COVID-19 and states' job recovery

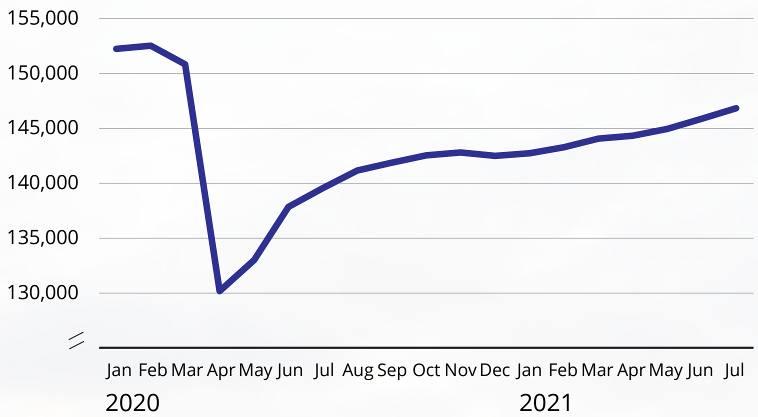
Four western states had rebounded the most as of July

By DAN ROBINSON

In July, the widely accepted authority on dating U.S. recessions — the National Bureau of Economic Research's Business Cycle Dating Committee — announced the pandemic-induced recession that began in February 2020 had lasted just two months, making it the shortest U.S. recession on record.

That announcement surprised some observers, as the COVID-related disruptions and economic distress were far from over in April 2020. But identifying a trough in economic activity is different from saying an economy has recovered from the shock and things are back to normal. In other words, announcing a recession has ended merely marks the turning point.

National pandemic job loss and recovery



Source: U.S. Bureau of Labor Statistics

The U.S. has recovered about 75 percent of its lost jobs

In just two months, the U.S. economy lost more than 20 million jobs, or 15 percent of its pre-COVID total. The graph on this page shows the steep loss and the still-incomplete recovery over the 15 months that followed. (Note the graph is zoomed in to show the pattern's detail. The losses would appear less dramatic if the Y-axis began at zero.)

As of July 2021, the U.S. economy had recovered 75 percent of the 20 million lost jobs. The initial recovery was sharp, then momentum slowed over the winter and spring. Recent months have shown strong growth, but it's anybody's guess how much longer it will take to return to pre-pandemic employment levels.

That's partly because a pandemic-caused recession is so unusual. Even the term "recession" doesn't quite fit, as it suggests a familiar pattern of economic shock, downturn, and recovery over similar periods. These losses were far worse than a typical recession, but we also knew at the start that some declines would be temporary.

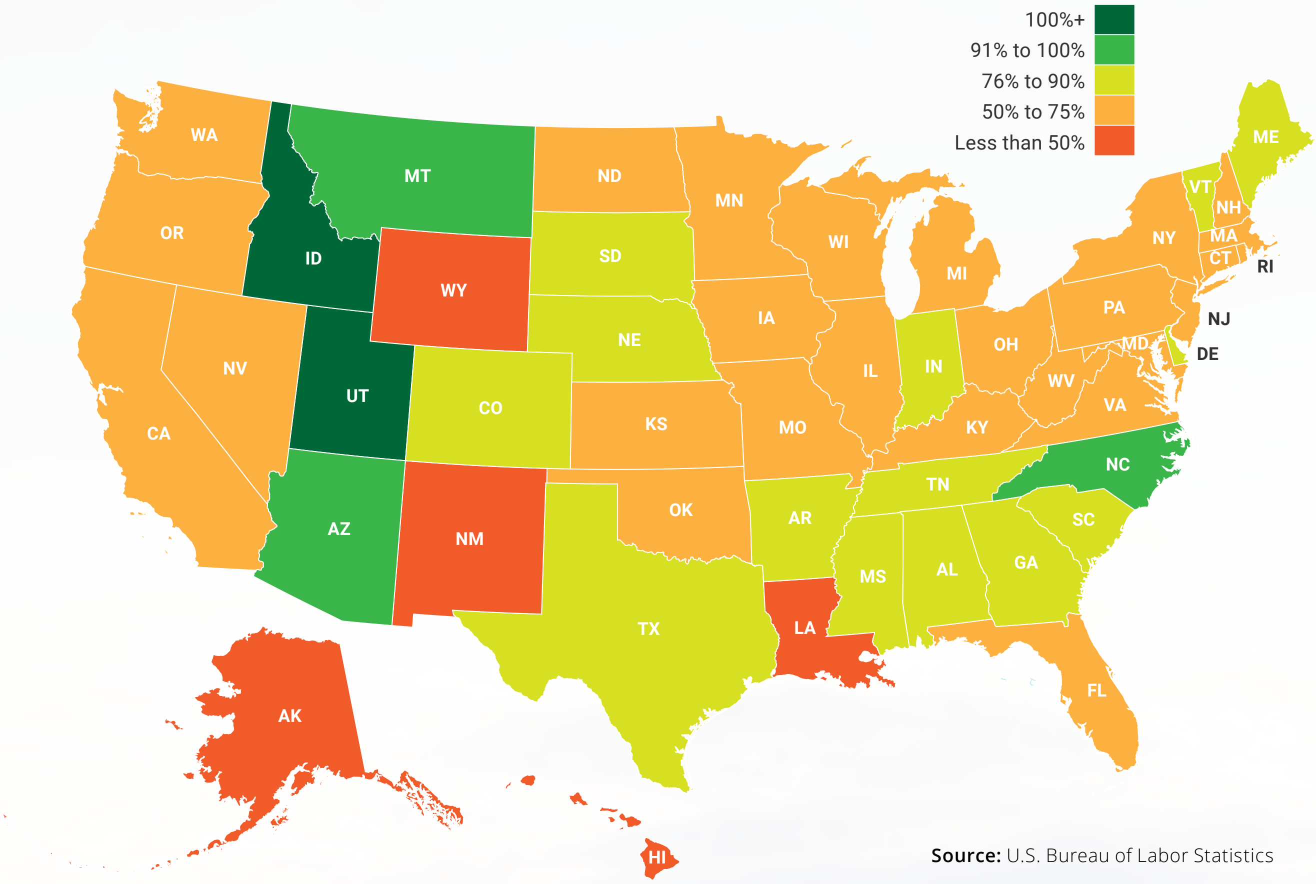
The pandemic also isn't over, and the Delta variant has injected additional uncertainty into the recovery. So has many workers' reluctance or inability to return to work under pre-COVID terms.

