Economic Update

(Its Still All About the Pandemic)

LMID Advisory Group Meeting

November 4, 2021

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Employment Development Department

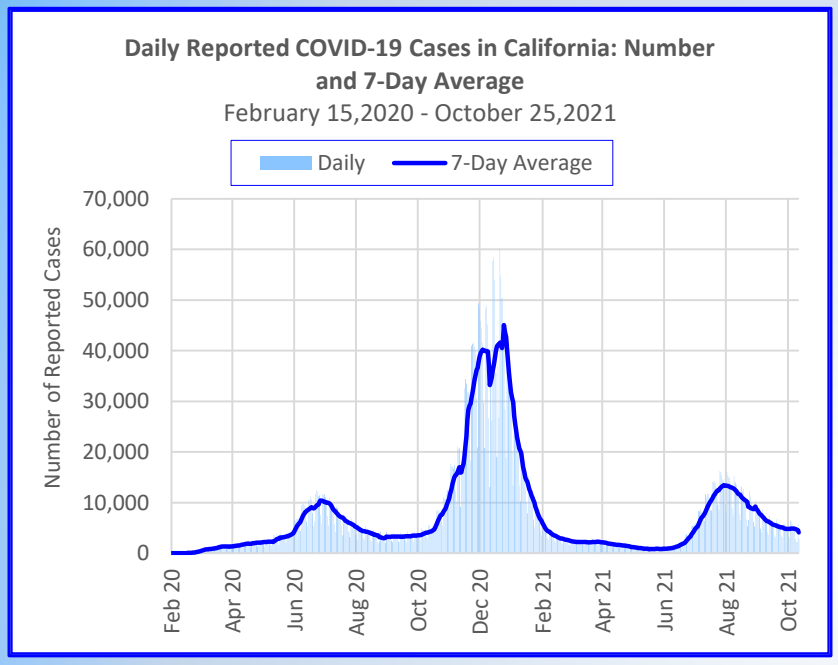
Labor Market Information Division

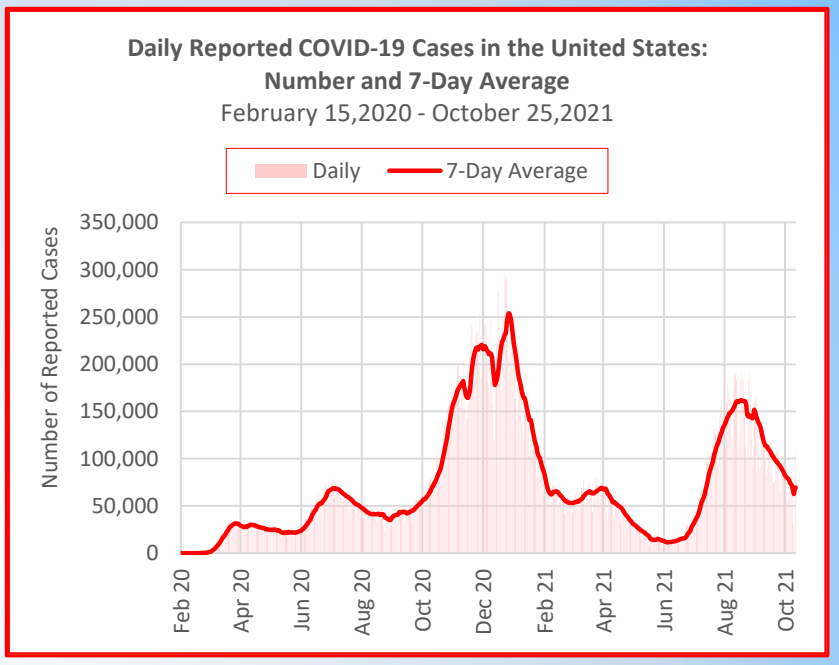
Employment Development Department

State of California

Pandemic Timeline

Daily Pandemic Cases in California and the Nation (Source: CDC)





Raw Statistics: Pandemic-To-Date as of 11/1/2021

<u>Total Cases:</u>

United States = 45,934,695 — 13,843 per 100,000 persons
California = 4,917, 683 (State Rank = 1) — 12,446 per 100,000 persons (State Rank = 39)

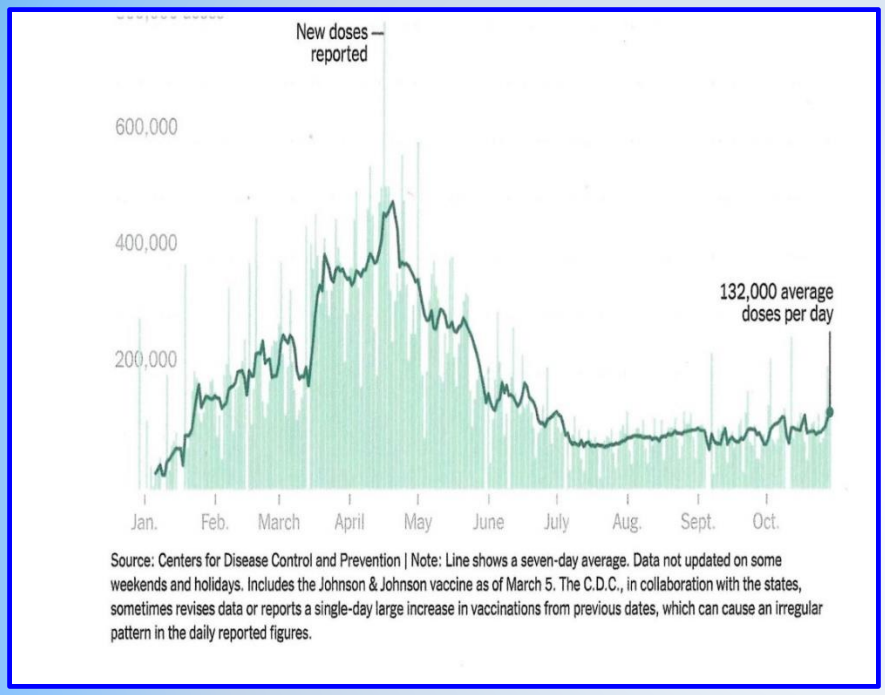
<u>Deaths:</u>

United States = 745,535 — 225 per 100,000 persons
California = 72,140 (State Rank = 1) — 183 per 100,000 persons (State Rank = 35)

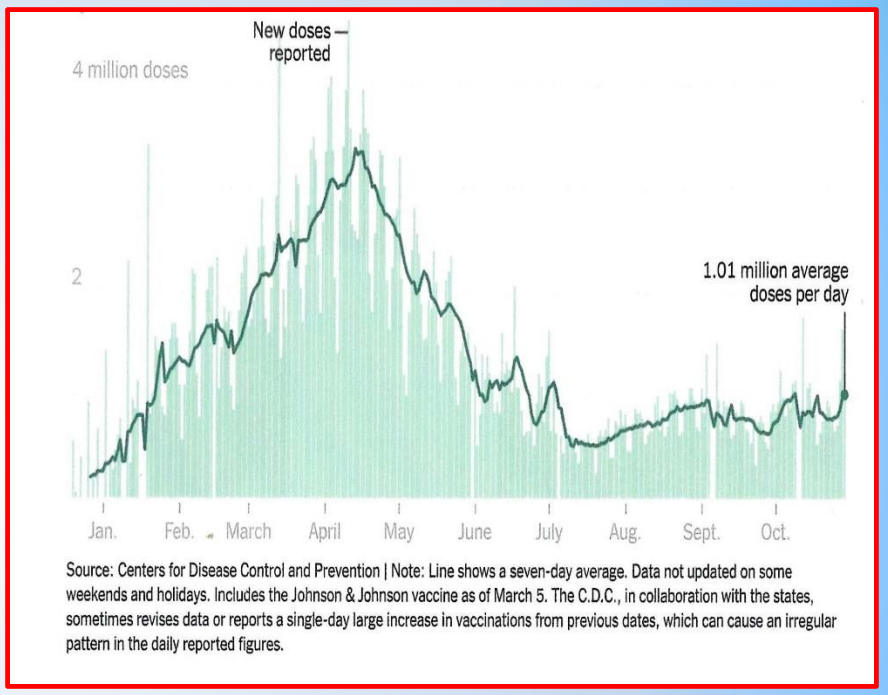
Pandemic Timeline

Vaccination Uptake in California and the U.S. (Source: New York Times, 11/1/2021)

CALIFORNIA



UNITED STATES



Vaccination Uptake By Age Group as of 11/1/2021: U.S. and California
(Percent of Population)

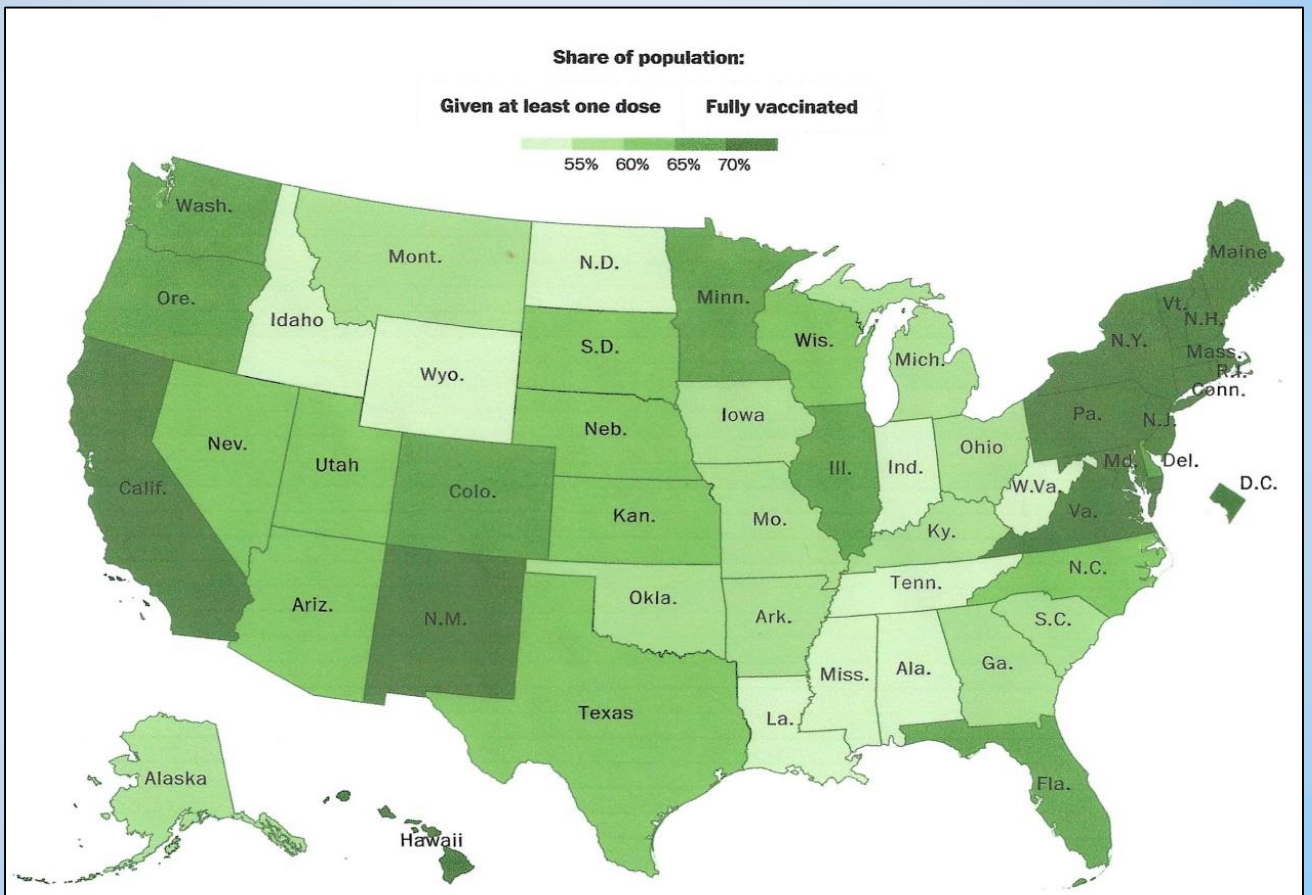
	United States		California	
	At least One Dose	Fully Vaccinated	At least One Dose	Fully Vaccinated
All Ages	66%	58%	*74%*	*61%*
12 and Up	78%	68%	*87%*	*72%*
65 and Up	97%	85%	*>99%*	*83%*

Source: New York Times, 11/1/2021

Pandemic Timeline

The Rate of Vaccination Uptake Among States Has Varied Greatly As Has Their Public Health Responses

(Chart Source: Washington Post, 11/1/2021)



Jurisdiction	Share of population that has received at least one dose	Share of population fully vaccinated	Weekly change in doses administered
U.S.	66.7%	**58%**	57% ↑

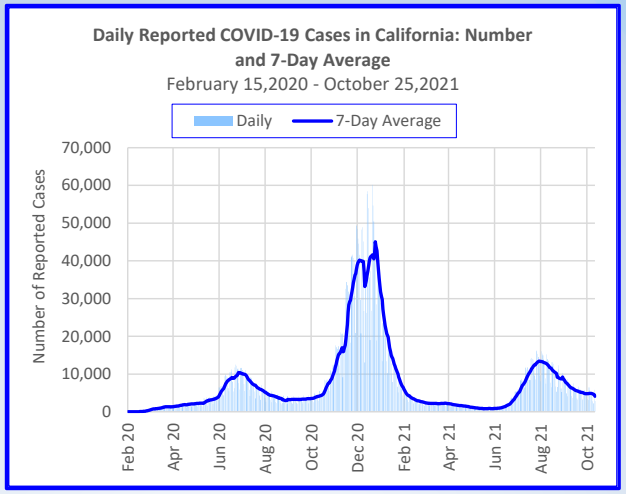
Pandemic Timeline

There isn't much consensus about where the pandemic will go from here.

- Some health experts fear a cold-weather wave in the pandemic will occur in the next few months as people congregate in heated indoors areas with poor air circulation. There are possible indications that this may be already happening in some northern tier states.
- Others contend that the worst waves of the pandemic may be behind us. The pandemic can now only spread so fast and so far before hitting a wall because:
  - The share of the population that has been fully vaccinated continues to grow (albeit more slowly than once hoped), children age 5 to 12 will soon be vaccine eligible, booster vaccines will soon be widely available.
  - A substantial share of the non-vaccinated public has already contracted COVID-19 and have built up at least some natural acquired immunity.
  - Effective treatments have emerged that can control the worst side effects of the virus if caught early enough.
- Virtually all public health officials expect that the COVID-19 virus will never completely go away, but will instead become endemic, much like influenza. (In other words, get used to those COVID-19 booster shots.)
- Even if the United States and other parts of the world figure out how to control the pandemic, it will continue as a global problem, especially in resource-poor developing countries. There will be a continuing risk that more vaccine resistant strains of the virus will emerge.

➔ **The pandemic isn't over yet. The story of how it will unfold has yet to be told.**

California's Public Health Response to the Pandemic



- February 2020-April 2020: Following the pandemic outbreak, California, along with the nation, and much of the world, adopted strict public health measures that shut down all but essential services and activities in the economy, established strict social distancing requirements in public places, and limited people's ability to congregate and move around.

  State and federal governments launched unprecedented investments in social safety nets and strong economic stimulus totaling several trillions of dollars to cushion the impacts of these measures on workers and businesses.

