic, and 1.0 percentage point higher than at its peak during the recession.

- The number of unemployed Californians fell to its lowest level in over 20 years in January 2020 before ticking upward slightly in February. Unemployment spiked sharply as a result of the COVID-19 pandemic and public health stay-at-home order. The number of unemployed Californians tripled from 759,000 persons in February to 3,043,000 in April and remained at that level in May. Expressed differently, the COVID-19 pandemic forced nearly 2.3 million Californians into unemployment over a two month period. In April and May 2020, 789,000 more Californians were unemployed than when unemployment peaked at 2,254,000 during the Great Recession in October 2010.

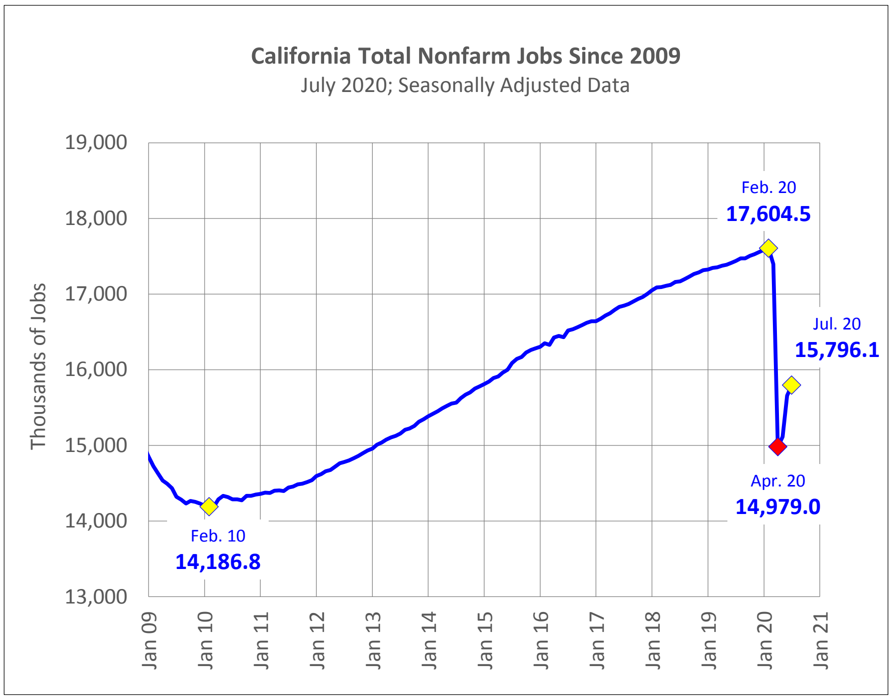
- The number of unemployed Californians fell by 533,000 persons to 2,510,000 persons from April 2020 through July 2020, as the economy reopened. Despite this large decrease, 1,751,000 more Californians were unemployed in July 2020 than five months previously in February 2020, and 256,000 more were unemployed than at the recessionary peak in October 2010.

TOTAL NONFARM EMPLOYMENT (SEASONALLY ADJUSTED JOBS)

California lost 2.6 million nonfarm jobs during the pandemic shutdown but added more than 800,000 jobs after reopening.

California's employment expansion turned 120 months old, or exactly 10 years, in February 2020. This was the state's longest expansion in the post-World War II era. The state added 3,417,700 nonfarm jobs over the 10-year period of nearly continuous job growth from February 2010 through February 2020. The COVID-19 pandemic changed all of this, and did so emphatically.

Figure 2



Source: Employment Development Department

- California lost 2,625,500 nonfarm jobs during the public health stay-at-home order from February through April 2020, which was a 14.9 percent decrease in two months. To put this loss into perspective, California lost a total of 1,318,400 nonfarm jobs over the entire course of the 31-month Great Recession from July 2007 through February 2010, which was an 8.5 percent job loss.

- Nonfarm employment in California began to grow rapidly as the state reopened, beginning with a record gain of 134,200 jobs in May that followed a 542,500 job gain in June. The state added an additional 140,400 jobs in July despite the re-imposition of public health restrictions on the economy early that month, resulting in a total gain of 817,100 jobs during the April through July 2020 reopening. Despite this rebound job growth, California experienced a net loss of 1,808,400 nonfarm jobs (10.3 percent) from February 2020 through July 2020. California had regained a little less than one-third (31.1 percent) of the jobs that it lost during the pandemic shutdown as of July 2020.

