A Tale of Two Recoveries
February 17, 2021
Collaboratively advancing growth and prosperity for all L.A. County residents.

Economic Research | Business Assistance | Industry Cluster Development
Workforce Development | International Trade | Foreign Investment Attraction

LAEDC.ORG
Recommendations in Pathways for Economic Resiliency

Prioritize training to put displaced workers on career paths with strong hiring forecasts.

Encourage companies in high growth industries to **equitably hire displaced workers**.

Develop more **employer-driven programs** at training facilities and community colleges.

Invest in an **online system** to match displaced workers with training and job opportunities.

Invest in **outreach programs** with local partners to enroll displaced workers and potential employers.
Recommendations in Pathways for Economic Resiliency

Invest in small and minority-owned businesses.

Prioritize broadband internet for all.

Expand childcare access.

Expand “Safer at Work LA” practices to reduce risk for frontline workers and communities.

Help closed businesses to re-start with a variety of resources.
Shannon Sedgwick
Director
Institute for Applied Economics
LAEDC
LAEDC’s 2021 Forecast: A Tale of Two Recoveries

Shannon M Sedgwick
Director, Institute for Applied Economics
February 17, 2021
Overview

• A note on Forecasting During COVID-19
• Economic Outlook for California
• COVID-19’s Disparate Impacts
Forecasting During a Pandemic

• Most forecast divergences in modern economic history
  • No certainty regarding how the coming years will develop

• Why?
  • Government policy moving at (relative) lightspeed
  • Large data lags and reliability issues
  • Vaccine distribution still a major question mark

• Assumptions in place for our forecast:
  • Vaccine distribution continues at current pace
  • Interpersonal contact returns to normal for businesses Q3 2021
An Economic Outlook for California

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

—Franklin D. Roosevelt, Second Inaugural Address, 1937
COVID-19 in the Golden State

- California has the most COVID-19 cases in the Union
  - CA 25th in cases per capita
- Los Angeles the most infected county in the U.S.
- Fast spreading U.K strain prevalent in California
  - This new strain is up to 50% more transmittable than the conventional COVID-19 strains

* All COVID data as of 2/9/21
Nonfarm Employment
Monthly changes throughout the pandemic

California

Los Angeles County

Recovery:
Nonfarm jobs lost in March & April: 2,542,600 lost
Nonfarm jobs added May to December: 1,298,500 added
Just 51.1% of jobs lost in March and April have returned

Recovery:
Nonfarm jobs lost in March & April: 716,100 lost
Nonfarm jobs added May to December: 318,600 added
Only 44.5% of jobs lost in March and April have returned

-2,348,400 -194,200 95,600 162,500 161,800 165,200 262,700 120,000 -64,400 -64,400

-453,100 -40,700 40,300 146,800 60,500 75,400 31,200 -23,900
The Monthly Unemployment Rate

SA, Jan 2006 – December 2020

Unemployment Rate (SA)

LA County Unemployment Rate:
Up by 0.1 pp from last month
Up by 6.7 pp from last year

Source: BLS
Economic Growth in California: Expected to return this year...

Real GDP Growth Forecast

California

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3.4%</td>
</tr>
<tr>
<td>2020</td>
<td>-0.6%</td>
</tr>
<tr>
<td>2021</td>
<td>1.3%</td>
</tr>
<tr>
<td>2022</td>
<td>3.3%</td>
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</table>

Los Angeles County

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2.0%</td>
</tr>
<tr>
<td>2020</td>
<td>-3.0%</td>
</tr>
<tr>
<td>2021</td>
<td>2.8%</td>
</tr>
<tr>
<td>2022</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Sources: IHS, Forecast by LAEDC
The Labor Market Will Take More Time to Recover...

Unemployment Rate

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021f</th>
<th>2022f</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>4.1%</td>
<td>10.4%</td>
<td>9.4%</td>
<td>7.8%</td>
</tr>
<tr>
<td>LA County</td>
<td>4.4%</td>
<td>13.6%</td>
<td>9.3%</td>
<td>8.1%</td>
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</table>

Real Personal Income Growth

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021f</th>
<th>2022f</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>3.0%</td>
<td>6.2%</td>
<td>3.9%</td>
<td>2.4%</td>
</tr>
<tr>
<td>LA County</td>
<td>-4.8%</td>
<td>1.1%</td>
<td>2.8%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: BLS, BEA, Forecast by LAEDC
California Employment Forecast:

2 Year Employment Forecast

Sources: IHS, Forecast by LAEDC
Rent Burden

- Rent burdened households are defined as those that spend over 30% of gross income on living expenses
- Rent burden has decreased from 2009-2019*
- Rent Burden intuitively differs by income in California*
  - 91% of households making less than $20k
  - 87% of households making less than $50k
  - 78% of households making less than 75k
  - 50.7% of households statewide

### Share of Rent Burdened Households

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2019</th>
<th>% change over last decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>47.7%</td>
<td>45.1%</td>
<td>(5.4)%</td>
</tr>
<tr>
<td>California</td>
<td>52.8%</td>
<td>50.7%</td>
<td>(3.9)%</td>
</tr>
</tbody>
</table>

*Source ACS 2019 5-year Estimates (Latest year of data)
A Tale of Two Recoveries:
The Disparate Effects of COVID-19

An imbalance between rich and poor is the oldest and most fatal ailment of all republics.