States that have recovered most

All 50 states suffered heavy job losses in early 2020, ranging from 9 percent for Utah, Nebraska, and Wyoming to 24 percent for Michigan and 23 percent for Nevada and Hawaii. As the map on the next page shows, the extent of a state's decline doesn't always reflect how much it recovered.

One thing the four states with the strongest recoveries have in common is slightly smaller initial losses. Compared to the U.S. job loss of 15 percent,

Percentages of COVID-related job loss that states had recovered as of July



Source: U.S. Bureau of Labor Statistics

Arizona's losses were 11 percent, Idaho's 10 percent, Montana's 13 percent, and Utah's 9 percent.

Two states, Idaho and Utah, have already recovered their pandemic losses and logged additional job growth. Idaho lost about 80,000 jobs in the early pandemic months but has since added 97,000, or 22 percent more than the number lost. Utah's recovery has been even stronger. Since losing 140,000 jobs in early 2020, Utah has added 166,000, or 30 percent more than it lost.

Two other western states' recoveries have been next-strongest at 94 percent: Arizona and Montana. (Just one eastern state, North Carolina, posted a relatively strong recovery, coming in fifth at 92 percent.)

States with lagging recoveries

At the other end of the spectrum, five states have so far recovered less than 50 percent of the jobs they lost in early 2020. (For some caveats, see the sidebar on the use of seasonally adjusted data, on the next page.)

Those states — Alaska, Hawaii, Louisiana, New Mexico, and Wyoming — include four of the top 10 oil-producing states (Alaska, Louisiana, New Mexico, and Wyoming) and two with large and lucrative tourism sectors that require long-distance travel, which the pandemic hobbled (Alaska and Hawaii).

Hawaii's strict measures to limit the virus' entry caused bigger initial losses than in most states. Unlike Alaska, though, Hawaii's tourism industry does not have a season and can ramp up or slow down at any time, which will be an asset going forward.

Alaska has salvaged a fraction of its 2021 summer cruise season and has seen strong independent visitor numbers this year, but anything approaching a normal season will have to wait until at least 2022.

The oil-producing states' job losses were a little smaller than average — 14 percent for Alaska and

Louisiana, 12 percent for New Mexico, and 9 percent for Wyoming — but oil employment has been slow to bounce back, creating direct and indirect weakness for those states.

Trauma that might persist after the pandemic ends

Many suspensions or business slowdowns have ended or will reverse quickly when virus concerns subside. Other changes wrought or accelerated by the pandemic may endure.

As mentioned above, oil and gas activity and employment have stayed stubbornly low in Alaska and the U.S. overall. Job numbers increased marginally for both recently but remain far below pre-pandemic levels. How long they'll stay depressed is a high-impact question for Alaska especially.

A nationwide shortage of workers, especially for lower-wage jobs, is another development. Employers throughout the state and country report unprecedented difficulty filling open positions. Widespread anecdotes, and some data confirming them, show higher-wage workers have also become harder for employers to hire, retain, and replace.

Some of the contributing factors are COVID-related and will eventually fade, such as the lack of child care and the need or desire to homeschool, which have led many people, especially women, to leave their jobs or delay returning. Growing options to telework, and some workers' new resolve to only accept jobs that allow it, may endure beyond the short term, but to a lesser degree than during the pandemic.

In Alaska's case, our economy was weak before COVID-19 hit because of a recent oil-related state recession and lingering state government disagreements on how to adapt to dwindling oil and gas revenue, how to best use and preserve oil-related savings, and how to resolve the hot-button political issue of payouts from the unique Alaska Permanent Fund Dividend program.

As with almost everything COVID-related, it's unclear whether the pandemic will bump some of the existing Alaska trends in one direction or the other. To date, though, our recovery has been slower than that of most states, for a few clear reasons.

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About seasonal adjustment of the employment numbers

This article's job numbers for states and the U.S. as a whole are seasonally adjusted and produced by the U.S. Bureau of Labor Statistics in partnership with the states. Nationally and in most states, press releases and stories about whether economies are adding or losing jobs typically use seasonally adjusted numbers.

Data can be seasonally adjusted by various methods, but the concept is simply to adjust the actual job numbers for each month up or down to remove expected seasonal increases or decreases. Eliminating seasonality reveals underlying growth or decline and allows comparisons across states that have different seasonal patterns.

Alaska's job numbers are harder to seasonally adjust than other states', somewhat counterintuitively because our economy has bigger seasonal swings than any other state. One complication is commercial fishing and seafood processing peaks that vary by up to several weeks from year to year. (Spawning salmon don't adhere to the calendar as closely as the rest of us.)

For that reason, and because Alaskans are unusually aware of seasonal swings, we typically use actual monthly job counts. This article justified an exception, however, so we could more meaningfully compare job numbers across states and different months.