

Covid recovery through June: Right-to-Work states much stronger

Background

Recently, *Policy Brief Vol.21, No. 26*, presented an analysis evaluating the Pittsburgh Metropolitan Statistical Area (MSA) recovery from the steep economic and jobs downturn in the March-April-May period of 2020. The analysis compared the Pittsburgh MSA with 13 MSAs around the country grouped separately from Right-to-Work (RTW) states and non-Right-to-Work (NRTW) states. That study concluded,

“the presence of RTW and relatively low percentage of public sector unionization are associated with friendlier better business climates and a more free-enterprise oriented approach to regulation while not having Right-to-Work and heavy public sector unionization are indicative of a less friendly business climate.”

That *Brief* also found that the Pittsburgh MSA recovery was very poor in comparison to the other MSAs, outperforming only Hartford in the group of 14 metro areas studied.

As in the MSA study, this *Brief* focuses on private-sector employment at the state level because government jobs in general, but especially federal jobs, were almost immune to the COVID lockdowns.

Outline of study

To gauge relative state recovery performance and for the two eight-state group averages, several measurements were calculated—all using private employment levels. Three indicators are based on changes in June job counts—June 2019 to June 2020, June 2020 to June 2021 and June 2019 to June 2021.

First, these show the degree of the COVID impact in 2020 by comparing June to the year-earlier reading. Second, the June 2020 to June 2021 change indicates the extent of recovery thus far of the jobs lost in the spring of 2020 and, finally, the June 2019 to June 2021 change illustrates the extent to which jobs have recovered compared to pre-COVID downturn levels. Another measure of the extent of the duration and depth of the downturn

is captured by looking at the change in the yearly average of jobs from 2019 to 2020. States with bigger losses in the April to June period and with relatively slow job gain in the second half of 2020 will show larger declines in the annual average change.

States in the study

The NRTW states include four northeast states (New York, New Jersey, Connecticut and Pennsylvania), a mid-western state, (Illinois), and three western states (Oregon, Colorado and New Mexico). Since there are no RTW states in the northeast they were matched in the RTW group by four states including Texas, Tennessee, North Carolina and South Carolina. Illinois was paired with Indiana, its RTW neighbor. Each of the western NRTW states was paired with a neighbor RTW state including Idaho, Arizona and Utah. Importantly, private job growth in the West has generally outpaced the nation for a couple of decades, even in the NRTW states selected for this analysis.

Lockdown losses and initial recovery

During the critical months of April, May and June 2020 there were state-imposed constraints on the economies of virtually every state. There were, however, major differences among the states regarding the degree of restraint and the duration of severe limitations. A broad finding from the data clearly suggests that while there is substantial variation in jobs recovery within both the RTW group of states and the NRTW group, the averages on the key measurements of recovery for the two state groups point to much better performances for the RTW states compared to the NRTW states.

On the indicators that capture (1) the severity of the downturn due to initial reaction to COVID and (2) during the ongoing economy-limiting measures during the second half of 2020, the RTW states performed much better than the NRTW states.

On the gauge of the severity of the COVID impact, the average jobs decline from June 2019 to June 2020 was 5.9 percent for the eight RTW states compared to an average drop of 12.3 percent for the eight NRTW states, more than double the RTW average. Six of the NRTW states had double-digit declines with New York at 18 percent and New Jersey at 16 percent the hardest hit. Pennsylvania was down 12.2 percent, very near the average of the NRTW group. The best performances were in Colorado and New Mexico with an 8.6 percent and 8.9 percent drop, respectively.

Meanwhile, for the RTW states over the June 2019 to June 2020 period, Utah (-3.1 percent) and Idaho (-1.9 percent) had the smallest drops while Indiana (-8.2 percent) and South Carolina (-8.1 percent) suffered the biggest losses. No RTW state had a double-digit decline.

