

Jobs recovery in Washington: Update with April 2021 data

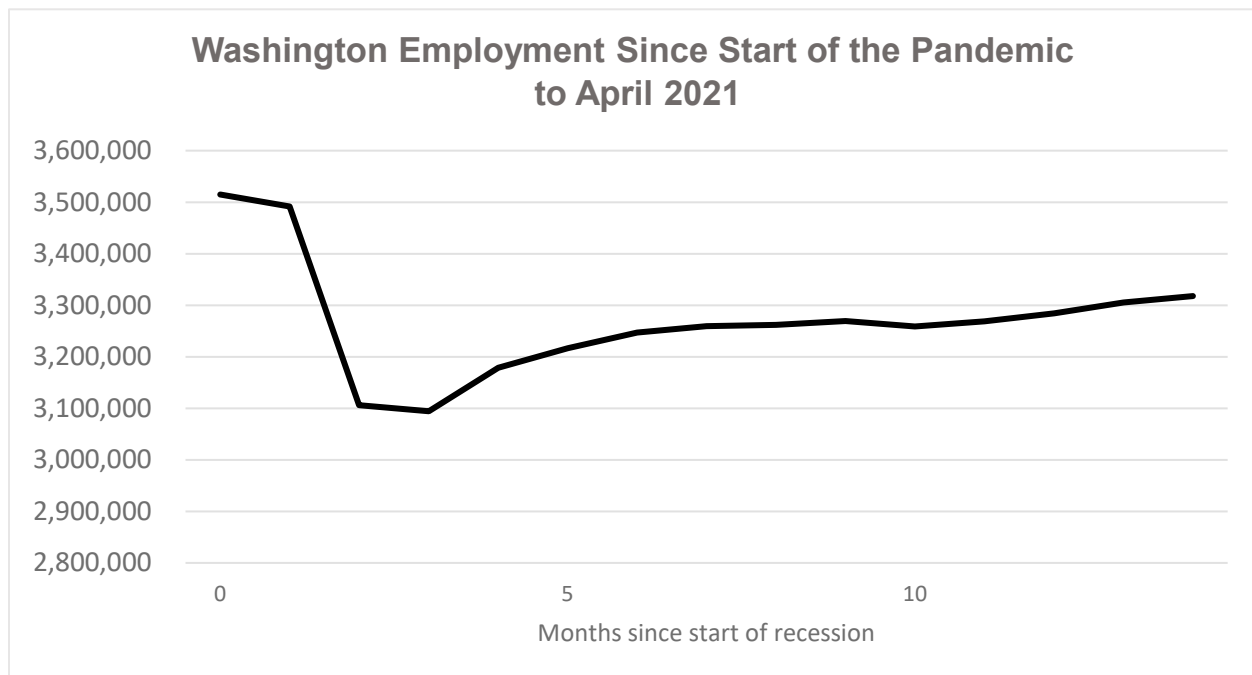
By Steve Cleverdon

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Positive economic news is everywhere these days, such as record-breaking home values, booming gross domestic product growth, soaring stock markets and growing retail sales. Somewhat lost in the exuberance is the reality of jobs — especially while thousands of Washingtonians remain out of work. This report looks at the jobs situation in Washington by using quarterly, benchmarked, seasonally-adjusted data from the Washington Employment Security Division.

The jobs recovery is incomplete.