–Plutarch, Greek historian, first century AD
The Disparate Impacts of COVID-19

- Cases
  - Hispanic
- Unemployment
  - High School Education
  - Generation Z (ages 16 to 23 years)
  - Identify as Black/Asian
- Low-Income Households
- Unemployment Benefits
- Remote Work
- The Digital Divide
- Small and Micro-Businesses
- Women
- Industry
  - Hospitality
  - Arts, Entertainment and Leisure
  - Nonessential Retail
  - Personal Care Services
COVID-19: Los Angeles County

Daily Cases and Deaths

Total Confirmed Cases by Race and Ethnicity

- Hispanic/Latino: 60.6%
- Other: 15.0%
- White: 14.0%
- Asian: 5.1%
- Black: 4.6%
- Native Hawaiian/Pacific Islander: 0.5%
- American Indian/Alaska Native: 0.2%

Source: LADPH
Unique Unemployment Insurance Claimants in CA As a Share of Labor Force (3/15/20 to 11/28/20)

Total UI, Regular and PUA Claimants

45% and above

Regular UI, High School Education or Less*

55% and above

*Excludes PUA claims

Source: CA Policy Lab
Unequal Effects of COVID-19: Workforce

• Employment Impacts Vary Dramatically
  • Low- and middle-income workers far likelier to lose job, remain out of work
  • Dichotomy of those who can/cannot work from home

• A disproportional amount of these low-income workers are persons of color and younger individuals
The Switch to Remote Work

Share of cohort able to work from home across the U.S.

- High School Degree: 24.5%
- Bachelor’s and higher: 67.5%
- White: 48.7%
- Black: 39.5%
- Hispanic: 28.9%

Source: American Time Use Survey
The Digital Divide
Weekly Unemployment Benefits Compared to Weekly Wages in Los Angeles County

- Median Family Income: $1,575
- Median Household Income: $1,400
- UI + FPUC: $1,050
- Median Year-Round, Full-Time Worker Earnings: $910
- "Very Low" Family Income: $800
- UI + LWA: $750
- Living Wage (1 adult): $600
- Basic UI: $450

Source: ACS 2019 1-year estimates
## Minority-Owned Businesses and PPP

**Average Days Since PPP Application Started to Loan Approval (First Round)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Days</th>
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</thead>
<tbody>
<tr>
<td>Majority-Black</td>
<td>31</td>
</tr>
<tr>
<td>Majority-Latino or Hispanic</td>
<td>30</td>
</tr>
<tr>
<td>Majority-Asian American</td>
<td>29</td>
</tr>
<tr>
<td>Others</td>
<td>29</td>
</tr>
<tr>
<td>Majority-White</td>
<td>24</td>
</tr>
<tr>
<td>Nonemployer</td>
<td>62</td>
</tr>
<tr>
<td>Employer</td>
<td>57</td>
</tr>
<tr>
<td>Employer</td>
<td>55</td>
</tr>
<tr>
<td>Employer</td>
<td>51</td>
</tr>
<tr>
<td>Employer</td>
<td>43</td>
</tr>
</tbody>
</table>

**Racial Breakdown of PPP Recipients**

- White: 76%
- Asian: 12%
- Hispanic: 8%
- Black or African American: 3%
- American Indian or Alaska Native: 1%

Source: SBA
More Women are Leaving the Labor Force

Change in U.S. Labor Force by Gender January 2020 to January 2021

- 1.8 million Men Separated from the Labor Force
- 2.5 million Women Separated from the Labor Force

58 percent of the 4.3 million people who separated from the labor force between Jan 2020 and Jan 2021 were women

- Women comprised 47% of Labor Force before COVID-19 (Jan 2020)
- Women accounted for 58% of those who dropped out (by Jan 2021)

Contributing Factors:
- Lack of childcare with closures
- Supervising online schooling for children at home
- High share worked in service sectors most impacted

Source: BLS
Inequity in Employment Impacts

• Year over year employment fell nearly 2x more than 2008/2009
  • Just as with ‘09, Los Angeles and other major cities fared worse than U.S. as a whole

• Workers hardest hit in:
  • Travel & Accommodation Services
  • Food & Drinking Places (aside from fast food)
  • Personal Care Services

Source: FRED
Unequal Effects of COVID-19: Industry

• Industries centered around personal contact & travel decimated
  • Lack of travelers: Revenue passenger miles down 73%
  • Personal services subject to closures by state/local governments

• Many industries awaiting vaccination
  • Delta Air Lines chief executive Ed Bastian: “Hopefully by the end of (20)21 we’ll be in a much more normal state”
Dichotomy between Wall St. & Main St.

Nonfinancial Corporate Business; Revenue from Sales of Goods and Services

Dow Jones Industrial Average (2015-2021)

Source: FRED
COVID-19 Vaccines*

• About 45 million doses distributed in the U.S.
  • 150 million worldwide
• About 5 million doses administered in CA
  • 20% (1 million) in Los Angeles
• Inequity in Distribution

* As of February 11th
Conclusions

As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest.

—Nelson Mandela
Thank you!