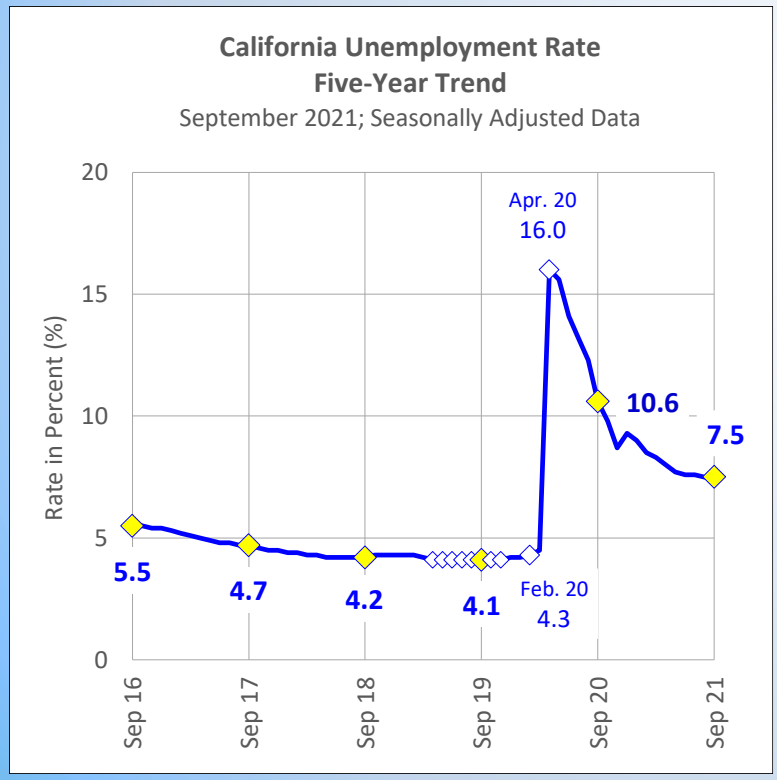
- April 2020-November 2020: Shutdown lifted, program of "toggling" of pandemic restrictions based on county-level prevalence of the COVID-19 virus began. General easing of restrictions overall. Blueprint for a Safer Economy implemented in August 2020.

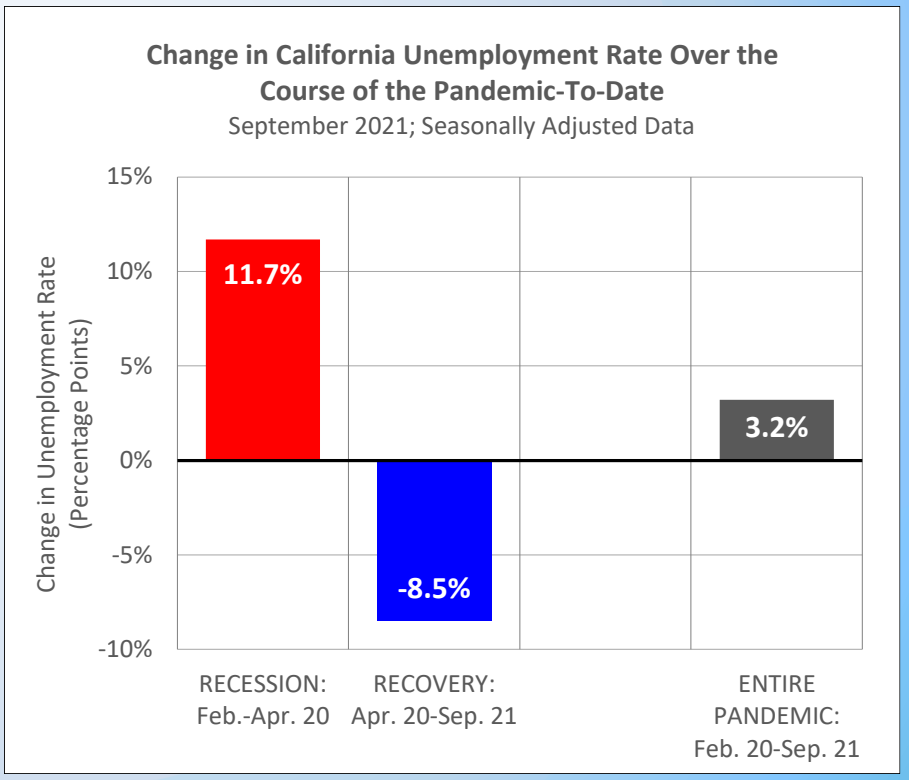
- November 2020-January 2021: Regional Stay-At-Home Order in effect; stricter pandemic restrictions on economic activities put into effect.

- January 2021-Present: Full Re-Opening of the California Economy, beginning with the lifting of Regional Stay-At-Home Order in late January and culminating in the full re-opening of the economy on June 15, 2021.

California Unemployment Rate

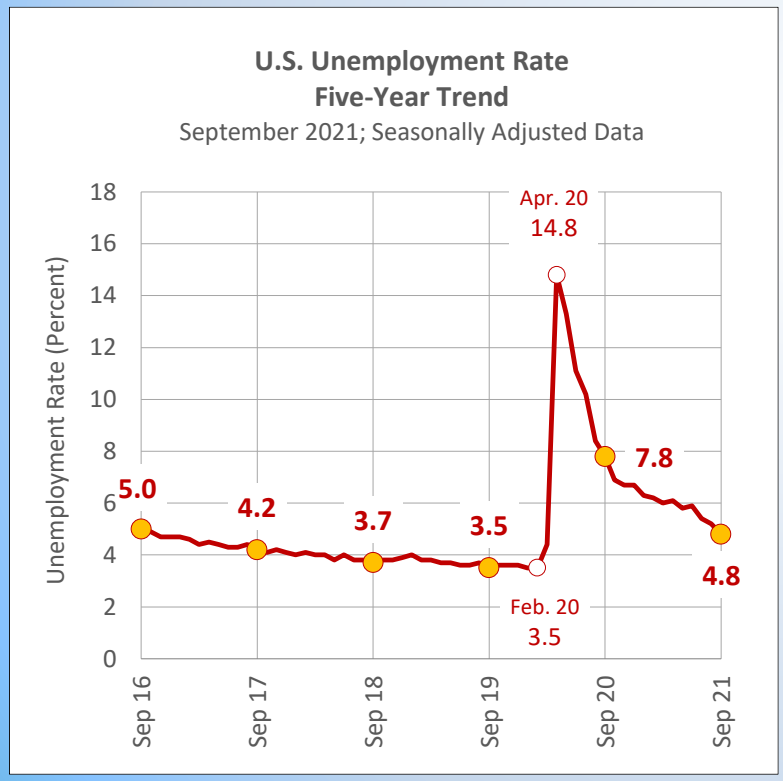
- California's seasonally adjusted unemployment rate rose from a near record low of 4.3 percent in February 2020 to a record high of 16.0 percent in April 2020. This was an increase of 11.7 percentage points over just two-months. California's rate fell rapidly after the state began re-opening its economy and stood at 7.5 percent in September 2021. This was 8.5 percentage points lower than its pandemic peak in April 2020, but 3.2 percentage points higher than its pre-pandemic level in February 2020.

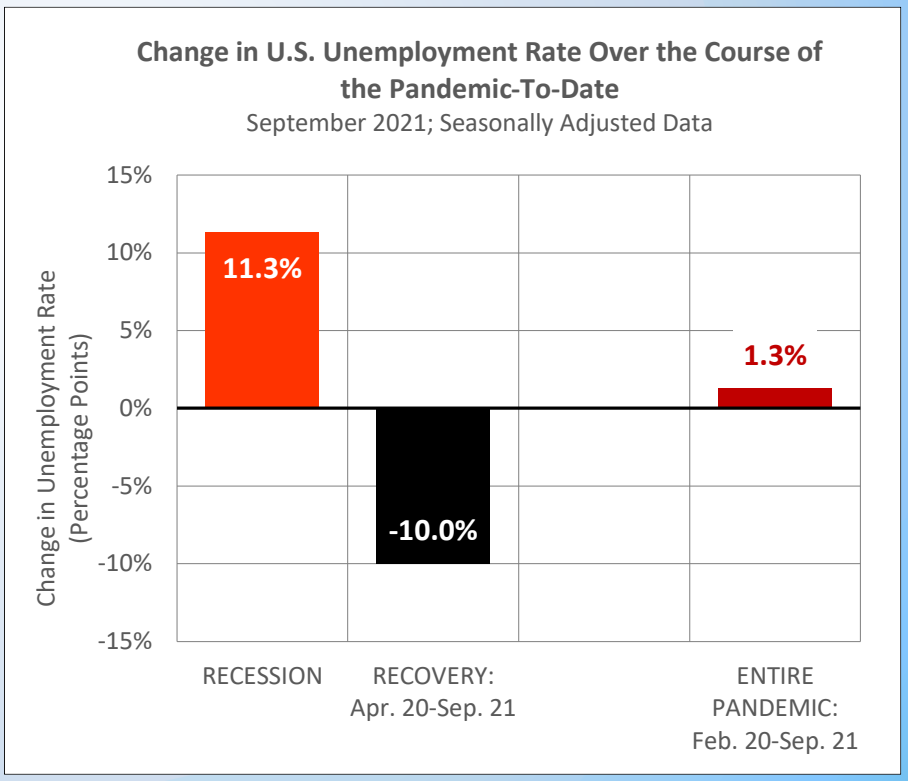




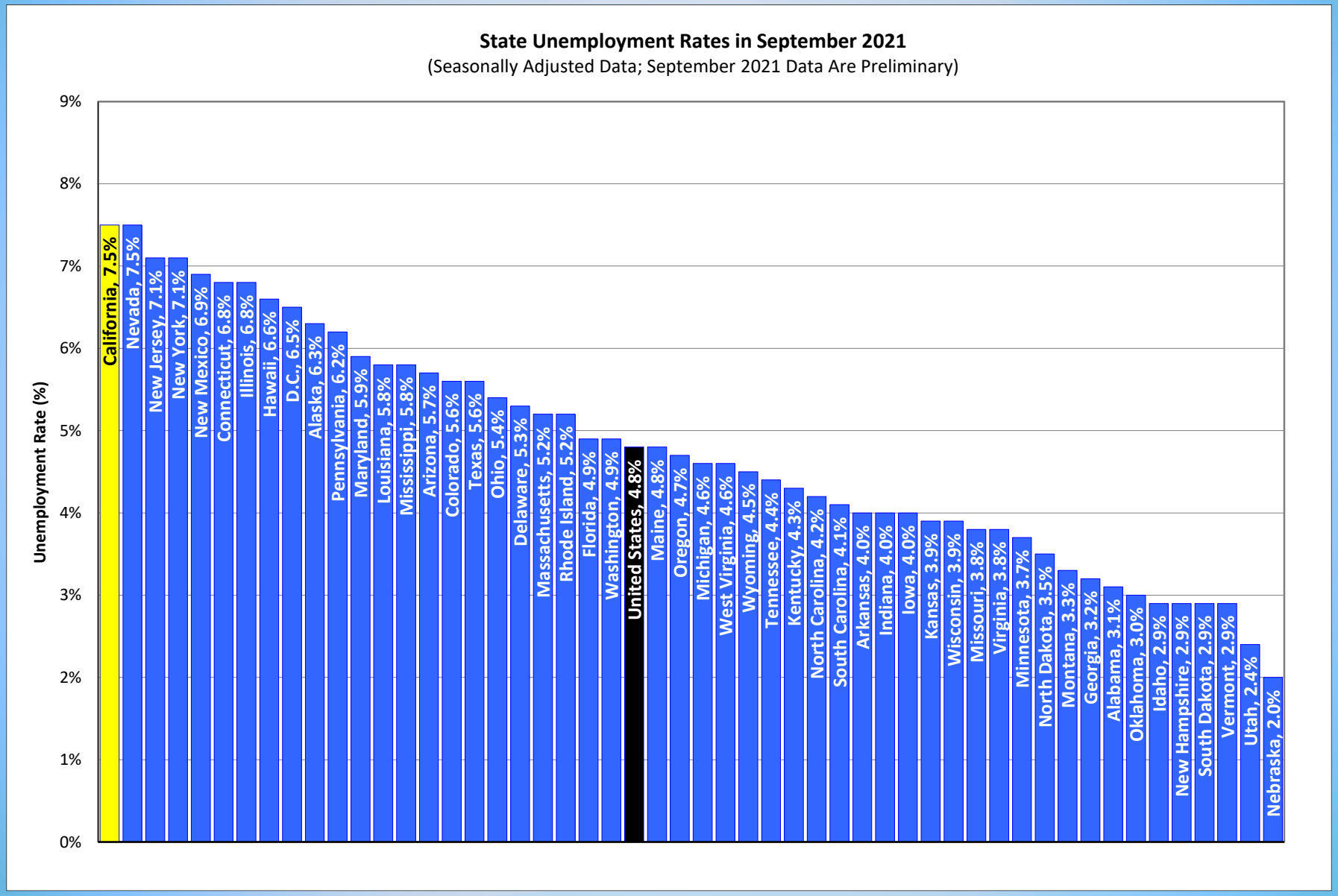
U.S. Unemployment Rate

- The U.S. seasonally adjusted unemployment rate rose from a record tying low of 3.5 percent in February 2020 to a record high of 14.8 percent in April 2020. This was an increase of 11.3 percentage points over just two months. The U.S. rate has fallen fell rapidly over the course of the recovery-to-date and fell to 4.8 percent in September 2021. This was 10.0 percentage points lower than its pandemic peak in April 2020 and just 1.3 percentage points higher than its pre-pandemic level in February 2020.