INDUSTRY SECTOR TRENDS (SEASONALLY ADJUSTED JOBS)

All of California's major industry sectors suffered large job losses during the public health stay-at-home order, but most began to recover as the economy reopened.

Every one of California's 11 major industry sectors lost jobs during the shutdown from February through April 2020, but the hardest hit sector was leisure and hospitality, which lost nearly one million jobs, or nearly half of its total jobs. This sector was particularly vulnerable to the limitations on public gathering and physical distancing restrictions, as well as the collapse of domestic and international travel and tourism that occurred in the pandemic's wake.

Figure 3

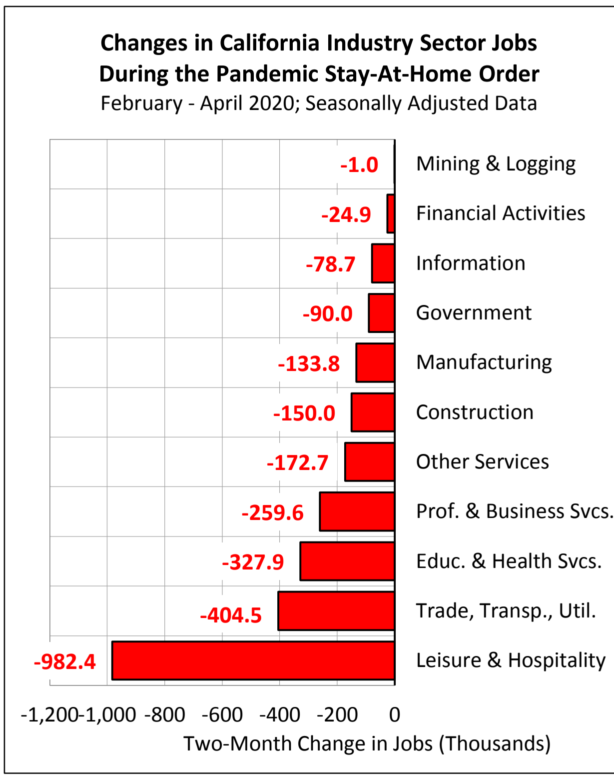
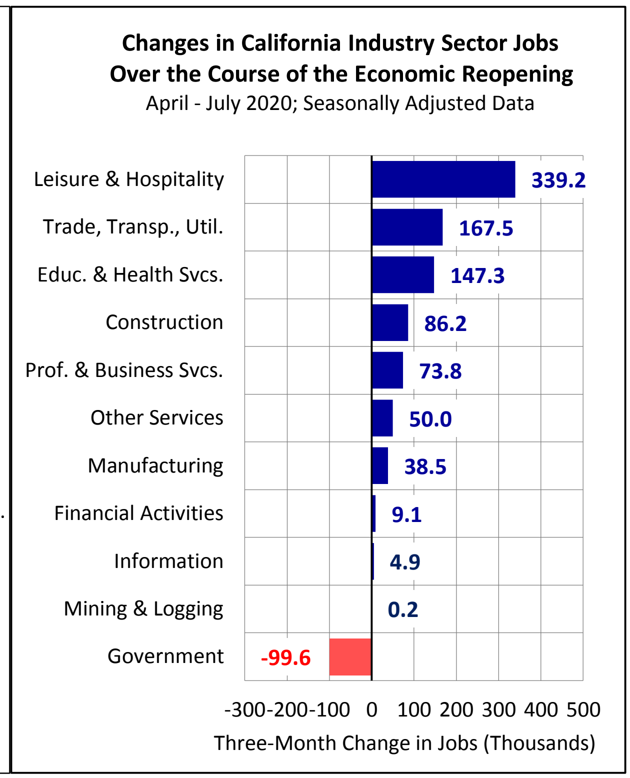


