California's Labor Market Since the Pandemic Outbreak

LMID Advisory Group Meeting
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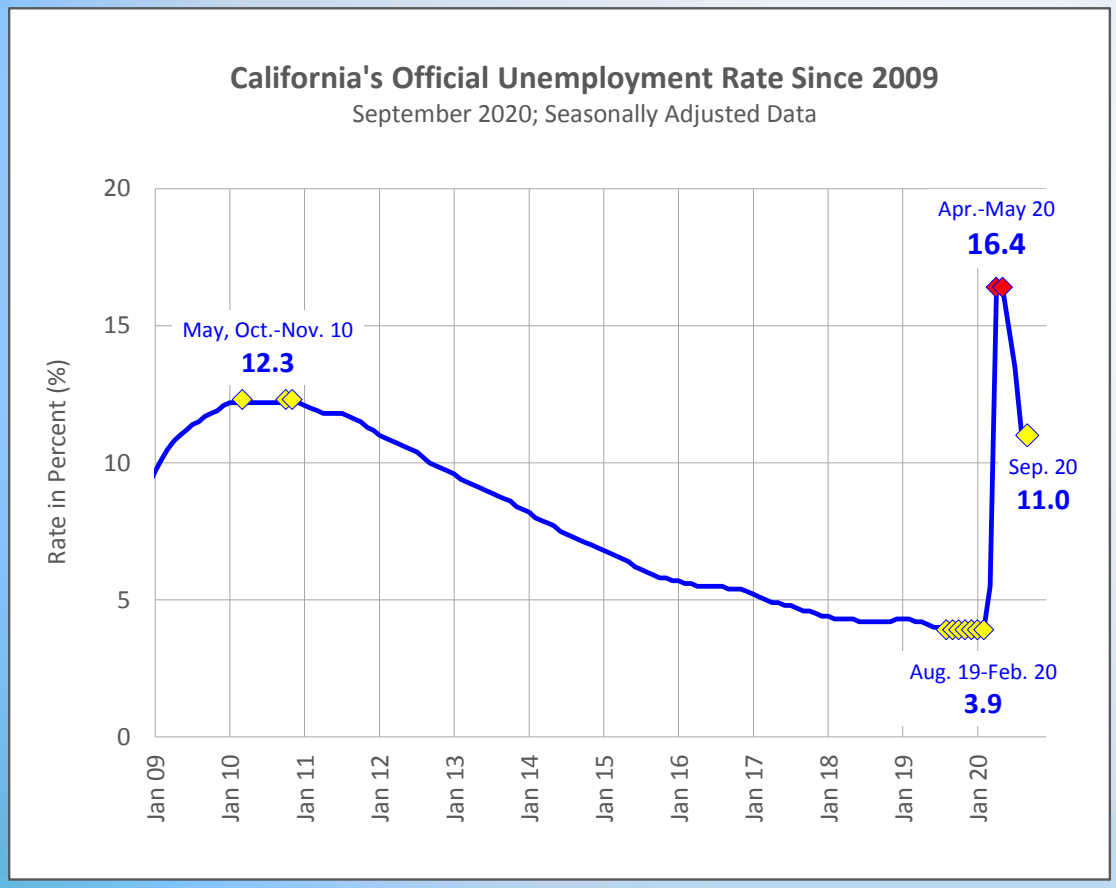
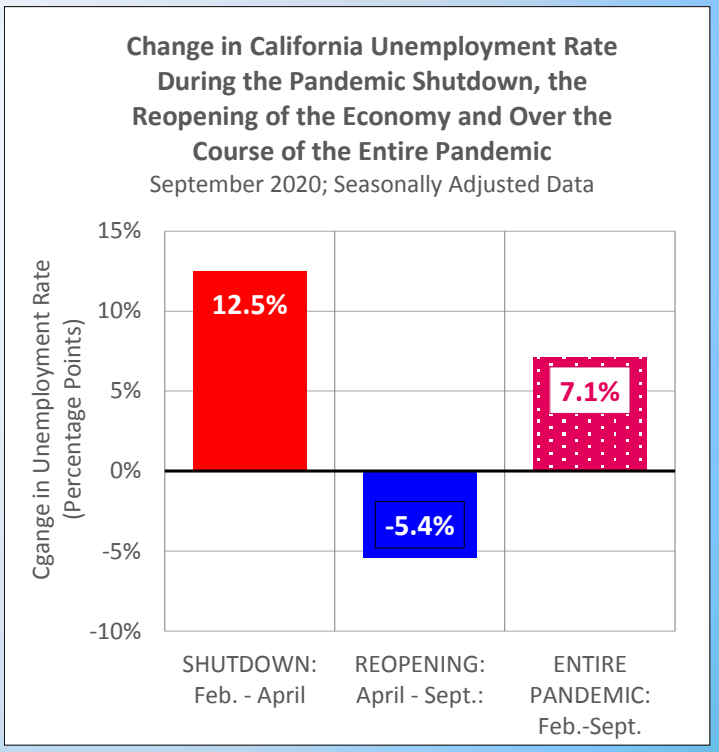
California Unemployment Rate

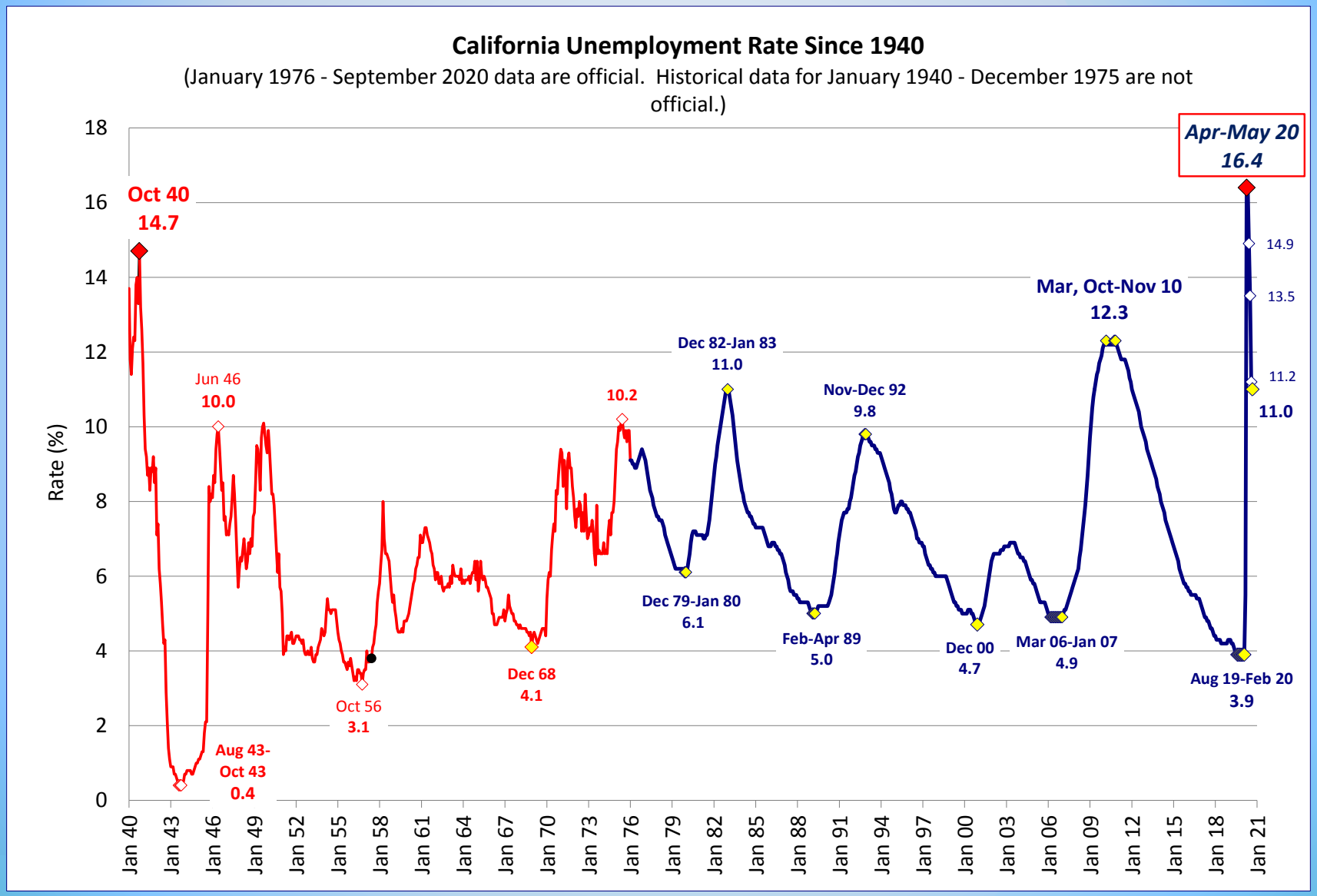
- California's seasonally adjusted unemployment rate rose from a record-tying low of 3.9 percent in February to a record high of 16.4 percent in April and May (an increase of 12.5 percentage points). California's unemployment rate subsequently fell by 5.4 percentage point over the four months that followed and stood at 11.0 percent in September. This was 7.1 percentage points higher than it was before the pandemic outbreak in February 2020.





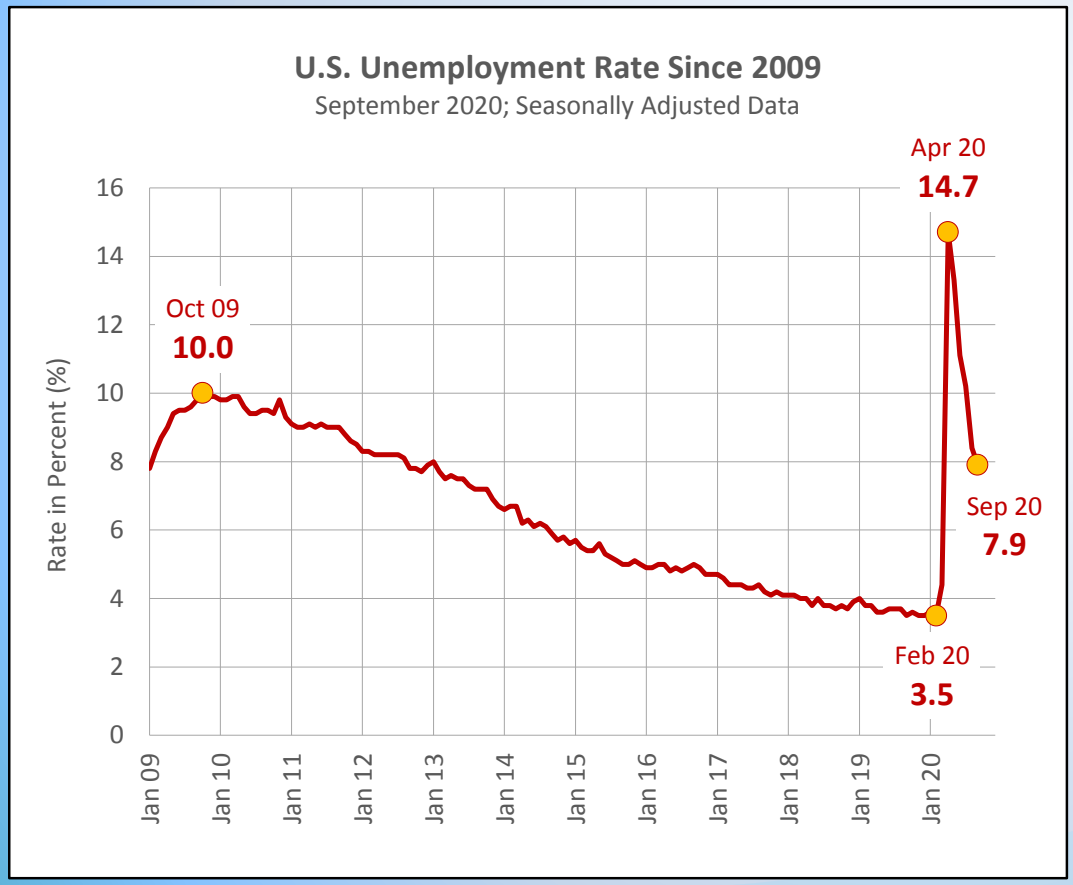
California Unemployment Rate

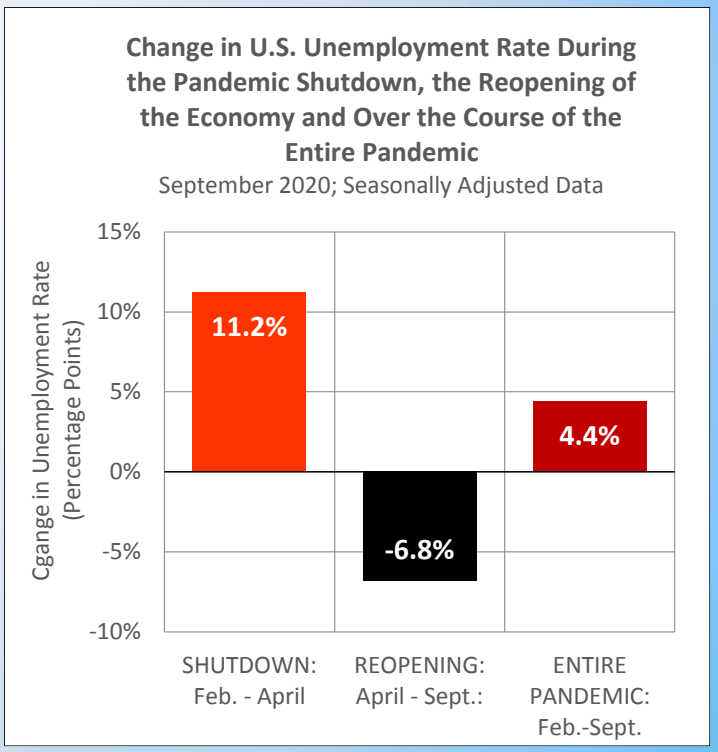
- The COVID-19 pandemic outbreak produced California's first public health-induced labor market downturn. Historical data going back to 1940 show just how dramatic its impacts were.



U.S. Unemployment Rate

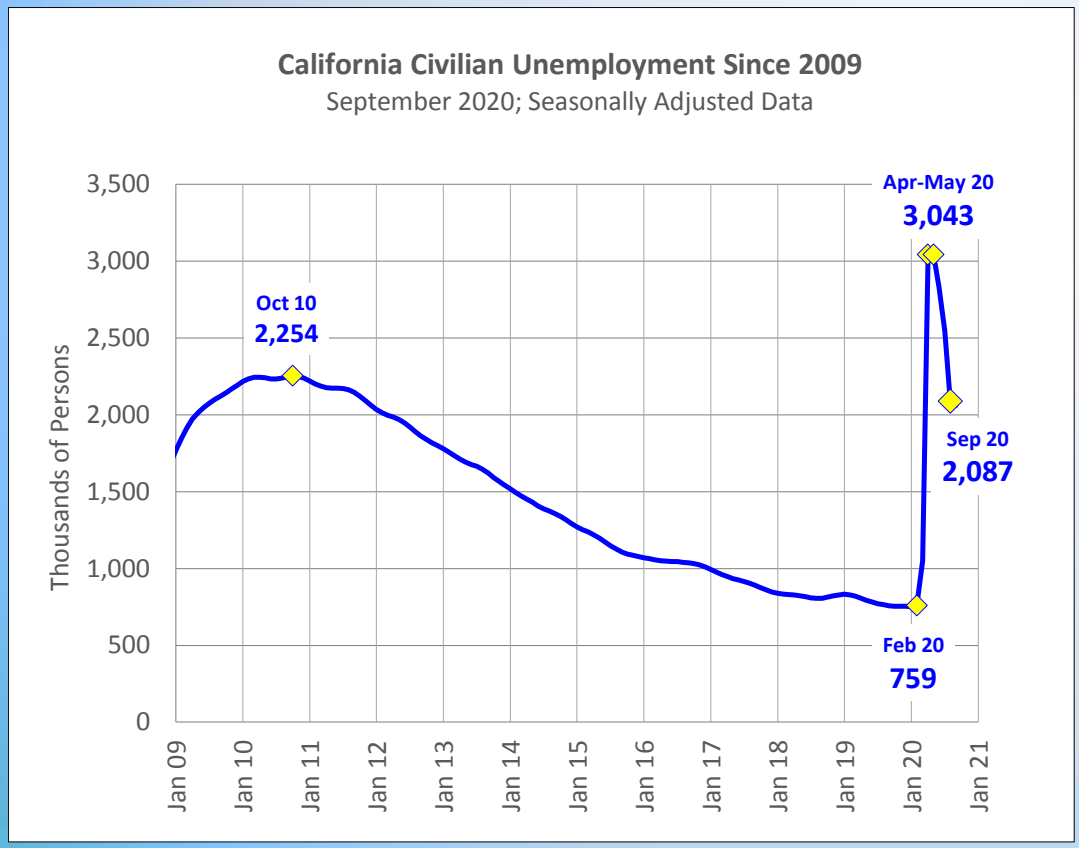
- California's unemployment rate is following the U.S. pattern but is decreasing at a slower rate. The U.S. rate rose from 3.5 percent in February to 14.7 percent in April (an increase of 11.2 percentage points), but subsequently fell 6.8 percentage points to 7.9 percent in September. This was still 4.4 percentage points higher than it was in February.