Figure 1: Jobs are still 5.6% below the pre-pandemic peak

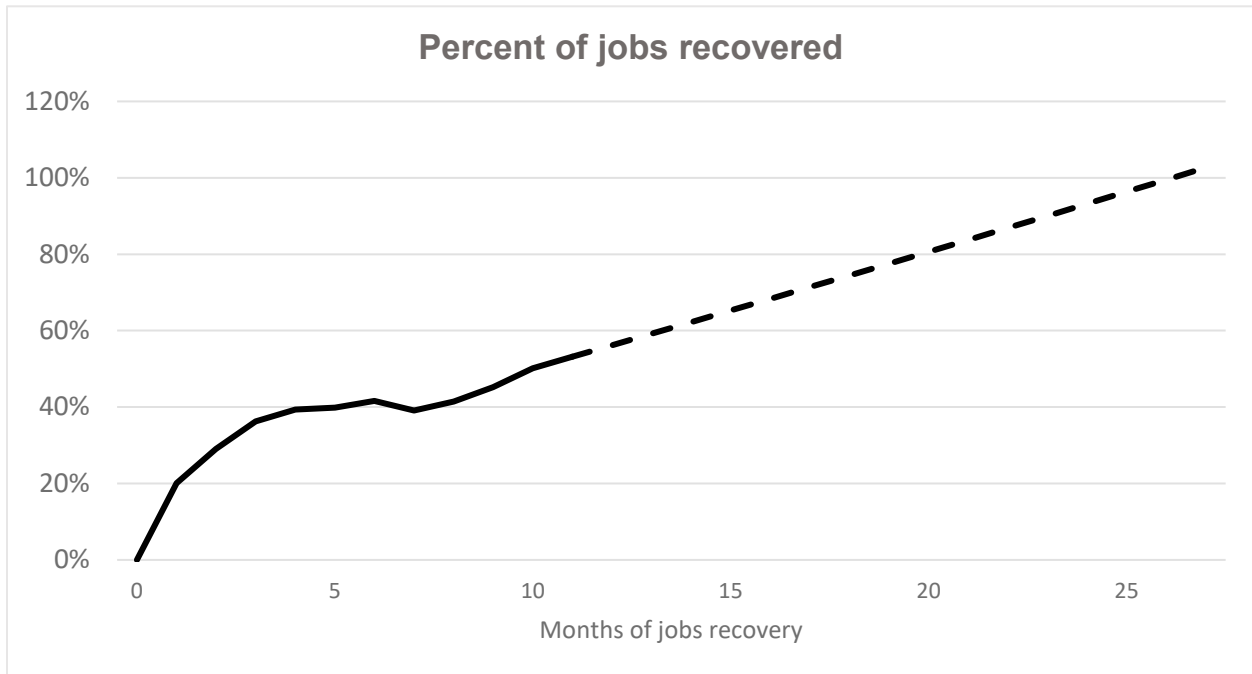


There were 3.5 million jobs in Washington before the pandemic. The jobs market got smaller when the pandemic hit, until it bottomed out in May 2021, losing 434,000 jobs. While the state is on a road to recovery, but the path is uneven. As the jobs market showed signs of life, a winter virus surge stalled the recovery.

The path to full recovery is still incomplete and remains uncertain. We don't yet know how many jobs have been permanently lost and how much scarring has the economy suffered. This will become clearer as the state emerges from the pandemic and the pace of jobs recovery unfolds.

When will jobs recover?

