Money Talks by David Helscher

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In April 2020, the U.S. economy lost 20.8 million jobs, the largest loss recorded in a single month dating back to 1939. To add perspective, the second largest monthly job loss was about 2 million in September 1945, when defense industries reduced production at the end of WW II. The April unemployment rate spiked to 14.7%, the highest official rate, although unemployment was estimated as high as 25% in the great depression. Just two months earlier, it was 3.5%, a 50-year low. As these numbers indicate, the impact of the coronavirus is unprecedented. It may be a good time to look at the state of the jobs recovery and consider future prospects.

The headline unemployment rate for October was 6.9%, a 1% improvement over September. The rate is moving in the right direction but has a long way to go. The headline rate, officially called U-3, is not always the best indicator. The U-3 rate only measures those who are unemployed and have actively looked for work during the previous 4 weeks. 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 past 12 months, and part-time workers who want and are available for full-time work. By this measure, the unemployment rate in October was 12.1%.

Different industries respond differently during any recession, but the pandemic has created big disparities. The leisure and hospitality industry has been hit the hardest, with total payrolls still down 20% from a year ago, despite more than 4.8 million employees returning to work over the last six months. By contract, payrolls in the financial industry are down 0.9%, manufacturing down 4.5%, and professional business services are down 4.9%. Driven by demand for housing, the construction industry added 84,000 jobs in October and is down just 2.6% from a year ago. The retail industry added more than 100,000 jobs in October and is down 3.0% from a year ago, aided by strength in building supply and warehouse stores, and food and beverage stores. Clothing stores are still down almost 25%, while sporting goods and hobby stores are down 16%. Online retailers have added 54,000 employees over the past 6 months but payrolls are flat from a year ago.

In the near term, the employment picture will depend in large part on controlling the coronavirus. The spike in cases going into the winter suggest that the return to work process may slow down. Recent news regarding vaccines is encouraging, but a vaccine may not be widely available until next spring. While an effective vaccine could be a game changer, it will not instantly open businesses or return all employees to the same jobs as before the pandemic. The shift to online retailing, requiring fewer employees, will likely continue. However, pent-up demand for travel and dining in restaurants could lead to a surge in hiring. In October, more than 21% of workers were still working remotely and many companies have made remote work a permanent option. This could lead to a shift that may open new jobs for working and living outside of urban centers. 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.