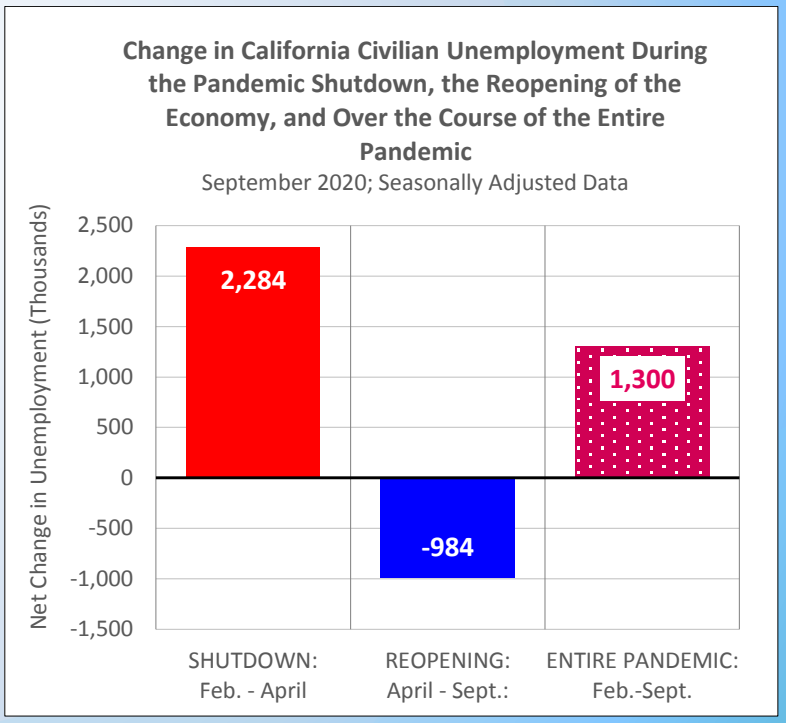




California Civilian Unemployment

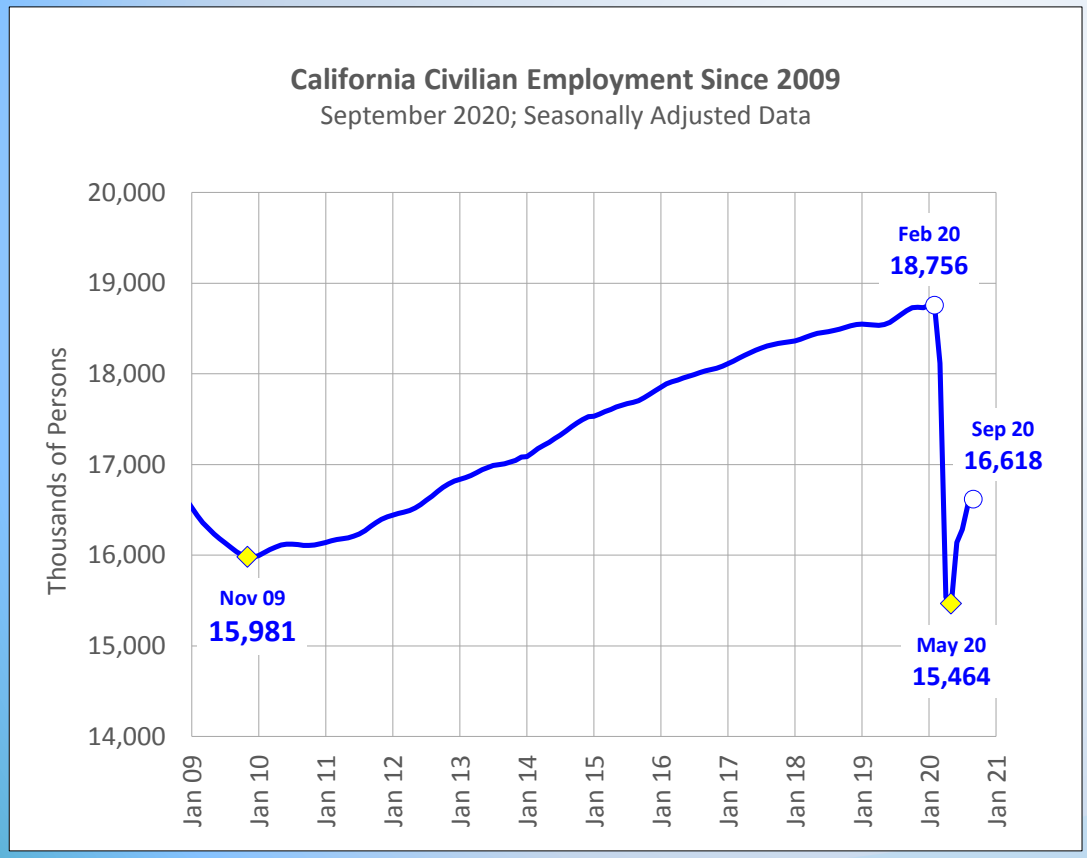
- The number of unemployed Californians quadrupled from what was a 30-year of 759,000 persons in February to a record high of 3,043,000 persons in April and May 2020. The 2,284,000-person ***increase*** in the number of unemployed was larger than the peak number of unemployed during the Great Recession. Unemployment fell by 984,000 persons from April through September with the reopening of the economy, but remained 1.3 million persons higher than it was in February, before the pandemic hit.

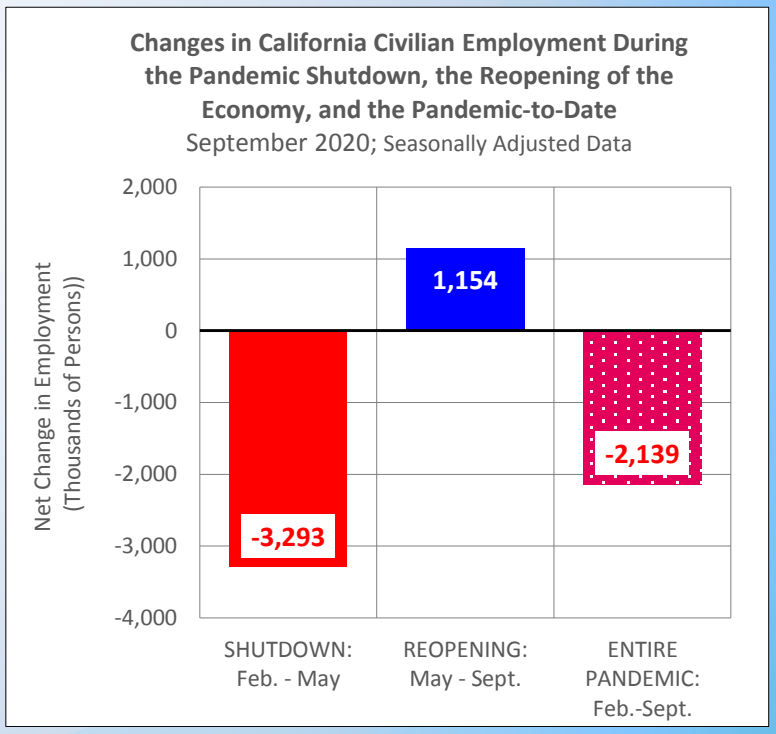




California Civilian Employment

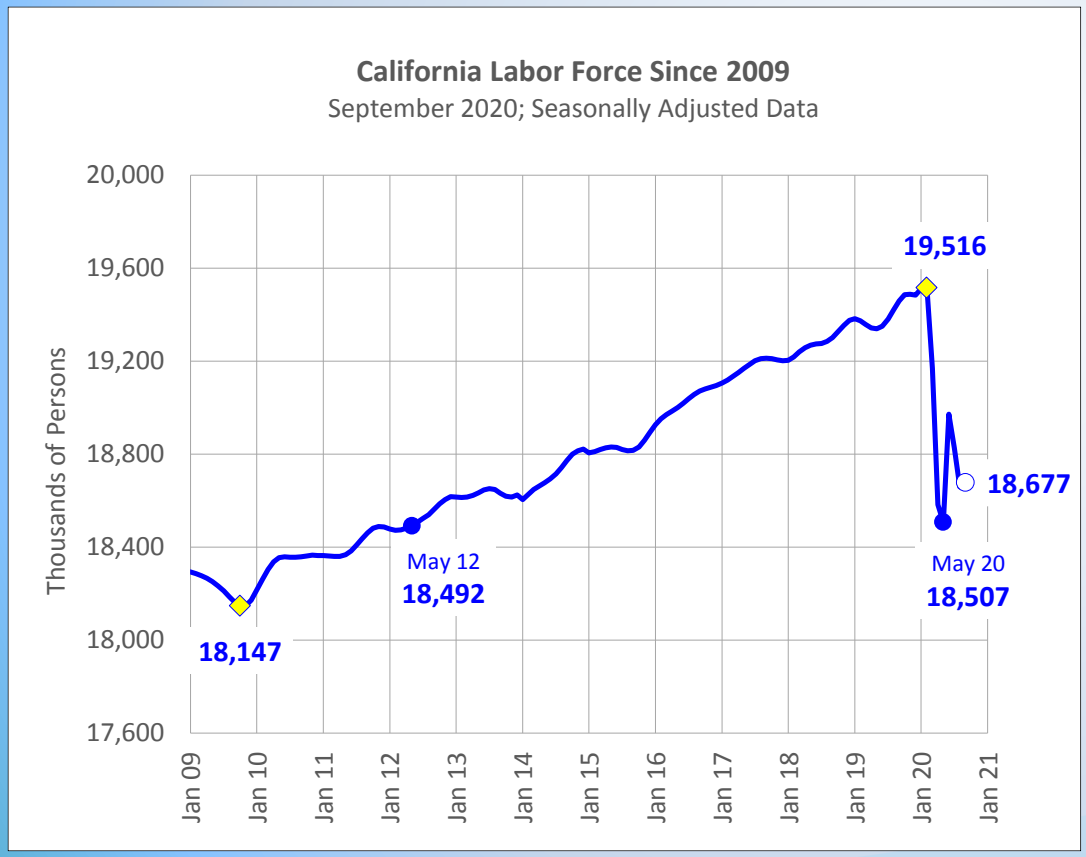
- The number of employed Californians fell by 3.3 million persons (17.6 percent) from February through May 2020, more than negating the employment gains of the February 2020-February 2020 expansion. Their number grew by 1,154,000 persons from May through September with the easing of pandemic restrictions (the economy reopening). Still, employment was 2,139,000 persons (11.4 percent) lower in September than it was in February 2020, before the pandemic hit.

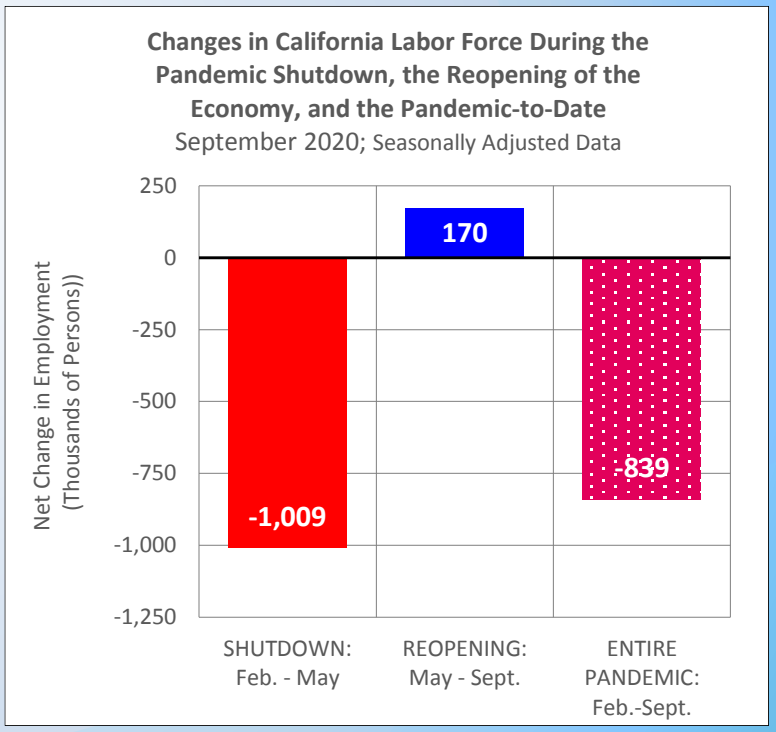




California Labor Force

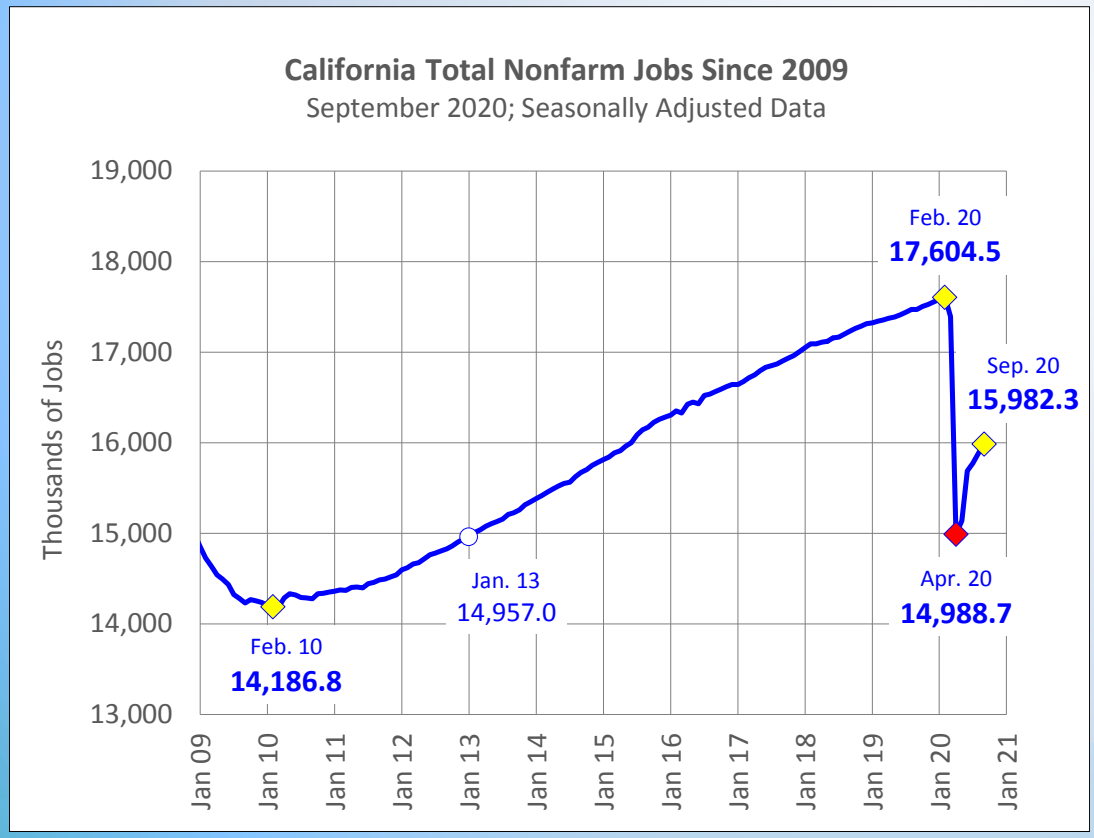
- The number of Californians in the labor force fell by just over one million (5.2 percent) from February through May 2020. Although labor force grew by 170,000 persons from May through September as the economy reopened, 839,000 fewer Californians participated in the labor force in September than in February 2020.