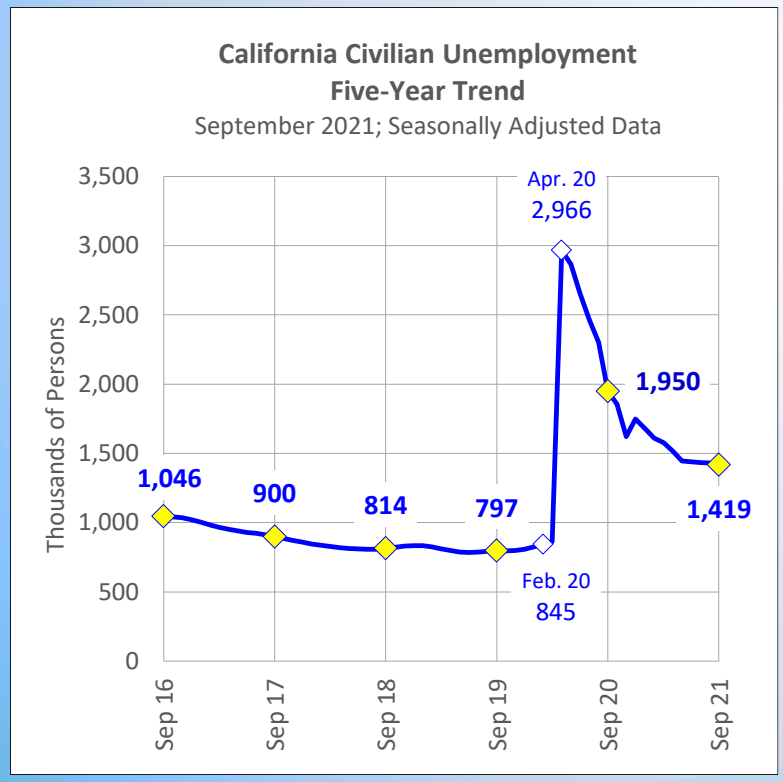


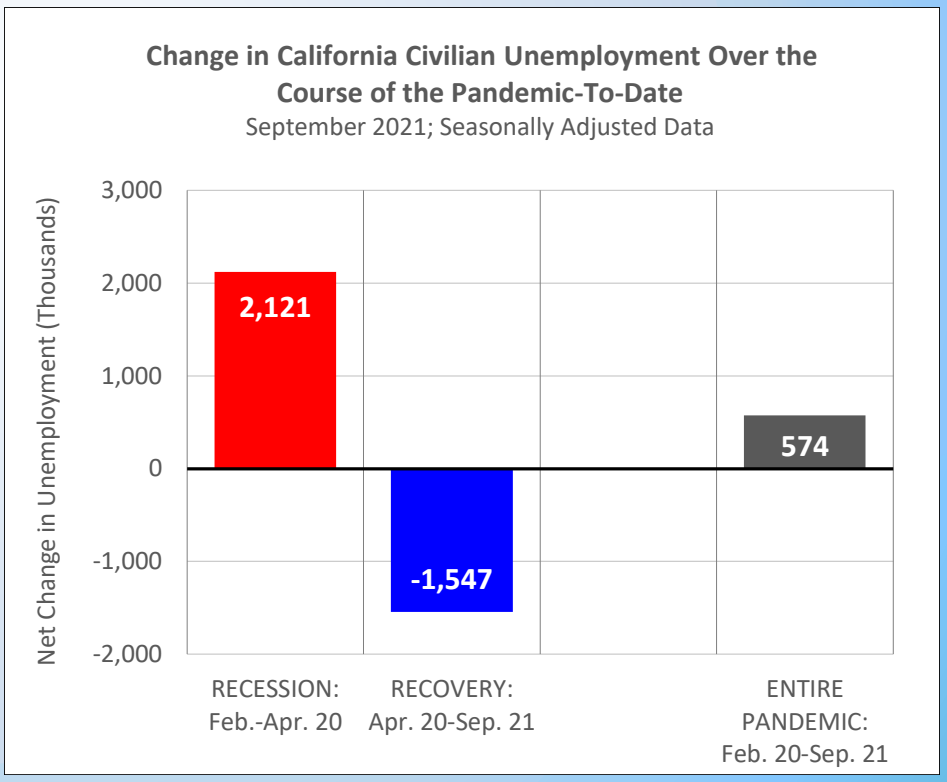
California's September 2021 Unemployment Rate in Comparison to Other States and the Nation



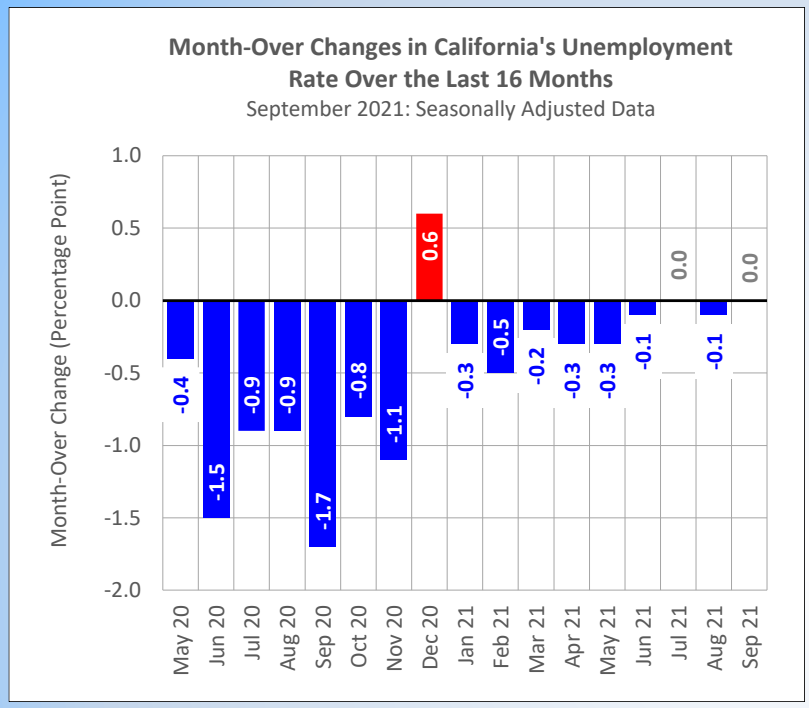
California Civilian Unemployment (Number of Unemployed)

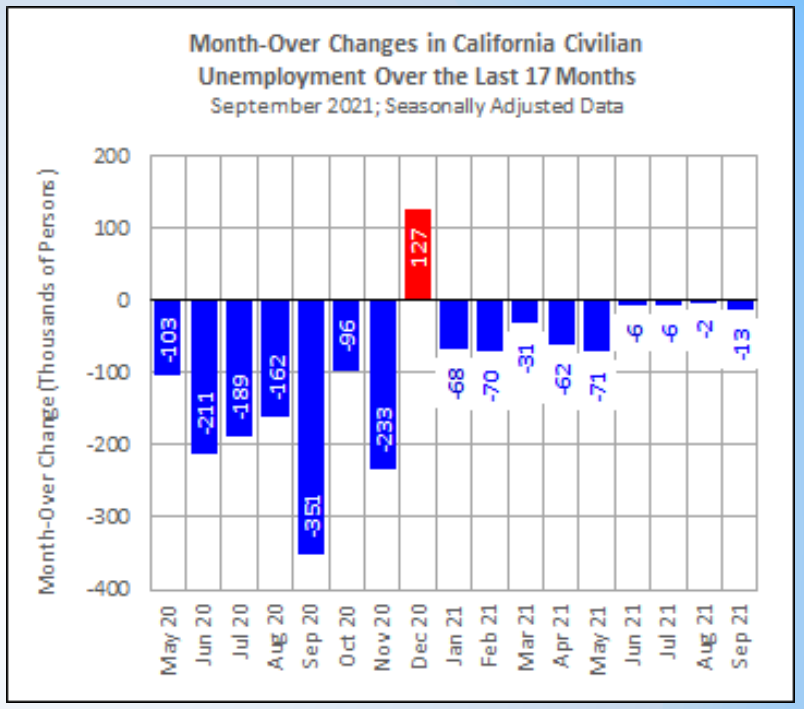
- The number of unemployed Californians, which had fallen to a 30-year low just a few short months previously, rose from 845,000 persons in February 2020 to a record-shattering peak of 2,966,000 persons in April 2020. This was an increase of over 2.1 million persons--virtually all of which occurred in the month of April alone. California civilian unemployment has fallen substantially over the course of the recovery-to-date and stood at 1,419,000 persons in September 2021. This was 1,547,000 persons below the April 2020 peak, but still 574,000 persons higher than the pre-pandemic level in February 2020.





The Pace At Which Unemployment is Falling in California Has Diminished Over the Course of the Recovery.

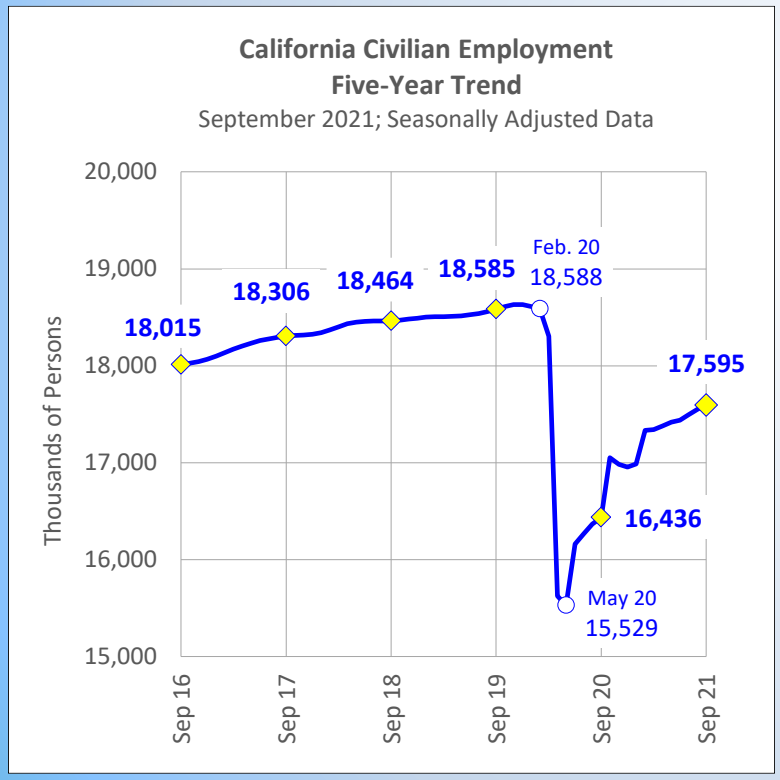


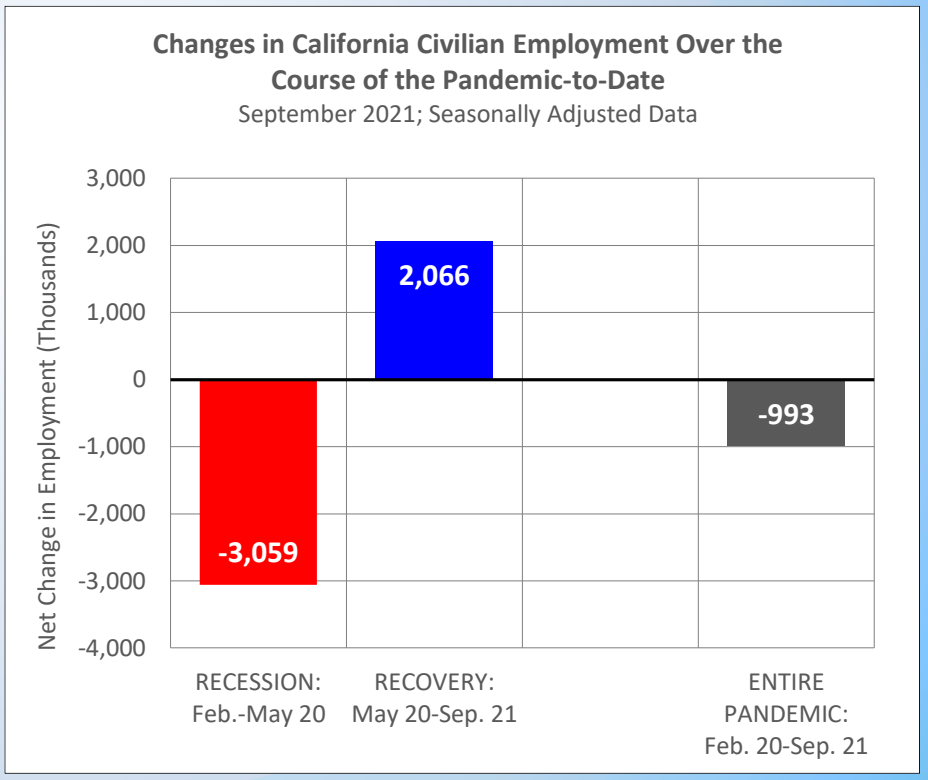


- The number of unemployed Californians fell by 1,345,000 persons (192,000 persons per month) and the unemployment rate fell by 7.3 percentage points over the seven-month period from April 2020 through November 2020.
- Unemployment rose in December 2020 when strict pandemic restrictions were in effect, but resumed falling thereafter. The number of unemployed Californians fell by 302,000 persons (60,000 persons per month) and the unemployment rate fell by 1.6 percentage points over the five-month period from December 2020 through May 2021.
- The number of unemployed Californians fell by just 27,000 persons (7,000 persons per month) and the unemployment rate fell by just 0.2 percentage point over the four-month period from May 2021 through September 2021.

California Civilian Employment

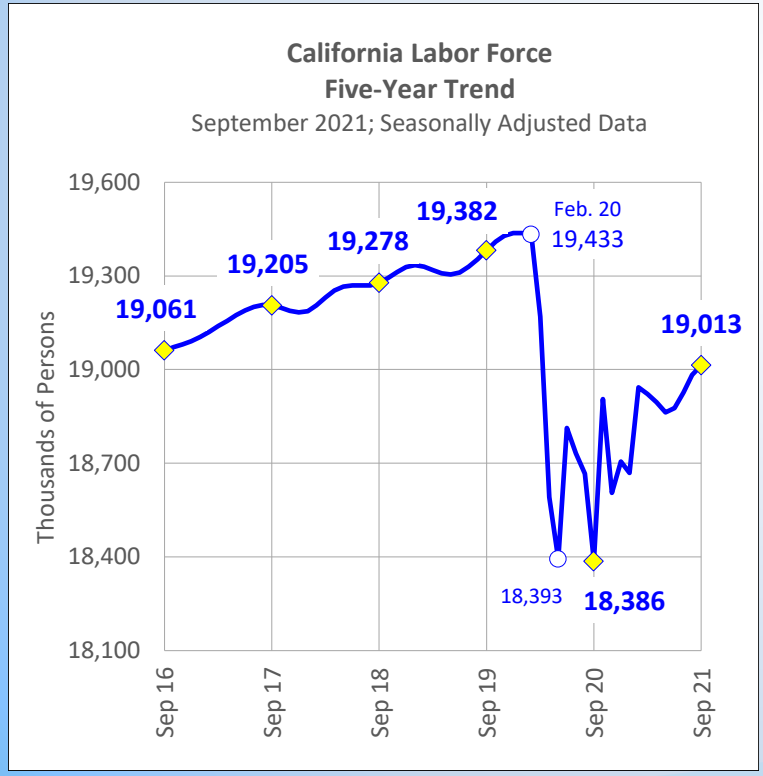
- The number of employed Californians plunged by 3,059,000 persons from February through May 2020. Employment recovered substantially with the loosening of pandemic restrictions and the safe reopening of the economy, growing by 2,066,000 persons from May 2020 through September 2021. Even after this improvement, there were still civilian just shy of one million fewer employed Californians in September 2021 than there were in February 2021.

