



PA's employment situation improved in June but has far to go

Summary: On July 17, the state Department of Labor and Industry released the June report on the state's labor market conditions. Overall, the June results show that significant progress was made since April's unprecedented collapse of the economy.

Household employment and unemployment

The household survey data that measure the size of the labor force, the number of people working and the unemployment rate found that both seasonally adjusted labor force and number of people working had fallen from the May readings. However, the drop in labor force was larger by 50,000 than the slide in people working causing the unemployment rate to fall slightly from 13.4 to 13 percent. The state's decline in both labor force and number of people working was very different from the national report for June that saw the unemployment rate drop from 13.4 to 11.1 percent with the number of people working climbing 4.9 million and labor force climbing 1.7 million.

Although June's 13 percent unemployment rate was down from the horrendous 16.1 percent posting in April, the latest Pennsylvania rate still exceeds any seasonally-adjusted unemployment rate experienced in several decades including the 12.7 percent rate of January 1983 when the national economy was in a deep recession and far surpasses the 8.8 percent high set in March 2010 during the severe 2009-2010 recession.

Payroll Employment

Meanwhile, in the June report for Pennsylvania, the survey of employers found a fairly sizable 231,000 seasonally-adjusted increase in employees from May to June that contrasts sharply with the decline in number of people working as reported in the household survey. The rise in payroll jobs was accounted for entirely by the private sector where employment was devastated by the virus related mandates and declines in demand in many sectors that shoved jobs down by a million in April compared to the April 2019 figure.

Note that comparisons to the year-ago month provides an indication from month-to-month in the recovery of how far employment has to go to get back to pre-virus levels.

Bear in mind too, that the loss in jobs in April's report reflects the sharp downturn that began and accelerated in the second half of March as the lockdown was put in place. Much of the March survey of employers had already occurred so the devastated labor market was not revealed in official numbers until the April survey was completed. However, the gigantic and unprecedented increase in unemployment claims in late March pointed to the awful job counts that would be shown in the April employment report.

In May and June, private payroll employment increased a combined 440,000, reducing June's year-over-year loss compared to April's massive decline, although it remained a staggering 595,000 below the reading posted for June 2019. Meanwhile, all-government employment (federal, state and local) in June 2020 was down 25,500 compared to a year earlier with local government and school districts accounting for almost 90 percent of the all-government decline. Federal jobs were up slightly.

In short, the state's private-sector jobs in April fell almost 20 percent below the 12-month earlier level; in May the reading was 15.6 percent below the previous May and in June it was still down 11 percent compared to June last year. It is important to keep in mind that over the previous three years (2017-2019), annual private employment growth measured by month-over-year-ago-month averaged 59,000 despite slowing to 50,500 in 2019. Conservatively, the expected monthly year-over-year gains in the April, May and June period, absent the coronavirus, would have averaged around 40,000 jobs or about 3,500 net new additional jobs each month. Thus, not only did the virus lockdown and shrinkage of demand wipe out hundreds of thousands of existing jobs it also prevented the private sector employment gains that could have occurred in a moderately expanding economy.

Employment by Sector

Private employment is divided into goods-producing and service-producing. In 2019, service-producing employment accounted for 83 percent of private-sector jobs.

April employment sustained the biggest loss compared to the 12-month earlier reading since the virus hit. Goods-producing jobs fell an enormous 21.4 percent from 865,000 to 679,000 (-186,000) while service-producing employment plunged 19.2 percent from 4.49 million to 3.63 million (-0.86 million). After posting solid rebounding gains in May and June, goods-producing jobs remained 56,000 (6.4 percent) lower than June 2019 while service-producing jobs were still down 535,000 (11.8 percent).

It is important to note that the April and May 2020 losses in private employment compared to 12-month earlier readings dwarf the largest such declines in modern history. Prior to 2020, the biggest month-over-the-same-month a year earlier decline going back in recent decades occurred in August of 2009 in the deep recession of 2009-2010 when private employment fell 235,000 (12.2 percent) below the level of August 2008, which is far short of the April 2020 percent decline. And bear in mind that the August 2009 level was the combined result of falling employment over several months preceding.