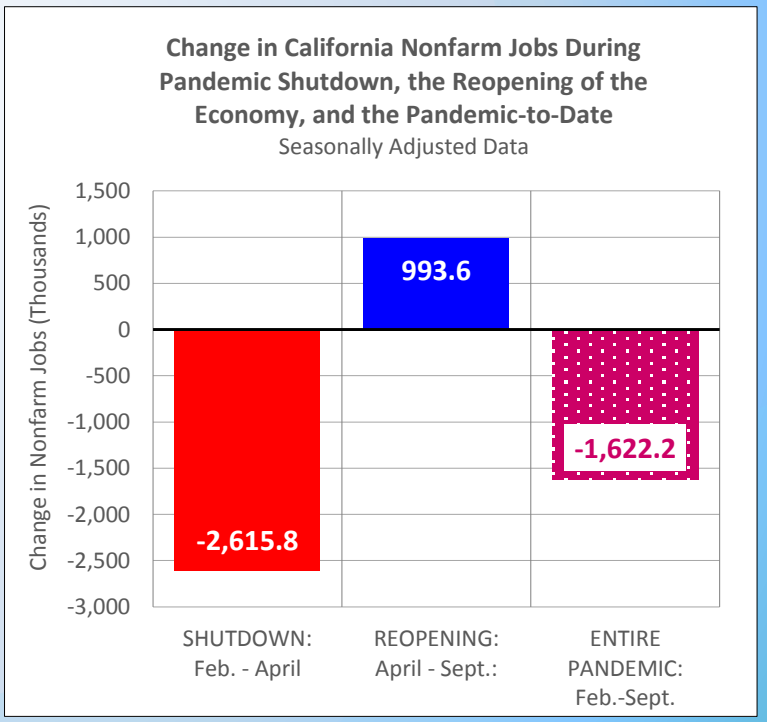




California Total Nonfarm Employment

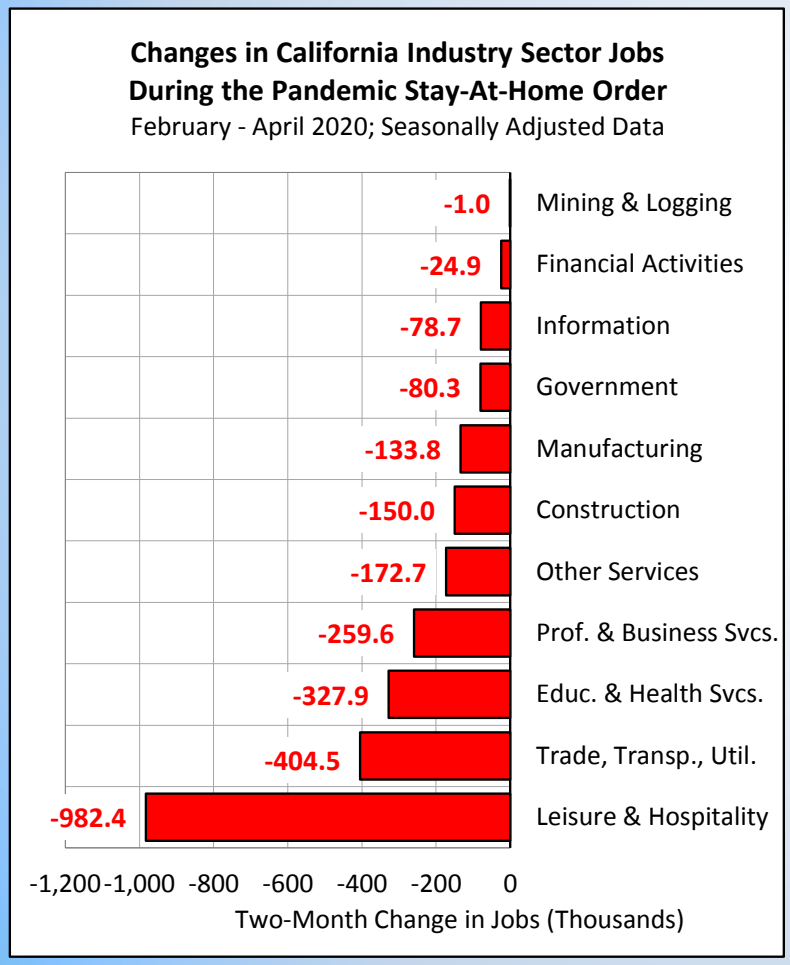
- California lost 2,615,800 nonfarm jobs during the pandemic stay-at-home orders from February through April 2020, which was a 14.9 percent decrease. In effect, this loss erased seven years of the state's job gains during the ten-year expansion. Moreover, it was twice the number of jobs that were lost during the Great Recession (July 2007-February 2010)—a 31-month period. Although California added 993,600 jobs (6.6 percent) from April through September 2020 as the economy reopened, total nonfarm employment in September remained 1,622,200 jobs (9.2 percent) below its pre-pandemic level in February.

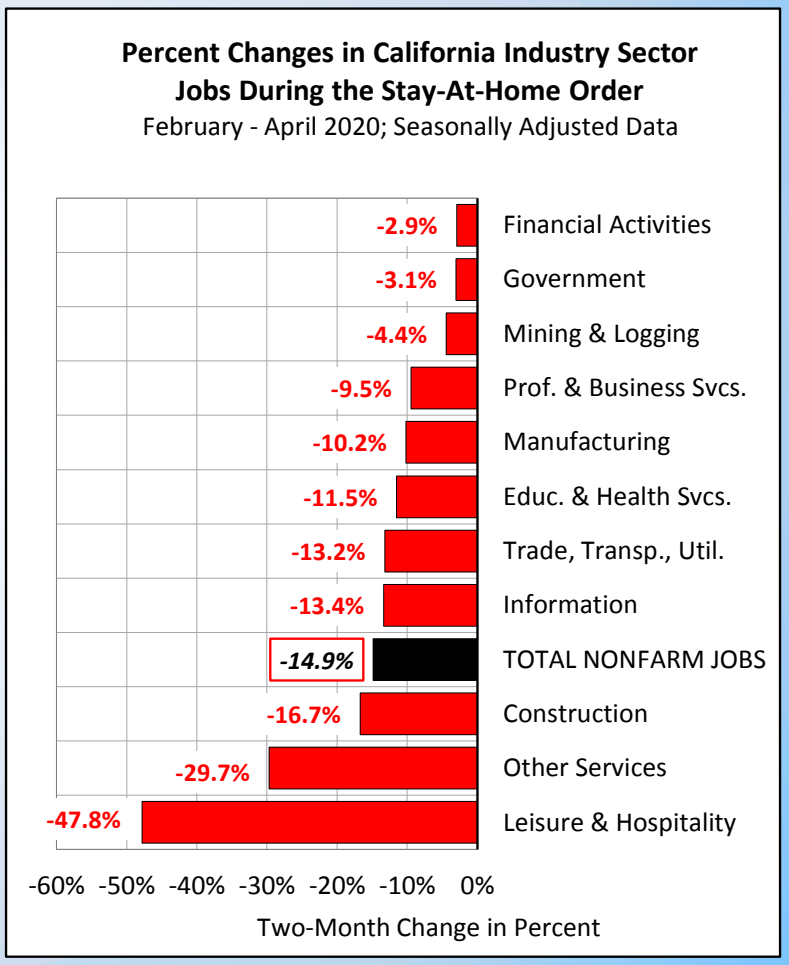




California Industry Sector Jobs During the COVID-19 Pandemic-To-Date

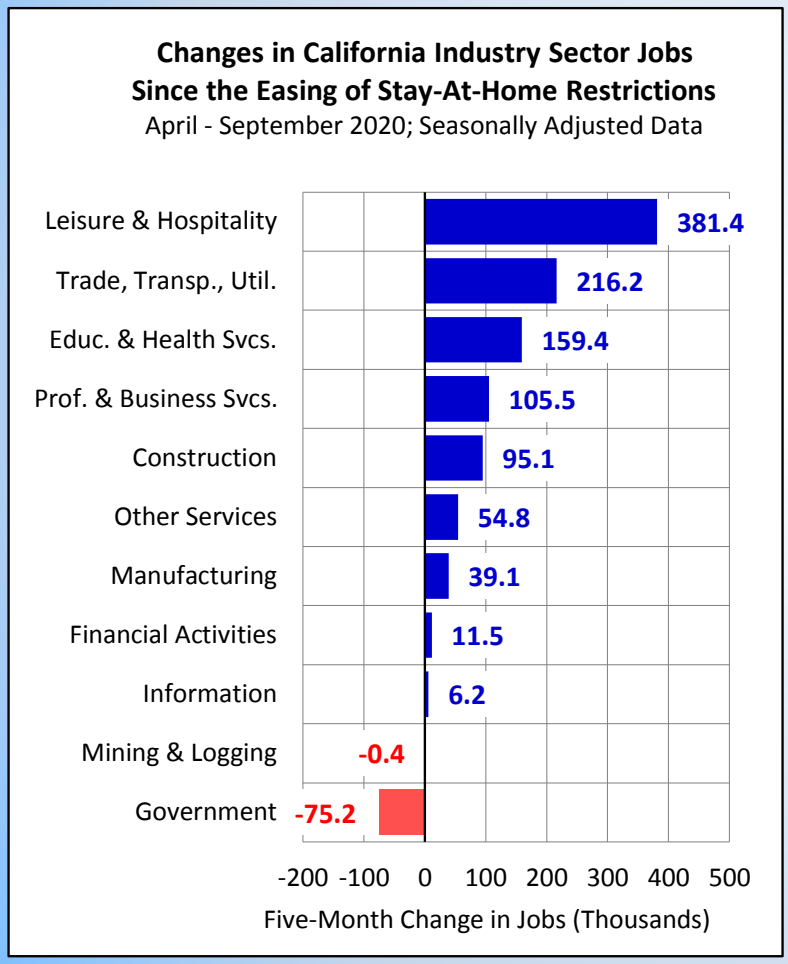
- **Pandemic Stay-At-Home Order**

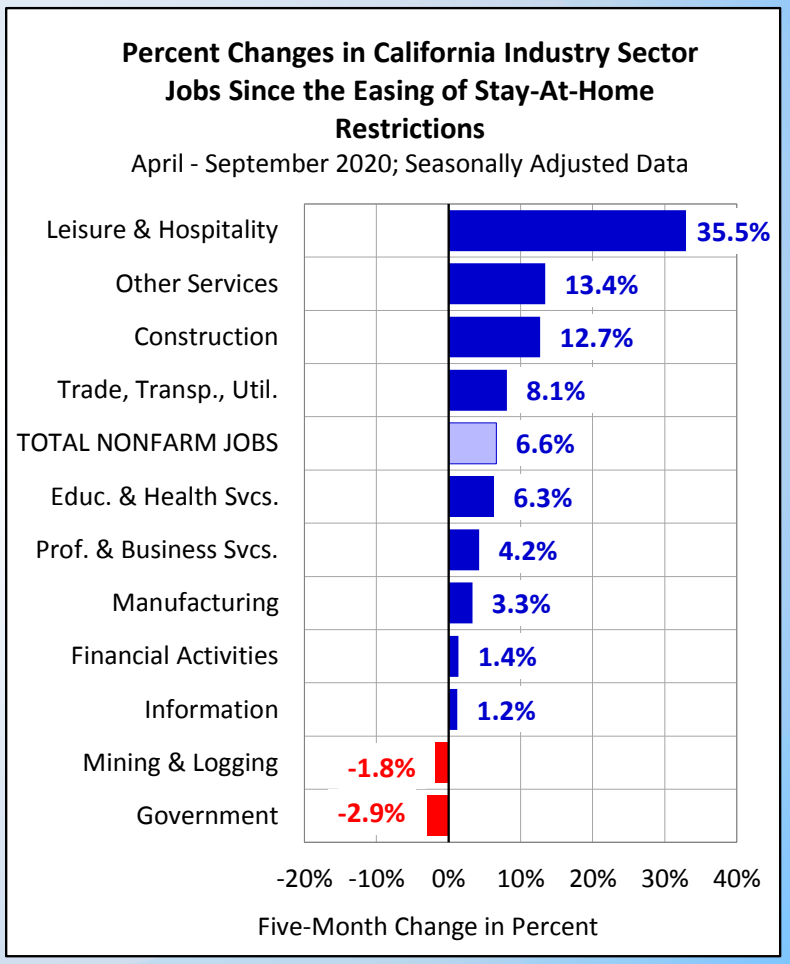




California Industry Sector Jobs During the COVID-19 Pandemic-To-Date

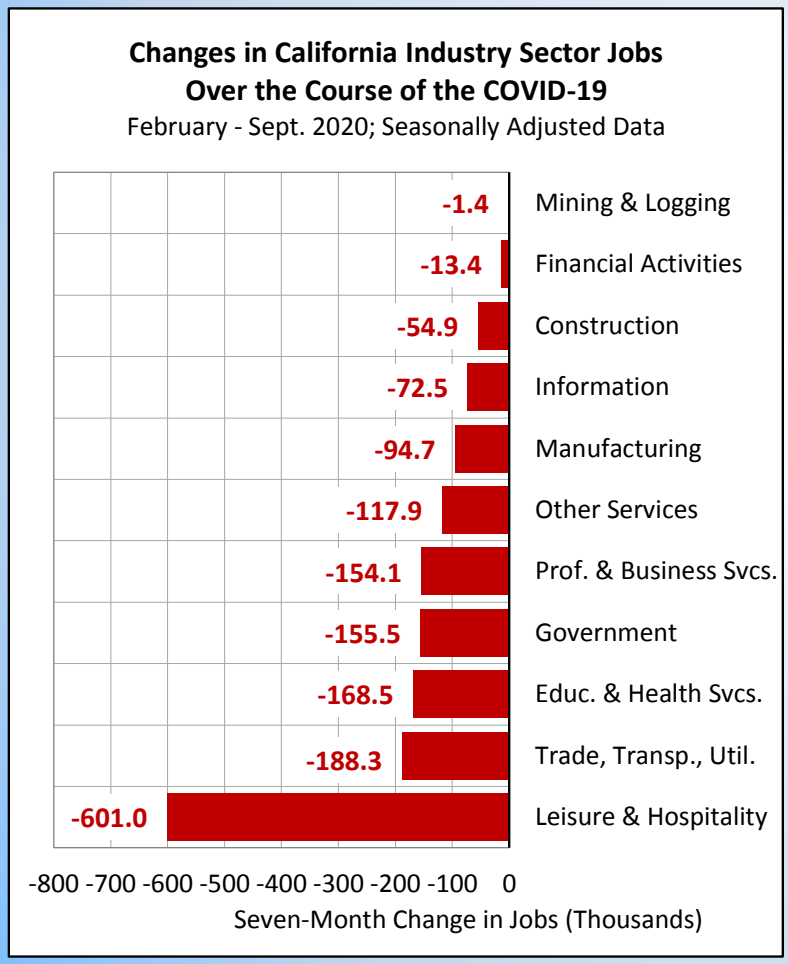
- **<u>Reopening of the Economy/ Easing of Restrictions</u>** (Partial or Otherwise)

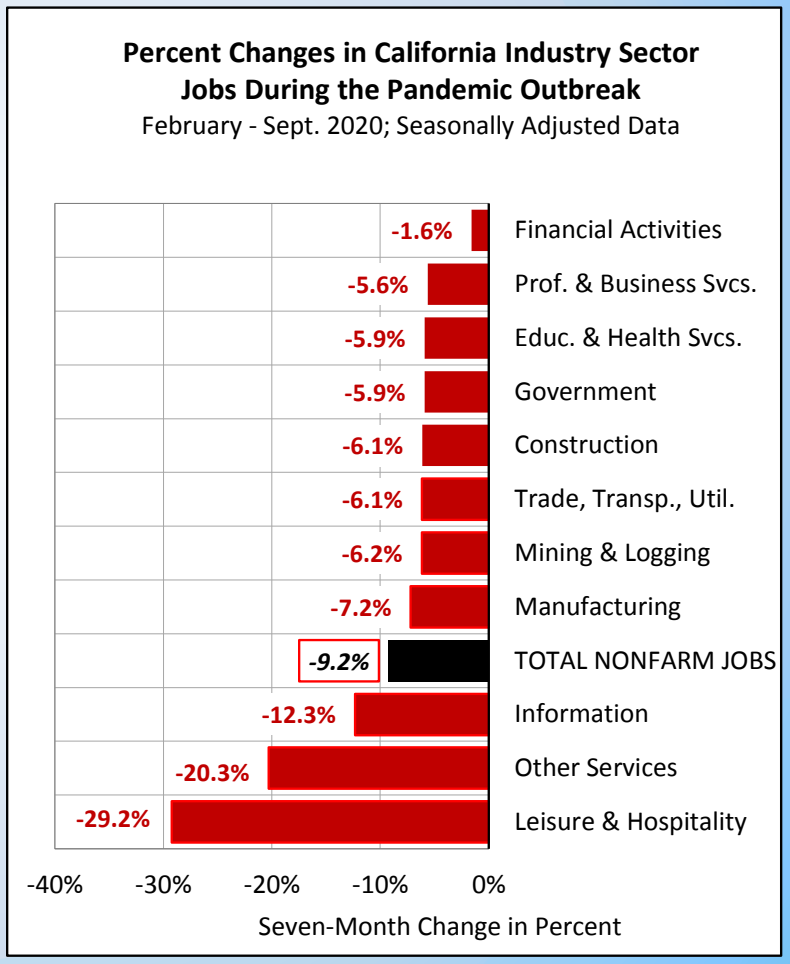




California Industry Sector Jobs During the COVID-19 Pandemic-To-Date

- **Pandemic-to-Date:** Change in Industry Sector Jobs from February through September.