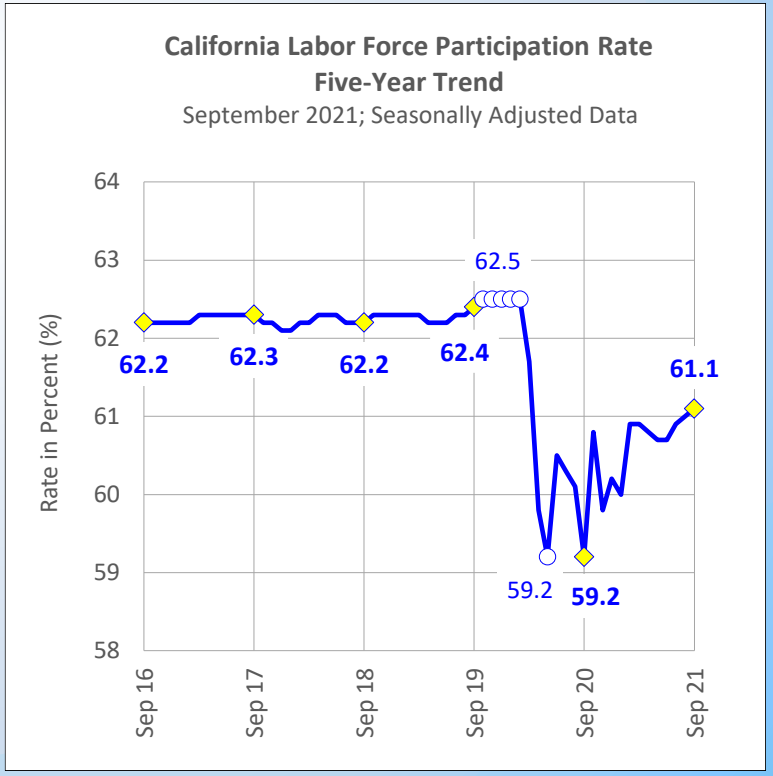




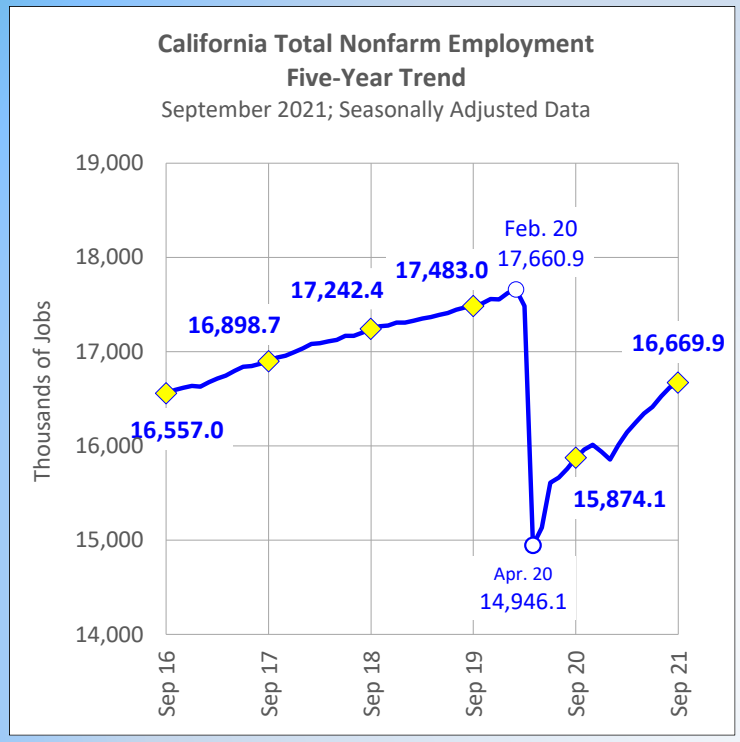
California Labor Force

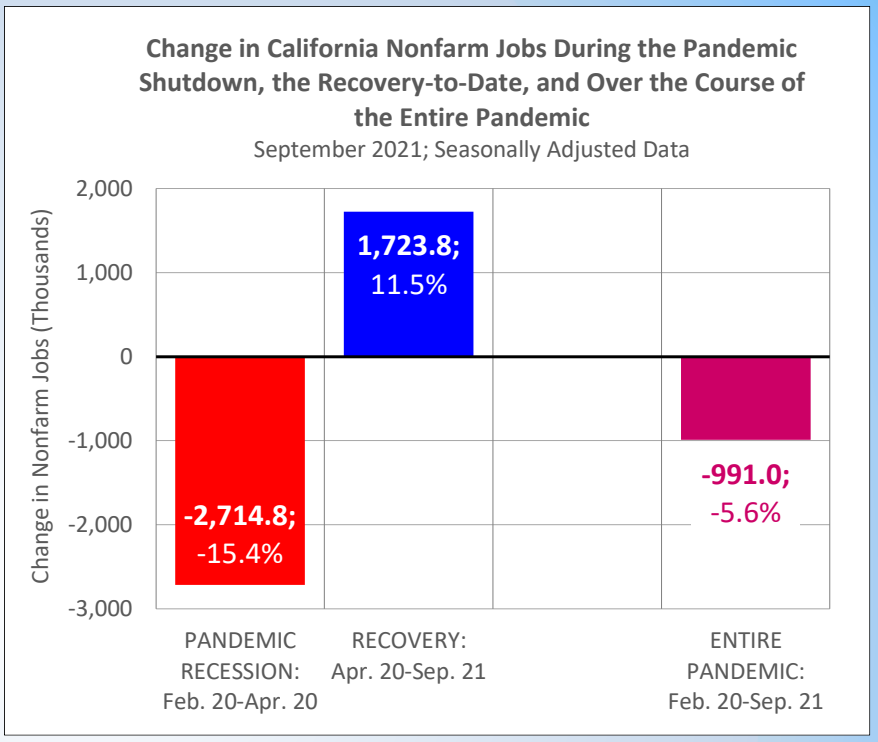
- California's labor force and labor force participation rate have been growing in recent months but both remain well below pre-pandemic levels. The data suggest that substantial numbers of potential workers continue to stay on the sidelines of the labor market. Among the possible contributing factors as to why : a surge in retirements among baby-boomers since the pandemic began, continuing childcare constraints despite school campus re-opening, and continued trepidation by some about being exposed to the COVID-19 virus by participating in the labor force.





California Total Nonfarm Employment



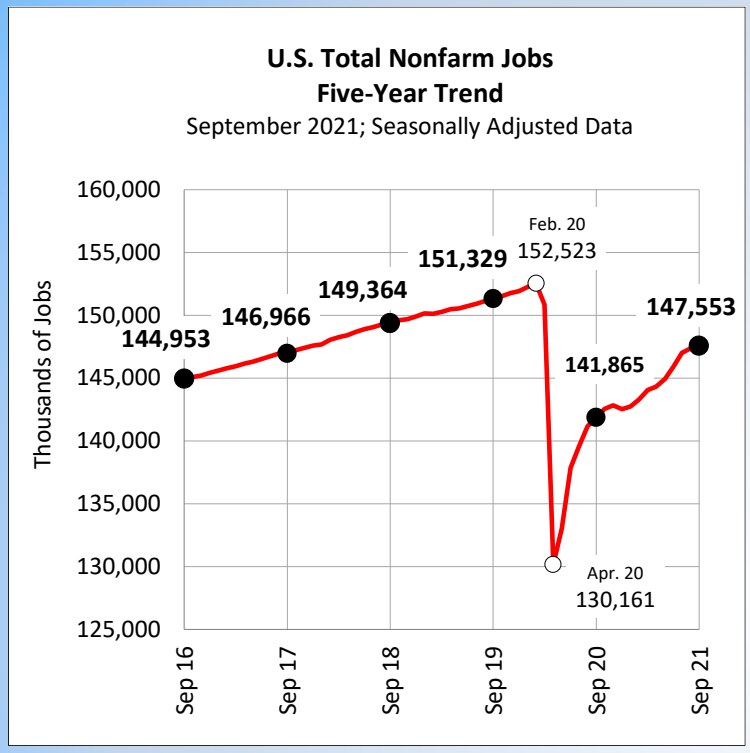


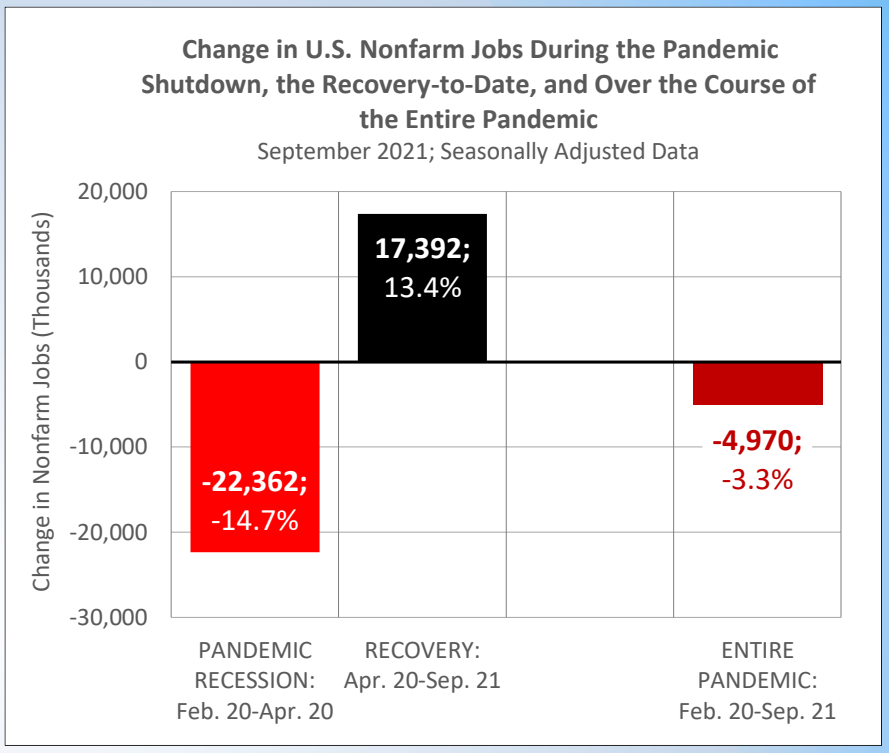
- California lost 2,714,800 nonfarm jobs from February 2020 through April 2020 (over 2.5 million in April alone), which was a decrease of 15.4 percent over just two months. This loss was unprecedented in both its magnitude and its short duration.
- California's recovery entered its 17th month in September 2021. The state added 1,723,800 nonfarm jobs (11.5 percent) from its pandemic low in April 2020 through September 2021. This still left total nonfarm employment 991,000 jobs (5.6 percent) below its pre-pandemic level in February 2020. As of September 2021, California had recovered 63.5 percent of the jobs it lost during the pandemic-induced recession.
- California added jobs for the eighth consecutive month in September 2021, with gains over the period totaling 812,000 nonfarm jobs (5.1 percent). This time period corresponds with the progressive easing of pandemic restrictions and the full reopening of the California economy.

California Total Nonfarm Employment

- The state is in the midst of a robust employment recovery:
  - Prior to the pandemic, a 98,500-job increase in April 2016 was California's single largest job gain on record in a data series going back to the beginning of 1990. The state has added more than 100,000 jobs seven times during 17 months of the recovery-to-date. The state added an ***average*** of 101,400 nonfarm jobs each month from April 2020 through September 2021.
  - California has sustained this pace of job growth during the last eight months of the recovery, adding an average of 101,500 jobs per month from January 2021 through September 2021.
  - California's largest year-over percentage job increase on record prior to the pandemic was a 4.0 percent increase in November 1998. The state has added jobs at double that rate over the recovery-to-date, growing at an annualized pace of 8.1 percent over the course of the entire 17-month recovery-to-date. It added jobs at an annualized pace of 7.7 percent from January 2021 through September 2021.
  - California added an average of 28,900 jobs per month and grew at an average annual pace of 2.4 percent over the course of its February 2010 through February 2020 expansion. The state has added jobs at a rate about 3 1/2 times that over the course of the recovery to-date.