Figure 4



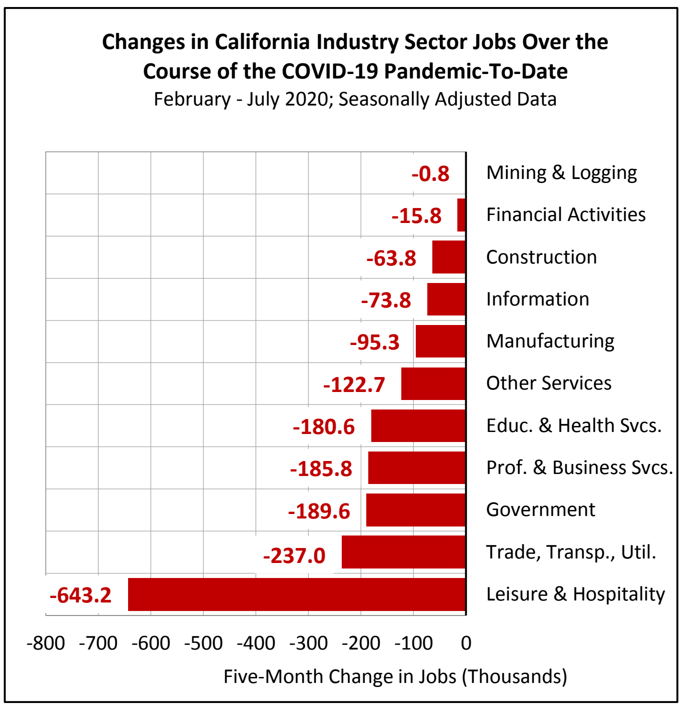
Source: Employment Development Department

- Three additional industry sectors lost more than 250,000 jobs during the public health stay-at-home order: trade, transportation, and utilities (404,500, the majority of which were in retail trade); educational and health services (327,900); and professional and business services (259,600). Three additional sectors lost more than 100,000 jobs: other services (172,700), construction (150,000), and manufacturing (133,800).
- In percentage terms, leisure and hospitality (47.8 percent) had the largest two-month job loss of any sector during the shutdown. Other services (29.7 percent) had the second largest job loss, with the losses concentrated in personal care establishments, which typically entail

close human contact such as barbers and beauty and nail salons. Four additional industry sectors suffered a two-month loss of more than 10.0 percent: manufacturing (16.7 percent); information (13.4 percent); trade, transportation, and utilities (13.2 percent); and educational and health services (11.5 percent). In contrast, losses in financial activities (2.9 percent) and government (3.4 percent), were comparatively minor.

- Every major industry sector, except government, added jobs with the easing of pandemic restrictions and the reopening of the economy from April through July. The largest job gain was in leisure and hospitality (339,200), the sector hardest hit by the shutdown, followed by trade, transportation, and utilities (167,500) and educational and health services (147,500). Three additional industry sectors added 50,000 jobs or more over this three-month period: construction (86,200), professional and business services (73,800), and other services (50,000). Manufacturing was close behind with a 38,500-job gain.
- In contrast, government lost 99,600 jobs during the reopening, with the losses concentrated in state and local government. These losses were presumably due to the great stress the COVID-19 pandemic has put on state and local government finances.

Figure 5



Source: Employment Development Department

- The widespread job gains across most industry sectors during the April through July reopening demonstrated that California's economy has the capacity to rebound and do so quite rapidly. But they also revealed that the state has a long way to go before it gets back to where it was in February, before the pandemic outbreak. Every one of California's major industry sectors experienced a net job loss over the course of the pandemic from February through July 2020. Despite its impressive job gain during the three-month reopening, leisure and hospitality had 643,200 fewer jobs in July than in February. Trade, transportation, and utilities had 237,000 fewer jobs and three additional large sectors had more than 180,000 fewer jobs.

- Construction was the industry sector that was furthest along in its recovery as of July 2020. Its 86,200 job gain during the reopening offset nearly-three fifths (57.5 percent) of the 150,000 jobs it lost during the stay-at-home order. But construction was the only industry sector that had recovered more than half the jobs it had lost. Only two additional sectors had recovered more than two-fifths of the jobs lost during the shutdown: educational and health services (44.9 percent), and trade, transportation, and utilities (41.4 percent). Financial activities (36.4 percent) and leisure and hospitality (34.5 percent) were the only other industry sectors that had recovered more than one-third of the jobs they lost.
- Despite the reopening of the economy, all of California's major industry sectors had recovered just a fraction of the jobs lost as of July 2020. This raises the possibility that many of the jobs lost during the shutdown may turn out to be permanent and not temporary as originally hoped. Time will tell.