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

Tracking the Recovery: Industry Sector Job Changes in California During the Pandemic Shutdown (February-April) and Subsequent Reopening (April-September)

	The Shutdown	Reopening	
	Job Change: Feb.-Apr. 2020	Job Change: Apr.-Sept. 2020	Share of Jobs Lost Recovered in Re-Opening
TOTAL NONFARM JOBS	**-2,615.8**	**993.6**	**38.0%**
Construction	**-150.0**	**95.1**	**63.4%**
Trade, Transportation, and Utilities	**-404.5**	**216.2**	**53.4%**
Retail Trade	*-279.4*	*160.4*	*57.4%*
Transportation, Warehousing & Utilities	*-58.9*	*26.9*	*45.7%*
Wholesale Trade	*-66.2*	*28.9*	*43.7%*
Educational and Health Services	**-327.9**	**159.4**	**48.6%**
Health Care & Social Assistance	*-285.7*	*164.3*	*57.5%*
Educational Services	*-42.2*	*-4.9*	*11.6%*
Financial Activities	**-24.9**	**11.5**	**46.2%**
Finance & Insurance	*-1.5*	*6.4*	*426.7%*
Real Estate & Rental & Leasing	*-23.4*	*5.1*	*21.8%*
Professional and Business Services	**-259.6**	**105.5**	**40.6%**
Professional, Scientific & Technical Services	*-84.4*	*40.1*	*47.5%*
Administrative & Support & Waste Services	*-161.8*	*63.4*	*39.2%*
Management of Companies & Enterprises	*-13.4*	*2.0*	*14.9%*
Leisure and Hospitality	**-982.4**	**381.4**	**38.8%**
Accommodation & Food Services	*-825.7*	*369.9*	*44.8%*
Arts, Entertainment & Recreation	*-156.7*	*11.5*	*7.3%*
Other Services	**-172.7**	**54.8**	**31.7%**
Manufacturing	**-133.8**	**39.1**	**29.2%**
Nondurable Goods	*-60.2*	*18.0*	*29.9%*
Durable Goods	*-73.6*	*21.1*	*28.7%*
Information	**-78.7**	**6.2**	**7.9%**
Mining and Logging	**-1.0**	**-0.4**	**N/A**
Government	**-80.3**	**-75.2**	**N/A**
Federal Government	*0.8*	*27.2*	*3400.0%*
State Government	*-1.4*	*-31.6*	*N/A*
Local Government	*-79.7*	*-70.8*	*N/A*

THE SHUTDOWN: 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 job losses from February through April 2020 as a result of the state's imposition of pandemic stay-at-home orders and the suspension of all but essential economic activity.

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

	Two-Month Change (Number)		Two-Month Change (Number)
Los Angeles-Long Beach-Glendale MD	-726,600	Salinas MSA	-28,700
Anaheim-Santa Ana-Irvine MD	-274,600	Vallejo-Fairfield MSA	-22,500
San Diego-Carlsbad MSA	-228,800	San Luis Obispo-Paso Robles-Arroyo Grande MSA	-22,000
Riverside-San Bernardino-Ontario MSA	-203,900	San Rafael MD	-21,400
San Francisco-Redwood City-So. San Francisco MD	-194,500	Santa Cruz-Watsonville MSA	-18,000
Oakland-Hayward-Berkeley MD	-183,800	Visalia-Porterville MSA	-16,300
San Jose-Sunnyvale-Santa Clara MSA	-150,600	Chico MSA	-12,800
Sacramento--Roseville--Arden-Arcade MSA	-146,800	Napa MSA	-12,000
Fresno MSA	-43,500	Redding MSA	-8,800
Oxnard-Thousand Oaks-Ventura MSA	-40,600	Merced MSA	-7,100
Bakersfield MSA	-40,600	Yuba City MSA	-7,100
Santa Rosa MSA	-34,700	El Centro MSA	-6,100
Stockton-Lodi MSA	-31,300	Hanford-Corcoran MSA	-4,300
Modesto MSA	-31,000	Madera MSA	-3,700
Santa Maria-Santa Barbara MSA	-29,200		

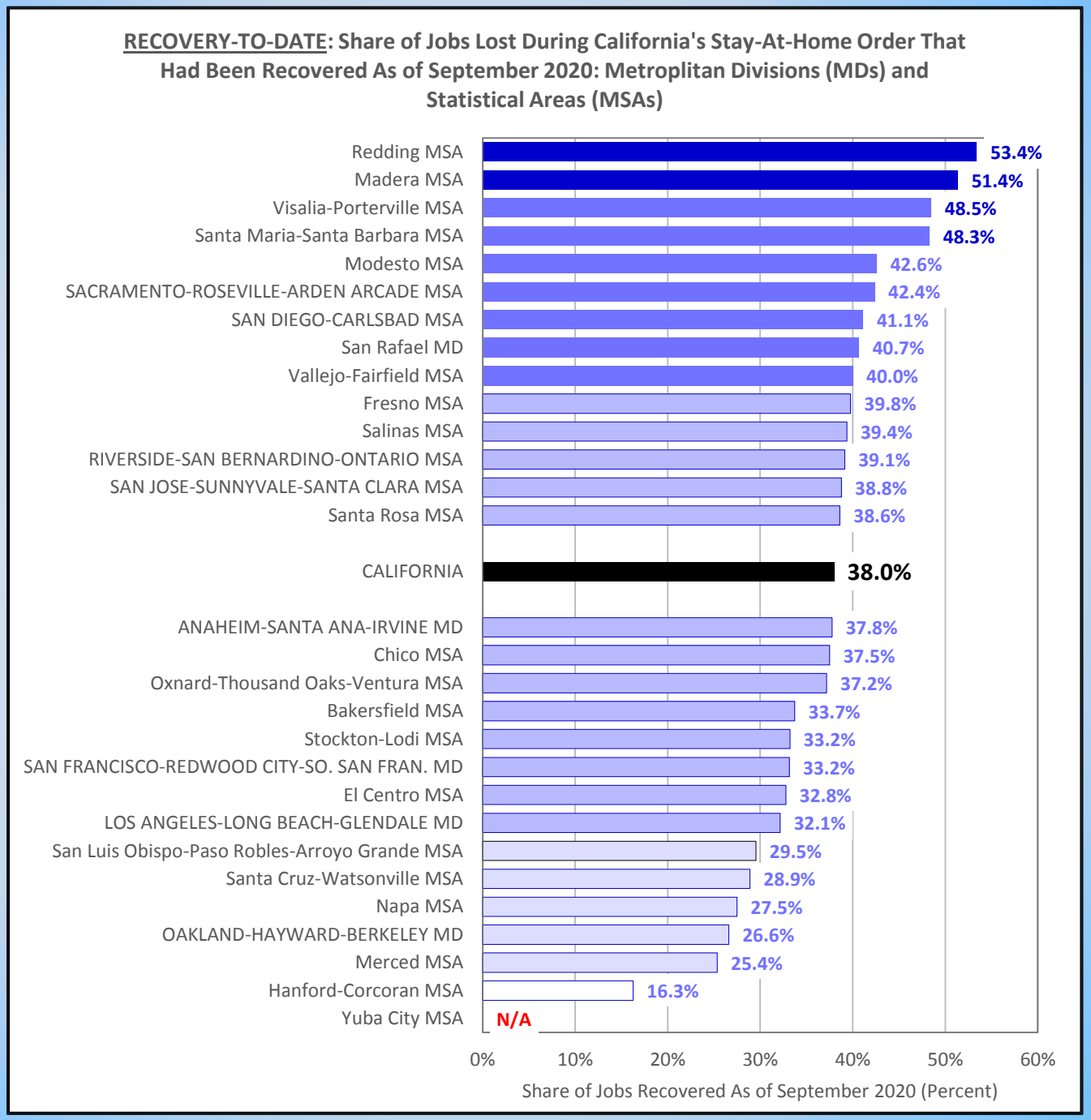
THE REOPENING: Five-Month Changes in Nonfarm Jobs in California Metropolitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs): August 2020

- In contrast, every one of California's seasonally adjusted MDs and MSAs except Yuba City MSA added jobs over the five-month period from April through September 2020 as pandemic restrictions were eased.

THE REOPENING: Five-Month Changes in Total Nonfarm Jobs in California's Seasonally Adjusted Metroplitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs): APRIL 2020 to SEPTEMBER 2020

	Five-Month Change (Number)		Five-Month Change (Number)
California	***993,600***		
Los Angeles-Long Beach-Glendale MD	233,600	Stockton-Lodi MSA	10,400
Anaheim-Santa Ana-Irvine MD	103,700	Vallejo-Fairfield MSA	9,000
San Diego-Carlsbad MSA	94,100	San Rafael MD	8,700
Riverside-San Bernardino-Ontario MSA	79,800	Visalia-Porterville MSA	7,900
San Francisco-Redwood City-So. San Francisco MD	64,500	San Luis Obispo-Paso Robles-Arroyo Grande MSA	6,500
Sacramento--Roseville--Arden-Arcade MSA	62,200	Santa Cruz-Watsonville MSA	5,200
San Jose-Sunnyvale-Santa Clara MSA	58,400	Chico MSA	4,800
Oakland-Hayward-Berkeley MD	48,900	Redding MSA	4,700
Fresno MSA	17,300	Napa MSA	3,300
Oxnard-Thousand Oaks-Ventura MSA	15,100	El Centro MSA	2,000
Santa Maria-Santa Barbara MSA	14,100	Madera MSA	1,900
Bakersfield MSA	13,700	Merced MSA	1,800
Santa Rosa MSA	13,400	Hanford-Corcoran MSA	700
Modesto MSA	13,200	Yuba City MSA	-1,000
Salinas MSA	11,300		

Tracking California's Recovery-to-Date By Area



The Pandemic-to-Date By Area (February through September 2020)

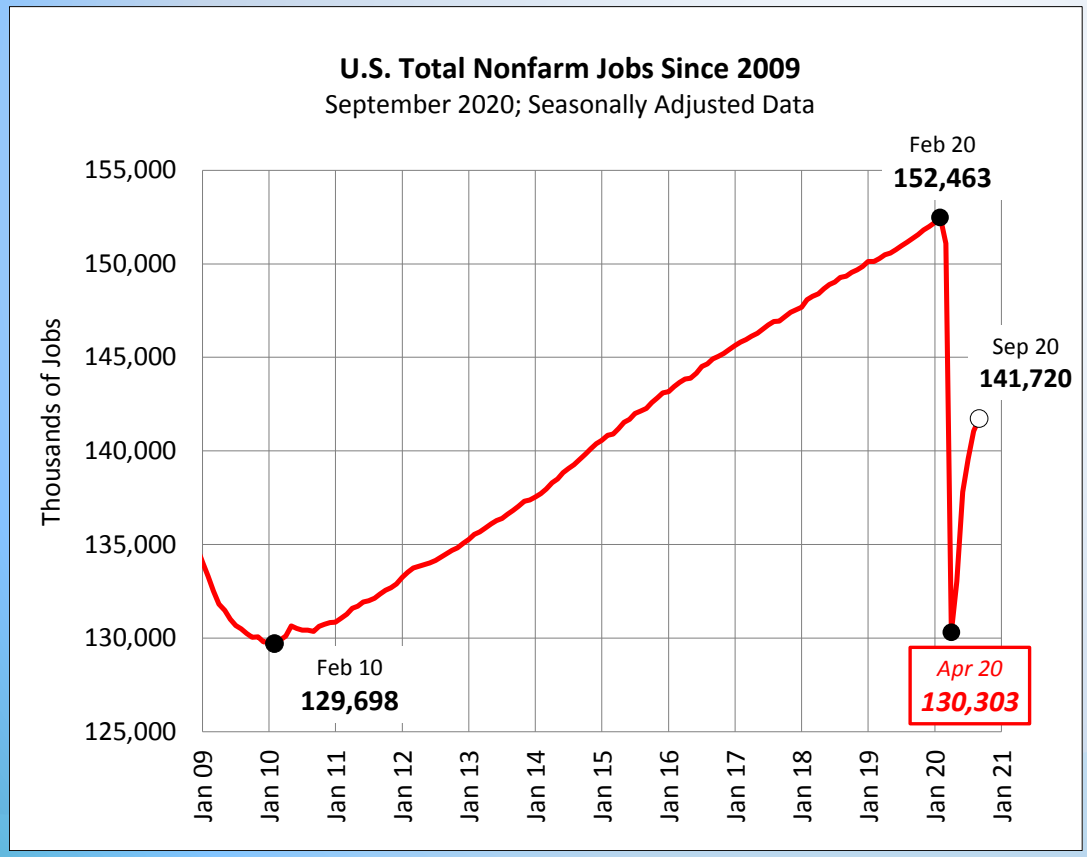
- Every one of California's 29 seasonally adjusted Metropolitan Divisions (MDs) and Statistical Areas (MSAs) has lost jobs since the beginning of the COVID-19 pandemic…

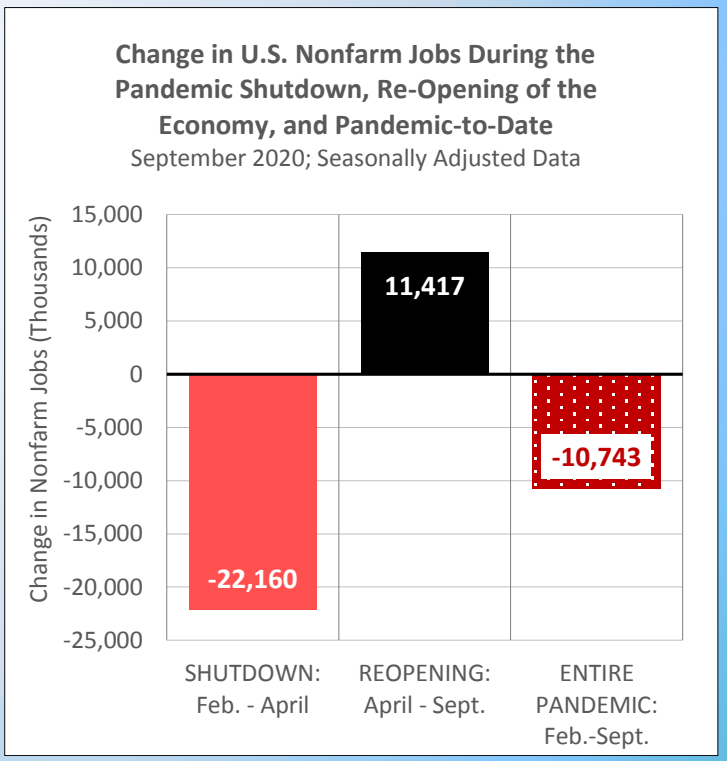
COVID-19 PANDEMIC: Five-Month Changes in in Total Nonfarm Jobs in California's Seasonally Adjusted Metroplitan Divisions (MDs) and Metropolitan Statistical Areas (MSAs): FEBRUARY 2020 through SEPTEMBER 2020