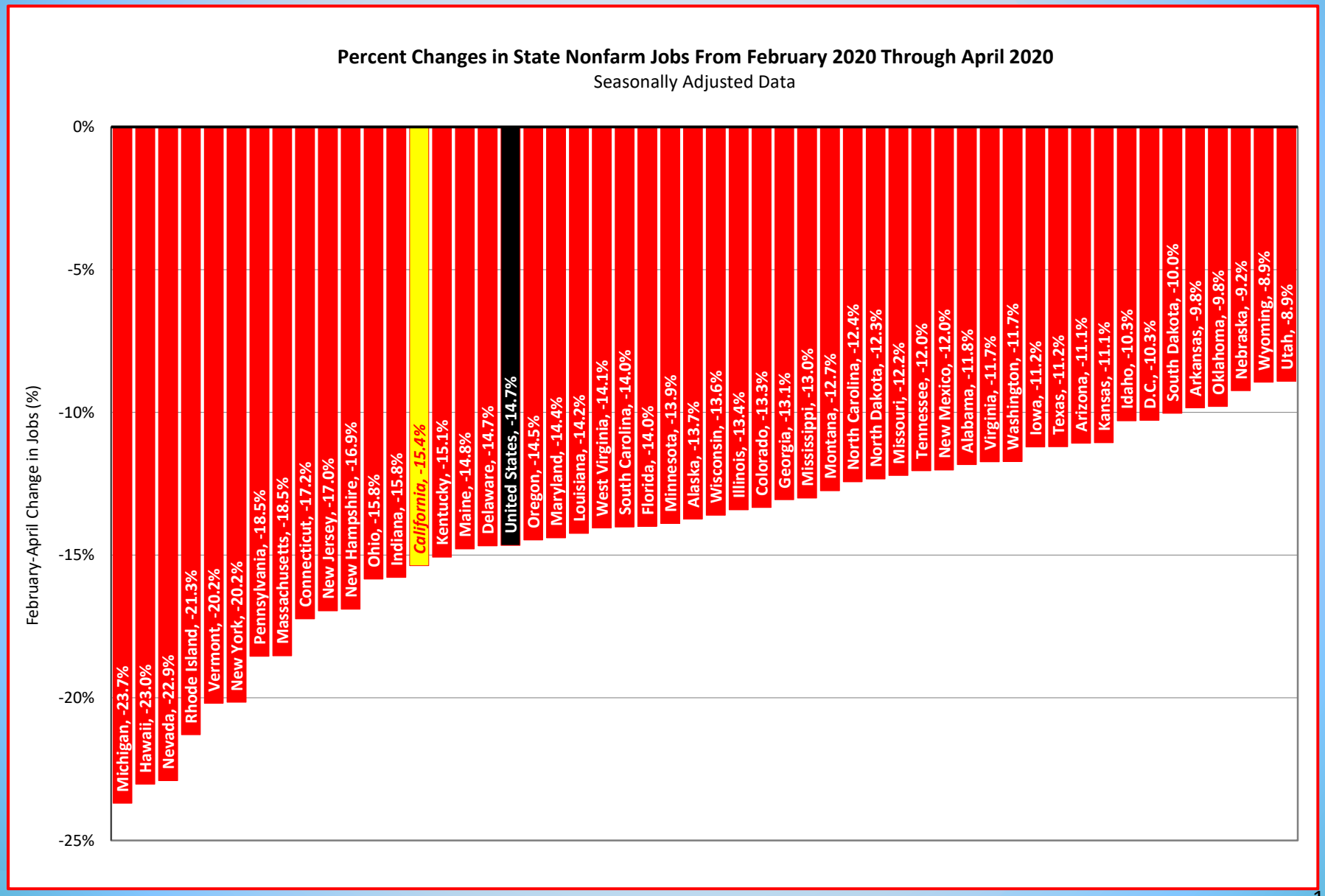
U.S. Total Nonfarm Employment



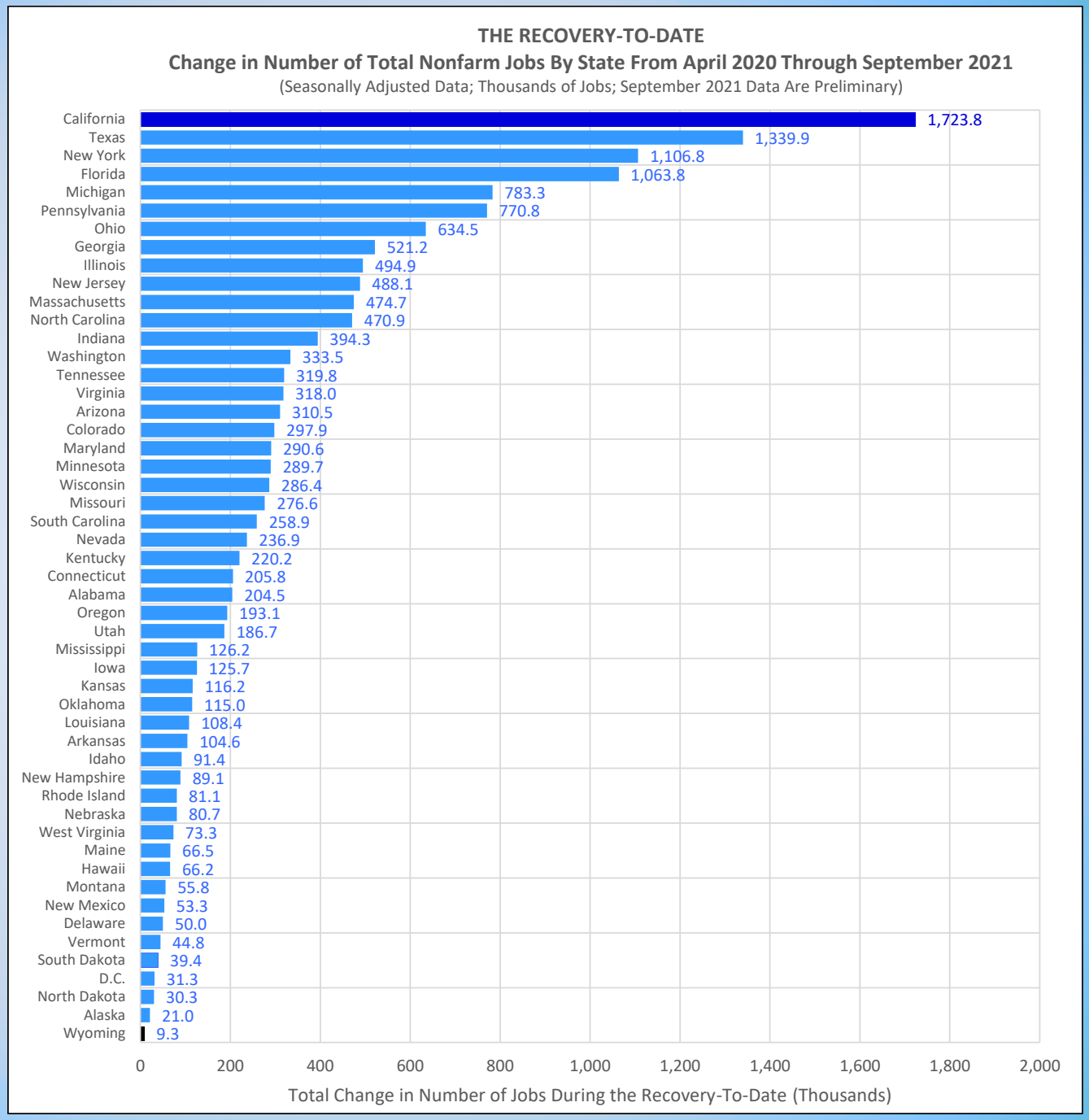


- The nation lost 22,362,000 nonfarm jobs from February 2020 through April 2020 (over 20.7 million in April alone), which was a decrease of 14.7 percent over just two months. This loss was unprecedented in both its magnitude and its short duration.
- The nation's recovery also entered its 17th month in September 2021. The U.S. added 17.4 million jobs (13.4 percent) from its pandemic low in April 2020 through September 2021. This still left total nonfarm employment nearly five million (3.3 percent) below its pre-pandemic level in February 2020. The nation was further along in its recovery than California, having recovered 77.8 percent of pandemic-related job losses as of September 2021.

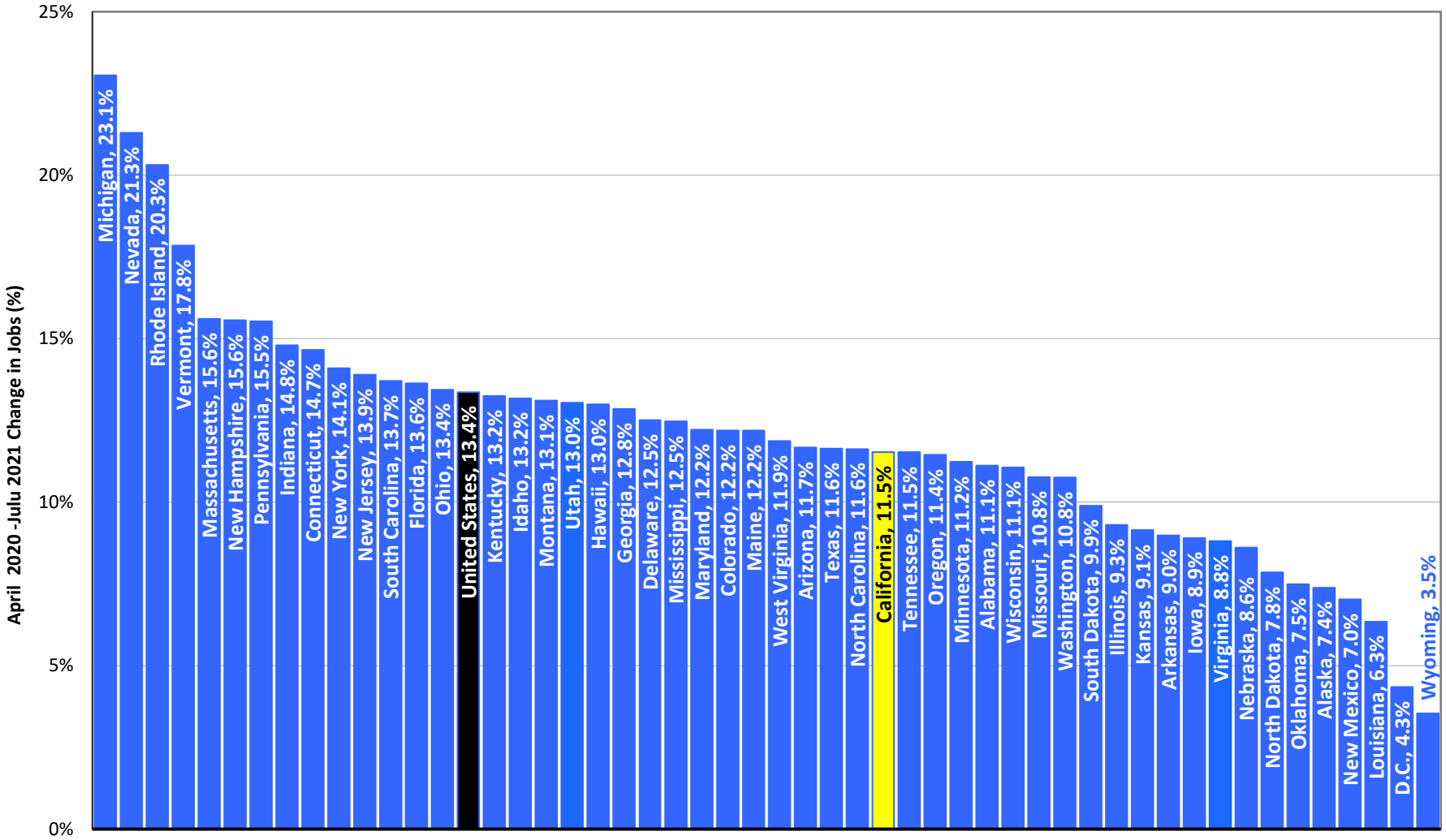
California Comparisons to Other States and the Nation: The Pandemic-Induced Recession (Percent Change in Nonfarm Jobs from February Through April 2020)



California in Comparison to Other States: The Recovery-To-Date (Change in Nonfarm Jobs from April 2020 Through September 2021)

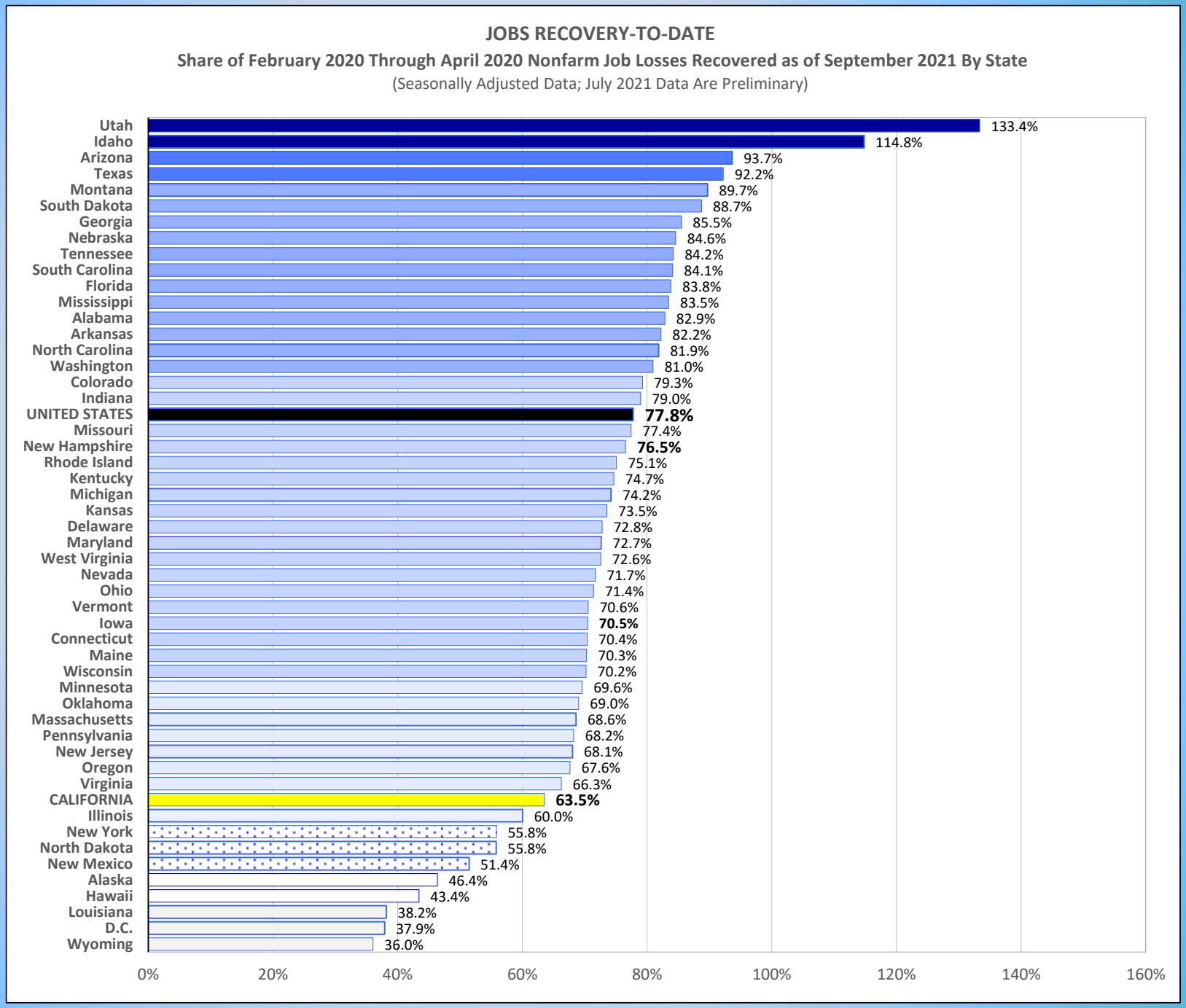


California in Comparison to Other States: The Recovery-To-Date

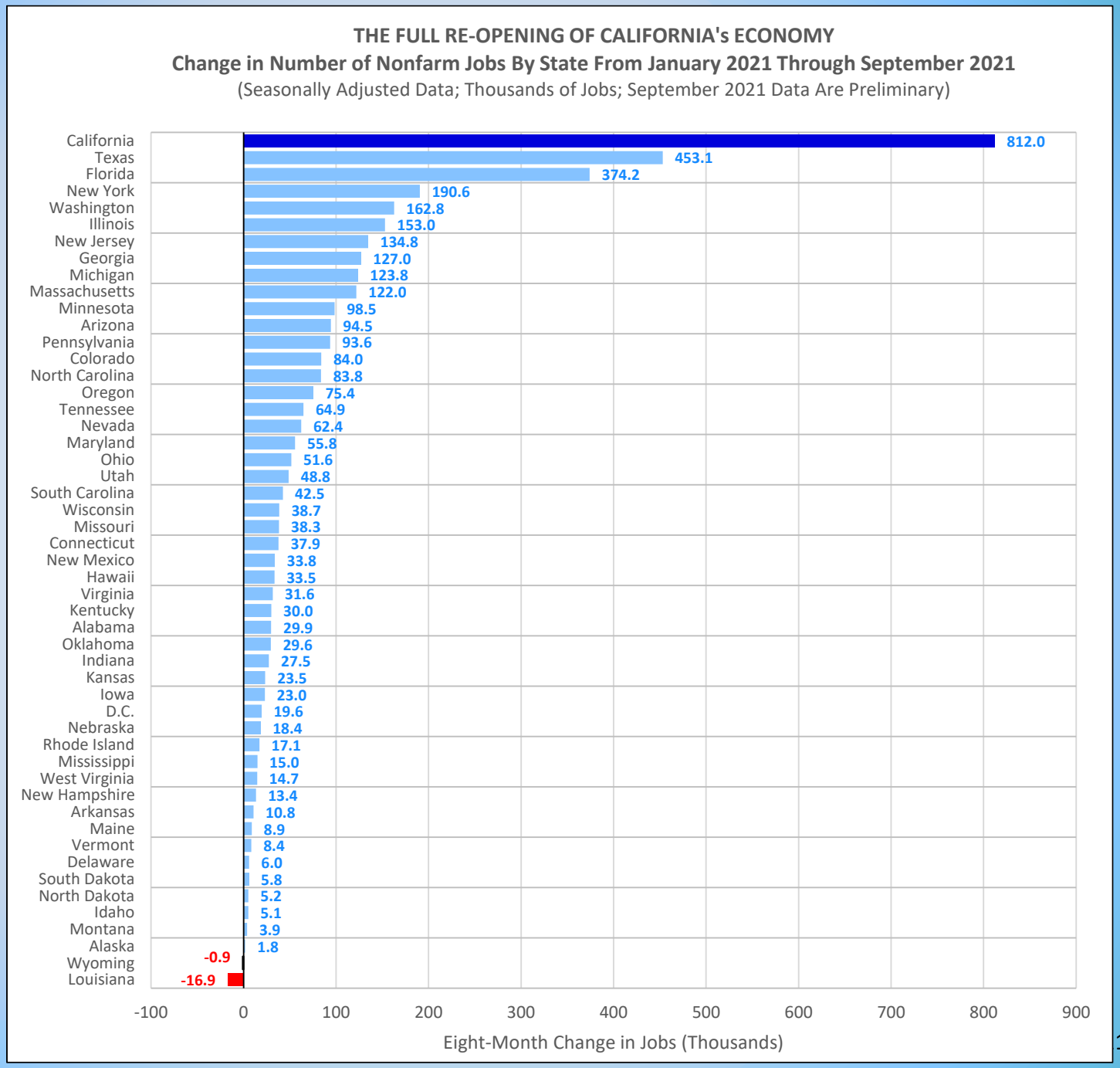


Tracking the Recovery By State

Share of Jobs Lost During the Pandemic-Induced Recession That Had been Recovered as of September 2021



California's Recovery-to-Date May Be Lagging That of Most Other States and the Nation As A Whole, But It Is Catching Up Now That It Has Fully Re-Opened Its Economy