REGIONAL TRENDS (NOT SEASONALLY ADJUSTED DATA)

All regions in the state have experienced a steep rise in unemployment during the COVID-19 pandemic.

- The EDD subdivides California into 15 regions for the purposes of regional economic analysis, which are delineated in the regional unemployment rate map (Figure 6). These regional definitions are the same as those used by the state workforce development system in strategic planning.[2]
- California's regions vary greatly in size. Total nonfarm employment in the state's largest region, Los Angeles Basin, totaled nearly 4.1 million jobs in July 2020. Six additional regions had more than one million persons or jobs, and Capital Region had nearly one million nonfarm jobs. In contrast, four regions had between 200,000 and 300,000 jobs and employment in Middle Sierra and North Coast totaled just 40,600 and 44,500 jobs, respectively.
- Readers should note that regional unemployment and employment data are not seasonally adjusted. Comparing like months of the calendar year is the only method that filters out regular and recurring seasonal patterns of employment and unemployment from a not-seasonally adjusted data series. This means that even though the pandemic affected the five-month period from February through July 2020, regional analysis is best accomplished through year-over comparisons.

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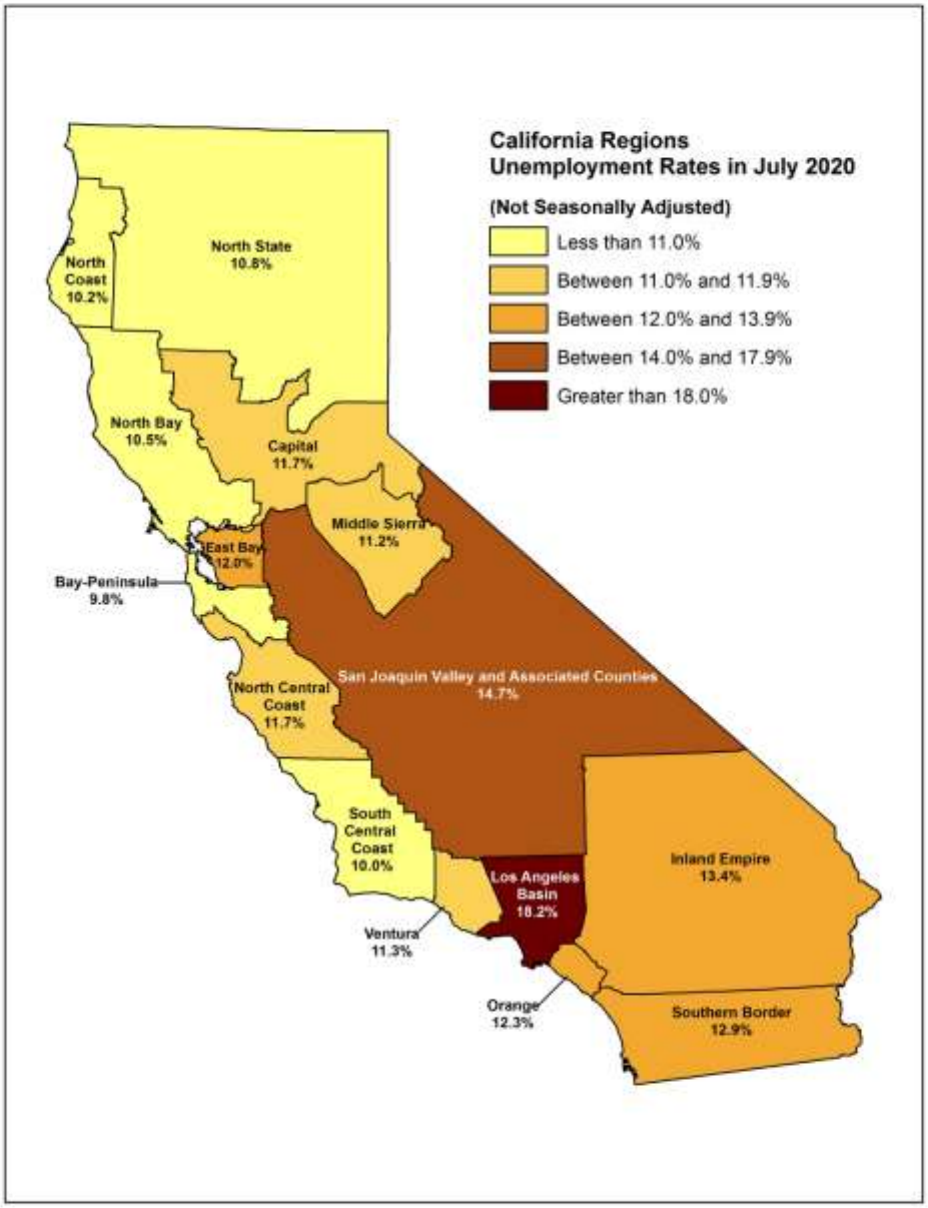
[2] Although San Benito County is part of North Central Coast Region, it is included in Bay-Peninsula Region for the purposes of this report because its monthly jobs are estimated as part of Bay-Peninsula's San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area.