	SEVEN-Month Change (Number)		SEVEN-Month Change (Number)
California	***-1,622,200***		
Los Angeles-Long Beach-Glendale MD	-493,000	San Luis Obispo-Paso Robles-Arroyo Grande MSA	-15,500
Anaheim-Santa Ana-Irvine MD	-170,900	Santa Maria-Santa Barbara MSA	-15,100
Oakland-Hayward-Berkeley MD	-134,900	Vallejo-Fairfield MSA	-13,500
San Diego-Carlsbad MSA	-134,700	Santa Cruz-Watsonville MSA	-12,800
San Francisco-Redwood City-So. San Francisco MD	-130,000	San Rafael MD	-12,700
Riverside-San Bernardino-Ontario MSA	-124,100	Napa MSA	-8,700
San Jose-Sunnyvale-Santa Clara MSA	-92,200	Visalia-Porterville MSA	-8,400
Sacramento--Roseville--Arden-Arcade MSA	-84,600	Yuba City MSA	-8,100
Bakersfield MSA	-26,900	Chico MSA	-8,000
Fresno MSA	-26,200	Merced MSA	-5,300
Oxnard-Thousand Oaks-Ventura MSA	-25,500	Redding MSA	-4,100
Santa Rosa MSA	-21,300	El Centro MSA	-4,100
Stockton-Lodi MSA	-20,900	Hanford-Corcoran MSA	-3,600
Modesto MSA	-17,800	Madera MSA	-1,800
Salinas MSA	-17,400		

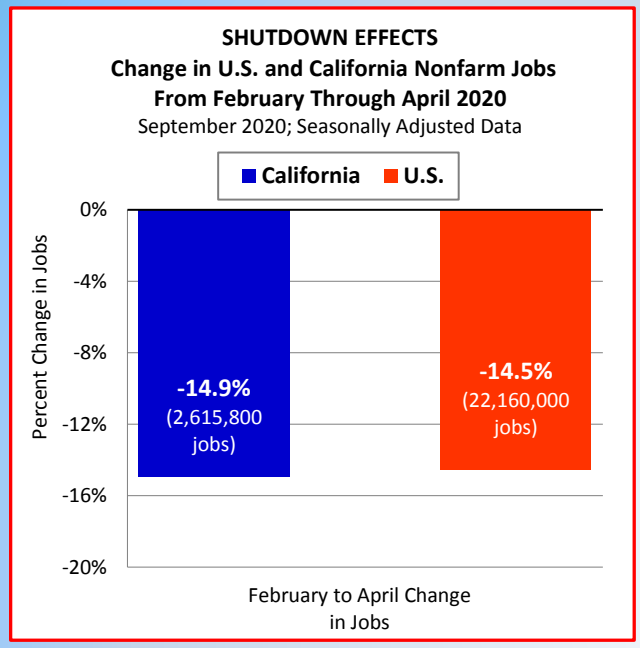
U.S. Total Nonfarm Employment

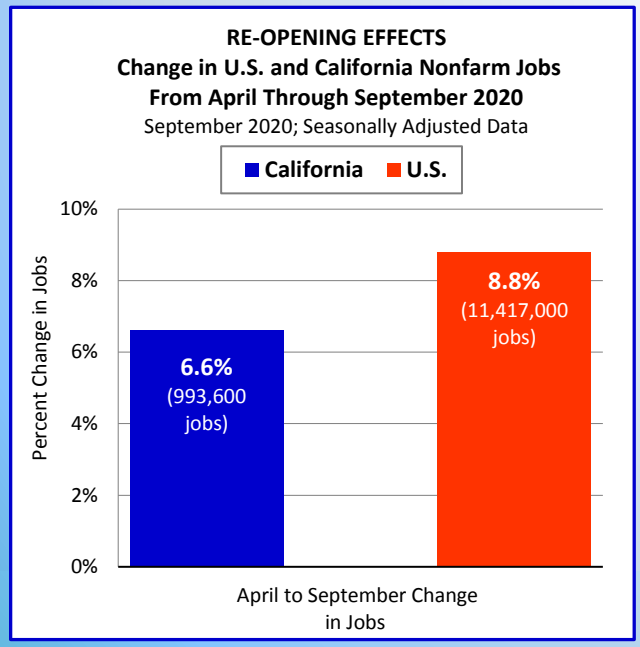
- California's pattern of job losses and gains during the pandemic have followed the same general contours as the nation's. The nation lost 22,160,000 nonfarm jobs (14.5 percent) during the pandemic shutdown from February through April. It gained 11,417,000 nonfarm jobs as the economy reopened from April through September, which was an 8.8 percent increase. Despite this gain, the U.S. had 10,714,000 fewer nonfarm jobs in September than it had in before the pandemic hit in February, which was a 7.0 percent decrease.

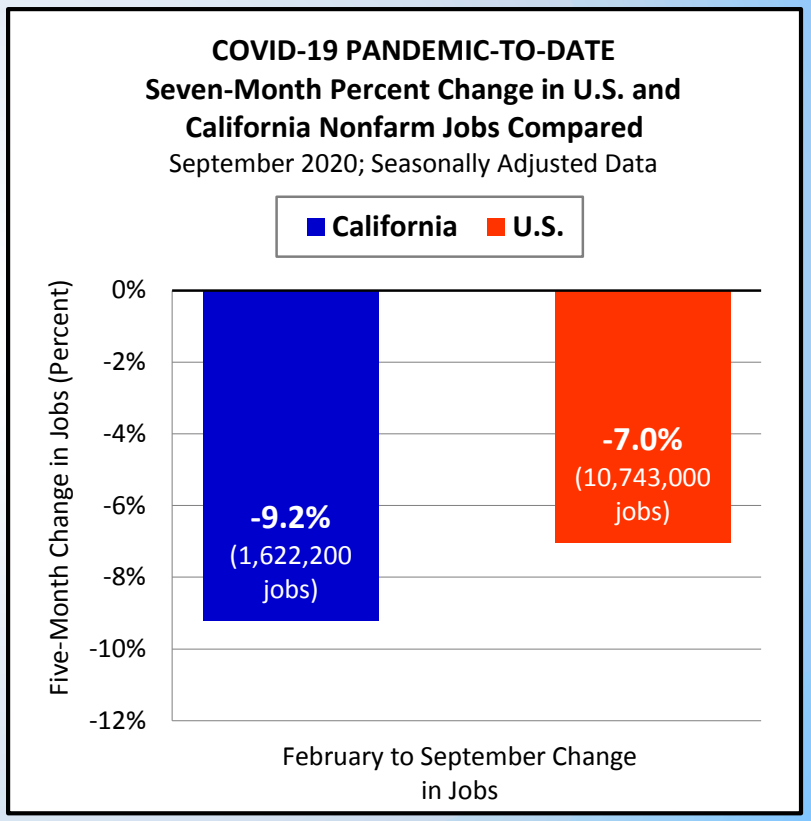




U.S. and California Experience During the COVID-19 Pandemic Compared

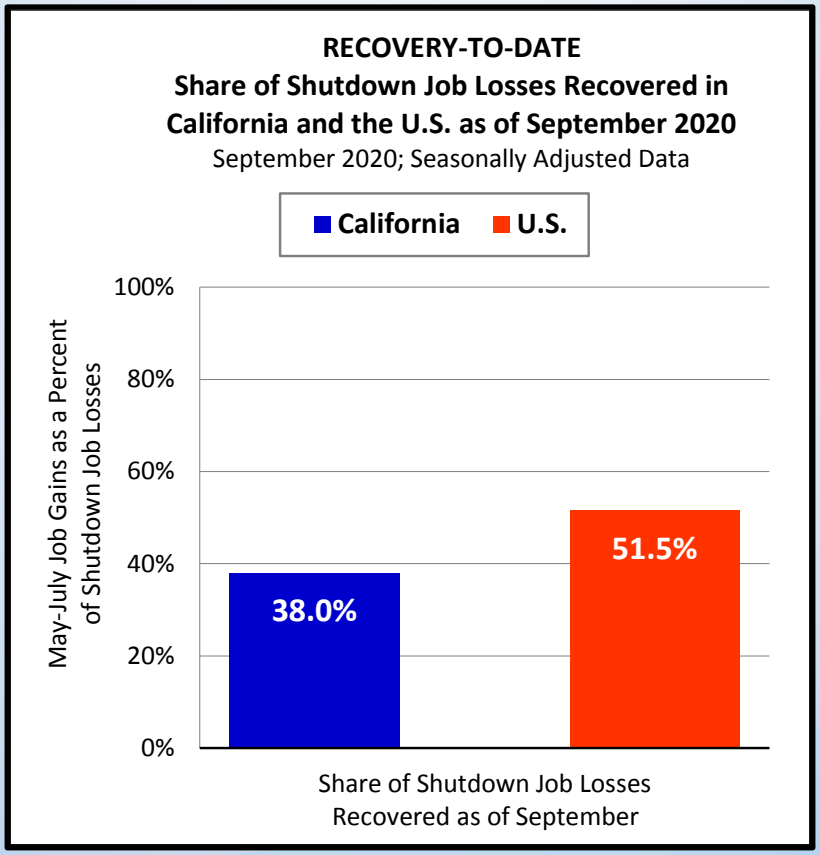






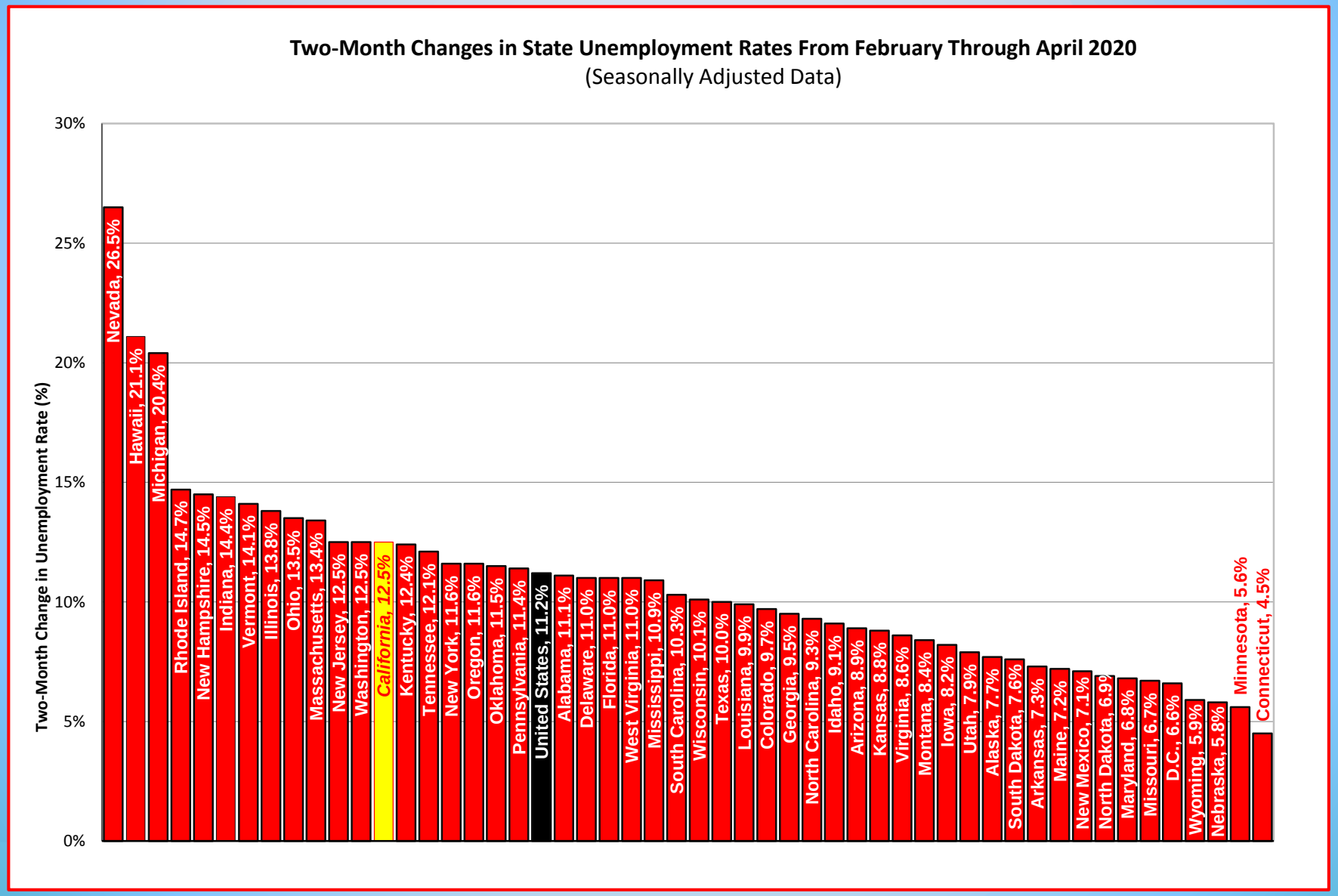
U.S. and California Recovery-to-Date

- Although the U.S. and California experienced percentage job losses of roughly the same magnitude from February through April, the nation is further along in its recovery than California. As of September 2020, California had recovered nearly two-fifths (38.0 percent) of the 2,615,800 nonfarm jobs it lost from February through April. The nation had recovered over half (51.5 percent) of the 22,160,000 nonfarm jobs it lost over the same period.

