PRISM Wealth Advisors, LLC

(/)

208 S. Dodge St, PO Box 675
Algona, IA 50511-2737
(http://www.google.com/maps?f=q&hl=en&geocode=&q=208%20S%2E%20Dodge%20St%2C%20PO%20Box%20675%2C%20Algona%2C%20IA%2050511%2D2737%20&ie=UTF8&z=16&iwloc=addr&om=1)

Phone:
515-295-9513 800-288-6669

Fax:
515-295-4374

pbh@berthelrep.com (mailto:pbh@berthelrep.com)

HOT TOPIC

The Jobs Recovery: More Work to Be Done

In April 2020, the U.S. economy lost an astonishing 20.8 million jobs, by far the largest loss recorded in a single month dating back to 1939. To put this in perspective, the second largest monthly job loss was about 2 million in September 1945, when defense industries reduced production at the end of World War II.[1]

The April unemployment rate spiked to 14.7%, the highest official rate on record (though unemployment has been estimated as high as 25% during the Great Depression). Just two months earlier, it was 3.5%, a 50-year low.[2–3]

As these numbers indicate, the impact of the COVID-19 recession on U.S. employment is unprecedented. As we approach the end of a very difficult year, this might be a good time to look at the state of the jobs recovery so far and consider its future prospects.

Measuring Unemployment

The headline unemployment rate for September was 7.9%, the first time since April that it fell below 8%. The rate is moving in the right direction but has a long way to go, and the headline rate — officially called U-3 — is not always the best indication of the state of employment. The U-3 rate only measures those who are unemployed and have actively looked for work during the previous four weeks.[4]

The broadest measure, U-6, includes discouraged and other "marginally attached" workers — those who are not currently looking for a job but are available to work and have looked in the last 12 months — and part-time workers who want and are available for full-time work. By this measure, the unemployment rate in September was 12.8%, suggesting that about one out of eight Americans who want to work full-time cannot do so.[5]

Perhaps the most striking numbers in the September employment report indicate that almost 1.1 million people age 20 and older left the workforce, and about 80% of them were women.[6] People leaving the workforce actually lower the unemployment rate (because they are no longer counted), but it's obviously not good for the economy or for those who have given up looking for work.

The fact that so many women have stopped looking for work suggests they may be dropping out of the labor force to care for children attending school remotely or because they lack child care. Women are also more likely to work in jobs that have been especially hard-hit by the pandemic.[7]

Diminishing Job Gains

Prior to March 2020, the U.S. economy added jobs for 113 consecutive months dating back to October 2010. With the beginning of lockdowns in March, followed by the April collapse, more than 22 million jobs were lost over a two-month period.[8]

A little more than half of this total returned over the next five months, but that still leaves the economy down almost 11 million jobs, and the trend seems to be moving in the wrong direction. After almost 5 million jobs were added in June, the monthly totals declined quickly, and September saw a disappointing gain of 661,000 jobs — a great month during a healthy economy, but not nearly enough to catch up in the current situation.[9]

If job creation continues at that pace, it would take about 16 months to get back to pre-pandemic levels, and that may be optimistic. In the October Economic Forecasting Survey of *The Wall Street Journal*, more than 40% of economists projected that payrolls would not return to pre-pandemic levels until 2023, and about 10% thought it would take even longer.[10]

An Uneven Recession

Different industries respond differently during any recession, but the pandemic has created big disparities that have led to large-scale layoffs. The leisure and hospitality industry has been hit the hardest, with total payrolls still down 21.7% from a year ago, despite more than a million employees returning to work over the last three months. By contrast, payrolls in the financial industry are down just 1.0%. Manufacturing is down 5.0%, and professional/business services is down 5.8%.[11]

Employment in the retail industry is down only 2.8% due to the strength of building supply and warehouse stores, which have added more than 300,000 employees over the last year, as well as food and beverage stores, which have added 55,000 employees. Even with many locations reopening, employment in clothing stores is still down almost 25%, while sporting goods, hobby, furniture, and home furnishing stores are down by double digits. Online retailers, which have flourished during the pandemic, added just 21,000 employees over the last three months, and payrolls are slightly below a year ago.[12] In 2019, retailers hired more than a half million temporary employees during the winter holiday season, but with so many brick-and-mortar stores struggling, the holidays may not provide as much of a boost this year.[13]

Imagining the Future

In the near term, the employment picture will depend in large part on controlling the coronavirus. The October spike in cases going into the winter cold and flu season suggests that the return-to-work process may slow down. And although a vaccine might be approved by the end of the year, it may not be widely available until mid-2021.[14]

While an effective vaccine could be a game changer, it will not instantly open businesses or return all employees to the same jobs they had before the pandemic. For example, the shift to online retailing, which requires fewer employees, will likely continue. On the other hand, pent-up demand for travel and dining in restaurants could lead to a surge in hiring. A recent survey of frequent travelers found that 99% are eager to travel again, and 70% plan to take a vacation in 2021.[15]

In the best case, the pandemic might inspire changes that will strengthen the American workforce. In September, more than 22% of U.S. workers were still working remotely due to COVID-19, and many companies are making remote work a permanent option — a paradigm shift that may open new jobs for workers living outside of urban centers.[16] The combination of remote work, remote learning, cheap technology, and low interest rates might offer opportunities to rethink broad business, employment, and education models. In the long term, the jobs recovery could depend on innovation as much as a vaccine.

1–2, 4–6, 8–9, 11–12, 16) U.S. Bureau of Labor Statistics, 2020
3) *The Wall Street Journal*, May 8, 2020
7) CNBC, October 2, 2020
10) The Wall Street Journal Economic Forecasting Survey, October 2020
13) National Retail Federation, 2020
14) CBS News, September 17, 2020
15) Travel Leaders Group, October 16, 2020