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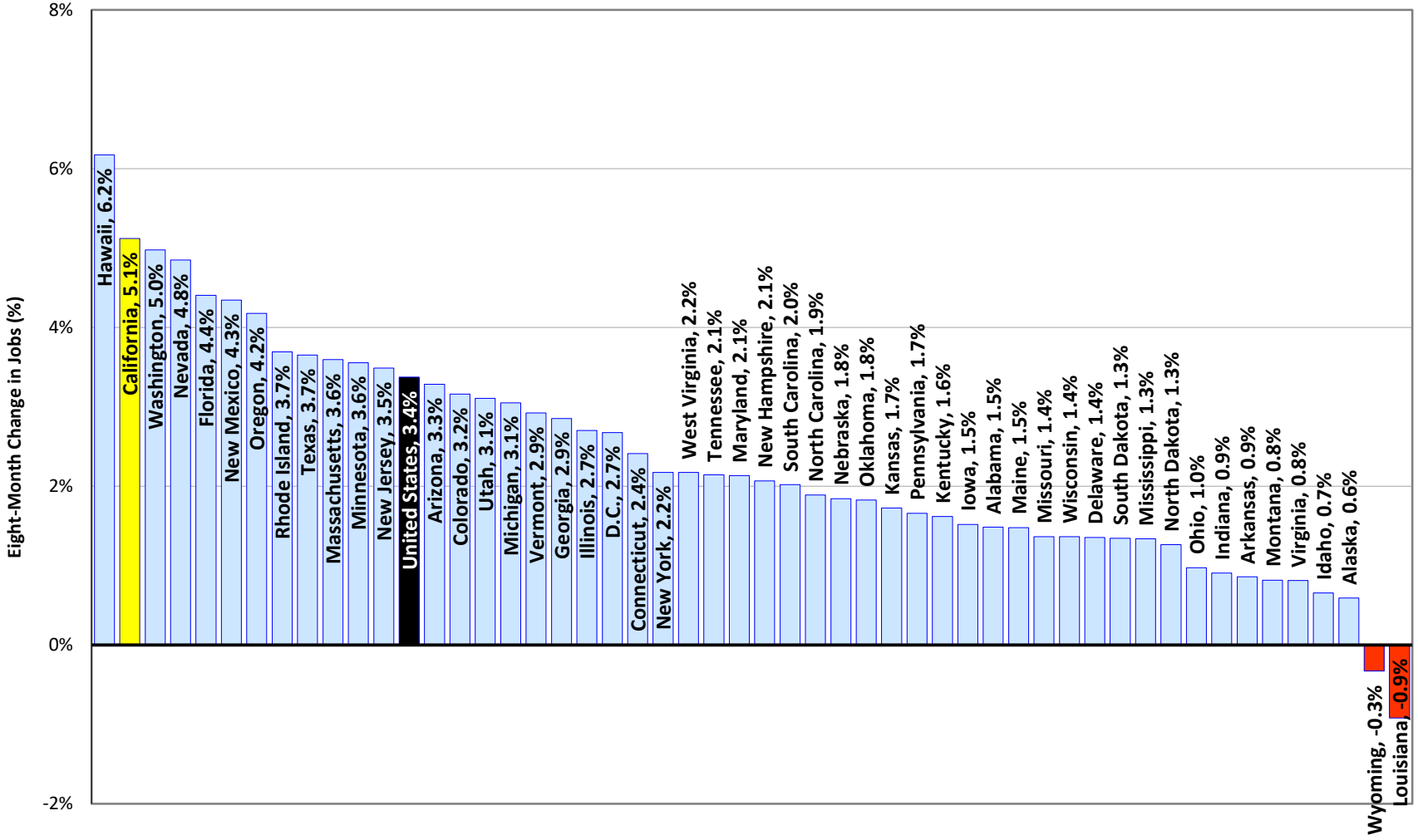
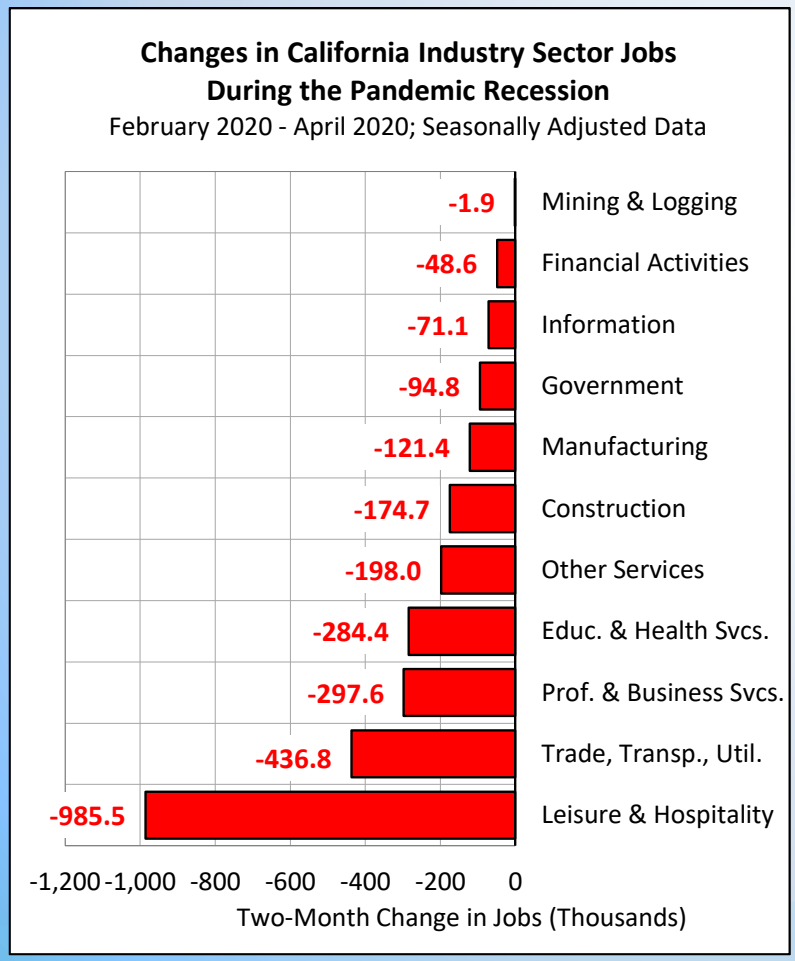
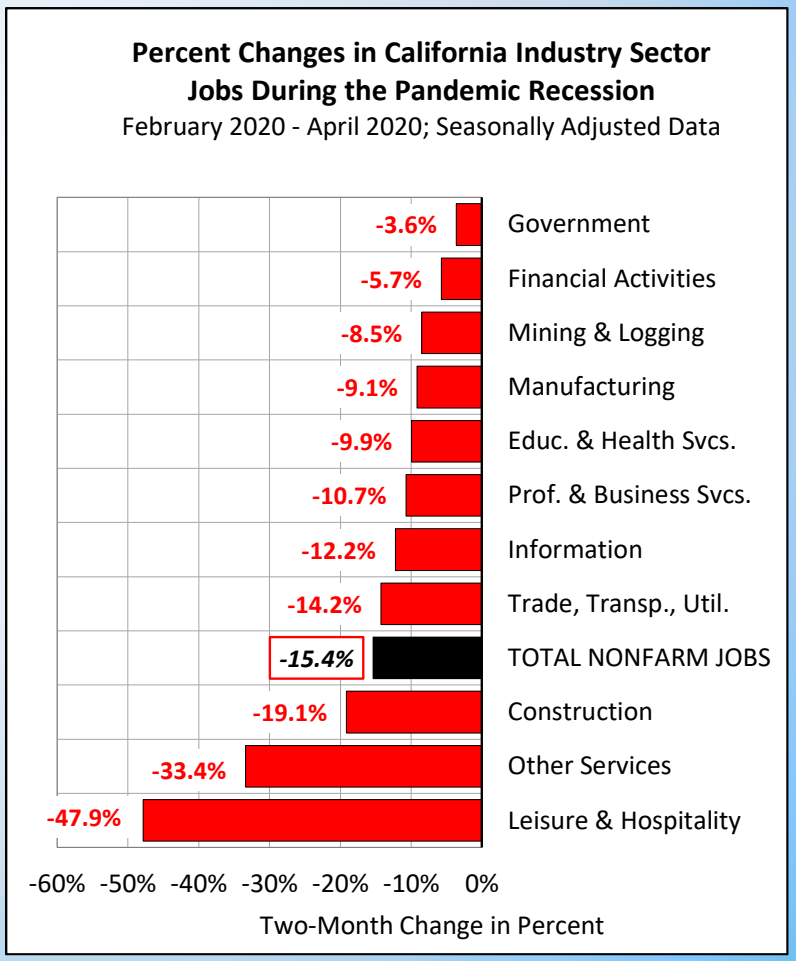


California Industry Sector Jobs Over the Course of the COVID-19 Pandemic-To-Date

Pandemic-Induced Recession (Stay-At-Home Orders/Shutdown of Nonessential Activities)

- Every major California industry sector experienced sudden and deep job losses during the pandemic-induced recession, but losses were concentrated in the leisure and hospitality and other services sectors and other industries that involve close personal interactions, people congregating, or which depend on the movement of people (i.e., travel and tourism).

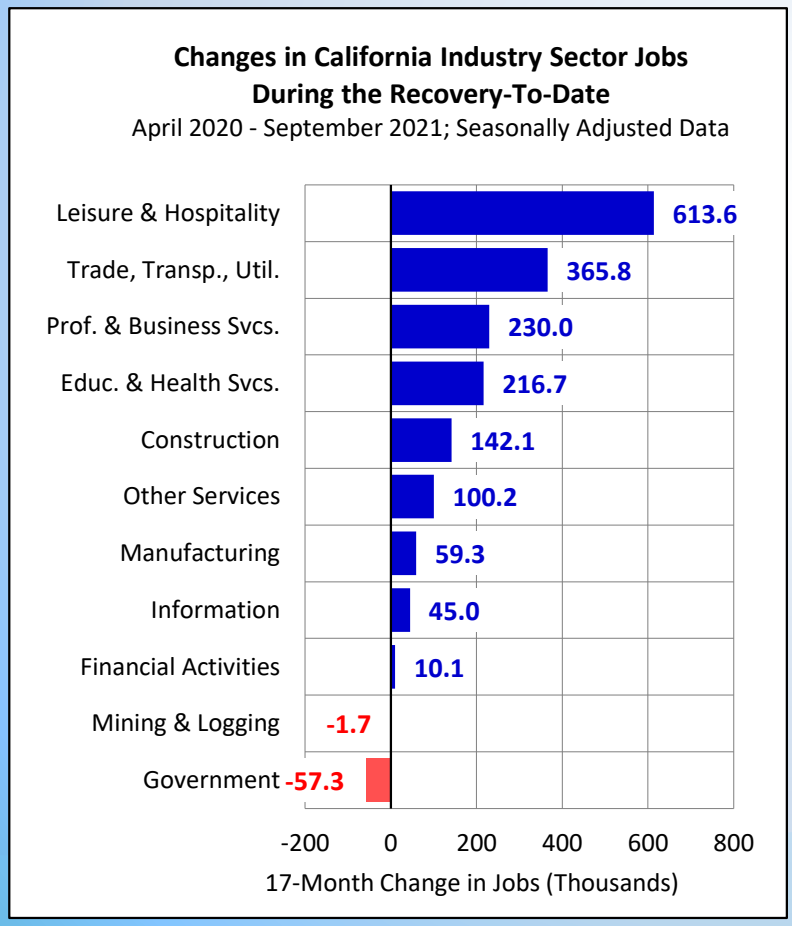


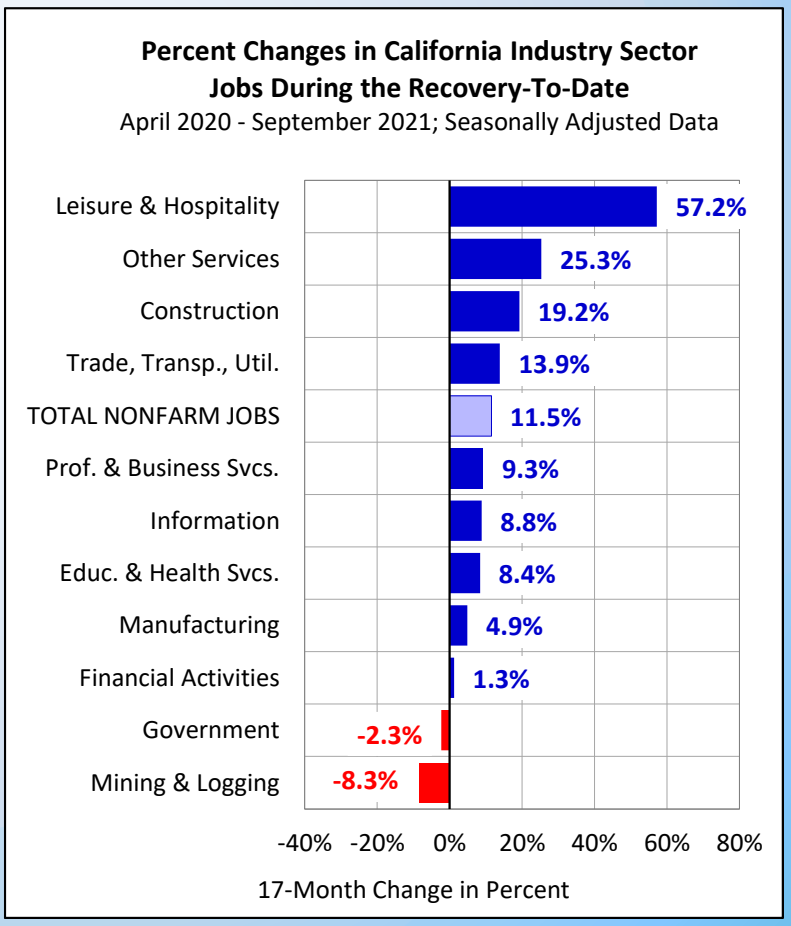


California Industry Sector Jobs During the COVID-19 Pandemic-To-Date

Recovery-to-Date (Easing of restrictions/toggling of pandemic restrictions on a county-by-county basis; full re-opening of the economy.)

- All but two of California's 11 major industry sectors have added jobs during the recovery with the fastest growth in those industries hardest hit during the pandemic-induced recession. This same pattern repeats itself across regions of the state. The loss of government jobs appears to reflect school and university closures. Now reopened for the most part, the pandemic appears to have disrupted the "normal" seasonal hiring pattern of educational institutions.