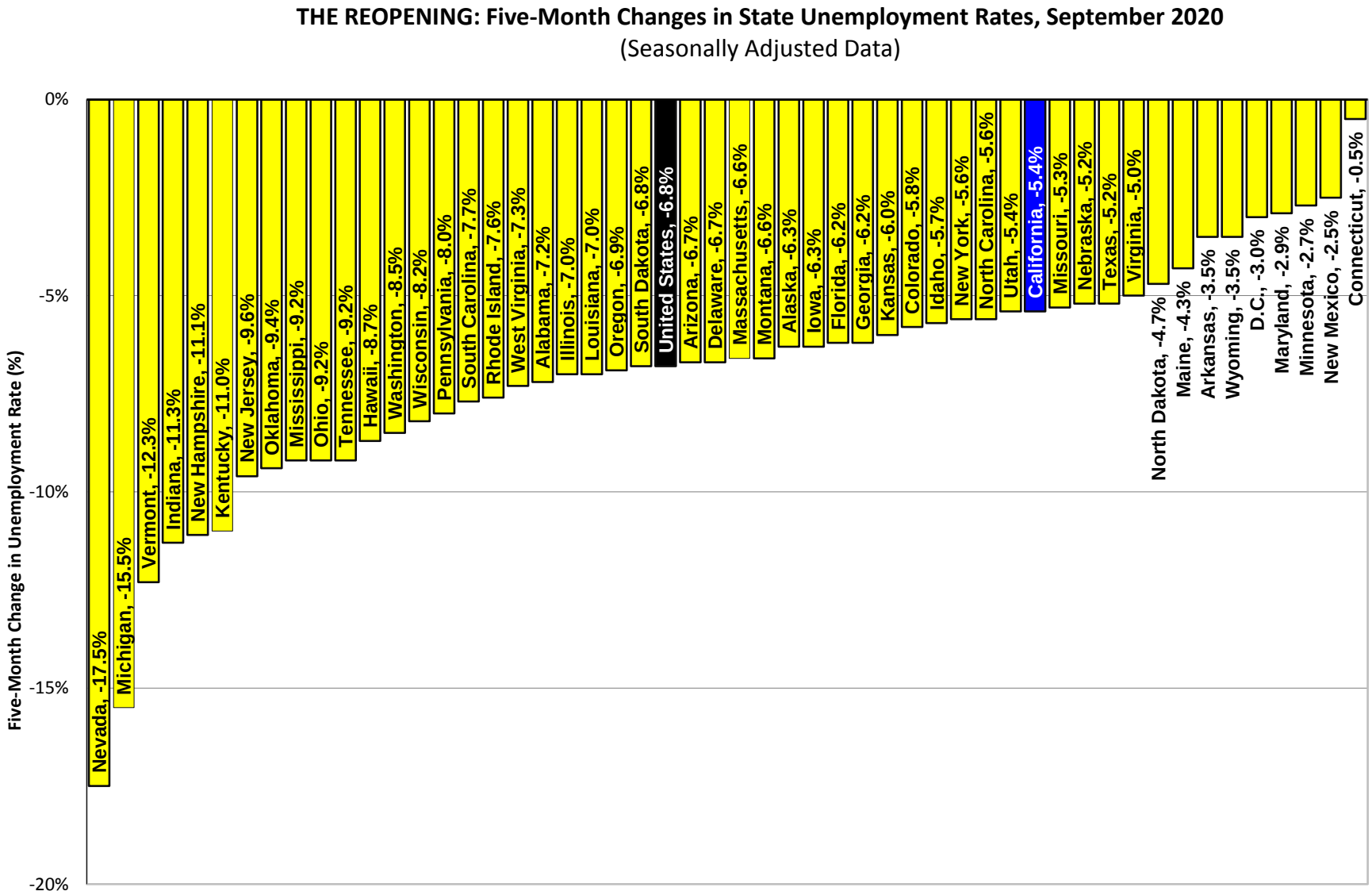


California in Comparison to Other States: Unemployment Rate

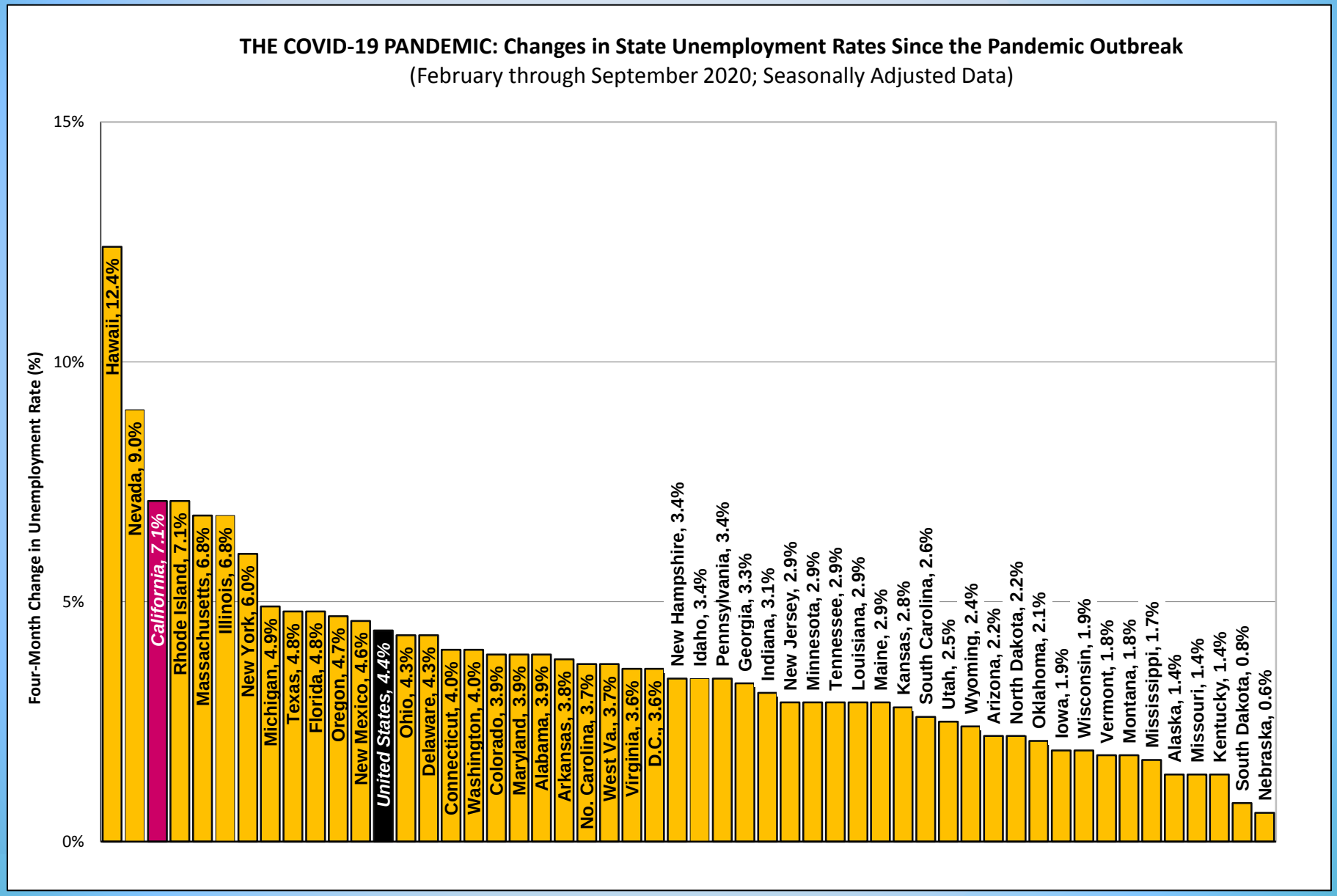
- **THE SHUTDOWN**: California's 12.5 percentage point unemployment rate increase from February through April ranked 11th (tied) among state's.



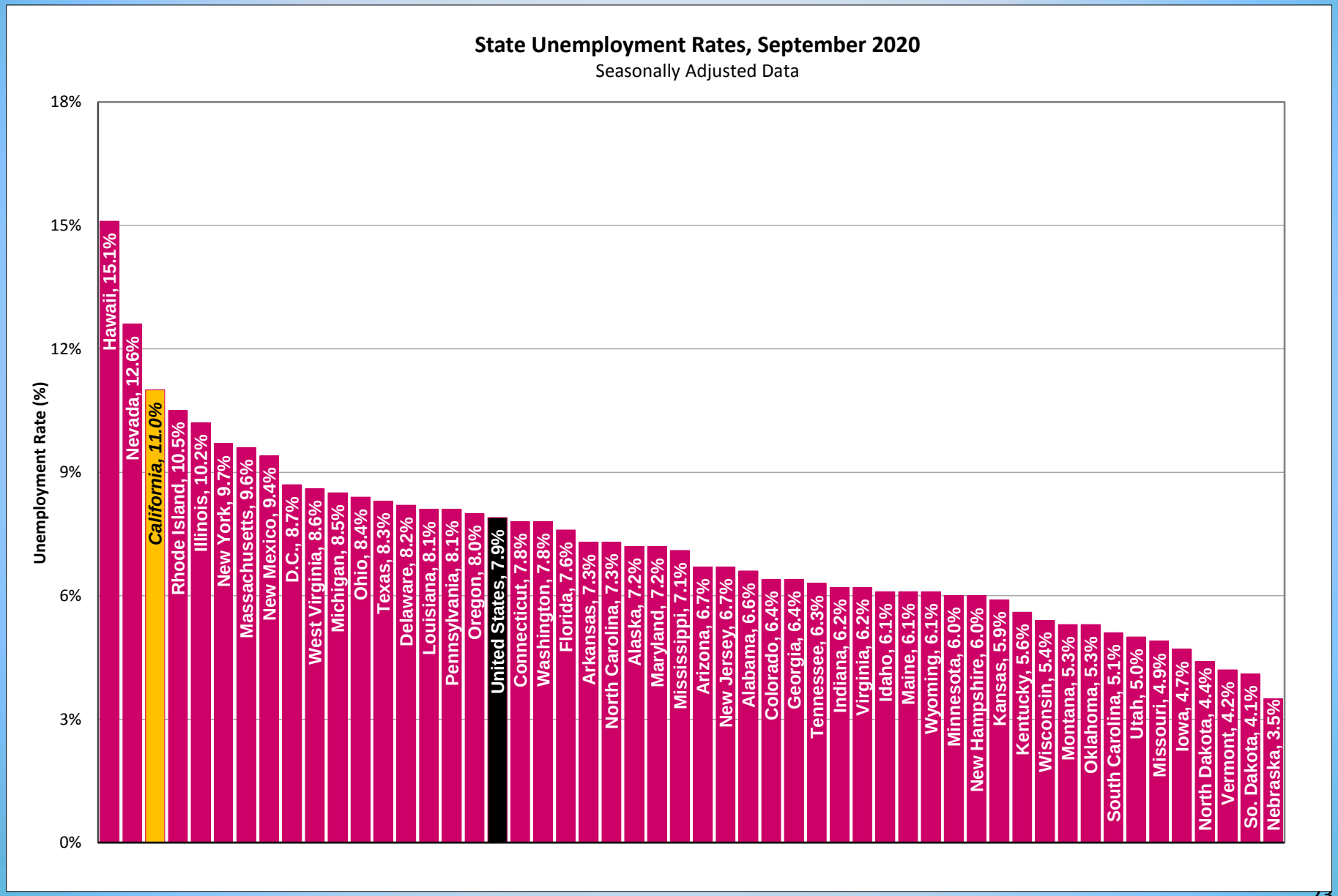
- **THE REOPENING**: Thirty-seven states had a larger unemployment rate decreases than California from April through September.



- **THE PANDEMIC-TO-DATE**: California's 7.1 percentage point unemployment rate increase from February through September was the third largest increase among states.

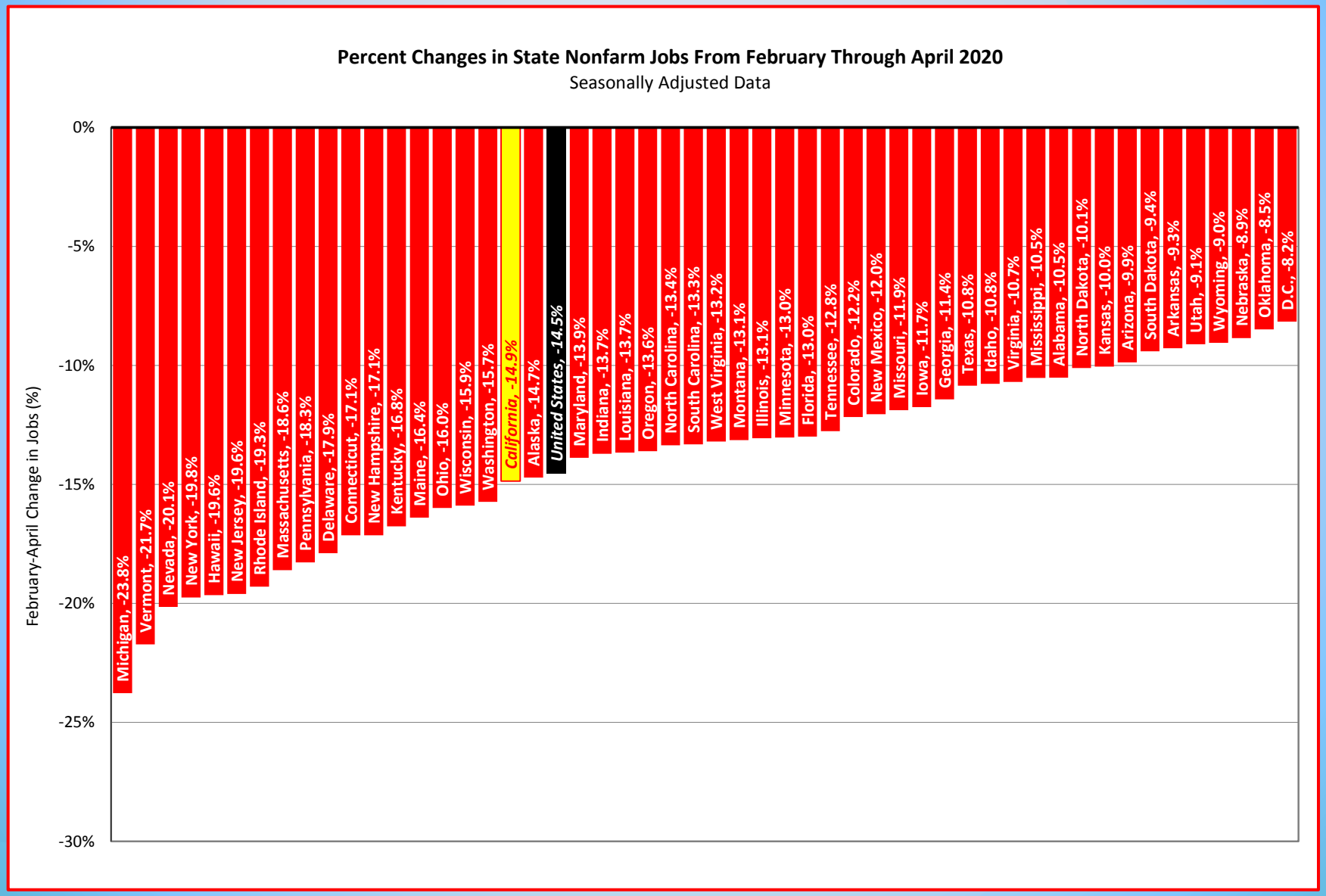


- California's 11.0 percent unemployment rate in September was the third highest among states.