Secondly, the indicator of the strength of job gains during the first months of recovery shows the same pattern of advantage in the RTW states. This is measured by the change in the yearly average job count from 2019 to 2020. For NRTW states the average year-to-year change in the eight states was a decline of 8 percent and for RTW states the drop

was 3.8 percent, less than half the NRTW decline. By far the worst performing state was New York with a drop in private employment of 11.6 percent from 2019 to 2020. Colorado had the smallest decline in the group at 5.6 percent. Pennsylvania's decline of 8.2 percent year-to-year was close to the NRTW average.

In the RTW grouping, Idaho had a decline of only 0.4 percent followed closely by Utah with a 1.4 percent loss from 2019 to 2020. Indiana's 5.8 percent drop was the steepest loss year-to-year followed closely by South Carolina's 5.7 percent loss.

Colorado (-5.6 percent) was the only NRTW state to have a smaller loss than the poorest performers in the RTW group and only by a very thin margin.

In short, the two indicators of COVID's impact clearly suggest a better RTW performance both immediately after the virus hit and over the second half of 2020. It is also clear that the western states in both groups were significantly stronger at keeping and restoring jobs than other states in their group. Nonetheless, the three RTW western states with an average year-to-year loss of only 1.7 percent were much better than the three NRTW western states' average loss of 6.7 percent in 2020 compared to 2019. And the five RTW non-western states' average 5.1 percent decline year-to-year was just about half the 9.7 average drop year-to-year in the five nonwestern NRTW states. Two conclusions emerge: the western states have been stronger than the rest of the country and RTW states are better than NRTW states in each region.

Jobs recovery through June 2021

The last measure analyzed the ongoing strength of recovery in the first half of 2021. The most direct indicator is the change in jobs from June 2019 to June 2021. In other words, where does each state stand in June 2021 compared to the last June before the COVID pandemic struck? Not surprisingly, the comparison pattern continues. For the eight NRTW states, the average change in private jobs from June 2019 to June 2021 was a loss of 6.1 percent. Meanwhile, the eight RTW state average loss over the same period was 0.3 percent, pointing to much greater underlying resilience and robustness in those economies.

By far the biggest loss for the 24-month period was in New York with a decline of 10.1 percent from June 2019 to June 2021, indicating huge restraints were being placed on the state's economy. At the same time, Oregon, with a shortfall of 4.6 percent, and Colorado, with a loss of only 2.4 percent, were relatively strong performers in terms of returning to pre-COVID levels. Pennsylvania at a minus 6.4 percent shortfall was joined by Connecticut, New Jersey, Illinois and New Mexico with declines in the 6-to 6.5-percent range.

Among the RTW states, Idaho (4.6 percent) and Utah (3.9 percent) had gains from June 2019 to June 2021 while Arizona managed a 1 percent rise. The weakest performers were Indiana at (-3.7 percent) and South Carolina (-3.3 percent). Obviously, the ability to rebound and grow was very much stronger in this wide range of RTW states.

Only Colorado among the NRTW states was close to the RTW group.

Pennsylvania was outperformed by every RTW state, even trailing Indiana, which had the weakest numbers in the RTW group. However, it was much better than New York and was comparable to other non-western NRTW states.

Conclusion

This analysis confirms the findings of the MSA study. RTW states have enjoyed much better recoveries than NRTW states from the COVID pandemic-caused plunge in jobs in the second quarter of 2020.

The results also point to regional differences in strength with western states in both RTW and NRTW states exhibiting much smaller losses among their group in the worst months and better recovery since the second quarter of 2020.

Pennsylvania's job changes on each measure were very close to the averages of the NRTW group but were significantly better than New York and New Jersey and not as good as any RTW state in the study.

With the Delta variant of coronavirus spreading rapidly across the country, state economies are about to get another test. Will lockdowns and other restraints on activity return and will governors and mayors of each state respond as they did in 2020? Those responses in each state will play a key role in determining whether jobs are lost or gained and by how much.

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