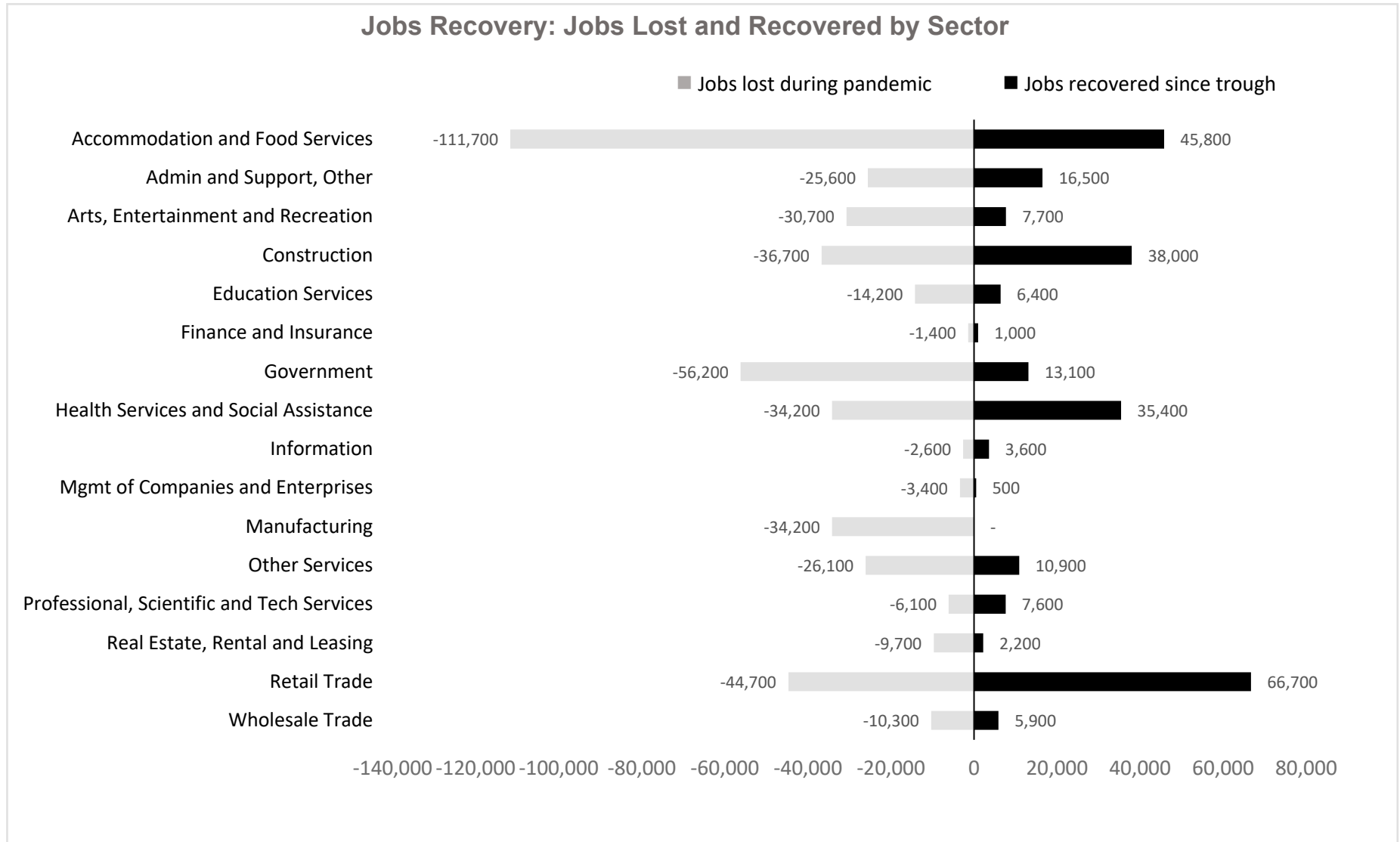
Figure 2: At the current rate of job growth, net jobs will fully recover by October 2022



If jobs growth continues at the current pace, then we can expect to see the number of jobs recover by October 2022. This is not a forecast, but it gives us an idea of the strength of recent job growth and the severity of job loss. While some sectors have fully recovered already, recovery occurs unevenly across sectors and many displaced workers will likely return to new jobs in different sectors.

Some sectors have fully recovered.

Figure 3: As of April 2021, five sectors have fully recovered



The impact on jobs is uneven across sectors, partly because some adapted to social distancing measures while others could not. Consumer preferences also changed. For instance, fewer households went on holiday and many spent more on home renovation projects. This hurt the recreation and accommodation sectors but was a boon to retail trade and construction. Aggregate, individual decisions such as this combined to alter consumer preferences for goods and services, and impacted workers in those industries.

