



Pennsylvania's April employment situation

Summary: Recently released employment statistics for April provide the first opportunity to gauge in detail the impact of the mandated coronavirus closings and economic activity slowdown on statewide employment. Anecdotal evidence, casual observations and the reports of unemployment claims have provided enough information to know the state as a whole and some areas of the state have been brutalized economically.

Overview

Gov. Tom Wolf's March 19 announcement of mandatory closings and the follow-up detailed list of sectors that were to close and those that could remain open or allowed employees to work from home gives a perspective on what was to come. This *Brief* reviews the April employment report, both household survey data and employer survey data with analysis that offers a somewhat better understanding of what had happened by the time of the April surveys. Bear in mind that the full magnitude of the economic slowdown had not been felt by mid-April as the impact of ordered closings continued into May as cases and deaths from the virus mounted, albeit at very different rates per capita across the commonwealth's 67 counties. These vastly different experiences have become a source of great frustration with the so-called lockdown.

Unemployment Rate

Between mid-March and mid-April when the household employment survey was taken, 1.43 million Pennsylvanians filed unemployment claims—21.7 percent of the March count of the state's civilian labor force and 23.1 percent of the number of people working at the beginning of March. Somewhat surprisingly, the employment report from the state Department of Labor and Industry (data also available at the U.S. Bureau of Labor Statistics website) showed the number of unemployed rising to 976,000, up only 597,000 from the March reading, notwithstanding the 1.4 million unemployment claims filed in the 30 days since the previous employment survey.

The reported unemployment rate was 15.1 percent but would have been higher if 91,000 people had not left the labor force. Then, too, the employment decline for April compared to March was just 688,000, still far below the 1.4 million new claims. There are three possible explanations for the large discrepancy: One, the survey was unable to reach many of the recently unemployed and thus undercounted the number out of work. Two, some of those who filed for unemployment payments found a job before the April survey was taken—somewhat unlikely given the inevitable massive drop in hiring during the period. Three, for whatever reason, some unemployed that were surveyed declined to admit they were out of work. In any case, the huge gap in new claims and the reported new unemployed in April is a conundrum. And the payout to claimants is a staggering sum each week.

Note that the claims have continued to rise since mid-April, adding another half million by May 24, suggesting May's unemployment rate will be significantly higher than the April reading.

Payroll employment

What happened to establishment payrolls—based on the employer survey—in April? By this time much of the closing orders would have had time to take effect although secondary or downstream effects of demand losses were still developing.

In this analysis, the impact of the virus closings and related demand effects will be estimated by looking at the difference in employment by sector between April 2019's seasonally unadjusted figures and the unadjusted April 2020 figures. Seasonally adjusted data are not available for many of the sub-sectors of major interest for this analysis, so the year-over-year differences in unadjusted values will constitute a reasonable estimate of the coronavirus lockdown impact. Moreover, some of the virus' effect had begun in early March, so the change in jobs from March's count to April's would have missed some of the impact.

The findings by sector are very revealing. First, note that total private-sector jobs were down by 1.024 million, almost 20 percent of the April 2019 total, thus the decline (as reported by employers surveyed) far better mirrors the unemployment claims rise than the household survey employment number which gauges the number of people who say they are working. Meanwhile, government jobs by comparison were down only 15,800, a scant 2.2 percent of the total government employment of 718,000 in April 2019.

Federal employment rose slightly as did the state's job count. Local government employment was down 19,500 or 4 percent with over half of that loss in local k-12 education—presumably due to layoffs of support staff since teachers and administration are still on the job.

Second, and very interestingly, the state's average weekly earnings for private-sector employees still on a payroll rose over the year-earlier figure climbing from \$894.06 to \$947.40, an increase of 6 percent. As will be shown, the largest job losses have occurred

in the some of the lowest paid sectors, so the average weekly pay went up. Of course, with the huge number of job losses, total income in the state is down and the taxes being paid are also much lower.

