THE STATE OF SECTORAL ECONOMIC RECOVERY

After the Pandemic Recession

Craig Joseph Van Vliet

This past summer various news sources covered the economic recovery following the global recession caused by the Covid-19 virus. One such source even stated that “The US has now regained all the jobs it lost in the pandemic.”[1] Despite this claim, and the continuing strengthening of the labor market, we know that economic recovery is seldom homogenous, as some industries find new ways to thrive, while others stumble.

With this in mind, the data team at PPA created data visualization tools using data from the Bureau of Labor Statistics (BLS) to get a more granular view at how separate BLS-defined super sectors and states have recovered from March 2020 to November 2022 (the most recent report as of this writing).

A few figures pop out using these tools, including those for Mining and Logging. The Mining and Logging sector was the biggest employment loser percentagewise. As a super sector, Mining and Logging is much smaller than others and highly localized. Many states do not report mining and logging alone, but instead combine them with construction. This results in limited employment data, and only two states (West Virginia and Washington) report wages from Mining and Logging as a distinct super sector. That said, the drop is still interesting. Mining and Logging is naturally cyclical to a degree, and due to increased innovation, substitution, and environmental regulation,[2] has had a declining workforce since 2014, but over the last 15 or so years employment never dropped below 650,000. Yet, in February of 2021, it hit an all-time low of 541,000 employees.

From 2020 to 2021 the closure rate for mining and logging companies remained unchanged, but the rate of new enterprises dropped by nearly a third during Q2 and Q3 of 2020.[3] In the time just preceding the pandemic, new enterprises in this super sector had approximately a one-to-one ratio with closures, meaning that for every mining or logging operation that closed,[4] a new one opened. Although this trend continued from Q4 2020 onward, Q2 and Q3 created a deficit that the industry cannot seem to make up. Beyond the factors that have been causing the general declining trend, this two-quarter shock was likely due to a reduced demand as a result of the recession, as many commodity prices tanked.[5] The lack of recovery might be because of a slow recovery of the commodities or have to do with the difficulty of opening new mines.[6]

The government workforce also appears to have faced a significant shrinkage. The United States government is the number one employer in the country and when you add in employees from all the state and municipal governments, you get a super sector bustling with people. This means that the 2.5% national shrinkage of government employment accounts for about half a million jobs. Not only is this a huge blow to the labor market, but to government services,

To learn more about pandemic employment recovery or PPA's work on workforce issues, contact Colleen Graber at 517-485-4477 or cgraber@publicpolicy.com.

Check Out Our Tool

Economic recovery following the pandemic varied by industry, with consequences for jobs and wages. Explore a state-by-state breakdown and an overview of each industry's conditions.

which range from law enforcement to public health and administration. This type of reduction can create a backlog of essential work and long wait times for crucial services, which can heavily impact the most vulnerable in society. These are the individuals and families relying on the government for assistance in housing, food, child care, and other living necessities.

With shutdowns, restrictions, and general economic uncertainty, it makes sense that the private sector would struggle during the pandemic, but the government should be more immune to economic cycles. The employment decline seen in the Government sector is likely due to the impact the pandemic had on women in the workforce. Women accounted for over 60% of jobs lost from February 2020 to January 2022.[7] Research shows that women account for a majority of informal caregiving roles,[8] and they would have been much more likely than men to be the ones to take care of sick family members infected by COVID-19. Similarly, the job loss was greater for women with children,[9] as school closures and remote classes led many women with children to leave the workforce for child care reasons. At the time of the shutdowns, nearly 60% of government jobs were held by women,[10] the second highest of any of these industries (behind Education and Health Services) causing a disproportionate effect as compared to industries more traditionally staffed by men, such as Information Services, the super sector that represents the telecommunications and technology industries.

The Leisure and Hospitality sector also took a huge dip and has been slow to recover. This is not surprising as many of the early restrictions limited travel and altogether shut down many of these businesses, including theaters and restaurants as well as travel and lodging. On top of that, recessions generally hit these industries harder as many people often cut entertainment costs first to save money. This combination of effects caused a devastating impact; Q2 of 2020 saw over 41,000 closures[11]—more than double the average quarterly closure rate from the previous year (18,750).