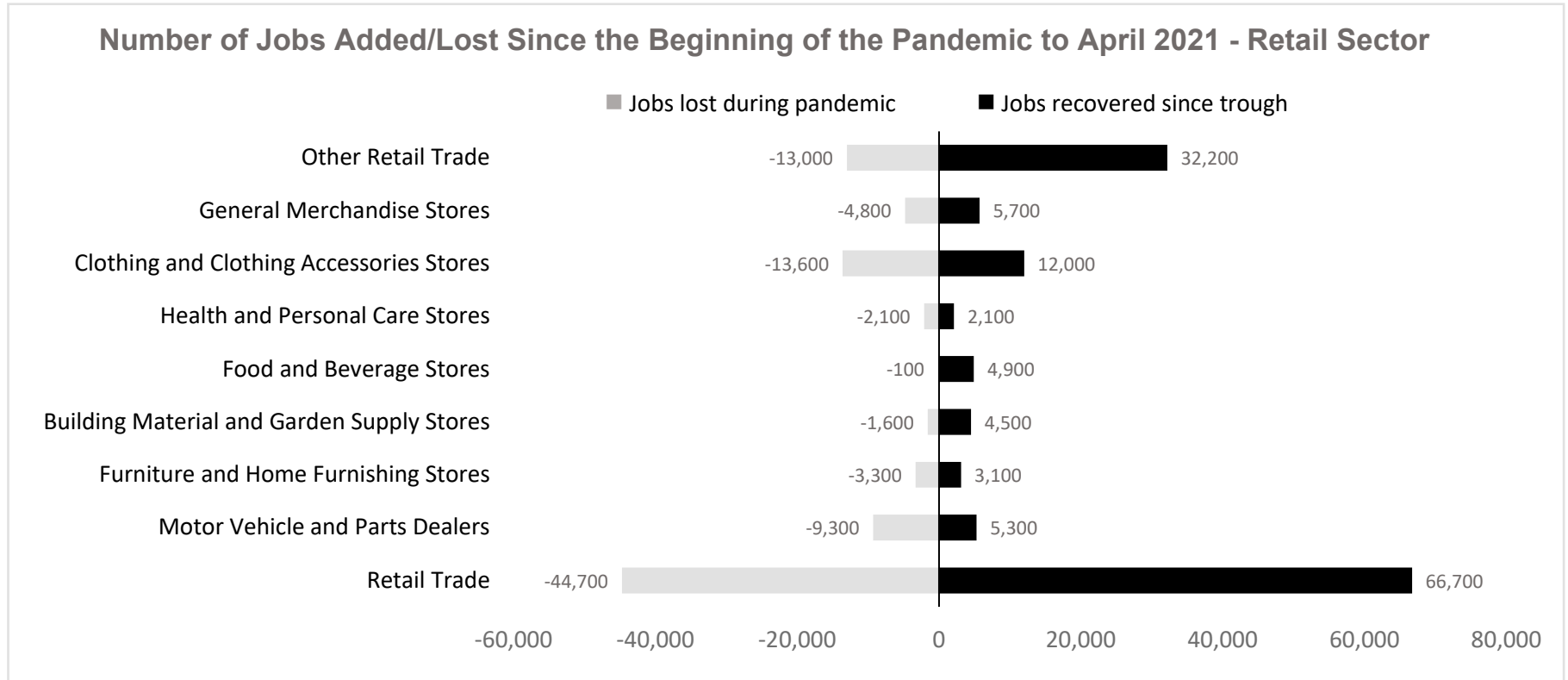
Five sectors fully recovered: construction, information, retail trade, professional, scientific and technical services, and health services and social assistance.

The three sectors that lost the most jobs are: accommodation and food services, government and retail trade. Out of that group, the accommodation and food services sector lost the most jobs and have only recovered 41% of those jobs. Retail trade recovered more than any other sector by increasing employment by 149% from the darkest days (when employment bottomed out in April/May 2020) of the pandemic.

The sector with the lowest jobs recovery percent is manufacturing. This sector continues to shed jobs and employs fewer people in April 2021 than any other point during the pandemic.

What is happening in the retail trade sector?