Tracking California's Recovery-to-Date By Industry Sector

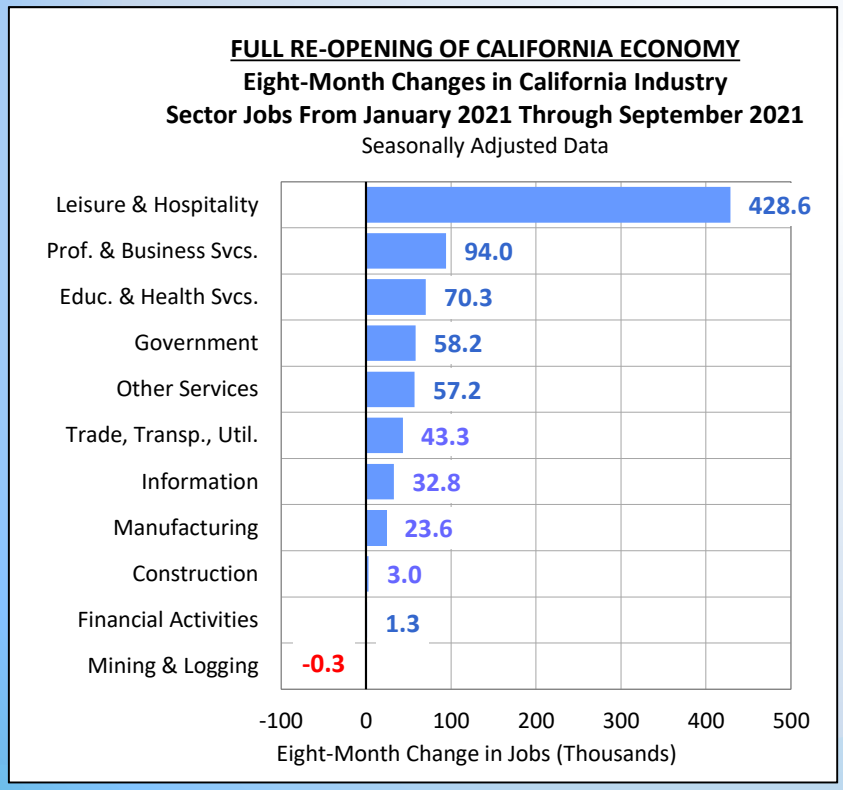
Tracking the Recovery: Industry Sector Job Changes in California During the Pandemic Shutdown (February-April 2020) and Subsequent Recovery (April 2020-September 2021)
(Thousands of Jobs; Seasonally Adjusted Data)

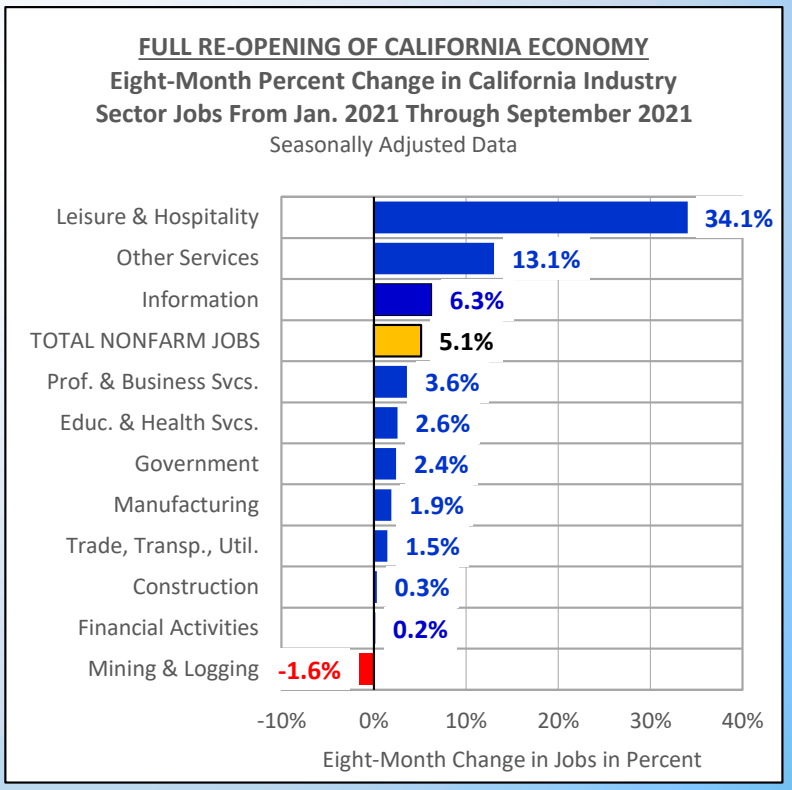
	The Shutdown	Recovery	
	Job Change: Feb.-Apr. 2020	Job Change: Apr. 2020-Sep. 2021	Share of Jobs Lost Recovered as of September 2021
TOTAL NONFARM JOBS	**-2,714.8**	**1,723.8**	**63.5%**
Trade, Transportation & Utilities	**-436.8**	**365.8**	**83.7%**
Transportation, Warehousing & Utilities	*-48.0*	*90.1*	*187.7%*
Retail Trade	*-313.3*	*243.2*	*77.6%*
Wholesale Trade	*-75.5*	*32.5*	*43.0%*
Construction	**-174.7**	**142.1**	**81.3%**
Professional & Business Services	**-297.6**	**230.0**	**77.3%**
Professional, Scientific & Technical Services	*-91.1*	*101.9*	*111.9%*
Administrative & Support & Waste Services	*-192.0*	*125.4*	*65.3%*
Management of Companies & Enterprises	*-14.5*	*2.7*	*18.6%*
Educational & Health Services	**-284.4**	**216.7**	**76.2%**
Health Care & Social Assistance	*-229.6*	*201.1*	*87.6%*
Educational Services	*-54.8*	*15.6*	*28.5%*
Information	**-71.1**	**45.0**	**63.3%**
Leisure & Hospitality	**-985.5**	**613.6**	**62.3%**
Accommodation & Food Services	*-816.6*	*525.9*	*64.4%*
Arts, Entertainment & Recreation	*-168.9*	*87.7*	*51.9%*
Other Services	**-198.0**	**100.2**	**50.6%**
Manufacturing	**-121.4**	**59.3**	**48.8%**
Nondurable Goods	*-62.1*	*31.5*	*50.7%*
Durable Goods	*-59.3*	*27.8*	*46.9%*
Financial Activities	**-48.6**	**10.1**	**20.8%**
Real Estate & Rental & Leasing	*-37.4*	*12.9*	*34.5%*
Finance & Insurance	*-11.2*	*-2.8*	*N/A*
Government	**-94.8**	**-57.3**	**N/A**
Federal Government	*2.0*	*-3.0*	*N/A*
State Government	*-11.2*	*-16.7*	*N/A*
Local Government	*-85.6*	*-37.6*	*N/A*
Mining and Logging	**-1.9**	**-1.7**	**N/A**

Color Key: Dark blue shading indicates full recovery of job losses or better; medium blue shading indicates three-quarters of job losses recovered; light blue shading indicates more than half of jobs recovered; no shading indicates less than half of jobs recovered; and light red shading indicates job losses during the recovery.

Changes in California Industry Jobs Over the Last Eight Months
(January 2021 – September 2021)

- California's job gains over the last eight months have been broadly distributed across most industry sectors, with ten sectors gaining jobs and only one losing them. Leisure and hospitality and other services sectors, the two sectors hardest hit by the pandemic, have had the strongest job growth among sectors over these last eight months.
- Leisure and hospitality added a total of 428,600 jobs from January through September 2021. This sector alone accounted for over half (52.8 percent) of the state's 812,000 total nonfarm job gain over the same period.





THE PANDEMIC-INDUCED RECESSION: Percent Changes in Nonfarm Jobs in California Metropolitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs) During Pandemic Stay-At-Home Orders: February – April 2020

- All 29 of California's seasonally adjusted areas suffered deep and sudden job losses from February through April 2020 following the outbreak of the pandemic and the state's imposition of pandemic stay-at-home orders and suspension of all but essential economic activities.

THE EFFECT OF PANDEMIC STAY-AT-HOME ORDERS: Two-Month Percent Changes in Total Nonfarm Jobs in California's Seasonally Adjusted Metroplitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs): FEBRUARY 2020 to APRIL 2020

(State's largest areas are bolded.)	Two-Month Change (Percent)		Two-Month Change (Percent)
Salinas MSA	-19.5%	Bakersfield MSA	-14.6%
San Luis Obispo-Paso Robles-Arroyo Grande MSA	-18.1%	Yuba City MSA	-14.5%
San Rafael MD	-18.0%	**Sacramento--Roseville--Arden-Arcade MSA**	**-14.3%**
Santa Cruz-Watsonville MSA	-17.0%	**Riverside-San Bernardino-Ontario MSA**	**-13.2%**
Modesto MSA	-16.9%	**San Jose-Sunnyvale-Santa Clara MSA**	**-13.0%**
Santa Rosa MSA	-16.4%	Oxnard-Thousand Oaks-Ventura MSA	-12.9%
Anaheim-Santa Ana-Irvine MD	**-16.3%**	Redding MSA	-12.9%
San Francisco-Redwood City-So. San Francisco MD	**-16.2%**	Stockton-Lodi MSA	-12.6%
Chico MSA	-15.8%	Visalia-Porterville MSA	-12.5%
Napa MSA	-15.7%	Fresno MSA	-11.9%
Los Angeles-Long Beach-Glendale MD	**-15.7%**	El Centro MSA	-11.3%
Vallejo-Fairfield MSA	-15.6%	Hanford-Corcoran MSA	-10.4%
Oakland-Hayward-Berkeley MD	**-15.5%**	Merced MSA	-10.2%
California	***-15.4%***	Madera MSA	-9.3%
Santa Maria-Santa Barbara MSA	-15.4%		
San Diego-Carlsbad MSA	**-15.0%**		

THE RECOVERY-TO-DATE: Five-Month Changes in Nonfarm Jobs in California Metropolitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs): August 2020

- Similarly, every one of California's seasonally adjusted MDs and MSAs has added jobs over the course of the recovery, including 18 areas with increases of 10 percent or more (which equates to a very robust annualized job growth rate of over 7.0 percent per year).

THE RECOVERY-TO-DATE: Percent Changes in Total Nonfarm Jobs in California's Seasonally Adjusted Metroplitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs) in Percent: APRIL 2020 - SEPTEMBER 2021

(The state's largest areas are bolded.)	17-Month Change (Percent)		17-Month Change (Percent)
Napa MSA	19.4%	**Los Angeles-Long Beach-Glendale MD**	**10.9%**
San Rafael MD	19.3%	**Sacramento--Roseville--Arden-Arcade MSA**	**10.6%**
Salinas MSA	16.0%	Modesto MSA	10.3%
Santa Maria-Santa Barbara MSA	14.8%	Vallejo-Fairfield MSA	10.3%
Anaheim-Santa Ana-Irvine MD	**12.7%**	**Oakland-Hayward-Berkeley MD**	**9.6%**
Riverside-San Bernardino-Ontario MSA	**12.6%**	**San Jose-Sunnyvale-Santa Clara MSA**	**9.0%**
Santa Cruz-Watsonville MSA	12.6%	**San Francisco-Redwood City-So. San Francisco MD**	**8.9%**
Oxnard-Thousand Oaks-Ventura MSA	12.4%	Fresno MSA	8.6%
San Diego-Carlsbad MSA	**11.7%**	Madera MSA	8.3%
Santa Rosa MSA	11.7%	Yuba City MSA	7.7%
Stockton-Lodi MSA	11.6%	El Centro MSA	7.3%
Redding MSA	11.5%	Merced MSA	6.8%
California	***11.5%***	Visalia-Porterville MSA	6.3%
Chico MSA	11.3%	Bakersfield MSA	6.2%
San Luis Obispo-Paso Robles-Arroyo Grande MSA	11.2%	Hanford-Corcoran MSA	3.4%

Tracking the Recovery in California Metropolitan Areas as of September 2021

Tracking the Recovery: Job Changes in Seasonally Adjusted California Metropolitan Areas During the Pandemic Recession (February-April 2020) and Subsequent Recovery (April 2020-Sept. 2021)

The state's largest areas are bolded.	The Recession	The Recovery (as of September 2021)	
	Job Change: Feb.-Apr. 2020	Job Change: April 2020-Sept. 2021	Share of Jobs Lost Recovered
Stockton-Lodi MSA	-28,100	26,000	92.5%
Redding MSA	-7,700	7,000	90.9%
Riverside-San Bernardino-Ontario MSA	**-222,300**	**172,200**	**77.5%**
Santa Maria-Santa Barbara MSA	-32,000	24,500	76.6%
Modesto MSA	-22,300	16,600	74.4%
San Rafael MD	-24,700	17,800	72.1%
Sacramento--Roseville--Arden-Arcade MSA	**-137,200**	**95,300**	**69.5%**
Salinas MSA	-28,000	18,900	67.5%
Merced MSA	-6,600	4,400	66.7%
Fresno MSA	-43,000	28,200	65.6%
Anaheim-Santa Ana-Irvine MD	**-276,800**	**179,900**	**65.0%**
Oxnard-Thousand Oaks-Ventura MSA	-51,200	33,000	64.5%
Madera MSA	-4,700	3,000	63.8%
CALIFORNIA	***-2,714,800***	***1,723,800***	***63.5%***
Napa MSA	-17,500	11,100	63.4%
Yuba City MSA	-5,300	3,300	62.3%
San Jose-Sunnyvale-Santa Clara MSA	**-153,600**	**91,300**	**59.4%**
San Diego-Carlsbad MSA	**-254,200**	**149,000**	**58.6%**
Vallejo-Fairfield MSA	-21,500	12,600	58.6%
El Centro MSA	-6,000	3,500	58.3%
Chico MSA	-13,200	7,600	57.6%
Los Angeles-Long Beach-Glendale MD	**-772,500**	**420,500**	**54.4%**
Santa Rosa MSA	-37,600	20,300	54.0%
Visalia-Porterville MSA	-14,100	7,400	52.5%
Santa Cruz-Watsonville MSA	-20,500	10,500	51.2%
San Luis Obispo-Paso Robles-Arroyo Grande MSA	-22,100	11,000	49.8%
Oakland-Hayward-Berkeley MD	**-196,200**	**96,500**	**49.2%**
San Francisco-Redwood City-So. San Francisco MD	**-187,500**	**89,800**	**47.9%**
Bakersfield MSA	-32,900	15,300	46.5%
Hanford-Corcoran MSA	-3,300	1,300	39.4%

THE FULL RE-OPENING OF CALIFORNIA'S ECONOMY: Percent Changes in Nonfarm Jobs in Seasonally Adjusted California Areas (MDs and MSAs): January 2021 - September 2021

- California's job growth over the course of the full re-opening of the economy has been broad-based across all areas of the state, with all 29 seasonally adjusted MDs and MSAs gaining jobs over the period. Anaheim-Santa Ana-Irvine MD, San Francisco-Redwood City-South San Francisco MD, and Los Angeles-Long Beach-Glendale MD are the large areas that have led the state's job growth during the full re-opening of the state economy.