Although the employment contractions in these super sectors is not particularly surprising, the wage growth over the last two years deviates from normal patterns. A decrease of labor matched with an increase in wages often occurs, driven by a labor shortage where companies woo away employees from each other with promises of increased pay and benefits. Generally, this happens when the industry is thriving, or when businesses are looking to grow, but the talent does not exist. However, this time, the industry was struggling, and the talent did exist, but the workforce had left entirely. One survey found that 38% of former hospitality workers in 2021 were not thinking about coming back to the industry, significantly decreasing the labor pool.[12]

Alternatively, the large percentage change in wages for Leisure and Hospitality may not be the result of unique market forces at all but could simply be a product of percentages. This is to say, a nominal change such as a flat increase of one dollar for everyone would have a larger percentage change for an individual that is making less money. Employees in Leisure and Hospitality on average make less in a week than employees in any other super sector. So, this increase might be more indicative of Leisure and Hospitality workers having a lower wage to begin with than it is that they had a greater gain in wages. To put this into context, while utilizing the interactive charts on the state level we can see that Leisure and Hospitality employees make less than the average recommended housing cost (as of June) for their state in nearly every state, a relationship that has not changed much since 2019, making that wage growth seem far less impressive.

Are there any trends you are interested in seeing for a particular state or a specific industry?

Explore a state-by-state breakdown here or more of an overview of each industry here.

THE STATE OF SECTORAL ECONOMIC RECOVERY AFTER THE PANDEMIC RECESSION

Works Cited

[1] "The US has now regained all the jobs it lost in the pandemic," Ben Winck, Insider, August 5, 2022, https://www.businessinsider.com/jobs-report-july-all-lost-jobs-regained-pandemic-recession-recovery-2022-8.

[2] Charles D. Kolstad, "What Is Killing the US Coal Industry?" Stanford University, Institute for Economic Policy Research, March, 2017, https://siepr.stanford.edu/publications/policy-brief/what-killing-us-coal-industry.

[3] "Table 9. Private sector establishment births and deaths, seasonally adjusted Natural resources and mining," Bureau of Labor Statistics, last modified October 26, 2022, accessed December 20, 2022, https://www.bls.gov/web/cewbd/table9_3.txt.

[4] Ibid.

[5] "Lessons from the past: Informing the mining industry's trajectory to the next normal," Marcelo Azevedo, Jochen Berbner, Scott Crooks, Sigurd Mareels, and Camila Nucci, McKinsey & Company, https://www.mckinsey.com/industries/metals-and-mining/our-insights/lessons-from-the-past-informing-the-mining-industrys-trajectory-to-the-next-normal.

[6] "Push to shorten U.S. mine permit review process gains steam," Ernest Scheyder and Valerie Volcovici, Reuters, September 1, 2022, https://www.reuters.com/business/autos-transportation/push-shorten-us-mine-permit-review-process-gains-steam-2022-09-01/.

[7] Jasmine Tucker, Men Have Now Recouped Their Pandemic-Related Labor Force Losses While Women Lag Behind (Washington, D.C.: National Women's Law Center, February 4, 2022), 1, https://nwlc.org/resource/men-recouped-losses-women-lag-behind.

[8] "Caregiver Statistics: Demographics," Family Caregiver Alliance, last modified 2016, accessed December 20, 2022, https://www.caregiver.org/resource/caregiver-statistics-demographics/.

[9] "Seven charts that show COVID-19's impact on women's employment," McKinsey & Company, last modified March 8, 2021, accessed December 18, 2022, https://www.mckinsey.com/featured-insights/diversity-and-inclusion/seven-charts-that-show-covid-19s-impact-on-womens-employment.

[10] Ibid.

[11] "Table 9. Private sector establishment births and deaths, seasonally adjusted Leisure and hospitality", Bureau of Labor Statistics, last modified October 26, 2022, accessed December 20, 2022, https://www.bls.gov/web/cewbd/table9_15.txt.

[12] "Q2 2021 United States Job Market Report," Joblist, last modified July 8, 2021, accessed December 20,2022, https://www.joblist.com/jobs-reports/q2-2021-united-states-job-market-report.