Figure 4: Other retail trade added 22,000 jobs to pre-pandemic levels



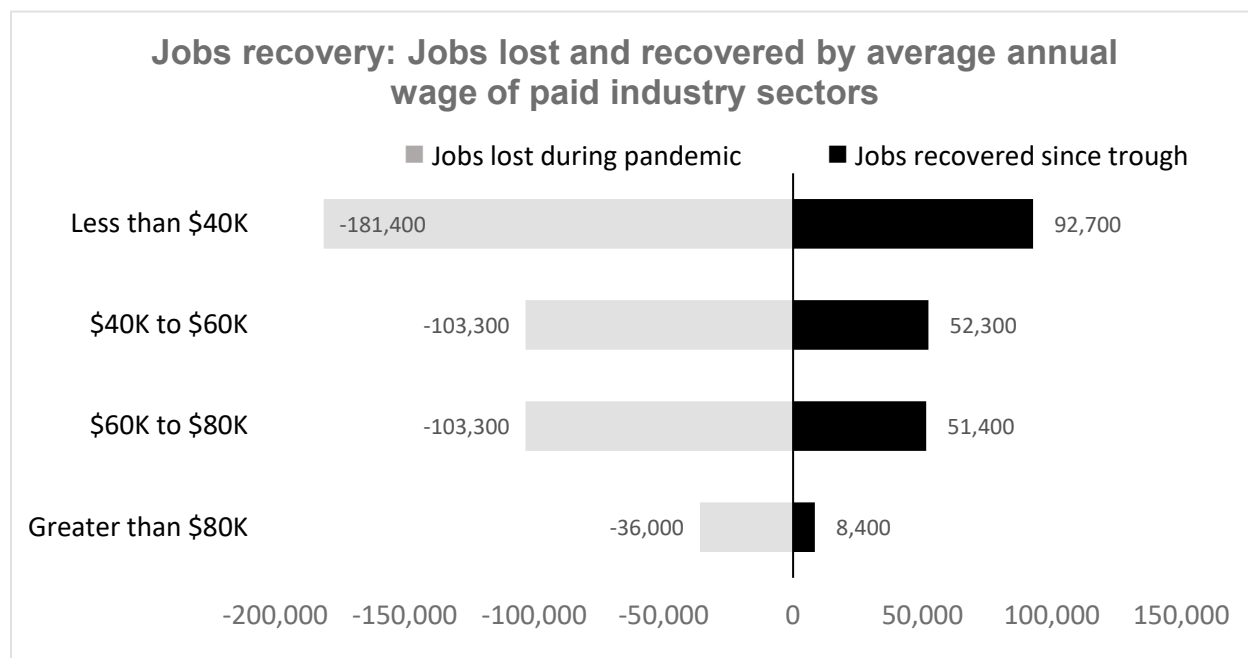
The retail trade sector has gained more jobs than any other sector since the start of the pandemic. Sub-sector gains are uneven, and the biggest winner is the other retail trade sector. Other retail trade encompasses five sub-sectors, so we can't say with certainty why this sector fared so well, but we have some ideas. This sub-sector includes:

- Electronics and appliance stores
- Gasoline stations
- Sporting goods, hobby, book and music stores
- Miscellaneous store retailers
- Nonstore retailers

Nonstore retailers employ the most of this group and are the likeliest reason for large employment gains. They are mostly online retailers, but also include other home delivery companies. The employment growth could be caused by a shift away from traditional brick-and-mortar retailing to e-commerce. This would explain job growth despite reduced foot traffic and stay-at-home orders. E-commerce has been gaining retail share for years, but the pandemic may have accelerated these trends at the expense of traditional retailers. We don't yet know whether consumers will return to malls and downtowns as the pandemic winds down or if there is a more permanent shift to shopping from the comfort of one's couch.

Low wage sectors are hardest hit

Figure 5: The lowest paying sectors recovered 49% of lost (net) jobs



We categorized industry sectors into groups based on the average wage that the sector paid (according to Washington employment and wage date published by the Employment Security Division). We found industries that pay a lower average wage had more job losses. This shows that lower wage earners were more likely to lose their job during the pandemic than higher income earners. Even though this measure shows industrywide layoffs, we can infer that this trend probably holds at the individual level and that lower wage earners are more likely to be unemployed.

The news is not all good for higher-paying sectors. Even though these sectors shed fewer jobs (just 36,000), they have only regained 8,400. This means they are still 27,600 jobs shy of pre-pandemic highs.

Sectors with average wages below \$80,000 gained back a greater share of lost jobs, but they lost more jobs. The sector grouping with the most job loss was those that pay an average wage below \$40,000. These sectors collectively lost 181,400 jobs but have regained 92,700, putting them 88,700 jobs below pre-pandemic levels.

This jobs recovery is different from the last

We compared job losses during the pandemic to those during the last recession by combining industry average annual wages that each industrial sector paid, using data from the Employment Security Division.