Figure 6



Source: Employment Development Department

- Unemployment rates in California's 15 regions ranged from a low of 2.4 percent in Bay-Peninsula to a high of 8.6 percent in North Central Coast before the pandemic in February 2020. Thirteen regions had their lowest February unemployment rates on record in a data series extending back to the beginning of 1990. Los Angeles Basin's February 2020 unemployment tied as the lowest on record for February, and Orange's rate was just 0.1 percentage point higher than its record February low.

- Every region experienced a steep increase in their unemployment rate as a result of the pandemic. Regional unemployment rates ranged from a low of 9.8 percent in Bay-Peninsula to a high of 18.2 percent in Los Angeles Basin in July 2020. Six regions—East Bay, Los Angeles Basin, North Central Coast, Orange, South Central Coast, and Southern Border—set their highest July unemployment rate on record. The unemployment rate in nearly every other region rivaled those of the Great Recession.

All regions in the state also experienced steep job losses after the outbreak of the COVID-19 pandemic.

- California's 15 regional economies were all doing well in February 2020 before the pandemic, with each of them experiencing year-over job growth. Middle Sierra (3.9 percent) had the fastest year-over job growth of any region, followed by North Central Coast (2.6 percent) and South Central Coast (2.5 percent). Bay-Peninsula (2.3 percent), San Joaquin Valley (2.2 percent), and Capital (2.2 percent) were the state's fastest growing large regions. Only three regions had year-over growth of less than 1.0 percent in February 2020: North State (0.9 percent), North Coast (0.8 percent), and East Bay (0.4 percent).