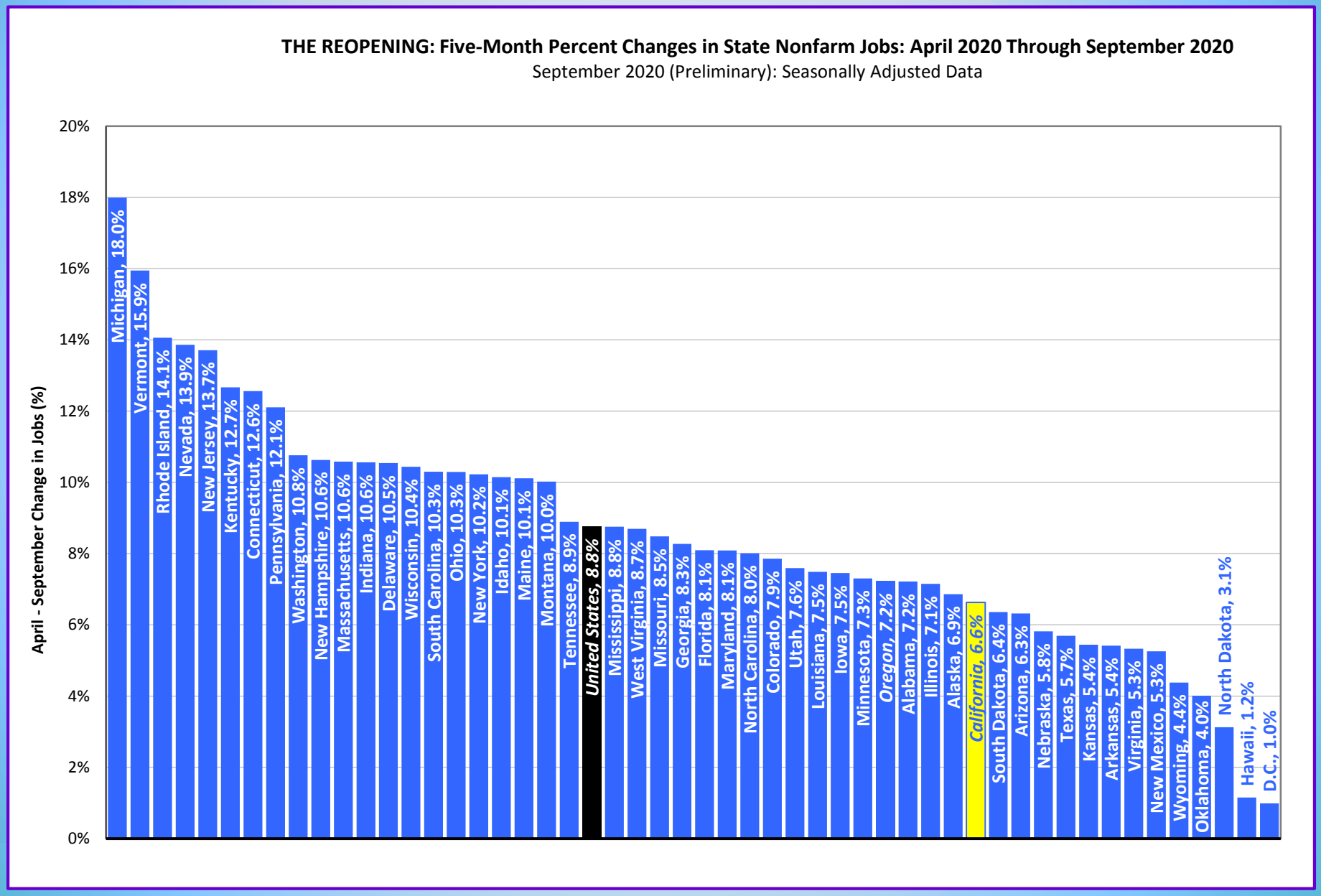


California in Comparison to Other States: Jobs

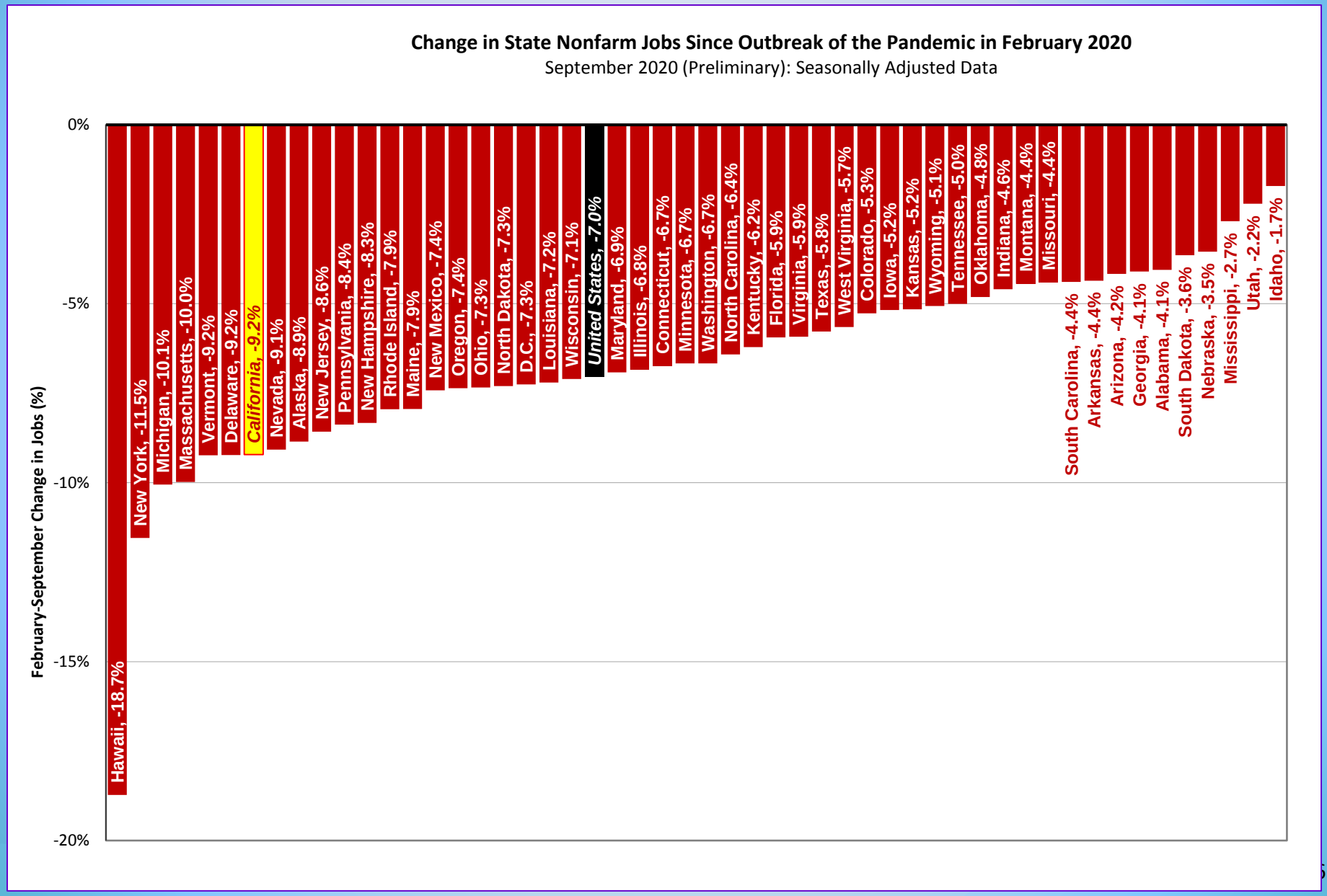
- **THE SHUTDOWN**: California's February-April job loss wasn't particularly remarkable in comparison those of other states. Its 14.9 percent job loss ranked 18th among states.

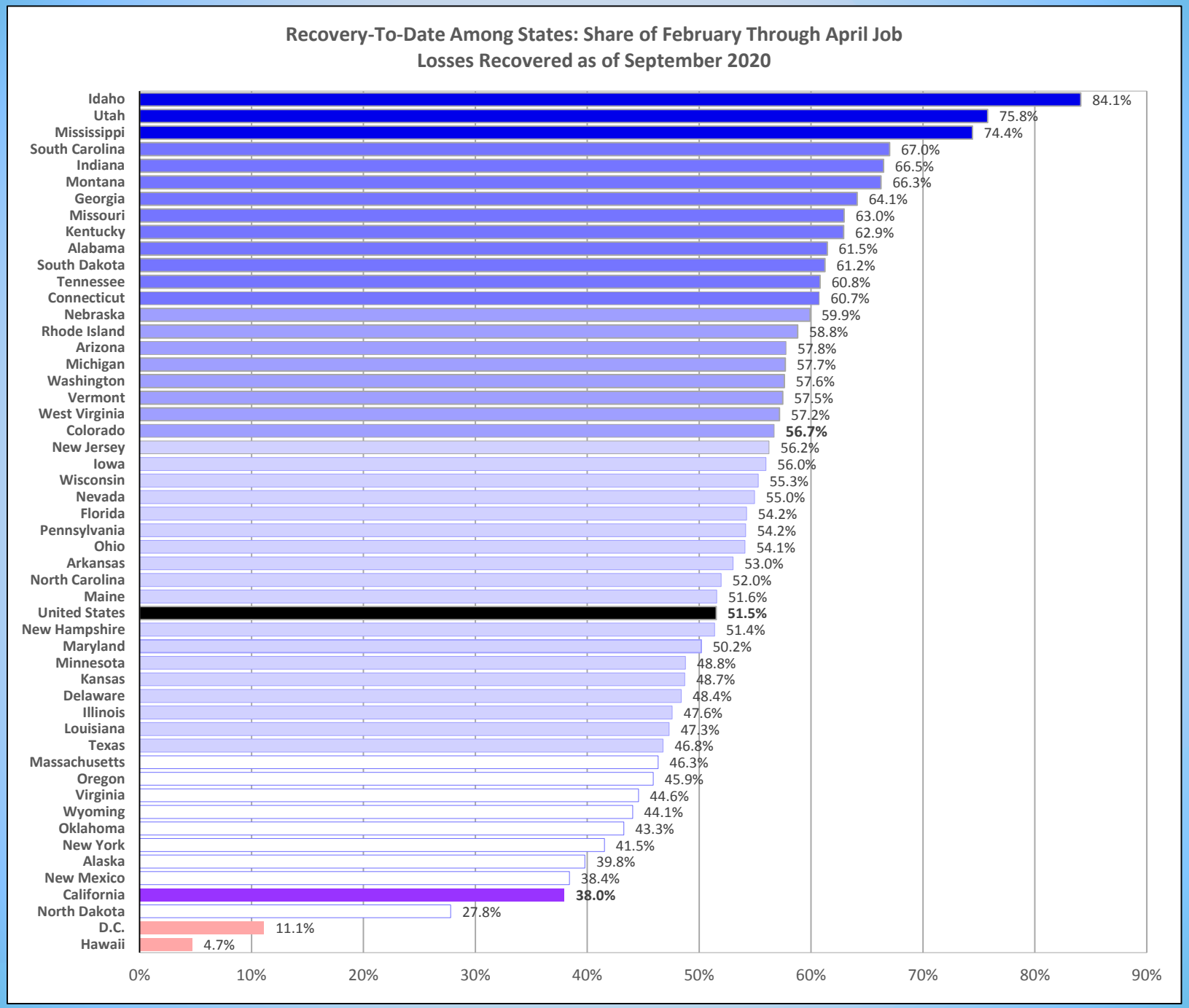


- **THE RE-OPENING**: California added more jobs than any other state during the April-September 2020 reopening, but its 6.6 percent job increase ranked just 38th among states ...



- **THE PANDEMIC-TO-DATE**: California 9.2 percent job loss from February through September tied for fifth largest among states.




Recovery-To-Date Among States: Share of February Through April Job Losses Recovered as of September 2020
Idaho 84.1%
Utah 75.8%
Mississippi 74.4%
South Carolina 67.0%
Indiana 66.5%
Montana 66.3%
Georgia 64.1%
Missouri 63.0%
Kentucky 62.9%
Alabama 61.5%
South Dakota 61.2%
Tennessee 60.8%
Connecticut 60.7%
Nebraska 59.9%
Rhode Island 58.8%
Arizona 57.8%
Michigan 57.7%
Washington 57.6%
Vermont 57.5%
West Virginia 57.2%
Colorado 56.7%
New Jersey 56.2%
Iowa 56.0%
Wisconsin 55.3%
Nevada 55.0%
Florida 54.2%
Pennsylvania 54.2%
Ohio 54.1%
Arkansas 53.0%
North Carolina 52.0%
Maine 51.6%
United States 51.5%
New Hampshire 51.4%
Maryland 50.2%
Minnesota 48.8%
Kansas 48.7%
Delaware 48.4%
Illinois 47.6%
Louisiana 47.3%
Texas 46.8%
Massachusetts 46.3%
Oregon 45.9%
Virginia 44.6%
Wyoming 44.1%
Oklahoma 43.3%
New York 41.5%
Alaska 39.8%
New Mexico 38.4%
California 38.0%
North Dakota 27.8%
D.C. 11.1%
Hawaii 4.7%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%

California's COVID-19 Pandemic In Comparison to Other States

The COVID-19 pandemic poses an inherent policy dilemma between protecting the population and protecting the economy.

- Policies that protect the population typically involve restricting some forms of economic activity (human interactions that involve congregating in large numbers, touch, face-to-face contact) to limit the virus's spread, but heighten the risk of constraining or hurting the economy.

- Policies that protect the economy are typically permissive of economic activity, but heighten the risk that the virus will not be contained.

In the absence of a coherent federal strategy or guidelines to cope with the pandemic, individual states have adopted their own strategies, ranging along a more restrictive to the more permissive continuum. Generally speaking, California has adopted a more restrictive (cautious) response to the pandemic than most other states.

California's COVID-19 Pandemic In Comparison to Other States

How Does California's COVID-19 Outbreak Compare With Other States (Plus D.C.)?
(**Source:** Washington Post, 11/03/2020)

Caseloads

Total Reported Cases Per 100,000 persons: California ranked **35th.**
New Cases Per 100,000 persons in the last 7 days: California ranked **46th.**
Change in Number of Cases in last Seven Days: California ranked **41st.**
(California was one of only 11 states to have a decrease in case numbers.)

Reported Deaths

Total Deaths Per 100,000 persons: California ranked **31st.**
New Deaths in Last Seven Days Per 100,000 persons: California ranked **43rd.**
Change in Daily Deaths in Last Seven Days: California ranked **46th (down 22%).**

Hospitalizations

Currently Hospitalized for COVID-19 Per 100,000 persons: California ranked **42nd.**

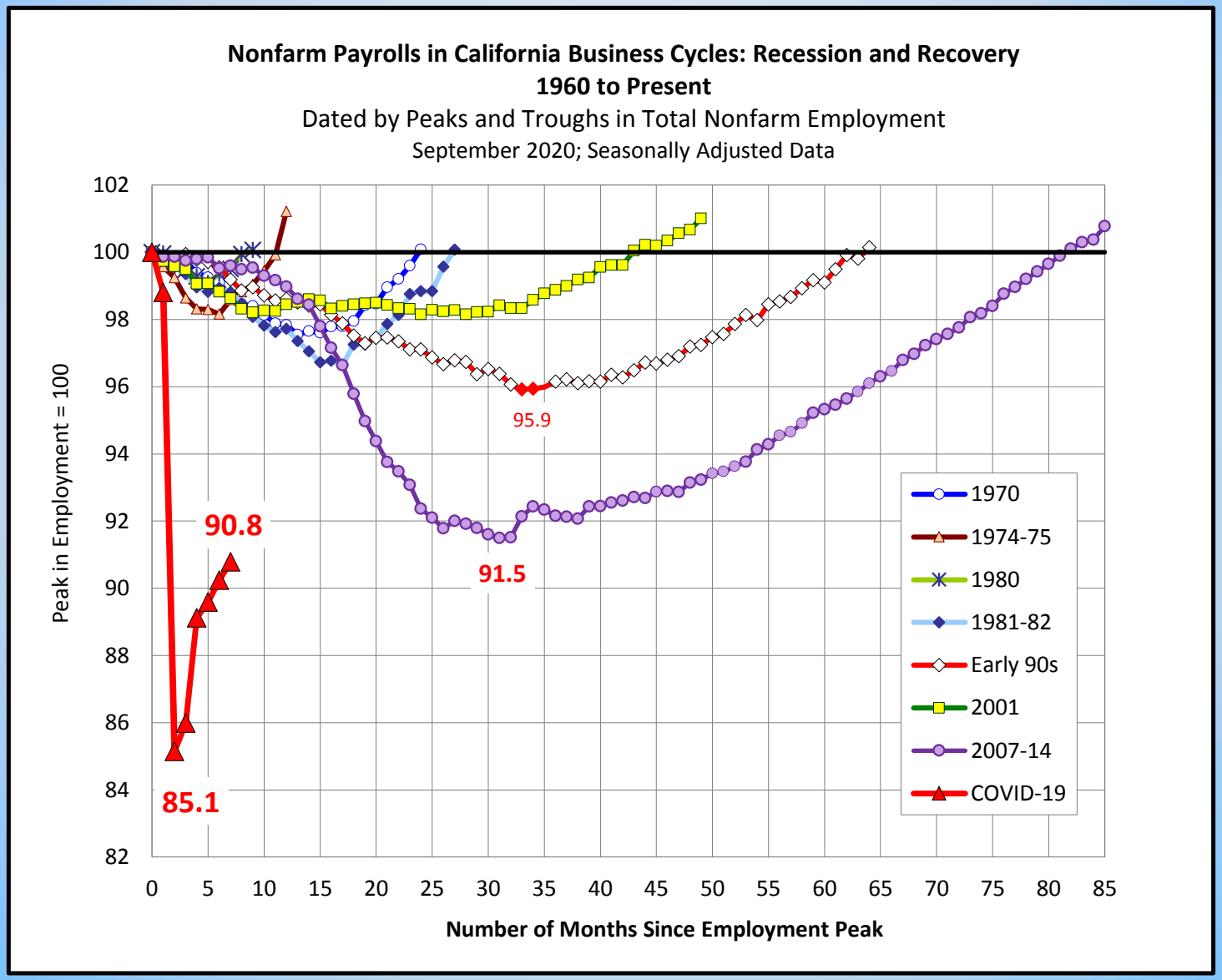
The number of hospitalizations in California due to COVID-19 rose 8 **percent** from last week. Hospitalization rate was higher in **35** states.

Testing

Tests Reported Per 100,000 Persons: California ranked **23rd.**
California's 3 Percent Positive Test Rate in Last Seven Days ranked **41st (tied).**

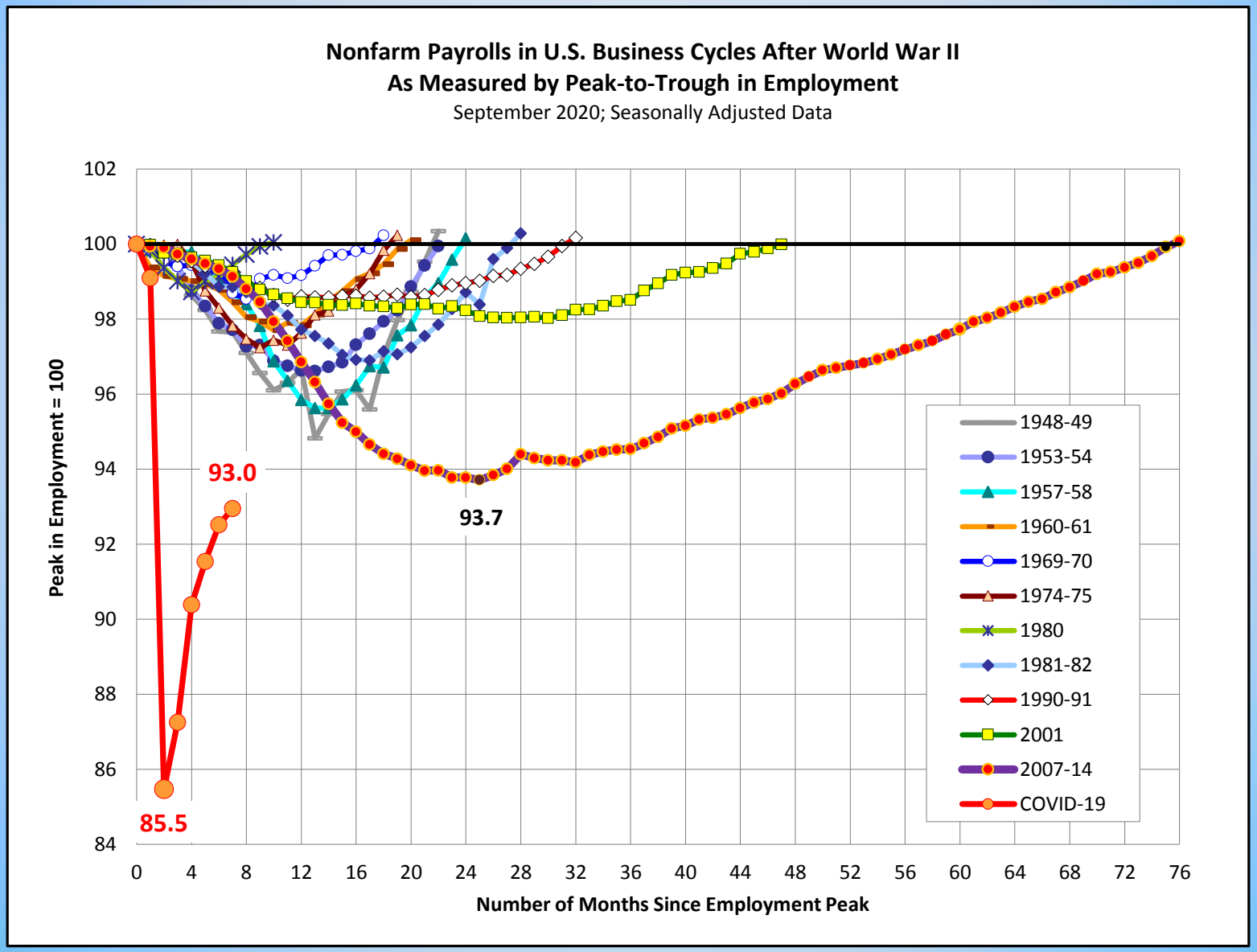
The COVID-19 Recession In Comparison to Past Recessions: California

– The "V" recovery looks like it may be losing its shape.