This downturn is far more severe for the lowest wage-paying sectors but is less severe for sectors with average, annual wages above \$40,000. During the Great Recession, the lowest-paying sectors lost fewer jobs and recovered faster, which is the opposite of the pandemic. Currently, the lowest-paying sectors are hit the worst. They lost the most jobs and are farthest from a recovery.

A striking feature of the Great Recession was not just the depth of job loss, but how long the recovery took. The recovery took 78 months for sectors, paying an average annual wage between \$60,000 to \$80,000. The pandemic jobs recovery is already on pace to beat the recovery for sectors paying more than \$40,000. The great unknown is just how long the lower-wage sectors will take to recover. This is especially uncertain because many of these sectors need an open economy to fully recover, and many food and drink establishments are permanently closed.

Figure 6: At 15 months into the pandemic: sectors with an average, annual wage below \$40,000 are 11.6% below the pre-pandemic peak, compared to down 2.7% at this same stage of the Great Recession

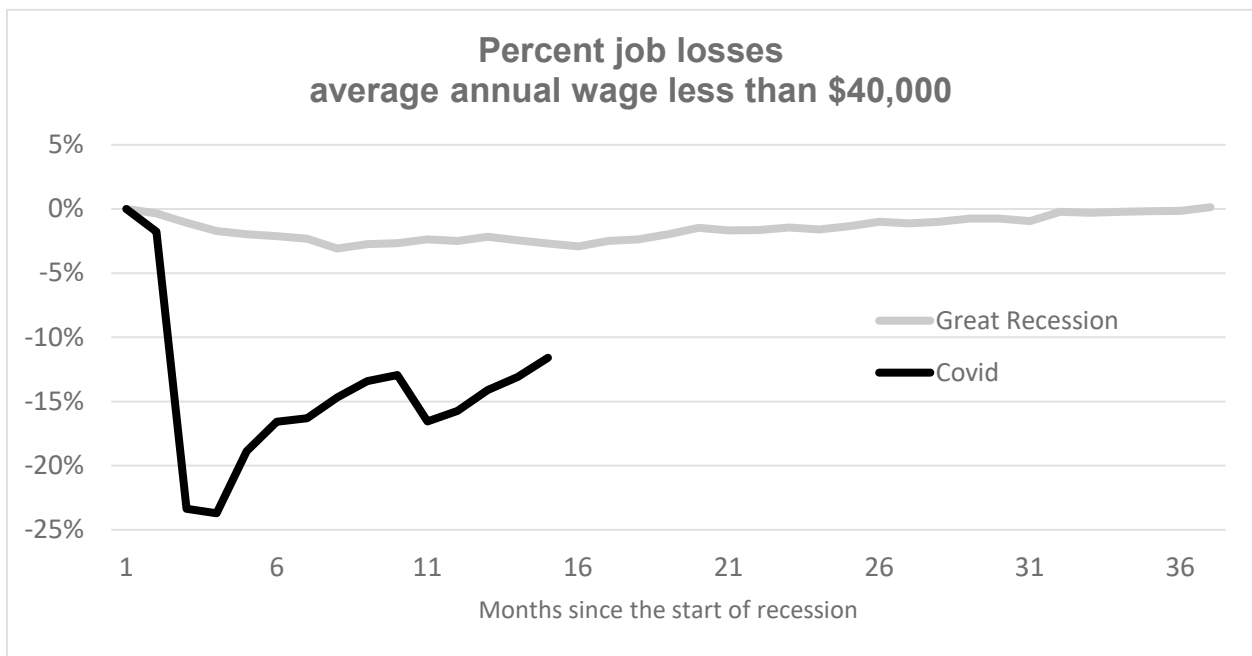


Figure 7: At 15 months into the pandemic: sectors with an average, annual wage between \$40,000 and \$60,000 are 6.8% below the pre-pandemic peak, compared to down 9.5% at this same stage of the Great Recession



Figure 8. At 15 months into the pandemic: sectors with an average, annual wage between \$60,000 and \$80,000 are 5.2% below the pre-pandemic peak, compared to down 6.0% at this same stage of the Great Recession



Figure 9. At 15 months into the pandemic: sectors with an average, annual wage above \$80,000 are 3.1% below the pre-pandemic peak, compared to down 4.4% at this same stage of the Great Recession