Figure 7

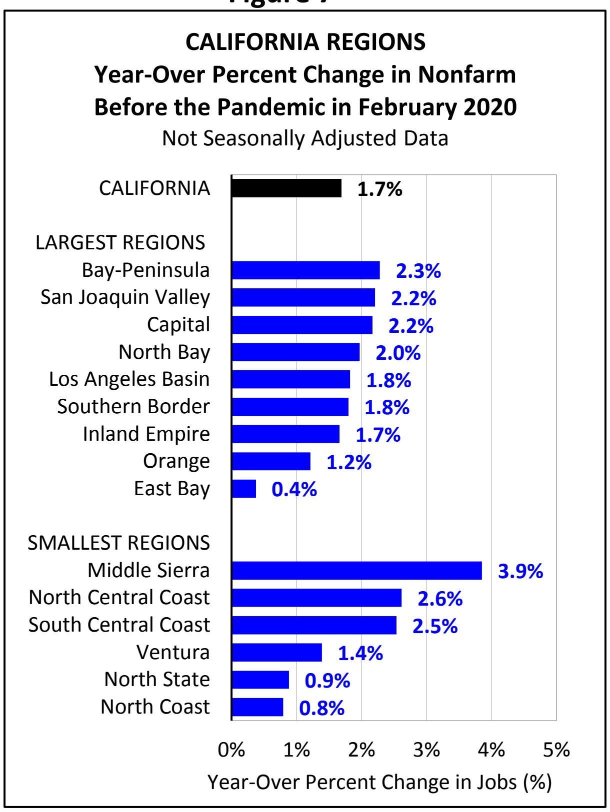
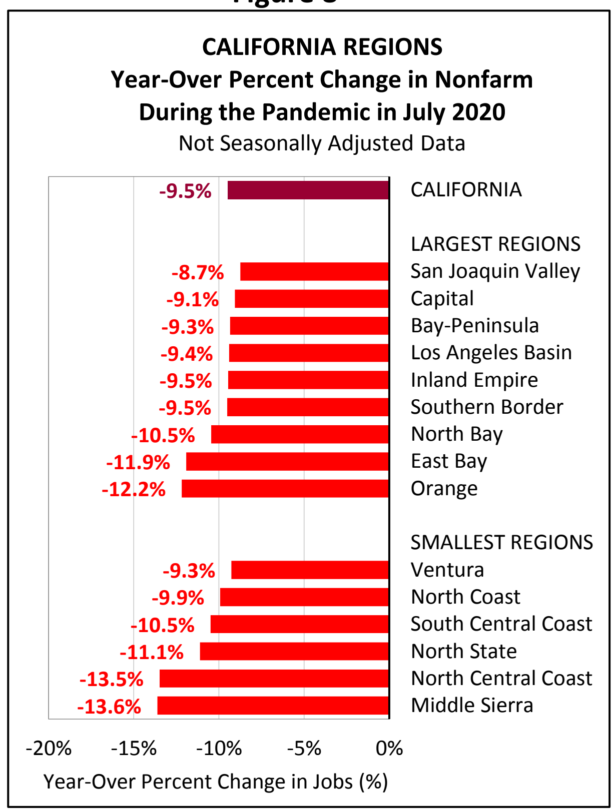


Figure 8



Source: Employment Development Department

- The pandemic reversed everything. In July 2020, California's 15 regions had a year-over job loss of at least 8.7 percent five months into the pandemic. Middle Sierra (13.6 percent) had the largest year-over job loss among regions, followed closely by North Central Coast (13.5 percent). Orange (12.2 percent) and East Bay (11.9 percent) had the largest year-over job losses among the state's largest regions. North State (11.1 percent), South Central Coast (10.5 percent), North Bay (10.5 percent), Southern Border (9.5 percent), and Inland Empire (9.5 percent) were the other regions that had larger year-over job losses than the state's overall 9.4 percent not-seasonally adjusted loss.

- The regional jobs data, as a group, hint that regions in which travel and tourism play a comparatively large role in the local economy were hardest hit by the pandemic, but the difference is largely one of degree. All regions of California have been adversely affected by the pandemic.

OUTLOOK

The pandemic has had a profound negative impact on unemployment and employment across all industry sectors and regions of the state. Although California's rapid and broad-based spurt of job growth as it reopened its economy from April through July demonstrated that the labor market had the capacity to grow and expand in the absence of pandemic restrictions, as of July the recovery had fallen well short of returning the labor market to where it was before the pandemic hit. Unfortunately, the reopening was accompanied by a surge in the number of COVID-19 cases that forced the state to close parts of its economy again, suggesting that it is entirely possible the state will experience a stop and go recovery. Given these circumstances, the outlook for the labor market is uncertain.

Broadly speaking, economists tend to fall into two camps regarding the outlook—those who predict a "V-shaped" recovery and those who predict a "U-shaped" recovery. A V-shaped recovery predicts that the economy and its labor markets will return rapidly to where they were before the pandemic, in a period as short as just a few months. The premise underlying this outlook is that the labor market and the fundamentals of the economy were strong before the pandemic and that they will remain so once the pandemic subsides. Moreover, the release of pent-up demand for goods and services that built up when consumers were sheltering at home and limiting their spending would more than offset any lasting damage the pandemic had on segments of the economy, such as travel and tourism, and would fuel a rapid recovery.

