ALLEGHENY INSTITUTE FOR PUBLIC POLICY

February 2, 2022 **Policy Brief: Volume 22, Number 5**

Private employment growth during COVID: state comparisons

National private jobs performance during the last two years

U.S. private-sector employment continued to claw its way back from the massive 21.35 million drop in April 2020 from the all-time seasonally adjusted monthly peak level of 129.69 million jobs set two months earlier in February. By January 2021, based on survey results taken before Jan. 20, reported private employment had recovered 12.8 million of the 21.35 million jobs lost in the COVID-caused economic shutdown in April 2020. From January through December 2021, private employment rose 6.87 million to 127.04 million, still 2.65 million below the February 2020 peak. Moreover, the annual average jobs count in 2021 was 3.9 million below the 2019 annual reading and was the lowest annual count since 2017.

Adjusting for COVID induced setbacks

There is an important point to bear in mind regarding the focus typically given to the recovery of jobs in terms of how far below the annual or monthly counts are currently compared to the same months or annual average in 2019. Note that the annual average jobs count in 2020 was almost 8 million below the 2019 average. Absent the COVID pandemic, private employment was on pace to add 1.8 to 2.0 million jobs. Indeed, private jobs had climbed 4.2 million (3.2 percent) in the two years from 2017 to 2019.

If that pace had been sustained (i.e., COVID had not derailed the 2020 and, to a lesser extent, the 2021 economy) the annual average jobs count in 2021 would likely have been close to 132.4 million instead of the 124.3 million actually reported. Thus, a better gauge of the employment situation puts the true COVID effect at an annual shortfall of 8.1 million jobs in 2021 compared to 2019.

Obviously, the 3.9 million reported job decline from 2019 to 2021 does not take into account the enormous job loss caused by the pandemic in 2020. Two effects are captured in this approach. Not only did jobs drop dramatically in 2020, but the growth that did not occur was also lost.

State job growth comparisons

The differences in employment gains across states are stunningly enormous. This analysis looks closely at five states that have fared less well than the nation and five that performed better.

The group that has lagged the national rate of improvement includes Pennsylvania; New York; California; Massachusetts and Illinois. The better-than-national group includes Florida, Texas, Georgia, Tennessee and North Carolina. Note that the first set of states are non-Right-to-Work states (NRTW) and have been for many decades. The second set are Right-to-Work states (RTW) and have been for decades. RTW affirms the right of workers to not be forced to join a union as a condition of employment or to pay union dues.

First, the analysis looks at the aggregate performance of each group on several measures and then examines each state. Group performance is measured by calculating the average of the four gauges created for the individual states. Namely: (1) the growth rate in employment from December 2017 to 2019 and use that to calculate a projected growth through December 2021; (2) calculate the December 2021 employment level assuming that absent the pandemic the growth in jobs between 2019 and December 2021 would have matched the earlier period and calculate the percentage the actual December number fell short of the no-pandemic projected value; (3) the percentage the actual December 2021 jobs count rose or fell compared to the December 2019 reading and (4) the percentage change from the annual average count for 2019 to the annual average for 2021.

December data are used because: (1) they are the latest and (2) they are farthest removed in time from the April 2020 jobs plunge and thus have the highest probability of showing improvement.

For the NRTW group of states the average job growth from December 2017 to December 2019 was 2.2 percent while the RTW group average was 4.4 percent, double the NRTW group's gain. The second measure—the shortfall of actual December 2021 compared to the projected no pandemic estimate for the NRTW group was 6.9 percent, well above the 3.9 percent shortfall for the RTW group. It is important to note that the faster pre-pandemic growth in the RTW states means they had to achieve much faster second half of 2020 and 2021 growth to match more closely the projected gains.

The third measure shows the actual gap between December 2019 and December 2021. For the NRTW states the average shortfall was 4.8 percent. For the RTW states, the average showed a slight 0.2 percent increase over the 2019 figure, obviously a much better performance.

The fourth gauge of performance shows the percentage change in the annual average jobs count from 2019 to 2021. On this measure the NRTW states had 6.5 percent fewer jobs in 2021 than in 2019. In a much stronger performance, the RTW states were down only 1.6 percent on an annual basis from 2019 to 2021. In a confirmation of the much better RTW performance, the 2021 employment reading in the NRTW states was, on average, the lowest yearly count since 2014. For the RTW states the 2021 average count was the lowest since 2019.

	Percent Change			
	Annual average jobs		**Average job growth**	
	2019-20	**2019-21**	**Dec. 2019-Dec. 2021**	**Dec. 2019-Dec. 2021***
NRTW states	-8.9	-6.5	-4.8	-6.9
RTW states	-4.9	-1.6	0.2	-3.9
U.S.	-6.2	-3.1	-1.4	-4.5
* adjusted to account for pandemic impact on growth				
bls.gov/sae/ and bls.gov/ces/				

Individual states

One explanation of the differences in the extent of the 2021 recovery toward 2019 pre-pandemic levels between NRTW and RTW states is the extent of employment lost in calendar year 2020. The average annual loss for the NRTW group was 8.9 percent from 2019 to 2020. Within the group, New York was by far the hardest hit with a jobs decline of 11.3 percent. Massachusetts was second with a drop of 9.7 percent. Pennsylvania and California each suffered losses of 8 percent with Illinois having the smallest of the group at 7.4 percent. By comparison, private employment nationally for 2020 was down a lower 6.2 percent from 2019.

In a far better performance than the NRTW states, the 2019 to 2020 annual total jobs declines in the RTW states averaged a much lower 4.9 percent. Florida had the biggest drop at 5.6 percent followed by Georgia's 5.2 percent decline, with declines in Texas at 4.9, North Carolina at 4.6 and Tennessee at 4.4 percent.

Thus, it is not surprising to find that the RTW group saw 2021 annual jobs recover to within 1.6 percent of the 2019 annual average while the NRTW group average remained much higher at 6.5 percent.

In the RTW group, Florida was farthest from full recovery to the 2019 level with a shortfall of 2.5 percent. That's not unexpected since it had the biggest drop from 2019 to 2020. Texas was closest to a full annual average recovery, lagging only 1.0 percent behind the 2019 reading. Indeed, the fourth quarter 2021 jobs count in Texas was the highest fourth quarter reading ever. Meanwhile, North Carolina was 1.7 percent below the 2019 reading, Georgia was 1.5 percent lower and Tennessee was off by 1.4 percent.

Then, too, 2021 recovery of annual employment levels in the NRTW states was much farther behind with an average shortfall from the 2019 count at 6.5 percent. Not unexpectedly New York remains farthest behind with 2021 jobs still 9.7 percent below 2019. The other four states are tightly grouped with California down 5.4 percent, Pennsylvania and Illinois off by 5.7 percent and Massachusetts down 6 percent.

Conclusion

It is also interesting to note that two other RTW states—Arizona and Idaho—had annual job counts in 2021 that were above the 2019 levels. Those results, combined with this performance analysis of the RTW versus NRTW states, point forcefully to the importance of economic freedom—with RTW as a very strong proxy indicator of freedom—in coping with exogenous shocks such as the pandemic.

Jake Haulk, Ph.D., President-emeritus

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1