Goods Employment

In the goods-producing sector, the huge 21.4 percent decline in April was created by a 104,000 (40 percent) decline in construction jobs from the April 2019 posting. Manufacturing

in April saw a drop year-over-year of 76,700 jobs (13.3 percent). Mining lost 4,400 jobs (17 percent) from the previous April reading. Thanks to sizable job gains in both manufacturing and construction in May and June, the huge goods sector losses in April were trimmed significantly. Combined construction gains of 88,000 in the two months along with an added 45,000 manufacturing increase and a small loss in mining lowered the goods sector 12-month loss to 56,000 (6.4 percent).

Despite the sizable rebound in May and June, the employment level in the goods-producing sectors remains in a recession level zone.

Service Employment by Category

As noted above, private-services employment was hammered in April losing 859,000 jobs (19.2 percent) compared to April 2019. And despite regaining about 300,000 jobs in May and June, the sector was still down 535,000 jobs from the previous June (11.8 percent). For comparison, the biggest year-to-year loss in the recession of 2009-2010 occurred in August 2009 when services employment fell 116,700 (2.8 percent) from the August 2008 count. In short, the recent services employment decline is unprecedented in the available, official data going back to 1939.

To be sure, there are enormous differences in losses both in counts and percentages among the large number of service groups and subgroups.

Among the broad groupings, the leisure and hospitality sector has suffered the biggest decline in jobs, in number and percentage. In April, the group's employment plummeted by 338,000 (59 percent) from the April 2019 level. Gains in jobs in May and June reduced the percentage loss to 37 percent from June 2019 with losses still well over 200,000, still a depression level shortfall.

Within the leisure and hospitality group, every major category (arts, recreation and entertainment, accommodations and food services) was brutally slammed with unparalleled job losses in April and remains very depressed despite the return of some jobs in most subgroups.

Retail sales employment fell by 127,000 jobs (21 percent) in April from the year before reading of just over 600,000. By June the sector had added back over 50,000 jobs but still remained 74,000 (12 percent) below the previous June. Furniture, clothing, sporting goods and auto dealers took large percentage loss hits in April while grocery stores, general merchandise and building materials also fared much better than retail as a whole.

Professional and business services employment suffered a loss of 81,000 jobs (10 percent) in April from the 815,000 level a year earlier. A combined gain of 24,000 in May and June has lowered the year-over-year shortfall to 7 percent. Almost every category in this broad sector lost some jobs on the order of 10 percent or less including architecture, engineering, computer systems and management of companies. However, the administrative support and waste management group was hit hard, accounting for 60 percent of the losses in the professional and business services sector.

Education and health services employment is the largest in the service sector group averaging nearly 1.3 million employees per month in 2019. In April 2020, employment fell 161,000 (12.3 percent) below the previous April level. By June, the return of jobs in most subgroupings reduced the year-over-year shortfall to 76,000 (6.0 percent). April's loss in this large sector was led by sharp declines in ambulatory health care, childcare and social assistance. Physicians' offices and colleges saw 10 percent drops in April. Fortunately, most of these groups had job gains through May and June, but none had recovered to their June 2019 readings.

Financial services did not lose many jobs compared to a year-over-year basis (less than one percent) in the April to June period although the year-over-year gains of the January through March period did not continue.

The information sector, in a departure from the rest of the economic groupings, saw job losses increase between April and June. In June, losses stood 14,300 (16 percent) below the previous following April's 8,700 (10 percent) decline from a year earlier.

Finally, a look at "other services". This sector is comprised of three subgroupings; repair and maintenance, personal services and religious, civic, grant making and professional organizations. In April other services suffered a loss of 85,500 jobs (33 percent of its April 2019 count). The year-over-year loss was reduced to 54,900 (21 percent below a year earlier) in June by a two-month gain in excess of 30,000 jobs.

Conclusion

Overall, the June employment situation showed that significant strides toward improvement have been made since the unprecedented collapse of jobs in April. But, the situation in many sectors is still in deep recession and some in serious depression levels. Notwithstanding a significant upturn in jobs since April's calamitous drop, employment in full-service restaurants, hotels and the arts, recreation and entertainment groups along with personal services remain mired at depression levels, and further improvement will be difficult with all the restrictions in place.

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