A U-shaped recovery foresees a longer and more arduous recovery in which it will take a considerable time for the economy to recover and generate sustained growth, even if there is an initial spurt of activity when businesses reopen. Many prominent economists in the U-shaped camp predict there will be an elongated U-shaped recovery (sometimes referred to as a Nike Swoosh) in which there will be a period during which the economy will sputter but remain flat overall, followed by a long spell of slow and only gradually strengthening growth. In other words, it will likely be a matter of years and not months for the economy and labor markets to get back to where they were before the pandemic in a U-shaped recovery. The premise underlying this scenario is that the pandemic has caused lasting damage to the economy, including: forcing many businesses and companies out of business, permanent job losses, a loss of business and consumer confidence resulting in a steep decrease in demand for goods and services, and perhaps even changing the nature of doing work and conducting work as we know it. All of this takes time for the economy to adjust to and recover from.

While it is too early to say whether a V-shaped or U-shaped, elongated or otherwise, is more likely to occur since California and the nation are still in the midst of the pandemic and its future progression is unknown, a few things seem more certain:

- The longer the pandemic persists, the greater the financial stress it will place on businesses, workers and consumers, and state and local governments.

- Massive federal assistance has played a key role in keeping the economy and labor market afloat during the shutdown and reopening. Whether or not additional federal assistance that has been proposed but is currently stalled, will be forthcoming will influence the trajectory of the recovery.

- The pandemic itself will determine when and how the economy will recover. Experience with the pandemic to date suggests it is possible that there will be a repeating cycle of closures and reopenings.

- The COVID-19 pandemic will continue to constrain California's labor market and economy.

California Jobs in Demand

The following table lists examples of occupations utilized by various industries where job demand is expected to grow. Occupations were selected based on jobs with the most online job advertisements. Occupations are separated into three categories based on educational level— some require a high school diploma or less, while others require two to four years of college or higher. The online job advertisements were extracted from Burning Glass Technologies Labor Insight™ data series, which compiles, analyzes, and categorizes job advertisements from numerous online job boards.

Figure 9

Occupation	2020 Median Annual Wage[1]	Online Job Postings (6/13/20-8/11/20)[2]
REQUIRES A BACHELOR'S DEGREE OR HIGHER		
Registered Nurses	$112,993	14,896
Software Developers, Applications[3]	$133,238	14,658
Medical and Health Services Managers	$125,108	6,244
Marketing Managers	$161,160	5,512
General and Operations Managers	$115,303	5,442
REQUIRES SOME COLLEGE, POSTSECONDARY NON-DEGREE AWARD, OR ASSOCIATE'S DEGREE		
Heavy and Tractor-Trailer Truck Drivers	$48,580	9,669
Medical Assistants	$38,772	3,444
Bookkeeping, Accounting, and Auditing Clerks	$48,334	3,300
Computer User Support Specialists[3]	$66,813	3,101
Automotive Service Technicians and Mechanics	$48,055	3,040
REQUIRES A HIGH SCHOOL DIPLOMA OR EQUIVALENT OR LESS		
Retail Salespersons	$30,011	14,730
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	$64,677	14,532
Laborers and Freight, Stock, and Material Movers, Hand	$31,554	11,887
Customer Service Representatives	$39,874	11,593
First-Line Supervisors of Retail Sales Workers	$43,215	11,309

[1] EDD/LMID Occupational Employment Statistics; 2020 Wages reflect California median annual wage. Median is the point at which half of workers earn more and half earn less. The wages are from the 2020 first quarter and do not include self-employed or unpaid family workers. The wages have all been updated to the first quarter of 2020 by applying the US Department of Labor's Employment Cost Index to the 2019 wages.

[2] The data from Burning Glass Technologies Labor Insight™ data series reflects California occupations with the highest number of online job advertisements from June 13, 2020 – August 11, 2020.

[3] These May 2019 OES estimates are based on a "hybrid" structure that is a combination of the 2010 and 2018 Standard Occupational Classification (SOC) system. See the "Technical Notes for the May 2019 Estimates" on the Bureau of Labor Statistics Web site for additional information about the OES survey.

Toolbox for Job Seekers

For a collection of resources to assist job seekers with job search, career exploration, and training needs, visit the Toolbox for Job Seekers.

Glossary

For definitions of terms used in this Briefing, as well as other terms commonly used in connection with employment and labor market information, visit the Glossary of Terms.

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