Goods producing sectors suffered widely different percentage declines in jobs. Total goods producing jobs dropped by 186,000 or 21.5 percent. Construction was hardest hit with the loss of 103,000 jobs, a 40 percent decline. Mining was down 17 percent but by only 4,800 jobs, and not all of the loss can be attributed to the virus as market conditions have been a negative for a while.

Manufacturing employment overall was off by 13.6 percent, 78,300 jobs. Durable goods saw a 57,000 job reduction or 16.5 percent. Non-durable fared much better with a drop of only 21,000 or 9.2 percent. Each of the major durable sectors had losses with primary metals and fabricated metals down 18 percent. Furniture and electrical machinery were most affected with 21 percent declines. Transportation equipment along with computers and electronic equipment had losses in the 13 percent range.

It is interesting that losses in several durable goods sectors were not larger since they were on the governor's original March 20 close orders. Exemptions must have been granted or the close orders changed.

Service-producing sectors have sustained the largest impact of the closing orders due to huge cuts in travel and going out for dining or entertainment. Overall, April 2020 private service jobs fell 838,000 or 18.7 percent from the April 2019 count, but a few of the component sectors were extremely hard hit.

While the retail sector as a whole was down 125,900 jobs, that was a comparatively low 20 percent decrease considering the 41 percent employment plunge at auto dealers (24,000 jobs) and sporting goods stores (7,800 jobs) or the 51 percent drop at furniture stores (8,100 jobs). Clothing stores took the hardest hit with jobs falling by 64.7 percent (26,900 jobs). Department stores shed 9,500 jobs or 23 percent.

The groups with the smallest losses include general merchandise (7,600 jobs) 7.4 percent, gasoline stations (3,900) 9.5 percent and grocery stores (9,700) 8 percent. Health and personal care were in the middle range of losses at 14.5 percent (7,300 jobs).

It is in the leisure and hospitality group that the most severe job losses have occurred. The sector as a whole saw jobs fall by 345,800 or 60.2 percent. Hardest hit in this group are the full-service restaurants where employment is down by 161,000 or 81.3 percent. Also seeing massive declines were arts, recreation and entertainment where 60,400 jobs (63.7 percent) have disappeared. Accommodations shed 30,900 jobs or 53 percent while limited service restaurants have seen jobs fall by 66,500 (41 percent). In short, the leisure and hospitality group is being crushed by the lockdown.

Health and education services employment, a vaunted work horse and reliable jobs growth group, has not escaped the ravages of the coronavirus impacts. Employment in

the combined group has fallen by 147,400 or 11.2 percent. Among health sectors, ambulatory care (doctors' offices, dental offices, home health care) has seen the biggest drop in jobs with a decline of 59,900 (17.4 percent). Social assistance (including childcare) shed 28,700 jobs (12.3 percent), while nursing home jobs are down by 11,800 (5.8 percent).

Education experienced a drop of 40,000 jobs or 15.5 percent. This group includes all private schools and public post-secondary education.

Finally, there's the group known as "other services." This group includes repair and maintenance services, personal and laundry services and a sub-grouping that includes religious organizations, foundations, civic and professional organizations. From the April 2019 level to April 2020, employment in this category fell by 80,500, a drop of 30 percent. In the same time frame, repair and maintenance shed 8,400 jobs (15.8 percent). Personal and laundry service employment plunged by 43,800, a massive 62 percent loss. Most of this is in personal care jobs since laundry services were exempted from the closing orders. The religious, civic, professional, etc., grouping experienced a loss of 28,300 jobs, a 21 percent decline.

Conclusion

Bear in mind that the period of plunging job counts being estimated here occurred before mid-April. And even though many states are starting to re-open their economies, Pennsylvania is moving very slowly, no doubt in part due to the very high infection and death rates in the eastern part of the state.

But even with the partial and tentative moves so far it is a virtual certainty that the May employment surveys of households and establishments with payrolls that were conducted over the middle part of the month will show further deterioration in the labor markets and, by definition, the economy as well.

In Pennsylvania, state and local governments are going to face drastic reductions in tax revenue. But there seems to be no sense of urgency to cut spending or lay off workers. Why do the private sector and its employees have to bear all the burden of the coronavirus impacts?

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