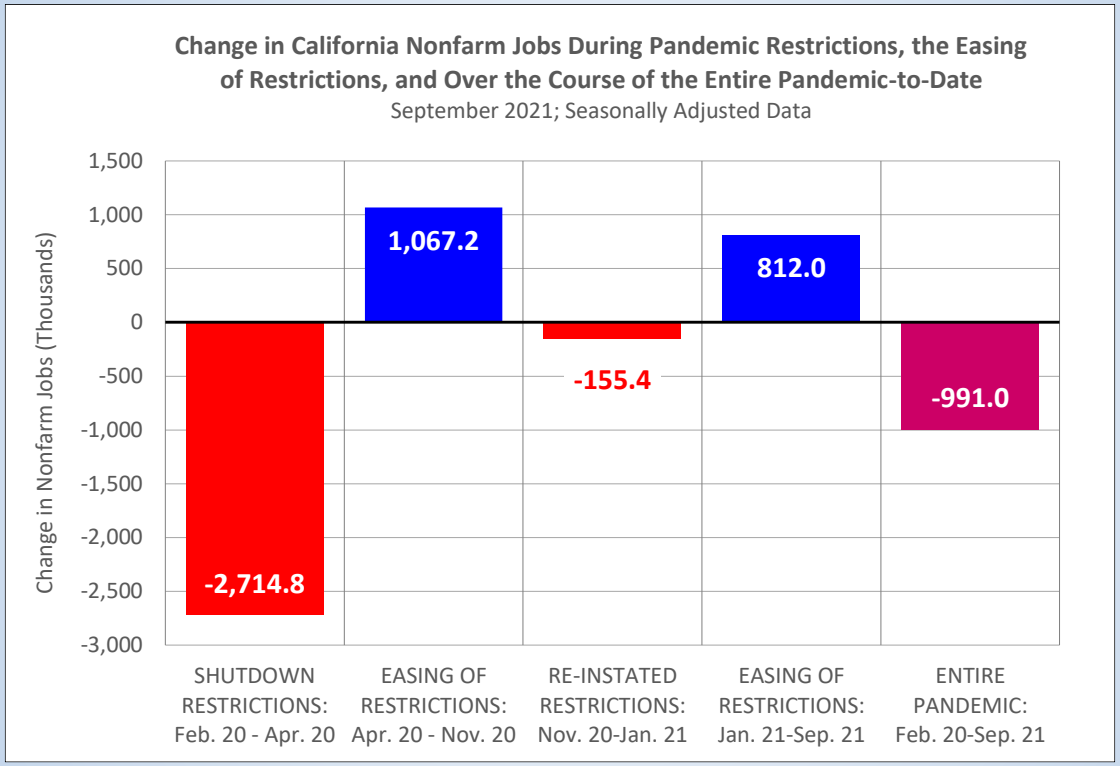
FULL RE-OPENING OF THE CALIFORNIA ECONOMY

Eight-Month Changes in Percent in Total Nonfarm Jobs in California's Seasonally Adjusted Metroplitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs): JANUARY 2021 - SEPTEMBER 2021

(The state's largest areas are bolded.)	8-Month Change (%)		8-Month Change (%)
Anaheim-Santa Ana-Irvine MD	**6.7%**	Modesto MSA	3.6%
El Centro MSA	6.4%	Visalia-Porterville MSA	3.2%
San Francisco-Redwood City-So. San Francisco MD	**6.1%**	Chico MSA	3.2%
Napa MSA	6.0%	Hanford-Corcoran MSA	3.1%
Yuba City MSA	6.0%	Vallejo-Fairfield MSA	3.0%
Santa Rosa MSA	5.7%	**Sacramento--Roseville--Arden-Arcade MSA**	**3.0%**
Santa Maria-Santa Barbara MSA	5.7%	Bakersfield MSA	3.0%
San Rafael MD	5.6%	Santa Cruz-Watsonville MSA	2.8%
Los Angeles-Long Beach-Glendale MD	**5.5%**	San Luis Obispo-Paso Robles-Arroyo Grande MSA	2.8%
California	***5.1%***	Merced MSA	2.7%
Salinas MSA	4.5%	Stockton-Lodi MSA	2.6%
Oxnard-Thousand Oaks-Ventura MSA	4.3%	Redding MSA	2.6%
San Jose-Sunnyvale-Santa Clara MSA	**4.3%**	Fresno MSA	2.5%
San Diego-Carlsbad MSA	**3.9%**	Madera MSA	2.1%
Riverside-San Bernardino-Ontario MSA	**3.8%**	**Oakland-Hayward-Berkeley MD**	**1.7%**

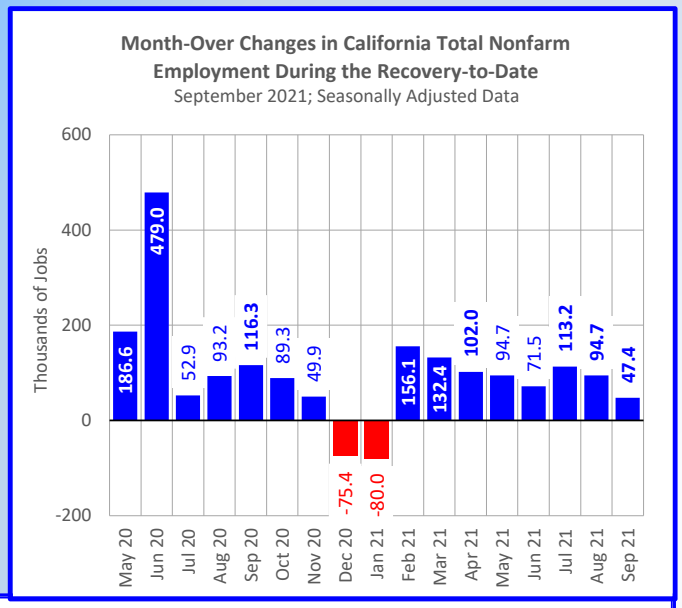
Changes in California Total Nonfarm Jobs During the Phases of Its Public Health Response to the Pandemic

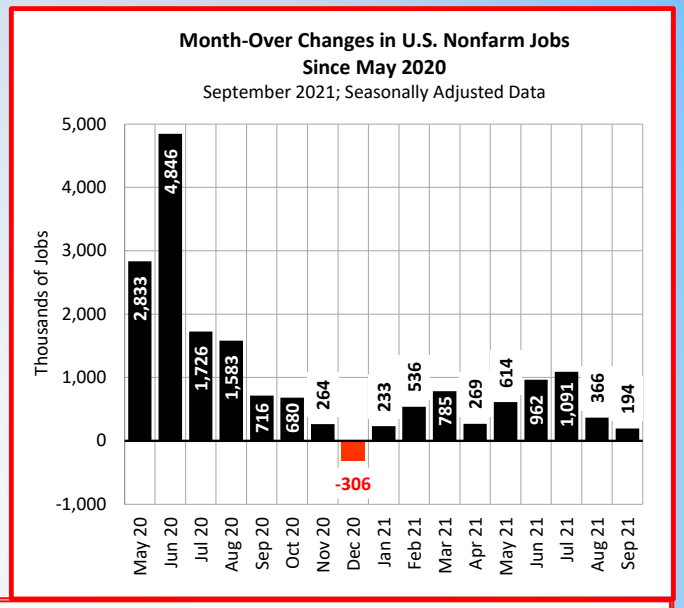
- California's labor market has demonstrated remarkable resiliency and a clear capacity to recover—and to do so rapidly—if and when public health and safety conditions have allowed it to do so.

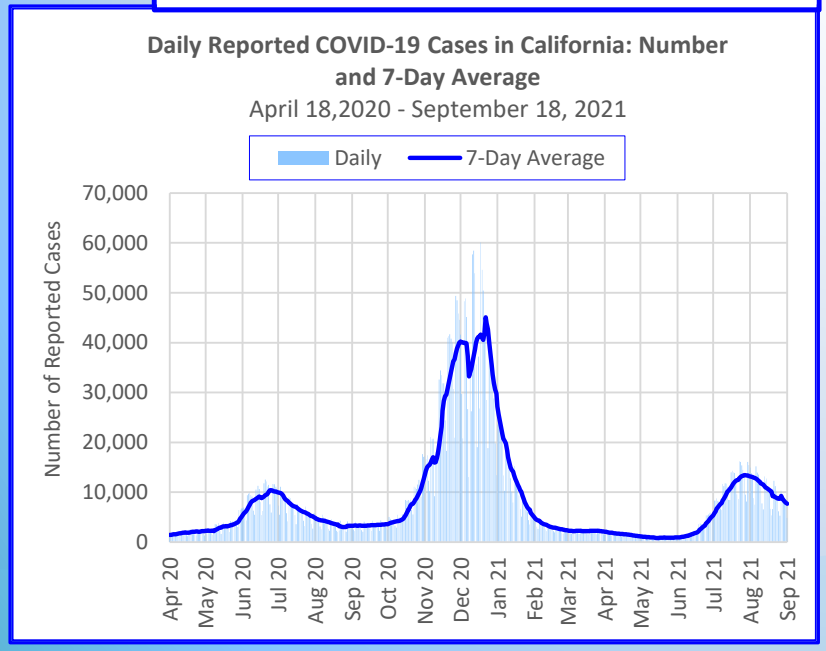


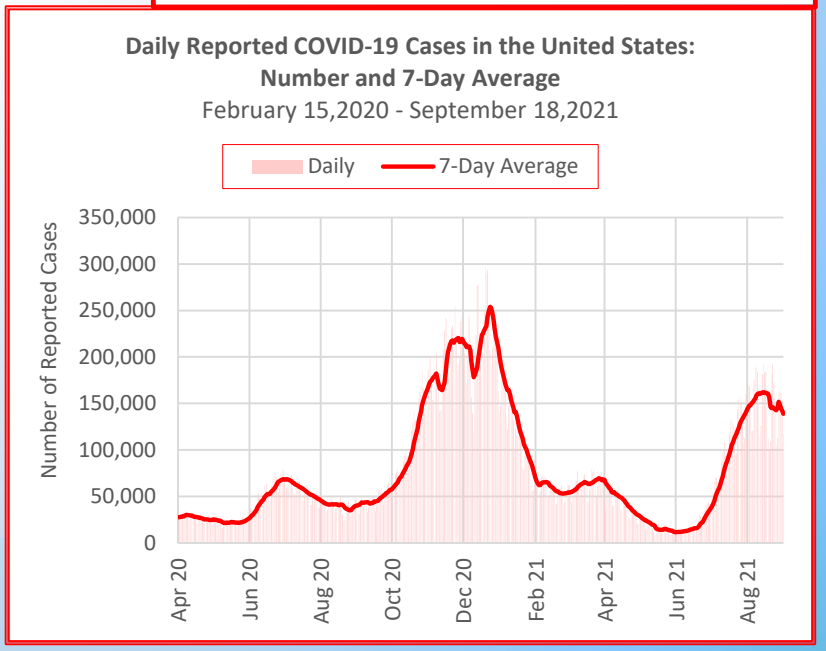
- California's recovery-to-date (through September 2021) has lagged that of the nation as a whole and that of over 40 other states. However, California maintained a much more aggressive public health policy response to the pandemic than did most other states and the nation as a whole over much of the recovery period. California's job growth outpaced the nation's and all but one other state during the full re-opening phase of its recovery.

But it isn't just public health policy. The ebbs and flows of the pandemic itself seems to be influencing labor market behavior and expectations.









This has not been your typical business cycle…

- Per the National Bureau of Economic Research (NBER), the official arbiter of U.S. business cycle "A recession is the period between a peak of economic activity and its subsequent trough, or lowest point. ... It involves a **significant decline in economic activity** that is **spread across the economy** and **lasts more than a few months."**

- The pandemic-induced recession was as sudden as it was deep. It affected all industries in the economy, and regions of the state at once. Similarly, the recovery has been widespread across industry sectors and areas of the state. State-level patterns of employment over the pandemic have by and large played out at the regional level as well.

- In other words, the pandemic has been the driver of the current business cycle, not underlying economic or structural factors.

The pandemic has disrupted California's labor market, but will it have lasting impacts on it? Will there be a new normal?

- In a sense, these questions are unknowable because the pandemic continues and its future progression is uncertain. The consensus among economists—to the degree that there ever is one—appears to be that the pandemic will eventually be brought under control in the not too distant future, and that the disruptions and frictions it has caused in the labor market will be resolved with time. Things will return to (near) normal. Nevertheless, it does seems reasonable to assume that the longer the pandemic persists, the more lasting its impacts will be.

- The pandemic has accelerated some trends that were already developing, and has caused frictions and misalignments in the labor market that will take time to resolve.
  - The share of online shopping and home delivery in consumer spending, already increasing over time, has surged over the course of the pandemic and shows little sign of abating.
  - The number and share of remote workers, or teleworkers, in the workforce has expanded substantially over the course of the pandemic. Looking forward most observers believe that hybrid remote work/in-office work arrangements will become the norm in many industries.
  - The expansion of remote work has weakened the traditional bonds between where people live and work, fueling an outmigration of some remote workers from the urban core to more remote suburbs and exurbs where more spacious and plentiful housing options are available. This trend has led to rising rents and home prices in more outlying urban areas as well as increased demand for goods and services in these areas--at the expense of the urban core. It has also contributed to a spatial misalignment within the labor market (i.e., unemployed workers do not live near to the job openings that are available).

The pandemic disrupted California's labor market, but will it have lasting impacts on the labor market? Will there be a new normal?

- Widespread worker shortages have been reported in many industries over the course of the recovery, including the hard hit restaurant industry. These shortages have persisted even as wages have risen and unemployment remains elevated with respect to pre-pandemic levels. Explanatory factors for this include: continuing fears among some potential workers about contracting the COVID-19 virus in some workplace settings; child care constraints; the disincentive effects of enhanced UI benefits and public assistance; the empowering effects that public assistance and eviction protections have had for some workers to seek jobs with better pay and working conditions; and a spatial misalignment between unemployed workers and available jobs.

- Atypical for a recession and recovery, consumer spending, fueled by transfer payments from the federal government, limited opportunities to spend on services due to the pandemic restrictions, a strong stock market, and rising home equity values, has remained strong over the course of the pandemic business cycle. Consumer demand in turn shifted away from services to durable goods over the course the pandemic.

- Strong consumer spending and a spike in demand for durable goods, combined with temporary closures of production facilities and ports either home or abroad, have contributed to persistent supply chain bottlenecks within the economy, creating delays in goods procurement and production and contributing to inflation within the general economy. Rather than proving to be transitory, supply chain difficulties have spread and worsened over the course of the recovery. The apparent cracks that the pandemic has revealed in the global just-in-time goods production and delivery model have led some observers to believe that global supply chains will be re-organized over the medium and long term. (More vertical integration; some reshoring.)

The pandemic disrupted California's labor market, but will it have lasting impacts on the labor market? Will there be a new normal?

- There has been an increase in the number of baby boomers who have retired during the pandemic. This surge in part reflects that older individuals are the most at-risk and vulnerable segment of the population to the COVID-19 virus. Rising home equity values may have also contributed to this surge in retirement by providing many older workers greater financial security in retirement.
- Child care constraints continue to be a barrier to labor market entry for many. School and university campuses have re-opened and classroom learning has resumed, but pandemic-related absences continue to cause disruptions.
- Although the pandemic does not appear to have changed fundamental inequalities within the labor market, it has exacerbated existing ones. For example, leisure and hospitality and other services, the two sectors hardest hit by the pandemic, are low wage industries with workforces that tend to be less well educated and skilled and disproportionately young and female. In contrast, the remote workers who escaped the pandemic-induced recession comparatively unscathed tend to work in high wage industries that have workforces that are more well educated and skilled, and disproportionately older and male.
- The "Great Resignation": Nationally at least, record numbers of workers appear to be quitting their jobs and seeking alternative employment. The empowering effects of public assistance and increased savings (not having to take the first available job to pay the rent), fears of being exposed to COVID-19 in the workplace, the expansion of remote work/online work opportunities all may be contributing factors, amongst others.
- Domestic travel and tourism have rebounded strongly. International and business travel (including conventions) will likely recover much more slowly. It remains unclear to what degree Zoom meetings and conventions will displace in person gatherings, but increasingly, many think the potential threat is overstated.

Outlook (From The UCLA Anderson Forecast)

Solid but unspectacular growth for U.S. economy as Delta variant spreads

Data show recession and recovery had a disproportionately negative impact on lower-income Californians

LOS ANGELES (September 29, 2021) — In its last two quarterly reports, the UCLA Anderson Forecast has anticipated a robust recovery from the COVID-19–induced recession that began in March 2020. The June 2021 quarterly report did come with a caveat: Recoveries are never smooth.

That caveat proved prescient. Now, hopes for blockbuster economic growth have been tempered by the spread of the Delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth.

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