The COVID-19 Recession In Comparison to Past Recessions: The U.S.

– The "V" recovery looks like it may be losing its shape.



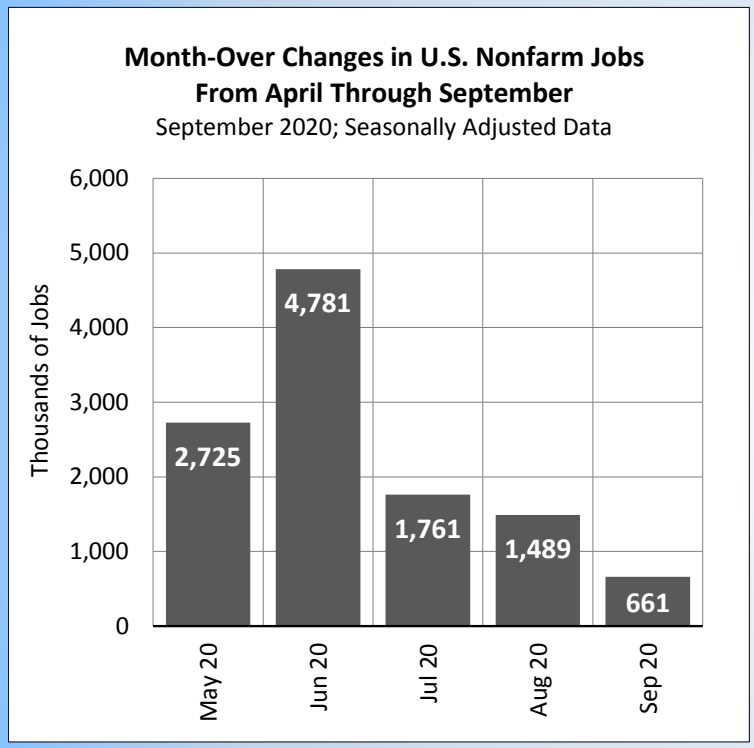
Recovery Scenarios

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.

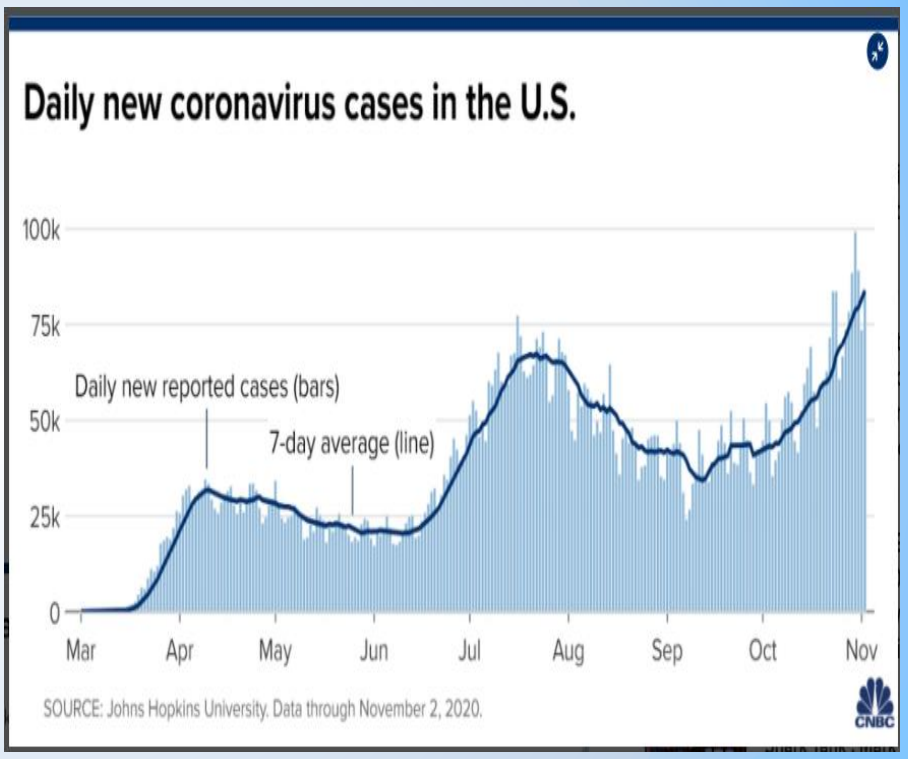
A **U-shaped recovery** foresees a longer recovery in which it will take a considerable time—years, not a few short months--for the economy to recover and generate sustained growth, even if there is an initial spurt of activity when businesses reopen. The premise underlying this scenario is that the 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. The **Nike Swoosh** variant of the U-shaped recover predicts a particularly slow and arduous recovery.

Why there are reasons to doubt that a V-shaped recovery will occur…

Diminishing returns to reopening one's doors?



The Persistence of the COVID-19 Pandemic



The "K-Shaped" Recovery

Amidst all the talk of possible V-shaped, U-shaped, Nike Swoosh, or L-shaped recoveries, a growing number of economists contend that we are in fact experiencing a "K-shaped" recovery.

- More highly-skilled, and more highly educated workers have fared better during the pandemic and are much further along in their recovery than other workers. This is in large part due to the fact that their jobs are more amenable to remote work (telework). Earnings and incomes for these people have held up well despite the pandemic and their rate of savings has risen. To paraphrase Chris Thornberg (Beacon/UCR), the problem these folks confront is not so much that they haven't got money to spend, but rather, that they have limited opportunities to spend it.

- In contrast, workers in the hard hit leisure and hospitality, personal care services, and brick and mortar retail trade sector tend to be younger, lower-skilled, and less well-educated. These individuals have experienced disproportionately large job and income losses and face a longer and steeper road to recovery, particularly now that government assistance such as enhanced UI benefits have expired.

- In the K-shaped recovery, higher income groups tend to be concentrated in the upper arm of the K while lower income groups tend to be concentrated in the lower arm.

The "K-Shaped" Recovery: An Unsophisticated Classification of Major California Industries By Wage Scale

Average Weekly Pay of Major California Industries in 2019
Ranked From Highest to Lowest
(Source: Quarterly Census of Employment and Wages (QCEW)

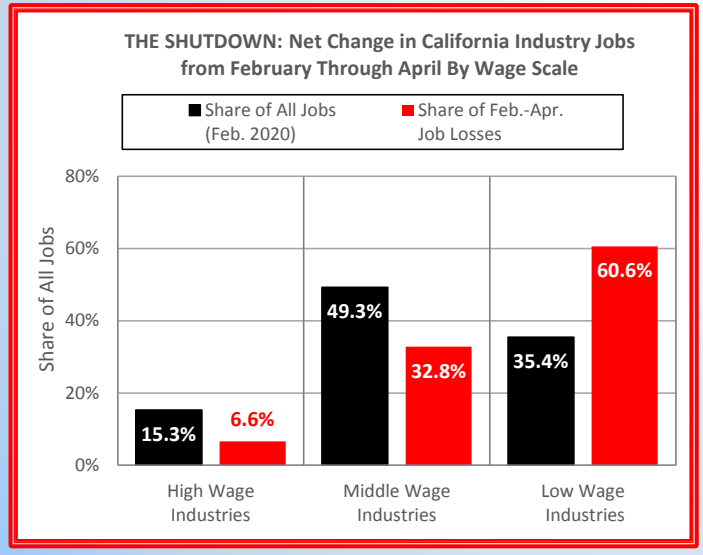
	Average Weekly Pay
TOTAL, ALL INDUSTRIES	$1,368
High Wage/High Skill Industries	
Information	$3,678
Management of Companies & Enterprises	$2,604
Finance & Insurance	$2,599
Professional, Scientific & Technical Services	$2,459
Mining and Logging	$2,389
Middle Wage/Middle Skill Industries	
Manufacturing	$1,889
Federal Government	$1,658
State Government	$1,628
Wholesale Trade	$1,557
Construction	$1,410
Real Estate & Rental & Leasing	$1,403
Health Care*	$1,352
Transportation, Warehousing & Utilities	$1,328
Local Government	$1,299
Arts, Entertainment & Recreation	$1,190
Educational Services	$1,082
Low Wage/Lesser Skill Industries	
Administrative & Support & Waste Services	$924
Other Services	$813
Retail Trade	$733
Total Farm	$696
Accommodation & Food Services	$513
Social Assistance*	$408

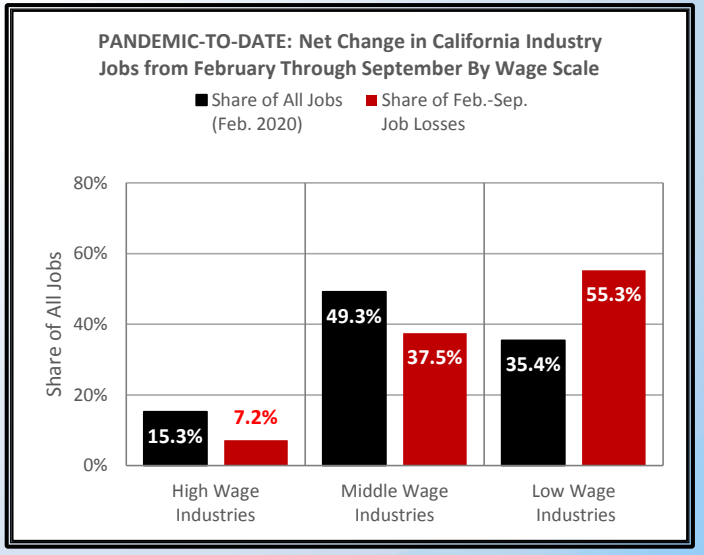
* Subcomponents of Health Care and Social Assistance Subsector

The "K-Shaped" Recovery

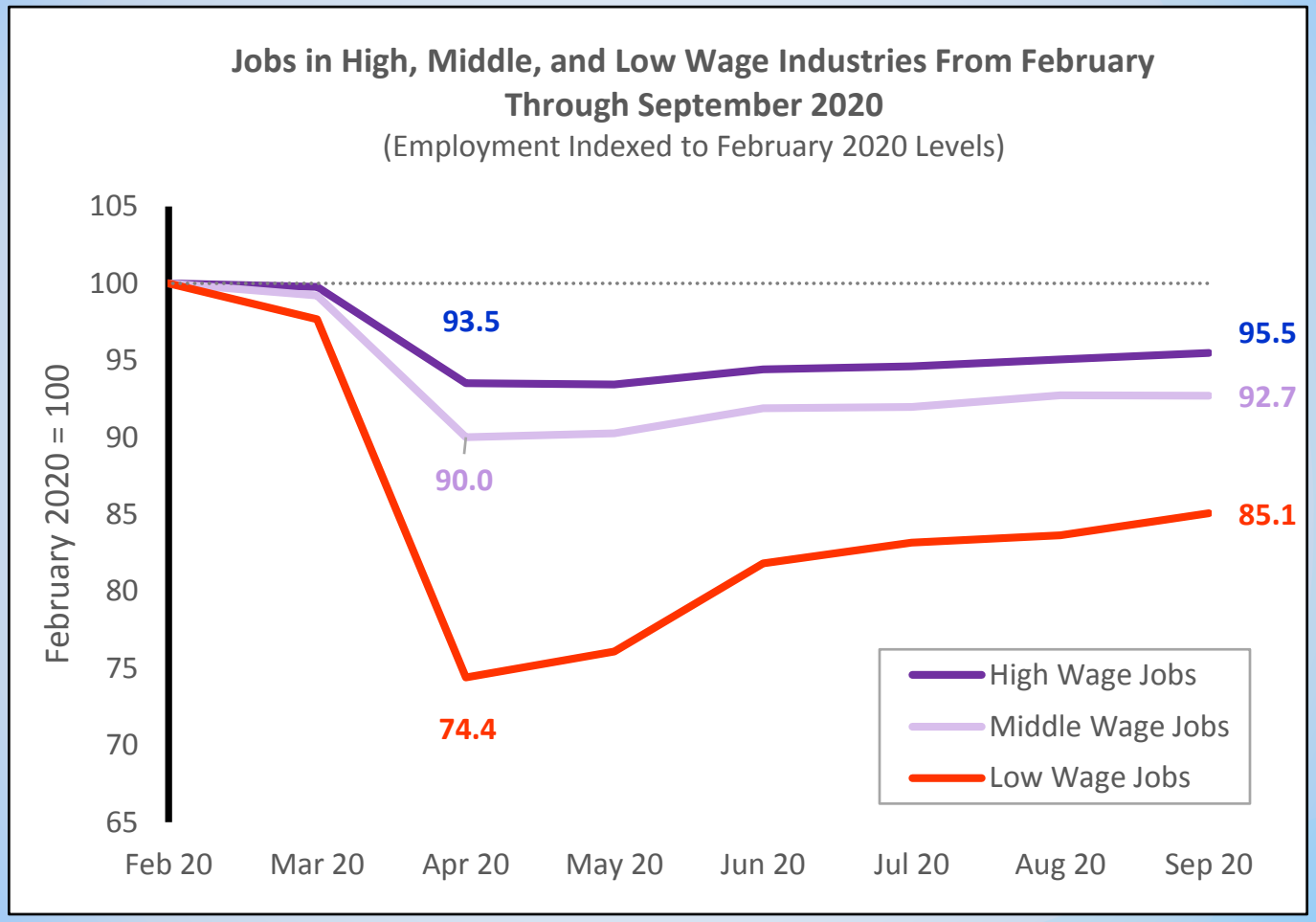
Jobs in Major California Industries By Wage Scale Over the Course of the Pandemic									
	Feb-20	Apr-20	Sep-20	THE SHUTDOWN: Feb.-Apr. Job Change		THE RE-OPENING: Apr.-Sep. Job Change		PANDEMIC-TO-DATE: Feb.-Sep. Job Change	
				Number	Percent	Number	Percent	Number	Percent
ALL INDUSTRIES*	**18,036.8**	**15,332.5**	**16,310.2**	**-2,704.3**	**-15.0%**	**977.7**	**6.4%**	**-1,726.6**	**-9.6%**
High Wage Industries	2,761.0	2,582.0	2,636.3	-179.0	-6.5%	54.3	2.1%	-124.7	-4.5%
Middle Wage Industries	8,883.7	7,996.0	8,236.4	-887.7	-10.0%	240.4	3.0%	-647.3	-7.3%
Low Wage Industries	6,392.1	4,754.5	5,437.5	*-1,637.6*	*-25.6%*	*683.0*	*14.4%*	*-954.6*	*-14.9%*

* Includes farm jobs and not seasonally adjusted health care and social assistance industries





The "K-Shaped" Recovery



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